



THIRD  
SECTOR  
IMPACT

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## BARRIERS

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# The French Third Sector: main barriers to development and impact

Francesca Petrella

Nadine Richez-Battesti



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## Introduction

The notion of third sector is little discussed in France compared to other national contexts. The most commonly used concept is the one of Social and Solidarity Economy (SSE). In the last decades, this concept has gained policy interest and recognition. SSE has been institutionalized in a specific law adopted in July 2014. This law builds upon the criteria defining social economy: a purpose other than the distribution of profits, democratic governance, reinvestment of profits in the activity, compulsory asset lock. It therefore includes all associations, cooperatives, mutual organizations and foundations. In addition, the law opens up the field of the SSE to commercial companies whose economic activity purpose is social utility (support to persons in a situation of fragility, combating exclusion and inequalities, education in citizenship, sustainable development) and whose management meets the following criteria: to allocate their financial surpluses in priority to the social mission and to compulsory reserves, to refuse to negotiate their shares on capital markets and to implement a more equitable wage policy (with a wage scale from 1 to 10 maximum). These commercial enterprises can be recognized and labeled as solidarity enterprises of social utility (ESUS) by public authorities at a regional level (prefecture).

From this perspective, available data in France concern SSE as a whole, which differs from the definition of third sector adopted by TSI. Despite these differences, the reality analyzed in this work fits the TSI approach of third sector since nearly all SSE organizations in the three selected policy fields (social services, culture and sports) are associations (nonprofit organizations), which are fully part of the third sector as defined in this project.

## The Third sector at a glance

Today, SSE is recognized as an economic force, representing 10% of total employment and 2,3 millions of workers (CNCRESS, 2015). A vast majority of establishments (with at least one paid worker) within SSE are associations (84,3%), 11,7% are cooperatives, 3,3% are mutual organizations and 0,6% are foundations. Associations are the major employers of SSE, with 78,2% of workers. SSE is composed by a myriad of small organizations (64% have less than 5 employees) and by very few large organizations (only 1% have more than 250 employees). SSE is indeed the first employer in the social sector (62% of employment of this sector), in sport and leisure activities (55% of employment of this sector) and an important employer in performing arts (27% of employment of this sector). In addition to paid workers, volunteers are still a major resource for most associations. In 2013, 11 millions of persons, i.e. 22% of the population aged from 16 or more, declared to have worked as a volunteer within the last 12 months in an association or in another type of organization (Insee, 2016). All together, hours provided by volunteers are equivalent to 680 000 FTE jobs. The major part of these hours is realized in sports, leisure activities and cultural ones.



## Barriers to third sector impact: Key findings

Despite the diversity of activity fields included in our study, the French third sector as a whole is going through crucial transformations concerning its institutional and legal environment, its way of financing and hybridization of resources, its internal governance and human resources management. TSO's are pushed towards the market both to face the decrease and the transformation of public funds (move from grants to contracts, move from national bodies to regional and local ones) and to improve their managerial performance. TSO's are encouraged to diversify their activities and their resources.

As a result, at the external level, the relationships between TSO's and public authorities have deeply changed. In the new public management context and the spreading of tendering processes, TSO's are seen more as services providers than as co-producers of public policies. This trend jeopardizes their advocacy function and their innovative capacity of revealing new social needs.

At the internal level, many TSO's have strengthened their entrepreneurial dimension. Most of them have adopted managerial tools borrowed from the private sector and tried to raise private funds through the sale of goods and services or through sponsorship. In terms of internal governance, there is a need to professionalize both the voluntary board, which has to move from a compliance role to a more strategic and competence oriented one, and the paid director to consolidate his managerial skills. Although important improvements in job quality and human resources management have been achieved, there is still a need to strengthen the employer's role, to develop human resources management tools and offer better working conditions and career opportunities.

However, despite the environmental constraints, our study revealed the existence of organizational innovations to overcome these barriers. These innovations take the form of new types of partnership or alliance between a diversity of structures, new modes of bypassing sector segmentations to develop transversal services, new ways of pooling resources to change scale to survive in a more competitive environment as well as new or less commonly used legal forms in the policy field considered (such as the creation of a cooperative in social services or a collective interest cooperative in the cultural field).

## Policy recommendations

A first general recommendation would be to improve the visibility of third sector organizations and in particular, to give more value and recognition to their impact in terms of employment, social inclusion, social and territorial cohesion and economic development. To elaborate better wealth indicators and impact measurements is an important issue for the future of the third sector.

A second general recommendation concerns the simplification of administrative processes. Surprisingly, along with the pressure to become more entrepreneurial and to increase their



managerial performance, TSO's are facing an increasing administrative and reporting burden in the search for accountability and transparency. As far as public financing is concerned, the parceling out of public sources multiplies the administrative burden. As a consequence, TSO's are becoming highly professionalized bureaucracies. One major step forward would be to propose a unique common form to ask for public grants, whatever the public authority.

In the context of reduction and transformation of public funds, TSO's are pushed towards the market and entrepreneurship. Most of them have adopted managerial tools (control, quality management, accountancy) to improve their managerial professionalism. However, our study reveals that TSO's are facing major difficulties in mobilizing private funds. These difficulties are complex to overcome since they are related, among others, to a lack of competence and time from the organizations and to a lack of understanding and visibility from the private sector and investors of the impact of TSO's. Today, the noose tightens between the lack of both public and private funding and the need to innovate and grow to meet new and increasing social and societal needs.

To help TSO's to face these challenges and consolidate their financial resources, more specific recommendations can be identified:

- Support infrastructure and develop access to engineering and consulting at different steps of development;
- Support umbrella organizations to reinforce their representation and support mission;
- Encourage training for both volunteers and directors (strategic management, HRM, accounting, law);
- Support cooperation, pooling and sharing processes: the challenge is to grow to survive without losing his soul and therefore to find innovative ways and organizational set-up of cooperation;
- Foster the development of territorial inter-organizational projects, such as clusters in which TSO's could be involved (see the *Pôles territoriaux de coopération et de développement économique* in France)
- Support the organizations with the "digital revolution" that can open great opportunities for the third sector.

**For further information please contact:**

Francesca Petrella, Aix-Marseille University, LEST-CNRS, [francesca.petrella@univ-amu.fr](mailto:francesca.petrella@univ-amu.fr)

Nadine Richez-Battesti, Aix-Marseille University, LEST-CNRS, [nrichezbattesti@wanadoo.fr](mailto:nrichezbattesti@wanadoo.fr)

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