

***Civil Society in Greece after 1974 and its relation to social enterprise development***

*Fani Dima, PhD Candidate, Manchester Business School*

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*Contact details:*

[fani.dima@postgrads.mbs.ac.uk](mailto:fani.dima@postgrads.mbs.ac.uk)

**Abstract**

The on-going crisis around Europe has prompted a shift in paradigms, systems, policies and economic performance. Due to substantial budget cuts in social services, the necessity of social innovation from civil society organisations is more apparent than ever before. Social entrepreneurship is considered to be a very promising alternative to the 'old-fashioned' ways of philanthropy and a way to create positive change. Hence, in the last few years, it has attracted the interest of Greek policy makers, NGOs and citizens who want to fill the gap between the public and the private.

However, there are some differences between the practices of social enterprises in Greece and the rest of Europe caused by some local factors, such as cultural values and norms. The historical development of civil society after the democratization of the country in 1974 had a great impact on those factors that now usually hinder the activities of social enterprises. Opposite to the pattern where democratization boosts civil society engagement and political participation, in Greece, the lack of structural changes and monitoring processes of NGOs established third sector organisations as untrustworthy in public opinion.

This paper seeks to understand the impact of civil society norms in Greece, after 1974, on the practices of social enterprises. It also aims to contribute to the discourse and critical understanding of the alternative business models introduced as a promise for positive social, economic and political change in the time of crisis. Particularly in Greece, it has become evident that social organisations have to cope with several difficulties related to society's long established norms and lack of trust in third sector organisations. For instance, their financing activities are very much limited by the lack of trust to such non-profit institutions.

To take this a step further, it could be argued that this is also a matter of the dominant socio-economic system's values that permeate every aspect of a person's life like the limited collective action and the individualistic mind frame that hinder the progress of social enterprises. The argument of this paper is supported by the historical data about the participation in civil society, the existing literature related to civil society from 1974 until today and the qualitative case study that was conducted with an NGO in Greece regarding the present difficulties and their links to the preconceptions about civil society.

## Introduction

Social Entrepreneurship as a practice exists since 1800s, but as an idea, it has received great attention in the past decades as it offers a very promising alternative to the dominant economic strategies of the past four decades and a way to create more equal and sustainable societies. In Greece particularly, the concept of social entrepreneurship is very recent and has become even livelier due to the economic and political crisis that revealed the problematic nature of the current paradigms.

The etymology of the word 'crisis' (from ancient Greek word *krinō*, “decide, judge”) implies a turning point where a decision has to be made after careful judgment (Babinotis, 2011); hence, we can argue that Greece is currently standing on a historic turning point, facing state and market failures. Sitting at a crossroad, the country needs to undergo fundamental reforms in an economic, political and social level in order to get back on track to growth.

With social entrepreneurship presenting examples of very successful ventures with great impact all over the world, the idea could not but attract interest of many actors like policy makers, practitioners, media, academics and NGOs, in Greece as well. For that reason, the discussion about it has entered the national agenda and has become a source of hope for sustainable growth of the country as it promotes the individuals' ability to create change, in line with EU's guidelines and states' efforts to privatise public goods and restructure social services because of the austerity measures. The government started cutting down the national budget for social provision and outsourcing the public services to private companies or non-profit organisations. However, due to the traditionally weak third sector and the lack of efficient and capable non-profits to provide social services, profit making organisations stepped in to fill the gap, hindering the development of the social economy sector (WEF, 2013).

Therefore, in order to understand the development of social economy and social entrepreneurship as well as its potential for Greek economic and social growth, it is important to identify which factors are shaping the concept and be able to uncover any problems before they arise. Consequently, the study should be deeply rooted into local perceptions, values and attitudes as both concepts rely on groups of people with different beliefs, cultures, backgrounds and needs. The peculiarities of Greek historical background and social traditions have played a crucial role in the observed fragmentation of social economy sector. In specific, there is a significant number of Greek academics highlighting the role of trust between society and third sector organizations and how this concept has contributed to the transformation of civil society sector (Sotiropoulos, Mouzelis, Rozaki, Voutsaki, Nasioulas).

In view of the preconceptions about civil society organisations and the top-down imposition of social entrepreneurship concept there is a need to practically ensure the independence of the field otherwise even this legitimate domain could do more harm than good as it could become an instrument in the hands of power groups. Recently a significant number of social enterprises started growing trying to tackle the emerging social needs of society but they struggle to survive and get access to the resources they need. This paper will examine the difficulties related to the historical development of civil society and the social norms since 1970s.

### **The Greek socio-economic crisis**

*Crisis is a productive condition. One must only take away from it the aftertaste of catastrophe (Max Frisch)*

The global crisis of 2008 has brought to the surface the challenges of the dominant socio-economic system of the last four decades, when emphasis was put on financial growth rather than social change and progress. Since 1970's, Europe was dominated by the values of neoliberalism and the ideas of privatisation, marketization and minimisation of government interference in society and economy. The neoliberals viewed the state as an instrument of politically influential groups so limited intervention was a way to prevent political corruption; a phenomenon that against this claim has increased in the past decades<sup>1</sup> (Chang, 2003). Moreover, the sense of social solidarity was taken away and emphasis was given to the atomised individual where a person's economic goals were more important than the interests of the state or society.

For Greek economy and society, the recession that broke out in late 2009 is '*the worst since the end of the military dictatorship in 1974*' (Markantonatou, 2013:1). Real incomes have diminished by 20 to 50 percent and structural unemployment rates have radically increased, particularly among young people (Markantonatou, 2013). The latest official unemployment rate for February 2013 has gone up to 27 %, placing women and young people between the ages of 25 and 34 amongst the most vulnerable groups with a rate of 31 and 36.2 percent respectively (National Statistical Service, 2013). As a result, poverty increased 43.1% since 2011 according to the annual report of Bank of Greece (Bank of Greece, 2013) while suicidal rates and usage of anti-depressant drugs are the highest in the country over the last 50 years recording an increase of 25 percent in Athens since 2010<sup>2</sup> particularly among poor people and those older than 65 years (Kentikelenis et al, 2011). Given the aforementioned problematic conditions of the Greek economic environment, skilled but unemployed young people seek job opportunities abroad (Mylonas, 2011). The outflow of highly qualified individuals to other European countries becomes an impediment to the long-term social and economic growth of the country.

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<sup>1</sup> For instance, in Greece, 10.2% of the households have reported cases of corruption in 2012 (6.3% in the public sector)

<sup>2</sup> The percentage is less across the country reaching 18%.

Furthermore, in the name of the crisis, the government needed to follow public sector downsizing policies, cutting down the national budgets for social provision and outsourcing the public services to private companies or non-for-profit organisations. This strategy deriving from the *laissez-faire* approach to economic governance, reinforced by the Euro-zone and International Monetary Fund officials, lead to the handover of social services from public sector to external organisations (Markantonatou, 2013). The transfer was much easier in countries that already had a well-developed third sector (usually European north) and had the opportunity to offer services to the public not for the sake of making profit. In other countries (such as European south) with a very weak social economy sector, the transition was harder due to the lack of efficient and capable third sector organisations to provide social services. Hence, profit making organisations stepped in to fill the gap and didn't allow non-for-profits to grow (WEF, 2013). The inefficiency and failure of the *non-market alternatives to capitalism* to provide support for society gave rise to social inequality between the weakest groups of society and the more privileged Quilley (2012). Therefore, a very large number of people were left without having access to either public -because they are not provided by the state- or private services -because they cannot afford to pay for them.

According to Mouzelis and Pagoulatos (2003), every socio-political system faces the risk of the expansion of markets that will undermine the development of civil society; hence, the causes of the crisis reside in market's control over society. If we consider the way economies are embedded to culture and society, according to Polanyi (2001), society's defensive reaction to the unrestrained power of markets will be to look for ways to protect itself. Therefore, as Sotiropoulos (2004) argues, global capitalism has come to a point that it needs to encounter the globally growing civil society.

### **Social Entrepreneurship as a vehicle to social and economic growth**

Beyond any doubt, there is an urgent need for innovation both in the economical and social spheres (Defourny, 2001). The limitations of market mechanisms on one hand and of public administration on the other; have made clear that citizens should take action on their own, and since the main trigger for social innovation is a crisis, the time is right to develop new solutions (Yannis (2002). As Phills et al. (2008) argued, social innovations can be encountered in different points in history. What changes over time and according to the circumstances, are the mechanisms of social innovation. A great example of how fruitful innovations can emerge from an economic downturn was the rise of large social movements in USA during the Great Depression in 1930. There is now a need to support the development of 'new ideas (products, services and models) and build a new form of economic and social life by developing new social relations and institutions or otherwise the series of crises will continue in a vicious circle that puts emphasis on financial rather than social value (Touraine, 2010). In other words, society demands innovations that are both good and

enhance its capacity to act, to integrate socially excluded groups and strengthen alternative forms of local development (Murray et al., 2010).

As a result, an interest in new types of bottom –up organisations that use market forces for achieving social ends was initiated and a new term was invented to name those structures. Social entrepreneurship is viewed as an enabler of social transformation and economic growth since it blurs the boundaries between private and public sector and blends entrepreneurial approaches with social purposes (Dees, 1998). It represents the new expression of civil society against a background of economic crisis, the weakening of social bonds and difficulties of the welfare state; hence it has strong points compared to the other sectors in regards to the broad mobilization of resources across society. In fact, there are several examples across countries contributing to challenging social problems such as unemployment and social exclusion (Defourny, 2001; Sotiropoulos, 2004). Social enterprises are the development of a hybrid social entrepreneurial spirit cutting across non-profits and for-profits and aiming to create social value through the employment of commercial methods considered to be an ideal vehicle to drive change and provide a more just way to meet the unmet social needs (Mair & Marti, 2006; Defourny, 2001). In addition, social enterprises are perceived as the obvious vehicle towards associational reform that will support the virtues of mutualism, association and democratic governance (Smith & Teasdale, 2012). Therefore, they should not be just a business with some social objectives, but rather a way in which people can work together in order to create more equal, fairer and sustainable communities. (Kay, 2010)

The complexity of the term, the considerable range of activities included in social entrepreneurship and its widespread use, rendered its explanation a rather challenging task (Mair & Marti, 2006). Therefore, Nicholls (2008) uses the term as an umbrella for any innovative and dynamic initiative in the social sphere. Ziegler (2009), in an attempt to avert attention from the ‘single definition’ anxiety, suggests it would be more constructive to realize that definitions should always be seen in relation to the respective contexts. And even though he doesn’t argue that every definition is good, what he is trying to say is that the definition given to the term and the debates around it, explain a lot about the respective context.

Based on a similar argument, Defoyrny and Nyssens (2010) distinguished three major approaches to social entrepreneurship in Europe. These are based on the background of the researchers and the various perceptions around Europe. In brief, these schools of thought are the Earned Income approach focusing more on the use of business like activities by non-profits in order to support their mission, the Social Innovation approach which emphasizes the notion of entrepreneur as a change maker who aims on impact not on income and the EMES Approach which is based on interdisciplinary dialogue and is more concerned with identifying the indicators of social entrepreneurship rather with defining the concept.

In this framework, the approach to social enterprise embraced in this paper is the latter as it shows an understanding of the numerous forms a social enterprise can take by setting the criteria for an organisation to deserve the label 'social enterprise' rather than strictly defining it. So, social enterprises are *not-for-profit private organizations providing goods or services directly related to their explicit aim to benefit the community. They rely on a collective dynamics involving various types of stakeholders in their governing bodies, they place a high value on their autonomy and they bear economic risks linked to their activity*" (Defourny & Nyssens, 2008:207). They derive their impetus from voluntary organizations and operate under various legal structures ranging between traditional non-profits and traditional for-profits (Alter, 2008; Defourny, 2001). Each sector has its own logic and means of doing things resulting to different forms of social enterprises which all share their focus on social goals and the importance of ethics (Murray et al., 2010). Therefore, the successful development of social economy requires an approach which will primarily rely on local social dynamics and mechanisms that will play the role of catalyst for the manifestation of this dynamic. The local dynamics can be expressed efficiently by exploiting European experience in the field of social economy and the encouragement of transnational cooperation initiatives (Ministry of Labour, Social Security and Welfare, 2013).

#### **Greek Civil Society since 1974**

According to Defourny and Nyssens (2010), the form that social entrepreneurship takes in different countries is dependent upon local and national perspectives. The differences in social, economic, political and cultural contexts give a different shape to the concept and lead to different governance structures of support to social enterprises. The country variations might be explained by referring to the level of economic and social development, the characteristics of welfare systems, the role of traditional civil society and the existence of specific legal frameworks that could hinder the development of social entrepreneurship practices (Kerlin, 2009 ;Defourny, 2001).

This section, will attempt to relate social entrepreneurship in Greece and the state of civil society in terms of the socio-political traditions and legal frameworks that appear to have a crucial role in the formation of the sector since 1974. Even though Greece has a long turbulent history since the War of Independence from the Ottomans in 1821, which according to several scholars (Mouzelis and Pagoulatos, 2002; Nasioulas, 2010; Sotiropoulos, 2004) was significant for the development of civil society, this paper will only focus on the last 40 years and the country's transition to democracy.

Traditionally, the Greek social economy is considered to be weak, with very few strong formal institutions (trade unions of public servants and associations of liberal professionals). However, there is a very strong informal sector that fulfils the

functionality of formal institutions in other countries of the West. One of the strongest cultural traditions that seems to be affecting the weak state of social economy in Greece but also of other European Countries of the south, like Spain, Portugal and Italy, is the institution of family. In those countries, until recently, it was expected that families or local communities will be responsible for the social wellbeing of their members. Nowadays, due to the loneliness of rural areas and the isolation of family members, services provided by families in the past need to be externalized as well (Sotiropoulos, 2004; Defourny, 2001).

Another cultural component is the low engagement in civil society. Although, there is a pattern where the transition to democratization often boosts political participation and civil society engagement (O'Donnell & Schmitter, 1986; Mulgan, 2008; Sotiropoulos, 1995, 2004; Bronstein & Davis, 2010), this doesn't seem to be the case in Greece. Whilst, the structural changes required in most of the fundamental sectors of social and economic life remained the same since their inception, for a short period after 1974, voluntary associations seemed to flourish, and the number of NGOs increased rapidly. However, most of them had less than 50 members and they were funded by either the government or by the local authorities. Lacking monitoring and control processes, there have been many incidences where voluntary associations are just created in order to get the funds without actually having any particular impact. Hence, since 1980s citizens have become more detached and disaffected from politics and have very low trust in civil society institutions.

A crucial factor explaining this phenomenon is the involvement of the major labor organizations in politics. Most of them ended up being party-led with patron-client relationships between its members and the politicians. Therefore, this phenomenon made citizens more suspicious when it comes to voluntary organizations as they are not considered trustworthy. Participation in these organizations is perceived as a way to either get money from government or to benefit on a professional level (the transition to senior positions in government as ministry consultants, high status positions in the party they serve or even a position in the parliament in the next elections is very common for board members of these associations) (Sotiropoulos, 2004).

In line with Sotiropoulos, Nasioulas (2012) argues that due to the clientelistic relations between NGOs or cooperatives and politicians, that took advantage of the relaxation in economic auditing, the flourishing of voluntary associations during 1980s was not utilized for the development of a healthy social economy in the country.

In Greece, as Mouzelis and Pagoulatos (2002, p.15) state: *the reprioritization of economic power started in the 1990s when politics gave place to markets*. Hence, aiming in divesting power from the state, it accelerated the colonization of civil society by the economic sphere. Therefore, there was a 'top-down' attempt to boost civil society by the institutional strengthening of the independent bodies



(Sotiropoulos, 2004). However, there was a strong influence of the state on the economy, as the banking system was state-controlled and funds distribution was guided by political parties, leaving economic and civil society development incomplete.

The discussion about civil society (or social economy in current terms) became again popular at the end of 20<sup>th</sup> century with the bureaucratic and fiscal problems, the crisis of social state, the isolation of rural areas, globalization and the depreciation of political parties (Voutsakis, 2004). The discussion was initiated by a law passed by the Greek government in September 2011 establishing a distinct legal form for what is called *Social Cooperative Enterprises (Κοιν.Σ.Επ.)*. Similarly to the rest of Europe, Greek social economy sector exists as an intermediary between public and private, linking civic society to social entrepreneurship. Social entrepreneurship in Greece includes institutions of various legal forms like cooperatives, associations, funds, civil non-profit companies, foundations and various informal entities (Nasioulas, 2012; Ministry of Labour, Social Security and Welfare, 2013).

### **Legitimacy of State Investment in Social Economy**

The year 2011 has been very critical for social economy in Greece as the deep financial downturn and the lack of social changes called for a new set of priorities where voluntary participation, civic engagement and cooperative development will play a central role. In September 2011, the first attempt of the government to support social economy in Greece took place. The Law 4019/2011 on Social Economy and Social Entrepreneurship passed by the parliament initiating a dialogue related to the field (Hellenic Parliament, 2011). Greek government has pinned hopes on the systematic development of social economy sector that could provide important solutions both in creating jobs and promoting social equality that is threatened as result of the adverse economic environment (Ministry of Labour, Social Security and Welfare, 2013).

Social Entrepreneurship concept is not recent; in the contrary, it has documented examples from the Victorian age. In England, important entrepreneurs like Boot, Cadbury, Colman and many more, established charitable trusts and institutions 150 years ago and along with their commercial success they were pursuing social responsibility as well (Bradley, 2007; Dart, 2004). So even though the idea existed since long ago, it was only until recently that government realized the potential of social economy for economic and social growth. For this reason, there are concerns regarding the legitimacy of the governments and their interest in supporting social economy.

Indeed it is an encouraging move to include social economy in the national policy agenda, but, the development of the sector is standing on a critical point where it needs active support for inclusive alternative structure, instead of allowing social sector to become the substitute for the dismantling of the welfare state. Nevertheless, despite the support for social enterprises and the attempt to set up the ground for their growth, due to the austerity measures taken to tackle the debt crisis, they seem to withdraw a number of the incentives originally provided to boost the development of social enterprises (Hellenic Parliament, 2012). Social enterprises are based on a more associational form of governance, in contrast to the current practices descending from neoliberal system, so there is a debate regarding the political motives for promoting social economy as it has received great support from politicians along the left-right spectrum (Smith & Teasdale, 2012). Yet, they have been accused that they are trying to dignify the cuts and the push towards privatisations. So, it is crucial to examine whether the transition to associationalism is possible or not in practice.

As Nassioulas (2011) argues, there are several weaknesses in this law starting from the fact that it is not setting the framework for social economy in Greece; it just introduces the new legal form of 'Social Cooperative Enterprise' and limits the scope of social economy to only three organizational forms<sup>3</sup>. Another major weak point of the new law is the fact that even though it sets a number of economic benefits for Social Cooperative Enterprises, it is very restrictive in terms of which institutions can register. The definition provided by the parliamentary act, establishes this new entrepreneurial form as *'a civil cooperative with a social cause possessing entrepreneurial capacity by law. The Social Cooperative Enterprise members can be either individuals or juridical entities. Its members participate with one vote regardless of the cooperative shares they possess'* (Hellenic Parliament, 2011). Hence it excludes from Social Economy the non-profits and the innovative for-profits serving a social purpose, giving the term Social Entrepreneurship an alternative meaning to the one is usually encountered in Western European or US contexts. It is very common, for instance, in the rest of the world to encounter social enterprises that combine elements of co-operatives and non-profit organizations being like a bridge between these two types while they are still using traditional legal forms (Kerlin, 2009; Defourny, 2001).

The concerns regarding the legitimacy of political interest in supporting social enterprises become stronger because of the inconsistencies of the sector. While social entrepreneurship is a phenomenon that develops bottom-up, in Greece there is a top-down push towards the growth of the field that doesn't seem to take into consideration

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<sup>3</sup> Social Cooperative Enterprises of the Law 4019/2011, Limited Liability Social Cooperatives of the Law 2716/1999, Civil Cooperatives of the Law 1667/1986 when compatible with the criteria set by Law 4019/2011, Art. 2 and 14 (Nasioulas, 2011, p.7)

the practices of numerous grassroots that emerge in the country. There is an important risk that lurks with the fragmentation of the field. The risk of corrupted public workers directing the available European funding to specific social enterprises that are linked to politically powerful groups and as a result condemn to stagnation very promising bottom-up initiatives.

### **Two Speed Social Enterprises**

Generally, the state of civil society in Greece after the country's democratization is considered to be weak, in common with the rest South European countries. According to statistical surveys measuring the participation of citizens in organized forms of voluntary activities, Greece can be found in one of the last positions of Europe with less than 15% of the citizens being involved in social economy (Eurofound, 2011).

Historically, however, civil society has always been fragmented. According to Sotiropoulos (2004), social economy is not uniformly weak as there are some formal voluntary groups, like labor unions and professional associations, which have been quite strong<sup>4</sup>. Nevertheless, it seems that after 1974, when the country became again democratic, citizens have increased their participation in informal collective activities. Those activities are not formally registered; hence it is particularly difficult to be measured (Sotiropoulos, 2004). What is interesting though is what Murray et al. (2010) point out about informal associations, which led many times to social movements that have put pressure on markets or governments. Thus, the innovation potential of informal social economy should not be underestimated.

So, it could be argued that in Greek civil society there was always the formal (top-down) representation of the field, reflecting the state policies and legislations, and the informal (bottom-up) approach that works at grassroots. A typical example of this division is the coexistence of formal and informal labor organizations with the former being party-led and created 'from above' and the latter struggling for survival a couple of years following their foundation (Sotiropoulos, 1995; Nasioulas, 2012).

Within the informal groupings, where citizens decide to take action on their own, there is further division as there are cases of more traditional groupings of people in neighbors, villagers, co-workers, friends who share the same interests, that form small communities. Particularly after 2009, and the financial crisis, even more new movements started unfolding in the terms of informal individual or group contributions. There are also cases of grassroots initiatives organized in forms encountered in Western Europe, mimicking European social enterprises (Sotiropoulos, 2004). Yet, all these formations are not supported by Greek legislation and they are very difficult to identify. In view of that, Nasioulas (2011) points out that the strict limitations for institutions to be included in the General National Register for Social Economy will further fragment social entrepreneurship field.

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<sup>4</sup> Trade unions like GSEE, ADEDY, PAME and Liberal Professional Associations like the Lawyers' Association and Medical Association (Sotiropoulos, 2004; Nasioulas, 2011)

The peculiarities of Greek historical background and social traditions have played an important role in the development of social economy sector that could potentially explain the fragmentation of the field. There is a significant number of Greek academics (Sotiropoulos, 2004; Mouzelis, 2004; Rozakou, 2011; Voutsakis, 2004; Nasioulas; 2012) highlighting the role of politics in the transformation of Greek civil society. However, during the fieldwork, a few other important features were identified like educational deficiencies and lack of available support mechanisms.

The next section will identify the factors responsible for shaping social economy in Greece hoping to provide a better understanding about the local conditions that influence the idea and practice of social economy and social entrepreneurship and its fragmentation.

### **Fragmentation Aspects**

Identifying the reasons of social economy fragmentation is crucial as the discussion about it is relatively new, mainly initiated by the introduction of Law 4019/2011. At this point, understanding the local factors influencing its development could be the best way to raise issues and provide a more solid foundation for the construction of the field. These factors need to be taken into consideration in order to promote the diffusion of socially innovative practices and eliminate the risk of turning social enterprises to mechanisms that give priority to political agendas (Defourny and Nyssens, 2010).

After examining the previous literature ranging from the meaning of civil society to the educational system of Greece since 1974 and after extensive fieldwork, three crucial influencing factors were identified.

Those factors are:

- The strong political intervention in civil society since 1974 that results in low **trust** on third sector institutions and formal voluntarism.
- The deficiencies of the **educational system** that plays a critical role in personality and value system development as well as in getting the know-how of social economy.
- The lack of **active support for social economy organizations**. The challenges of neoliberal economic system limit funding opportunities available and hold social economy institutions captive to public financing steeply increasing the risk of reducing them into government vendors.

### *Trust in Civil Society Organisations*

History of Greece has been very turbulent in the past with the most recent events being the civil war ended in 1964 and the junta of 1967-1974. The end of civil war found the anti-communist army and the pro-Western forces establishing in the country

a 'guided democracy' regime. According to Mouzelis and Pagoulatos (2002) during the years 1964 to 1974 the rights of free speech and free association, were restricted and they were enjoyed mainly by the anti-communists with the full tolerance of the state leading to the political repression of left-wing citizens and the junta. The collapse of many authoritarian regimes was the turning point in time for the emergence of social entrepreneurship (Bronstein and Davis, 2010). However, this was not the case in Greece as the mechanisms of repression were legitimated causing the deep polarisation between the Right and the Left in the post-authoritarian years (Mouzelis and Pagoulatos, 2002).

In the same time, opposite to Western European traditions, the welfare of society was considered to be a responsibility of the family and local community. As a result, the state expenditure on social welfare was very limited and the money was not distributed equally but based on clientelistic criteria. The external pressure for regime stability invigorated the clientelistic pattern; hence, welfare was pursued through selective loans, licenses and jobs that left voter's prosperity in the hands of corrupted politicians. This logic undermined the values of all areas of social and cultural life from education and sports to religion (Mouzelis and Pagoulatos, 2002; Lyberaki and Tsakalotos, 2002).

Having left-wing citizens repressed and excluded from almost every social, political and economic activity, it was easy for the government to go away with labor demands for social welfare and to control the key institutions of the country. Moreover, the policy makers were focusing on monetary stability and building up of the industrial infrastructure of the country, a strategy that increased the country's reliance on Marshall Plan aid and US. Given the clientelistic relations developed, the loans were distributed to the followers of the governing party. After the transition to democracy in 1974, even though there were efforts to give back the social and political rights to the left-wing citizens and to follow left-leaning economic policies, all through 1980s the political parties were competing in getting control over trade unions and other voluntary organizations. Hence, as Mouzelis and Pagoulatos (2002,p.13) conclude, 'the so-called [intertwining] interests exercise a type of control in the political and cultural spheres that seriously attenuates the autonomy and vitality of Greece's civil society'.

In the same manner, Sotiropoulos (1995) argues that Greece is a peculiar case as, the state and civil society relations differ from the Western European model. Unlike civil societies of the West, which were able to grow by the limited role of the state, in Greece, civil society has been permeated by the clientelistic relationships between the state and preferred social groups. The author identifies the fragmentation between the formal civil society organizations (controlled by political parties) and the relatively small informal initiatives. He argues that these informal movements are not succumbed yet to political parties because they are still weak, but if they gain more power, the state will try to get control over them.

As said by Bronstein and Davis (2010), democracies flourish when a large number of citizens are actively involved in civil life. When citizens know how to be effective and able to address problems they will feel more confident and powerful and society will be more adaptive and resilient. However, in Greece, citizens have lost their trust not only to formal social economy institutions but also to the government. Citizens' dissatisfaction increased showing that governments failed to safeguard the balance between society and market power; a fact that becomes more obvious with the growing decline of voter turnout (Mouzelis, 2001). Since the elections of 2004 the percentage of voter turnout is increasing reaching 37.5% in the latest elections of June 2012 that considered being of the most critical of modern history of Greece<sup>5</sup> (IDEA, 2012).

The impact of political intervention in social economy is twofold. On the one hand, is the limited social engagement of citizens in any formal structure of social economy and on the other hand is the dependency of these organizations from the political parties. In practice this creates a unique paradox in Greek social economy. Since the only strong organizations are inextricably linked with politics, it has been noticed that many voluntary organizations seek for government support (with support ranging from getting auspices or funds) (personal research). Organizations without political support didn't survive for more than 3 years (Nasioulas, 2011; Sotiropoulos, 2004). Hence, the situation looks like a vicious circle where social economy institutions are trying to regain society's trust and in order to be strong enough to do so; they need to get political support.

As a result, there is a significant growth in the informal social economy. The expansion of new technologies (media, internet, social networks etc.) exposed people to new ideas and made disparities in wealth and social inequalities more obvious. The exposure to new freedoms and the advances in education have created a large middle class that is not willing any more to wait for governments or businesses to take action and people are seeking solutions on their own in order to create the change they want for their communities (Bronstein and Davis, 2010).

In order to gain the trust of citizens in social economy and its potential, the state should guarantee a healthy environment within which social enterprises can operate and find support. However, there is very little done towards that end, as almost three years after the establishment of the social economy and social entrepreneurship law, none of the supporting mechanisms are in place and social enterprises still struggle to assert their independence from any political connection in public opinion. According to the Ministry of Labour, Social Security and Welfare (2013), there is still little awareness of the new institution and the value of social entrepreneurship, in Greece

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<sup>5</sup> IDEA, 2012, Voter Turnout

June 2012- 37.5%	May 2012 – 35%
2009 – 29.1%	2007 – 26%
2004 -23.4%	

and as a result even organisations with honest social purposes are regarded with distrust.

### Educational Deficiencies

Another factor responsible for the state of social entrepreneurship in Greece is education. The findings from research revealed that the education affects the development of social economy in two separate ways. Firstly, education plays a critical role in the development of society's core values through the formal schooling system that hinders the development of social entrepreneurial mentality. Secondly, the lack of relevant training and life-long learning to the people working in Greek social economy has many times become an obstacle to its growth.

Most of the definitions of social entrepreneurship refer to social entrepreneurs as innovative 'heroes' with exceptional leadership skills, being able to change the system within which they operate (Mort et al., 2003; Dees, 1998). These definitions portray social entrepreneurs being a rare breed viewed as innovative heroes who possess a set of special characteristics that cannot be taught. Instead, they are born with a sparkle in their eyes that draw the 'ordinary people' attention and admiration. In case this claim is actually true it means that it is impossible to teach social entrepreneurship and the only thing we can do is to support those 'heroes' (Ziegler, 2009).

On the other hand, according to Light (2008), even though there might be some people around the world lucky enough to have these special characteristics required, but there are still more who work hard through coaching and training in order to get their social enterprises off the ground and succeed in their social mission. Hence, the perception of individuals with inherited qualities can be misleading, turning attention away from the importance of education. The paradox here is that effective and sustainable social entrepreneurship cannot be achieved by the work of a charismatic individual. Social Entrepreneurship is a team process. It involves the input of all the different team members even though the founder is often perceived as the 'hero' (Bronstein and Davis, 2010; Light, 2008). As the founder of a Greek non-profit emphasized, 'without a budget you can do amazing stuff, without a good team you can do nothing!'.

One of the main problems in Greece is the association of education with employment; hence financial security. Students are taught to focus on getting high grades and accumulate paper qualifications or they will not be able to find a high income job. The system is very much result oriented where only the students who achieve the best marks are awarded. In the age of dreaming to change the world, teenagers are asked to be right or wrong in a system that obliterates their creativity and innovative spirit. It should be alarming how students instead of choosing to follow a profession they like; they tend to choose the one that could potentially make them wealthier. This phenomenon has a twofold impact. On one hand it draws attention only to intelligence rather than effort and on the other hand develops a 'fixed' mindset in students who

believe that achievements are related to natural abilities rather than continuous learning and effort (Bronstein and Davis, 2010).

What highlights the overbearing 'profit-maximisation' focus, for the past 40 years, is the absence of sociological research in contrast to economic research. Unfortunately, in Greece the importance of applied sociological research and social values instead of financial profits was undermined while in Western Europe the field had rapid growth. As Tsombanoglou (2010) argues, change always comes from the transformation of education and the development of social studies. This change, in contrast to other European countries, never happened in Greece.

Consequently, the culture needed to foster social entrepreneurship was missing in the country. A strong social economy according to Mouzelis and Pagoulatos (2002) entails a balance between the spheres of state and economy (the system) and the spheres of culture and social life. They argue that the deficiency of capitalism is that it failed to maintain this balance. Hence, the 'system' imposed its own logic on the social and cultural spheres. In order to be able to move towards this balance, they argue that a greater autonomy of the cultural sphere is needed. In particular, they argue that there is a need to give to producers of culture (academics, writers, artists) and to those who are the transmitters of culture (teachers, priests, parents) more power than the economic actors.

Along the same line, Murray et al. (2010) argue that growth comes from people and in order to increase their innovative capacity, education should have a central role. The challenge is to shift people mindsets and impel them to see beyond the existing frameworks (think out of the box). As Bronstein and Davis (2010) argue, it is important to unleash human potential and give people the confidence that change can be achieved and each one individually has the power to become change agent.

Although, 'it is not about innovation in mid-30s' (Stanowski, 2009, p.62.). Starting from young age, we should focus on changing the context that constructs people perceptions of the world (Seelos & Mair, 2009). The way to influence these perceptions is through education so that children start to develop new norms of how they relate themselves to others and starting from an early age they will be able to realize their right to fail and learn from their mistakes. As a result, students will be encouraged to express their creativity, take decisions and try out new ideas (Stanowski, 2009; Davis, 2002). In the heart of innovation lies the willingness to try out ideas for social good. Educating young people to develop their ability to solve problems, take initiative, work with others but most importantly to develop empathy. Citizens who empathise are able to recognize problems and collaborate with others in order to address those (Bronstein and Davis, 2010, p.82).

As mentioned earlier in this section, life-long learning seems to be crucial for the development of social innovation. During the 20<sup>th</sup> century and the specialization of professionals, which was supposed to maximize productivity, in reality moved apart



different sectors leaving governments, businesses and social organizations with important conceptual and institutional barriers between them. . Hence, it has become very difficult to develop holistic solutions addressing the challenges of the contemporary world. Innovation and change requires a recombination of knowledge. However, preexisting beliefs within the fields and industries tend to be reinforced rather than questioned. One of the biggest barriers to innovation is the lack of a culture of learning. People don't challenge their world views or expand their understanding (Bronstein and Davis, 2010; Murray et al., 2010).

A characteristic example for Greece is that people managing the formal labour confederations don't have any expertise in new management or new technologies as they never had in-service training (Sotiropoulos, 2004). Usually the people involved in the third sector have very diverse backgrounds and very few of them being educated in business schools. Hence it is really difficult for them to perform entrepreneurial activities. In addition, the use of new technologies is very limited in social enterprises, usually restricted to a couple of PCs that could support the main functionalities of the enterprise. This simplistic use of technology limits their access to new ideas and networking opportunities with social entrepreneurs around the world.

Social entrepreneurship can't be taught in a course. It has to grow inside individuals as a result of their life philosophy and their values. So there is a need for a more mission oriented educational system based on 'action learning' that will engage young students and will reward not only intelligence and athletic achievements but also youth-initiated social action. On the other hand, professionals working in social economy need to get the know-how on spotting and developing ideas and recognizing conditions for innovation.

### Active Support for Social Enterprises

The third issue that has been identified through research in Greek social economy is the lack of available support mechanisms for the growth of social enterprises. With the establishment of the Social Economy Law, a National social Economy fund was supposed to set up but two years later nothing has moved towards that direction. On the contrary, some of the benefits of social entrepreneurs have been withdrawn in the name of the austerity measures (Hellenic Parliament, 2011; 2012). Moreover, in April 2013, an invitation was announced for the set up of a central mechanism for social economy and social enterprises that will support and promote the concept in national and local level. This central mechanism is supposed to act as an umbrella to support social

co-operative enterprises and facilitate their development by providing training to civil society executives and social entrepreneurs and ideas for financing solutions ( General Secretariat for Management of Community and Other Resources, 2013).

Generally, access to startup and growth capital can be a significant obstacle for the development of social enterprises (Bronstein and Davis, 2010). At the same time, Defourny (2001) wonders whether or not social enterprises are handicapped by built-in weaknesses at the level of financial resources and organizational efficiency and Alter (2007) explains why social enterprises always face financial constraints. In reality, the non-profit capital market is immature and underdeveloped while the regulatory constraints of non-profits to borrow funds and the risk-averse managers in non-profit sector limit the opportunities to access capital.

Hence, two approaches have developed within social economy in Greece. The first approach is more reliant on the use of commercial activities in support of their social mission. As suggested by Alter (2007) and illustrated in Figure 1, within this hybrid form of social enterprises, the integration levels between the social aims and the business activities can vary greatly.

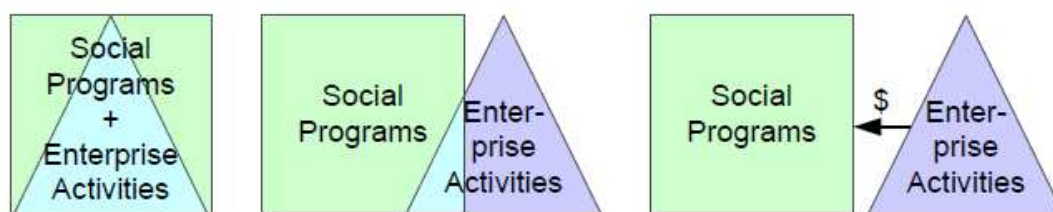


Figure 1. Level of Integration between social programs and entrepreneurial activities Source: Alter (2007, p.26)

However, such hybrids are not fully supported by the Greek legislation leading a large number of social enterprises to register in other countries like UK or US. Going back to the education issues identified above, the people involved in this more independent type of social entrepreneurship are usually young people who have been educated or have experience of living in other European countries. These people have been exposed to new models of social value creation and have realized that social entrepreneurs have the power to change their communities.

The second approach is followed mostly by NGOs, charities or institutions related to the cooperative movement, which are mostly associated with traditions of Southern Europe, and continue to rely mostly on grants, fundraising or EU funds (Defourny and Nyssens, 2010). Those organisations usually struggle to get funding in order to materialize their plans and they are in abeyance when the fund ends. As a result, many promising initiatives collapse. So, in order to get access to funding they allow changes in their form in order to either fit the new legal forms that would allow them to have a more sustainable future. These organisations move towards social entrepreneurial strategies out of necessity due to the limited public funds that are only available to specific organisations with political interests.

In addition, a big risk lurks on the financial dependency from the state that comes from the new regulation about social economy. The law states that social enterprises will have priority in taking on a range of contracts across government. Though, this

plus point is very controversial as social enterprises could be reduced to a governmental instrument offering their services to the state and taking on tasks that are not lined up with their social mission (Stid & Seldon, 2012). An example comes from the non-profit under research that in order to get funding and finance its other activities, decided to run the recruitment for a public work integration project for six months. When asked if they would run the recruitment for the next project as well they said no, emphasizing on the problematic nature of the project itself that did not provide the participants with any skills for future employment and their mainly administrative role in the process.

The Ministry of Labour, Social Security and Welfare published a strategic plan for the development of social economy sector in February 2013, identifying the current obstacles to the sector's growth. Even though this plan focuses mainly in the financial constraints, the results are noteworthy. The obstacles identified are the lack of appropriate and accessible support to social entrepreneurs, the lack of specialized grant programs for startups and the unfavourable economic environment to develop financial tools to support Koin.S.Ep.. The government is trying to provide financial support to the social enterprises that fall into the legal forms recently established, but there is the danger that social enterprises will be held captive to state funds and they will be recruited by the government to provide social services instead of them (Benjamin, 2007).

Thus, according to Nasioulas (2012), an institutional framework should be put in place to provide social enterprises access to commercial banks, which would probably be more efficient for the government to do, would be to support the opening of social enterprise to capital markets. In fact, Mulgan (2008), argues that policy should focus on providing some enablers for social entrepreneurship and removing its barriers to growth instead of funding whoever wants to follow the trend of social entrepreneurship.

## **Conclusions**

The assumption that lies behind the argument of this paper is the constructed nature of the concepts of social economy and social entrepreneurship and their dependency upon political and cultural values of the country we are studying. The findings of this study highlighted the significance of:

- clientelistic relation between the state and certain groups of citizens leading to low trust in social economy institutions
- result-oriented educational system that hinders creativity and innovation development and promotes capitalistic mindsets
- lacking appropriate training and exposure to new ideas for people working in social economy

- financing traditions based on state or EU funds and grants that cannot ensure the long term sustainability of the institutions or repel the danger of reducing social enterprises to government vendors
- lacking economic mechanisms that would allow social entrepreneurs to get access to capital markets and become independent of public money

Taken together, these findings support strong recommendation for a wider change across the fundamental sectors of economic and social growth. Greece needs to go through a deep social transformation before any economic changes. Unfortunately, at the moment the development of social sphere is overlooked by the politicians and most economists who focus only on the repayment of the debt without looking at its actual causes. What the country needs is a state that will be trustworthy and willing to support social economy and a society confident in its dynamic for change.

Social entrepreneurs are considered able to bring this change and as Yunus (2006, p.44) says, they can 'brighten up this gloomy world for all of us'; hence, state should support them and create the right environment for them to operate by providing new tax and pension rights, rights for different types of paid and voluntary work, new type of property, new kinds of institutions. Since the discussion about social entrepreneurship in Greece is very recent, and government promotes social economy with the Law 4019/2011, it is critical to understand that government should support any movement that creates social value, promote socially oriented education that will build creative and innovative mindsets and ensure that the appropriate economic mechanisms will be in place to finance social economy. As the then minister of third sector in UK, Ed Miliband, explained: 'Government doesn't create the inspiration for social enterprise, but it can help or hinder what they do' (Benjamin, 2007).

Moreover, it should engage in a multi-disciplinary dialogue between practitioners, academics, policy makers and legislators in order to establish the right foundation that will allow social economy to flourish. The common practice of adopting other countries' best solutions and impose them in a different context, has proven to be ineffective and needs to change.

At the moment, Greek government is trying to create social entrepreneurs, for its own reasons, as there are not many around. But can this actually happen, when social entrepreneurship is a phenomenon coming from the grassroots? Examples from UK state-sponsored social enterprises show that it is possible but in case of Greece, the deficiencies of the Law 4019/2011 raise several issues. One of them is transparency and the risk that an increase in transactions between government and the registered Social Cooperative Enterprises (Koin.S.Ep) may lead to their political manipulation. Furthermore, it allows the field to be overrun by hundreds of 'social entrepreneurs' who will claim EU and state funding, without creating social or economic value as they won't have either the motivation or the skills to do so. Thus, general public's aversion to formal social economy institutions will amplify and will lead to further fragmentation of the field.

In order to allow social enterprises to grow and consequently facilitate a transition towards a more associative form of governance there is a need for social, political and economic transformation that will reset the balance between society and economy. This change cannot be achieved in short term by the same ideologies that are responsible for the increasing inequality of contemporary world. Social economy suggests an alternative form of governance trying to tackle the challenges of the current neoliberal socio-economic system but in the same time it is limited by the existing mechanisms that aim at preserving the power of the elites.

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