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The passage of the so-called Hartz Laws 2003-2005, which fundamentally restructured Germany's social and employment policies, as well as the launching in the late 1990s of programs targeting social exclusion on a territorial basis have introduced the concept of social exclusion, which heretofore had not been widely used either in political or academic discourse in Germany. However, as in other European Union countries, where anti-poverty policies have been framed in terms of social in- and exclusion for some time (such as Great Britain and France), there is hardly a consensus about the nature of social exclusion, who is affected, or how to resolve it. While the term is vague in reflecting the complexities of the problems associatiated with urban decline, it is clear in two aspects: exclusion pertains primarily to the labor market, and a crucial role is assigned to participation and to third-sector organizations or nonprofits, with an aim to foster the 'activation' of various disadvantaged groups in low-income and marginalized communities.

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Drawing on some recent empirical research, this article analyzes the design and implementation of the 'Social City' program as well as effects of the recent welfare and labor market reforms in terms of the role their activation and participation strategies play in combating social exclusion. In a first section, the context of the transformation of (local) social policies is sketched, highlighting the background of the new geography of social need in German cities as well as the increasing role for civic engagement and local activism in the policies dealing with these needs. The following sections present, in turn, findings from the implementation of the 'Social City' program and from the implementation of the new employment policies through nonprofits. In both of these policy fields, the focus on 'active citizenship' and 'empowerment' is found to play a profoundly ambivalent role.

1. The Emergence of Activating Policies in the German Context

In the late 1990s, when unemployment first went above the 4 million threshold and became *the* campaign issue of the 1998 election, the Social Democrats devised the concept of the 'activating state' thereby reformulating traditional social-democratic thinking. According to this concept, the state is supposed to promote and enable the activities of its citizens rather than merely hand out benefits and thereby enforce the "passivity" of citizens. While 'activation' also referred to the administration as a precondition for activating citizens (van Berkel/Roche 2002), it has been most central to the SPD strategy of addressing the morality of the "new middle" voter base and, by activating the supposedly passive jobless, to the SPD's fight against unemployment (cf. Hombach 1998).[1] As similar reorientations in North American or British policy, the 'Third Way' strategy of activating citizens resonates with conservative calls for more self-responsibility of citizens. In fact, a crucial element of the 'activating state' is the call for reciprocity: "no rights without

[1] Bodo Hombach, who formulated this concept most poignantly, was Schröder's adviser and minister in the first Red-Green coalition government.

responsibilities" (in the Giddens formulation, 1998:65) translates into "Fördern und Fordern" (supporting and demanding), which has become the key principle of the new German approach to labor market policy (Hombach 1999:44), linking any benefits or support to specified duties of the 'clients'. Further, the 'activating state' is also meant as a tool to increase 'flexibility' in the labor market, especially on the supply side (Blair/Schröder 1999:889), and to expand the low-wage (service) sector (Heinze/Streeck 2000). A guiding assumption (expressed in a new vocabulary that has replaced traditional terms such as 'poverty' or 'equality' with 'social exclusion' and 'social cohesion') of this policy shift is that poverty/'social exclusion' is best addressed by attaching people to the labor force (rather than aiming at greater equality as measured by income), hence the emphasis on integrating welfare recipients into programs for jobseekers.

The relaunch of the German labor market and welfare regimes, which followed from this reorientation and which was accomplished through the Hartz reforms (cf. Hans Böckler Stiftung 2006), has impacted not only on the benefit recipients, but also on the service providers and agencies implementing these policies and delivering the new benefits, including the third sector nonprofits concerned with servicing the jobseekers and especially those "difficult to integrate." Many of these nonprofits are community-based, either rooted in their neighborhoods or, even if not 'home-grown', tasked to serve specfic "needy areas," where the poor and unemployed increasingly concentrate and where their plight is seen to be intensified by the features of the blighted, disadvantaged neighborhood they inhabit. The nonprofits servicing these disadvantaged groups now have to deliver enhanced self-activity of their clients, are called upon to nurture and make use of 'social capital' and 'endogenous potentials' in their work fields, and are involved, as civil society 'stakeholders', in new local partnerships between the municipality, the employment office and private sector actors. Participatory structures, in other words, are emphasized at every step of the way in the implementation of welfare and labor market reform.

Another new program has been even more explicit about requiring the participation of (disadvantaged) residents as well as that of community-based organizations: a -- for

Germany novel -- territorially-oriented program, which the federal government established, together with the states, in 1998 in order to address the new forms of urban inequality and marginalization concentrating in certain deprived neighborhoods.

This program, called "Soziale Stadt – Neighborhoods with a particular need for renewal" (frequently translated into English as 'Socially Integrative City', in this text literally translated as 'Social City'), began to be implemented in 1999 with the stated goal to improve the living conditions of residents of disadvantaged neighborhoods through an "active and integrative urban development policy" (Döhne/Walter 1999:25), and thus is comparable in many respects to similar programs, which had been put to work in other European countries since the 1980s, such as the National Strategy for Neighborhood Renewal in Britain, or Developpement Social des Quartiers and Regies du Quartiers in France. All of these seek to "activate" or empower spatially defined needy groups and thus to enhance the social cohesion of the city.[2]

The insertion of German cities into the global economy has brought with it more competitive and entrepreneurial forms of urban development, and an urban political system that has expanded to include civil society 'stakeholders'. These two trends have been accompanied by a third, equally characteristic of the current structural transformation and political re-orientations: intensifying social inequalities and the erosion of established welfare rights, which together have contributed to new processes of exclusion (cf. Mayer 1994). This third trend was exacerbated in Germany when the initial unification boom slowed down, and the opening of Eastern Europe intensified locational competition, confronting German regions with extreme low-wage locations right outside their doorstep. At the same time, cities became the destination of a huge influx of migrant workers, civil war refugees and illegal immigrants from Eastern European as well as third world countries.

[2] Besides these legally stipulated forms of grassroots participation in combating social exclusion, more spontaneous, voluntary forms continue to exist, such as social enterprises and a variety of third sector organizations that are not tied into state-orchestrated programs to deliver specific services to needy populations. However, this article focuses on exploring the role of participation and empowerment in the new state policies.

Inside cities, these developments produced overlapping sets of problems, as poverty migration targeted the inner cities, while middle and higher income households continued their suburban out-migration, and as more and more manufacturing was outsourced, laying off domestic workers, while the service sector could not compensate for the disappearing jobs. Since 1993 the numbers of unemployed[3] and welfare recipients[4] have been consistently on the rise. Municipal budgets have been affected dramatically, their incomes from taxes dwindling, but their expenditures, especially social expenditures, exploding.[5]

The rising unemployment rates have played a particularly crucial role in shaping the new urban polarization, not just through the high levels of unemployment[6], a growing part of which has turned into long-term (structural) unemployment, but particularly because its spatial concentration and combination with other forms of structural discrimination have led to whole neighborhoods getting caught in a "downward spiral" of economic, social, and infrastructural erosion reinforcing poverty, and to the permanent exclusion of disadvantaged groups from the labor market and everything it entails. The labor market problems, initially a result of the globalizing economy, are therefore in many areas no longer filtered and buffered by urban infrastructures of housing and social services. To the contrary, they are intensified through housing problems and the cumulative combination with other forms of social, cultural, and political disadvantage. Whatever integrative

[3] In 1993 the number of registered unemployed (not counting those in active labor market programs) was 3.4 mio, in 1997 4.3 mio, by 2005 5.2 mio (cf. Bundesagentur für Arbeit 2005). The official numbers have since decreased, but the unemployment statistics as well as those measuring the numbers of recipients of welfare benefits have become more questionable since the Hartz reforms (cf. Schröder 2007).

[4] The number of welfare recipients started rising in the early 1980s: 1982 for the first time in post-war Germany counted more than 1 mio recipients, in 1991 the 2 mio mark was surpassed. The number decreased (by 450.000) in 1994 when asylum seekers were put on a different kind of benefit, but in the following years the numbers of welfare recipients continued to rise, reaching 2.76 mio by 2002 (3.3%) (cf. Statistisches Bundesamt 2003, 7-9). Since the passage of Hartz IV, the former recipients of welfare and the former recipients of unemployment assistance (in 2000: 1.46 mio) were merged into new categories of recipients (see FN 26 below). In January 2005 the numbers of recipients of the new ALG II and those receiving Sozialgeld amounted to 6.8% of the population (cf. Sozialpolitik-aktuell.de 2005).

[5] West German cities saw their incomes reduced even more through the transfer payments to the East, but East German cities fared no better, having hardly any tax income.

[6] While the nation-wide unemployment rate has reached (march 2005) 12.6%, regional variations are important: in Baden-Württemberg, for example, it is 7.2%, but in Mecklenburg-Vorpommern 23.6%.

potentials such neighborhoods might have had is rapidly eroding under these trends, producing a new, distinct geography of social need (Kronauer 2002).

Already in 1994, the mayors of eight of Germany's largest cities warned in a dramatic appeal of the intensifying divisions in German cities, indeed, of the impending collapse of Germany's cities. Their manifesto "Save our Cities now!" pointed to the emerging contours of poverty ghettos in the center of cities and to the dangers of slums on their outskirts, as well as to the already observable conflicts between islands of poverty next to glamour zones of provocative wealth (cf. Läpple1996: 128).

As these new urban problems – concentrated areas of unemployment, poverty, crime, and low quality of life – became cast as potential obstacles to competitive success not just of cities, but to the nation as a whole, policy makers responded by adding an additional set of measures, one specifically targeting social exclusion, to the repertoire of entrepreneurial urban development policies which they had been implementing since the 1980s. While the entrepreneurial "groom-the-economic-location" policies, which continue to absorb the bulk of public resources, also target specific territories (as in large economic development projects, technopoles, or efforts to bring higher-income groups back into the city), and are also understood as measures that will combat social exclusion (cf. Jessop 1998: 97-98; Harloe 2001; Brenner 2003), a new generation of programs introduced in the course of the later 1990s were specifically targeting zones of new marginalization and deprivation. These new integrated policies define and simultaneously activate a sublocal space, usually the neighborhood, as primary level for combating exclusion. At first in some individual Länder programs, and by 1998 in the federal-state program 'Social City', areas that have been abandoned by the private sector, neglected by urban development, where social disintegration and lack of infrastructure lead to cumulative disadvantage, have become targets of a new territorial policy called integrated area development (Moulaert 2000; Alisch/Dangschat 1998).

2. The German 'Social City' Program and the Role it Assigns to Participation

This section discusses the German variant of 'integrated area development', first in terms of its peculiar emergence and embeddedness within national urban development policy, which shapes and constrains the new program in ways that set it apart from comparable British or French area development programs. Second, from evaluations of case studies, particularly in Berlin, of how (sub)local implementations of the program work, some inferences will be drawn about the role of participation within these territorially-oriented anti-poverty programs.

2.1. Structure and Design of the Program

The German program 'Soziale Stadt' was designed as an element of the German Urban Development Act which has been steering the modernization of German cities for the last thirty years. [7] Over the decades, the focus of modernizing has shifted: at first, during the 1970s, modernizing occurred through urban renewal, i.e. the demolition of old housing stock and construction of new housing and infrastructure; in following decades it meant rehabilitation and regeneration, and in the contemporary city the emphasis is on revitalization – implying not just the regeneration of housing stock and physical infrastructure, but also of economic, ecological and social infrastructures. In the course of these phases, participation as an instrument has also played different roles. While the 1960s and early 70s were characterized by problems of economic and population growth which policy-makers sought to channel -- in a uniform way all across Germany -- through large-scale infrastructure and physical planning projects; during the latter part of the 1970s residential environments already needed to be protected from what then appeared as negative impacts of investment pressures, and the instrument chosen to safeguard this

[7] "Städtebauförderung" (support for urban development) works mostly through investments into objects such as streets, sidewalks, or social infrastructure such as youth centers, but not into people, i.e. the focus is on the maintenance of urban structures with investive means; any social effects were, in the original logic of the law, unintended consequences of a primarily technical planning process.

protection was participation. Since the 1990s, however, stagnation rather than growth requires policy intervention, and increasing heterogeneity and diversity as well as socio-spatial concentrations of blight and disadvantage call for small-scale rather than across-the-board policies. Participation is now directed not *against* infrastructural projects, but seeks to mobilize civic resources for small or even tiny improvements in all kinds of spheres (cf. IfS 2004; Walther 2005).

The 'Social City' program during its first years (1999 and 2000) made DM 100 mio of the 700 mio urban development funds available for supporting specifically disadvantaged neighborhoods, and in 2001 and 2002 increased these funds to DM 150 mio (or almost Euro 77 mio), with the federal government contributing about one third of the costs. The rest (DM 300 mio) is contributed by the states and municipalities, totalling about 230 mio Euro (DM 450 mio) per year (DIFU 2002:18). These funds are distributed to the Länder according to a key made up by population and housing indicators as well as unemployment rates and proportion of immigrant residents, then to be used for urban development investments that are "innovative and sustainable" and part of more comprehensive regeneration strategies. In 2005, there were 363 areas in the program, located in 252 cities/counties, individual areas receiving, on average, one mio Euro.[8]

As with similar programs introduced earlier in Britain or France and with a variety of EU programs and pilot projects within ESF and EFRE, the German attempt to "break the downward spiral"[9] is characterized by the same basic features, which pose as methods and goals at the same time:

- it pursues territorially-oriented rather than sectoral policies (even though most German local authorities still work within a sectoral logic),
- it seeks to integrate programs of different departments, both vertically (between state scales) and horizontally (between different state agencies in different policy sectors), and with private actors,

[8] These are the numbers of December 2004 (http://www.sozialestadt.de/gebiete/ accessed Feb 5, 2005).
[9] Since neither desegregation nor redistribution are explicit goals of the Social City program, the most that can be expected is that the "downward spiral" they find themselves in is slowed down (IfS 2004:35; Häussermann/Kapphan 2000: 232/34).

- projects to be initiated should pursue a combination of goals, e.g. combine physical rehabilitation/construction with social, cultural and employment goals,
- it seeks to "activate" or empower specific spatially defined needy groups[10].

In all of them the strengthening of the endogenous potentials of these deprived areas is supposed to occur primarily through cooperation between state and private actors. And for all of them, central actors in the implementation are local third sector organizations. Usually, as local operator a so-called Neighborhood Management Team and Office are installed ("Quartiersmanagement," QM) made up of nonprofits and/or planning and development firms. Unlike the intermediary organizations that used to operate between the local state and the neighborhood in earlier policies (e.g. in the 'Careful Urban Renewal' [Behutsame Stadterneuerung] in Berlin during the 1980s, cf. Bernt 2003), now the nonprofit development organizations are given a more privileged position, with better funding, but in a tightly circumscribed regulatory framework laid down by the administration (cf. Bernt/Fritsche 2005).

Unlike the British or French comparable programs, the German one is, however, not quite furnished to function in the desired comprehensive, cross-sectoral way. Because of its embeddedness within the logic of urban development, it can only *appeal* to local authorities to come up -- by combining funds from other policy areas -- with comprehensive programs that integrate social and people-targeting aspects into the primarily technical orientation of the urban development law. The framework of the law,[11] which the 'Social City' is embedded in, constrains the program in two ways:

[10] The "empowerment" of the residents of disadvantaged areas is an explicit goal of the 'Social City' program (see section 3.1. of the guidelines, ARGEBAU 2000; cf. IfS 2004: 9). The ARGEBAU guidelines emphasize that in these neighborhoods, "participation of citizens in political life has often succumbed almost completely," therefore unlike in earlier urban development programs it is now a central goal "to motivate the residents to participate in initiatives and associations and to self-organize on a permanent basis" (ARGEBAU 2000, accessed April 30, 2005). The interim evaluation of the program (after 4 years) has concretized that "citizen participation" and "activation of residents" complement each other in that the primary goal, besides stimulating resident self-organization, is to move more residents to participate in decisions affecting the neighborhood" (IfS 2004: 122). The different *Länder* have all underwritten this goal, but some prioritize the creation of participatory structures while others emphasize the activation and self-help aspect as different ways of achieving this goal (IfS 2004: 123).

[11] It is part of paragraph 171e of the Building Code. The goals formulated in this paragraph do not specify how "to support areas that are disadvantaged by social ills" (cf. IfS 2004: 179).

- its technical and investive emphasis contradicts the new goal of pro-active nurturing of social space through mobilizing and empowering its disadvantaged residents and through making use of people-targeting, consumptive funds;
- its top-down bureaucratic design contradicts the cooperative and coordinating features the new program is supposed to encourage; this tension between the administration supposedly being one stakeholder among others while in fact it shoulders sovereign responsibility is a built-in stumbling block.[12]

The German program is thus shaped by an ambivalent structural logic: it stipulates the local state and third sector to experiment with and develop a "cooperative state", as manifest in the outcontracting to sublocal *Neighborhood Management* offices and in the funding of neighborhood projects; but these experiments take place under state supervision and regulation, as manifest in the procedures and guidelines of the program. While the problems of urban development have fundamentally changed, and even the perception of these problems has changed, the institutional framework for dealing with them has basically remained the same. Granting investment support for urban development (*Städtebauförderung*), and simultaneously appealing to cities to complement this grant with other, more social kinds of projects and programs and with new organizational models involving more partnerships in order to enhance its effectiveness, has created a hybrid of an old, no longer adequate policy and a new, not yet proven policy (cf. Walther 2002; 2005). Because the federal government provides such a restrictive legal framework and only rather limited resources for implementing the program goals, 'Social City' constitutes primarily an appeal to local agencies to connect antipoverty policy and organizational innovation.

[12] The administration remains the dominant actor in appropriating and controlling funds and by legally stipulating how these may be applied, e.g. by delineating the boundaries of the "disadvantaged territory". At the same time the administration is supposed to be one actor among others, all of whom equally contribute to the solution of a social and political problem, each relying on the specific resources of the other actors (cf. Walther 2005).

2.2 The Role of Participation on the ground: defining (non-conflictive) issues and implementing (short-termist) projects

A look at Berlin shall serve to explore the role of participation in the implementation of the 'Social City' program. Over the period from 1999 through 2004, 109 mio Euro have been spent on 17 different QM areas, 18.1 mio € came from the federal government, 42.9 mio € from the EU, and Berlin contributed 48.0 mio €.[13]

Presenting the activities for which these funds are spent is more complicated. The 'Social City' program itself, while describing the new problems of socio-spatial blight very precisely, is vague about the agenda to be implemented.[14] Rather than prescribing what concretely is to be done, it focuses on the ways in which whatever is to get done is done, stressing the integrated, comprehensive, networking fashion and the making use of synergies through 'activation'. Thus, the specific goal-setting has been delegated downward to the organizations implementing the program, has become the task of the *Quartiersmanagements*. They have been tasked with identifying the needs and interests of the respective neighborhood and with integrating those into a strategic program. One might conclude from this that urban planning authorities have abdicated responsibility, or at least concede that their instruments cannot address the complex problems of deprived neighborhoods.

However, goals do not get defined any more clearly on the local level. For example in Berlin, none of the agendas drawn up for the 17 QM areas mention specific development goals (Senatsverwaltung für Stadtentwicklung Berlin 2005). Instead, they include a panoply of projects ranging from rehabilitation of housing stock and its infrastructural

[13] This does not include additional funding from programs to improve the housing environment (WUM West und WUM Ost). Due to its dramatic fiscal situation, for 2005 Berlin has appropriated € 15.8 mio (Senatsverwaltung für Stadtentwicklung Berlin 2005).

[14] The "goals" listed are extremely broad: the "Guidelines" encompass six categories: 1. rebuild neighborhood life through establishing neighborhood management offices and neighborhood councils, by providing space for community activites and support for self-help activities; 2. support the local economy, particularly by fighting unemployment through creating jobs in the second labor market; 3. neighborhood centers should serve to strengthen urban life and proximity services; 4. the social, cultural and educational infrastructure is to be enhanced, especially for groups such as children, youth, women and senior citizens (migrants are not mentioned); 5. housing as well as the environment are to be revitalized and identification of tenants with their housing areas is to be enhanced; 6. ecological aspects of the neighborhood are to be enhanced (ARGEBAU 2000).

environment, via services that help with job and training placements, to German classes and theater projects, security services and drug treatment, and a host of other projects potentially helpful to improving neighborhood communication such as Christmas parties or yard sales. The projects carried out might be grouped into three clusters:

- those improving the looks of the neighborhood,
- those seeking to initiate economic development,
- those implementing project ideas produced in the context of participatory procedures.

None of these are part of a strategic, long-term plan; all of them share a short-term perspective and they are comparatively easy to implement. Goals, in other words, get defined in an incremental fashion, not on the basis of a plan but rather out of whatever concrete opportunities seem to allow. Thus, former top-down programs (such as renewal and rehab programs) defined by the planning authorities, which sought to uplift a specific renewal area up to the level of average housing quality, and which applied the same guidelines and instruments to all renewal measures in order to bring the blighted areas up to the prevailing standards, have been replaced by a variety of disparate and ad hoc projects characterized by their likelihood of "successful" implementation (cf. Bernt/Fritsche 2005).

The role of residents in this process consists no longer in participation in planning and decision-making on various urban renewal boards. Instead, resident participation today means the activation of self-help potential and of local initiative, and developing and consolidating neighborhood networks (Klimke 2001:11). This may be organized through planning workshops or neighborhood conferences that are to generate ideas for projects, or it takes place -- as was the case for a few years in Berlin -- through a 'neighborhood fund' (500.000 Euro per QM area) used for encouraging the voluntary civic engagement of residents and other neighborhood actors (SenStadt 2005; Bernt/Fritsche 2005). Juries made up of local organizations and residents got to decide which projects the monies were to be spent on. In practice, however, the selection process was usually dominated by the professionals or by particularly resourceful individuals. Playgrounds were refurbished,

sport and photo competitions held, vacation projects for school kids undertaken, local history exhibits organized – but there were no projects around potentially conflictive issues such as gentrification and displacement of low-income groups, the severe cuts in the local social infrastructure, the support needs of immigrants, or the presence of illegal drug consumption. In other words, the participatory mechanisms of *Quartiersmanagement* have rarely been applied to processing any of the controversial issues characteristic of stressed neighborhoods.

These outcomes are not difficult to explain, if we look at the situation the intermediaries find themselves in. Already during the urban renewal phase of the 1980s, many of the tasks necessary for revitalization had been out-contracted to private agencies. Over the years, a large scene of specialized firms and nonprofit intermediaries has emerged that design and implement the development concepts, engage in consulting and technical assistance as well as public relations (cf. Bernt 2003). As urban renewal budgets were cut back, these specialized service agencies morphed, during the second half of the 1990s, into neighborhood management (QM), where they, again, deliver services for the state administration and are largely financed with public monies, but they now find themselves increasingly competing in a market with other providers of these specialized services.

In order to secure stable incomes, these intermediary organizations need to build good relations with the contracting administration, need to show demonstrable success, and devote a considerable portion of their energy and resources to create visibility and good public relations. These requirements tend to make them prioritize projects that are easy to implement and not too controversial.

In contrast to the earlier renewal programs, 'Social City' does not integrate these flexible agencies into a broad neighborhood development program, but rather spawns a variety of diverse sublocal negotiation and adjustment processes. Looking at the 'Social City' program in the larger context within which it operates – i.e. acknowledging the structure of the contracts that bind the development organizations, and the competitive market they are embedded in – it is obvious that there are clear limits to the empowering and inclusive effects they are able to generate.

3. The New Social and Employment Policies and the Role of Nonprofits in their Implementation

This section looks at the new 'activating' policies in the field of social and labor market policies. This policy area has also seen new legislation which emphasises the self-activation of citizens, particularly those presumably kept "passive" by traditional welfare policies. Nonprofit organizations which have been carrying out programs for "problemgroups"[15] of the labor market since the 1970s underwent a series of transformations in line with the policy changes of the 1980s and 90s, and – with the implementation of the Hartz laws -- have been confronting serious challenges.

3.1. Social and labor market reforms and their effects on nonprofits

Long before the Hartz Laws were passed (2003-2005), German labor market and social policy already underwent incremental changes under the motto of the 'activating state'. Ever since unemployment has become a problem, policy sought to deal with it by supporting organizations that operate labor market integration programs through a variety of educational and occupational activities. These organizations, many of which with a progressive or community-based background, have undergone significant change in the process.

Until the recent reforms, two institutions have been in charge of labor market policy: the Federal Employment Agency (FEA)[16] on the basis of the *Sozialgesetzbuch III*, and local municipalities on the basis of the Federal Social Assistance Act (*Bundessozialhilfegesetz, BSHG)*. With growing long-term unemployment, municipalities began – for the sake of their strained budgets – to offer temporary work to welfare

[15] Initially the problem groups consisted primarily of young unemployed or those youths who did not find an apprenticeship position, during the late 1980s the long-term unemployed of all age groups, women, and immigrants were added (Reisch 2001).
[16] The FEA is funded by contributions to the unemployment insurance and additional subsidies from the federal budget.

recipients, parallel to the active labor market policies which the FEA engaged in for its clients[17]. Both, FEAs with their publicly subsidized employment schemes (*Arbeitsbeschaffungsmassnahmen[18], ABM)* and municipalities with their *Hilfe zu Arbeit (HzA)* programs cooperated with nonprofits implementing work integration programs.[19] The former especially emphasized innovative services and products in areas where markets did not meet an existing (social or environmental) demand, and were not to compete with the primary (regular) labor market (cf. Voges et al 2000). By the end of the 1990s, the subsidization of this 'Second' labor market was reduced even more severely than in prior rounds of cutbacks, and more emphasis was placed on pushing people directly into regular labor markets, which redirected the work integration nonprofits more towards placement and profiling activities (cf. Bode et al. 2004; Eick et al. 2004). Funding for further vocational training was drastically cut back. 'Activation,' 'employablility' and 'profiling' made their way from the EU level through the National Labor Act into the German repertoire by 2001, and the implementing nonprofits became held, by formal contracts, to do the profiling and placements of the clients in more cost-effective and quota-guided

[17] Only people who had contributed to unemployment insurance qualified for the placement, training and employment programs of the FEA.

[18] The so-called Second Labor Market of quasi-jobs, which was created by these measures, was widely accepted as an instrument to cope with unemployment from the mid-1970s until the mid-1990s. Many projects developing alternatives in housing and social services as well as training and employment services profited from the measures which these instruments provided.

[19] Swamped with responsibility for growing to finance employment in the intermediary labor market, which opens up the road to entitlement to insurance-based unemployment benefits for welfare recipients. The other option is to place welfare recipients in non-commercial jobs in the intermediary labor market and pay them a small reward (1 to 2 €/per hour) as add-on to their welfare benefit. This is called the Allowance Option (*Aufwandsentschädigungsvariante*) of "Help towards Work".

[19] Berlin is among the German cities with the highest welfare and unemployment rates. In 2005 unemployment stood at 20% (Germany overall: 12.6%); due to the changes of the Hartz Laws (which count the unemployed according to different criteria than before), by the end of 2006 Berlin had an unemployment rate of 16% (Germany overall 9.6%). Nonprofit organizations have for a long time made up an essential component of the local social infrastructure, implementing the employment measures of Berlin's local state, the *Senat*. A detailed presentation of the findings of the project "From Welfare to Work", which was funded by the German Research Association during 2000-2003 at the Freie Universität Berlin, is in Eick et al. 2004. numbers of unemployed people because of cutbacks in unemployment compensation, municipalities in the late 1980s started engaging in active labor market policies of their own using the instruments the Federal Social Assistance Law (*Bundessozialhilfegesetz/ BSHG*) (cf. Lamping/Schridde 1999). One of the options the municipalities have under the "Help towards Work" (*Hilfe zur Arbeit*) regulations of the BSHG is to finance employment in the intermediary labor market, which opens up the road to entitlement to insurance-based unemployment benefits for welfare recipients. The other option is to place welfare recipients in non-commercial jobs in the intermediary labor market and pay them a small reward (1 to 2 €/per hour) as add-on to their welfare benefit. This is called the Allowance Option (*Aufwandsentschädigungsvariante*) of "Help towards Work".

ways. Also, they were now joined by commercial, for-profit competitors such as Maatwerk in providing work integration services.

The growing emphasis on placement and the shrinking funding for Second Labor Market programs, while strengthening the position of organizations that specialized in the placement of the unemployed, created problems for those more alternative nonprofits that were operating services for the disadvantaged, selling "social" products, and enhancing the employability of clients through subsidized employment measures for the 2nd labor market (ABM). Now held to meet specific quotas, they confront pressures to avoid the "hardest to employ" clients and concentrate instead on those more easily placed.

A case study of Berlin[20] reveals that the nonprofits had, for the most part, emerged out of the new social movements of the 1970s and 80s. [21] They were formed out of solidarity with underprivileged or marginalized groups and have built, for those groups as well as for themselves, infrastructures shaped by solidarity. Almost all of the nonprofits working in housing and community renewal came out of the squatter movement or movement circles around the housing struggles (cf. Mayer 1987; Clarke/Mayer 1986), and many of the nonprofits now active in work integration had their origins in movement circles as well.

The transformation of housing and community activists and alternative renewal agents into service providers in the context of Neighborhood Management teams was just as gradual and mediated through a series of adaptions stipulated to an extent by shifts in the social and housing policy system, as was the transformation of self-help projects originally set up to address youth unemployment into multifunctional social service

[20] Berlin is among the German cities with the highest welfare and unemployment rates. In 2005 unemployment stood at 20% (Germany overall: 12.6%); due to the changes of the Hartz Laws (which count the unemployed according to different criteria than before), by the end of 2006 Berlin had an unemployment rate of 16% (Germany overall 9.6%). Nonprofit organizations have for a long time made up an essential component of the local social infrastructure, implementing the employment measures of Berlin's local state, the *Senat*. A detailed presentation of the findings of the project "From Welfare to Work", which was funded by the German Research Association during 2000-2003 at the Freie Universität Berlin, is in Eick et al. 2004.

[21] For East Germany, their origins were rather different.

systems.[22] The latter started when deficits in the apprenticeship and labor market systems first made themselves felt during the mid-1970s, triggering a rise of local self-help projects to provide training and employment together with counseling and social work. Their rise indicated that the traditional providers within the vocational training system (a variety of social and educational organizations including the large welfare associations) did not effectively address the causes of youth unemployment (Reisch 2001: 233). The expansion of these projects during the early 1980s was fed both by growing youth unemployment[23] and by two surging social movements which they were connected to, and which also led to a change of course in politics. The so-called alternative movement of the 1970s and early 80s connected self-managed forms of work with a critique of industrial society, wage labor, and alienated forms of living (cf. Gorz 1999), and many social workers, sharing the assumptions prevalent in the alternative movement that youth unemployment could not be resolved with orthodox approaches, designed projects together with affected youths emphasizing not only vocational training but also schooling them in a holistic and socially-oriented fashion. The simultaneous massive youth protests in cities from Zurich to Berlin formed the milieu out of which the alternative projects emerged, and also made the political parties recognize the potential of such alternative institutions "as a valuable complement" to the existing public and private service providers.[24]

During this phase in the early 1980s, different types of projects[25] began to complement the traditional service providers by combining funding from a variety of state programs (FEA, BSHG, Youth Welfare Law, as well as housing and economic development programs), gradually bifurcating into, on the one hand, the more market-oriented social

[22] Cf. the phases traced in Mayer 2000, from the politicized opposition of 1970s, via the introduction of state programs incorporating some of the movement demands and actors during the 1980s, all the way to the routinized cooperation with the local state, which emerged during the 1990s.
[23] By 1982 more than 30% of the unemployed were younger than 25, 45% younger than 30. By 1983, 623.000 unemployed youth under 25 were registered, more than ever in the history of the FRG (Reisch 2001: 247).
[24] The Enquete Commission "Youth Protest in the Democratic State" established by German Parliament in January 1983 recommended the promotion of alternative projects for this reason (cf. Bundeszentrale für politische Bildung 1983).
[25] E.g. youth self-help projects, which linked the provision of housing for young people with job creation, and which emerged mainly in the context of the squatters movement; while training here was subordinate to housing provision, other projects prioritized the training and employment aspect, either by seeking to integrate the long-term unemployed through social infrastructure improvement, financed through the FEA, or by designing vocational training programs for youngsters who did not find an apprentice slot on the training market (cf. Reisch 2001: 237)

economy type of projects, and, on the other, the more social work oriented projects, for which financial autonomy was not as important as for the first group. While both considered themselves as part of the alternative movement, the latter gradually opted to become member organizations of large welfare associations, and, to this day, make up the core of the social employment initiatives in Germany.

Their transformation from mostly youth-focused training projects into (social) employment initiatives occurred during the next phase (1984-87), when the projects sought to expand their field of action from youth aid to active labor market policy, on the assumption that disadvantaged youth could be supported more effectively by social employment structures that would allow them to complete apprenticeships in a trade and to get corresponding vocational schooling. This expansion/professionalization of the projects was facilitated by a simultaneous regionalization strategy pursued by the federal government in social and labor market policies. By the end of the 1980s most training projects had completed the transformation into social employment initiatives, and hence broadened their target groups to include the long-term unemployed and unemployed women. While this last adaptation decreased the significance of the formerly central pedagogical aspect even further, it allowed state institutions to devolve more of the work integration programs formerly carried out by public agencies to this new, more flexible, social service system. The services offered by this system appeared increasingly attractive to the administration, because they were more easily tailor-made to the specific needs of the various target groups needing help in ways the bureaucracies could not offer. When in 1997 with passage of the *Sozialgesetzbuch III* the federal government shifted its labor market policy to emphasize labor force attachment, the primary task of the social training and employment initiatives became to enhance the employability and work readiness of their clients.

Since the mid-1990s the local state in Berlin has made use of this resource for getting unemployed people into work primarily in two ways: it supported the setting up of placement agencies run by nonprofits, and it entered into cooperative agreements with

such nonprofits. Currently, Berlin has about 100 nonprofits working exclusively in this field of local employment policies, out of a total of about 1,200 nonprofits.

The pressures created by the more rigid welfare and labor market regimes adopted in the late 1990s have confronted the nonprofits with a difficult situation: as a consequence, some have abandoned work in the employment field for other kinds of support work, others have disappeared from the market, a trend especially conspicuous in the (re)training sector. This is because the employment agency has stipulated a minimum quota of 70% of successful placements in the regular labor market on completion of a training measure. Nonprofits unable to meet this quota lose their funding. Yet others give up working with the instruments provided by the state (either through subsidized employment measures for the 2nd labor market [ABM] or through the measures provided within the welfare law [Hilfe zu Arbeit, HzA]) and attempt to build autonomous structures independent of the public employment programs, for example social cooperatives or neighborhood centers. Nonprofits that continue to work with state funding have taken to combining existing or newly developed support services for the "hardest to integrate" with intensified placement.

Since the implementation in January 2005 of Hartz IV[26], i.e. the elimination of the status and income-maintaining unemployment compensation after one year, even stricter obligations have been introduced for the unemployed to accept job offers, to actively seek work, or to face more severe sanctions. While before, a graded definition of what kind of job an unemployed person had to accept was in place, now any job is considered acceptable, regardless of benefit levels, bargained wage scales, or local going rates. Adult recipients who refuse a job or training offer or the so-called "work opportunity" (1-Euro-Job[27]) are subject to a 30% cut of their benefits, recipients below the age of 25 may be

[26] *The Fourth Act on the Modernization of Labor Market Services* (Deutscher Bundestag 2003) merged the provision of unemployment assistance with the welfare provision into a single new benefit (called *Arbeitslosengeld II,* ALG II), to serve all the jobless who are able to work but not (or no longer) eligible for insurance-based unemployment benefits (receipt of which is now restricted to a maximum of 12 months). This flat-rate, means-tested benefit is at the level of the traditional welfare ('social assistance') benefit.

[27] Like the former top-up work experience schemes used in social assistance (cf. FN 18), the One-EURO-Job provided for in the new SGB II pays one to three Euros per hour on top of the benefit (ALG II). While formerly these "additional jobs" were not widely made use of, even though the welfare law provided for them, in 2005 about 593.000

completely cut off for three months – with nothing but housing support and in-kind provisions.

The new "work opportunities"/1-Euro-Jobs, which do not constitute regular jobs, are to be expanded (according to Economics Minister Clement to 600,000), while the traditional instruments of active labor market policy, such as vocational (re)training and work in the Second Labor Market largely subject to standard employment regulations (as in ABM) are henceforth to play only marginal roles.[28] The work integration nonprofits who now have to work with this more restricted and more punitive repertoire of instruments will thus face even more challenging tasks in future than they already have over the last few years.

3.2. Evaluating the ways nonprofits have coped

Evaluating the practice of nonprofits under these shifting and challenging conditions requires discussion of criteria for success. Many evaluations focus on output and performance, defining placement quotas and financial savings as "success". Much of the discussion revolves around *best practice*, a concept which, as introduced by the Bertelsmann Foundation in Germany, promises to trigger a generalizeable diffusion process of "successful" local practices. However, the concept serves more to intensify competition between, for example, municipalities than to provoke common learning processes. Furthermore, it suggests solutions of a uniform cast. Anticipating such criticism, the EU and also many other studies are instead speaking of *good practice* (cf. Strümpel u.a. 2002; DifU 2003). In the case of the nonprofits under investigation, *good practice* would be defined by reflecting both original goals (such as helping people attain meaningful, living-wage work) and current possibilities (i.e. what is possible within the contemporary

people passed through them, though at any particular point in time no more than 300.000 are registered (cf. Berlit et al. 2006).

[28] Job creation schemes of the traditional type are now confined to regions with especially high unemployment rates, i.e. primarily to East Germany.

conjuncture and "institutional fix" of the respective regime). Specifically, it might describe approaches that combine training and placement with social, cultural and more structural measures into comprehensive plans involving the active participation of local residents in the decision-making. Examples would be some social cooperatives that have been founded by nonprofits in a few Berlin neighborhoods that illustrate how it is possible to connect participatory practices with employment and economic development in a bottom-up strategy.[29] For the 'disadvantaged' local residents and for such neighborhoods as a whole, such projects may work to open up opportunities beyond market and state – options that concentrate control and decision-making power within the neighborhood, while not releasing the (local) state of its responsibility for the social infrastructure. Other instances of good practice would be nonprofits that continue insisting on skills acquisition and training measures in spite of the increasing prevalence of work-first orientations.

Thus the efforts of the *Kommunale Forum Wedding* to design and implement participatory development of 'disadvantaged' neighborhoods together with the residents can be viewed as examples of good practice; also, the projects of *Goldnetz e.V.* and of the *ComboBau gGmbh*, which train and employ benefit recipients in jobs with a future, including women in non-traditional employment roles, represent good practice.

More widespread, however, are activities and programs that have problematic social implications, and should therefore be assessed as ambivalent. Such programs often appear to support disadvantaged groups or communities, but in fact work to enforce further marginalization or precarization. Nonprofits that look after hard-to-place jobseekers, who do not have much of a chance on the regular labor market, sometimes create "protected" employment opportunities through, for example, specialized temp firms. By so doing, however, they contribute to creating precarious working relations and enhance the acceptance of the deplorable working conditions in low-wage sectors. Similarly, the engagement of nonprofits in preventive soft policing has rather ambivalent

[29] For example in the Bezirk Wedding (the neighborhood Sparrplatz/Sprengelkiez), where in October 2000 the Neighborhood Cooperative Wedding for Proximity Services was founded (cf. Achter 2003).

effects in that their activities, while enhancing the subjective feeling of security for some parts of the local population, may contribute to marginalizing others.

Examples of such ambivalent practice would be nonprofits that use workfare instruments in order to address problems of urban (dis)order and (in)security, such as *Berlin macht mit e.V* that makes their 'clients' collect garbage in Berlin's forests; *Jugend für ein sauberes Berlin e.V.* that makes the youthful benefit recipients weed public parks, or other nonprofits such as *ABS Brücke* or *Steremat* that require their 'clients' to collect moth-infected leaves or to clean up streets and sidewalks. The cleaning and maintenance service of one of the first Berlin nonprofits to emerge out of the squatters movement, *LowTec gGmbH*, makes its welfare recipients clean seating areas in public spaces and remove posters and unauthorized advertising.

While such activities are primarily concerned with preventing dilapidation and disorder, we also observe nonprofits that set up -- sometimes within the framework of the *Quartiersmanagement* (see section 2) -- "alternative" security services against so-called fringe groups. Because such activities tend to criminalize and exclude marginal groups, and because they usually include repressive features, they would represent *bad* rather than mere *ambivalent practice*. Equally problematic are activities and projects that pursue the creation of low-wage labor markets without either the city administration or the nonprofit itself showing concern for living wages.

In Berlin about 20 nonprofits (out of the 100 working in workfare services) engage in the field of cleanliness and order (cf. Eick 2003). These include nonprofits founded by commercial security services[30] such as *Jahreszeiten gGmbH*, which puts its jobless clients to work as so-called *Green Cops* to patrol parks and public grounds. The tasks of these semi-uniformed patrols are to enforce the leashing constraint for dogs and the prohibition of biking in the parks, and also to report persons suspect of vandalism to the police. *Berlin macht mit* has also been hired by the QM of Helmholtzplatz to supervise former welfare

[30] For private security services nonprofits such as *Jahreszeiten* are a useful recruiting and training instrument financed through public funding, because the program – funded through the employment office – allows to observe, train, employ, and possibly integrate the long-term unemployed into the firm.

recipients keeping this 'dangerous area' clean and orderly. [31]

The work-first orientation of the welfare and employment policy of Berlin leads the nonprofits to push their clients increasingly into the precarious and badly paid jobs of the new service economy. For example, cooperation agreement between the welfare office of the district Treptow-Köpenick, the employment agency for Berlin South, and six nonprofits states that young people between the ages of 18 and 25 "are to be offered some kind of work on the very day on which they want to apply for welfare."[32] The agreement specifies that the young unemployed should be prevented from receiving welfare with the argument that they should not even begin to get used to it. The participating nonprofits (within a project called *Sprungbrett* that has been celebrated for its innovativeness) committed themselves to offer work opportunities at low wages of around 425 Euros/month – with the result that, within the first ten months of 2000, 50 of the youths (25%) dropped out and were cut off from benefits.

Frequently employment at low wages occurs because of the stipulations of the employment agencies. For example the *Arbeitsamt Ost* prescribed in July 1999 that the jobless have to accept payments that are up to 20% below the federally regulated wages (cf. Arbeitsamt Ost 1999). The nonprofits were forced to offer measures in accordance with this, otherwise the employment agency "would examine whether a similar measure could not be carried out by a different nonprofit with a lower subsidy" (Arbeitsamt Ost 1999:2).

Besides such guidelines it has also been the continuing decline of the publicly subsidized make-work schemes (ABM, SAM) that contributed to the nonprofits increasingly employing their clients at low wages. In order to compensate for the loss of ABM, *Lowtec* for example has been using, since 1999, the instruments for job creation provided by the

[31] Since 1998 former unemployed and welfare recipients are working in a public employment scheme at the *Helmholtzplatz* in the district *Prenzlauer Berg,* which is classified a "problem area". The *Helmholtzplatz* is also one of the 'neighborhood management areas'. Upon the suggestion of the neighborhood management and the district administration (*Bezirksamt*) former welfare recipients are stationed there under the supervision of *Berlin macht mit*. Paid by the public employment office, dressed in berets and black jackets, equipped with walkie-talkies and trained in citizens' rights and public garden laws, their job is "not to chase away people, but ensure that everything takes place in a justifiable way. That is to say, take care that the lawn won't be entered constantly by the dogs and that the playground won't be dirty with dog shit, and that they [the homeless and alcoholics, ve] don't drink that much. And that's what they are doing, and somehow it works," the nonprofit's chair stated in an interview (Eick 2003).

[32] Tagesspiegel, November 2, 2000:20.

Federal Social Assistance Law (*Bundessozialhilfegesetz*). Unlike with the former ABM projects, the emphasis here is not so much on the socially useful activity, but rather on the preparation for low-wage jobs via (in Berlin) the IdA model ('Integration through Work')[33]. Lowtec used IdA for its *Projekt Hausmeisterhelfer* (Janitor Assistant) employing young welfare recipients (up to 25 years old) with handymen services; in the *Project Cleaning and Repair Service* the welfare recipients clean traffic steering systems, sculptures and seating areas in public spaces and remove posters and unauthorized advertising; in the *Project Parking Guards* the over-50 welfare recipients surveil the yard of the Kreuzberg district administration.

A joint project started in 1999 by the Berlin Employment Agency in cooperation with the nonprofit *bbw*[34], the debis AG (the joint stock company for services of Daimler Chrysler which has its head office at the Potsdamer Platz), and the security firms Gegenbauer and Securitas, works with funding from the *Jugendsofortprogramm*[35]. Young people between 18 and 25, who are "disadvantaged" on the labor market, are put to work guarding and patrolling around Potsdamer Platz. Participation in this program does not, however, lead to any kind of certificate as in an apprenticeship, the contracts are more like internships (cf. Projektvorschlag 2000:1), thus setting out the path into the low-wage sector.

While the nonprofits in these areas frequently act as job finders, their staff members themselves often only have employment on the basis of ABM or SAM. While they are tasked to provide the jobless not only with jobs in the regular labor market, but also with a long-term perspective and social stability, they themselves only have an employment perspective of one year, and since January 2004 only six months.[36] Add to this rather

[33] Cf. Footnote 19.
[34] This is a training nonprofit of economic actors in Berlin and the surrounding state Brandenburg called *Bildungswerk der Wirtschaft in Berlin-Brandenburg e.V.*
[35] The federal progam JUMP/JUSOPRO (Jugend mit Perspektive/Jugendsofortprogramm) was introduced in 2000 to fight youth unemployment and included insertion agreements (cf. Bundesregierung 2001; Bundesinstitut für Berufsbildung 2000).
[36] Since the Hartz Laws went into effect in early 2005, their working for merely six months no longer entitles them to receive unemployment compensation any more either.

difficult task constellation the economic pressure of having to place the jobseekers "at any price" so as not to jeopardize the continued existence of their own operation.

While the job exchanges run by nonprofits for placing welfare recipients generally agree on wage bottom lines below which the clients should not be placed, it is increasingly the employers who dictate the wages. They call up at the job exchange providing conditions for which they are willing to hire jobseekers. The customary rate in the hotel business, including the so-called several-star hotels, for room service was 3.66 Euro (2001), but nonprofits engaged in placement have reported placing jobseekers even for 0.75 Euro. As the low-wage sector expands, nonprofits need to expand their placement efforts and aggressively open up new markets for their "clientel" if they want to compete with commercial agencies.

These illustrations of the broad spectrum of nonprofit practices, the many different shades between *good* and *bad practice*, show that there is no *one* way of nonprofit service delivery in the field of social and employment provision. The wide variety of nonprofits and of programs points to a huge diversity of options. But it also becomes clear that the hopes and expectations frequently placed in the nonprofit sector as a mediator between state and market, or as autonomous civil society actor, needs to be assessed more critically. Even if projects presented here under the heading of 'bad practice' might, on a case by case basis, be judged less harshly, it is probably uncontroversial that the expansion of a low-wage sector unable to guarantee a living wage does not qualify nonprofits as "an instance of interest mediation and social integration of a democratic society" (Zimmer/Priller 1997:262). Also, the programs problematized as 'ambivalent' highlight the limits confronted by today's nonprofits when they strive towards the social integration of "disadvantaged" groups. Even the cases of 'good practice' are in jeopardy, without sufficient public support or private seed monies, to stumble into the 'marginalization trap" or to disappear from the "market".

4. The significance of empowerment in the context of the new 'social inclusion' policies

All these innovations – Social City in the field of urban development, the social and labor market reforms culminating in the Hartz laws in the field of employment policy – contribute to the emergence of a new configuration between the local (cooperative) state, the market, and the third/nonprofit sector. The goal of involving (territorially-based) civil society actors and of trying to make use of their empowerment strategies is to compensate for market failures and bureaucratic shortcomings, assuming that not only economic and social improvements for the "problem" neighborhood (or group) will follow, but also an increase in social cohesion and democratic participation.

Whether we look at the 'Neighborhood Management' teams and development organizations working within the 'Social City' program or at the work integration nonprofits making use of the labor market instruments, all of them operate within a context where they are bound by formal contracts and embedded in an increasingly competitive market, which set clear limits to the empowering and inclusive effects they are able to generate. The trends observed in the career of Berlin's nonprofits and development organizations should at least make us question the prevailing view in the Third Sector literature. The definitiveness with which most authors assume the organizations staffing this sector are driven by a clear mission, strong social justice orientations, public welfare interest, or other progressive values is hardly sustainable. All the various approaches competing in third sector scholarship start with strongly positive assumptions and ascribe more or less autonomous, catalytic functions to the groups and associations active in this sector:

- Welfare pluralist concepts that seek to analyze the changes in social service delivery see nonprofit organizations as characterized primarily by the principles of voluntarism, solidarity, and their orientation towards needs – as opposed to state, market, and family relations (Evers/Olk 1996:23).

- The literatures based on models of civic society, where the 'social capital' concept enjoys great popularity, also cast these local initiatives and associations in a positive light by pointing to the important role mutual trust and the intensive use of social networks play for them (cf. Mayer 2003).
- Similarly, authors such as Rifkin (1996) or Borzaga/Defourny (2001), who attribute to the sector a kind of pioneer role for a post-market social economy, emphasize as characteristic features solidarity and an altruistic, mutual help-based orientation.

On the ground, third sector organizations, at least in the fields surveyed here, hardly match these assumptions. In the social and employment field, there is no longer much mention in the current German social and political reality, of the "integrative function" of programs and organizations that support the jobseeking or otherwise needy groups, which was still stressed in the post-unification debates about active labor market policies as crucial both to German society and to the unemployed. There are hardly any influential advocates – in politics, the media, or in academia – who would engage themselves for even defending the existing social infrastructures or for improving the legal and financial conditions for the nonprofits active in employment and social support work.

Most of these nonprofits, while now operating as the extended arm of the local state in restructuring local social and labor market policies, have simultaneously become market actors competing and cooperating with commercial providers of job placement and employment services. More and more nonprofits in Berlin have had to cut back on the extra support and counseling, i.e. the social work aspects of their work, for the "hardest to serve" and more and more are willing to place their clients in low-wage jobs where the demand arises. This has so far been legally blocked because state programs, while encouraging the nonprofits to become entrepreneurial, require that the subsidized positions for the clients be "additional' (i.e. not within the regular labor market) and "for the public welfare". But the new 1-Euro jobs provided for in Hartz IV have already broken down that wall and contribute to the creation of a low-wage (subsidized) labor market, replacing regular workers especially in the social service sector and in the janitorial business with workfare workers (cf. Berlit et al. 2006; Hans Böckler Stiftung 2006).

The German nonprofits, which cannot – like comparable US or British organizations – commercialize their operations so easily (and use a profit-making venture to subsidize their other goals), have already seen their capacities eroding as public funding and the instruments they work with have, over the last decade, been cut back further and further, as fluctuation rates of their staff have increased, and many are facing existential problems. In Berlin, more than half of all the nonprofits in this field can finance their own employees only through using instruments of the so-called Second Labor Market.[37] The only exception are nonprofits working in the field of the so-called 'obligatory tasks' of the local state, such as municipal youth work or parts of the health sector (cf. Bode/Graf 1999) or those whose income is above average thanks to high donations, as is the case for some organizations active in environmental protection or development aid. In the social sector, options for German nonprofits to professionalize and take on additional and innovative activities are severely limited.

Their limited personal and material resources are meanwhile producing negative effects for the disadvantaged groups they are supposed to serve. People looking for support are increasingly turned away; sustainable employment perspectives are rarely generated. Most of the programs and instruments implemented in Berlin still prioritize particular target groups rather than making use of integrative or territorial measures. The increasing emphasis on 'work-first' means that the success of nonprofits and their insertion programs is not measured in terms of the social and economic stabilization of the clients, but in terms of placement quota and savings. If local governments wanted to make use of the potentials of nonprofit organizations in combating the marginalization of the unemployed, they would need to make every effort to counter the trends that are currently conquering the work integration sector and provide a supportive framework for good practice programs.

The findings from the 'Social City' program, where the "downward spiral" of excluded neighborhoods is to be slowed down through activating a form of "social localism" for regeneration, make the assumptions of the Third Sector Literature appear

[37] This estimate is based on an evaluation of the so-called 'Transparenzberichte' of the Berlin Senate, which show how many of Berlin's nonprofits are supported through instruments of the 2nd Labor Market.

even more problematic. The "Social City" program defines community cohesion and local civic pride as essential for unlocking energy from below and identifies the third sector as a new economic actor that can use unemployed or marginalized people for meeting local social needs. However, by defining these areas as "neighborhoods with particular renewal needs," it casts economic decline as a spatial and social pathology, and constructs hard-pressed areas as "failed communities." This does little to address the real causes of the "downward spiral" these neighborhoods are caught in, but instead throws local social symptoms of decline back at them as causes (cf. Amin 2004). The focus on small and disparate projects and on local networks as solutions for the "failed communities" not only ignores the real sources of decline and distracts from the lack of policies that might equip these areas with jobs and mobility, but together with the new rhetoric of social capital and civic indicators, codified as measures of local potential, it even blames them as responsible by declaring them as not (yet) "civic" and "active" enough.

Participation of residents, in this context, has come to mean either participation in small-scale, discrete "projects" or participation in the labor market through active efforts at (re)insertion. It does not mean participation in policy-making and political decision-making on a level where the actual causes of local decline and the unavailability of good jobs might get addressed. Participation in decision-making has to occur on a scale, where growth and investment might get controlled and their spatial effects monitored, or where redistributive policies would be called for, since without such policies the built-in biases of the new competitve order work in favor of booming regions only. Instead, the participation of intermediaries and nonprofits has come to mean that they are supposed to be busy training and feeding and inserting their clients instead of representing them, advocating and lobbying for them, or "joining coalitions against poverty" (Schambra 1997:49; cf. Berry/Aarons 2003:4).

In other words, 'empowerment' as preached and increasingly practiced here appears as part of a drive to develop a bottom-up localism or self-activation, where weak localities (and hard to employ individuals) are asked to develop capacity to become competitve – a daunting task seen possible only through civic involvement and grassroots

participation. This is why local activism, civic engagement and empowerment are now so prominently built into political programs for sustainable urban/community development and economic growth.

However, the third sector is neither an autonomous, homogeneous or stable civil counter-society, nor is it a simple (labor market) instrument easy to be applied and modified from the top. Instead, the self-image and orientation of the nonprofits are shaped by changing values as well as generalized "modernization pressures" -- i.e. they might be suitable for smoothing the implementation of neoliberal market models and authoritarian control strategies, but they might also continue to have the potential of defending and exploring alternative, more needs-based models of living and working. For the latter to unfold, they will need to challenge and resist the thrust of the new "social localism" and narrow definition of "active citizenship" that instrumentalizes civic engagement for inserting people into "work at any price" positions while preventing them from meaningful political participation.

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