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Growing risks in a demanding environment:

Policy recommendations for a sustainable development of the third sector

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Growing Risks in a demanding environment: Policy Recommendations for a sustainable development of the Third Sector

ABSTRACT

In the context of the project Third Sector Impact, trends of the third sector developments were investigated in eight European countries (Austria, Croatia, France, Germany, the Netherlands, Poland, Spain and United Kingdom). The project teams investigated barriers that third sector organizations are facing, documented solutions to these challenges and identified general trends of the third sector development. On the basis of this work on barriers and trends, policy recommendations were developed for each country under investigation, published and disseminated as TSI Policy Briefs for national level policy makers and third sector leaders. The results are published on the TSI website www.thirdsectorimpact.eu

The challenging environment in which TSOs have to survive is widely acknowledged. Numerous obstacles impede the societal functions TSOs perform for the social cohesion of Europe. While some of the challenges are derived from an increasingly harsh environment, other challenges are inherent to certain types of third sector organizations (TSOs). This Policy Brief presents a cumulative comparative reading of common barriers the third sector faces across Europe and proposes how to address these challenges.

The aim of this Policy Brief is to deal with the question of how the unique value the third sector adds to European societies can be preserved or further expanded. On account of our investigations and close cooperation with stakeholders from the sector itself, we developed solutions that aim at enhancing the capacity of TSOs to contribute to the socio-economic development of Europe.

The following issues are addressed:

- Technological infrastructure for organizational learning;
- Funding for sustainability;
- Use of public spaces and facilities;
- Job conditions in third sector organizations;
- Support systems for volunteering;
- Credibility in public sphere; and – last but definitely not the least,
- Bureaucratization.

TECHNOLOGICAL SKILLS DEVELOPMENT: FACILITATING A SECTORAL INFRASTRUCTURE FOR ORGANIZATIONAL LEARNING

Many third sector organizations (TSOs) are limited in their capacity to adapt to technological change while the potential of new technologies is huge. Civic actions are increasingly organized on the internet like spontaneous protests (e.g. flash mobs) or citizens arrange ad-hoc sporting activities, like race-biking or parkour via mobile applications. Additionally, campaigns are progressively formed within the social media and volunteers gather on social platforms for joint community projects. The success of crowdfunding initiatives largely depends on the presence in the World Wide Web. Furthermore, many of the activities organized via the web take place outside formal organizations - which carries the risk that TSOs lose relevance for the social reality of European citizens.

Part of the third sector is not responsive enough towards new technologies. These organizations forgo the chance to impact European societies. TSOs that are able to make use of new technology tools will greatly leverage their scope of action. Modern communication technologies provide new ways to organize support, to inform, empower and mobilize citizens, which could greatly expand the impact of the sector. Thus, technological skills come as a valuable organizational asset for the third sector. Consequently, organizations should devote resources to make use of technological and communication tools in order to develop their potential as social impact generators.

However, as our research indicates, the capacity of making use of new technologies is restrained by the limited access to organizational infrastructure, which affects mainly small organizations. These types of organizations are most commonly found in fragmented organizational fields (like arts and culture) where organizations cannot draw on technical assistance or policy consultants by a sectoral infrastructure due to the lack of an encompassing organizational umbrella. Here, TSOs need additional help of intermediaries facilitating access to modern communication technologies.

Philanthropy, but also public funders, should invest in a **SECTORAL INFRASTRUCTURE** that could serve as a structural backbone to address higher demands with regards to technological change.

SCARCE RESOURCES: SUSTAINABLE FUNDING FOR THIRD SECTOR ORGANIZATIONS

Public funding is increasingly of temporary nature. TSOs have to grope from one project to another and have little room for building up an organizational infrastructure to keep the organization alive. The organizational slack is substantially reduced, while an increasingly turbulent environment requires quick responses. Resources - like changing funding streams, interests of volunteers, needs of citizens or -attention markets - are shifted at a higher pace. Furthermore, individualized volunteer patterns naturally lead to a high fluctuation of volunteers, which needs to be managed, often in an ad-hoc fashion, without having a reserve fund for shortages in management supply. Higher bureaucratic requirements and technological demands, which demand skilled personnel in technical and administrative terms, intensify the need for stable resources.

Particularly in areas where the organizational field appears to be fragmented (like arts and culture) the situation for organizations is precarious. As individual fields of the sector consist of myriads of small organizations, TSOs fail in setting up a sectoral infrastructure that could compensate for the lack of organizational resources.

Public and private funders should acknowledge the growing need for an organizational infrastructure. Besides creating incentives for establishing a sectoral infrastructure, public funders need to shift to more sustainable **LONG TERM OR INSTITUTIONAL FUNDING** in order to put the sector on a solid base.

Additionally, organizations are more resilient towards rapidly changing policy conditions if they diversify their funding streams. The dependency on individual resources represents an increasing risk for the organizational survival as resources are changing rapidly.

TSOs should DIVERSIFY THEIR FUNDING STREAMS.

If TSOs achieve this, they are less prone to run out of business when resources are shifted to the disadvantage of the organization. For a growing number of organizations crowdfunding approaches are an alternative to a monolithic resource base in order to multiply funding sources and consequently to achieve broader risk spreading. Since the demands of various funders and multiple billing systems require administrative skills, technical support systems for small TSOs are needed. Thus, TSOs require additional assistance in organizational capacity building by e.g. intermediary or public agencies.

(NO) SPACE FOR CIVIL SOCIETY: INVESTMENTS INTO A PUBLIC SPACE

Small organizations in the field of arts and culture and sports are endangered by a lack of public space – intended as physical locations, buildings, facilities. Cultural activities such as exhibitions, (amateur) theatre or concerts are notably space consuming and the availability of sports facilities is a precondition for practicing sports. Currently, TSOs active in the area of arts and culture and the area of sports, are faced with limited access to facilities and available space. In metropolitan areas with rising shortage of residential space, it has become increasingly difficult for TSOs to find places for encounters and convivial gatherings as available public space gets converted into cash, e.g. upscale real estates or commercial centers. In municipalities under austerity regimes, public facilities such as gyms, are often in poor condition or hardly available. Here, the availability of facilities for e.g. practicing sports is increasingly restricted. As maintenance costs loom particularly large, small organizations lack the capacity to operate own venues for their activities. Consequently, compared with commercial providers, sports clubs lose attractiveness and third sector cultural organizations are limited in their ability to engage in art productions. This affects large part of the community life as arts and culture, and sports, are the most popular area of volunteer commitment and their venues serve as a crystallization point for the social life in neighborhoods.

Local governments have to **PROVIDE PUBLIC SPACE AND INVEST IN FACILITIES**, for TSOs to continue to be able to establish cultural and sports activities that remain accessible to all and if community life should be upheld.

On the other hand organizations that are too small to maintain their own facilities, have successfully achieved to provide activities by pooling resources and cooperating in acquiring and maintaining facilities.

THIRD SECTOR WORKERS IN THE POVERTY TRAP: ENHANCING THE JOB CONDITIONS OF TSOS EMPLOYEES

Despite high qualifications and outstanding commitment of third sector staff, employees in TSOs have to work under the worst job conditions of the labor market. The introduction of competitive tendering procedures and budgetary cuts in economically deprived municipalities induced cost and efficiency pressures

on TSOs, which translated into precarious employment patterns. The increasingly fragmented landscape of collective agreements reveals a “running-to-the-bottom” in terms of labor market standards in TSOs.

Consequently, working in the sector becomes increasingly unattractive. Particularly in areas where the mental and physical stress is high, TSOs face serious problems to recruit personnel. These circumstances carry the risk that the quality of services will deteriorate, as TSOs might have to employ less professional personnel and reduce personnel costs per service unit in order to fill a growing staffing gap.

Women in particular are hit hard by the degraded working conditions, as they account for large part of the sector’s labor force. This development translates into a serious roll back for gender equality.

Wage agreements in the working areas of the sector, e.g. a collective agreement in the social services, would be an effective tool to stop the ruinous competition for contracts in the sense that always the cheapest gets the bid.

TSOs are called upon to agree with their employees on **FAIR LABOR STANDARDS** throughout the sector. Likewise, public agencies should prioritize **SOCIAL CLAUSES IN COMPETITIVE TENDERING PROCEDURES**.

VOLUNTEERS ARE NOT FOR FREE: SUPPORT SYSTEMS FOR VOLUNTEERING

While the professional requirements for volunteers - especially in administrative terms - are on the increase, volunteers are less interested in work assignments that come with administrative responsibilities. Instead, volunteers prefer temporary engagements. Thus, qualifying volunteers and coping with a permanent fluctuation of volunteer staff make the implementation of a volunteer management system necessary. Particularly small organizations lack the human resource capacities to tackle the growing demands in managing volunteers. TSOs request an infrastructure that may support them in recruiting, qualifying and integrating volunteers.

The number one reason why citizens do not volunteer is time constraint. Hence, to allow volunteers to enjoy the positive effects of volunteering.

Corporations and the state have to work together to **INCREASE TIME BUDGETS FOR CITIZENS** interested in volunteering.

In some instances, the boundaries of volunteering and paid work have become blurred. Indeed, with reference to volunteering, poorly remunerated jobs are being legitimized. Clear boundaries must be set where volunteering ends and where regular employment starts, in order to avoid that the sector becomes a sweatshop for the economy.

LIMITED AWARENESS OF THE THIRD SECTOR: ENHANCING VISIBILITY OF THIRD SECTOR CONTRIBUTIONS

In light of social change, with the decline of traditional milieu structures, third sector organizations have suffered a loss of public awareness and forfeited social anchorage. It becomes harder for TSOs to recruit members and volunteers. Likewise, the work of TSOs is under suspicion and the legitimacy of the privileged position - with regard to the tax exempt status - is in some instances questioned. Some TSOs have resorted to outsourcing core functions such as fundraising, member recruitment and public affairs management to for-profit agencies. This could be viewed as outsourcing the organizational identity, which might further damage the reputation of the Sector and hollow out the identity, mission-based glue that holds the

organization together. Against this background, TSOs need to prioritize recruiting, qualifying and diversifying (board) members and volunteers in order to maintain the social anchorage of their membership and governance bodies. Likewise, TSOs need to communicate their results more smartly and make image building a priority.

Priorities for TSOs: **VOLUNTEERS** and **CREDIBILITY**.

Research about the contributions of the third sector is still in its infancy and in some areas of third sector activity a neglected field by researchers. Particularly in the fields of arts and culture, the lack of data is hampering research on third sector activity. To make the impact of the sector visible, more research has to be conducted and data collected.

TSOS UNDER BUREAUCRATIC STRESS: FROM SURVEILLANCE TO PARTNERSHIP

In our research we have witnessed a bureaucratization of the public / third sector relationship. Public funding is increasingly acquired via contracts with public authorities. Here the terms of delivery are strictly defined by public authorities and TSOs are put under rigid reporting obligations, which lead to a bureaucratic burden for TSOs. Additionally, different departments are in charge of administrative issues. As public bureaucracy lacks an integrated coordination, administrative procedures are increasingly complicated and time consuming for TSOs.

It comes as no surprise that in view of the vast majority of organizations bureaucracy is regarded as a major problem, endangering the governance structures of the sector. The bureaucratic requirements are becoming so demanding, that volunteers serving on boards are feeling overstrained, as they lack the technical knowledge and time capacities to respond to extensive reporting obligations. Either TSOs professionalize board activities - e.g. appoint full time executives and commission agencies with managing administrative tasks - or they are doomed to failure, since they lack the resources to professionalize governance structures. In many areas of third sector, members used to be not only end users of activities but also organizers, decision makers and planners in their own right. Precisely this double nature of involvement is now put under considerable stress. The contribution TSOs make to a democratic society as an open, participative space where one can learn democratic behaviour – associations as “schools for democracy” - seems to be under jeopardy. Bureaucratic procedures have to be simplified and significantly reduced in order to allow volunteers to participate in decision making bodies and to preserve the democratic character of TSO.

Particularly, procurement procedures and project applications are highly complex and time consuming. These have to be simplified, in order to allow also smaller, democratic-collectivist organizations to apply. Additionally, reporting obligations of public contracts have to be reduced, to ease the bureaucratic stress TSOs are confronted with and to allow TSOs to experiment and to develop creative solutions to social problems. A reduction of bureaucratic obligations would free up resources for the benefit of European citizens in general and beneficiaries in particular. Last but not least, particularly for small organizations, additional support for managing administrative issues - either provided by public authorities or philanthropic actors - is indispensable.

Furthermore, a “one-stop-shop” for civil society actors in public authorities concerning administrative issues is needed, in order to simplify the processing of administrative issues and the mainstreaming, across different sectors and competences, of practices and institutional solutions adopted.

To enlarge and enhance participation, relieve third sector organizations from the burden of **BUREAUCRACY**:

- establish a dedicated institutional **THIRD SECTOR GATEWAY**, at all levels of government;
- simplify procurement **PROCEDURES** and project **APPLICATIONS** for third sector organizations;
- simplify **REPORTING** and adapt **FINANCIAL REQUIREMENTS**;
- provide **INFRASTRUCTURAL SUPPORT** for the administrative management of small organizations.

Additionally, we observed that TSOs are increasingly forced to abandon mission related activities in light of financial constraints. Reporting procedures are very narrowly focused on market sensible indicators and neglect critical functions of the sector that enrich our societies. To acknowledge the valuable contributions TSOs make to European societies, the functions which TSOs perform that go beyond the mere service provision should be included in reimbursement schemes.

Public funders should recognize the special qualities of the third sector and privilege TSOs in competitive **TENDERING PROCEDURES**.

Our research indicates that European societies would greatly benefit from a partnership between the public and the third sector. The public sector could consolidate the civil society “plus” that adds on third sector services by pursuing a partnership at eye level within the framework of a social pact between public and third sector representatives, while TSOs benefit from a perpetuated partnership with more planning security.

Against the background of scattered organizational fields, the possibilities for interest representation and engaging in a partnership with the public sector are limited. In our research, organizations that were well integrated in the policy environment by collaborating in transnational networks were able to shape the institutional framework of the organizational field.

TSOs need to perpetuate strategic alliances and intensify **NETWORKING** activity to be a steadfast partner for the public sector.

In this sense, an encompassing umbrella organization would contribute to a high degree of network integration and signal the public sector the representative nature of negotiated agreements.

REPERTORY OF ESSENTIAL DOCUMENTATION:

TSI POLICY BRIEFS AND REPORTS ON BARRIERS ON NATIONAL LEVEL

Austria - National Report

<http://thirdsectorimpact.eu/site/assets/uploads/documentations/tsi-national-report-no-3-third-sector-barriers-in-austria/TSI-National-Barriers-report-No-3-Austria1.pdf>

Austria - Policy Brief

<http://thirdsectorimpact.eu/site/assets/uploads/documentations/tsi-policy-brief-on-removing-third-sector-barriers-in-austria/TSI-Policy-Brief-5-Barriers-Austria.pdf>

Croatia - National Report

<http://thirdsectorimpact.eu/site/assets/uploads/documentations/tsi-national-report-no-5-identifying-external-internal-barriers-third-sector-development-croatia/TSI-National-Barriers-ReportNo.-5-Croatia.pdf>

Croatia - Policy Brief

http://thirdsectorimpact.eu/site/assets/uploads/documentations/tsi-policy-brief-no-6-croatian-third-sector-2015-barriers-way-forward/TSI-Policy-Brief-6_Croatia-.pdf

France - National Report

<http://thirdsectorimpact.eu/site/assets/uploads/documentations/tsi-national-report-on-challenges-for-the-third-sector-in-france/TSI-National-Barriers-Report-No.-4-France.pdf>

France - Policy Brief (in English)

<http://thirdsectorimpact.eu/site/assets/uploads/documentations/tsi-policy-brief-no-4-on-third-sector-barriers-in-france/TSI-Policy-brief-4-Barriers-France-.pdf>

France - Policy Brief (en Français)

http://thirdsectorimpact.eu/site/assets/uploads/documentations/tsi-policy-brief-no-4-on-third-sector-barriers-in-france/TSI-Policy-brief-4-France_francais.pdf

Germany - National Report

<http://thirdsectorimpact.eu/site/assets/uploads/documentations/tsi-national-report-no/TSI-National-Barriers-Report-No.-6-Germany.pdf>

Germany - Policy Brief

http://thirdsectorimpact.eu/site/assets/uploads/documentations/removing-barriers-third-sector-development-policy-recommendations-germany/TSI-Policy-Brief-7_Germany.pdf

The Netherlands - National Report

<http://thirdsectorimpact.eu/site/assets/uploads/documentations/tsi-national-report-no-2-barriers-to-third-sector-development-in-the-netherlands/TSI-National-Barriers-report-No-2-NL.pdf>

The Netherlands - Policy Brief

http://thirdsectorimpact.eu/site/assets/uploads/documentations/tsi-policy-brief-no-8-third-sector-netherlands/TSI-Policy-Brief-8_Netherlands.pdf

Poland - National Report

<http://thirdsectorimpact.eu/site/assets/uploads/documentations/tsi-national-report-no-7-third-sector-barriers-poland/TSI-National-Barriers-Report-No-7-Poland-.pdf>

Poland - Policy Brief

http://thirdsectorimpact.eu/site/assets/uploads/documentations/tsi-policy-brief-polish-third-sector-policy/TSI-Policy-Brief-No.9_Poland.pdf

Spain – National Report

<http://thirdsectorimpact.eu/site/assets/uploads/documentations/tsi-national-report-no-8-third-sector-barriers-in-spain/TSI-National-Barriers-report-No-8-Spain-.pdf>

Spain – Policy Brief

http://thirdsectorimpact.eu/site/assets/uploads/documentations/tsi-policy-brief-no-10-supporting-the-third-sector-in-spain/TSI-Policy-brief-10_Spain.pdf

United Kingdom - National Report

<http://thirdsectorimpact.eu/site/assets/uploads/documentations/tsi-barriers-briefing-no-2-towards-a-more-nuanced-understanding-of-barriers-and-constraints/TSI-National-Barriers-Report-No11.pdf>

United Kingdom - Policy Brief

<http://thirdsectorimpact.eu/site/assets/uploads/documentations/tsi-barriers-briefing-no-1-english-third-sector-policy-in-2015/TSI-Policy-Brief-No3.pdf>