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The third sector in The Netherlands

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Third Sector Impact project Policy Brief no. 8/2016

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The third sector in the Netherlands

The third sector in the Netherlands is extraordinarily diverse and defies easy categorization. It comprises a broad variety of different organisations, ranging from neighbourhood initiatives to professionalized umbrella organisations in the welfare sector, and from civic associations, advocacy networks to charity foundations. Dutch third sector organisations are active and highly visible in various policy fields, especially in health and social services, sports, culture and arts.

The development of the third sector in the Netherlands has to some extent been path-dependent, conditioned by formative choices shaping of the Dutch welfare state in the early 20th century. A key element of these choices was that third sector organisations (TSO) became the foremost vehicles for expanding welfare programmes. However, as a result their original identities have been strongly diluted. Organisations tend to identify most with other organisations in their field (say education or health care), regardless of whether they are third sector or not. Inter-organisational collaboration tends to be within rather than across policy fields.

The diversity of TSOs in the Netherlands is often described as a challenge, as it hampers communication and collaboration between organisations and complicates the formation of a joint identity. At the same time, the third sector as a whole plays an important role in Dutch society. Voluntary participation levels in the Netherlands remain high in European comparison. About half of the adult population is involved in some kind of voluntary work.

The TSI project in the Netherlands

Third Sector Impact (TSI, 2014-2017) is a research project that aims to understand the scope and scale of the third sector in Europe, its current and potential impact, and the barriers hindering the third sector to fully contribute to the continent's welfare. In the Netherlands, the TSI project is represented by Radboud University Nijmegen. The Dutch TSI team has primarily focused on barriers to third sector development in the Netherlands. The team identified problems that TSOs are facing in their day-to-day work as well as strategies used by TSO to overcome these problems.

General trends

The diversity of the Dutch third sector precludes a description of general trends that affect all organisations uniformly. Therefore we will discuss the third sector in the Netherlands as consisting of roughly three parts that partially overlap.

The first consists of third sector organisations that deliver public services. These include most organisations in social services, health and education. Their development is closely tied to that of the public sector at large and the welfare state in particular. As a result, they have faced cutbacks in recent years and have either had to scale back services or access new sources of funding. Hybridisation has been a persistent phenomenon in the Netherlands, although there have been major differences between policy fields. However, in few sectors has there been a full swing towards market provision. While third sector organisations have faced instability, the position of the sector as a whole has not been dislodged. There may even be opportunities for future growth for some parts of the sector, as major decentralisations have led to a greater emphasis on local social innovation and community building.

Another type of third sector organisation is the one that primarily relies on memberships and donations for its funding. These cover most of the culture/arts and sports areas. They overlap with the former type of organisations in the areas of informal care and development aid. There are specific challenges that these organisations face. To begin with, revenues from membership dues and donations have also been hit by the economic crisis. A more structural trend is the decline of traditional volunteering, which has been signalled more widely in the past decades. Individual citizens replace volunteering by donations or at least limit the time they spend on voluntary activity. There is an increase in informal volunteering outside of traditional organisations. Some of the latter have started offering additional services to reclaim some of the lost ground, for example, by incorporating more flexible types of volunteering, investing in the quality of voluntary work and by creating platforms for self-organisation. Nevertheless, readiness for voluntary activity in the Netherlands remains comparatively high and membership levels remain stable. Third sector organisations remain well established.

Finally, there are new organisations in the sector that arise in response to a retreating welfare state and the perceived failure of markets to deal with pressing problems. Such organisations include social enterprises, which are usually small- to medium-sized companies with a social mission; mutual funds for groups that are not sufficiently covered by existing welfare arrangements; and other initiatives by self-organising citizens. It is impossible to assess the quantitative impact of these new initiatives, since they are often informal in nature and do not show up in the statistics. Even if they would, it would be hard at this point to assess their impact on specific fields: whether they constitute a marginal add-on or a game changer. Here it is worth making two observations. Although these organisations are new in the context of the

traditional third sector, in many ways they mirror past initiatives that have since been institutionalized. A second observation is that many of the organisations are on the edge of the third sector or beyond, depending on how tightly one circumscribes the sector.

When comparing third sector organisations in the four different policy fields (social services, sports, culture and arts, international cooperation), one can observe interesting differences. Although all TSOs adapt to a changing policy environment, the impact of cuts in public funding have been more pronounced in those fields that are closely linked to the public sector, e.g. through co-financing mechanisms. Sports organisations have largely been able to compensate the decrease in public funding by raising membership fees and income from sponsoring and commercial activities. As a result, sports organisations have seen a more stable development than organisations in other policy fields. Culture and arts and international cooperation, by contrast, have been more severely affected by the decrease in public funding.

Across the policy fields, one can observe that third sector organisations have adopted more entrepreneurial, business-like forms of organisation and management, a general trend which is described as 'managerialism'. TSOs have diversified their sources of income and strengthened sponsoring and commercial activities. In the field of culture and arts, this trend has been intensified by an active policy of promoting 'cultural entrepreneurship'. In some policy fields (culture and arts and international cooperation), traditional non-profit organisations have transformed themselves into cooperatives or social enterprises. For the individual organisations this decision has been linked to the need of making accessible new sources of financing. For the third sector as a whole, this trend can be regarded to be ambivalent. Also it might be a successful coping strategy for individual organisations, for the whole sector this development carries a risk, as many organisations thereby abandon the non-profit distribution constraint as a key characteristic of the third sector.

On the whole, the Dutch third sector has proven resilient in the face of a demanding environment. All organisations face changed economic circumstances, with a drop in public funding and private donations due to the economic recession. Yet, with the exception of a few fields, there has been sufficient stability on the crucial indicators to keep the sector in a strong position. Existing organisations adapt, at the same time as new ones emerge to address new challenges. So while the post-recession picture is not glittering, it is not gloomy either.

A survey among Dutch TSOs

From June to August 2015, an online survey was conducted among TSOs in the Netherlands with the aim to complement the qualitative interviews with Dutch TSO representatives. The online surveys allowed for reaching out to a broader circle of third sector organisations and investigate the perception of barriers and opportunities for third sector development in the

Netherlands. The thematic issue areas of the online survey were linked to the questions used in the interview guide. Overall, 460 Dutch TSO representatives participated in the online survey.

Policy recommendations

On the basis of the survey and a stakeholder meeting organized in March 2016, the Dutch TSI team formulated a number of recommendations to address the challenges, experienced by TSOs in the Netherlands. The policy recommendations are divided into five topics: (1) funding and financing, (2) regulation, (3) voluntary work, (4) public support and image and (5) cooperation among organizations of the Dutch third sector.

1. Towards more sustainable funding

Funding is a challenge for many TSOs in the Netherlands. In the online survey, representatives of organisations draw a mixed picture about their financial situation. While a majority of TSOs is in general content with their financial situation, a growing number of TSOs have reported difficulties in acquiring the necessary funds for facilitating and developing their organizations.

Interestingly, private donations and sponsoring are by many respondents considered to be more reliable than government funding. Regarding membership fees, a majority of the respondents answers that this is not applicable for their organisation. This can be explained by the fact that only a part of TSOs are membership organisations. Among membership organisations, a majority considers the income from membership fees to be positive or very positive.

Commercial income and access to capital markets are only relevant for a minority of TSOs. These TSOs experience problems with the access to capital markets. Also with regard to alternative funding sources, a majority of respondents answer with 'non applicable to my organisation'. The other respondents consider the possibilities for alternative funding as neutral or positive for their organisation. About half of TSOs (47 %) report that new forms of private funding, e.g. crowd funding, are becoming more important for their organizations.

Common to all TSO is that the relevance of fundraising activities has increased. 37.3 % of TSOs strongly agree that their organization devotes more resources to fundraising now than it did then years ago. Another 21.1 % agrees. Only a minority of TSOs disagrees with the statement or remain undecided: 2.6 % strongly disagrees with the statement, 8.3 % disagrees and 8.3 % neither disagrees nor agrees. As a result of the increased significance of fundraising, TSOs invest more in PR, communication and impact measurement in order to better show the results

of their work: “It is not enough to be a charitable organization anymore. You have to prove that you achieve your objectives and create impact.”

Recommendations to donors and state institutions:

- Invest in more sustainable funding mechanisms to foster the development of TSOs;
- More strongly involve TSOs in public service delivery at the local level;
- Specify the tasks and functions for the third sector to enhance government-third sector cooperation.

Recommendation to TSOs:

- Unite in third sector networks for synergy effects and the exploration of new sources of funding;
- Explore new forms of private funding;
- Exchange best practices in fundraising and financing within the third sector and through umbrella organizations.

2. Overcome third sector bureaucratization

Public funding for TSOs is increasingly acquired via competitive grants and contracts with public authorities. The accountability requirements for grants and contracts are high. Participating in grant competition or public tenders is often time-consuming for TSOs. In addition, investment is often lost for the organization, if an application was not successful. Bureaucratization is therefore often mentioned as a challenge to third sector development.

Many organizations report that the bureaucratic requirements are becoming more demanding than in the past. In the online survey, the administrative burden of third sector regulations was considered to be relatively negative by a majority of organizations. 39% of respondents think that government regulations form an impediment for the development of their organization; only 24.4% does not agree, while 21.2% remain undecided. About one third of the respondents (34.5%) agree with the statement that their organizations have to invest a lot to meet the requirements of government regulations. An additional problem is that public grants and contracts often work with a one-year funding cycle. As a result, TSOs find it hard to make longer-term planning and invest in the sustainability of their organizations.

Recommendations to public authorities:

- Ease the requirements for public funding without losing attention for accountability;
- Provide different modes for cooperation and funding tailored towards the needs of the third sector.

Recommendations to TSOs:

- Improve exchange among TSOs through umbrella networks;
- Strengthen the advocacy function of the sector with the aim to increase influence on regulation.

3. Strengthen the quality of voluntary work

Traditionally, volunteering has been the backbone of the Dutch third sector. Recent research of Central Agency for Statistics shows that voluntary engagement remains high in Dutch society: About 49% of the Dutch population above 15 year of age has been engaged in voluntary work for an organization at least once per year. A majority of Dutch citizens spends a couple of hours per months on voluntary work. However, over the past years, the forms of voluntary action have been changing in the Netherlands. First of all, the character of voluntary action has become more diverse and fluid. New forms of communication, e.g. internet and social media, allow for a broad spectrum of voluntary activities, e.g. volunteering via the internet, flexible volunteering and new initiatives outside the traditional voluntary organisations. Communication technology makes it easier for individuals to organize their voluntary activities, which means that they become less dependent on traditional voluntary organisations. In addition, there is a trend towards more flexible, tailor-made forms voluntary work in the Netherlands. Many volunteers want to become active on a short-term basis, e.g. for a cultural festival or other event, rather than being committed to an organisation for a longer time. These new forms of voluntary activity also include supply-driven instead of demand-driven voluntary work.

Volunteers become more vocal about their voluntary commitment. They want to decide by themselves how they become active. Buddy projects were described as a success story, as participants in these projects can organize their work independently and directly see the effect of their work. The links with formal voluntary organisations become weaker. Often, volunteers do not need organisations anymore to organize their voluntary activities. These developments are challenging for traditional voluntary organisations. The organisations need to respond to the expectations of (prospective) volunteers. The recruitment of volunteers has become more

difficult, as volunteers can choose among different opportunities. The more interesting a voluntary position is, the easier it is to find volunteers.

As a result of the new, diverse forms of voluntary action, volunteers in the Netherlands are becoming more committed to certain activities than to organisations. Volunteers are less loyal to a particular organisation than they used to be in the past. Therefore, organisations need to invest in the quality of voluntary work in order to attract and bond volunteers to the organisation. The new forms of voluntary action require a change in the nature of volunteer management. The management or coordination of volunteers needs to be flexible to meet the demands of the volunteers and needs to focus on the quality of voluntary work. The relationship between volunteers and professional staff members in voluntary organisation is changing.

Recommendations to public authorities:

- Invest in voluntary support structures by offering a consistent legal framework for volunteers;
- Support voluntary coordination and training.

Recommendations to TSOs:

- Invest in the quality of voluntary work by focusing on volunteer qualification, training and coordination;
- Establish productive links between new voluntary initiatives and the established third sector.

4. Improve the public image of TSOs

The public image of TSOs in the Netherlands is in general very positive. The high rates of volunteerism and of private donations for charitable purposes show that third sector organisations enjoy the support of wide parts of the Dutch population. The overwhelming majority of the TSO representatives, interviewed for the TSI study, describe the societal environment of their organisations as favourable. However, many organisations also explained that it has become more difficult to explain their added value for society. Whereas in the past it was sufficient to have a good reputation, the organisations are now required to show the effectiveness of their work.

In addition, the population has become more critical towards TSOs and demands more accountability and transparency. This especially holds true for charitable organisations, from which the public and particularly private donors demand accountability and transparency. As a result of growing demands, TSOs need to invest more in strategic planning and public relations. They do their work successfully, but also communicate their results to the public. For many third sector organisations, it becomes more important to work with the media and to use social media channels to present their results.

Financial scandals in some organisations, e.g. embezzlement and cases of corruption, have had a negative impact on the sector as a whole. Over the past decade, large semi-public organisations in the Netherlands have especially been facing criticism from the public. Many of these organisations have been perceived to be bureaucratic and non-transparent. Next to this, the blurring of boundaries between the public and the private sector has become a problem for many organisations. TSOs with close ties to the public sector experience difficulties to position their organisation and communicate this to the public. In some policy fields, e.g. in refugee assistance and international aid, TSOs have experienced a decrease in trust and solidarity. Overall the support for third sector in the Netherlands has not diminished over the past two decades.

Recommendations to public authorities:

- Communicate the relevance of the third sector and of voluntary effort to the general public;
- Maintain and strengthen civic education programmes.

Recommendation to TSOs:

- Improve the public image of the sector through closer and more visible cooperation;
- Invest in umbrella organisations and networks;
- Connect with new forms of civic engagement to prevent a gap between traditional TSOs and alternative initiatives.

5. More impact through better cooperation: Strengthen the links across the sector

The third sector in the Netherlands is very diverse. This hampers cooperation among the organizations. Vertical ties within one policy fields, e.g. sports or social services, are often more developed than horizontal ties among TSOs of different policy fields.

In the online survey, cooperation within the third sector is in general evaluated as positive. A majority of respondents also regard the cooperation with government institutions as positive or very positive. Only a minority thinks that cooperation with government institution is negative. Cooperation within TSOs in one policy field is evaluated even better. Here, an overwhelming majority of TSO representatives speak about a positive or very positive relationship.

Recommendations to public authorities:

- Support umbrella organisations as voices of the third sector;
- Facilitate exchange between policy actors at the local level.

Recommendations to TSOs:

- Unite with other TSOs and strengthen cooperation and exchange across policy fields;
- Improve the advocacy function of the third sector.

Your reaction?

Do you agree with the policy recommendations we formulated on the basis of the online survey? Do you think that something important is missing? What are the challenges your organisation is facing? We see this policy brief as the start of a discussion and are looking forward to your response. You can react by posting a comment in the online forum.

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