

# POLICY BRIEF

## EUROPEAN

### ASSESSING THE IMPACT OF THE THIRD SECTOR IN EUROPE: FROM CONCEPT TO METRICS. PROGRESS ON INDICATORS AND METHODS



THIRD  
SECTOR  
IMPACT

This Policy Brief provides an updated orientation on what any public official or policy maker that deals with third sector – social economy, civil society, volunteering – must take into account when devising evaluation strategies and impact measurement tools which involve the third sector.

On the basis of the 2015 research work of the Third Sector Impact project consortium, it provides a cautionary operational definition of third sector impact; warns against some common false expectations; and proposes an easily accessible repertory of essential readings.

21/01/2016

#### INTRODUCTION

Social impact has emerged as an important object for policy making for several institutions and agencies, stimulated by the Stiglitz report on Measurement of Economic Performance and Social Progress (2009) which emphasized the need to “shift emphasis from measuring economic production to measuring people’s well-being”. It also called attention particularly to the role that third sector institutions play as providers of collective and individual services such as security, health, education, culture and recreation as well as civic engagement and social capital. Eurostat provides a general overview of achievements in terms of measurement capacities of the European Statistical System related to GDP and beyond initiative with indicators to support the Europe 2020 strategy; OECD runs the Better Life Index and the UN Sustainable Development Goals have a strong focus on impacts such as well-being, healthy lives, and peaceful and inclusive societies. Furthermore, the social investment agenda in EU policymaking implies a strong impact-orientation, in order to concentrate scarce resources on initiatives with the highest potential return. In addition, new orientations in philanthropy and in social entrepreneurship argue that funding should depend on documented impact, and not just on the scale of operations or the number of clients treated.

The Council of the European Union is determined to promote the social economy as a key driver of economic and social development in Europe, and to increase awareness and recognition of the impact social economy enterprises generate for the society. To this end, data availability is of crucial importance. “As all policies should be evidence-based, Eurostat and national statistical authorities should consider developing and implementing satellite accounts in their respective statistics aimed at establishing the effective

contribution of the social economy to economic growth and social cohesion in the European Union” (Council Conclusions 13766/15 SOC 643 EMPL 423 of 7 December 2015).

This conclusion institutionalizes the claim for statistics on social economy and volunteering that third sector and researchers together have been working into EU proceedings since 2008.

The European Economic and Social Committee (INT/721 EESC-2013-6135) has already stressed the importance of social impact measurements for social enterprises. The EU Commission Expert Group on the social business initiative (GECES) has a subgroup on measurement of social impact that has proposed approaches to *Social Impact Measurement in European Commission legislation and in practice relating to EuSEFs and the EaSi*. The social economy is gaining spotlight also beyond the EU, as testified by the recent OECD's *Policy Brief on Social Impact Measurement for Social Enterprises* (OECD 2015).

It is important though not to restrict the progress on metrics for measuring the impact of third sector solely to the social economy field. Volunteer work is an essential component of the third sector satellite account. All major EU institutions have processed claims and instruments to measure and document the contribution of volunteers to social and economic cohesion in European communities.

This Policy Brief provides an updated orientation on what any public official or policy maker that deals with third sector – social economy, civil society, volunteering – must take into account when devising evaluation strategies and impact measurement tools which involve the third sector.

On the basis of the 2015 research work of the Third Sector Impact project consortium, it provides a cautionary operational definition of third sector impact; warns against some diffused false expectations; and proposes an easily accessible repertory of essential readings.

## EVIDENCE AND ANALYSIS

Research on impact of the third sector on other parts of society is scattered and inconclusive. One reason for this lack of convergence on a set of indicators is that the third sector can have effects at individual (micro), organizational and community (meso) and societal (macro) levels. Moreover, the third sector can have impact on many social domains, notably: the economy in terms of employment, workers' integration and urban regeneration; social capital and trust; participation; innovation; and sense of well-being. TSI Working Papers propose critical reviews of the state of knowledge with regard to different domains and, through empirical research, unmask some widely acquired beliefs.

Systematic review of the research on the impact of the third sector on individuals and on community shows that impacts are often assumed, but rarely demonstrated. Furthermore, the positive impacts are not equally accessible or spread. Individuals who already have better well-being, health and social trust are more likely to be involved in the third sector. Groups and individuals with fewer resources, or who are already less advantaged, are less likely to become involved in voluntary organizations to promote their interest, satisfy their needs, or make changes in policy favorable to them. Moreover, the effects of voluntary participation are gendered and can also vary by age, employment status, income, type of association and type of involvement.

The potential contribution of the third sector and volunteering to *social innovations* can be seen at different levels. At the micro level they are an important element affecting the socio-economic development of societies by helping individuals in need, enhancing their capabilities and promoting well-being. Changing the form of governance, as well as the development of local communities can be distinctive impacts of third sector social innovations at the meso-level. Social innovations at the macro-level can prove their impact in evoking systemic change by transforming the ways in which society thinks and acts. Building new social relations is also a main component of the macro-level impact of third sector social innovations.

TSI makes a contribution towards analyzing the impact on macro-level, by proposing a new affirmative conceptualization of the third sector as actors and activities of the civil sphere. The concept of the third sector is seen as a complementary perspective of civil society and the public sphere. Together these concepts constitute the civil sphere in society. This means that third sector organizations can potentially play

a role in society, not just in terms of economic and social action. Their distinctive function is as actors of the civil sphere. Their action contributes to value pluralism, associative life, and maintenance of values and norms. In addition, they can be important for creating a public sphere in society where communicative action and value contention take place.

Analysis of impact at organizational level is often done by single organizations as a response to requirements by funders to prove the impact of specific projects. The organizations also want to attract donors and public support by presenting documentation with a strong stakeholder orientation. This kind of impact analysis is a rapidly growing field, using established concepts such as Social Return on Investment (SROI). A critical assessment of this particular method and consultations with third sector stakeholders, however, point to significant shortcomings of the SROI method. In the first place, it is not adequate for generalizing to the macro-level. The third sector consists of greatly heterogeneous constellations and there is no pre-defined sample of organizations. Therefore, the impossibility to refer to control groups or benchmark data renders counterfactual analysis impossible. Moreover, impacts that do not affect a particular stakeholder group do not come into the calculation, such as environmental or wider societal impacts on the macro-level. In addition, the SROI-analysis presupposes that all kinds of outcomes are expressed in a monetary value, often resorting to less than accurate proxies. This is especially evident for some dimensions of particular importance for the third sector, such as participation and innovation, which tend to remain ignored because there is no consensus on indicators. Measuring the impact of volunteering through SROI is a good example for the shortcomings of this method.

Volunteering boosts political engagement, but not necessarily personal well-being. Analysis of large datasets finds positive effects on political engagement, but not on health and well-being, in contrast to many previous studies. This suggests that health and well-being may be a precondition for volunteering, but that there may be a positive effect on political engagement.

Data analysis on 29 European countries investigated if volunteering can compensate for the loss in manifest and latent benefits associated with paid work and thus improve unemployed individuals' wellbeing and mental health. It is found that volunteering helps the unemployed only when coupled with generous welfare benefits.

TSI work tested the assumption that the density of third sector organizations provides opportunities that are beneficial for engagement in volunteering, social cohesion, and social capital. By sophisticated multi-level modelling and after controlling for relevant individual and area characteristics in data from the UK, the paper concludes that the "foot-print" of third sector organizations does not add to the explanation of community level variations. This indicates that organizational density at community level is a less important infrastructure than assumed in previous research and in policy orientations.

## POLICY IMPLICATIONS AND RECOMMENDATIONS

**Strategies of evaluation and impact measurement programs must stem from this operational definition of third sector impact that is appropriate for policy making.**

*Third sector impact* means direct or indirect, medium to long-term consequences of the activity of volunteers or of third sector organizations on individuals or on the community, ranging from neighborhoods to society in general. Impact goes beyond and above the outcome that would have happened without the third sector activity.

**Inequalities in opportunities to participate must be addressed – by the research community and in policy making.**

People that have the largest potential benefits of third sector impact are less likely to be involved, which represents a challenge for how to design third sector activities and support programs. Research can yield useful data only if research methods are determined by a coordinated European approach.

**Empirical research unmask some widely acquired beliefs.**

Policies affecting the third sector lack the foundation of comparable data sets. Mandatory implementation of the Third Sector Satellite Account, based on international statistical standards – the UN Handbook for Nonprofit Organizations in the System of National Accounts and the ILO Manual on the measurement of volunteer work – is the basic step to this objective. Indicators on the impact of the third sector should be integrated in statistics on progress towards EU and global policy objectives, such as the Europe 2020

strategy and the Sustainable Development Goals.

**Contribution of third sector to systemic societal change must be studied, as its distinctive trait.**

For this domain, the gap between the high priority indicated by the representatives of the third sector engaged by the TSI project on European and national level and the state of advancement of the research, is important. This calls for specific, EU coordinated research that can try out different approaches and indicators to detect their relevance, usefulness, and validity.

**Bottom line recommendation: Standardized indicators of impact of third sector at the macro-level are urgently needed. Standardization of practices and methods is also needed at the organizational level.**

A Methodological Guideline for Impact Assessment of Third Sector should propose consensus panels of methods and indicators, differentiated by domain and level (micro, meso, macro). Organizational variety and structural frailty of third sector must be respected: impact measurement requirements for social economy organizations are not adequate for voluntary organizations and citizens' groups. Attention must be dedicated to developing methods and indicators for measuring the impacts generated by the specific nature and distinctive traits of third sector: participation, societal change and creation of relationships.

## RESEARCH PARAMETERS

TSI's objectives are to:

- clarify the concept and the major components of the third sector in its European manifestations;
- identify the impacts of the third sector and its activities on economic development, innovation, citizen well-being, civic engagement and human development;
- advance statistical measurement of the third sector, its components and its impacts;
- identify internal and external barriers for third sector organizations;
- recommend policy initiatives and infrastructural tools that contribute to creating a favorable environment for the third sector development.

- forge a partnership between the research community and European third sector practitioners.

Interdisciplinary quantitative and qualitative empirical research integrates in the whole research process different stakeholder groups: third sector networks, statistical agencies and public institutions. The aim is to transform the research results into sources and tools immediately applicable in advocacy and in policy making.

## PROJECT IDENTITY

**PROJECT NAME** The impact of the third sector on socio-economic development in Europe - Third Sector Impact (TSI)

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Vienna, Austria

Warsaw University  
Institute of Social Policy (ISP)  
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Westfälische Wilhelms-Universität Münster  
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**FUNDING SCHEME**

FP7 Socio-Economic Sciences and Humanities – Collaborative project – The impact of the third sector on socio-economic development in Europe

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**DURATION**

January 2014 – January 2017 (36 months)

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**BUDGET**

EU contribution: 2 498 962.00 €

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**WEBSITE**

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

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**FOR MORE  
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