Hybrid Governance: nonprofit, for-profit and governmental organisations for the public good.

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1 Introduction

There is not a real conceptualisation of the nonprofit sector in the Netherlands. For many Dutch people the boundaries are vague. Nevertheless, the nonprofit sector is of considerable size and importance (Burger and Dekker, 1998). On the other hand, as in many western countries, there is an ongoing debate about the effectiveness of the current way of organising the public part of society. Governmental organisations are being privatised, nonprofit organisations are becoming less subsidised and have to earn more from members and fees. The so-called “polder model” consensus-based economic model now in favour again in the Netherlands, proves to be effective in reducing (theoretical) differences and conflicts between the three sectors. Others will say it makes for dull politics.

Looking at the discussion in the Dutch public domain it strikes that it concerns issues like:

- the lack of efficiency in public organisations
- a lack of citizen involvement, legitimacy and ownership for all kinds of public organisations
- risks of losing the social responsibility of public organisations
- problems of public accountability
- problems of unethical behaviour of managers and other stakeholders
- lack of diversity and representatives of diversity
- the introduction of markets and market forces as the general leading principle of public management

It is on these issues rather than on the differences between the sectors that discussion takes place. This was the starting background for the Dutch ‘impact study’ as part of the Johns Hopkins Comparative Nonprofit Sector Project (CNP). In this impact study some theoretical functions and drawbacks of the nonprofit mode of organising activities in society are tested and compared to for-profit and governmental modes.

We will give a short summary of these contributions and drawbacks in the first paragraph of this paper. This also will explain the methodology of the research. In the following paragraph (3) we describe the results of looking at the functions and drawbacks in three policy fields that have been researched. We finish with an assessment of the influence of nonprofit in the three fields.

Based upon the original Dutch research project in this paper conclusions are drawn on the converging trends between the three sectors in the Dutch situation (paragraph 4 and 5). It seems that the three sectors are copying good aspects from each other. This can be observed both on the level of organisations and on the level of policy formulation and implementation.

One line of argument compares the three sectors within three different policy fields (primary education, public housing and environmental affairs). This leads to the idea that on an organisational level impacts of the third sector also can be found within the other sectors too. A second line of argument describes the development of policies in the Netherlands and makes clear that in theory and practice within the Dutch model ‘the third sector idea’ is part of the other two sectors too.
2 The Dutch impact study: research and theory

As stated before, the Dutch impact study was part of an overall larger project. In this paragraph we very shortly explain the research and the underlying framework of the impact study.

The impact study concentrated on three policy fields (primary education, social housing and the environmental movement. Basically it was a literature review coupled with interviews with 10 to 15 experts per field and from academic circles. Looking back at the Dutch impact study it was a strange, funny and also rewarding exercise to confront the Dutch policy fields, in all three sectors, with this theoretical framework. In many interviews respondent acted confused, bewildered and sometimes even hostile (from government) to the idea of a separation between government and nonprofit.

The assumptions underlying the contributions and drawbacks as defined by the Johns Hopkins project1 can be summarised as follows:

*Contributions*

- The service function: The service that is provided by nonprofit organisations would be higher in quality, greater in equity and lower in cost.
- The innovation function: Nonprofit organisations can be expected to be pioneers in their respective fields of operation.
- The advocacy and social change function: Nonprofit organisations are involved in producing major policy innovations and are involved in active advocacy.
- The expressive function: Nonprofit organisations are able to perform a broader function as vehicles of individual and group self-expression.
- The community-building function: By encouraging social interaction, nonprofit organisations help to create habits of trust and reciprocity that in turn contribute to a sense of community (Johns Hopkins Comparative Sector Project, 1997a).

*Drawbacks*

- Particularism: By being responsive to special groups, nonprofit organisations can be discriminatory in their operations.
- Paternalism: The liberty of individuals can be constrained because of the patronising rules on nonprofit organisations.
- Amateurism: Because of their reliance on volunteers, nonprofit organisations may not be able to take advantage of the latest techniques, or they may rely on the unique skills of a particularly effective individual who cannot easily be replicated (Johns Hopkins Comparative Sector Project, 1997a).

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1 Two drawbacks were not part of the Dutch research.
3 Functions and drawbacks in three fields

In this section we describe the conclusions on different topics on the different fields. This means that we look at the three different fields and sectors from the perspective of the specific contributions and drawbacks. In the first three parts we analyse the three different fields. In the final part of this paragraph we give a summary of the three fields and analyse contributions and drawbacks from the overall perspective.

Functions and drawbacks in primary education
The distinction between nonprofit and government is clearly recognised although not in this terminology. The distinction is a major part of Dutch social and political history, as is shown the article in the Dutch Constitution. There are many converging trends within nonprofit schools: many nonprofit schools look alike. The governmental form has trends copied from the nonprofit form: every school can be different. Next to that, there are new ways of arranging parental influence in both types of schools (medezeggenschap, “participation”) and there are new concepts for privatising governmental schools. So the basic conclusion is that nonprofit schools look like governmental schools in adapting to “field-wide norms” (Powell and Friedkin, 1987), while governmental schools are opening up to parents and educational philosophies. There is no for-profit primary education.

This means that functions and drawbacks can be found through the entire system of education. Whether this is governmental or nonprofit does not make a real difference. Differences between schools, and they do exist, are related to issues like the local neighbourhood, parental influence and the influence of the school manager or headmaster.

Looking at the service function, quality varies from school to school and from region to region. This difference mostly has nothing to do with whether the school is a governmental or nonprofit school. Some researchers (Dijkstra et al., 1997, Hofman, 1993) find small differences linked to the legal form due to the higher involvement of parents in the school. Considering the issue of equity it is clear that this could be a very negative aspect of the nonprofit schools. Officially, they are allowed to refuse pupils. In practice, they almost never do, for financial reasons. In terms of costs the double system of fully funded nonprofit and governmental schools leads to a more expensive primary education system. In general the costs for parents are the same for both governmental and nonprofit schools. Innovation is also explained by the area in which a school is located. In deprived areas more social innovation is needed and carried out. In other areas there is more demand for experimenting with educational philosophies. Historically the nonprofit form made the introduction of new school types possible. Schools in the Netherlands offer ways for people to express their concern in raising their children. Mostly these are very practical support activities. There is no evidence that there is a real difference between the two sectors, except to possibility of participating in the official school board.

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2 It should be clear that the research also showed that a small percentage of nonprofit schools (about 5%) are really different from the rest. They are either based upon small, strict religions or very specific educational principles. The researchers decided not to concentrate on these schools.
Functions and drawbacks in social housing

In this field a distinction is made and recognised between the three sectors. Nonprofit organisations are the original private organisations, not profit-oriented, that have played an important role in the domain of Dutch housing. For-profit organisations are institutional investors and the agents managing their property, some project developers and a small number of private landlords. Government is associated with the now mostly privatised former municipal housing organisations. On the other hand this is a domain where the differences are blurring due to the emerging of a market philosophy for all organisations and the privatisation of the former governmental municipal housing corporations.

Looking at the quality of the service provided, there are various aspects to be considered. The first issue is that the for-profit organisations focus on the higher segments of this market, thus offering technically better housing at higher prices. Housing corporations, both nonprofit and governmental, appear to pay more attention to the quality of the architecture. A third point is that the nonprofit and governmental organisations seem to maintain their housing stock better. But in general, there is a convergence between government, nonprofit and for-profit organisations. Equity can be defined both in terms of rents and in terms of the possibility of renting a home. Due to the legal framework of the Rent Housing Act 1979, rents are relatively equal. But there is a difference in accessibility. Profit organisations offer homes to people with a stable, clearly sufficient income. Nonprofit organisations offer more possibilities for difficult groups, such as asylum-seekers. In this way they create real equity. The issue of costs is very complicated. Housing corporations work at lower cost, operating in a more advantageous tax climate, fewer expenses for intermediates and being more professional. On the other hand, due to the increase of market thinking and the change in the financing of nonprofit and governmental organisations, the costs are now equalising. Innovation is a difficult issue in the field of housing. The general idea is that nonprofit organisations are more innovative, although in many cases they are “pushed” by government. The advocacy function of nonprofit organisations, and in some way their governmental counterparts, is very clear historically. Their history is in the economic development of their own constituencies. Nowadays the nonprofit form still has a big impact on the function of social change. The nonprofit corporations are used to achieve other policy aims such as the social development of certain areas. Looking at the expressive functions one can say that the idea that the housing association is owned by its members has almost disappeared. The traditional values have now been replaced by managerial and service-oriented values which are expressed in a new relationship between organisation and tenants. For community-building the relationship between nonprofit and governmental social housing organisations and local government are important. As stated earlier, nonprofit and government organisations are used to implement social policy and change within local communities.

As far as the drawbacks are concerned, particularism is not a dominant characteristic any more in either of the sectors. It can perhaps be found in small villages in older organisations, though this is not clear. On the other hand, nonprofit and governmental organisations are probably more compelled to use objective criteria than private organisations, especially non-professional landlords. There is a visible history of paternalism. There used to be “living schools” and many “house rules”. Nowadays, a new form of paternalism may be being practised by managers who develop policies
without influence from outside parties. Tenants are seen as clients, who could also choose to live somewhere else, rather than as partners. Amateurism has almost disappeared in all three sectors.

**Functions and drawbacks in environmental affairs**

In this field almost everybody understands the difference between the three sectors, although again the difference between the large environmental organisations and the government is not always clear. An important explanation for the distinction is that in this sector many nonprofit organisations are membership-based so they must have a self-image. On the other hand, the three sectors are very interwoven on the level of policy-setting and formulation. Environmental affairs is a booming market for nonprofit advocacy groups, nonprofit research centres and for profit consultancy firms. The Ministry of Housing, Spatial Planning and the Environment is seen as an important partner within the arena for the development of new policies. A final introductory remark concerns the professionalisation, pragmatisation and institutionalisation that have occurred in the Dutch nonprofit environmental movement.

Looking at innovation, there is a clear historical case for the nonprofit sector. It is mostly thanks the large and small organisations within the environmental movement that the issue of environmental affairs was placed on the political and public agenda. This led to the great success of the NEPP and NEPP+, followed and accompanied by laws and self-regulation by companies and industries in the mid and late eighties. After this period the environmental movement entered a strategic and instrumental crisis. Now there seems to be no real difference between the three sectors in terms of innovation seen as the introduction of new ideas and issues. There are even people who say that part of the environmental movement is fighting old-fashioned battles and is not innovative any more. For the issue of advocacy, social change and expressive function it should be clear that the nonprofit sector clearly offers maximum possibilities. These functions form the core of the advocacy and campaigning organisations that form this movement. But it is very difficult to say that the nonprofit sector is doing better than other sectors. The nonprofit sectors can use instruments like blockades and signature campaigns that are not open to many of the people working in government or for-profit firms. Of course the whole concept of membership, donating money and mobilising mass action is more open to the nonprofit sector. But the idea seems to be that the large mass mobilisation campaigns are finished now. One should not underestimate, however, the possibilities for civil servants and business employees to express their own values and create social change by working for these organisations in the governmental and profit sector. The community-building contribution has largely disappeared as a consequence of the professionalisation and institutionalisation. The three drawbacks can no longer be found in the large organisations.

**Comparing functions and drawbacks in the three fields**

Generally speaking, the difference between the government and nonprofit sectors is very limited. In primary education the educational quality in nonprofit schools may be a little higher, while the social quality in the governmental schools may be higher. In social housing the social and architectural quality of both government and nonprofit is the same. For-profit social housing organisations offer fewer homes to people with an unstable income. The environmental movement is in a kind of crisis: questioning
goals, target groups and instruments. The ongoing professionalisation and collective development of the Dutch nonprofit fields becomes clear when comparing the three potential drawbacks. There is almost no evidence that these are a structural part of the nonprofit sector, nor of the other sectors. The exception is amateurism in secondary (managerial and organisational) processes in the environmental movement. Of course examples of amateurism and paternalism can be found, but again in all three sectors. Our findings on contributions and drawbacks can be summarised as follows.

**Table 2: Contributions and drawbacks**

<table>
<thead>
<tr>
<th></th>
<th>Primary education</th>
<th>Social housing</th>
<th>Environmental affairs</th>
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<tbody>
<tr>
<td><strong>Service function:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Higher quality</td>
<td>Limited effects</td>
<td>Higher architectural and social quality</td>
<td>-</td>
</tr>
<tr>
<td>Greater equity</td>
<td>No effect</td>
<td>Homes more accessible for deprived groups</td>
<td>-</td>
</tr>
<tr>
<td>Lower costs</td>
<td>Existence of nonprofit leads to higher overall costs</td>
<td>No effect</td>
<td>-</td>
</tr>
<tr>
<td><strong>Innovation</strong></td>
<td>Historic positive effect, nowadays no real difference</td>
<td>More innovative in response to government policies</td>
<td>Positive effect until about ten years ago, now maybe even less</td>
</tr>
<tr>
<td>Advocacy and social change</td>
<td>No effect</td>
<td>No effect</td>
<td>Positive effect in itself, perhaps not more than others</td>
</tr>
<tr>
<td>Expressive function</td>
<td>No effect</td>
<td>No effect</td>
<td>Positive effect in itself, perhaps not more than others</td>
</tr>
<tr>
<td>Community-building</td>
<td>No effect</td>
<td>No effect</td>
<td>Positive effect in itself, perhaps not more than others</td>
</tr>
<tr>
<td>Particularism</td>
<td>No effect</td>
<td>No effect</td>
<td>No effect</td>
</tr>
<tr>
<td>Paternalism</td>
<td>No effect</td>
<td>No effect</td>
<td>No effect</td>
</tr>
<tr>
<td>Amateurism</td>
<td>No effect</td>
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<td>No effect</td>
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**The nonprofit sector in the three fields**
Looking at the field of primary education it is abundantly clear that the nonprofit sector has been and still is a major force. The existence of the nonprofit organisational form has made it possible to create a primary education system that has been able to serve the (religious) diversity in the Dutch society. Mainly this was the result of the
efforts of religious nonprofit entrepreneurs, as Dijkstra et al. (1997) state. For many people this has been and in some schools still is a major aspect of quality. Nowadays quality in primary education is still positively influenced by the influence parents have on schools. Nonprofit schools in some cases offer more and better opportunities for this. Also, educational innovation in the field of primary education has been made possible and easier by the existence of the nonprofit form. Following the initial introduction of Montessori, Jenaplan and others, however, these systems have been adopted by some governmental schools, too. Looking at the other functions (expressive function, community-building and advocacy) we can say that with the diminishing role of the religious and ideological “pillars” these functions have also lessened. The same holds for the drawbacks. Theoretically the drawback of particularism would be expected within the nonprofit organisations, but as almost everybody agrees, every pupil counts for money.

The story for the field of social housing is very similar to that of primary education. Both fields have played an important role in the development of pillarisation. It is clear that the nonprofit form made for better, newer and cheaper housing compared to the for-profit organisations. The nonprofit form made it possible for social housing to develop rapidly and all over the Netherlands. But in this field too the diminishing role of the pillars and the development of governmental organisations made for a lessening of functions and drawbacks. Nowadays the most important extra function of the nonprofit form is a higher architectural quality and developments to do with community-building.

For the field of environmental affairs, the story is different. It is very clear that the nonprofit form, with its possibilities for advocacy and expressive values, has been very instrumental in placing environmental issues on the political agenda. It can be said that for about 20 years the nonprofit environmental movement held the initiative in this field. With the introduction of the National Environmental Policy Plans, this initiative moved to a less clear position between the government and nonprofit sectors. Later on, even for-profit organisations, such as consultancy and research organisations, joined this arena and also took some initiatives. The nonprofit environmental movement is in a kind of crisis, trying to find a new role.

<table>
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<th>Table 3: Non-profit in the three fields</th>
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<tbody>
<tr>
<td><strong>Fields</strong></td>
</tr>
<tr>
<td>Primary education</td>
</tr>
<tr>
<td>Social housing</td>
</tr>
<tr>
<td>Environmental affairs</td>
</tr>
</tbody>
</table>
4 Converging sectors

As stated, the Dutch literature and public discourse does not really concentrate on the differences between the three sectors. Discussions concentrate mainly on what public organisations can learn from private for-profit organisations. In many cases, the subtle differences between a private nonprofit and a governmental organisation are not recognised. In all three policy fields it was difficult to find real differences between the three sectors.

The developments in all three fields seem to fit a large amount of research on why organisations look so similar. DiMaggio and Powell (1987) give a review of the literature and state that they see “in each of these cases (is) the emergence and structuring of an organisational field as a result of the activities of a diverse set of organisations, and, second the homogenisation of these organisations, and of new entrants as well, once the field is established” (DiMaggio and Powell, 1987, p. 78).

To analyse this convergence, DiMaggio and Powell developed what they call the isomorphism approach. They analyse whether all kinds of organisations within a certain domain are going to look alike or are differentiated. They describe three different forces that make organisations become similar. DiMaggio and Powell use the term isomorphism for the homogenisation they describe. The authors describe three mechanisms through which institutional isomorphic change occurs: coercive isomorphism that stems from political influence and the problem of legitimacy; mimetic isomorphism resulting from standard responses to uncertainty; and normative isomorphism associated with professionalisation (1987, p 80-81).

To summarise the development, in primary education and in social housing the existence of the nonprofit form made it possible for nonprofit entrepreneurs to open up schools to serve specific niches in the market (See Dijkstra et al., 1997). In education the motivation was to keep the government out of the school, in social housing it was to push back the profit sector. There is a close connection between the existing heterogeneity in Dutch society and the existence of entrepreneurial behaviour in the nonprofit and religious sector. We call this the first stage - service delivery by social entrepreneurs - of the development of the nonprofit form in primary education and social housing.

The second phase can be characterised as “going public”. This means that there is an ongoing developing relationship between the government and nonprofit sectors. Nonprofit schools cash in on their “public” characteristics and are funded and regulated by government. In social housing the post-war reconstruction (Wederopbouw) and the development of the Dutch Welfare State (Verzorgingsstaat), both sectors became totally intertwined.

The third stage can be characterised as “going private”. Schools (both nonprofit and governmental) are supposed to acquire more freedom. Parents should have more influence. The third stage in the field of social housing also is a return to the private nature of the nonprofit organisations, but this time more accurately characterised by “going profit”. For the nonprofit providers this mainly entailed a reorganisation of the financing structure in which government had always been the easy and secure “bank” on which they could count. For the governmental sector it meant the privatisation of
municipal housing corporations to form foundations, and the consequential change in their financial structure.

The nature of the convergence in primary education is mainly coercive and normative. There are many government regulations for all schools that according to some respondents – expressing what seems to be the common opinion - are overwhelming. Another normative isomorphism is the managerial sub-class in primary education. In social housing all three isomorphic pressures are operating. There is a large shared legal context. There is an ongoing professionalisation in defining how housing should develop and be related to other parts of public policy. But perhaps the strongest converging force is based on mimetic isomorphism, in which the organisations look the same because they all have to survive in this new context where “MARKET” is the main concept.

Environmental affairs is a fairly young field. Again we see nonprofit entrepreneurs who observed need and began acting. The success of the nonprofit organisations led to an active government that, with the introduction of the various NEPPs (National Environmental Policy Plans) did what the nonprofit organisations wanted. The NEPPs also led to a situation in which the government took over the initiative, followed by for-profit firms getting the environmental boom. The isomorphic forces are less clear in the field of environmental affairs. In this field they mainly seem to be normative. There is a subtle way of selecting people who are involved in environmental affairs and connecting them to specific organisations.
In all three fields we see a rise of the nonprofit sector in the early stages of the field’s establishment. Later, we see a blurring of the boundaries between the subsidising government and the subsidised nonprofit organisations. Especially in the fields of primary education and social housing the two sectors were so “alike” that positive and negative aspects of both governmental and nonprofit sector were attached to all organisations (See also Dekker, 1997). Because of this the reform of governmental organisations in the eighties and nineties influenced both sectors in primary education and social housing. We can state that in both fields there is a trend towards “going private”. In primary education this means more influence and power for the school, school board and parents. In social housing this means more influence for the customer through market forces (“going profit”). This trend towards going private can also be observed in the field of environmental affairs. The common opinion is that without influence from the target group, policies are useless. The general idea is to get private parties (citizens and companies) to act in an environmentally friendly way as a result of internalised care for the environment and self-regulation.
<table>
<thead>
<tr>
<th></th>
<th>Coercive</th>
<th>Mimetic</th>
<th>Normative</th>
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<tbody>
<tr>
<td><strong>Primary education</strong></td>
<td>Similarity in:</td>
<td></td>
<td>Quality improvement</td>
</tr>
<tr>
<td></td>
<td>Financial structure</td>
<td>Attainment targets</td>
<td>Managerial class</td>
</tr>
<tr>
<td></td>
<td>Context</td>
<td></td>
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<tr>
<td><strong>Social housing</strong></td>
<td>Similarity in:</td>
<td>Going private for</td>
<td>Managerial class</td>
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<tr>
<td></td>
<td>Financial structure</td>
<td>profit: hybrid</td>
<td></td>
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<tr>
<td></td>
<td>Context</td>
<td>organisations</td>
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<tr>
<td><strong>Environmental affairs</strong></td>
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<td>Trends in issues</td>
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<td>Filtering of personnel</td>
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5 Positioning the Dutch nonprofit sector

The research shows an overall picture of the Netherlands caring for the Common Good. At the level of the three sectors, all three types have embraced the public cause. In primary education and social housing differences between nonprofit and government are small. In environmental affairs the difference is larger. More private nonprofit organisations can be found in certain parts of primary education and environmental affairs.

Seen from a historical perspective, we can state that within every field there are strong converging trends at work. After an initial period of nonprofit development and dominance, governmental organisations were soon (in the time of pillarisation) or are being (in the case of environmental affairs) created as well. There seems to be a kind of interaction between the three sectors in every field. Innovations, new practices, new values and norms spread very quickly over and between organisations in different sectors. This is supported by financial and legal instruments from (national, provincial and local) government. It can be explained using the isomorphism framework developed by DiMaggio and Powell.

The overall final picture is that of a very responsive government which “picks up” new ideas that develop in society - in many cases, though not always, in the nonprofit sector. There is also a nonprofit sector that in some cases is almost totally focused on government and does not have a real ownership in its own constituencies any more. The profit sector in the three researched fields is not a traditional antagonist to the public cause. In Dutch political practice there is a lot of tripartite influence, which shows the lack of sectoral differences in certain policy fields.

If we look at our empirical findings on the nonprofit sector in the perspective of the existing interpretations of Dutch state and society as presented in the foregoing section, we can position these findings. A first observation could be that the Dutch nonprofit sector is the largest in the world (Burger and Dekker, 1998). A second observation could be that it is hard to draw a line between nonprofit and other organisations. In the words of Paul Dekker: “It is becoming increasingly difficult to distinguish the traditional private nonprofit organisations from the many independent public bodies, PGOs (para-government organisations) and quangos (quasi-autonomous non-government organisations) that have been established by government in recent decades. Further mergers and ongoing processes of professionalisation and deconfessionalisation of the old nonprofit organisations on the one hand, and increasing independence of former state agencies on the other, may result in ambiguous institutional clusters, primarily recognised by characteristics of goods and services and not by the historical backgrounds or formal status of organisations (cf. Aquina, 1988)” (Dekker, 1998, p. 127). Dekker quotes Annette Zimmer here: “Regardless of the social system and welfare regime, if social service providers are forced to compete for grants and contracts, the bottom line is efficiency and no longer philosophy and mission. To put it in a nutshell: in a competitive environment with contract management and cost-based reimbursement, the institutional form of the service providers does not matter at all.” (Zimmer, 1997, p. 8).
When one is looking for the relevance of a specific phenomenon in empirical reality, stressing its particular characteristics, it is obvious that the impossibility of isolating this phenomenon and identifying the particularity of its effects on the surrounding world will lead one to qualifications in negative terms. One will speak of “hardly any difference” or “blurred distinctions”. Dekker’s “convergence” is a positive qualification in this light (Dekker, 1998, p. 127). Our research findings support the observations of the authors mentioned here. Nevertheless, we would like to evaluate the observed phenomena the other way around: not in negative but in positive qualifications.

**Mixed institutions: Linked Sectors**

What strikes us most is the mixed character of the “nonprofit sector” in the Netherlands. The sector is characterised by mixed institutions: nonprofit and for-profit are combined in organisations that fulfil a public task, while the traditional and “new” civil society go hand in hand. Whether one prefers the concept of “nonprofit sector” or “civil society”, there is a part of the public domain in which citizens associate with other citizens (See Dekker, 1994). In that public domain, there are institutions that are “private initiative” by origin, but perform public tasks. They do that in such a way that they can hardly be identified as stemming from associating citizens any more. Confessional schools obtain most of their financial means from government and are parts of a greater, entirely “public” system. Housing corporations, too, look to government for funding while at the same time performing certain market activities. Business corporations make profits. Nevertheless, more and more companies, especially larger ones, are embracing public objectives, as in the field of environmental affairs. With housing, institutional investors and the related brokers, though still to only a modest degree, are engaging in “district management”. Government, finally, is not introverted, but responsive. If Dutch society functions in a state-related way, Dutch government is close to the citizens and responsive, closely watching and reacting to both market and social developments.

**Mixed structures: A Differentiated Society**

How is this mixed character of the three sectors to be judged given the context of state and society in the Netherlands in general? Let us look more closely at the other four key elements we think relevant to an evaluation of the nonprofit sector in a country.

As far as the sociology of the Netherlands is concerned we have shown that “pillarisation” implies a tradition of voluntary associations. Citizens are members of a church, vote for a political party, send their children to a school that are all part of their specific “pillar”. In order to found these schools and build the homes for their fellow believers, the members of the local elite within a pillar engage and form boards. At national level the same thing happens where the particular political party and labour union are concerned.

An engagement can be observed here between elite’s and other strata in society. Of course, in the Netherlands as elsewhere talents and wealth have been and still are distributed in a way that gives elite’s of different kinds a raison d’être. But the sharpest consequences of this horizontal segmentation - as often visible in a dichotomous class society - seem to be compensated by the “democratic” effects of
the vertical segmentation as implied by the presence of pillars. Thus mixed structures can be seen here: a horizontal plus vertical segmentation; interaction between elite’s, but also between “elite” and “basis”. On the ground of this Differentiated Society, the cultural individualism (tolerance) that is often seen as characteristic for the Dutch cultural climate is able flourish.

**Mixed roles: A Responsive State**

The typifying of the Dutch *Verzorgingsstaat* by Esping-Andersen (1990) as a “social-democratic Welfare State regime” is justified by an interventionist role for government. Though the golden years of “planning” are over, the same goes for the years of “government retrenchment”. Several years characterised by a “laissez faire” ideology promoted by government itself (See Ringeling, 1993) led to sound public finances and to the birth of various former government and now autonomised organisations, but also to severe cuts in all kinds of care arrangements. Now the Dutch government again sees a lasting responsibility for itself again in many areas, possibly shared particularly by municipalities as “co-governments”. This is the case for instance with the broad youth policy that has been placed on the political agenda.

Mixed roles of government can be observed here, which over time receive differing amounts of attention but which in fact stay combined: distance is accompanied by proximity. With a lasting responsiveness the strict “Father” and caring “Mother” role of the State go hand in hand.

**Mixed cultures: Consultation Democracy**

Earlier we characterised the Dutch political system as an example of the “Rhineland model”. We sketched the recent phenomenon of interactive policy-making that can now be observed in all kinds of policy domains and various administrative levels, and that fits in so well with the older tradition of advice and consultation common in the field of socio-economic policy. This form of democracy is used as a complement to the functioning of parliamentary democracy.

Thus we can observe mixed cultures here: procedural, indirect democracy in which individual citizens choose politicians who may represent them in the representative institutions, goes hand in hand with participative, more direct democracy in which citizens and organisations are allowed to give their views on a specific issue. In this Consultation Democracy process and substance are combined.

**Mixed transformation: Negotiated Reform**

The care arrangements in the Dutch *Verzorgingsstaat* had extended that far, that a reaction was to be expected. In its various forms, the Consultation Democracy mentioned above formed the multi-level ground on which agreements were reached on a variety of issues regarding the mode and pace of reform. Because exchange and negotiation took place, it was possible to match financial considerations with social concerns. Thus even the process in which the *Verzorgingsstaat* was transformed was a mixed one. Reform was negotiated, so that market objectives and public responsibility could both be realised.
6 Conclusion

Summarising, one could say that the nonprofit sector and the other two sectors are not clearly separated in the Netherlands. Instead, they are linked to each other by means of mixed institutions. Moreover, mixed forms also appear to characterise the other key elements of Dutch state and society. We can observe a Differentiated Society and a Responsive State, connected via a Consultation Democracy. Just as the Negotiated Reform of the *Verzorgingsstaat* resulted from these factors, so did the mixed character of the institutions in the three sectors.

Looking for the impact of the nonprofit sector in the Netherlands, we have now reached the conclusion that the hybrid character is fundamental for what is called “the Dutch model” nowadays. In this country, “civil society”, market and state are not separated spheres, but in each sphere the two others are institutionally included. This system characteristic makes the whole strong and stable.

Besides, the notion of mixed forms may explain the successful performance in terms of reducing unemployment, labelled as the “Dutch miracle” (Visser and Hemerijck, 1997). For the mixed, democratised societal structures, in a mixed procedural and substantive decision-making process, may have provided a plane for government policies, also mixed, aimed at the reform of the *Verzorgingsstaat*. One could say: the “Dutch miracle” as the dependent variable could be explained by the argument that a Responsive State, by using the participation channels of a Consultation Democracy, makes its reform measures accepted by an emancipated and Differentiated Society. Thus these three factors relating to the character of society, the nature of the role of government and the type of democracy could also explain the character of the three sectors in their mutual relationships.

From the perspective of our initial research question, looking for the identification of the specific contribution of the nonprofit method of managing public tasks, we may not have found quite what we expected. What has been gained, however, is an insight into the mechanisms of governance. Indirectly, our conclusions may yet contribute to our knowledge of the nonprofit sector. One point is the implication of our hybrid governance hypothesis that as far as the character of society, the nature of the role of government and the type of democracy are concerned, singular and separate forms may lead to harsh modes of welfare state reform that may give rise to substantial conflict. At the same time, singular forms may contribute to an isolationist status of the nonprofit sector in a country, and therefore to a smaller impact.

The Dutch nonprofit sector may be hard to identify. That may be so because it is so omnipresent. Precisely that is the reason that it has such an impact.
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