

## The Neoliberalization of the Third Sector Is Almost Complete

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### ABSTRACT

This article draws attention to the extent to which third sector organizations have acted as policy catalysts and entrepreneurs for a social investment state, and the extent to which third sector organizations and interests are now dominated by external private and corporate interests. Though the United Kingdom and Ireland are the primary focus, because of the global influence of the British Irish Council and British Council, these developments are now permeating other economies.

### RÉSUMÉ

Cet article souligne jusqu'à quel point les organisations du troisième secteur ont agi comme catalyseurs et entrepreneurs de politiques en faveur d'un État priorisant l'investissement social, et jusqu'à quel point des intérêts privés et corporatifs externes influencent actuellement les organisations et intérêts du tiers secteur. L'article porte principalement sur le Royaume-Uni et l'Irlande à cause de la portée mondiale du British-Irish Council et du British Council, mais les tendances qu'il décrit sont maintenant présentes dans d'autres économies.

**Keywords / Mots clés :** cooperatives, social enterprise, neoliberalization, worker cooperatives / coopératives, entreprise sociale, néolibéralisation, coopératives de travail

### POSITIONING SOCIAL ENTERPRISES AND COOPERATIVES IN A MARKET ECONOMY

During the 1974 to 1979 Labour government, there was support in the United Kingdom (U.K.) for social enterprises, cooperatives, and the third sector generally. National legislation and the creation of local cooperative development agencies during this period supported a substantial “on the ground” contribution of cooperatives during the 1970s and 1980s. A submission to the 1980 Labour Party’s National Executive Committee working group on workers’ cooperatives outlined some of the legislation used by local authorities and others, including the *Local Authorities (Land) Act 1963*, *Local Government Development and Finance (Scotland Act) 1964*, *Town and Country Planning Act 1971*, *Local Government Act 1972* (including Section 137), *Local Government Development and Finance (Scotland) Act 1973*, and the *1974 Superannuation Regulations*. These laws enabled local authorities to support the formation of workers’ cooperatives; for instance, the *1974 Superannuation Regulations* enabled investment of up to 10 percent of superannuation funds in local businesses and levied a £0.02 rate to support wellbeing projects.

Other advantageous legislation included the *Inner Urban Areas Act 1978*, *1976 Industrial Common Ownership Act*, and *1978 Cooperative Development Agency Act* (Huckfield, 1980). Nine London Boroughs used loans and grants, with many boroughs appointing an industrial liaison or development officer to assist with start-ups and premises. Other councils that used these laws included West Glamorgan, Strathclyde, Hackney and Brent, Tyne and Wear, Newcastle and Gateshead, Lancashire County, and Milton Keynes New Town Development Corporation. The Wales Trades Union Congress held a one-day conference with Welsh cooperative development agencies and the London Labour Party wrote a proposal for a Greater London enterprise board (Huckfield, 1980).

During the 1980s, 60 local cooperative development agencies, supported by local authorities, provided start-up assistance. Over 10 years, this triggered the creation of 1,176 cooperatives employing 6,900 people—an average of six staff per cooperative (Cornforth, Thomas, Spear, & Lewis, 1988). After 1976, the Industrial Common Ownership Movement (ICOM) registered over 2,700 cooperatives (Cooperative Commission, 2001). Many accounts of the development of cooperatives during the 1980s show up to 1,500 of these organizations (Cornforth, 1983; Cornforth et al., 1988; Knight, 1993; Ridley-Duff, 2009; Sawtell, 2009a, 2009b; Spear, 2006). Worker cooperatives were a widely recognised form of social enterprise (Spear, 2006). The CENTRIS Report shows that, in 1991, there were 150 community businesses and cooperatives with about 8,400 members and shareholders, and an annual turnover of more than £15 million (Knight, 1993). Continued support for this activity was again advocated in Labour's election manifesto of May 1983<sup>1</sup> (Labour Party, 1983).

Despite these earlier commitments, following policy shifts under New Labour governments of 1997 and 2001, throughout the United Kingdom and Ireland, third sector organizations, especially social enterprises and cooperatives, have increasingly been drawn into commercial markets. As a result, many community-based support structures are now converted to external investment and the payment of dividends.

After five decades of path dependency, the neoliberalization of the third sector is now almost complete. As a result of overwhelming support for local state collective and community employment solutions throughout the 1970s and 1980s, which continued in London into the 1990s, the transformation of the third sector under New Labour means that the main representative third sector organizations are now in the vanguard of advocacy for neoliberal solutions. In the U.K., especially in Scotland through the Scottish government's abandonment of funding support for social enterprise networks, many third sector organizations have moved from local accountability to increased dependency on external funding (Pia, 2022). In Ireland, strong policy advocacy by social finance organizations amidst contested departmental oversight in government has also meant stronger emphasis on external investment and diminished local accountability (O'Broin & Doyle, 2023).

These scenarios in Scotland and Ireland mean that representative organizations have ceased to propose necessary frameworks for policy changes for their sectors. In England, these policies were led by a New Labour government, which shifted policy emphasis from cooperatives to more narrowly controlled social enterprises. In an emerging national social enterprise policy in Ireland, key stakeholders have used external policy lobbying, which has shifted the balance towards social enterprises being separated from a mainland European Union social economy approach. In Scotland, the Scottish government's decision to cease funding for infrastructure developed since 1999 by the

Social Enterprise Network Scotland, the main social enterprise support organization, now means that social enterprise policy across the U.K. and Ireland is increasingly dominated by newer “social innovation” enterprises. Many of these enterprises have been established by individual lifestyle social entrepreneurs aiming to solve specific social problems.

### U.K. INFLUENCE IN GREECE

The influence of these policy developments has spread beyond the U.K. and Ireland. Greece is a good example of British policy influence. In its 2014 Thessaloniki Programme, the governing party Syriza promised to increase jobs by 300,000, “absorbing the long-term unemployed, particularly those over 55 years, as well as the young unemployed, who would be largely bypassed by economic growth” (Syriza, 2014, para. 5). Some of the actions they proposed were:

- Restitution of the institutional framework to protect employment rights that was demolished by the Memoranda governments.
- Restitution of the so-called «after-effect» of collective agreements; of the collective agreements themselves as well as of arbitration.
- Abolition of all regulations allowing for massive and unjustifiable layoffs as well as for renting employees. (Syriza, 2014, para. 5)

These developments had been influenced by the Movement of the Squares in 2011 in most Greek cities and provided for multiplication of solidarity ventures in its aftermath (Varvarousis & Kallis, 2017). Much current social enterprise development in Greece is indistinguishable from these solidarity movement activities, which “popularised practices previously regarded as marginal, de-stigmatised poverty and promoted social cooperation to combat devastating effects of the crisis” (Varvarousis & Tsitsirigkos, 2019, p. 24).

Syriza’s 2016 Social and Solidarity Economy legislation considered social enterprise an important tool for broader societal transformation. The legislation also included workers’ cooperatives for the first time, “activities of collective and social benefit,” and tighter rules on internal democracy and wage equality (Varvarousis & Tsitsirigkos, 2019, p. 39). This was “a new economic model beyond the imperative of economic growth,” that tasked social enterprise with reducing unemployment, empowering local communities, and interacting with new social movements (Varvarousis & Tsitsirigkos, 2019).

Despite the Syriza party’s clear preference for a new direction, the British Council’s *Greece Social and Solidarity Economy Report* (Temple, Varvarousis, Galanos, & Bekridaki, 2017) depicted a “different picture for these sectors of Greek social enterprise economic activity” (Varvarousis & Tsitsirigkos, 2019, p. 54). Other recommendations include convening a social finance task force, including “social bonds,” and legislation to permit private companies to contribute to a “social impact project” (Temple et al., 2017). The report also highlights that the U.K.’s community interest company structure is “less restrictive on sectors of operation and democratic practices” (Temple et al., 2017, p. 88). Though all of this may represent routine policies for British Council and the standard Social Enterprise UK fare, it is at odds with decided political policies in Greece.

## CONCLUSION

After five decades of path dependency, the neoliberalization of the third sector is almost complete (Huckfield, 2021). From overwhelming support for national and local state collective and community employment solutions throughout the 1970s and 1980s, which continued in London until the 1990s, beginning with the transformation of the third sector under New Labour, the main national representative third sector organizations are now an advocacy vanguard for neoliberal solutions. In the U.K. and Ireland, especially recently in Scotland from the Scottish Government's abandonment of funding support for social enterprise networks, many third sector organizations have been forced to move from local accountability to an increased dependency on external funding to remain solvent and achieve their objectives.

Politically, despite increasing awareness and support for or local cooperatives and local community structures, their representative national organizations have been diverted into neoliberalism. The latest campaign from Social Enterprise UK, Cooperatives UK, and others is the *Business Plan for Britain*: "When business becomes divorced from social responsibility, then society pays the price. The next election is an opportunity to develop a new approach to business. To ensure that businesses which proactively contribute to our society can thrive" (Darko, 2023, para. 1). After COVID-19 lockdowns, despite an overwhelming need for new local structures, including in energy and housing, this need for local cooperatives hardly penetrates mainstream political agenda. Instead, previous antecedents show that there is an overwhelming need for local economy frameworks.

## NOTE

1. In 1980, the author was Chair of the Labour Party National Executive Committee working group, which produced a document on Workers' Cooperatives, followed by a 1981 National Executive Committee statement from which these election manifesto commitments derive.

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