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ORIGINAL PAPER

# Introduction: The Nonprofitization of the Welfare State

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**Abstract** This brief article introduces the Special Issue "Unlikely Partners? Evolving Government-Nonprofit Relationships, East and West", which calls attention to a growing pattern of "nonprofitization" of the welfare state in countries stretching from Western Europe, through Central Europe and Russia, and into Central Asia and the Far East to determine what lessons they might hold for the Russian experience and for the evolution of the modern welfare state more generally.

**Rèsumè** Ce court article présente le numéro spécial «Des partenaires improbables? Évolution des relations entre les gouvernements et les organisations à but non lucratif à l'Est et à l'Ouest», qui examine de manière approfondie les différents modèles de «non lucratisation» de l'État providence dans les pays d'Europe

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occidentale, d'Europe centrale, d'Asie centrale et d'Extrême-Orient, pour déterminer les leçons qu'ils pourraient tirer pour l'expérience russe.

**Zusammenfassung** Dieser kurze Artikel präsentiert die Sonderausgabe „Unwahrscheinliche Partner? Die Entwicklung der Beziehungen zwischen Regierung und Non-Profit-Sektor, Osten und Westen"(„Unlikely Partners? Evolving Government-Nonprofit-Relationships, East and West"), die sich eingehend mit den verschiedenen Modellen der „Nichtprofitisierung"[d. h. die Verlagerung in den gemeinnützigen Sektor] von Sozialstaaten in Westeuropa, Mitteleuropa, Zentralasien und Fernost beschäftigt, um zu ermitteln, welche Lektionen sie unter Umständen für Russland bereithalten.

**Resumen** Este breve artículo presenta el número Especial "¿Socios improbables? Relaciones en evolución gobierno-organizaciones sin ánimo de lucro, este y oeste," que examina diversos modelos de "organización sin ánimo de lucro" del estado del bienestar en países en Europa Occidental, Europa Central,, Asia Central y Lejano Oriente para determinar qué lecciones podrían servir para la experiencia rusa.

**Keywords** Government-nonprofit cooperation · Welfare state · Nonprofit organization · Central and Eastern Europe · China

This Special Issue of *Voluntas* originated in an email message I received in November of 2013 from Prof. Dr. Lev Jakobson, director of the Center for Studies of Civil Society and the Nonprofit Sector at the National Research University Higher School of Economics in Moscow, inquiring whether I would consider serving as the Scientific Director of a new International Laboratory for Nonprofit Sector Studies in Moscow to examine, among other things, government support of Russian nonprofit organizations.

"Nonprofit sector? Russia? Government support?"

This was the series of questions that flashed through my incredulous mind, as I suspect they would of many of my international nonprofit research colleagues. After all, this was a country best known in the West for its authoritarian suppression of nonprofit organizations as reflected most recently in its 2012 passage of a discriminatory "foreign agent" law designed to clamp down on foreign funding of nonprofit organizations. What government support to nonprofit organizations might there be in such a setting? Indeed, focusing on Russian developments that preceded the foreign agent law, observers in the West were declaring the end of what I once termed the "global associational revolution" (Salamon 1994) and proclaiming instead the coming of a "global associational counter-revolution" (Rutzen 2006).

How wrong I was!

It turns out that Churchill had it right when he referred to Russia as "a riddle wrapped in a mystery inside an enigma". At the least, his insight is spot on when it comes to the world of nonprofit action. For, here as well, Russia is a land of alternative realities. As it turns out, side-by-side with its "foreign agent" law Russia has quietly been fashioning one of the most comprehensive, if still embryonic, tool kits of supports for its growing nonprofit sector of any country anywhere. Initially

articulated in a 2009 Government Decree outlining "A Concept to Facilitate the Development of Charitable Activities and Volunteering in the Russian Federation," and ultimately embodied in a series of laws and decrees over the next 3 years, this NPO tool kit embraces an extraordinary array of tools for strengthening and supporting so-called socially oriented nonprofit organizations (SONPOs) in the Russian Federation. Included are *grants* to stimulate regional funding support programs for such SONPOs; changes in *contracting law* intended to facilitate local authority use of the contract tool to engage nonprofits in the delivery of formerly exclusively state-provided human services; a new program of *assistance* to promising nonprofit support organizations to provide the training and technical assistance that grassroots SONPOs will need in order to carry out these new responsibilities; direct *training and information sharing* by various central ministries and training organizations; incentives to encourage regional authorities to make *office space* available to nonprofits for free or below-market cost; and a variety of *tax incentives* to stimulate charitable giving and volunteering and reduce taxes on nonprofits.

What quickly became apparent is that something important was potentially happening in this still state-dominated social welfare system, and something that had echoes of similar developments that were either well-along, still-evolving, or just aborning in disparate other parts of the world and that deserved to be better analyzed and understood. This Special Issue arose from that realization and from the thought that this might therefore be a fruitful moment at which to assess the evolving pattern of government–nonprofit relations in the disparate array of welfare regimes stretching from Western Europe, through Central Europe and Russia, and into Central Asia and the Far East to determine what lessons they might hold for the Russian experience, and perhaps even more so, for our understanding of the broader restructuring of the modern welfare state, both east and west, that they represent.

To that end, this Special Issue brings together a series of papers commissioned under the auspices of what ultimately became the International Laboratory on Nonprofit Sector Studies at Russia's Higher School of Economics and initially delivered at a conference in Moscow in November 2014. Included are several framework articles, two articles growing out of the research that this Laboratory is completing on the new tool kit of government support programs for nonprofit organizations, several articles examining various Western European experiences with government–nonprofit cooperation, and several articles examining evolving government–nonprofit cooperation in three other eastern countries—Poland, Kyrgyzstan, and China. The result is a rich potpourri of insights into an important phenomenon, that I have termed the "nonprofitization" of the welfare state, and that seems to be underway in a wide assortment of countries around the world, but that has largely escaped close scrutiny and serious public and policy attention.

## Concepts and Context

The Special Issue begins where it must, with the basic theoretical and ideological blinders that have long kept government–nonprofit partnerships "invisible in plain view". Those blinders have afflicted ideologues on the right and the left who,

respectively, wish to exaggerate the capabilities of the nonprofit sector in order to undercut demands for state action, or understate those capabilities to justify state expansion. But they have also afflicted many economic theorists who can find no other theoretical justification for the nonprofit sector except to fill in for gaps in state services; and numerous theorists of the welfare state, who have been sufficiently fooled by their own terminology to overlook the fact that what has been created in practice have, in many cases, been welfare partnerships instead. Lost from view is the fact that governments and nonprofits are the yin and yang of modern social policy, with superbly synched patterns of strengths and weaknesses. This lead article therefore suggests an alternative set of conceptual equipment that makes better sense of government–nonprofit cooperation, but does so in ways that go well beyond the "new public management" orthodoxy that has recently dominated public administration—and public policy—thinking.

This first conceptual and contextual section of the Issue continues with an overview by scholar Linda Cook of the evolution of the welfare state in the region of the world about which perhaps this is least well-known—Central Europe and the states of the former Soviet Union to the East. Cook points to an interesting paradox in the evolution of these two regions: on the one hand, these two areas have moved in different directions and at different speeds, in important part because of different historical legacies, and in part also because of the significant influence of the European Union in the Central Europe sphere; but, remarkably, they now seem to be converging on a common recognition of the importance of government–nonprofit cooperation as an antidote to the frequently lackluster performance of government institutions in supplying (as opposed to paying for) social welfare services.

## Russian Realities

Against this backdrop, the Issue then dives into the largely unexamined and only partially-known Russian realities. In the first article in this section, Vladimir Benevolenski, Lev Jakobson, and I try to unravel the dual realities represented by the nearly concurrent appearance of a set of repressive regulatory provisions affecting nonprofit organizations (NPOs) and a quite thoughtful battery of new nonprofit support programs that together characterize the current Russian reality. Since much of the attention outside of Russia has focused on the regulatory provisions to the exclusion of the support programs, much of the attention in this article focuses on the latter and on the considerable scale that the indigenous nonprofit sector has achieved in Russia. More than that, the article then tries to unravel the apparent contradiction between the restrictive and supportive dimensions of official Russian policy toward the nonprofit sector utilizing in the process a set of analytical models first articulated by political scientist Graham Allison in his analysis of the Cuban Missile crisis.

The next chapter in this section calls attention to another paradox of the contemporary Russian reality: the presence of a robust regional diversity both in economic and political terms in what is regularly characterized as a centralized, authoritarian country firmly controlled from the top along Vladimir Putin's famed

"vertical of power". In quick order and with mathematical precision, political scientist Thomas Remington pokes a giant hole in this image, documenting not only the enormous socio-economic diversity of what in Russia are termed "subjects of the federation", or regional governments, but also the considerable leeway still left to regional political authorities to forge distinct regional pathways toward the goals articulated at the center—including distinct relationships with local economic and social elites, and with nonprofit organizations as well.

Equipped with this insight, three of the scholars at the International Laboratory for Nonprofit Sector Studies at the Higher School of Economics report on the preliminary results of the research project undertaken by the Lab to examine how the new Russian tool kit of nonprofit support programs is working at the ground level in eight of these diverse Russian regions. The research to date documents the seriousness with which regional authorities have embraced the new policy initiatives and has unearthed a rich vein of pre-existing regional programs of support to nonprofit organizations that the national programs are now building on and encouraging. At the same time, they document the embryonic character of what is still a pilot-project effort and the frustration of local nonprofit organizations with the limited scale and duration of the resulting support.

## The Western European Experience

While Russia is a relative newcomer to government–nonprofit partnership, there is a rich history of such partnerships in Western Europe, though the reality of this partnership has been obscured behind the state-centered imagery of the "welfare state" concept. Perhaps the "poster child" of this phenomenon has been *the Netherlands*—a country with a highly developed government-funded social welfare system but also an enormous private, nonprofit sector that engages by far the largest workforce of any major industry in this country. How can this be so? As Taco Brandsen and Ulla Pape demonstrate, the Netherlands forged a powerful government–nonprofit partnership—not just recently, but nearly 100 years ago—to settle a battle over control of its school system. The solution, forged in classic Dutch collaborative style, was to enlist the state as the fundraiser not just for the country's public schools, but for its rich array of religiously affiliated and secular private ones as well, and to leave to parents the decision about where to have their children educated. This same pattern was then applied to each other arena of social welfare policy into which the Dutch "welfare state" expanded—health, higher education, nursing homes, even foreign assistance—creating a complex pattern of social policy "pillarization". As Brandsen and Pape show, the secularization of Dutch society has weakened the religious ties that formerly animated this pillarized system of social service provision, but the nonprofit organizations that formed its core remain, albeit with some diminished sense of their uniqueness as nonprofits.

*France*, on the other hand, is almost as much a newcomer to government–nonprofit relationships as Russia. France outlawed nonprofit organizations in the aftermath to the French Revolution on grounds, inspired by the theories of Rousseau, that they represented partial interests and were therefore in conflict with

the general interest of citizens expressed through democratically elected government. Although the legal prohibitions were terminated late in the nineteenth century, the statist tradition governed the shape of most policy spheres until the 1960s, and in a real sense until the 1980s when the socialist government of Francois Mitterrand—concerned about citizen dissatisfaction with the quality of state-delivered welfare services—pushed through a major decentralization of government responsibilites and empowered local governments to reach out to nonprofit organizations to assist in the delivery of important social welfare services. As Edith Archambault reports, the ultimate upshot was to forge a lasting partnership between the state and nonprofit groups in the provision of human services.

Different yet is the experience of government–nonprofit relations in *Italy* as recounted by Costanzo Ranci. This relationship has long been enmeshed in the complex relationships between Italy's successive governments and the Catholic Church. Church-run nonprofit organizations were thus nationalized early in the post-unification period, although they often continued to be run by Church personnel. Partnership arrangements did develop between government and third-sector organizations in subsequent decades, but these were heavily based on clientelism and political patronage. Beginning in the 1980s, and more so into the 1990s and beyond, these partnerships have been expanded, new forms of "social cooperatives" have emerged, and major efforts have been made to replace the clientelistic pattern of state-nonprofit interaction with one based on market principles of transparency, open competition, and citizen participation. While this shift has made progress, however, the old style patterns still retain their hold in the form of a "jointly managed competition system" characterized by a limited number of potential suppliers, pre-selected either formally or informally through arrangements between local authorities and the main service providers, thereby greatly limiting competition. For close observers like Prof. Ranci, the result looks a bit too much like "old wine in a new bottle".

## Further Rumblings in the East

Russia's closer neighbors have also been bitten by the "nonprofitization" bug. One of the most striking of the cases is *Poland*, which, like Russia, has been in the midst of a post-communist transition. The Polish story is notable, however, for the distance the country has moved down the road toward an active partnership between government and the nonprofit sector over the ensuing 25 years. To be sure, it would be wrong to see in Poland a replica of a Western European "welfare partnership". The holdover from 45 years of communist control is not completely erased so easily. But, as reported by Sławomir Nałęcz, Ewa Leś, and Bartosz Pielinski, in the 25 years since the fall of the communist government, Poland has grown a quite robust, if still evolving, nonprofit sector the financing of which now bears marked resemblance to those in Western Europe—with 45 % of the revenues coming from government sources. Key to this Polish miracle have been a variety of factors: the post-1989 near-collapse of the pre-existing system of social protections as a result of the rapid adoption of market reforms necessitating the creation of indigenous

nonprofit organizations to take up some of the slack; the significant decentralization of governmental authority (á la France) that led to a flurry of outsourcing to nonprofit providers by newly empowered local authorities; the process of European Union accession, which gave added support to the creation of a new legal framework more conducive to nonprofit involvement in both the formation and execution of government policy; and, perhaps most significantly, the actual accession to EU membership, which brought with it access to EU structural funds and substantial programmatic support to Poland's nonprofit organizations. Despite these developments, however, Polish nonprofits remain highly vulnerable, heavily dependent on short-term contracts, with still-limited access to public procurement procedures, and facing a general pull-back of the state from the financing of human services.

Of great importance to all of these countries as cooperation with government expands is not just the quantity of government support but also the quality of the interaction. And this depends heavily on the tools of government action utilized and the specific operational features these tools embody. Too tightly regulated, outsourcing can become a prison that undermines the very features that lead governments to turn to nonprofits for assistance—their flexibility, innovativeness, and community ties. On the other hand, too loosely managed, outsourcing can become an invitation to corruption, inefficiency, and waste. Some tools—such as grants—play to the strengths of nonprofit providers, while others—such as vouchers—put them into competitive market situations in which marketing skills and access to capital become critical, neither of which are areas of particular nonprofit strength. Failure to ensure a level playing field for nonprofits can thus doom the most sincere effort at engaging nonprofit talents.

One country that has confronted this challenge head-on, somewhat surprisingly, is the former Soviet republic of *Kyrgyzstan*. Now an independent state, Kyrgyz authorities, working with nonprofit leaders, have formulated one of the most progressive and nonprofit-friendly draft laws on social contracting available anywhere, with strong provisions guaranteeing transparency and nonprofit access, and with multiple forms of assistance for different types of services and purposes. In her chapter on this legal reform, attorney Yulia Shapovalova explains how this came about and what key principles and features came to be embodied in the resulting legislation.

Last, but not least, is the evolving pattern of government–nonprofit relations in contemporary *China*. Nonprofit organizations have long been an anomaly in modern China. But in a system characterized by rigid state control of most aspects of life, nonprofit organizations are carving out a zone of partial freedom. In a setting in which government claims to be the provider of all public goods, nonprofits are occupying sizable arenas in which government action has been lagging and where nonprofits are finding space to operate. Unlike their frequent role as critics of the state, in China both nonprofits and government are searching for modes of cooperation. Most of all, in a society where nonprofit organizations are assumed not to exist, the number of registered nonprofit organizations in China has mushroomed to the point where it rivals the number of nonprofit organizations that file the information form (Form 990) required of all registered nonprofits in the United

States. In a revealing analysis of this complex Chinese nonprofit scene, Prof. Zhang Yuanfeng reports that China is now in the midst of a third major reform of its system for dealing with nonprofit organizations. Most important for the purposes of this special issue is that this third reform has involved not only a significant deregulation of NPO activity and the partial termination of the previous "dual management system" that kept NPOs under the administrative control of state-supervised institutions, but also a substantial increase in governmental support to NPOs and government partnership with nonprofits in the delivery of crucial services.

## Conclusion

In short, in different ways, and in widely differing environments, a signficant process of "nonprofitization" of the welfare state is taking place as governments turn increasingly to nonprofit organizations to assist in carrying out publicly funded functions. To be sure, the state is not surrendering its role as a guarantor of public wellbeing. Nor is it totally eliminating its service delivery role. But something quite significant is still afoot, suggesting a growing realization of the limitations facing exclusive reliance on state institutions in the delivery of important human services and of the special qualities that nonprofit organizations can bring to the social welfare arena as an active collaborator of the state. How far this process will proceed, and what intended or unintended results it will bring in its wake, is still far from clear, but this is clearly a development well worth watching.

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