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POLICY BRIEF NO. 01/2015

# What is the ‘Third Sector’? A New Consensus Definition for Europe

Based on

Working Paper No. 02/2014

*“The Third Sector in Europe: Towards a Consensus  
Conceptualization”*

Available at: [www.thirdsectorimpact.eu](http://www.thirdsectorimpact.eu)

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## What is the 'Third Sector'?

### A New Consensus Definition for Europe\*

#### BACKGROUND: THE PROBLEM

**Hidden in plain view.** Europe has long harbored a rich associational life outside the contours of the market and the state that has protected individual liberties, built norms of solidarity, encouraged voluntary assistance, provided a first line of defense for those in need, given voice to the voiceless, humanized the delivery of state-funded programs, and generally enhanced the quality of European life in thousands of different ways.

But jurisdictional squabbles, abstract definitional disputes, diverse legal regimes, and arcane statistical procedures have kept this rich associational life and the contribution it makes to European prosperity hidden in plain sight.

Lacking a definition that calls attention to their commonalities, the various components of the third sector--nonprofits, foundations, cooperatives and mutuals, social enterprises, and volunteering—have attracted their own circles of researchers and supporters, robbing Europe of a coherent overview of the third sector's scope and impact and weakening the sector's overall policy voice.

**Uncovering the commonalities.** Now, however, a group of researchers operating through a collaborative Third Sector Impact (TSI) project financed under the European Union's Seventh Research Framework Program (FP7) has formulated a consensus conceptualization of this "third sector" of citizen activity. With this conceptualization it will be possible to bring the continent's rich associational life into clearer view and provide a basis for gauging its impact and fostering policies that build on its unique strengths.

**A disciplined approach.** To do so, TSI researchers adopted a *bottom-up approach* that enlisted teams of researchers and stakeholders to build the conceptualization of the third sector on the firm ground of actual realities in the various European regions. The goal was to identify the broadest possible "**common core**" conceptualization of the third sector that could meet the following demanding criteria:

- **Breadth** enough to encompass as much of the enormous diversity of this sector and of its regional manifestations in Europe as possible while still retaining the identities of its component parts;

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\*This Policy Brief is based on the TSI Working Paper No. 02/2014 entitled "The Third Sector in Europe: Towards a Consensus Conceptualization," by Lester M. Salamon and S. Wojciech Sokolowski of the Johns Hopkins School of Advanced International Studies Bologna Center, which drew on the input of a consortium of other TSI project European partner institutions and personnel. Copies of this Working Paper are available for download at:

<http://thirdsectorimpact.eu/documentation/tsi-working-paper-no-2-third-sector-europe-towards-consensus-conceptualization/>.

- **Clarity** enough to differentiate third sector entities and activities from other societal components, such as government agencies, for-profit businesses, households, and leisure or recreational activities undertaken chiefly for one's own enjoyment;
- **Comparability**, to make it possible to highlight the similarities and differences in third sector realities among countries and regions;
- **Operationalizability**, to permit meaningful and objective empirical measurement and avoid counterproductive tautologies or subjective judgments; and
- **Institutionalizable**, to ensure potential incorporation of the resulting third sector definition into official national statistical systems.

## **THE RESULT: An all-embracing conceptualization of the third sector in Europe**

According to the conceptualization that emerged from this process, *the third sector consists of private associations and foundations; non-commercial cooperatives, mutuals, and social enterprises; and individual activities undertaken without pay or compulsion primarily to benefit society or persons outside of one's household or next of kin.*

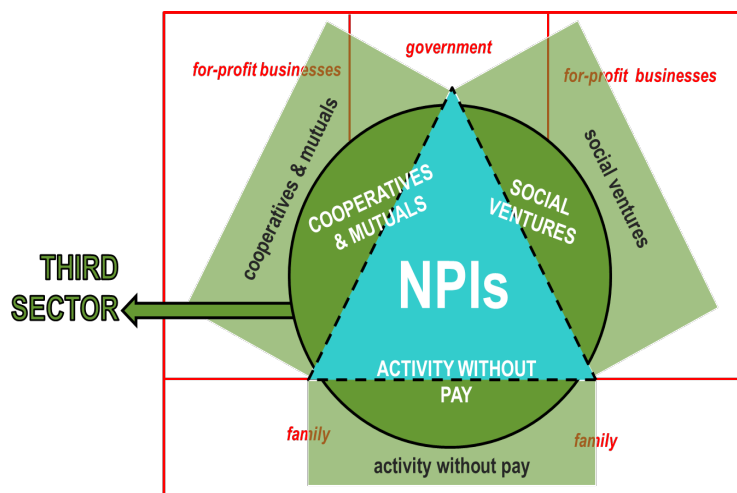
More specifically, the third sector embraces both **INSTITUTIONAL AND INDIVIDUAL** components:

- **In-scope INSTITUTIONAL components of the third sector** must be:
  - 1) **Organizations**, i.e., involve groups of people, whether legally constituted or not, who interact according to some understood procedures and pursue one or more common purposes for a meaningfully extended period;
  - 2) **Private**, i.e., institutionally separate from government and able to dissolve themselves on their own authority;
  - 3) **Self-governing**, i.e., in control of their basic mission and purpose formulated through their own internal governance procedures;
  - 4) **Non-compulsory**, i.e., engaging people without compulsion or coercion on the basis of free choice; and
  - 5) **Totally or significantly limited from distributing any profits or surplus they may earn**, i.e., either completely barred from distributing profits or under some legal or contractual obligation requiring them to limit this distribution in at least four of the following five ways:
    - By adhering to an explicit social mission that frees them from the obligation to maximize profits;
    - By limiting any distribution of profit to 50 percent of any surplus earned;
    - By adhering to a "capital lock" on any retained assets;
    - By employing or serving a significant share (e.g., at least 30 percent) of persons with special needs; and
    - By adhering to a prohibition on the distribution of surplus on the basis of capital invested or fees paid.
- **In-scope INDIVIDUAL ACTIVITY components of the Third Sector** must:
  - 1) Be undertaken **without compulsion**, i.e. on the basis of free will;

- 2) Be **unpaid**, i.e., without compensation except for reimbursement of costs;
- 3) Produce **benefits for others or for society**, and not primarily for the person doing them or for members of that person’s household or their next of kin (i.e., children and parents);
- 4) Be carried on for a meaningful period of time, usually defined as at least an hour in a particular reference period.

### Coverage

As reflected in the **FIGURE below**, the third sector so conceptualized, includes most nonprofit institutions (associations, foundations, charities), many (but not all) cooperatives, many (but not all) mutuals, many (but not all) social enterprises, and most volunteering whether done through organizations (indirect volunteering) or directly for others (direct volunteering).



### NEXT STEPS

**An important breakthrough.** The TSI project definition of the third sector is a notable step forward in efforts to portray the range of non-market, non-state, and non-household initiatives in Europe. It is an improvement over existing concepts - “nonprofit sector,” “social economy,” “civil society,” “social enterprise” – in that it embraces all types of initiatives that lie outside the apparatus of the state and do not have profit as a main objective.

Armed with such a unifying concept it will be much easier to portray this sector, document its impact, and secure support for steps that can strengthen the contributions it can make to European progress. In the process, this conceptualization provides a framework through which to make European citizen engagement and its impact more visible and thus to promote a greater appreciation of the “Europe of the citizens.”

**Launching a discussion.** The TSI project consortium invites European and national-level institutions and third-sector networks to review this consensus third sector conceptualization and consider endorsing it as an important basis for cooperation among different types of third sector institutions and for interaction between them and both government and business.

**TSI project contributions.** For its part, armed with this conceptualization, the TSI project hopes to contribute to the evolution of the European third sector in the following ways:

- By **convening stakeholders** to discuss this conceptualization and identify ways in which the third sector so defined can be strengthened so it can contribute even further to Europe's prosperity and quality of life;
- By working with **statistical authorities** to institutionalize the capacity to generate regular data on this European third sector. Fortunately, two relatively new statistical guidance documents are available to begin this process and several European countries have begun implementing them.<sup>†</sup>
- By formulating procedures for **assessing the impact** of the European third sector;
- By identifying **barriers** that are limiting the ability of European third sector institutions and participants from making the full contributions to European progress of which they are capable; and
- By identifying **changes in law and policy** that will enable European third sector entities to overcome these barriers.

To learn more about the goals and events of TSI visit <http://thirdsectorimpact.eu>

Endorsement and comments about this Policy Brief can be sent to Ksenija Fonović at: [ksfonovic@spes.lazio.it](mailto:ksfonovic@spes.lazio.it)

#### **Other TSI publications:**

Salamon, L. M. & Sokolowski, W. (2014), "[The Third Sector in Europe: Towards a Consensus Conceptualization](#)", *TSI Working Paper Series No. 2*. Seventh Framework Programme (grant agreement 613034), European Union. Brussels: Third Sector Impact.

Simsa, R., Rauscher, O., et.al. (2014) "[Methodological Guideline For Impact Assessment](#)", *TSI Working Paper Series No. 1*. Seventh Framework Programme (grant agreement 613034), European Union. Brussels: Third Sector Impact.

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<sup>†</sup> This includes the UN *Handbook on Nonprofit Institutions in the System of National Accounts*, published in 2003; and the International Labour Organization's *Manual on the Measurement of Volunteer Work*, released in 2011. Both of these are available for download at::

[http://ccss.jhu.edu/wp-content/uploads/downloads/2011/08/UNHB\\_English.pdf](http://ccss.jhu.edu/wp-content/uploads/downloads/2011/08/UNHB_English.pdf) (UN HB)

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