

Beyond Nonprofits: Re-conceptualizing the Third Sector

by

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Abstract

The idea of a “third sector” beyond the arenas of the state and the market is probably one of the most perplexing concepts in modern political and social discourse, encompassing as it does a tremendous diversity of institutions and behaviors that only relatively recently have been perceived in public or scholarly discourse as a distinct sector, and even then with grave misgivings. Initial work on this concept focused on what is still widely regarded as its institutional core, the vast array of private, nonprofit institutions and the volunteer as well as paid workers they mobilize and engage. These institutions share a crucial characteristic that makes it feasible to differentiate from for-profit enterprises: the fact that they are prohibited from distributing any surplus they generate to their investors, directors, or stakeholders and therefore presumptively serve some broader public interest. Many European scholars have considered this conceptualization too narrow, however, arguing that cooperatives, mutual societies, and, in recent years, “social enterprises” as well as social norms should also be included. This paper presents a consensus a re-conceptualization of the Third Sector fashioned by a group of scholars working under the umbrella of the European Union’s Third Sector Impact Project that goes well beyond the widely recognized definition of nonprofit institutions included in the UN *Handbook on Nonprofit Institutions in the System of National Accounts* by embracing as well some, but not all, of these additional institutions and forms of direct individual activity, and does so in a way that meets demanding criteria of comparability, operationalizability, and potential for integration into official statistical systems.

Keywords

Nonprofit organizations, social economy, civil society, volunteer work, national accounts, conceptualization

1. Introduction

Recent years have witnessed a growing interest among policy-makers, researchers, and practitioners in the array of institutions and individual activities that occupy the largely uncharted social space beyond the market, the state, and the household. To be sure, there seems widespread agreement that both institutions and individual activities fall into this twilight zone. Similarly, there seems to be agreement that these institutions and activities share at least three common attributes that, together, set them apart from the other spheres of social life: first: because, unlike the state, they are *private*; second, because, unlike market entities, they primarily serve some *common good*; and third, because, unlike families, participation in them involves some meaningful element of *free choice*.

Beyond these abstract concepts, however, enormous differences exist about which institutions and individual activities should be included, indeed whether institutions belong at all, and what “private,” “common good,” and “free choice” really mean. An early first step toward clarifying the boundaries and content of this twilight zone focused on what is widely considered to be at its core—the set of institutions and associated behaviors known variously as associations, foundations, giving, and volunteering; or collectively as nonprofit, voluntary, voluntary and community, or civil society organizations and the volunteer activity that they help to mobilize (Salamon, Sokolowski, and Associates, 2004; Salamon 2011). Even this was a herculean conceptual task, however, given the bewildering diversity and incoherence of the underlying realities this concept embraced. But no sooner did a consensus form around how to define this core than a chorus of critics surfaced calling attention to an even wider network not

only of institutions and individual behaviors, but also of sentiments and values, legitimately eligible to be considered also to be primarily serving the common good (Evers and Laville 2004). And now, perhaps not surprisingly, in some quarters the entire task of conceptualizing and mapping this twilight zone has come under fire as an exercise inherently doomed to serve chiefly the nefarious and anti-democratic objectives of states and therefore of questionable benefit (Nickel and Eikenberry 2016: 392–408).

Against this background, the task to be undertaken in this article—to take the next steps in clarifying the composition and boundaries of the twilight zone of institutions, activities, and behaviors that lies beyond the market, the state, and the family—may appear to be a fool’s errand, unlikely to succeed and likely to tarnish the reputations of its authors even if it does achieve its goal. While we certainly concede that conceptualizing and mapping what we here term the “third sector,” or the civil society sector, can serve the control objectives of states, we believe equally strongly that it is at least as likely to empower, legitimize, popularize, and validate the behaviors and institutions that operate in this social space and potentially lead to supportive public policies instead of only harmful ones.

More than that, we believe that clear and understandable conceptual equipment remains one of the sorest needs in the social sciences, and certainly in the somewhat embryonic field of third sector studies. Indeed, as one of us has written in another context: “The use of conceptual models or typologies in thinking is not a matter of choice: it is the *sine qua non* of all understanding” (Salamon 1970: 85). Political scientist Karl Deutsch made this point powerfully in his *Nerves of Government*, when he wrote: “...we all use models in our thinking all the time, even though we may not stop to notice it. When we say that we ‘understand’ a situation, political or otherwise, we say, in effect, that we have in our mind an abstract model, vague or specific,

that permits us to parallel or predict such changes in that situation of interest to us” (Deutsch 1962: 12). It is for this reason that Deutsch argues that “progress in the effectiveness of symbols and symbol systems is thus basic progress in the technology of thinking and in the development of human powers of insight and action” (Deutsch 1962: 10).

Anyone who has followed the development of understanding of the third sector in all of its manifestations must recognize this need for “basic progress in the technology of thinking” in this field. Accordingly, this paper describes an effort undertaken by a team of scholars to take the next step in conceptualizing this broad sphere of social activity. More specifically, it presents a consensus definition of what for the sake of convenience we referred to as “the third sector,” and that later in this paper we will propose referring to as the TSE sector for reasons that will become clear there.^a

This conceptualization builds upon the widespread bottom-up investigation carried out in more than 40 countries scattered widely across the world in the process that led to the conceptualization of the “nonprofit sector” in the Johns Hopkins Comparative Nonprofit Sector Project, but supplements this with a similar bottom-up investigation carried out more recently in a broad cross-section of European countries—north, south, east, and west—to tap understandings of the broader concept of “third sector” and its various regional cognates, such as the social economy, civil society, and social entrepreneurship. Building on these bottom-up processes, a consensus conceptualization was hammered out through a vigorous set of discussions among representatives of 11 research institutes, an advisory board, and sector stakeholders. The goal was to provide as broad a consensus conceptualization as possible and one that could provide a basis for systematic comparisons both among European countries and between them and countries in other parts of the world. A central purpose of this article, in fact, is to stimulate a

discussion of the usefulness of this framework for analyzing third-sector developments in many different parts of the world.

To introduce this proposed conceptualization, the discussion here falls into five sections. Section 2, which follows, describes the basic challenge that stands in the way of developing a coherent, common conceptualization of the third sector that can work in a wide assortment of countries and regions, and explains why it might be important for this sector to overcome these challenges. Section 3 then outlines the strategy we employed to find our way around these challenges with the help of a team of colleagues. In Section 4 we summarize the major conclusions that emerged from the fact-finding and discussion processes undertaken in pursuit of this strategy. In Section 5 we present the key elements of the much-broadened consensus definition of the third sector that resulted, focusing first on the institutional components of the third sector and then on the individual activity components. The final section outlines the next steps that will be needed to move toward the development of basic data on the third sector so conceptualized.

2. The Challenge

2.1. A Diverse and Contested Terrain

The starting point for our conceptualization work was naturally the existing diversity of views over whether something that could appropriately be called the “third sector” actually exists in different parts of the world, and, if so, what it contains. Even a cursory review of the literature makes clear, however, that the “third sector,” and its various cognates, is probably one of the most perplexing concepts in modern political and social discourse. It encompasses a tremendous diversity of institutions that only relatively recently have been perceived in public or scholarly

discourse as a distinct sector, and even then only with grave misgivings given the apparent blurring of boundaries among its supposed components.^b

Some observers adopt a very broad definition that, in addition to organizations, includes the actions of individuals and societal value systems (Heinrich 2005). Others prefer more narrow definitions, focusing, for example, on “nongovernmental” or “nonprofit” or “charitable” organizations. Other definitions fix the boundaries of this sector on the basis of such factors as the source of organizational income, the treatment of their operating surplus, who the organizations serve, how they are treated in tax laws, what values they embody, how they are governed, what their legal status is, how extensively they rely on volunteers, or what their objectives are (Salamon and Anheier 1997; Salamon 2010; Evers and Laville 2004; Alcock and Kendall 2011; Cohen and Arato 1994; Edwards 2011; Hamermas 1989). These conceptualizations also identify this sector using different terms— including civil society sector, nonprofit sector, voluntary sector, charitable sector, third sector, and, more recently, social economy, social enterprise, and many more (Teasdale 2010).

More importantly, conceptualization of the third sector is a contested terrain, a battlefield where different and often opposing views vie for ownership of the concept and its ideological, cultural, and political connotations (Chandhoke 2001; Defourny et al. 1999; Fowler 2002). Diverse and often conflicting interest groups, from left-wing social movements to conservative think tanks, claim proprietorship of the third-sector concept because of the emotively desirable connotations it evokes, such as public purpose, freedom of association, altruism, civic initiative, spontaneity, or informality. Regional pride also figures into the definitional tangle. When scholars in one major project focused on “nonprofit institutions” as the core of the third sector, colleagues in Europe accused it of regional bias and pointed to cooperatives and mutual

associations as also appropriate for inclusion, notwithstanding the fact that it was often difficult to distinguish many of these latter institutions from regular profit-distributing corporations. Many popular perceptions of third sector activities appear to share an underlying ideological position that places a premium on individual entrepreneurship and autonomy, and opposes encroachment on that autonomy by state authorities, while others see this sector as a source of citizen empowerment (Howell and Pearce 2001; Seligman 1992). The third sector thus becomes the carrier of a wildly diverse set of ideological values—an expression of individual freedom, a buffer against state power, a vehicle for citizen promotion of progressive policies, and a convenient excuse for resisting such policies.

2.4. A Sector Hidden in Plain Sight

One reflection of this conceptual confusion is the treatment of third sector institutions in the basic international statistical systems, such as the System of National Accounts (SNA), which guides the collection of economic statistics internationally, and the International Labour Organization (ILO) standards for labor force surveys, which guide the collection of data on employment and work. Although considerable data is actually assembled on third sector institutions, such institutions are largely invisible in these existing official statistical systems. This is so because the concepts used to organize this statistical data do not recognize nonprofit institutions or other potential third sector institutions as a class. Rather, institutions are allocated to different economic sectors in the standard economic statistical systems on the basis of whether they: (a) produce goods or services for sale in the market; (b) are units of government;^c or (c) are households. Since many potential third sector institutions, such as nonprofits, cooperatives, mutuals, and social enterprises, do produce goods and services that are often purchased in the

market or on government contracts (e.g. health care, education, day care), they get assigned to the corporations sector in national economic statistics, where they lose their identity as third sector entities. The only nonprofit institutions that are visible in these statistics are the so-called “nonprofit institutions serving households (NPISH),” which receive most of their revenue from charitable gifts. But this turns out to be a very limited slice of third-sector institutions.^d

When it comes to volunteer work, the situation has been even more problematic. Although the System of National Accounts makes provision for inclusion of at least some volunteer work in basic economic statistics, little serious effort has historically been made to collect such data. While quite robust labor force surveys are regularly conducted in virtually all countries, they have historically not asked about volunteer work, and the handful of countries that do ask about such work through labor force or other specialized surveys have done so using significantly different definitions and questions, making comparisons across countries, and often even over time within countries, almost impossible.

2.2. Why Address this Challenge? The Case for Better Conceptualization and Data

To be sure, as some critics have noted, there are certainly risks in having governments, or any other entity, in possession of data on third sector institutions and volunteer effort (Nickel and Eikenberry 2016). But aside from the fact that in most countries much of such data is already in government hands as a by-product of registration, incorporation, or taxation requirements, such data can also bring important benefits to third sector organizations, volunteering, and philanthropy. For example, such data can:

- Boost the credibility of the third sector by demonstrating its considerable scale and activity. As it turns out, that scale and breadth of activity is orders of magnitude greater than is widely recognized, justifying greater attention to this sector and its needs;
- Expand the political clout of third sector institutions by equipping them to represent themselves more effectively in policy debates and thereby help them advance their policy priorities;
- Validate the work of third sector institutions and volunteers, thereby attracting qualified personnel, expanded contributions, and more committed volunteers;
- Enhance the legitimacy of the third sector in the eyes of citizens, the business community, and government;
- Deepen sector consciousness and cooperation by making the whole of the sector visible to its practitioners and stakeholders for the first time; and
- Facilitate the ability of the third sector to lay claim to a meaningful role in the design and implementation of policies of particular concern to it, including those involved in the implementation of the recently adopted UN Sustainable Development Goals and embodied in the UN's 2030 Development Agenda.

At the end of the day, the old aphorism that “what isn’t counted doesn’t count” seems to hold. At the very least, other industries and sectors act in ways that seem to confirm the truth of this aphorism. They are therefore zealous in their demand for reliable data about their economic and other impacts. When existing official data sources fail to provide this, they mobilize to insist on it. This was the recent experience, for example, with the tourism industry, which, like the third sector, finds its various components—airlines, cruise ships, hotels, theme parks, national parks, restaurants, and many more—split apart among sectors and industries in existing statistical

systems, making them invisible *in toto*. To correct this, the tourism industry mobilized itself to pressure the official overseers of the System of National Accounts to produce a special handbook calling for the creation of regular *Tourism Satellite Accounts* by national statistical agencies and then mustered financial support to encourage the implementation of this handbook in countries around the world,^e precisely the objective that has been sought initially for the nonprofit institution sector, and through the present report for a broader “third sector/social economy,” embracing not only nonprofit institutions, but also social economy, social enterprise, and civil society elements.

3. Overcoming the Challenges: The Approach

To overcome the challenges in the way of formulating a meaningful conceptualization of the Third Sector and thereby allow this sector to secure the benefits that this can produce, we utilized a five-part strategy.

3.1. Establishing the Criteria for an Acceptable Conceptualization

As a first step in this process, decisions had to be made about the type of definition at which the conceptualization work was aiming. This was necessary because different types of definitions may be suitable for different purposes. In our case, the hope was that we could formulate a definition capable of supporting empirical measurement of the sector so defined. This meant that a basic philosophical conceptualization would not be sufficient. Rather, we needed one that could identify proxies that could translate the philosophical concepts into observable, operational terms that could actually be verified in concrete reality. This led us to five key criteria that our target conceptualization had to embody:

3.1.1. *Sufficient breadth and sensitivity* to encompass as much of the enormous diversity of this sector and of its regional manifestations as possible, initially in Europe, but ultimately globally.

3.1.2. *Sufficient clarity* to differentiate third sector entities and activities from four other societal components or activities widely acknowledged to lie outside the third sector: i.e., government agencies; private for-profit businesses; families or tribes; and household work and leisure activities. Defining features or legal categories that embraced entities or activities with too close an overlap with these other components or activities thus had to be avoided.

3.1.3. *Comparability*, to highlight similarities and differences among countries and regions. This meant adopting a definition that could be applied everywhere. This is a fundamental precept of comparative work. The alternative would be equivalent to using different-sized measuring rods to measure tall people and short people so that everyone would come out seeming to be the same basic height.

3.1.4. *Operationalizability*, to permit meaningful and objective empirical measurement and avoid counterproductive tautologies or concepts that involved subjective judgments rather than objectively observable, operational characteristics. To the extent that philosophical or normative features would need to be reflected, operational proxies for them would have to be found.

3.1.5. *Institutionalizability*, to facilitate incorporation of the capability to measure the third sector into official national statistical systems so that reliable data on the third sector can be generated on a regular basis as is done with other major components of societal life.

3.2. The Concept of a “Common Core”

In order to adhere to the comparability criterion, the project had to settle on a conceptualization that could be applied in a broad range of countries, including the Global South and not only the industrialized North. To achieve such comparability in the face of the great diversity of concepts and underlying realities, the work outlined here set as its goal not the articulation of an all-encompassing “definition,” but rather to articulate the broadest possible conceptualization of a “*common core*” of the third sector. Central to the concept of a “common core” is the notion that particular countries may have elements in their conceptions of the third sector that extend beyond the common core. This makes it possible to identify a workable common conceptualization of the third sector without displacing other local or regional concepts around which research, data-gathering, policy development, and other notions can be organized. Countries or regions can thus use the common core for cross-national comparative purposes and still report on a broader concept in country reports, though while taking care to label the different versions appropriately.

3.3. Retention of Component Identities

Consistent with the concept of a modular approach centered on a common-core conceptualization of the third sector is the need to preserve the component identities of the types of institutions and behaviors ultimately identified as belonging to the third sector. This approach opens the door to documenting the significant variations in the composition of the third sector in different locales and avoid lumping quite different collections of institutions and behaviors together in one misleadingly undifferentiated conglomeration.

3.4. *Building on Existing Progress*

Fortunately, our work was not completely “at sea” in setting out to conceptualize the third sector. Some important progress had already been made in clearly differentiating one set of likely third-sector institutions—i.e., *associations, foundations, and other non-profit institutions (NPIs)*—and one broad set of likely third-sector individual activities-- i.e. *volunteer work*-- in the official international statistical system.

So far as the first is concerned, the United Nations Statistics Division in 2003 issued a *Handbook on Nonprofit Institutions in the System of National Accounts* (UNSD 2003) that incorporated an operational definition of NPIs into the guidance system for international economic statistics, and called on statistical agencies to produce so-called “satellite accounts” that would better portray this one important potential component of the third sector in official national economic statistics. According to this UN *NPI Handbook*, such non-profit institutions could be identified and differentiated from other societal actors on the basis of five defining features. In particular, they were:

3.4.1. *Organizations*, that is, formal or informal entities with some meaningful degree of structure and permanence, whether legally constituted and registered or not;

3.4.2. *Non-profit distributing*, that is, governed by binding arrangements prohibiting distribution of any surplus generated to their stakeholders or investors;

3.4.3. *Self-governing*, that is, able to control their own general policies and transactions;

3.4.4. *Private*, that is, institutionally separate from government and therefore able to cease operations on their own authority; and

3.4.5. *Non-compulsory*, that is, involving some meaningful degree of un-coerced individual consent to participate in their activities.

Likewise, the International Labour Organization, in 2011, issued a *Manual on the Measurement of Volunteer Work* (International Labour Organization 2011) that established an internationally sanctioned definition of this form of work, which is widely considered to be a component of the third sector. Specifically, volunteer work is defined as “*unpaid non-compulsory work; that is, time individuals give without pay to activities performed either through an organization or directly for others outside their own household.*”

The institutional units and activities identified by both definitions are clearly separated from for-profit businesses, government agencies, and household activities. These definitions thus served as useful starting points from which to set out on a search for defining elements of a broader third sector concept. This search began in Europe because of research findings in that region suggesting that these initial components were not sufficient to embrace the full common core of the third-sector concept in that vast and diverse region, but attention was paid to other possible components in other parts of the world as well.

3.5. A Bottom-up Strategy

Finally, to build a common core, consensus conceptualization of the third sector broad enough to encompass all relevant types of institutions and behaviors in-scope of this sector, yet operational and clear enough to distinguish in-scope entities from ones that bear stronger resemblance to the other sectors, we devised a bottom-up strategy carried out as part of a larger research project aimed at defining and measuring the third sector in an international, comparative perspective.^f With the aid of the research partners in this larger project and an agreed-upon

research protocol, we reviewed existing literature and conducted interviews to identify national and regional conceptualizations of the third sector and its component parts in five sets of European regions, assessed them against a potential consensus definition of the third sector flowing out of broader work and literature, and then analyzed the resulting observations to find whether common understandings could be discerned in these conceptualizations and manifestations.

This methodological approach was carried out in a collaborative and consultative manner allowing the project's partners to present and discuss their unique regional perspectives and concerns at every stage of the investigation, and working to reconcile them with the overarching objective of developing a consensus conceptualization of the third sector that could be effectively applied both to the different regions of Europe, and more generally as well. Every proposed conceptual component was thoroughly reviewed by all project partners and tested against both the agreed criteria and the known realities on the ground.

4. Key Findings and Implications

Two major conclusions flowed from this bottom-up review process.

4.1. Enormous Diversity

In the first place, this review confirmed the initial impressions of enormous diversity in the way the term “third sector” is used, and in the range of organizational and individual activity it could be conceived to embrace even within Europe, let alone in the world at large. Indeed, the range of variation was quite striking.

At one end of the spectrum is the UK, which holds to the concept of “public charities” as recently articulated in the Charities Act of 2011, but with its real roots in the Elizabethan Poor Law of 1601. This concept is rather narrow and, though broadened a bit in recent legislation and policy debate, remains confined to an historically evolved concept of charity (Kendall and Thomas 1996; Alcock and Kendall 2011; Garton 2009; Six 6 and Leat 1997). To be seen as having charitable purposes in law, the objects specified in organizations’ governing instruments must relate to a list of 12 particular purposes specified in the Charities Act of 2011, and be demonstrably for the public benefit. Not all nonprofit organizations are considered charities in the UK, though broader concepts such as “third sector,” “civil society,” “voluntary and community sector,” “volunteering,” and “social economy” are sometimes used for policy purposes, but have no legal basis and no clear definitions (U.K.Office of the Third Sector 2006). The term “social economy” was not widely recognized in the UK until the 1990s (Amin et.al. 2002) and is not widely used. In recent years a robust “social enterprise” sub-sector has emerged, consisting of entities that use market-type activities to serve social purposes, but these take a variety of legal forms. In short, there is no commonly accepted concept of a third sector in the UK, and the plethora of terms and concepts in use raises questions about whether a coherent conceptualization of the third sector is possible, even in a single country, let alone across national borders. At the very least, different definitions may be appropriate for different purposes.

By contrast, in France and Belgium—as well as throughout Southern Europe (Portugal, Spain, Italy, and Greece) and in parts of Eastern Europe, the Francophone part of Canada, and throughout Latin America—the concept of “social economy” has gained widespread attention.^g In contrast to conceptions prevailing elsewhere in Europe—which underscore organizational features like charitable purpose, volunteer involvement, or a non-profit distribution constraint—

the social economy conception focuses on social features, such as the expression of social solidarity and democratic internal governance. In its broad formulations, the concept of social economy embraces not only the voluntary, charitable, or nonprofit sectors, but also cooperatives and mutuals that produce for the market, and newly created “social cooperatives” that are even more clearly socially-oriented.^h Since many cooperatives and mutuals have grown into enormous commercial institutions, the social economy concept thus blurs the line between market-based, for-profit entities and the nonprofit, or non-profit-distributing, entities that are central to many northern European and Anglo-Saxon conceptions of what forms the heart of the third sector.

Yet another conception of what constitutes the third sector can be found in Central and Eastern Europe where the broad overarching concept of “civil society” is widely used in public discourse. Civil society consists of formal organizations and informal community-based structures as well as individual actions taken for the benefit of other people, including improvement of the community or natural environment, participation in elections or demonstrations, informal or direct volunteering, and general political participation.ⁱ More narrow terms—third sector or nonprofit sector—are used to denote the set of organizations with different legal forms, including associations, foundations, cooperatives, mutual companies, labor unions, business associations, professional associations, and religious organizations. The use of various terms changed during the political transformation following the dissolution of the Soviet bloc. The term “nonprofit sector” was very popular in the beginning of the transformation. However, accession to the EU introduced the concept of social economy in this region as well. Recently, the very broad and inclusive term “third sector” has been gaining popularity. It includes all kinds of civil society activities that have permanent or formal structure, including cooperatives and mutuals that allow profit distribution.

Other countries fall on a spectrum among these various alternatives. Some countries hew close to the “British” end of the spectrum, focusing on structured organizations that adhere to a non-distribution of profit constraint. This is the case, for example, in Germany and Austria, where the term “nonprofit organization (NPO)” is common, though the concept of “civil society” has also gained some traction in these countries. However, the values expressed by various actors in this latter sphere are frequently contested (Chambers and Kopstein 2001; Heins 2002; Teune 2008). And this term does not normally extend to the service-providing nonprofit organizations mentioned above. The boundaries between civil society and the NPO sector are often blurred, and “civil society,” “third sector,” and “NPO sector” are often used synonymously (Simsa 2013) while research under the title of civil society is frequently limited to references to NPOs. In recent years the term “social entrepreneurs” has gained importance—meaning innovative approaches to mainly social problems, with high market orientation, not necessarily nonprofit, not necessarily involving voluntary elements, and where financial gains can be at least as important as social mission. Cooperatives and mutuals, because they can distribute profit, would not be included in the concept of a third sector in Austria or Germany, though these institutions do exist as parts of the commercial sector. In the Netherlands as well there is also no single overarching concept of the third sector, but three mid-range conceptualizations—*particulier initiatief* (private initiatives); *maatschappelijk middenveld* (societal midfield); and *maatschappelijk ondernemerschap* (social entrepreneurship)—are used instead. These correspond roughly to nonprofit associations providing various services, advocacy groups, and social ventures.

Likewise, there is no a single overarching concept of the third sector in the Nordic countries, Instead, different historically evolved types of institutions are commonly identified—

voluntary associations, ideal organizations, idea-based organizations, self-owning institutions, foundations, social enterprises, cooperatives, mutual insurance companies and banks, and housing cooperatives. Some of these have a legal basis while others do not. Cooperatives are not widespread in the Nordic countries and those that exist typically have some limitation on their distribution of profits. Norway did not establish a law on cooperatives until 2008, for example. Sweden has a category of “economic associations” (*ekonomiska föreningar*) and has recently developed the cooperative form in areas where the government until recently has been the main supplier. However, “social economy” is not widely used and most cooperatives are viewed as profit-distributing institutions. The Nordic countries stand out, however, with respect to the emphasis they place on volunteer work.

One other institutional element identified in several countries as potential components of the third sector are so-called “social enterprises.” As noted, these are enterprises that use market mechanisms to serve social purposes. Examples include catering firms that sell their products on the market but choose to employ mostly disadvantaged workers (e.g., persons with previous drug habits or arrest records), using the business to help rehabilitate these workers and prepare them for full-time employment (Nichols 2006; Bornstein 2004). Special legal forms, such as “Community Interest Companies” in the U.K. and “Benefit Corporations,” or “B-Corps” in the U.S., have been created for such enterprises in some countries, but not all such enterprises have chosen to seek such legal status, preferring to organize under laws that apply to nonprofit organizations or to organize as regular for-profit businesses (Lane 2011; Nichols 2011:11; and cicassociation.org.uk/about/what-is-a-cic).

4.2. Considerable Underlying Consensus

Despite the apparent impossibility of bridging the considerable disparities in conceptualizations of the social space connoted by the concept of a “third sector” even in this single region, it is well to remember that the third sector is not the only societal sector that has faced the challenge of dealing with diversity in finding a suitable conceptualization of itself. Certainly, the business sector has every bit as much diversity as the third sector, with multiple legal structures, radically different lines of activity, gross variations in scale, complex interactions with government funding and regulatory regimes, and widely divergent tax treatments. Yet, scholars, policy-makers, and statisticians have found reasonable ways to conceptualize this complex array of institutions and distinguish it from other societal components, and popular usage has bought into this formulation.

And, as it turns out, a somewhat surprising degree of consensus also surfaced in the responses to our field guide search for clarification of the elusive concept of the third sector in its European manifestations, and it seems possible to imagine this consensus applying more broadly as well. The discussion below outlines four important components of this consensus.

4.2.1. *Wide agreement on three underlying common conceptual features.* In the first place, while there was disagreement about the precise institutions or behaviors that the concept of the third sector might embrace, the review surfaced a considerable degree of consensus about some of the underlying ideas that the concept of a third sector evoked in Europe (and very likely beyond it). Three of these can be easily identified. They connect the third sector concept, by whatever term used for it, to three key ideas:

- i. *Privateness*--i.e. forms of individual or collective action that are outside the sphere of and control of government;
- ii. *Public purpose*--i.e., undertaken to create something of value primarily to the broader community or to persons other than oneself or one's family; exhibiting some element of solidarity with others; and
- iii. *Free choice*--i.e., pursued without compulsion.

4.2.2. NPIs are in. Second, there was general agreement that whatever else it embraces, the concept of the third sector certainly embraces the set of institutions defined in the United Nations *Handbook on Nonprofit Institutions in the System of National Accounts* as NPIs, or nonprofit institutions. As spelled out in that *NPI Handbook*, these are *institutions* or organizations, whether formally or legally constituted or not, that are *private, self-governing, non-profit-distributing* (viewed as a proxy for public purpose), and engaging people *without compulsion*. The defining elements of this component of the third sector have been tested already in more than 40 countries and incorporated into the latest (2008) edition of the methodological guidelines for the official System of National Accounts that guides the work of statistical agencies across the world. Several partners reverted to this basic set of institutions in defining the core of the third sector concept.

4.2.3. More than NPIs: Cooperatives and mutuals. While there was widespread agreement that nonprofit institutions are appropriately considered part of the “common core” of the third sector concept, there was also considerable agreement that they could not be considered to constitute the whole of it.^j Rather, other types of institutions also needed to be considered. Most obvious were the cooperatives and mutuals that form the heart of the social economy conception so prominent in Southern Europe, but that are present in other parts of the continent

as well and in other regions as well. The problem here, however, was that some types of cooperatives and mutuals have grown to the point where they are hard to distinguish operationally from for-profit businesses, particularly if some type of limitation on the distribution of profit is taken, following the experience with NPIs, as a proxy for the pursuit of public purpose. This applies particularly to such organizations operating in the insurance and financial industries, but applies to some production cooperatives as well. Because of this, there was little consensus about the appropriateness of bringing the entire “social economy” collection of institutions into the common core concept of the third sector in Europe. What is more, there is little sign that it would be possible to convince statistical authorities to treat the entire class of cooperatives and mutuals as something other than regular “market producers” appropriately assigned to the corporations sectors in national accounts.

4.2.4. More than NPIs: Social enterprises. A similar situation surrounds the relatively recent concept of “social enterprises.” This type of enterprise that mixes social purpose with market methods has recently gained considerable prominence in a number of European countries, such as the UK, France, and the countries of Central and Eastern Europe, as well as in parts of Latin America, Asia, and Africa. More even than cooperatives and mutuals, however, these entities raise difficult definitional challenges since they seek market returns and are often organized under laws that apply equally to for-profit businesses. In some countries, such as the UK, to be sure, special legal categories have been established for such entities to acknowledge their mixture of social and commercial objectives and activities, as noted earlier. In Italy, for example, a special class of “social cooperatives” has been established for enterprises that operate market production facilities but are required to employ a minimum of 30 percent of their workers from among persons who exhibit one of a list of legally-defined forms of disadvantage. In other

countries as well the cooperative form is also used for such enterprises while elsewhere they organize as nonprofit organizations.

There was general agreement that at least some cooperative, mutuals, and social enterprises belong within a concept of a third, or what we can term a “third/social economy,” or “TSE,” sector. But the fundamental problem facing the inclusion of these entities is the question of how to differentiate the units that should be properly included from those that ought to be excluded due to the fact that they are in fact fundamentally functioning like for-profit businesses and therefore legitimately considered part of the corporate sector. This required us to translate the concept of “public purpose” into operational terms that could perform this differentiation function and thus yield a consensus operational definition of the third sector /social economy sector amalgam.

4.2.5. More than institutions: The individual component. Finally, given the prominence of the concept of “civil society,”—with its emphasis on citizen action, social movements, and the so-called “public sphere” as embodiments of the third sector, especially in Central and Eastern Europe—as well as the emphasis on voluntarism as an important component of the third sector concept in the Nordic countries, the UK, and Italy, it also became clear that confining the concept of the third sector to any particular set of institutions would not suffice. Rather, it was important to include individual activities of citizens within our conceptualization of the third sector. But clearly not all citizen actions could be included. Here, again, distinctions were needed to differentiate activities citizens engage in for their own enjoyment or as part of their family life from those carried out on behalf of others.

The task here was greatly simplified, however, by the existence of the International Labour Organization *Manual on the Measurement of Volunteer Work*, which offered an

operational definition of volunteer work that included many of the activities that could easily be interpreted as manifestations of civil society, including participation in demonstrations, other forms of political action, as well as other activities undertaken without pay for the benefit of one's community or other persons beyond one's household or family.

4.2.6. Conclusion: Portraying the third sector conceptually. Four more-or-less distinct clusters of entities or activities thus emerged from our bottom-up review process as candidates for inclusion within our consensus conceptualization of the third sector in whole or in part: (i) nonprofit organizations; (ii) mutuals and cooperatives; (iii) social enterprises; and (iv) human actions such as volunteering and participation in demonstrations and social movements that are undertaken without pay.^k

However, not all of the entities in each of these clusters seem appropriate to include within a concept of the third sector. This is so because many of them significantly overlap with other institutional sectors, i.e., government, for-profit businesses, and household activities—from which the third sector must be distinguished in order to stay true to our basic philosophical conception of a set of institutions or activities that are *private*, primarily *public serving* in purpose, and engaging people *without compulsion*. This bottom-up review thus made it clear that formulating a consensus definition of the third sector required finding a way to differentiate those elements of these institutional and individual components that are “in-scope” from those that are “out-of-scope” by virtue of being much closer to for-profit businesses, government agencies, or household activities.

Figure 1 below provides a pictorial representation of the conceptualization task that the project thus faced. The circular line marks the hypothesized boundary of what we can term the third sector/social economy, or TSE, sector, and differentiates the institutional and individual

action components that are in-scope of this sector from those that are out-of-scope. Several features of our conceptualization task stand out starkly in this figure.

First, the triangle in the middle represents the nonprofit institution set of entities that forms the core of the TSE sector. There are several reasons for this. First, except for a relative handful of NPIs created by governments and fundamentally controlled by them, almost the entire class of NPIs is within scope of this TSE sector. Second, the NPIs have been well-defined as a class for the purpose of statistical information-assembly and reporting. This was due in part to the fact that it was relatively easy to identify operational features of NPIs that embody our philosophical notions of the essence of the third sector and that could consequently be used to differentiate NPIs relatively clearly from units that are part of the other social and economic sectors. The total prohibition on the distribution of profits to stakeholders was perhaps the most useful of these, providing a way to capture the notion of “public purpose” without having to enumerate a long laundry-list of such possible activities. As a consequence, the definition of NPIs could serve as the starting point for building the “consensus definition” of the third sector/social economy.

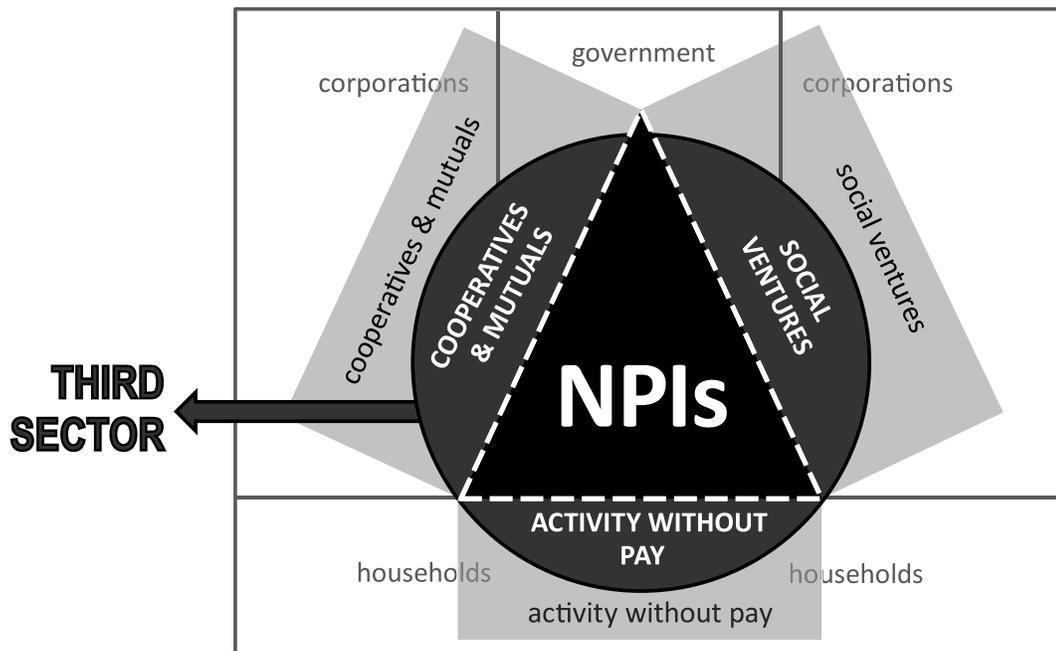
Also notable in Figure 1 are the dotted lines separating NPIs from cooperatives, mutuals, social enterprises, and activity without pay. These are intended to reflect the fact that some cooperatives, mutuals, and social enterprises are also NPIs, and that some volunteer work takes place within NPIs.

Thirdly, the conceptual map also makes clear that the TSE sector is quite broad, potentially embracing cooperatives, mutuals, social enterprises, and volunteer work in addition to the multitude of types of NPIs. It does so, however, in modular fashion, separately identifying the different types of entities rather than merging them into one undifferentiated mass, thereby

making it possible to for particular stakeholders to gain insight into their particular type of organizations and making clear the some of the bases for variation in the size and structure of the TSE sector in different regions.

Finally, and perhaps most importantly, the figure graphically illustrates the significant conceptual and definitional work that still remains, since not all cooperatives, mutuals, social enterprises, or individual activity can be considered in-scope of the TSE sector. This is so, as noted earlier, because they do not embody the philosophical notions that underlie the common understanding of what truly constitutes the TSE sector. The task that remained, therefore, was to identify a set of operational features that can be used as proxies to translate these philosophical notions into observable, operational form. It is to our approach to completing this task that we therefore now turn.

Fig. 1: Conceptualizing the Third Sector: A First Cut



5. Toward a Consensus Operational Conception of the Third Sector/Social Economy (TSE) Sector

To carry out this task, we began with the existing consensus definitions of the NPI sector and volunteer work, respectively, and searched for ways to refine them to incorporate portions of these other potentially in-scope institutional and individual-action components while still adhering to the criteria of breadth, comparability, operationalizability, and institutionalizability we had set for ourselves at the outset. The resulting process was iterative, which means that it consisted of a series of rounds in which partners were asked to provide their input on a set of proposed operational characteristics, on the basis of which the defining features were modified or tweaked and submitted for additional review.

Two sets of hypothesized operational features emerged from this iterative review process: one for institutional units and one for individual human actions. The discussion below outlines these two sets of features separately and indicates how they came to be operationalized, though it should be clear that the portion of the individual activity undertaken through or to in-scope TSE institutions will ultimately be counted as part of the workforce of these institutions. Taken together, the result is a consensus operational definition of the TSE sector that rests on the firm ground of a bottom-up investigative process focusing on actually existing conceptualizations and manifestations of the third sector concept in many different countries of the world.

5.1. Institutional Components

Following the strategy outlined above, we started our search for in-scope operational features of the institutional components of the TSE sector from the definition of the NPI sector already worked out and incorporated into the official international guidance system for economic

statistics through the United Nations' *Handbook on Nonprofit Institutions in the System of National Accounts* (2003) and subsequently integrated into the core System of National Accounts through a 2008 revision. This was possible, in part, because NPIs have features that serve as useful embodiments of all three of the crucial philosophical notions central to the third sector concept—*privateness*, *public purpose*, and *uncoerced participation*. The first and third of these were reflected in the definitional requirement that in-scope NPIs be self-governing entities that individuals are free to join or not join voluntarily, and that are private, i.e., institutionally separate from government, and not controlled by government, even though they may receive substantial financial support from government. The second was reflected in the fact that nonprofits are, by definition, prohibited by law or custom from distributing any profits they may earn to their investors, directors, or other stakeholders, and must retain any profits they accumulate for the same public purpose in the event they cease operation or undergo a transformation into a for-profit entity. Along with the non-compulsory feature, this prohibition on the distribution of profit served as a convenient and workable proxy for the notion of public purpose. The central rationale is that a set of organizations that individuals choose to join, work for, or affiliate with freely and without compulsion and from which they cannot profit except as they receive reasonable compensation for their work in the event they are employed by the organization must be an organization that the individuals view as serving some public purpose.

With this as a starting point, it was an easy jump to realize, based on the input from our bottom-up investigation, that the in-scope other potential institutional components of the TSE sector could be identified by relaxing just one of the key operational features of in-scope NPIs. This is the case because virtually all organizations engaged in the production of public goods or public benefits of any kind face significant limitations on their ability to generate surplus and

distribute it to investors or owners. Many such organizations provide their goods or services at reduced cost or free of charge. Others engage individuals with disabilities or other barriers to employment, which can affect their productivity and increase costs. Still other organizations cross-subsidize certain members or participants based on their need rather than their ability to pay for goods or services. All such practices significantly limit the ability of these organizations to generate and distribute profits. Relaxing the nonprofit distribution constraint to include organizations that can distribute some surpluses generated by their activities, but by law or custom are “significantly limited” on the extent of this distribution, can thus provide the operational basis for differentiation between in-scope and out-of-scope cooperatives, mutuals, and social enterprises that we are seeking and that provides a suitable proxy for the concept of public purpose that is central to our philosophical concept of the third sector. Still needed, however, was a further clarification of what it means to be “significantly limited” in the distribution of profits. For this, it was necessary to examine existing practice in a wide range of countries, from which a number of more specific and concrete specifications were derived.

Out of this set of considerations emerged a consensus definition of the institutional components of the third sector that focuses on five defining features, each of which is translated into operational terms. An institutional unit—whether a nonprofit organization, an association, a cooperative, a mutual, a social enterprise, or any other type of institutional entity in a country—must meet all five of these features to be considered “in-scope” of the third, or TSE, sector.

In particular, to be considered part of the TSE sector, entities must be:

- ***Organizations***, whether formal or informal;
- ***Private***;
- ***Self-governed***;

- *Non-compulsory*; and
- *Totally or significantly limited from distributing any surplus they earn*

to investors, members, or other stakeholders.

More specifically, each of these features was translated into operational terms as follows:

5.1.1. *The organization feature.* To be considered an *organization*, a unit need not be legally registered. What is important is that it involves groups of people who interact according to some understood procedures and pursue one or more common purposes for a meaningfully extended period (e.g., longer than several months). Groupings that lack even these minimum features of permanence and understood operating procedures (e.g., ad hoc social movements or protest actions) can still be considered parts of the third sector under the individual action component of the TSE sector.

5.1.2. *The private feature.* To be considered *private*, an entity must be institutionally separate from government and not controlled by government. This means that the organization is not a government unit, does not exercise governmental authority in its own right, and is able to dissolve itself and cease operations on its own authority.

Borderline cases include organizations created by political processes but that operate quasi-independently of the agencies that established them (so-called GONGOs) as well as organizations that implement government-created responsibilities to oversee certain areas of economic or professional activity, such as regulating who can practice a profession, arbitrating labor-management relations, etc. Such organizations may operate in close relationship with government authorities such that it may be difficult to decide whether they are institutional parts of government. The ultimate test is whether the leadership of such entities can dissolve the units on their own authority. If not, the entities are out of scope of the third sector as here defined.

5.1.3. *The self-governing feature.* To be considered *self-governing*, an entity must be able to control its own activities and not be under the effective control of any other entity, private or governmental. To be sure, no organization is wholly independent. To be considered self-governing, however, the organization must control its general policy and operations to a significant extent, have its own internal governance procedures, and enjoy a meaningful degree of autonomy. Key indicators of these capacities include any of the following, but no one of them can be determinative:

- The capacity to own assets, incur liabilities, or engage in transactions in its own right;
- Control over the selection of all or most of the organization’s governing officials;
- A meaningful degree of financial autonomy, including the ability to refuse funding from an external source; and
- The ability to determine the basic mission and purpose of the organization.

5.1.4. *The non-compulsory feature.* To be considered *non-compulsory*, participation with the organization must be *free of compulsion* or coercion, that is, it must involve a meaningful degree of choice. Organizations in which participation is dictated by birth (e.g. tribes, families, castes), legally mandated, or otherwise coerced, are excluded. Organizations in which membership is required in order to practice a trade or profession, or operate a business, can be in-scope so long as the choice of profession or business is itself a matter of choice.

This feature, combined with the limited profit-distribution requirement outlined below serves as a proxy for a public-interest purpose, since organizations in which individuals freely choose to participate but from which they can expect to secure only limited profit or none at all

must be organizations that serve some public purpose in the minds of those who are involved with them.

5.1.5. *The totally or significantly limited profit-distribution feature.* To be considered *totally or significantly limited from distributing any surplus, or profit*, an organization must be subject to some formal or legally binding constraint that completely prohibits, or places some significant limitation on the portion of any profit it may generate that it can distribute to directors, shareholders, members, or other individuals. This means that the organization can compensate its employees for work performed, but is subject to either a total prohibition, or significant limitation, on any distribution of its profits.

This feature embraces the full non-distribution of profit feature used to define “nonprofit institutions” but broadens it to embrace organizations that permit some distribution of profit (e.g., cooperatives, mutuals, and social enterprises), but still restricts it only to those entities that are required by law or custom to place some significant limit on such distribution.

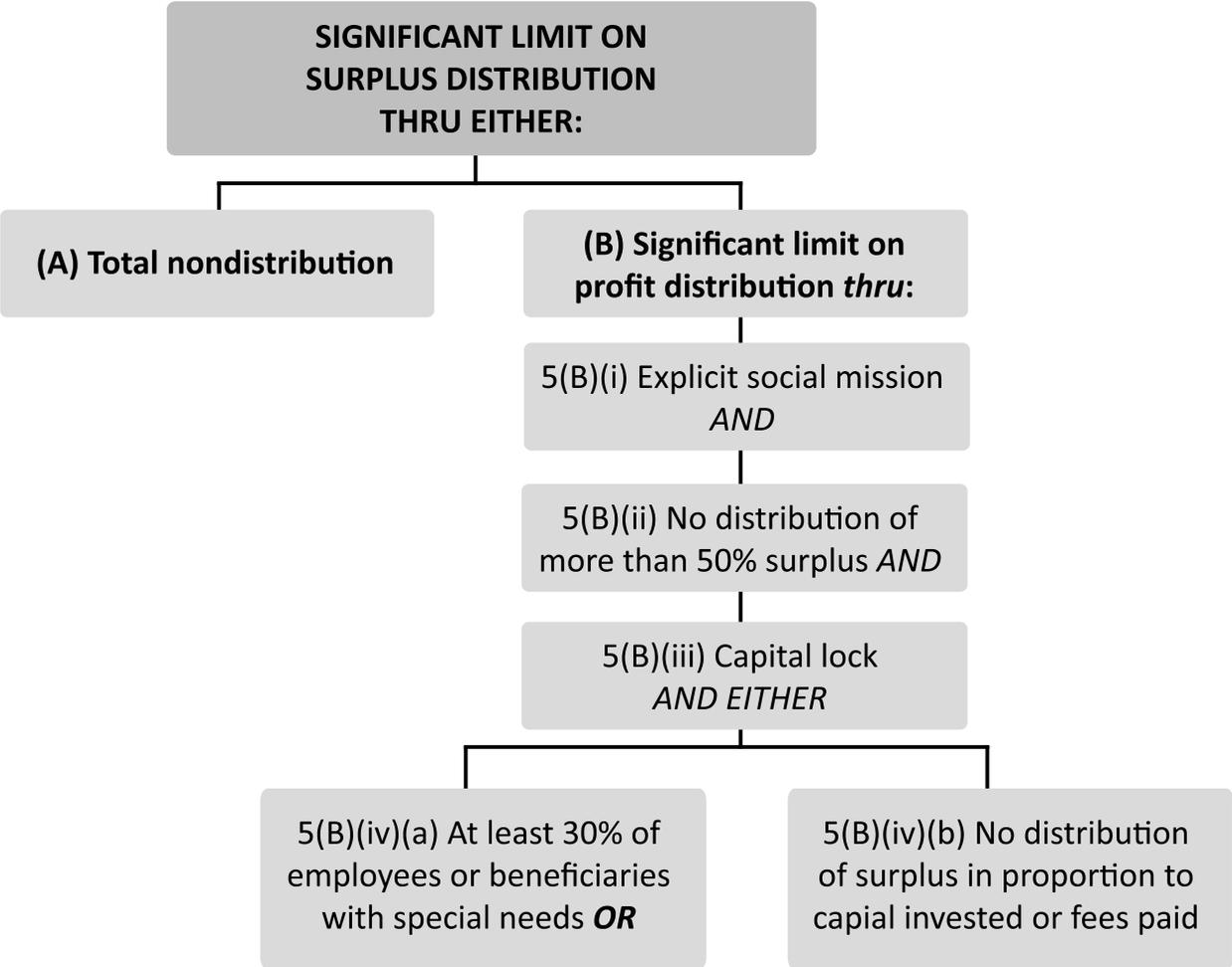
As reflected in Figure 2, based on our investigations into existing laws and practices, such limitations may either be *direct*, involving a direct limit on the share of profit distributed; or *indirect*, involving some constraint on the organization’s operations that effectively constitutes such a limit.

Total non-distribution of profit involves a legal prohibition on an organization’s directors, shareholders, members, workers, or other stakeholders from receiving any portion of the surplus generated by the organization’s activities. This characteristic is identical to that stipulated by the definition of NPIs and should be considered first to determine if any particular unit is in scope.

Even if this requirement is not met, a class of organizations can still be considered in-scope of our expanded TSE sector if there is a legal or other authoritative significant limit on the

extent of its profit distribution. As noted in Figure 2 to meet the “significantly limited profit distribution” feature of our definition of the TSE sector, organizations would have to fulfil four of the following five conditions, the first three of which are mandatory and the final one a choice between two options.

Fig. 2: Operational characteristics defining total or significant limitation on surplus distribution



In particular, the three mandatory conditions are that the organizations:

- (i) Have a legally binding social mission that may limit the surplus generated by its activities;
- (ii) Be prohibited from distributing any more than 50 percent of any profit they may earn to any stakeholders or investors; and
- (iii) Operate under a “capital lock” that requires that all retained profits must be used to support the organization or, in the case of its dissolution or conversion, to support another entity with a similar social purpose.

The final requirement is that the organizations either:

- (iv) Include at least 30 percent of individuals with specified special needs among their employees and/or beneficiaries; *or*
- (v) Be prohibited from distributing any profits they may earn in proportion to capital invested or fees paid.

Each of these requirements is based on actual practice among at least some cooperatives, mutuals, or social enterprises, though each may need further refinement once the range of practice is further analyzed. Thus, for example, the 30 percent cutoff is based on the “social cooperative” law in Italy and the standards of many social enterprise networks in other countries. The prohibition on the distribution of profit on the basis of investment or fees reflects one of the defining features of “social cooperatives” found in a prominent analysis of European cooperatives (Barea and Monzon 2006).

5.1.6 Summary. Taken together, therefore, this set of operational features meets the criteria we set for an acceptable conceptualization of a third sector that is at once broader than the nonprofit sector, while still being operationalizable and consistent with the consensus

philosophical precepts of the third sector concept that emerged from our bottom-up investigation. In the process, these features make it possible to identify a much broader set of in-scope institutional components of the TSE sector and to differentiate them from out-of-scope entities that may share the same legal status as cooperatives, mutuals, or social enterprises in many countries. This conceptualization is thus far closer to standard national accounts statistical guidelines and therefore more likely to be able to be institutionalized in national accounts satellite account procedures than conceptions that embrace all entities defined as cooperatives, mutuals, or social enterprises in the varied national laws and treatments in various countries.

In-scope under this core definition of the TSE sector, as outlined more explicitly in Appendix Table A, are:

(i) Virtually all *NPIs* as defined in the UN *Handbook on Nonprofit Institutions in the System of National Accounts*. This includes not only NPISH, but also “market NPIs” assigned to the corporations sectors in the System of National Accounts so long as they embody the definitional features of NPIs. The only exceptions are those NPIs that are controlled by government (including official state churches) and units nominally registered as NPIs that de facto distribute profits (e.g., in the form of excessive compensation of directors or key stakeholders). Particular types of organizations—e.g. hospitals, universities, and cultural institutions—may be organized as “third sector” organizations in some countries and as governmental institutions or for-profit institutions in others. Indeed, all three forms of such institutions can exist in particular countries. Borderline cases can include political parties (in some countries they may be controlled by government) and indigenous peoples’ associations (in some

countries their membership may be decided by birth or the organizations may exercise governmental authority).

(ii) Some, but not all, *cooperatives and mutuals* would likely be in scope of the third sector under this core definition. Only cooperatives that are organized as nonprofits, or social cooperatives that operate under legal requirements stipulating a minimum portion of employees or beneficiaries that exhibit certain “special needs,” would be clearly in scope. Most other types of cooperatives and mutuals are either borderline cases or out-of-scope, depending on whether they operate under meaningful limits on their distribution of profit. As a general rule, cooperatives and mutuals in northern European countries (such as Belgium, Germany, or the Scandinavian countries) tend to lack such clear limitations on their distribution of profits and are therefore likely to be out of scope of the TSE sector. By contrast, southern European countries (Bulgaria, Greece, Hungary, Italy, Malta, Spain, and Portugal) more often impose conditions on cooperatives and mutuals that have the effect of significantly limiting their distribution of profit. These cooperatives are more likely to be in-scope of the TSE sector so long as they meet the operational criteria for limited profit-distribution identified above. By contrast, all market-oriented cooperatives that operate as profit-distributing businesses and are free to distribute profits are out-of-scope.

(iii) Social enterprises that are registered as NPIs, social or mutual activity cooperatives, community benefit corporations in the U.K, or special B-Corps in the U.S. or other countries in which this form exists are likely in-scope of the third sector as identified here. So, too, are enterprises that belong to social enterprise networks that require meaningful retention of profit. Social enterprises registered as regular

corporations are either borderline cases or out of scope, as are companies that operate corporate social responsibility programs but otherwise have no significant limitation on their generation or distribution of profits.

Finally, all privately owned for-profit businesses, all government agencies and units controlled by them, and all households are out of the TSE scope.

5.2. Informal and Individual Components

In addition to organizations, the TSE sector embraces a variety of individual and informal activities. That portion of such activity undertaken to or through organizations is naturally recorded as part of the workforce of the in-scope organizations. Strictly speaking, the additional portion is the portion done directly. In both cases, however, the task here is to differentiate the in-scope individual activities from normal unpaid household activity, such as leisure activities, recreation, performing household chores, or helping members of one's close family.

Fortunately, much of the work of operationalizing this border has already been done and captured in an official International Labour Organization *Manual on the Measurement of Household Work* issued in 2011, and subsequently further ratified at the 19th Conference of Labour Statisticians in 2013, which built the central features of the *Manual's* definition into an ILO regulation. The concept underlying this definition is to portray such in-scope activity as a form of *work*, thus differentiating it from activity one does for one's own or one's family's enjoyment, edification, or quality of life. The resulting official, internationally recommended definition of volunteer work, as noted earlier, thus defines "volunteer work" as "*unpaid, non-compulsory work; that is, time individuals give without pay to activities performed either through an organization or directly for others outside their own household or family.*"

We adopt this recommended definition here as suitable for identifying the in-scope features of the individual activity considered in-scope of the TSE sector, with one difference: while all direct volunteering embraced within the ILO definition is considered in-scope of the TSE sector, the only organization-based volunteer work that is considered in-scope is that which is performed through organizations that are themselves in-scope of the TSE sector. This means that volunteer work performed for government organizations or corporations cannot be attributed to the TSE sector. More generally, individual activities in-scope of the TSE sector as volunteer work under this ILO definition must exhibit the following operational features:

5.2.1. *They produce benefits for others and not just, or chiefly, for the person performing it.* The test here is whether the activity could be replaced by that of a paid substitute. Thus, for example, time spent playing the piano for one's personal enjoyment would not be considered a TSE sector activity, whereas playing the piano for residents of a nursing home would qualify.

5.2.2. *They are not casual or episodic.* Rather, the activity must be carried on for a meaningful period of time, typically defined as an hour in a certain "reference period." Helping an elderly person across the street one day would thus not qualify as volunteer work, but serving as the crossing guard at a school would.

5.2.3. *They are unpaid.* That is, the person performing them is not entitled to any compensation in cash or kind. Although this feature is straightforward and self-explanatory, its application may be problematic in those circumstances where people performing these activities receive something of value that is not formally defined as compensation or wages. This may include token gifts of appreciation, accommodations, reimbursement of expenses, or stipends. Under provisions embodied in a new regulation on the measurement of work issued by the ILO,

receipt of pay that is less than one-third of the normal pay for a particular job does not disqualify such an activity from being in-scope of the TSE sector.

5.2.4. *The activity is not aimed at benefiting members of one’s household or their close family or families* (e.g., next of kin—brothers, sisters, parents, grandparents, and respective children).

5.2.5. *The activity is non-compulsory*, which means it involves a meaningful element of individual choice. To be considered non-compulsory:

- The person performing the activity must have the capacity to choose whether to undertake it. This excludes activities undertaken by minors or the mentally challenged.

- The person performing the activity must be able to cease performing it at any time if they so choose. If not, the activity is not non-compulsory.

- Performing the activity is not required by law, governmental decree, or other legal obligation.

- If performing the activity is required to practice a trade, profession, or similar economic activity or to complete educational requirements, then there must be a meaningful element of choice in the selection of that trade, profession, economic activity, or educational program.

- Responding to a social norm or religiously inspired sense of personal obligation does not violate this non-compulsory feature.

Summary. The human action in-scope of the TSE sector under this definition is quite broad. It includes all uncompensated work performed either directly for people outside of one’s close family or through an in-scope TSE organization to: (i) improve a community; (ii) organize public, cultural, or religious events; (iii) promote public health, safety, or education; (iv) provide

emergency relief or preparedness; (v) clean up the environment or rescue animals; (vi) help a person in need with food, assistance, or companionship; (vii) take part in, or organize, a demonstration or advocacy campaign; (viii) uncompensated pro-bono work undertaken in a professional capacity (e.g. legal or emotional counseling, review of scientific papers for publication, arbitration, etc.).

Forms of human action that are out of the scope of the TSE sector include all forms of legally mandated public service, such as volunteer work in lieu of compulsory military service, court-ordered community service, as well as public service requirements to fulfil mandatory educational requirements (e.g., volunteering required to graduate from high school); all forms of uncompensated training activities whose main purpose is the acquisition of occupational skills by the person performing them; and all activities linked to common crime (e.g., criminal gang involvement or acts of street violence).

All forms of employment-related activities and all forms of household activities (socializing, leisure, etc.) are out of scope by definition as is pro bono technical assistance to the members of one's own household in any other way.

6. Conclusion and Next Steps

This article has offered a consensus conceptualization of a third sector/social economy/civil society sector that is rooted in an intensive review of different conceptions of third sector realities in the various regions of Europe as well as previous similar inquiries in other regions of the world, and one that can meet the standard of being institutionalizable in the major official statistical systems for measuring the size and scope of different sectors and forms of work globally. The conceptualization describes a broad common core of institutions and forms of

individual behavior that can reliably be considered to be within scope of a broadened TSE sector within Europe, and that holds promise of identifying a similar in-scope constellation of institutions and individual activities in other parts of the world while differentiating them from institutions and activities that bear stronger resemblance to other types of social institutions, such as for-profit firms, governments, and households. At the same time, the “modularity” of this framework allows the separate identification of five different components that are of interest to various stakeholders and relevant to particular regions.

The next step in this process, however, is to test this conceptualization more fully and systematically against the laws and customs of different countries, including countries in the Global South as well as the Global North, to see how fully its “red lines” of demarcation between in-scope and out-of-scope entities and behaviors correspond with existing laws and data systems, or can be made to do so. A start has been made on this next step in the course of fashioning the conceptualization, and more in-depth investigation is under way as of this writing in order to assess how fully the data needed to portray the scope, structure, funding, and impact of the TSE sector so defined are available. We invite others to join in this task and help us move toward a conceptualization of this broadened “third sector/social economy” sector that is both universally applicable and technically rigorous. In this way we can secure the benefits of improved visibility, credibility, and validation that better information about this sector can produce while taking care to avoid whatever risks such improved information may entail.

Notes

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^a We acknowledge that any one of the many terms being used to refer to this social space carries with it potential connotations in the minds of readers that may be completely unintended on the part of the writers. Readers are therefore invited to replace this term mentally with any of the other ones with which they are more comfortable to avoid being diverted by unintended connotations. Later in this article we suggest a rebranding that combines elements of the "third sector" with key elements of what has been termed "social economy," which we refer to as the "third sector/social economy" and abbreviate as the "TSE sector."

^b See, for example, Defourny and Pestoff 2014.

^c The language used in the SNA includes entities that may be institutionally separate from government but are "controlled by government," where "controlled by" is defined as more than receipt of government funding.

^dFor more information on institutional sectoring, see 2008 SNA Chapter 4. Although a 2008 revision of the System of National Accounts provided an explicit recommendation that statistical agencies separately identify at least the nonprofit components of the various institutional sectors into which NPIs are allocated and to report on them separately from other units (SNA 2008, para. 4.35), this recommendation has not been adopted by Eurostat in the European System of Accounts, which governs the assembly of economic statistics in Europe.

^e The System of National Accounts is overseen by five international organizations: the United Nations Economic and Social Committee, the International Monetary Fund, the World

Bank, Eurostat, and the Organization for Economic Cooperation and Development. The Tourism Satellite Account is available at: unstats.un.org/unsd/tradeserv/tourism/manual.html.

^f Financed by the European Commission, this project sought to gauge the impact of the third sector, primarily in Europe, but within a framework able to permit comparisons among different European regions and between Europe and other regions. For the purpose of this project detailed literature review and consultation was undertaken separately in five regions of Europe: the Nordic region, embracing Norway, Denmark, and Sweden; Northern Europe, embracing the Netherlands, Belgium, Germany, and Austria; Anglo-Saxon U.K. and Ireland; Southern Europe, embracing France, Spain, Portugal, and Italy; and Central and Eastern Europe, including Poland, Hungary, Slovakia, Croatia, Slovenia, Romania, Bulgaria, and the Czech Republic. Simultaneously, similar inquiries were launched into the relevant characteristics of several possible institutional and individual manifestations of the third sector, including nonprofit institutions, cooperatives and mutuals, social ventures, and individual activity without pay.

^g In its Latin American manifestations, the term “social and solidarity economy” is used more widely. See, for example: Mogrovejo, Mora, & Vanhuynegem (2012).

^hThe Social Economy concept has also been recognized in political and legal circles, both national and European. Thus, for example, the European Economic and Social Committee issued an Opinion on 1 October 2009 on “Diverse Forms of Enterprise,” and the European Parliament issued a Report of 26 January 2009 on Social Economy. In a December 2015 the Council of the European Union issued a “Conclusion” identifying the social economy as “a key driver of social and economic development in Europe” and encouraged “Eurostat and national statistical authorities” to “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....” (General Secretariat of the Council of the European Union, 2015). To date, however, Eurostat, the European Statistical Agency has not incorporated the concept of the “social economy” into its statistical system, nor has the United Nations Statistical Division recognized such a grouping as a distinct sector around which data should be organized. Rather, cooperatives and mutuals are considered “market producers” and as such are grouped with for-profit companies in the corporation sector of national accounts

ⁱ For discussion of the “civil society” concept, see: Edwards (2009); Pollack (2004); Zimmer and Priller (2007); Chambers and Kynlicka 2002; Edwards 2011; Seligman 1992; Cohen and Arato 1994).

^j This perspective is also echoed in a variety of other accounts. See, for example: Van Til (1988); Evers and Laville (2004); Chambers and Kymlicka (2002); Defourny (2001: 4).

^k It should be noted that the individual activity undertaken to or through TSE sector institutions is recorded as work associated with these institutions whereas the direct individual activity that meets the project’s definition is associated with the household sector.

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Appendix Table A

Potential in-scope and out-of-scope third sector institutional units

Probable inclusions	Likely exclusions
A. Nonprofit Organizations	
Non-governmental organizations (NGOs)	Government-created or -controlled NPIs (GONGOs)
Registered charities, nonprofit organizations, associations, foundations	International associations of governments or government agencies (e.g. UN, Eurostat)
Civic and social organizations	Autonomous public agencies (e.g. central bank, statistics office)
Private grant-making foundations	Government-controlled endowments or funds; public law foundations
Private nonprofit orchestras, museums, opera companies, theaters	Public cultural institutions (e.g. museums)
Religious congregations and faith based orgs	Official state-controlled churches
Private nonprofit hospitals and clinics	Public health care providers
Private nonprofit social service organizations	Public social assistance agencies
Private nonprofit schools and universities	Public educational institutions
Volunteer promotion organizations	Government-run volunteer programs
Advocacy organizations	
Labor unions	Government-run workers' associations
Professional associations	
Trade or employer associations	Government-operated chambers of commerce
Private nonprofit social and hobby clubs	
Amateur sports and recreation associations	Government-run parks and recreational sites
Community benefit associations	
Membership associations	
Non-profit microcredit organizations	Commercial financial intermediaries
B. Cooperatives and Mutuels	
Nonprofit cooperatives	Public sector cooperatives
Cooperatives operating under significant limitations on distribution of surplus	Commercial cooperatives
Mutuals operating under significant limitations on distribution of surplus	Commercial mutuals
C. Social Enterprises	
Social enterprises registered as NPIs	For-profit companies with Corporate Social Responsibility programs
Social enterprises registered as B-corps or belonging to networks that specify limits on profit distribution and capital locks as conditions of membership	For-profit companies with Corporate Social Responsibility programs