

## THE SOCIAL ORIGINS OF THE ESTONIAN NON-PROFIT SECTOR

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**Abstract.** Based on the findings of the previous third sector research in Estonia about the weak embedding of this sector in the society, the central question for the study concerns the causes for this. I attempt to trace these causes back to the political, historical, cultural and economic environment (embeddedness) of the third sector. The environment is not observed as static. The influence of time, path dependent developments, and the mechanisms of interplay of these paths – pointing to a certain dynamic – are essential in explaining the present weakness of the third sector. As the study has shown, its relations to the state sector and business sector are rather weak. This is mainly caused by the (neo)liberal politics Estonian governments have followed during the time since regaining independence; the experience of Estonian people of the Soviet past, but also by certain cultural characteristics.

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### 1. Introduction

Since the collapse of Communist regime the topic of Eastern European third sector has caught the attention of the social scientists all over the world. The main question these studies deal with, from differing perspectives, is: What is the role and position of this sector in post-communist society? Is it a constitutive part of the civil society or rather a surrogate of the state institutions (Anheier, Priller, and Zimmer 2000, Anheier and Seibel 2000, Lehmbruch 1994)?

Speaking about Estonia, since concentrating on formal parameters in the transition period, its economic achievements have been among the best in Eastern Europe. But after the economy was consolidated the societal problems became visible. The existence of certain political institutions alone could not guarantee a well-functioning democracy (Putnam 1993). The third sector as an institutionalized

form of civil society currently constitutes the weakest link in the Estonian democracy. Only a minority of the third sector organizations work together with the business sector. Though the dialogue between the state and the third sector is brisker every year, today these contacts are still episodic (Lagerspetz and Trummal 2003:32).

This article conceptualizes the characteristics of non-profit sector as dependent on its embeddedness within broader social, political, and economic processes, where political preferences, but also the historical, cultural, and legal developments of a country, play a dominant role. This concept of 'embeddedness' was used by Seibel (1990) in the analysis of government-third sector relationship in France and Germany.

The question I pose in my research is: *why is the importance of the non-profit sector in Estonia, when compared to business and state sectors, insignificant in shaping the society?*

Regarding the scope of this study, it could only be an explorative in assessing the mechanisms that shaped the path of development of the certain third sector. In the post-communist perspective the study contributes to the understanding of different micro-level (in a single country) dynamics leading to different outcomes.

## 2. Theoretical frame of the study

The analytical framework of this study combines two theoretical lines: the Social Origins Theory and the Path Dependency Approach.

### 2.1. Social Origins Theory – a step ahead in non-profit research

The contribution of Social Origins Theory builds on the critics of the at this time already existent third sector theories<sup>1</sup>. It argues that the size and structure of the non-profit sector is a reflection of its 'embeddedness' in a complex set of relationships, classes, and regime type. Which position exactly the third sector takes as a service provider depends on a country's historical patterns of development and institutional path dependencies (Salamon and Anheier 1998:226, Salamon, Sokolowski, and Anheier 2000). The authors could identify four types of 'non-profit regimes', each characterized not only by a particular role of the state, but also by a particular position of the third sector, and each reflecting a particular constellation of social forces.

According to the study of Appleton (2003:84), in contrast to most other Eastern European countries, Estonia falls in a clear statist- category of 'non-profit regime'. In this regime, the state retains the guiding hand in a wide exercises power on its own behalf or on behalf of business and economic elites. In doing so, the state

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<sup>1</sup> Government failure/market failure theory of the emergence of NGOs; Supply-Side Theory; Trust Theory; Welfare State Theory; Interdependence Theory.

enjoys a fair degree of autonomy, sustained by long traditions of deference and a much more pliant religious order compared to other types.

Both government social welfare protection and non-profit activity remain highly constrained.

### *2.2. Path dependency – a suitable instrument for highlighting the dynamics of development*

The authors of Social Origins Theory determine the type of a non-profit regime on the basis of two variables: government social welfare spending and non-profit scale. The measure that these two variables provide is calculated for a given point in time, disregarding the process leading to this state of affairs. In order to be able to assess this process, the constituting element of the Social Origins Theory – its effort to underlie the path-dependency of third sector development – is studied more closely in this paper to show up the dynamics of the development path leading to a certain 'outcome'.

For this I clarified three different types of temporal path dependence modelling myself on Ekiert and Hanson (2003:19):

1) The 'classical' concept of path dependency by Pierson (2000), where certain adopted rules or institutional patterns will become more efficient over time and will be reproduced through self-energizing dynamics or inertia ('increasing returns') as proposed in the economic approach to path dependency.

2) The persistent influence of historical and cultural legacies inherited from the more distant past that shape the choices of political and social actors (Putnam 1993, Huntington 1996).<sup>2</sup>

3) The contingent events that set in motion 'reactive sequences' (Mahoney, 2000). As Mahoney explains it, "[I]n a reactive sequence, each event in the sequence is both a reaction to antecedent events and a cause of subsequent events" (2000:526).

These three are rather ideal types of modelling path dependency. In reality we can observe continuity and change at the same time.

Studying a concrete case, it is also essential to define the starting moment of a path. The time period covered in this study starts with the early 1990s. The path of 'neoliberal self-reinforcement' will be highlighted with the help of classical 'increasing returns'-concept. The path in this case starts in the early 1990s, when Estonia became independent. By the more distant past I understand in this study the Soviet era, which started in 1940 and lasted until the end of the 1980s. Based on the concept of reactive processes, the present of independent Estonia is in part a reaction to its Soviet past.

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<sup>2</sup> Although both 1) and 2) are emphasising history's importance, Putnam and Huntington did not stress the determinism. They rather showed the importance of culture over time, while path dependent processes according to Pierson bear much more the "locking-in-effect" in it. From the point of view of institutional theory the first is a subject for historical institutionalism and the second follows the logic of sociological institutionalism.

Since applying these three models of path dependency will bring to light the mechanisms of *institutional layering* and *functional conversion*, the aforementioned ‘temporal standpoint’ of the researcher is important to understand the dynamics of how these processes evolve together. Institutional layering points to the mechanisms where the interaction of different institutions creates and alters the overall course of development.

### 3. The applied model of explanation and research design

The general hypothesis of the study proposes that the *statist*-characteristics of the non-profit sector in Estonia can be explained through its ‘embeddedness’ in its broader social, political, cultural, and economic context.

The characteristics of the non-profit sector in Estonia are thereby the variables of interest (dependent variable) and the political, historical, cultural, and social-economic context constitute the independent variables.

The research design of the study is based on qualitative, case-oriented method, and treats the non-profit sector in Estonia as a case to be investigated. The study uses an *intrinsic case study* design: “undertaken, that one wants better understanding of this particular case” (Stake 1998:86). “A case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly driven” (Yin, 2003:13).

By the operationalization of this hypothesis different types of data collection were used. Generally, I used open-ended, in-depth interviews carried out in Estonia in February and March 2004, documentary analysis, and the analysis of secondary literature.

The ten interviews conducted with experts of the field – representatives of state, economic and non-profit sector – are the first source of evidence for the study.

In addition, I used documentary analysis, specifically coalition agreements from 1991 until 2004; press coverage in one of the two biggest Estonian dailies from the early 1990s until 2004, and secondary literature relevant in this field.

### 4. Linking theoretical considerations to empirical evidence

Due to lack of space I am not able to demonstrate the entire qualitative analysis (the empirical evidence) I carried out for the study. So I proceed and next link the gathered data to the theory I used.

In the following, I will highlight the influence of the independent (context) variables on the development of the Estonian third sector and their interplay (Figure 1) from a theoretical point of view.

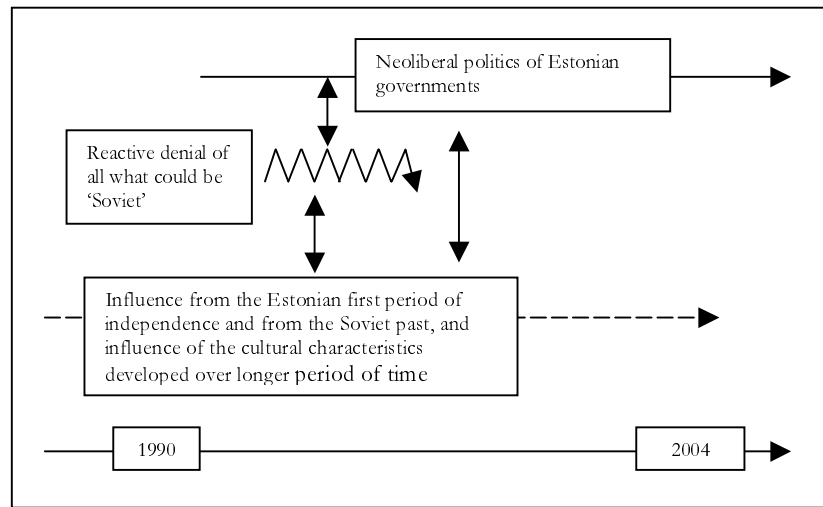


Figure 1. Path dependent processes in Estonia and their interaction in creating a context or third sector development.

#### 4.1. Self-reinforcing processes (increasing returns)

The new government of independent Estonia, with a new style of governance, was established in 1991. At this point of time the main task the governments of this young democracy faced was the re-establishment of independence with all aspects it embraces. Among other things economic and social reforms had to be carried out. This, according to the political elites of that time could best be achieved through the politics of radical economic liberalization. These politics signalled to people that everyone is the master of his own destiny and the state more or less withdrew from the direct guidance and support of societal life.

Since a government's attitude towards the third sector largely depends on its attitude towards social matters, the relationship between the non-profit sector and government could not develop very well during this time. As a representative of the third sector observed:

*Mart Laar [the Estonian Prime Minister 1992–94 – Author's comment], for him, the third sector implicated the society of folk singing and folk dancing. (Interview/representative of the third sector, 2602)*

Pridham explains the occurrence of such a conflict along the following lines: “[I]n the case of economic transformation there is a stark reality here as it is invariably the social costs that are short-term and the economic benefits long-term. This places heavy demands on political leadership, who are more aware of the latter, while the public are particularly affected by the former” (2000:203–204).

From that moment of transition this (neo)liberal politics and certain pattern of interests that accompanied it started to reproduce itself creating the so-called ‘increasing returns’. Accordingly, the government's disinterest in creating a viable civil society and third sector show evidence of self-energizing dynamics and

inertia. In view of neoliberals and Estonian liberal politicians, the civic activity was nothing a government could and should initiate. A civil society develops on its own, if the necessary economic stability is created.

*As a liberal I distrust a state which brainwashes people and tries to force a mentality on them. And it was the biggest problem while preparing the Civil Society Development Concept. The activists of civil society are trying to subordinate people to the state; they are almost trying to make the state more dictatorial.* (Interview/right-wing politician, 1902 [2])

For the future of democracy it is a critical question to what extent the collapse of communist controlled mass organizations has been replaced by a strong, purposeful, and politically relevant self-organization of diverse interests in society (Rueschemeyer/Rueschemeyer/Wittrock, 1998:3). In the absence of civil society, as was the case in the former Soviet republics, the state often needs to step in to organize individuals who are incapable of organizing themselves.

According to Saar Poll public opinion research institute (Saar, 2001), 28 per cent of respondents in 1990 did not belong to any public organization or practice public activities. Ten years later, in 1999, the number of passive people not belonging to any public organization had risen to 69 per cent.

#### 4.2. Historical and cultural legacies of the more distant past

The third factor that counteracted the smooth development of the third sector in the newly independent Estonia was its historical experience. Historical patterns and memory create powerful 'confining conditions' that constrain political choice and behaviour during the transition (Pridham 2000:41–42).

The Soviet occupation created a path that continues to impede a quick development of the non-profit sector today. First of all this could be seen in some attitudes, ways of acting, or expectations that had permeated the people during the Soviet time, none of which facilitated the rise of civic activity.

*Solidarity is not 'in' in Estonia and it is an internal problem of our society. The richer the society the less it values solidarity. At the University of Tartu we carried out a survey which showed that generally the division would be as follows: 21% of respondents would like to have more solidarity, 30% would rather like it. So 50% altogether. But 21% clearly want it. 10 % of the respondents totally agreed with the statement: "Naturally people are mutually supportive and cooperative". In that sense the Estonian society is individualistic. Solidarity as such is not valued in this culture.* (Interview/academic expert, 2202)

Besides this, another type of continuity that started in the Soviet past could be observed: the relatively strong position of the government also persisted in post-communist Estonia. Estonia's rather centralized governmental system is undoubtedly one 'remnant' of the country's Soviet history.

Closely tied to the historical and political aspects are the cultural characteristics of Estonia and their impact on the civic culture. The concept of path dependency pointing to "persistent influence of historical and cultural legacies inherited from more distant past" could explain how culture matters over time. As studies show,

Estonians seem to be an individualistic nation having no strong drive to collective action.

*Probably we can say about the Estonians, whose historical villages were also villages where houses were far apart, that their kind of solidarity demands a certain situation: the War of Independence, the Baltic Chain, song festivals; but it is like a problem built around a project. It is not in the blood. (Interview/ businessman, 2002[2])*

Moreover, trust among the people – closely tied to the cultural aspects and one of the preconditions for attitudes and behavioural norms conducive to democracy to emerge (Almond and Verba 1963, Inglehart 1995:35) – is rather low in Estonia (Saar 2001:17).

#### 4.3. Reactive sequences

Besides the continuities that exerted their impact on the development of the third sector in Estonia, some historical developments can only be explained as reactions to previous events, some of them moving in the opposite direction. In the case of Estonian non-profit sector an ‘opposing’ impact of the Soviet past on the behaviour of Estonians in general and foremost on state actions could be observed: the stringent denial of all that could have something to do with our past, with our Communist period. This attempt to eradicate the behaviours and types of actions that could remind of Estonia’s Soviet past led to the reactive path dependent processes.

*At the time ‘socialist’ was a swear word. In that sense a socialist was like a communist. This is a kind of political rhetoric when under the sign of freedom some clever people are pushed aside as it happens in politics. (Interview/ centrist politician, 2502[2])*

The very neoliberal politics and a rather marginal opposition from population at the beginning of the 1990s exhibited a reaction to the Soviet past. Because the system introduced by communists was modelled against liberal ideology, not astonishingly, after the collapse of communism liberal ideas formed the paradigm of transformation (Skapska 1997:16). Regarding the disposition of population, this ‘reaction’ – all policies, habits and attitudes which oppose the ones known from the Soviet time are preferable – was a source of hope for becoming recognized as a member of free, developed ‘Western’ nations as soon as possible. This turn towards a free developed nation – and here the phenomenon of *layering* becomes evident – was an important facilitating factor for radical economic and social reforms and for the beginning of the path of ‘neoliberal reproduction.’

### 5. Summary

To summarize, although Estonia lost its independence for almost 50 years, and therefore the example of Germany and France cannot be applied one to one, the conclusion made by Seibel about them is still relevant for Estonia: “[...] neither

government nor third sector agencies can escape from what is imposed on them in terms of institutional setting and national styles of politics and policy, these having evolved in national history with endorsement by appropriate patterns of ideological justification” (Seibel 1990:43). Institutions limit the third sector’s scope of action, preclude some of its directions, and favour perception and selection of some strategies over others.

As my qualitative study has shown, the third sector in Estonia is relatively weak and its incorporation in the societal life, in terms of my dependent variables, is rather insufficient. Its relations to the state sector and business sector are rather weak. This is caused by the (neo)liberal politics the Estonian governments have followed since Estonia regained independence; the historical experience Estonian people had in the Soviet time, but also by certain cultural characteristics (e.g. individualism). These factors exert an influence on the characteristics of the Estonian non-profit sector primarily in their interplay.

The analysis has shown that the state exercises power on behalf of economic and business elites, almost disregarding the civic sector in policy-making.

Looking at this interplay of the studied variables and their influence on the third sector, one can clearly observe tendencies and developments which refer to ‘path dependent’ characteristics of these processes. This path dependency manifests itself in simultaneous continuity and change, building a process called *institutional layering*.

Even though on the basis of this analysis I am not able to measure the impact of each single variable exactly, the tendencies show that the biggest impediment to the development of the third sector in independent Estonia has been the government’s indifferent attitude towards the sector. However, this is mixed with the historical and cultural impacts.

There can obviously be other possible explanatory variables that would deserve further study. In the context of this paper the importance of each single variable could be studied more systematically in the future.

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