



# SOCIAL ENTERPRISES: A SUBSTITUTE FOR THE WELFARE STATE?

How welfare states, political trust and religion  
affect the number of social enterprises. A cross-  
national study

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Masterthesis social policy and social interventions

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03-07-2017

## Abstract

The 'golden ages' of the welfare state are history. Following the 80's of the last decennium, we have been experiencing a retrenchment of the welfare state. This raises the question whether the civil society is capable of bearing the growing burden of social needs, when the government is no longer able to. In this thesis the focus will be on the relationship between welfare state regimes- following Esping Anderson's typology- and social enterprises and the moderating effect of both religion and political trust upon this relationship. An univariate descriptive analysis was performed alongside a moderation regression analysis. The results for the main relationship were mixed. Liberal countries contain more social enterprises than conservative regimes. Social democratic countries, however, do not contain more social enterprises than social democratic countries. The results for the moderating variables were also mixed. The direction of the moderation differed across the three welfare state regimes which indicates that both variables might be more appropriate as independent variables. The mixed results for political trust might be attributed to the different rationales behind the welfare state regimes. Different manifestations of Christian doctrines and political participation, may account for the mixed results of religion.

## 1. Introduction

In his famous book *Sapiens* (2014) historian Yuval Noah Harari claims that a high level of cooperation was one of the most important trademarks of the homo sapiens and gave them a significant advantage over the other types of the human species (it might be the reason why the physically stronger Neanderthaler was not able to keep up with the homo sapiens). For example, homo sapiens hunted together, had religious celebrations, made political alliances and traded with each other. This was due to their superior social skills. What made their- or our- social skills superior, was that they were able to collectively create and believe in myths: the judicial or financial system, for example. These things are not real things we observe in the world around us, but it are creations - so-called social constructs- of our minds<sup>1</sup>; creations from which we collectively assume its truth and upon which we act. The modern welfare state can be considered a product of collective cooperation and believe. It can be said that the rationale behind the welfare state is based upon believes from moral philosophy<sup>2</sup>: the idea that a more just society is to be preferred to an unjust society, where justice has varying meanings for different theories of social justice. But the main idea is that there is some sort of distributive principle that produces a more equal or morally preferable distribution of economic benefits and burdens (Lamont & Favor, 2016). Ideas on a just society were there long before we could even speak of the welfare state -although ideas about what is a just society changes. The welfare state was born around the period of 1880 till 1914 and kept growing as an distributive institution up until 1975. This year is seen as the end-point of the growth of the welfare state (Pierson, 2006). Did the idea of a just society lose it appeal?

### 1.2 Retrenchment of the welfare state

Currently, we are living in an age of relatively austerity with respect to the welfare state: there have been cutbacks in social benefits and social security. According to Kumlin & Haugsgierd (2017) research shows that we encounter a retrenchment of the welfare state. It is getting more and more problematic for countries to finance their previous made commitments regarding public services and income replacement systems. Although, it never came as far as a whole dismantling of the welfare state, significant cutbacks have been made and are still ongoing. Importantly, this did not solitary happen in certain countries, but *'it seems rather to be a general recurring theme in the 'post-Golden Age' social policy of the last 30 years'* (Starke, 2006, p. 105). Some scholars claim that this retrenchment is not as drastic as stated above (Pierson, 1996). Others, however, state that retrenchment is more apparent when the focus of the analysis of the welfare state is its organization instead of the expenditures. (Clayton & Pontusson, 1998; Korpi & Palm, 2003). Furthermore, some citizens are far more affected by the retrenchment than others. Some scholars speak of a so-called dualization, where some are benefiting from the welfare state while others are excluded (Kumlin & Haugsgierd, 2017; Bonoli, 2005). If the welfare state is indeed retrenching, does it mean the social needs are progressively being neglected?

Fortunately, that is not necessarily the case. When the private and public sector are not providing welfare fitting to the social needs of a country's population, an opportunity arises for the third sector- i.e. the civil society, social economy or non-profit sector. Organizations in the third sector are distinguished from organizations in the traditional public or private sector, because they do not really belong to either one. The third sector is engaged in allocating resources through production of quasi-public goods or services (Defourny, 2001). These organizations- cooperatives, associations, mutual societies and foundations, or in short: all not-for-profit organizations (Defourny & Nyssens, 2010a)- were already playing a role in distributing welfare before the Second World War. It was the rising unemployment since the 1980's which raised the question to what extent the third sector was able to fulfill social needs. Cooperation between the public and third sector intensified

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<sup>1</sup> Leaving the meta-physical discussion about the nature of the world aside here

<sup>2</sup> These could be ideas from different strands of philosophy, like utilitarianism, deontology ethics or distributive justice, to give some examples

throughout Europe to battle these challenges of unemployment and alike (Defourny & Nyssens, 2010b). With the ongoing retrenchment of the welfare state, the question remains: is the third sector still able to fulfill the social needs which are not being met by the market or public organizations?

### 1.3 Social enterprises

One relatively new type of organization, which tries to meet some of these social needs, is conceived in the third sector. This new organization is the social enterprise (Defourny & Nyssens, 2010b). There are different conceptions of social enterprises. Some scholars consider them social innovations, while other consider them non-for profit organizations which use commercial activities to pursue their social goals (Defourny and Nyssens, 2010b). EMES, an international research network focused on social enterprises, uses the following definition:

*Social enterprises are organizations with an explicit aim to benefit the community, initiated by a group of citizens and in which the material interest of capital investors is subject to limits. Social enterprises also place a high value on their autonomy and on economic risk-taking related to ongoing socio-economic activity (Defourny & Nyssens, 2006, p.5)*

Furthermore, social enterprises are hybrid organizations in the sense that they provide society at large with considerable social benefits, but are almost exclusively funded by their own sales of products or services. It is important to note that the residual earnings are mostly not distributed to owners or investors. So, social enterprises are hybrids, because they differ from the traditional firm and traditional charity: *'based on input traits, they would be categorized as firms, but based on beneficiaries they would be categorized as charities'* (Galaskiewicz & Barringer, 2012, p.55).

The concept of the social enterprise is, as mentioned, relatively young and in Europe it made its first appearance in the year 1990. It became evident that entrepreneurial dynamics were lying at the very heart of the third sector. These dynamics emerged predominantly as a consequence of social needs that had not been met sufficiently or hadn't been met at all by public or private initiatives. Work Integration Social Enterprises (WISE's), for example, are organizations that focus on offering jobs for those who suffer an occupational disability: these WISE's are battling unemployment (Defourny & Nyssens, 2010b). These new forms of entrepreneurship- i.e. social enterprises- are a result of the crisis of the European welfare states. Public organizations were increasingly searching for private initiatives to fulfill social needs, which they would have been providing solutions for themselves if the economic climate was as prosperous as it was in the Golden Age of the welfare state (Defourny, 2014). Social enterprises are thus filling a social void. But are social enterprises able to complement the public welfare state?

### 1.4 Filling the void

Because of the retrenchment of the welfare state, it is interesting to verify whether the amount of social enterprises differs across countries, in such a way that it substitutes the welfare state accordingly. And as it appears, the number of enterprises does indeed differ significantly from one country to another. The United Kingdom is home of approximately 283,000 social enterprises (ICF, 2014a), while Germany has only between 40.000 and 70.000 of these enterprises (ICF, 2014b). And Denmark, for example, counts -at most- only 290 social enterprises. In comparison that is 1 social enterprise per 17.000 citizens in Denmark, while there is 1 social enterprise per 229 citizens in the UK. How can these differences be explained?

As is discussed above, the retrenchment of the welfare state is evident. Consequently, this means that the government is less able to fulfill the social needs of all its citizens. Social enterprises could possibly fill this void. Understanding the underlying variables which explain the different numbers of social enterprises can be of importance for the government in structuring their policy- as

well knowing whether the social problems are faced instead of neglected. Since social enterprises are relatively new phenomena, there is not one single legal form especially for social enterprises. In the Netherlands, for example, the social enterprise sector was in its infancy before 2011- *'if you could speak of a sector at all'* (Keizer, et al. 2016, p.3). Even in the UK, which might be seen as a precursor, these enterprises have only been high on the political agenda since the creation of the Social Enterprise Unit in 2001 (ICF, 2014a). For some countries it might be necessary to create an environment in which initiatives for social enterprises will be stimulated and supported, so that social needs are met.

## 2. Differences in number of social enterprises

In explaining the differences between countries in number of social enterprises, there are three possible explanatory variables. The first is the way countries organize their welfare states. Here the typology of Esping-Anderson (1990) will be used. There has been some critique on his typology for a number of reasons. First of all, the Mediterranean countries should have their own type of welfare state regime, according to some scholars. Furthermore, Esping-Anderson only examines 18 OECD countries, so there are a significant number of countries -for example those of south-east Asia- that are not included. Apart from this, his typology is criticized for being gender-blind: the role of the woman in providing welfare was not included in his analysis. And lastly, his typology mostly focuses on social transfers instead of services provided by the welfare state (Bambra, 2007). Arts & Gelissen (2002) and Brama (2002) provide overviews of scholars who constructed different typologies for welfare state regimes, some of them in reaction to the one of Esping-Anderson. Nevertheless, Esping- Anderson's typology will be used in this thesis, because it is the most widely used and cited typology in research. Furthermore, it is not unequivocal that other typologies counter all the problems faced by Esping Anderson's typology (Arts & Gelissen, 2002). The other two variables are political trust and religion.

### 2.2 The three worlds of welfare state capitalism

The different welfare state regimes as provided by Esping-Anderson, might have some power in explaining the difference between countries in number of social enterprises. When the welfare state is bigger, the responsibility of the civil society will be smaller. The size of the welfare state does indeed differ across the regimes, which might explain the difference in number of social enterprises across countries.

In defining what makes a welfare state what it is, Esping Anderson (1990) distinguishes three principles that can explain differences between welfare states. The first and second principles are the social rights of workers and their de-commodification. These two principles are related to the dependency of the worker upon the market. The idea is that social rights will lead to de-commodification (the extent to which someone is independent from the market for welfare), because when social rights are distributed people can maintain a livelihood without being solely dependent upon the market. This will result in the working force having a stronger bargaining position. The less de-commodification there is, the more the worker is dependent upon the market: they have to sell their labor in order to be able to obtain welfare. But when workers possess social rights and are thus de-commodified, they will receive welfare even if they do not have a job, because the government provides in their social needs. This gives the workers a stronger bargaining position. The third principle is that of stratification (the way a society is ordered or classified in classes). According to Esping-Anderson, the welfare state itself is a system of stratification, because *'it is an active force in the ordering of social relations'* (1990, p.23). Welfare states can differ as well in the way and degree to which they aim at stratification.

This brings Esping-Anderson to the three systems of welfare regimes. The first is the liberal welfare state. The main ideal here is that welfare should be obtained through the market, or in other words, through labor. De-commodification is minimal here, since benefits provided by the government are modest. Social rights are only given to those who are in serious need of support of

the government. Entitlement rules are strict and for this reason linked with stigma. There is not too much stratification, since there is a *'relative equality among state-welfare recipients, market-differentiated welfare among the majorities, and a class-political dualism between the two'* (Esping-Anderson, 1990, p.27). The second welfare state regime is the conservative or corporatist regime. The granting of social rights is widely accepted here. However, these rights are attached to class and status. Therefore corporatist welfare states try to preserve status differentials, or, in other words, the status quo. So, there is de-commodification, but stratification is rather weak. These welfare states are mostly shaped by the church and therefore committed to conserve the traditional familyhood. Here the principle of subsidiarity applies: the state will only interfere when the family is no longer able to. The third welfare state regime is the social democratic. Social rights are universal here: they apply to everyone and not just the ones in need or those whose family or social network is not able to take care of them anymore. Therefore the social-democratic welfare states aim at the highest possible rate of stratification. The idea is that everyone benefits and everyone is dependent. So blue collar workers enjoy the same rights as do white collar workers, but the benefits are accustomed to a person's income. To cover the costs of this *'solidaristic, universalistic, and de-commodifying welfare system means that it must minimize social problems and maximize revenue income'* (Esping-Anderson, 1990, p. 28). Therefore these regimes aim at full employment.

### 2.3 Political trust

A concept that is often mentioned in the debate on welfare state retrenchment is political trust. Political trust has a positive influence on attitudes towards government intervention- and thus a strong welfare state. Political trust can consequently be seen as a proxy of support for government policy. This means that the number of social enterprises might vary across countries when political trust varies as well. It can be argued that when support for government policy is high, the tendency for citizen initiatives, such as social enterprises, will be weaker. Although political trust can be seen as an independent variable it might be more reasonable to consider it as a moderating variable, because when citizens consider efforts of the welfare state insufficient, there still has to be an opportunity for a social enterprise to flourish. This will be easier when the government is less involved - as in liberal regimes- opposed to when government is more comprehensive- as in social democratic regimes.

Political trust as a proxy for support of government intervention has been called the trust-as-heuristic thesis and is defended in the scientific literature. For example, Scholz & Lubell (1998) claim that trust in government and other citizens increase the likelihood of support of tax collection by the government, because *'the empirical results show that trust in government and trust in other citizens significantly influence tax compliance, even after controlling for the influence of any internalized sense of duty and of self-interested fear of getting caught'* (p. 412). Political trust weighs heavier for non-beneficiaries than it does for beneficiaries, because the first mentioned have to sacrifice their material self-interest (Rudolph, 2017). It is a relatively small group of recipients that benefits from these policies. (Chanley, et al., 2000; Hetherington,1998; Bjørnskov and Svendsen, 2013; Bergh & Bjørnskov, 2011; Rudolph & Evans, 2005). Differences in citizens' trust between different institutions are relatively small and trust is inter-correlated. When someone has a high level of trust in one institution, this person also is also highly likely to also show trust in another institution. The same holds for distrust. Having trust in the government strongly correlates with a more general trust in whether democracy works or not` (Christensen and Lægheid, 2007).

So what does this mean for social enterprises? When political- and thus social- trust are high within a country, people have a higher probability of having a positive attitude towards government intervention. In other words, they will have confidence in the government for providing solutions to their social needs; as their provider of welfare. This will consequently mean that citizens are less likely to put matter into their own hands, i.e. number of social enterprises will be lower. However, as stated above, the extent to which the government is providing welfare already differs across countries, which means that, regardless of the degree of political trust, the national climate will be

less suitable for social enterprises to flourish. Therefore, political trust will have a moderating effect upon the number of social enterprises.

## 2.4 Religion

Religion might also be a factor in explaining the difference in number of social enterprises. However, as we will see further on, it is not totally unequivocal how religion might explain these differences. According to Manow and van Kersbergen (2009) the social-democrats and the Christian democrats were both promoting for development of the welfare state. For the Catholics it is the positive attitudes towards welfare for the poor that might explain their positive attitudes towards welfare state development. Catholicism also demands that the negative externalities of capitalism are corrected for, just as the social democrats do. At the crux of this thinking is not the social rights or emancipation of the workers, as is with the social democrats, but it is the Christian obligation to help the poor that shapes social policy and in that way tries to create a fair and stable social order. In explaining the different welfare state regimes, Esping-Anderson (1990) claims as well that the size of some welfare states can be contributed to the support for the Catholic parties, because these were prominent in some countries during the rise of the welfare state.

What could be an even more interesting relationship, however, is that of religion and the rise of civil society. As we saw in the introduction, the third sector played a significant role in society even before we could speak of such a thing as the welfare state. Especially since the Rerum Novarum of 1891, the Church laid the groundwork for benefiting the civil society, although it was already playing a role here through lower ranks of clergy and Christian communities. Different religions were and are contributing to civil society throughout the world (Defourny & Develtere, 2009). This should not come as a surprise, since religion is a significant source and form of social capital. And exactly this social capital is shaping civil society in the sense that social capital promotes co-operation between individuals (Fukuyama, 2001).

As it appears, religion has both a possible negative and positive effect on the number of social enterprises. In this thesis, the positive one will be leading because this effect appears to be more straightforward and universal. Support of the welfare state seems to apply to Christianity alone, while the emergence of civil society applies to religion in general. As with political trust, religion can be deemed to be an independent variable. However, equal to political trust, it may be more plausible to treat it as a moderating variable. If the government is already providing answers for social needs, there will be less incentive for religious initiatives to battle the same problems. There is just less opportunity and less urgency or obligation to initiate social enterprise. There will be a bigger opportunity and obligation when the government is less involved - as in liberal regimes- opposed to when government is more comprehensive- as in social democratic regimes.

## 2.5 Concluding

So there are three possible explanatory variables that might explain possible differences in number of social enterprises across European countries: welfare state regimes, political trust and religion. The primary effect is that of welfare regimes on the number of social enterprises. As we have seen, the size of the welfare state differs among the three different regimes. So, opportunities for and responsibility of organizations from the civil society- and thus social enterprises- will be smaller when the size of the welfare state is bigger. Secondly, there are two other variables which might correlate with the number of social enterprises: political trust and religion, in such a way that they moderate the previous mentioned effect of welfare state regimes upon the number of social enterprises. When political trust is high, citizens have faith in the way their government operates and battles the social problems, which will probably lead to less citizen initiatives such as social enterprises. For religion it is the other way around. Since religion has been prominent in constructing civil society, chances are that the more religious a country is, the more social enterprises there are.

### 3. Research question

The main question is formulated as follows:

***Can the difference in the number of social enterprises across European countries be explained by the different welfare state regimes, and is this relationship moderated by political trust and religiosity?***

### 4. Research design

#### 4.1 Data: ESS dataset & ICF database

The first dataset which will be used is the cross-sectional and cross-national European Social Survey. This survey is done every two years and measures attitudes and behavior since 2001. It's a cross-sectional survey that uses probability samples which are representative for everyone from 15 years and older. In order to cover the whole range of variables, the ESS has a repeating core section and alternating modules. To test reliability and validity a Multi-Trait Multi-Method is used and repeating key questions with modified questions or response scales. The survey is conducted using face-to-face in the respondents home by a trained interviewer. Interviewers read questions exactly as written. The sample size per country is at least 1500, to minimize the margin of error. For countries with less than 2 million inhabitants, the sample size has to be at least 800. All the participants are randomly assigned by address, name or household. Each round a new sample is randomly assigned. The ESS aims at a response rate of 70% (The European Social Survey).

The second database is the ICF database on social enterprises. ICF collected data on social enterprises through secondary sources available and tried to validate these findings through interviews with stakeholders. Since not all stakeholders were consulted, ICF emphasizes these reports are non-exhaustive overviews of the social enterprise landscape of 29 European countries; numbers given are thus accurate approximations but no exact numbers (for example: ICF, 2014a).

#### 4.2 Operationalization

##### 4.2.1 Constructing variables

An EM missing value analysis was performed on all the items before constructing the new scales. Values were missing relatively from 15,4% till 22,7% (Appendix, table 5). The missing values are not missing randomly, since the p-value for the MCAR-test is significant ( $p < .001$ ). The original sample size was  $n = 20154$ . Despite of the relatively high number of missing values, the sample size is still large for both the construct of political trust and religion (respectively,  $n = 14677$  and  $n = 17049$ ). Since missing values are not missing randomly, interpreting the results should be done with caution. For outliers was checked using the Mahalanobis distance measure. No extreme values were detected. The probability for these distances, however, showed that there are 12 outliers ( $p < 0.001$ ). Due to the large sample size, there are no serious concerns with these outliers regarding the conclusions based upon the analysis. Therefore, these values were not removed.

##### 4.2.2 Independent variable: welfare state regime

The welfare state regimes will be constituted by a cluster of countries, following Esping-Anderson's distinction. The aim was for each welfare state regime to consist of three countries. However, The liberal cluster only consists of two countries, since satisfactory numbers regarding the amount of social enterprises is missing for Switzerland, the only European liberal country besides the UK and



Ireland. So the liberal regime consists of the UK<sup>3</sup> and Ireland<sup>4</sup>. The conservative regime consist of Germany, France and Spain. And the social democratic regime consists of Denmark, the Netherlands and Finland. A categorical variable was added to the dataset corresponding to the different welfare state regimes. Conservative countries correspond with a value of '0', liberal countries with '1' and social democratic countries with a value of '2'.

***Hypothesis 1: due to its size, liberal welfare states have a higher number of social enterprises in comparison with conservative welfare states and, conservative in turn have a higher number of social enterprises than social democratic welfare state regimes***

#### 4.2.3 Dependent variable: social enterprises

A ratio variable was added to the dataset, corresponding to the number of social enterprises in each country. This means the ICF data was merged into the ESS dataset. To make the numbers commensurable, the number of social enterprises was divided by the population of a country and multiplied by a million. So, the figure corresponding to each county, resembles the number of enterprises per million inhabitants. It has to be noted that due to the fact that the ICF reports were not in every case decisive on the number of social enterprises, approximations had to be made.

#### 4.2.4 Moderating variables

##### 4.2.4.1 Political trust

To measure political trust, a new variable was constructed consisting of thirteen items (Appendix, table 5) regarding social and political trust. Respondents are asked to give a score ranging from '0' to '10', where '0' corresponds to no political trust at all and 10 corresponds with perfect political trust. The scores for all items were aggregated. Recoding wasn't necessary, because all items were framed the same way and all had to be scored with a value ranging from '0' to '10'. A factor analysis showed that the variables correlate (Appendix, table 6). The Kaiser- Meyer- Okin measure for this construct is 0,904, which indicates that the sampling is adequate. The Barlett's test shows significance as well ( $p < .001$ ) (Appendix, table 7). Correlation for one variable (item B19: table 5, Appendix) was not significant for all items. A second factor analysis was performed without earlier mentioned variable. The Kaiser- Meyer- Okin measure showed a minor increase to 0,905 and the Barlett's test still showed a highly significant correlation ( $p < 0.001$ ). Therefore, the choice was made to keep the item in the construct due to only minor changes.

***Hypothesis 2a: liberal countries which score higher on political trust are expected to have a lower number of social enterprises than liberal countries which score lower on political trust***

***Hypothesis 2b: conservative countries which score higher on political trust are expected to have a lower number of social enterprises than conservative countries which score lower on political trust***

***Hypothesis 2c: social democratic countries which score higher on political trust are expected to have a lower number of social enterprises than social democratic countries which score lower on political trust***

##### 4.2.4.2 Religion

This variable was operationalized by using one item from the ESS dataset (item C19: Table 5, Appendix). Respondents were asked to confirm whether they consider themselves to be religious or

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<sup>3</sup> Initially, Esping- Anderson didn't classify UK as a liberal welfare regime. He later claimed, however, that the passage of time had made the UK a prototypical liberal state (Arts & Gelissen, 2002)

<sup>4</sup> Ireland isn't an archetypical case of a liberal regime. It can even be considered conservative (Payne & McCashin, 2005). In this thesis Ireland will be classified liberal -in line with Esping Anderson.

not. A score of '1' means someone is religious, while '2' means someone is not religious. The choice was made to transform this variable so that these values were reversed. This makes the interpretation of the results more straightforward, because a higher score corresponds to someone being more religious.

***Hypothesis 3a: liberal countries which score higher on religiosity will have a higher number of social enterprises than liberal countries which score lower on religiosity***

***Hypothesis 3b: conservative countries which score higher on religiosity will have a higher number of social enterprises than conservative countries which score lower on religiosity***

***Hypothesis 3c: social democratic countries which score higher on religiosity will have a higher number of social enterprises than social democratic countries which score lower on religiosity***

### 4.3 Research strategy

The three hypotheses are tested in two different ways. First of all, an univariate descriptive statistics will be performed using SPSS. This choice was made, because of the small sample ( $n=8$ ). Even though the sample of the ESS dataset is fairly large, the unit of analysis are countries. This results in a rather small sample size. To test the hypotheses statistically, the PROCESS add-on for SPSS by Andrew F. Hayes was used. This add-on is meant for statistical mediation, moderation and conditional process analysis (Hayes, 2016; Field, 2013). Because the independent variable is a categorical one, the PROCESS add-on creates two dummy variables. The welfare state regime variable is coded as follows: conservative : 0, liberal : 1 and social democratic : 2. This way the conservative regime is used as frame of reference, which is most suiting for testing hypothesis 1. It should be noted that due to the small sample of countries, the outcomes of this statistical analysis should and will be treated with caution. This analysis is merely used to back up findings described above. No definite answers will be given: they should be considered indicative.

## 5. Results

### 5.1 Descriptive statistics

Descriptive statistics were used due to the small sample size. Although a large dataset was used, the analyses were conducted upon countries ( $n=8$ ). Through a univariate analysis, the results show the differences between different welfare states in regards to the number of social enterprises (table 1). An analysis was conducted per welfare state regime to look at differences regarding political trust and religiosity (table 2, 3 & 4). Using descriptive statistics does not allow for hypotheses to be rejected or accepted, nor can it test for a moderating effect. However, such analyses are insightful in making claims about the probability of the hypotheses

**Table 1**  
*Welfare state regimes & the number of social enterprises*

Welfare State Regimes	Social enterprises				
	Mean	Minimum	Maximum	Range	Std. Deviation
Liberal	2451.611	305.97	4716.67	2451.611	2204.7776
Conservative	391.5030	164.65	675.51	510.86	252.86053
Social-democratic	446.5833	37	912.08	875.08	374.001117

Turning to hypothesis 1, we can see that the first part of this hypothesis is probable -liberal welfare state regimes are home to more social enterprises than conservative welfare state regimes-, but the second part of the hypothesis is not. On average, social democratic welfare state regimes accommodate more social enterprises than conservative countries, even with a minimum value of 37 compared with a minimum 164 for conservative regimes. What also catches the eye is the range for the liberal countries. The minimum and maximum value, the range and the standard deviation all point out there are some very big differences between the liberal countries with respect to the number of social enterprises.

**Table 2**

*Scores of liberal countries on social enterprises, political trust and religion*

Liberal countries	Social enterprises	Political trust				Religiosity	
		Mean	Minimum	Maximum	<i>n</i>	Mean	<i>n</i>
United Kingdom	4716.6667	58.7420	5	115	1911	1.49	2264
Ireland	306.9685	55.1503	2	121	1776	1.75	2390

Hypothesis 2a and 3a are not probable either. The UK has a significantly higher number of social enterprises than Ireland. However, they score slightly higher on political trust, instead of significantly lower. Furthermore, Ireland seems to be significantly more religious than the UK. A reverse relationship was expected.

**Table 3**

*Scores of conservative countries on social enterprises, political trust and religion*

Conservative countries	Social enterprises	Political trust				Religiosity	
		Mean	Minimum	Maximum	<i>n</i>	Mean	<i>n</i>
Germany	675.5097	60.5360	3	109	2780	1.55	3045
Spain	168.1701	46.9913	5	122	1486	1.66	1925
France	164.6460	50.8514	0	104	1730	1.50	1917

Hypothesis 2b does not seem probable. Germany has, on average, the highest scores on political trust, but also the highest number of social enterprises. Neither hypothesis 3b appears plausible. For religion to have the effect as expected, Germany should score higher than France. However, France scores significantly higher than Germany while the amount of social enterprises in France is significantly lower.

**Table 4**

*Scores of social democratic countries on social enterprises, political trust and religion*

Social democratic countries	Social enterprises	Political trust				Religion	
		Mean	Minimum	Maximum	<i>n</i>	Mean	<i>n</i>
Finland	912.0760	67.4714	11	117	1903	1.51	2087
The Netherlands	260.9209	66.6279	7	108	1739	1.37	1919
Denmark	37	74.9209	10	123	1352	1.56	1502

The scores of the social democratic countries on political trust and religion do not seem to vary too much. Denmark has the lowest number of social enterprises, which was expected since it has the lowest score on political trust. However, the difference in social enterprises is significantly higher than the difference in scores of political trust. Hypothesis 3c does not seem absolutely probable. The differences concerning religion are not that large either. The Netherlands scores slightly lower, but Denmark and Finland score fairly the same. When looking at the number of social enterprises, Finland was expected to score fairly higher. This means hypotheses 2c does not appear plausible.

## 5.2 Regression moderation analysis

For a couple of regression assumptions was checked before conducting the analysis. A bivariate correlation test showed significance for the independent and moderating variables, which means the linearity assumption is met. Both the assumptions of homoscedasticity and independent errors have not been met. The scatterplot of the residuals clearly showed a lack of autocorrelation and the Durbin-Watson test had a value of .005. This means the confidence intervals and significance tests are invalid (Field, 2013). Because this problem was already recognized due to the small sample size ( $n = 8$ ), not meeting these assumptions does not produce new problems. The same goes for the assumption of normally distributed errors ( $p < .001$ ). Outliers and missing values were discussed above.

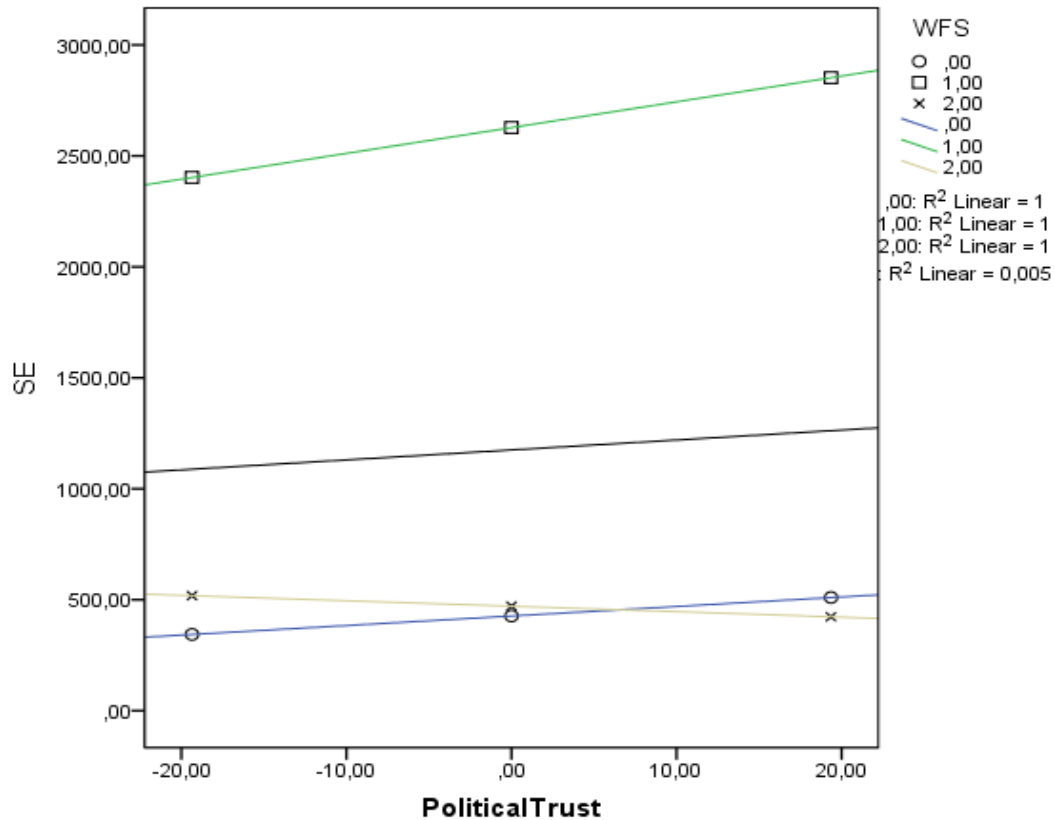
**Table 5**

*Effect of welfare state regimes on the number of social enterprises: regression analysis*

	<i>B</i> -coefficient	SE	<i>t</i> -value	<i>p</i> -value
Conservative compared to liberal	2200,9014	36,6331	60,0796	<.001
Conservative compared to social democratic	43,9780	6,7046	6,5594	<.001

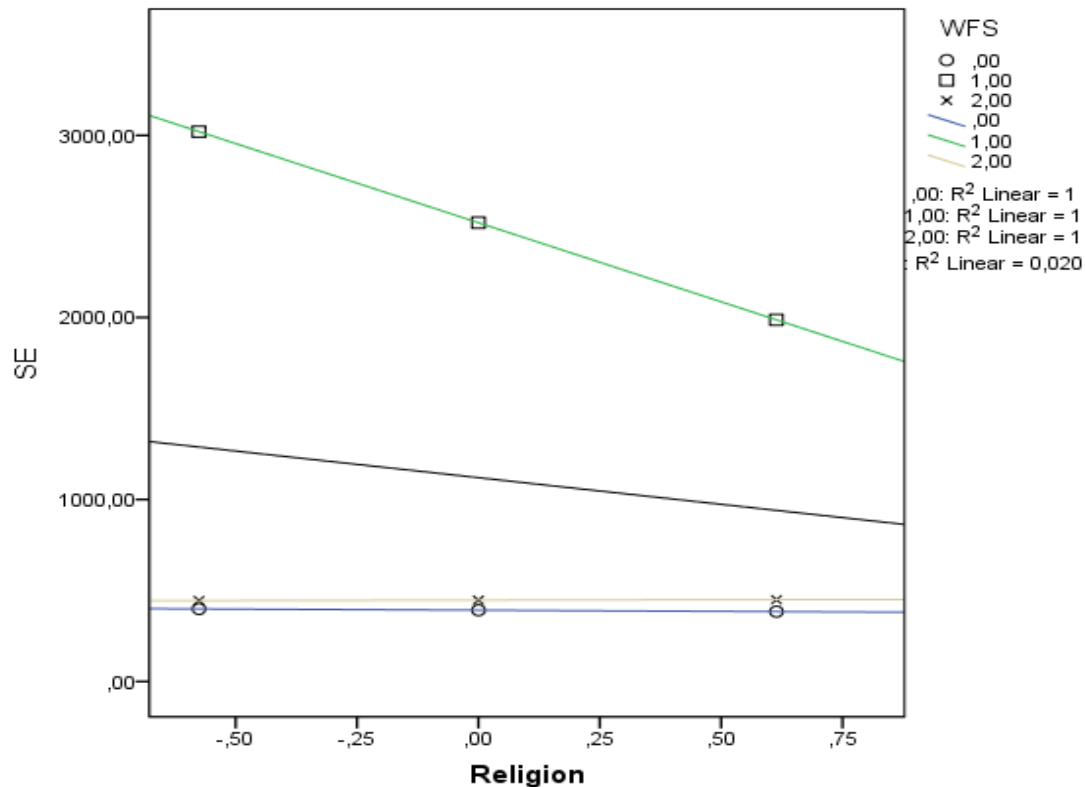
As we can see in table 5, hypothesis 1 has to be rejected. When we compare the conservative regimes with liberal regimes, everything is as expected: liberal regimes are home to significantly more social enterprises than conservative regimes ( $\beta$ -coefficients: 2200 and  $p < .001$ ). When we conservative countries are compared to social democratic countries, however, the expected outcome is not obtained. In this comparison, there is a positive relationship between the number of enterprises and the welfare state regimes ( $\beta : 43$  and  $p < .001$ ). A negative relationship was expected, hypothesis 1 is rejected.

**Graph 1. The moderating effect of political trust**



According to graph 1, only hypothesis 2b can be confirmed. When political trust is higher in conservative countries, the number of social enterprises is lower; political trust moderates the effect, as expected. However, for liberal and social democratic countries, the moderation effect is positive instead of negative. Here more political trust, means a higher number of social enterprises. Especially for liberal countries, this effect seems rather strong. This means hypothesis 2a and 2c have to be rejected.

**Graph 2. The moderating effect of religion**



According to graph 2, the average moderating effect of religion does not seem to be as expected: the higher a score on religion, the higher the number of social enterprises (here a lower score means more religious), moderating the effect of welfare state regimes upon the number of social enterprises. However, this relationship is not the same for all the welfare state regimes. For the liberal countries, this relationship is very strong and negative, while for the conservative and the social democratic countries this moderating relationship is slightly positive. So religion can account for differences in number of social enterprises, but this effect is negative for liberal countries, while it is positive for social-democratic and conservative countries. Upon the basis of the regression analysis, we have to accept hypothesis 3b and 3c, but reject 3a.

### 5.3 Conclusion

In short, following the theory the expectation was that the number of social enterprises would be largest in liberal countries, followed by conservative countries and would be lowest in social-democratic countries (Hypothesis 1). Secondly, the expectation was that political trust would have a negative moderating effect on this relationship (Hypothesis 2). And lastly, religion was expected to have a positive moderating effect on this relationship (Hypothesis 3). All hypotheses, however, were - mostly - rejected. The first part of hypothesis 1 was confirmed, but social democratic countries had, on average, more social enterprises than conservative countries, which means that hypothesis 1 eventually had to be rejected. Political trust had only a negative moderating effect for conservative countries. It had the opposite effect, however, for the liberal and social democratic countries. Religion had a slightly positive moderating effect for the social democratic and conservative countries, but a very strong negative moderating effect in the liberal countries. What could explain these mixed results?

First and foremost, it is probable that the conceptual framework was formed incorrectly, especially regarding the moderating variables. As was stated in the theoretical framework, we could consider political trust and religion as independent variables as well. This implies that both political

trust and religion might explain the size of the welfare state, which in turn explains the number of social enterprises.

There are some alternative plausible explanations regarding the results, viewed from the theoretical framework. Foremost, there were relatively big differences in number of social enterprises between social democratic and conservative regimes, on the one hand, and liberal regimes on the other hand. This might be explained by the fact that social democratic and conservative regimes share a common characteristic that the liberal regimes lack. As we can see in Esping-Anderson (1990) description of the different welfare states, the liberal regimes rely heavily on the market for the allocation of welfare, where this is not the case for conservative and social democratic countries (to a certain extent). Since social enterprises are active in the 'traditional' market, this could explain this relatively big difference.

For the rejection of hypothesis 1, there could be a couple of explanations. First of all, his typology has not been without criticism (Arts, W. & Gelissen, J, 2002; Bambra, 2007). Conceivably, other typologies might be more suiting in explaining the difference in number of social enterprises. Esping-Anderson's neglects welfare provided through services, such as healthcare (Bambra, 2007). Neglecting a significant component of welfare distribution can have considerable effects on the analysis performed in this thesis, because it is very plausible that the number of social enterprises also differs per country due to welfare provided by the government in the form of services. For example, when the government is providing so-called 'sheltered work' for those with a distance to the labor market, there will be less opportunities for earlier mentioned WISE's. Secondly, an obvious explanation which is more in line with Esping-Anderson's (1990) typology is linked to the fact that the family is considered a strong social safety net in conservative countries. So, it is in first instance the family that needs to meet the social needs of a family member. If this is insufficient, then the government steps in and, if they also fail, only then there is an opportunity for social enterprises. Although social democratic countries have a more universalistic welfare system, social enterprises are the second- instead of the third- in line of fulfilling social needs. So the fact that conservative countries have a less universalistic welfare state, is less essential in explaining differences in number of social enterprises.

Turning to political trust, we can see that, on average, higher political trust leads to lesser social enterprises. This is especially true for the liberal countries, and to a lesser extent conservative countries. Only for social democratic countries the relationship is moderately negative. What can explain these differences? The most straight forward explanation might be that it is wrong to assume that more political trust means a bigger government- as is done above (for example: Scholz & Lubell, 1998). The different welfare state regimes all encompass a different rationale (Esping-Anderson, 1990). In this sense, we could see political trust as a proxy for government intervention, but also -and that is of importance here- for when a government doesn't interfere. Thus it is a proxy for the rationale behind the welfare state regime. This makes sense for liberal countries, for example: when the citizens believe the market – and thus social enterprises- battles unemployment properly and sufficiently, they are positive about their government which is facilitating this. For social democratic countries it would be the other way around, since their rationale is to allocate welfare through a welfare state that is as universalistic and solidaristic as possible. Here it is consistent to say that when political trust declines, an opportunity for initiatives as social enterprises arises. Conservative countries For conservative countries the manifestation of this effect is somewhere in between, as we can see in graph 1.

Religion has a different effect than expected as well. For liberal countries we see a negative unexpected moderating relationship., while for social democratic and conservative countries a slightly positive relation is observed. There are a couple of plausible explanations for this difference. First of all, It might be that religion has played a different role in different countries. As we saw in the literature, religion has been given credit for both the rise of the welfare state as for rise of the third sector (Manow & van Kersbergen, 2009; Defourny & Develtere, 2009). Most probably both these theses are true for most European countries, but the degree to which religion contributed to one of the two might vary. For liberal countries, however, it might be that religion has had, to a larger

extent, an influence on the rise of the welfare state and in this sense limiting opportunities for social enterprises. The way religion has been playing a role in the rise of the welfare state has indeed been differing across European countries. This can be attributed to the different Christian doctrines adopted by the various denomination. They produce differing political and social institutional structures throughout countries, because the way in which the church acted politically and socially differed across denominations and, with that, countries (Kahl, 2010). Another explanation is that across European countries, Christianity did not manifest itself consistently in the political arena: how religious parties translated religious concerns into the political arena diverges across countries (Manow & van Kersbergen, 2009) .

## 6. Discussion: limitations and future research

This thesis has some limitations that should be addressed. First of all, nothing can be said about the statistical significance of the claims made in this thesis for reasons. Firstly, a non-probability sample is applied and only random samples allow for statistical generalization from sample to population (May, 1997). Countries were sampled on the basis of research performed by Esping-Anderson. Countries were grouped by characteristics of their welfare state. Each country did not had an equal chance of being part of the sample. Since it is very important for statistical generalizations that the characteristics of the sample resemble those of the population, this research has serious limitations regarding representativeness. Secondly, this thesis has a fairly small sample size. The  $p$ -values are invalid and the results might be unreliable. Small sample sizes might produce false-positive results or overestimate the magnitude of a relation.(Hacksaw, 2008).

A second limitation is that the number of social enterprises per county as determined by ICF are merely approximations. Furthermore, because the numbers were not decisive for every country, an educated guess had to be made on the number of social enterprises. This makes the final numbers as applied in the analysis rather arbitrary. The claims made in this thesis should be addressed accordingly.

Thirdly, Model 1 of the PROCESS add-on was chosen for the regression moderation analysis, which looks at the relationship between an independent and dependent variable and at the effect of one moderating on this relationship. Model 2 would be more appropriate, since this model takes two distinct moderators in account. However, this is not possible when the independent variable is categorical. Therefore, the choice was made to do the analysis once for each of the two moderating variables. Because the independent variable is a categorical one, the PROCESS add-on creates two dummy variables. This means claims could be made purely on the distinct effects of both variables instead of the effects of these variables within the whole theoretical framework. De facto two theoretical frameworks have been tested instead of one.

For future research, there are many paths to follow. First of all, all hypotheses were rejected, which leads to the sad conclusion that this thesis did not find an answer to the question why countries are differing in the number of social enterprises. Future research might- hopefully- provide a satisfying answer. A big challenge for these future researcher remains getting a large enough sample, because research on the number of social enterprises still isn't always satisfactory or information on this number is lacking altogether. In short, a coherent explanation is still to be found; an opportunity for future researchers to find it.



## 7. Literature

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## 8. Appendix

**Table 6**

*Operationalization political trust*

Item number	Question
A3	Generally speaking, would you say that most people can be trusted, or that you can't be too careful in dealing with people?
A4	Do you think that most people would try to take advantage of you if they got the chance, or would they try to be fair?
A5	Would you say that most of the time people try to be helpful or that they are mostly looking out for themselves?
B1a	How much would you say the political system in [country] allows people like you to have a say in what the government does?
B1b	How able do you think you are to take an active role in a group involved with political issues?
B1c	And how much would you say that the political system in [country] allows people like you to have an influence on politics?
B1e	How much would you say that politicians care what people like you think?
B19	In politics people sometimes talk of "left" and "right". Using this card, where would you place yourself on this scale, where 0 means the left and 10 means the right?
B22	Now thinking about the [country] government <sup>19</sup> , how satisfied are you with the way it is doing its job?
B23	And on the whole, how satisfied are you with the way democracy <sup>20</sup> works in [country]?
Please tell me on a score of 0-10 how much you personally trust each of the institutions I read out. 0 means you do not trust an institution at all, and 10 means you have complete trust	
B2	[country]'s parliament?
B5	politicians?
B6	political parties?

**Table 7**

*Operationalization religion*

Item number	Question
C9	Do you consider yourself as belonging to any particular religion or denomination?

**Table 8***Missing value analysis*

Items	Missing values		
	All cases	Missing	Percentage
A3	17029	3125	15.5
A4	16989	3165	15.7
A5	17018	3136	15.6
B1a	16706	3448	17.1
B1b	16709	3445	17.1
B1c	16846	3308	16.4
B1e	16820	3334	16.5
B2	16864	3470	17.2
B5	16875	3279	16.3
B6	16976	3358	16.7
B19	15581	4573	22.7
B22	16717	3437	17.1
B23	16613	3541	17.6
C9	17049	3105	15.4

**Table 9***Factor analysis: correlation matrix*

Items	A2	A3	A4	A5	B1a	B1b	B1c	B1e	B2	B5	B6	B19	B22	B23
A2	-	<.001	<.001	<.001	<.001	<.001	<.001	<.001	<.001	<.001	<.001	<.001	<.001	<.001
A3	<.001	-	<.001	<.001	<.001	<.001	<.001	<.001	<.001	<.001	<.001	<.001	<.001	<.001
A4	<.001	<.001	-	<.001	<.001	<.001	<.001	<.001	<.001	<.001	<.001	<.001	<.001	<.001
A5	<.001	<.001	<.001	-	<.001	<.001	<.001	<.001	<.001	<.001	<.001	<.001	<.001	<.001
B1a	<.001	<.001	<.001	<.001	-	<.001	<.001	<.001	<.001	<.001	<.001	<.001	<.001	<.001
B1b	<.001	<.001	<.001	<.001	<.001	-	<.001	<.001	<.001	<.001	<.001	.293	<.001	<.001
B1c	<.001	<.001	<.001	<.001	<.001	<.001	-	<.001	<.001	<.001	<.001	<.001	<.001	<.001
B1e	<.001	<.001	<.001	<.001	<.001	<.001	<.001	-	<.001	<.001	<.001	<.001	<.001	<.001
B2	<.001	<.001	<.001	<.001	<.001	<.001	<.001	<.001	-	<.001	<.001	<.001	<.001	<.001
B5	<.001	<.001	<.001	<.001	<.001	<.001	<.001	<.001	<.001	-	-	<.001	<.001	<.001
B6	<.001	<.001	<.001	<.001	<.001	<.001	<.001	<.001	<.001	<.001	<.001	-	<.001	<.001
B19	<.001	<.001	<.001	<.001	<.001	.293	<.001	<.001	<.001	<.001	<.001	<.001	<.001	<.001
B22	<.001	<.001	<.001	<.001	<.001	<.001	<.001	<.001	<.001	<.001	<.001	<.001	-	<.001
B23	<.001	<.001	<.001	<.001	<.001	<.001	<.001	<.001	<.001	<.001	<.001	<.001	<.001	-

**Table 10***Factor analysis: tests of significance*

Test	value
Kaiser-Meyer-Olkin Measure of sampling adequacy	.904
Bartlett's test of sphericity	<.001