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## BARRIERS

Policy Brief No. 10/2016

# The Third Sector in Spain

**Author:**

Rafael Chaves-Avila



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# 1 The Third Sector and the Welfare State in Spain

Until recently, scientists and politicians in Spain rarely used the term third sector. The two major concepts used to refer to entities between the State and for-profit businesses have been social economy and NGOs/ non-governmental organisations. The Spanish social economy concept, also used by European Union institutions and in some European countries such as Portugal, Greece, Belgium and France, is a broad conception of the third sector that mostly includes cooperatives, mutual societies, associations, foundations and other labour-oriented enterprises. A national platform for social economy enterprises, *CEPES*, has existed since the 1990s. It is a member of the Europe-wide *Social Economy Europe* platform. Due to *CEPES'* long advocacy activity, in 2011 Spain became the first European country to pass a national Social Economy Act. In the same year, another national platform was created. It focuses on social third sector organisations: the *Plataforma del Tercer Sector* (Third Sector Platform). Similarly, in 2015, a new Social Third Sector Act was adopted. Despite their names, both the Third Sector Platform and the Act only cover entities that work in labour inclusion, social and health services fields, excluding other fields such as sports, culture, research or cooperation for development.

## **Development and modernisation process in a context of diversity of TSOs**

A long history of dictatorships in Spain (Primo de Rivera and Franco), which meant severe restrictions on association and freedom of expression, contributed to a less developed Spanish third sector and lower dynamism of civil society compared to those in Northern European countries. The Spanish welfare state has been built belatedly, in the late 1970s and 80s, and is therefore less developed, with a lower ratio of social protection by GDP and a lower share of public expenditure. It is a mix between Bismarckian (elderly people and people with disabilities) and Beveridgian (health) social security schemes. Nowadays, the policy environment is highly decentralised and complex. Public policies, funds and services come from national, regional and local governments. The third sector has difficulties in building long-term partnerships with these governments. Scholars typify the Spanish third sector and the Spanish welfare state, as Mediterranean model (reflected in the three policy fields considered in this study: social and health services, sport and culture). During the period of current democracy (1978 until the present), the Spanish third sector and the welfare state have changed profoundly but still are far behind the Northern European countries.

Spain is one the European countries with the highest structural levels of unemployment and lowest work security. The recent economic crisis has affected Spain more deeply than other Northern European countries. The unemployment rate has stayed over 20% since 2010. Work flexibility has increased considerably over the

last two decades. Additionally, a new issue has recently spread: the working poor, that is to say, working people whose incomes fall below the poverty line.

Spain has low levels of civic engagement in volunteering, especially inside organisations. Less than 30% of the population are involved in associations and other civic activities, including volunteering. Less than 20% of people are donors to civil aims. The long periods of dictatorship during the twentieth century had a deep impact on the collective culture of civic engagement. Instead of being involved in organised commitments, Spanish people are more willing to be involved in informal activities and the extensive family, the Mediterranean model of family, which has a strong presence in this country. The extended family is bonding social capital, compared to bridging and linking social capital in Putnam's sense.

After the advent of democracy in 1978, the third sector underwent a great transformation and modernisation. One aspect of the internal reorganisation of the Spanish third sector was the strong emergence of a new secular third sector in response to the fermentation of social demands, new freedoms and social rights. As a result, the creation of third sector organisations, particularly associations, increased spectacularly from the early days of democracy. The help of public authorities in regulation, funds, facilities and promotion during the 1980s and 90s were decisive.

### **The TSI project in Spain**

The aim of this part of the Third Sector Impact project is to identify the external and internal barriers to the development of the Third Sector at national and European levels. In Spain, the TSI project is carried by the University of Valencia.

The study's research strategy follows the *Field Guide. Identifying external and internal barriers to Third Sector Development (Barriers)*, given by Zimmer, A. *et al.* (2014) from Münster University. This strategy uses the following qualitative methods to identify (1) the major obstacles and challenges confronted by Spanish TSO, (2) the strategies already implemented to avoid or overcome them and (3) the recommendations to foster TS as a whole:

- (1) Review of relevant literature, including stocktaking of quantitative empirical researches from mid-2014 to mid-2015);
- (2) Online survey with stakeholders (March to August 2015) based on a specific common questionnaire for all European TSI partners. With the help of the PTS – *Plataforma del Tercer Sector*- and CIRIEC-Spain we received 112 responses from TSO from the three policy fields analysed: social and health services, sport and culture.

Note: The aim of the quantitative data gathered is not to be statistically significant of the whole of the TS policy fields studied but to identify major trends and barriers, which means to be representative of the current situation of the sector. Of course, to obtain statistical data for the whole sector is not an objective of this study.

- (3) Focus groups with stakeholders. Five focus groups have been carried at national and regional levels, involving 5 to 25 participants;
- (4) Face to face qualitative interviews with TSO representatives and experts, based on a specific common questionnaire for all European TSI partners. 31 interviews were carried out in the regions of Madrid, Basque Country, Castilla and León, Catalonia, Murcia and Valencia between March and August 2015.
- (5) In-depth analysis of some best practice case studies, using information based on websites, interviews, and other information.

## 2 General Trends

In the wider conception of the third sector, the European social economy conception, the Spanish third sector is composed of a large variety of organisations and enterprises highly dependent on macro transformations in societal needs, public policies and internal trends. Nowadays, four major structural types of third sector organisations (TSOs) can be distinguished: (a) big and medium non-profit organisations, largely dependent on public funds, including the three 'singular entities' (ONCE, Red Cross and Caritas), mostly delivering social and health services, (b) local and regional TSOs, mostly in culture and sport policy fields, but also in social services, that are deeply rooted in communities and are part of traditional civic engagement, (c) new TSOs linked to new social movements and new social needs, and finally, (d) social economy enterprises that operate in private markets, mainly cooperatives and mutual societies, but these are not considered in this study.

This heterogeneity of the Spanish third sector is also a challenge for building umbrella organizations, common identity, specialized studies/data and strategies. The social third sector seems most advanced, as it soon embarked on an intense coordination, development and modernisation process. One of the latest landmarks in its organisation is the foundation in 2011 of the *Plataforma del Tercer Sector Social* (Spanish Social Third Sector Platform), which has played a major role in this process. Main achievements of PTS in recent years have been the approval of the Social Action Third Sector and Volunteering Acts, the II. Strategic Plan of the STS, promotion of TSO transparency, and lobbying activities defending vulnerable people's rights.

The Spanish third sector in the fields of culture and sports, on the other hand, remains unknown and dispersed, with a lack of self-recognition as an even minimally differentiated and structured reality. There is also no proactive and coherent public policy for this part of the third sector.

### **The uneven impact of the four crises in Spanish TSOs**

Since 2008, a deep crisis has affected Spain and its third sector that can be divided in four related sub-crises. The first is the economic crisis that has increased dramatically social needs (unemployment, poverty, exclusion) and has reduced private business

sector donations. The second is the drastic reduction in public funds due to the austerity policies deployed. The third is the collapse of the saving banks that constituted half of the Spanish financial sector before the crisis and were the major private traditional source of financing for the third sector. Last but not least, the fourth crisis is the qualitative austerity policy, not only in form of an increase in bureaucracy but also in delays, procedures of applying and implementing and other exigencies, that complicates, even precludes, the collaboration of the third sector with the public sector. These crises have an uneven impact on the third sector: nearly a quarter of third sector entities have disappeared, more than half of them have been involved in deep human resources and budget restructuring processes, while only a low percentage has maintained or increased their level of activity.

### **Major key barriers for the development of TSOs**

Common general trends in the Spanish Third Sector (TS) are the following:

- Deep social and economic crisis in Spain that affects TSOs in a double way: cuts of funds (specially public funds) and increase in social needs;
- Adjustment to crisis with low shifting of resources, with more volunteers and reduction/ adjustment in staff;
- Increase in volunteers during the crisis, but less involved and less regular;
- Heterogeneity of the TS that hinders the collaboration among TSOs and sector-structuring in Platforms;
- Public attitudes: good public image of TS;
- Low links between business sector and TSOs;
- Challenges with public sector at all administrative levels (state, regions and local): making public policies, public service delivery, law barriers;
- Lack of awareness of the social and economic impact of TSOs by the public and politicians and a need of an official system of statistics concerning it;
- Problems from the EU level: Difficulties in accessing EU funds for the development of the TS, EU regulation on VAT and on public procurement, major social policies for vulnerable people.

According to stakeholders and the TSI online survey, the major key barriers identified are the following:

- (1) Funding problems, especially, the lack of public funding and of private individual contributions;
- (2) Problems regarding labour, such as difficulties in recruiting employees, the low employees' salaries, and difficulties in recruiting volunteers;
- (3) Governance problems, i.e. difficulties appointing volunteer board members;
- (4) Image problems, due to limited public awareness of the TS;

- (5) Legal and fiscal barriers: lack of a favourable tax treatment and the lack of a clear legal status;
- (6) Increasing bureaucracy;
- (7) The lack of support organizations.

On the other hand, there are key factors that are not major problems for Spanish TSOs:

- (1) Labour/ employment problems, as competition with for-profit businesses in recruiting employees, low motivation and low qualification of employees, difficulties recruiting executives, difficulties in the cooperation between paid staff and volunteers;
- (2) Lack of confidence in professionalism of your organization;
- (3) Bad condition of TSOs' facilities / Out-dated technology;
- (4) Difficulties to access to capital markets (not applicable);
- (5) Lack of trust in TSOs.

### 3 Policy Recommendations

What is needed to get over the barriers and overcome the challenges? The following policy recommendations have been largely suggested by TSO representatives interviewed, experts and TSI focus groups.

#### 1. Policy recommendations to public authorities

##### Enhance the Spanish Welfare Mix into an advanced Public-TSO partnership

- 1) Institutionalizing effective spaces of co-decision of TSOs in public policies at different levels of government;
- 2) Developing new ways of collaboration between Public Sector and TSOs in the implementation of public policies. Collaboration needs more long term contracts, less subsidies and 'social value added of TSO' needs to be valorised (e.g. generalization of Social Clauses in public procurements)
- 3) Design and implementation of long term programmes for enhancing TSO/ Social Economy, with appropriate funds, as it is appointed in the Council of the EU conclusions (ST 15071 2015 INIT). Among these programmes, three initiatives should be highlighted:
  - Recognition of the diversity of TSO and the different kind of support measures;
  - Launching an Observatory for the entire TS (ETS), for studies, statistics, training, look over laws and policies; and the implementation of a National Council for ETS with different policy field representation;

- Launching Centres (public or in alliance with TS platforms) to improve volunteering, social involvement and corporate governance

4) Improving the public financial flow, cutting (ending) the “quantitative” and “qualitative” austerity policies towards TSOs as outlined before;

5) Getting over legal and taxation barriers of TSO activities. Reducing legal complexity. Reducing the barriers that force TSOs to change their legal status into another one.

### **EU public authorities: Launch a major EU policy to foster TSOs in Europe**

In Spain, TSOs have high expectations from EU public authorities. They expect not only concrete measures to improve accessibility to European Institutions in order to participate in decision-making processes and funds to all TSOs, especially to SME TSOs, but more largely, to launch a major EU policy to foster TSOs in Europe.

This claim not only comes from Spanish representatives and experts, but from official statements as the Council of the EU (2015), the European Parliament (2005) and the EESC/CIRIEC (2012). According to the Council of the EU conclusions on the promotion of the social economy as a key driver of economic and social development in Europe (7.12.2015; ST 15071 2015 INIT): “Establish, implement and further develop, as appropriate, European, national, regional and/or local strategies and programmes for enhancing the social economy, social entrepreneurship and social innovation. The various strategies and programmes should be based on a constructive dialogue between European, national, regional and/or local authorities and all relevant stakeholders”. The European Committee of the Regions, the European Economic and Social Committee and the CIRIEC reports have also defended a major policy to enhance Social Economy/ Third Sector in Europe. Finally, according to the Report of the European Parliament ( “European Social Model for the future” 2005/2248(INI)), “one of the cornerstones of the European social model is the social economy, (...) comprising cooperatives, mutual societies, associations and foundations, which form a structural part of the model itself, given their historical role, and are a factor for development, sustainability and efficiency in the future”, then, the Social Economy should be deeply enhanced in Europe (Toia Report of the European Parliament, 2009).

## **2. Policy recommendations to enhance private engagement toward TSO**

Due to the fact that Spaniards have one of the lower levels of civic and corporate engagement in volunteering, giving and social participation in Europe, to enhance and persuade them to participate (in general terms) should be considered a major aim to develop the TS.

Main policy recommendations are the following:

- New regulation and better fiscal treatment to improve collaboration between businesses and TSOs;

- Improving collaboration between private sector and TSO;
- Improving corporate engagement in TSOs of all sizes, not only in big TSOs, giving and social responsibility;
- New regulation duties for businesses, public sector and TS that have to include social impact reports (not only financial);
- Give social initiatives and TSOs more autonomy and help their own development and their own umbrellas and innovation systems;
- Improving new forms of management of 'new' volunteering, considering that this new volunteering does not wish only to deliver services but constitutes civic engagement for a variety causes;
- Help TSOs to reduce volunteer management costs (recruitment, training, and involvement);
- Improve general Spanish culture towards citizenship and social participation.

### **3. Policy recommendations to TSOs and their umbrella organizations**

- To state a definition of the third sector that makes it easily recognizable. This is not the case for the conceptualization of the third sector developed by TSI: the Spanish Third Sector does not recognize informal volunteering or social enterprises as part of the TS;
- Improving the public image of all TSOs through a better knowledge of TSOs and their impact (at micro & macro levels) by the public, the authorities and target populations, and by a better communication of the TSO message;
- Improving relationships between TSOs, especially through new platforms and innovation systems, and through the further development of existing Platforms such as the PTS.

For a more detailed account of third sector barriers read the National Report on Spain.

Comments are welcome.

Rafael Chaves Ávila ([Rafael.Chaves@uv.es](mailto:Rafael.Chaves@uv.es))

University of Valencia (Spain)