

The Third System as innovative force: an attempt at a definition of its function

Suddenly everybody is talking about the Third System whereas, a few years ago, only a handful of specialists were able to deal with the term. Then, is it just a new fashionable catchword booming or is there more to it. In the academic debate, the term 'third sector' or 'Third System' (re-)appears first at the end of the 1980s/ beginning of the 1990s, at about the same time as the term 'globalisation' which is not a mere coincidence. It suggests that there is a relation between the two developments described by these terms.

Socio-economic background

Yet, neither the Third System nor globalisation can actually be called new phenomena. In fact, over a 100 years ago, Karl Marx had pointed out that the laws of growth within the capitalist economy cause a continual process of capital accumulation which does not only concentrate more and more power in less and less hands but reaches beyond national boundaries and creates international and/or transnational conglomerates which control the world market. Obviously, the only thing new about those processes of accumulation is the quality they have reached during the last decade: The globally operating capital – the 'global players' – have to a great extent liberated themselves from the workforce (and its institutions) through an unparalleled technical progress. This means that the workers are no longer able to stop the industrial machinery by simply striking for their rights. To the opposite, substitute workers seem to be available at any time on the world market. This option is called 'jobless growth' (Aaronowitz/DiFazio 1994). In addition, the 'global players' have increasingly attained a quasi-extraterritorial status which enables them to avoid national legal regulations concerning for example the industrial law, the social security legislation, or the environmental law and even profit taxation. The new quality described by the term 'globalisation' lies therefore in the decline of a concept of 'national economics' which, by state regulations, allows to compensate social interests (principle of the welfare state) or regional disparities (principle of equalising the different living standards). The unbridled world economy is not restricted by any similar kinds of re-regulation. On the contrary, it seems that the existing international and supranational authorities do more and more economically depend on globalised capital directly and/or are committed to a policy of even further deregulation (cf the discussion around WTO, MAI etc.). In this context, the function of political control has to a large extent passed to so-called 'non-governmental organisations' which operate on an international level as well and comprehend themselves as a 'third force' within the concept of 'civil society'.

It is no coincidence that in this context the discussion of the 'third sector' is reviving. So one of the consequences of the globalisation process lies in the aggravation of the competition between the regions of the world right down to the towns, municipalities and communities. This process has resulted in an economic polarisation of the winners and the losers, the employed and the unemployed, the integrated and the excluded. Thus, the statement that the rich are getting richer and the poor are getting poorer has already become a platitude which can, without any effect, be read in every feuilleton.

While in the past we have got used to identifying wealth with the highly developed industrialised countries of the north (the first world) and poverty with the third world, i.e. the developing countries of the south, we have, with the rise of crisis regions in the highly developed industrialised countries, experienced a quasi-return of the third world to the first world while the so-called second world has completely vanished. That may not have been "the end of history" prophesied by Fukuyama but it nevertheless demands a fundamental revision of our conception of the world, particularly of our models of development. While in the past, social deficiencies were interpreted as a consequence of under-development, the present increase in deficiencies in the highly developed industrialised countries indicate that there are systematic failures within the process of development itself which is at the same time producing over-development on the one hand and under-development on the other. Consequently, the economic development of crisis regions, respectively the combat against social deficiencies such as unemployment, poverty and exclusion can no longer be identified with or expected from economic growth (Douthwaite 1996, Douthwaite/Diefenbacher 1998). Instead, a completely different path of development will have to be taken.

The Third System as an answer to the crisis

Fortunately we do not have to reinvent the wheel. Over the last 20 to 30 years a great number of affected social groups, neighbourhoods, towns and regions everywhere in Europe (and beyond) have searched for such a path of development and have gained practical experience with it. *The Interdisciplinary Research Group Local Economy* at the Technical University of Berlin has made it its task since 1985 to explore such practical experiments and to document, to analyse and to evaluate comparatively their genesis, progress and effectiveness. In this context, the first international Symposium in Berlin at the end of 1992 was opened by the following hypothesis:

"Within the various local strategies of economic self-help in European crisis regions, the outline of a **new or third economic sector** is developing which differs from both the traditional market-oriented as well as the state-controlled mode of production..." (Birkhölzer 1994a:9f).

In this context, the development of a third sector has been attributed a "... key position ... within the reconstruction process of crisis regions ...":

"Crisis regions are characterised by

- a drastic reduction of employment and investment activity in the private or first sector,
- cuts in the public or second sector and
- a similarly drastic extension of all forms of the shadow economy, within which those concerned try to safeguard their reproduction.

This 'economy in the shadow' can become a fertile ground for criminality and violence as well as the starting point for re-establishing a sense of community, identity and the construction of new forms of a solidaric economy. In order to succeed, it will however have to be drawn out of the shadow into the light and to be placed into the centre of local economic and social policy with the aim of creating **an independent sector of economy for the common good.**" (Birkhölzer 1994a:13).

What was first considered an alternative path of development for crisis regions was evolved and generalized through the exchange of experience with our partners within *The European Network for Economic Self-help and Local Development* during the following years (Stiftung Bauhaus Dessau et al. 1997; Birkhölzer/Lorenz 1997d; Technologie-Netzwerk Berlin et al. 1997). Today, in our opinion, the significance of the Third System is not limited to the role of a stop-gap or repair workshop but must, in terms of its function, be seen as a necessary supplement and/or systematic corrective of the socio-economic development (cf Fig. 1).

Let us draw a first conclusion by answering the following question: Why does a 'Third System' exist or why do we need it at all? The answer is:

Despite an unprecedented accumulation of wealth and capital the two major systems within the official debate, i.e. the profit-oriented private economy (as the first system) and the public, state-run sector (as second system) are not or no longer willing or capable to supply the population sufficiently with the necessary goods and services but are rather exposing more and more people to unemployment, poverty and social exclusion.

It is this '***deficiency in the midst of wealth***' that raises the question of a 'Third System'. That does not mean that the necessary goods and services are not available at all. The deficiency can as well lie in the fact that they are not available in a particular place, of the required qualities or at reasonable prices.

It is obvious that the obsolete division of labour between the private economy and the state, which leaves all profitable goods and services to the private economy while the state provides all the non-profitable but yet socially necessary goods and services, has become an anachronism. With increasing disintegration and/or social exclusion the necessity of a Third System, by which those concerned must guarantee the supply of their needs in a different manner, is inevitably developing.

Submerged Traditions

This recognition cannot really be called new. Consequently, the approaches and attempts at a Third System are not an invention of our time but there have been many historical models and predecessors. Without their achievements despite the fact that they were scarcely acknowledged in public, the social order and cohesion would hardly have been maintainable.

A whole series of established organisations, which are nowadays taken for granted, originate from self-help initiatives belonging to the Third System of the nineteenth century: the 'Raiffeisen' banks, the peoples' and cooperative banks, the social insurance and the charitable welfare institutions. In many European countries, for example in France, the cooperatives (Coopératives), the mutual insurances (Mutualités) and the voluntary organisations (Associations) are still regarded as the three cornerstones of the social economy (Économie Sociale). After all, the French taxonomy is as well fundamental for the European Union's current understanding of the social economy which, having been extended by a fourth pillar, i.e. the foundations (Fondations), is now called the CMAF family (Defourny et al. 1992; European Commission 1993).

In Germany, these elements belonging to the traditional social economy were still highly developed up to the 1930s. While the cooperative system already suffered first set-backs and/or got changed in its character under the pressure of Nazism, the crucial process of change and/or erosion within the German social economy did not set in until the end of the 'economic miracle' of the post-war years. So the long-lasting phase of prosperity obviously gave the impression that the traditional forms of the solidaric economy belonged to the past and were no longer needed. In this context, the historical experiences with the periodical economic crises of the market economy were either largely suppressed or regarded as overcome within the concept of the 'social market economy'. Thereafter, not only the term 'social economy' has eventually got lost but the integration of economic and social objectives, that are expressed by that term, were cracked in practice. So the corresponding organisations and initiatives turned either eventually into mere commercial enterprises or into primarily state-financed social and/or welfare institutions. This process reached its macabre climax as well as its end with the collapse of the German trade-unionist cooperative economy movement ['Gemeinwirtschaft', cf. Loesch 1979]. At the same time, in the course of the development of 'new social movements', the nucleus of a 'new social economy' came to existence. On the one hand, it attached itself partially to the submerged traditions of the cooperative and economic self-help movements (Flieger 1984; Novy/Mersmann 1991; Vilmar/Runge 1988) but on the other hand, it produced completely new forms of social enterprises, too (GIB 1995; Birkhölzer/Lorenz 1997c; Birkhölzer et al. 1998). The revival of social economic traditions was however taking place on a pragmatic level without clear theoretical concepts and terminology and basically without adequate academic assistance.

First attempts at an academic approach

It is true that the academic efforts to penetrate the subject started earlier in other European countries than in Germany. Yet, we are actually still at the beginning in Europe in general. So Helmut K. Anheier from the renowned Johns-Hopkins-Comparative Non-Profit Sector Project recently made the self-critical remark that the scientific community still does not have the suitable terminology that would allow to describe adequately, comprehensively and efficient in analytical terms what is happening in the third sector (Anheier 1999). This statement should be given all the more attention as it has been made by someone who can look back upon the largest research project on the third sector or Third System up to now (Anheier/Seibel 1990; Anheier et al. 1998; Salamon/Anheier 1999). The Johns-Hopkins project deserves undoubtedly the historical merit of having attracted the academic attention to the third sector in the first place and especially to its significance for both, the economic and the employment policy. For all that, the methodological approach as well as the delimitation of the subject were mainly influenced by US experience which is already made clear by the title's identifying the third sector with the 'non-profit-sector'. Originally, the latter was only including those organisations which had very limited economic objectives if any at all. The attempt to transfer this approach to European conditions led to considerable problems in terms of definition and delimitation. This is particularly true for those developments in the domain of the social and the community economy which beneath their philanthropic or social objectives are rather pursuing explicitly economic objectives. Thus, despite a number of extensions to the methodological approach, it remains questionable whether the data collected in the course of that study are really comparable on an international level.

The cause of this dilemma lies undoubtedly in the fact that, after all, the concept of the third sector or Third System is not a theoretical construct resulting from academic efforts. On the contrary, it has originated from the practical experience of an extremely dynamic social movement which does not have a definite or even a coherent structure but rather appears under the most diverse names according to their historical, political and cultural context, such as: 'Third Sector' or 'Third System', 'Économie sociale' or 'Économie solidaire', 'Community Economy' or 'Neighbourhood Economy', etc. Translating this vocabulary into the various European languages causes even greater misunderstandings because of the different cultural backgrounds of the individual member states. Even within these countries there is definitely no common understanding of the terminology among the actors. This Babylonian linguistic confusion is undoubtedly one of the reasons why activities in the Third System are still considered marginal. The lack of clarity concerning nature, significance and scale of the Third System is restricting its political acceptance. As a consequence, the development of a common understanding among the actors has to be right on top of the agenda. Such an attempt will certainly not meet with approval everywhere, as it is inevitably related to the question of who belongs to the Third System and who does not. For that reason, the development of a common understanding can only result from a longer process of discussion, reflection and negotiation and certainly not from a mere laying down of definitions. However, this debate has to be opened as soon as possible. Having resulted from a social movement, nobody who wants to be part of the Third System should be excluded right from the beginning, neither from the debate nor from active participation. The objective of this discourse was quite correctly described by José Ospina as follows: "...the point is not who is 'inside' or 'outside'...what we need to focus on now is not so much what we have been but where we want to go" (Ospina 1999).

Local employment initiatives and social enterprises

The present impulse to open this discourse was given by the programme 'Third System and Employment' edited by the European Commission, Directorate General V (Employment and Social Affairs) by the end of 1997. This was insofar unusual as the term Third System did, for the first time, appear on an official political level. Of course, that did not happen by mere chance but was rather due to the fact that a series of non-governmental organisations, not least *The European Network for economic self-help and local development*, have been working for several years that new features were developed in the domains of both employment and social policy as well as in regional policy. It has already been pointed out in the White Paper on growth, competitiveness and employment (European Commission 1993) that new employment opportunities can be found by satisfying unmet needs especially on the local level. As a consequence, the Forward Studies Unit (Cellule Prospective) of the European Commission has presented 17 (later 19) fields of growth for local employment initiatives throughout Europe, identified on the basis of best practice examples coming from all over Europe (European Commission 1995; European Commission 1996). These studies followed the recognition that especially in economically disadvantaged areas there is no lack of work but rather a deficiency when it comes to supplying the population with the necessary goods and services. This is concerning:

- the supply of basic needs such as food and housing

- locally adapted, small scale technical systems in the domains of energy, transport, supply and waste disposal
- community based services in the social as well as in the productive domain
- support of the local culture
- local recreation and leisure activities
- environmental repair and protection
- and last but not least, the municipal infrastructure

It is true that the market dealing with the supply of regional and/or local needs outlined here has a fundamental handicap: The potential market participants, both the private households as well as the concerned municipalities, lack in terms of the demand the necessary purchasing power to establish profitable business branches or to start up economically viable new enterprises. On the other hand, the potential local actors on the supply side usually lack the necessary capital to set a local economic cycle in motion. The development of these local markets therefore requires an economic innovation both, on the microeconomic level of the individual enterprises as well as on the intermediate level of supporting intermediary institutions.

One of the most interesting new developments in this context is the concept of 'social enterprises' (GIB 1995; Mannila 1996; Grove et al. 1998; Laville 1998; Westerdahl/Westlund 1998; Molloy et al. 1999). There is hardly to find any other subject for an exemplary analysis of the function, working methods and effectiveness of the Third System (Birkhölzer/Lorenz 1997b, 1997c and 1998). So we seized the opportunity of a transnational research project on the topic of 'Community Economic Development and Social Enterprises' to agree upon the following **key characteristics** which can be identified as common to all social enterprises in spite of the historical, political and cultural differences:

- "1) They seek to tackle specific **social aims by engaging in economic and trading activities**.
- 2) They are **not-for-profit-organizations**, in the sense that all surplus profits generated are either re-invested in the economic activities of the enterprise or are used in other ways to tackle the stated social aims of the enterprise.
- 3) Their legal structures are such that all the assets and accumulated wealth of the enterprise do not belong to any individuals but are held in trust to be used **for the benefit of these persons or areas** who are the intended beneficiaries of the enterprise's social aims.
- 4) Their organisational structures are such that the full participation of members is encouraged on **a co-operative basis** with equal rights accorded to all members.
- 5) It is a further characteristic of the social enterprise sector that it encourages **mutual cooperation** between social enterprises and with other organizations in the wider social and local economy." (Technologie-Netzwerk Berlin 1997:14)

A new methodological approach: sector or system?

Within the framework of the EU community initiative 'Third System and Employment' beneath the promotion of pilot projects a scheme called 'Studies and Analyses' was

established which permitted, for the first time, to treat basic and/or systematic questions about nature, significance and scale of the Third System. *The Interdisciplinary Research Group Local Economy* took part in it with the project EPOSE 6 'The Employment Potential of Social Enterprises in 6 European Member States' (Birkhölzer et al. 1999), as well as in the subsequent so-called 'Capitalization Project' on behalf of the Directorate-General V (Campbell 1999). In this context, it was our aim to compare our own results with those of the other 'Studies and Analyses' projects. The majority of the projects had then not yet been completed and it was therefore not possible to take into account their final results. Nonetheless, we attempted, during a joint workshop, to find out whether it was possible at the present state to develop a common understanding of the term Third System, and/or whether we could agree on some constitutive criteria in connection with the question: What do we exactly mean when we are using the term 'Third System'?"

In the course of the discussion about various former definitions, especially in the context of the Johns-Hopkins-Comparative Non-Profit-Sector Project, we have primarily been searching for a new methodological approach. Each attempt to delimit as well as to quantify must, of course, be made under consideration of certain structures which can themselves be counted and measured. But the mere attempt of an institutional delimitation on the basis of formal or even legal structures does not, at least at present, get us any further. This is due to the fact that the legal structures vary much from one another depending on the historical and cultural background of each of the EU member states - and all the more beyond. Instead criteria should be identified which are applicable in more than one context and, as far as possible, independent from the jurisdiction and social regulations of each state, but should adequately seize the function of the activities of the Third System within any particular economic or social system. In this context, the first and most striking common aspect of the empirical research is the hint at the extraordinary range and diversity of the activities. This suggests that we are definitely not talking about a 'sector' which is determined by a selection of particular goods and services such as the construction sector or the service sector. Above all the range of activities reaches far beyond the classical services up to the domain of high technology (e.g. the development of appropriate technologies for energy, transport, supply and waste disposal) on the one hand, and the agricultural sector (e.g. ecological farming) on the other. This recognition could also revise common misconceptions which reduce the third sector or Third System

- either to the service industry also known as the 'tertiary sector', in general;
- or to the 'social services' and/or the 'welfare system', in particular.

By the way, the discussion of the third sector or Third System should not be confused with the 'Third Way' either which is being propagated by New Labour in Great Britain at present.

Outline of a conceptual framework for the Third System

Consequently, it seems useful to speak of a **Third System** in future - as it already exists within the EU terminology - which is not differentiated from other systems by the goods and services it supplies but by the **mode of production** i.e. the ways and means in which these goods and services are produced.

So we obtain a first delimiting criterion: ***The Third System is a system of actors whose mode of production differs significantly from that of the first system (profit-oriented private economy) and the second system (state-controlled public economy)*** (see Fig.1: Sectors of Economy).

The term economy is to be understood here as the entirety of all efforts to produce and reproduce the necessary goods and services to make a living. So we turn against a restricted understanding of economy which is limited to the production of commodities and/or the profit-oriented private economy, at the same time. Often enough, the latter calls itself 'the' economy but in fact we have been living, at least in Europe, in a 'mixed economy' consisting of the private and the 'public' economy for the last 150 years. It is indeed striking that the discipline of 'public economics' has almost disappeared from the established discipline of economics in Germany. This is in contrast to most other European countries in which both, academic institutes and academic journals intensively deal with the topic of the 'public economy' ('Économie Publique'). In this context, the public economy is often discussed with regard to the social or cooperative economy as for example in connection with CIRIEC (Centre International des Recherches et d'Information sur l'Économie Publique, Sociale et Coopérative), or as in the journals "Annals of Public and Cooperative Economics" and "Revue des Études Coopératives, Mutualistes et Associatives" (RECMA).

In theory, this 'dual system' which is consisting of the private and the public economy is supposed to cover all the needs relevant for the entire society. That is the reason why a Third System never seemed to be needed here. However, this model has probably never corresponded to the reality. But recently the conditions have come to a point insofar as more and more people - and quite visibly, too - are not being provided for by the 'dual system' nor sufficiently integrated any longer. With increasing disintegration and/or social exclusion the sector of shadow economy, in which those concerned 'somehow' try to reproduce themselves economically, inevitably grows. The shadow economy is basically supported by three pillars (see Fig. 2): the neighbourhood- and self-help-economy, the family economy and all forms of illegal (but not criminal) economy. The shadow economy could therefore, with some right, be called an informal Third System (or Fourth System). At any rate, it mainly forms the basis as well as the starting point for the establishment of a formal Third System which is also described as social economy or community economy.

In this paper, there is not sufficient room to go deeper into the terminological delimitations. In any case, the terms are - at least in our opinion - not simply synonymous: Thus, on the one hand, the community economy refers to one section of the social economy only, but on the other hand, it reaches far into the sphere of the shadow economy whereas the term social economy is obviously reaching beyond the Third System and can as well be applied to parts of the first and second system.

We have thus gained a second criterion: ***Initiatives of the Third System emerge from concrete deficiencies and refer to the supply of goods and services to satisfy unmet needs.***

This applies particularly to those goods and services which, according to the conventional understanding, are not considered to be the result of economic activity at all and are therefore not validated either. Nevertheless it is necessary to invest

work and capital to produce such achievements. For that reason, it has to be regarded as a real but scarcely noticed part of the economy.

The fact that the organisations belonging to the Third System are or could be active as well in other domains and/or appear as competitors in 'ordinary' markets is not necessarily a contradiction to that. On the contrary, it is necessary, as discussed below, to earn an income from profitable activities on the market in order to finance other deficit generating activities. It is true, though, that the concentration on purely profitable business fields would question the nature of an organisation of the Third System and/or would suggest that it rather belongs to the first system. In this respect, it is indispensable to have the criterion concerning the supply of goods and services neither provided by the first nor by the second system.

According to our traditional understanding of the welfare state, the state is supposed to provide for an 'equal living standard', in such a case. But apart from the fact that this understanding of the welfare state did not even exist in all the countries of the European Union, we had to realize, during the last 10 to 20 years, how even in traditionally welfare oriented countries the state has been withdrawing from its responsibility not rarely offering the argument that there are not sufficient means coming from the domain of the profit-oriented private economy any longer to be redistributed in other social fields. Irrespective of the question as to whether this trend is considered reversible or not, those concerned are not willing nor able to wait for the great political changes only.

Thus, we can specify the third criterion: ***The Third System is a form of self-organisation by the citizens who start to practice self-help on a local and regional level but increasingly on a national and international level as well.*** It is thus based on the voluntary and self-responsible commitment of citizens who feel indirectly or directly affected by certain social deficiencies and who want to intervene actively and directly in the conditions they have realized as deficient. The Third System can therefore, with good reason, be considered a manifestation of the 'civil society' which also expresses a different understanding of politics and democracy tending towards a more active participation but also self-responsibility.

The fourth criterion results from the fact that the citizens' self-organisation does not take place individualistically, i.e. according to the motto "everybody their own entrepreneur" but ***on a cooperative or collective basis.*** In this respect it is true that the Third System is technically a private initiative but its activities aim at a restoration of the public sphere. It can therefore, with good reason, be said that the Third System does not only have the intention to overcome the opposition between economic and social objectives but also tends to bridge the gap between the private and the public sphere.

Accordingly, the aims of these organisations are primarily committed to social and/or community oriented objectives, to which economic objectives are subordinated or used as instruments to achieve the superior objectives.

This leads directly to the fifth criterion: the principle of the ***not-for-profit orientation, or more precisely: the social and/or community oriented allocation of all surplus profits.*** Contrary to a widespread misunderstanding, organisations of the Third System are not exclusively committed to non-profit activities which will however

keep their great significance in the future. Moreover, organisations of the Third System have - primarily in the wake of economic crises – begun to be not only more and more economically active, in general, but also to gain a profit surplus in an economic sense.

The difference in comparison to the first system lies in the use of the profit surplus. Instead of private appropriation, i.e. the 'shareholder value', we have here the **principle of the 'stakeholder value'**. Yet, a strict interpretation of the principle, as favoured by the Johns-Hopkins project, would only identify those organisations as institutions of the Third System, which use 100% of their surplus for social and community oriented purposes. In Europe, however, that would lead to the exclusion of large parts of the social economy, namely 'coopératives' or 'mutualités'. But as a matter of fact, those cooperatives and mutual associations are, in many cases, closely related to the genesis as well as to the functionality and to the present practice of the Third System. Again, a purely institutional definition does not get us any further. It has therefore been suggested, as criterion of differentiation, that only those organisations belong to the Third System which – regardless of their legal status – have laid down in their statutes the principle that not only marginal but economically relevant parts of the profit surplus must be used for social or community oriented purposes.

Perspectives: the significance of social capital

In everyday life, however, it is more relevant to see how a surplus can be gained at all, considering the objectives of the second criterion, i.e. to provide goods and services which can neither be traded with sufficient profit nor be provided by the state. Organisations of the Third System must therefore have, as a constitutive rule, a **specific combination of financial sources**: Usually the desired economic result is only attainable by a combination of different kinds of income:

- income from economic activity on the market (usually the earned income covers only a part of the expenses),
- income from public funds, as far as public tasks are undertaken or the tasks are of public interest.

Yet, the two kinds of income are usually not sufficient to cover the expenses or even to gain a surplus. Consequently, the economic success of the Third System definitely depends on a **unique third kind of income**:

- The additional investment of working hours (and/or money) by citizens, usually on the basis of a non-monetary or future-oriented principle of mutuality.

We are not talking about the reinstatement of the classical honorary post here but rather about the development of new non-monetary forms of validation and/or exchange which become particularly relevant in areas where access to and/or availability of financial resources are difficult.

The **principle of mutuality** can be realised in different forms such as:

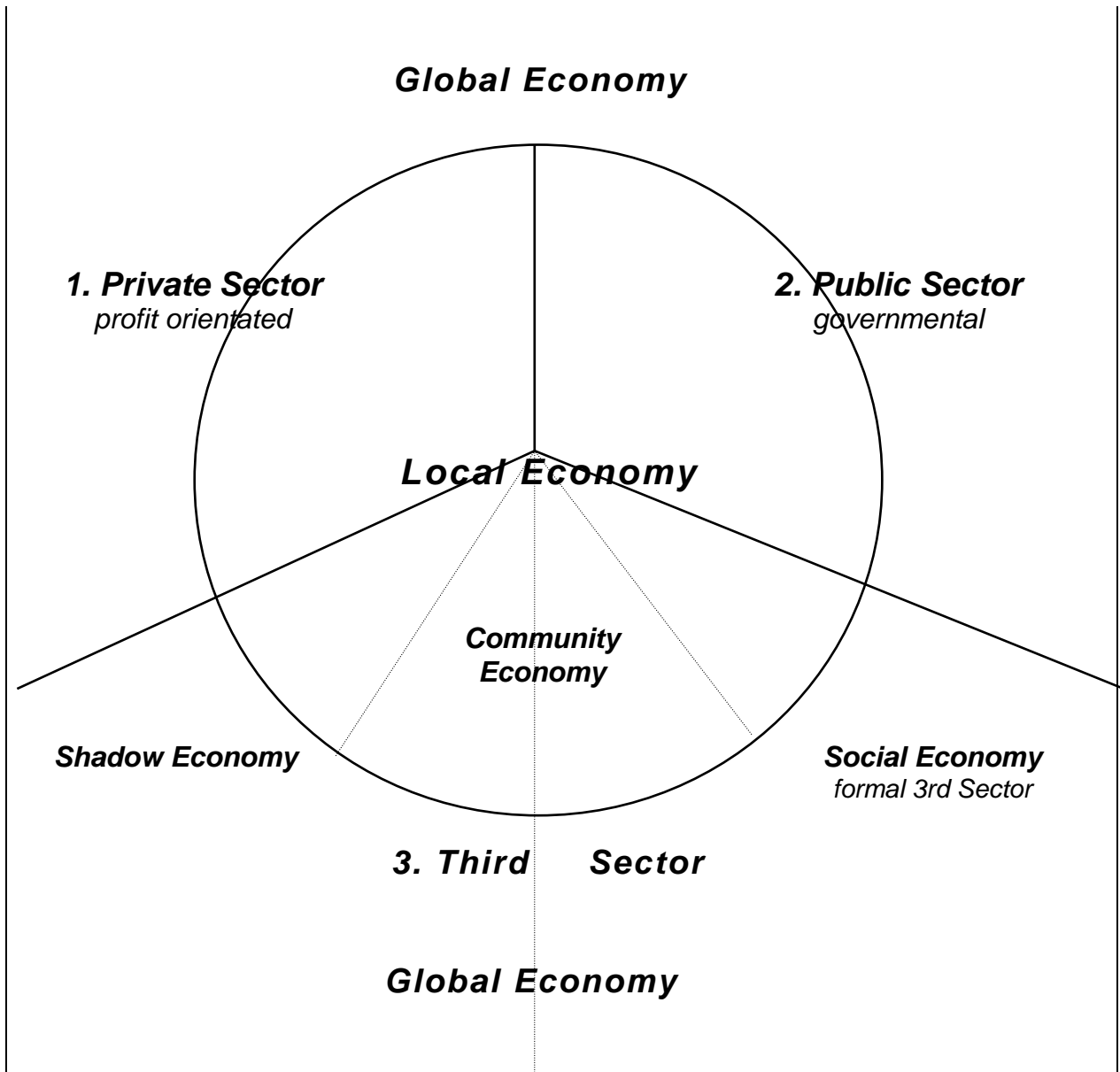
- the exchange of working hours in LETS (Local Exchange and Trading Systems) and Time Dollar Systems
- the investment of unpaid work with the aim of developing paid and sustainable work
- the receipt and utilization of or participation in community achievements and/or community institutions (social dividend)

In the course of the academic debate, this form of productivity, which is typical for the Third System and is based on common values, a cooperative mode of production and mutual benefit, has recently been called 'social capital' (Putnam 1993).

The utilization and development of this social capital is therefore of major significance for the further evolution of the Third System.

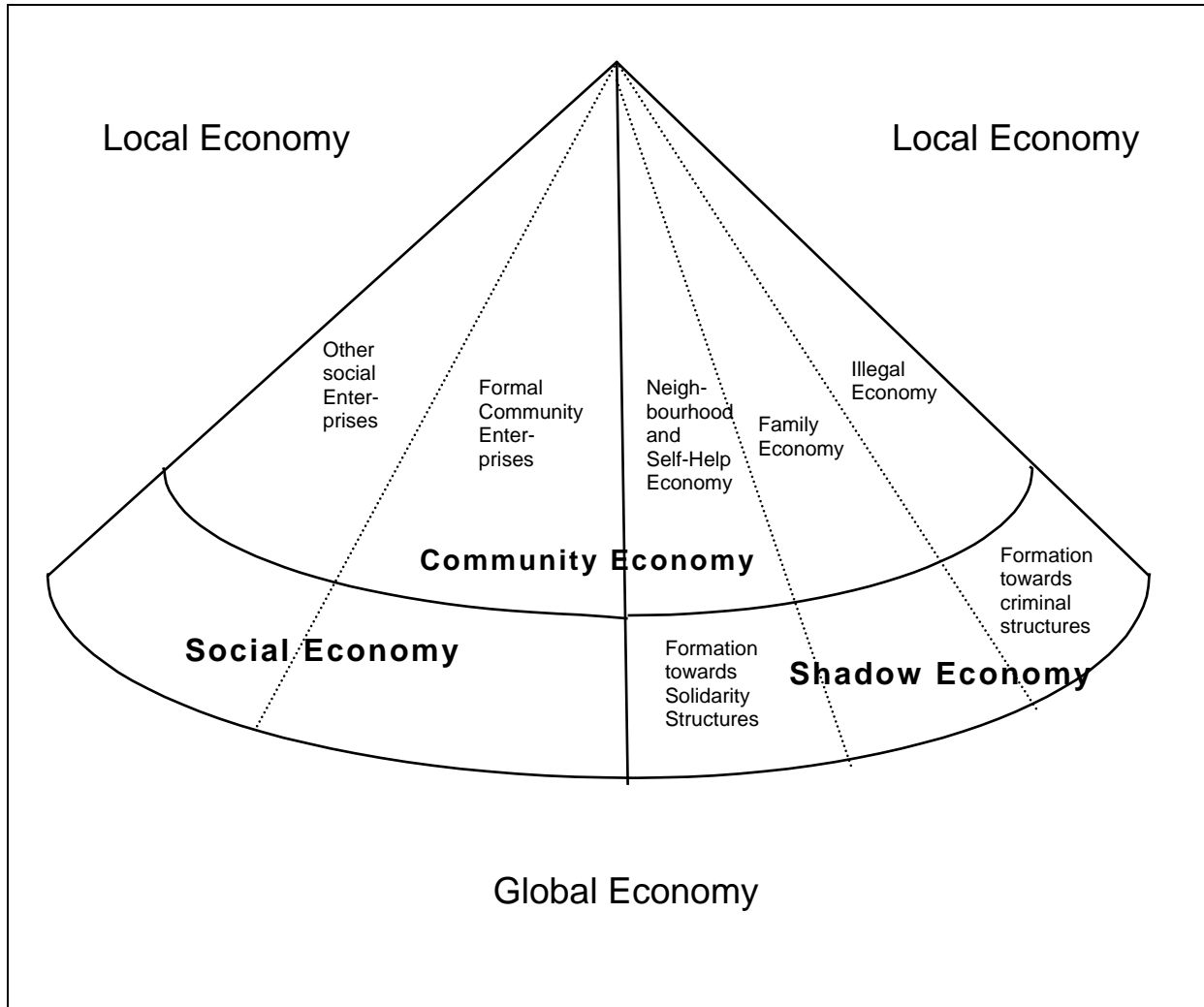
In the same measure as the struggle against unemployment and poverty has become one of the major objectives of the organisations belonging to the Third System, the character of work, which allows to make a living and/or the **creation of adequate work places within the Third System**, has inevitably come to the fore. In this context, the term 'work to make a living' is to be distinguished from the term 'employment', i.e. 'dependent wage labour'. The aim of **work to make a living** can as well include alternative, respectively non-monetary forms of 'pay'. On the other hand, we have to face the danger that the Third System could be misused as backdoor for the development of a low-wage-sector. It is true, though, that, in the Third Sector, there are often precarious working conditions which is certainly not in the interest of the actors but rather due to the fact that the promotion guidelines and the legal frame conditions do often not admit anything else. The only way to handle that problem in the discussion around the employment potential of the Third System is to take care of the criteria of quality, such as the criterion of work to make a living which should not be confused with the concept of minimum income.

Diagr. 1: Sectors of the Economy



The dividing lines between Social Economy and Shadow Economy are overlapping. The Community Economy in particular is in many cases evolving out of the Shadow Economy by putting informal activities into formal structures, associated with the valuing of beforehand not valued and often underestimated work, for example through Local Exchange and Trading Systems (LETS), Voluntary Enterprises and so on.

Diagr. 2: Development Prospects in the 3rd Sector:



The Shadow Economy recruits itself basically from 3 fields/sectors:

- Neighbourhood-Help and Self-Help Economy
- Family and Household Economy
- illegal ('black') Economy

Due to a lack of alternatives, the latter can become the starting point of a criminal formation of the shadow economy which will gradually involve families and neighbourhoods and can spread over whole towns and regions (no need for examples here).

The chances of a formation towards solidarity are as better as stronger the formal structures of Social Economy and Community Economy are developed.

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