DEFINING THE NONPROFIT SECTOR: FRANCE

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Preface

This is one in a series of Working Papers produced by The Johns Hopkins Comparative Nonprofit Sector Project, a collaborative effort by scholars in a dozen countries to understand the scope, structure, and role of the nonprofit sector using a common framework and approach.

The working papers provide a vehicle for the initial dissemination of the work of the Project to an international audience of scholars, practitioners and policy analysts interested in the social and economic role played by nonprofit organizations in different countries, and in the comparative analysis of these important, but often neglected, institutions.

Working papers are intermediary products, and they are released in the interest of timely distribution of Project results to stimulate scholarly discussion and inform policy debates. A full list of these papers is provided inside the back cover.

The production of these working papers owes much to the devoted efforts of Donna Schaub. I also want to express my deep gratitude to my colleagues on this project, especially Assistant Project Director Dr. Helmut Anheier, to the International Advisory Committee that is helping to guide our work, and to the many sponsors of the project listed at the end of this paper.

The views and opinions expressed in these papers are those of the authors and do not necessarily represent the views or opinions of The Johns Hopkins University, its Institute for Policy Studies, or any of its officers or supporters.

We are delighted to be able to make the early results of this project available in this form and welcome comments and inquiries either about this paper or the project as a whole.

Lester M. Salamon
Director
The Johns Hopkins University
Institute for Policy Studies
DEFINING THE NONPROFIT SECTOR: FRANCE

Introduction

The difficulty of defining and measuring France's nonprofit sector derives largely from its relative official invisibility in the country's institutional landscape. As in most other countries, statistics on the sector as a whole are simply not kept. And while such terms as économie sociale, tiers secteur, and secteur sans but lucratif may be cited occasionally by specialists or employees of nonprofit organizations, they are not used in general discourse. Indeed, until recently, most nonprofits were sometimes even viewed as components of an informal economy, which also included household activities and illegal trade (Archambault and Greffe, 1984). Finally, understanding of the sector has been impeded by the sector's internal balkanization into distinct sub-components -- a consequence of both the different legal treatments afforded to nonprofit organizations, and the distinct political and religious orientations of major subsectors.

During the 1980s, however, the Socialist government has supported the emergence of the sector as an important tool for social policy. Since 1982, nonprofit organizations have been employed by successive Socialist governments as mechanisms through which to implement decentralization -- a hallmark of political change in France during the last decade.

To grasp the dimensions of the sector, therefore, it is useful to begin with a historical overview of the relationship between the French state and religious and other nongovernmental associations. The following pages provide this review; specify the sector's four components or subsectors; describe the organizational types, and some of the laws to which they are subject, within each subsector; and elaborate on the rapidly changing relationship between the state, the nonprofit sector, and French society in general. The resulting definition of the sector, most commonly referred to as économie sociale, is then compared to the "structural/operational definition" which has been developed to facilitate international comparisons.

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Historical Note

The relative underdevelopment of France's nonprofit sector has its roots in the 1789 French Revolution. In 1791, the *Le Chapelier Act* suppressed guilds and all other associations which had existed under the previous *Ancien Régime*. Its rationale was a Rousseauian concept of the state as the achievement of the collective interest of the French people: "No one is allowed to incite citizens to have an intermediary interest [between their own and the state's], to separate them from the Nation by spirit of cooperation."

Despite this restriction, voluntary associations and mutual benefit societies appeared again at the start of the 19th century, largely in response to the onset of the industrial revolution and its byproduct of working class poverty. Social clubs, Catholic health and youth charities, and worker-support groups flourished in urban areas (Gueslin, 1987; Fenet, 1989).

Successive centralized Jacobin governments, whether Republican or Bonapartist, were suspicious of both religious organizations and labor movements. Anticlerical governments viewed Catholic charities and mutualist societies as a revival of Old Regime religious and corporatist tendencies. Public authorities saw in the labor movement in general, and in workers' self-help organizations in particular the specter of anarchism and working class dominance -- a movement which reached its apex with the Paris Commune of 1871 when fearful authorities battled the workers' groups as illegal coalitions.²

It was not until the latter part of the 19th century that the nonprofit sector began to shed its illegality. The crime of coalition itself was abolished in 1864; of labor unions two decades later; and of mutual benefit societies in 1898. Voluntary associations were made legal by 1901. But these legal changes did not eliminate the long-term, deep-seated animosity between an omnipotent, centralized government and the Catholic Church and its subsidiaries, especially schools and charities. In fact, the 1901 law was enacted during an intensely anticlerical political era. While it legalized voluntary associations, it imposed considerable restrictions on religious congregations. The law remains in force today.

In 1905, the Disestablishment of the Church Act fully severed the Roman Catholic Church from the state, and secular-religious conflicts began to subside. During the same period, as the industrial era evolved, mutual societies and cooperatives diverged from the workers movement. The former became middle-class oriented; the latter more radical and Marxist (Hatzfeld, 1971).

By the 20th century, the evolving relationship between public authorities and what came to be known as the "social economy" had become more peaceful and, indeed, complementary. The

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² The Commune, lasting only three months, was a popular insurrection attempting to establish a democratic political system. Its ideology was utopian or real communism, based on worker education and welfare.
expansion of government social welfare programs between the two World Wars not only accompanied a growing number of mutual benefit societies, it affected the very direction of those organizations by motivating them to reorient their aims and operations.

In 1945, France successively established a comprehensive social security system, protecting virtually the entire French population against four "social risks": illness, old age, unemployment, and family expansion. Programs to meet these risks included reimbursement of medical expenditures and free hospitalization; retirement pensions and other old age benefits; unemployment compensation; and family allowances for all but the first child. As a consequence, mutual benefit societies found it necessary to develop innovative measures to complete the protection -- to fill the gaps left by the public social security system (Caire, 1984).

Since 1965, the "associative" component of the nonprofit sector (see the following section) grew rapidly, almost as if in compensation for its historical lag. During the 1970s and 1980s, characterized in part by a deepening fiscal crisis of the Welfare state, the complementary relationship between the government and nonprofit services was reinforced.

With the slowing of economic growth and the rise of unemployment, many public health and welfare agencies found their income imperiled, since they were linked to the social security system which, in turn, depended on employment-related contributions. As a result, public agencies sought the cooperation of organizations in what was increasingly refereed to as économie sociale, or social economy. These organizations included groups offering home services to reduce increasing admission rates to hospitals and nursing homes, self-help day care centers, continuing education for unskilled youth or unemployed people, job training, income maintenance, and temporary shelters for the "new poor."

By 1982, the Socialist government, which had come to power the year before, implemented a decentralization policy, which was further developed and implemented by successive Socialist administrations. The policy strongly encouraged the incorporation and development of the social economy as a tool of decentralization. It also had the effect of promoting public awareness of the social economy as an entity in its own right, notwithstanding the diverse legal standings of its component such as cooperatives, mutual benefit and insurance societies, foundations, work councils and other organizations.
Components of the Social Economy

Legal status is the main criterion for membership in the social economy. Differences in legal treatment of social economy organizations are, however, considerable, which helps explain why nonprofit organizations do not share a common awareness of belonging to the same sector. But a sense of commonality is growing in spite of these differences. It is aided by the proliferation of coalitions, sometimes referred to as umbrella or "peak" organizations, conferences on social economy, and the creation of the Délégation à l'Economie Sociale, a high-level policy-making body attached to the core government.

The social economy includes four distinct components:

- the cooperative sector;
- the banking sector;
- the mutualist sector; and
- the associative sector.

To facilitate the following discussion, Figure 1 offers a schematic representation of the various components, and Table 1 provides some indication of the size of the social economy by showing the number of organizations operating in each sector and subsector.

The Cooperative Sector

Cooperatives are member-oriented nonprofit organizations, engaged in some form of commercial activity. They are governed by the 1947 General Status of Cooperation Act (revised in 1983 and 1985), and may adopt any legal "enterprise status." The Act defines cooperatives as enterprises with two aims: "to reduce, by common effort and to the benefit of members, the price of goods and services produced and directly marketed, and to better the quality of products supplied to members or sold to consumers." Financially, the capital in a cooperative belongs to each of the organization's members, that is, it is not shared. The organizations are exempt from corporate taxes, but if they develop operating surpluses they must establish reserve funds, and/or distribute the surplus to members in the form of reduced fees or prices.

Cooperatives in France take three forms: workers cooperatives, consumers cooperatives, and enterprise cooperatives.
Figure 1. Scope of the Social Economy

<table>
<thead>
<tr>
<th>Co-operatives</th>
<th>Cooperatives</th>
<th>worker cooperatives (SCOP)</th>
<th>cooperatives of agricultural sector</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>producer cooperatives</td>
<td>enterprises cooperatives</td>
<td>housing cooperatives</td>
</tr>
<tr>
<td></td>
<td>consumer cooperatives</td>
<td>distribution of cooperatives</td>
<td></td>
</tr>
<tr>
<td>Co-operative Banks</td>
<td>Credit Agricole, Credit Mutuel, Banque Centrale des Co-operatives et Mutuelles, Credit Cooperatif, Banques Populaires</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mutuals</td>
<td>mutual benefit societies</td>
<td>Federation Nationale de la Mutualite Francaise</td>
<td>Federation des Mutuelles de France</td>
</tr>
<tr>
<td></td>
<td>Mutualite Sociale Agricole</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Associations</td>
<td>undeclared associations</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>declared associations</td>
<td></td>
<td>ordinary declared associations</td>
</tr>
<tr>
<td></td>
<td>foundations</td>
<td></td>
<td>public utility declared associations</td>
</tr>
<tr>
<td>Borderline Organizations</td>
<td>work councils</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>business and trade associations</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>labor unions</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>property-owners and condominium associations</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 1. Number of Organizations Recorded in Système Informatique pour le Répertoire sur les Entreprises et les Etablissements (SIRENE) File\(^{a)}\) (Padieu, 1990)

<table>
<thead>
<tr>
<th>Category</th>
<th>Count (1989)</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cooperatives</td>
<td>25,920</td>
<td>worker cooperatives</td>
</tr>
<tr>
<td></td>
<td></td>
<td>cooperatives of agricultural sector</td>
</tr>
<tr>
<td></td>
<td></td>
<td>other enterprises cooperatives</td>
</tr>
<tr>
<td>Banks</td>
<td>4,516(^{b)})</td>
<td></td>
</tr>
<tr>
<td>Mutuals</td>
<td>2,870</td>
<td>mutual benefit societies</td>
</tr>
<tr>
<td></td>
<td></td>
<td>agricultural mutual benefit societies</td>
</tr>
<tr>
<td></td>
<td></td>
<td>insurance mutuals and other</td>
</tr>
<tr>
<td>Associations(^{c)})</td>
<td>160,705</td>
<td>work councils</td>
</tr>
<tr>
<td>Foundations(^{d)})</td>
<td>357</td>
<td>property-owners/condominium associations</td>
</tr>
<tr>
<td>Borderline Organizations</td>
<td>9,718</td>
<td>labor unions, business and trade associations</td>
</tr>
</tbody>
</table>

\(^{a)}\) Padieu, 1990

\(^{b)}\) Includes only declared cooperatives

\(^{c)}\) Includes only declared associations

\(^{d)}\) Includes only declared foundations
a) The SIRENE file records all enterprises irrespective of legal status if they hire wage earners and pay taxes. Some of the additional data figures quoted in the text are provided by the umbrella organizations and similar groups.

b) Number of establishments.

c) The SIRENE file includes only associations which hire one or more wage-earners and/or those which paid Value-Added Tax (VAT) over the five previous years.

d) Largely operating foundations.

Workers cooperatives, or sociétés co-operatives ouvrières de production (SCOP), are essentially producers of small industrial goods, although a quarter of them deliver services. Relatively few in number (around 1,500), they experienced an expansion during the recent manufacturing crisis as workers created cooperatives to avoid the consequences of bankruptcies afflicting regular business enterprises. Members are salaried, and are afforded some capital. Traditional banks tend to view workers cooperatives with suspicion, and are loathe to grant them loans. Lack of capital keeps the size and number of workers cooperatives fairly small.

Consumers cooperatives' members are either suppliers of goods or customers. Supplier groups, in particular those marketing agricultural products, are expanding; but customer groups -- which took the form of "chain retail stores" widely popular during the 19th century -- are rapidly declining and driven out by for-profit firms. Housing cooperatives, another form of consumers cooperatives, are also declining. Widespread after World War II, many today are short lived, dissolving once housing is built. Some housing cooperatives offer rental facilities for low-income populations.

Enterprises cooperatives' are numerous in agriculture and fishing, offering members the opportunity to share farm equipment, boats, trucks and the like. Beyond economizing or "rationalizing" purchasing, production and transformation or processing of goods, the cooperatives seek to protect independent small-scale producers against the power of market concentration. Cooperatives are very prominent in agriculture, entailing the participation of four out of five French farmers. Roughly 25,000 agricultural cooperatives are currently in operation, employing some 200,000 people, and reporting annual revenues of 500 billion FF (around $90 billion) (Padieu, 1990). In the French national accounts, cooperatives are treated as businesses and part of the enterprise sector.

The Banking Sector

Cooperatives of a substantially different nature from those described above are credit establishments created initially to bypass ordinary banks, and to serve the credit needs of low-income farmers and workers. Founded initially on the principle of collective self-help, in which the surplus of some members finance the deficit of others, the network participants today operate increasingly like regular banks. The Crédit Coopératif and the Banque Centrale des
Coopératives et Mutuelles also serve the financial needs of nonprofit organizations. Their members are organizations rather than individuals.

Crédit Agricole remains the most important French bank; twenty years ago, prior to the rise of Japanese banks, it ranked among the largest in the world. Its role in financing the modernization of French agriculture was decisive, and was integral to the activity of agricultural cooperatives. Like Crédit Mutuel and Banques Populaires, Crédit Agricole is sustained by small-scale deposits and savings accounts, owing to its widespread branches, especially in rural areas.

Assets of the cooperative banking network in 1989 amounted to 1,800 billion FF (around $330 billion at the rate of exchange that year). They employed 130,000 workers, or 29 percent of total employment in the banking industry. This compares to 33% employed by for-profit banks, and 38% in state-owned, public banks. Crédit Agricole represents about two-thirds of the total assets in the nonprofit banking sector, and more than half the employment in cooperative banking (Padieu, 1990). In the national accounts, banks in the social economy are treated as Institutions de Crédit, that is, as belonging to the Financial sector, along with private for-profit and nationalized banks.

The Mutualist Sector

Mutuals are heirs to the oldest part of the French nonprofit sector. Some provide direct services to members; others are insurance companies operated on a nonprofit basis.

Mutual societies, the major component of this subsector, are basically nonprofit organizations, descended from the friendly societies of the 19th and early-20th century. Subject to the 1955 Mutual Societies Code, they are defined as "organizations that promote with their members' subscriptions an activity of providence, solidarity and philanthropy to the benefit of families. This activity intends to prevent social risks, to encourage motherhood, to protect childhood and family, and to promote the moral development of their members."

Since the establishment of the public social security system in 1945, the role of these organizations changed from one of meeting the basic needs of members, to one of supplementing the government's insurance provisions (Caire, 1984). Although 99 percent of the French population is covered by compulsory social security, half the population chooses mutual supplementary insurance. Why? Because compulsory health insurance mandates a 20 percent patient deductible, which the mutual societies cover.

Mutual societies also expanded guarantees of income in the events of illness, accident or death, which brought them into direct competition with insurance companies. However, the societies differ from insurance firms in two important respects, aside from the fact that they are nonprofit. First, they charge according to income, rather than age, risk, or other actuarial factors. Thus, wealthier participants subsidize the less wealthy, in accordance with the principle of solidarity. Second, mutual societies are administered by volunteer boards, while insurance company trustees receive directors' fees. Some 100,000 volunteers reportedly operate local mutual societies.
Beyond insurance, mutual societies provide health and welfare services, including medical clinics, day care hospitals, pharmacies, nursing homes or centers, optical and dental clinics, social service centers for the elderly and handicapped, and "holiday centers" for children with disabilities. Around 1,070 such facilities or services were in operation in 1988, reporting revenues of 6.4 billion FF (around $1.1 billion).

Finally, in addition to providing insurance and offering direct services, mutual societies manage some programs that are part of the national social security system. In this respect they serve as de facto government agencies, providing compulsory social security for civil servants, the self-employed, students, teachers, professors, and farmers. Because this activity is not independent of the government, it must be excluded from the social economy in the strict sense.

Mutual societies are organized into federations. The Fédération Nationale de la Mutualité Française (FNMF) employs 50,000 people, delivers services to 25 million beneficiaries, and is financed by fees amounting to 35 billion FF ($6.4 billion). FNMF is the most important Federation and encompasses 90% of the groups. The remaining 10% belong to the Fédération des Mutuelles de France (FMF), which employs 5,500 people, delivers services to seven million beneficiaries, and is financed by fees amounting to 6.5 billion FF or $1.2 billion (Padieu, 1990). FMF is close to the Communist Party.

Mutual insurance companies are best viewed as a borderline component of the social economy. Often subsidiaries of mutual societies, mutual insurance companies guarantee primarily against property damage, as opposed to personal risk. They hold about 35 percent of automobile policies, and 25 percent of other property policies. Premiums are paid on the basis of actuarial risk, as is the custom with for-profit insurance firms, rather than according to member income, as is the case with mutual societies.

For these reasons, and because they are subject to the Insurance Code rather than the 1955 Mutuality Code, it is debatable whether to include them as a subset of the social economy. The French system of national accounts, for example, treats them as regular insurance firms. Still, they provide no capital remuneration (the equivalent of profits) to members, and some of them perform no brokerage services. Eventual "profits" or surpluses are distributed only in the form of reduced premiums the following year. Finally, all trustees are volunteers. Thus, we may consider mutual insurance companies part of the social economy if they do not provide brokerage services. This is the case for the Groupement des Sociétés d'Assurance a Caractère Mutuel. Otherwise, they are part of the for-profit economy. Together, in the late 1980s, the mutual insurance industry received 42 billion FF or $7.7 billion in premiums annually, and employed 28,000 people (Padieu, 1990).
The Associative Sector

The associative sector is the most diverse and least understood component of the social economy. Legally, the sector comprises three types of associations:

undeclared associations, i.e., those with no legal status;

declared associations, which are subject to the 1901 Act; and

public utility associations, which is a status granted by the State to a select group of declared associations.

Undeclared associations constitute a diverse set of organizations; they include religious organizations at the parish level, such as associations cultuelles, relating to religious activities, sacraments and rituals, or associations diocésaines, serving as the financial relay for churches; neighborhood groups; or political groups advocating a specific cause. In some instances, newly founded nonprofit organizations select the "undeclared status" in an initial "try-out" phase before becoming a declared association after some consolidation period.

Declared associations are by far the most numerous in the associative sector. The reason is entirely juridical: an association usually opts for "declared" status, because it is offered by the 1901 Act, which remains the most liberal and flexible under French law.

The Act defines an association as "a convention according to which two or more individuals permanently put in common knowledge or activity with an aim other than the sharing of profit." Since the creation of an association must be declared at the préfecture, a local authority, reliable data are available on the founding of these groups, which are booming; for example, 17,500 formed in 1965, and more than 60,000 in 1990, according to the official government register. Unfortunately, the associations do not have to declare their dissolution, so the actual number of declared groups currently active is unknown. A reasonable "guesstimate" is between 600,000 and 700,000 (see also Padieu, 1990).

Declared associations are limited in their capacity to engage in certain types of financial transactions. For example, they may not own real estate or receive legacies. This restriction, which severely reduces financial options available to associations, dates back to the early part of the 20th century, and to the conflict between the State and religious congregations. Nevertheless, they are exempt from income and profit taxes, and partially from value-added taxes. Further, gifts to declared associations are deductible up to three percent of taxable income, and up to 1/1000 of enterprise revenue.

Public utility associations, technically a form of declared associations, operate as charities, primarily in the fields of health and welfare. Status as a public utility association is granted by the Conseil d'Etat, following a two-year application procedure. Unlike other declared associations, these groups may own real estate and other financial assets, and receive legacies. Gifts to them are deductible up to 5% of taxable income; legacies are encouraged by exemption.
from inheritance taxes (Alix and Castro, 1986). Their number is few -- 1,948 in 1990 -- but they tend to be large in size.

**Foundations** enjoy the same fiscal privileges as public utility associations, in terms of owning real estate and other financial assets. Of the nation's 428 foundations in 1990, almost all are operating foundations such as the *Institut Pasteur* or *Fondation Cousteau*. Only 13, or three percent, are grant making institutions, the most important of which is the *Fondation de France*.3

**Operating associations** are nonprofits that receive most of their public financing, either through the central or local governments, or through Social Security. They provide both market and nonmarket services, and are staffed both by wage earners and volunteers (Archambault, 1987). Most operating associations are active in health, welfare, research, education, professional training, recreation, and "social tourism."

**Advocacy or sociability associations**, as the term implies, are either pressure groups or social clubs. Advocacy associations today promote feminism, minority rights, environmental protection, family values, consumer rights and so forth. Examples of sociability associations include recreation or sports clubs, veterans and senior citizens groups, etc.

Reliable statistical data on the social economy's associative sector as a whole do not exist. We know neither the number of active associations, nor the number of volunteers, nor the hours spent in volunteer work. Data that is available reveals the following:

- The sector employs some 800,000 people, and wage work increased rapidly during 1980-1985, largely in establishments serving the needs of the elderly and handicapped (see Padieu, 1990).
- Half the adult French population belongs to one or more associations (*Centre de Recherche pour l'Etude et l'Observation de la Consommation* (CREDOC), Research Center on Consumption; Hauesler, 1990).

Additional information on small segments of the sector is available from umbrella or "peak" associations, but the data may be overstated. Key umbrella groups include:

- *Ligue de l'Enseignement*, or Education League, created in 1866, governs lay school social institutions, or nonprofits linked to public schools: 33,000 associations, 930,000 members.

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3 By comparison, the United States has approximately 32,000 foundations, of which almost 96 percent are grantmaking. Great Britain, Germany, Italy and other European countries of comparable size have more foundations than France.
Union Nationale Interfédérale des Oeuvres Privées Sanitaires et Sociales (UNIOPSS), created in 1947, represents 7000 nonprofit health or welfare operating associations. The members employ 300,000 people, and provide services to 450,000 users. Nonprofits within UNIOPSS account for about 15 percent of the services provided in the health field, and 51 percent in social welfare.

Union Nationale des Associations de Tourisme (UNAT), established in 1920, works in the field of popular recreation and tourism; it has a million members and employs 57,000 people.

Comité National Olympique du Sport Français (CNOSF), created in 1908, represents 73 sports federations. Total membership is about 11 million, and includes more than a million active volunteers.

Union Nationale des Associations Familiales (UNAF), created in 1945, represents 5,700 associations and 650,000 families.

Fonds de Coopération de la Jeunesse et de l'Education Populaire (FONJEP), created in 1964, is a federation of youth and popular education associations. A significant amount of data pertaining to the members is available as a result of a survey by Fouquet, Tabard and Villac (1990).

The National Accounts

How is the social economy treated in the national accounts? Figure 2 presents a summary picture and shows that most components of the social economy are allocated to other sectors. In accordance with the European System of Accounts, French national accounts isolate as Administrations privées some private nonprofit and nongovernmental organizations, such as churches, labor unions, political parties, consumer groups, youth and cultural associations, and charities. However, the structure and development of the national accounts are widely criticized (Anheier, Rudney and Salamon, 1992). For example, operating associations are treated as outside the Administrations privées if their sales are more than 50% of total resources. Such groups are instead recorded in the Business Sector, which includes social tourism, recreation and professional training associations.

Further, the most important health and welfare associations and private religious schools are recorded as public or government administrations, because public financing accounts for more than 50 percent of their resources. Smaller associations, hiring fewer than two wage earners, are included in the household sector (Archambault, 1988). Finally, national accounts depictions of the insurance sector (Entreprises d'Assurance) treat mutual societies as separate from for-profit
insurance companies, and government records -- the national accounts -- define cooperatives in the business sector (Sociétés et quasi-sociétés) as ordinary for-profit companies.

The State, French Society, and the Nonprofit Sector

The relationship among the nonprofit sector, French society, and the state today has been shaped by two factors: the different legal treatment afforded the social economy's member institutions, and fierce social and political conflicts, some of which can be traced to medieval times. The previous section examined some of the legal issues; this section provides an overview of the historically-rooted cross currents in present-day French society that are the product of longstanding conflicts. In brief, these cross-currents include: centralization versus regionalism, Catholicism versus socialism, non-Marxist versus Marxist socialism, left versus right Catholicism, large-scale charities versus small grassroots organizations, welfare state versus self-help ideologies, and, lately, the issue of immigration. Obviously, these conflicts are hardly separate and distinct. They overlap and intertwine, rendering the relationship among the sector, the state, and society in general highly complex.

Centralization and Homogeneity

While France today is increasingly multicultural, traditionally it has had a less diversified society than other European nations, a consequence of both monarchical and Jacobin governmental policies. As de Tocqueville pointed out, between the twelfth century and the 1789 revolution, the monarchy moved successfully to centralize government authority and reduce regionalism. After the revolution, successive Jacobin governments, either Bonapartist or Republican, went beyond political centralization and sought to promote social homogeneity through such institutions as compulsory public schooling. At the end of the 19th century, public schools served as a powerful "melting pot," both diffusing republican ideology and all but destroying minority regional languages such as Breton, Basque, Provencal, and Alsatian. Until the beginning of the 20th century, however, the Church resisted the standardization of French society, opposing social change, and allying itself with the monarchy.

Successive waves of immigration have made French society far more diversified today than in previous eras, and this, as well, affects the social economy. After World War II and up to 1973, domestic manpower shortages were filled initially by Spanish and Portuguese immigrants, and later by Algerians, Moroccans, Tunisians, and Africans from former French colonies. So long as the economy was reasonably vibrant, the immigrants were welcomed. But as unemployment increased during the 1980s, it was accompanied by a rising aversion against immigrants among the French population. Perhaps the most visible manifestation of this is the growing extreme right vote for Jean Marie Le Pen. A counter movement has also grown, consisting of organizations like
SOS-Racism, and ethnic and Muslim groups. Both the central and local governments have sought to work with these associations to deal with unemployment and other social problems faced by first and second generation immigrants. Today, as a result, the nonprofit sector plays an important role as the State's partner in employment policies, particularly for youth.

Catholicism vs. Republican Egalitarianism

The historical relationship between these two ideologies contributed to perhaps the most prominent cross current in French society: opposition between Catholicism and Republicanism. Revolutionary tradition notwithstanding, the Church had remained a considerable power; as late as the turn of the 20th century, it was able to rally a majority of the population. Integral to its history and, of course, to its ideology was the practice of charity. Ultimately, this ideology came into conflict with the Republican movement that rooted in an industrializing and urbanizing economy, emphasized the public provision of social services.

French philanthropists such as Le Play (1806-1825), Ozanam (1813-1853), and De Mun (1841-1914) represented Catholic charity in its modern form. Saint-Simon (1760-1825), Fourier (1772-1837), and Proudhon (1809-1865) were the theoreticians of French guild socialism. With the rapid advancement of French urbanization, however, the influence of the Church has waned. At present, church attendance is lower in France (11% of the population) than in any other European country. France also has the highest percentage of people defining themselves as atheists (Djider and Marpsat, 1990).

Nevertheless, conflicts between Catholic charity and socialism continue to affect some parts of the nonprofit sector. In 1984, for example, the streets of Paris were filled with two million teachers, members of parent-teachers associations and alumni demonstrating against a Socialist policy to combine public and Catholic schools. Even though Catholic schools are financed with public grants, and teachers paid by the central government, opponents saw the move as undermining their pedagogic and ideological independence. Faced with such vehement opposition, the government withdrew the policy.

The Catholic-socialist schism does not coincide neatly with a right-left demarcation. For example, while Catholic schools tend to be largely maintained by conservative support, nonprofit health and welfare associations in UNIOPSS -- the most important of the umbrella organizations -- veer to the left or center. UNIOPSS, in fact, represents Catholic social thought in the tradition of the Rerum Novarum encyclical of 1891.

French socialism, likewise, has its own internal divisions, primarily between Marxists and non-Marxists. This division, too, influences the character of the social economy. Within the nonprofit sector, in fact, French socialism is almost entirely non-Marxist, since Marxists, as a matter of principle, seek a state monopoly on education, health, welfare and cultural services.
Perhaps the most important of the non-Marxist socialist umbrella organizations is the *Ligue de l'enseignement*, encompassing nonprofits linked to public education. The *Ligue* also operates cultural, sports, leisure, and social service programs.

Finally, freemasonry is yet another, though less covert, current affecting the social economy, especially the *Ligue de l'enseignement* and the *Fédération nationale de la mutualité française* (FNMF). Today, Freemasons tend to be close to the socialist government, and have maintained strong anticlerical attitudes.

**Conflicts Between Large and Small Institutions**

Another cross current within French society affecting the nonprofit sector is the conflict between large, national organizations and small, local groups. Large organizations, heavily dependent on public funding, are opposed to smaller or "lighter weight" voluntary organizations which they argue have access to more diversified resources. To an extent, this opposition overlaps the conflict between operating associations and advocacy groups; it also mirrors the ideological strains between welfare state advocates and proponents of private initiative and self-help, and between centralization and regionalism.

The Decentralization Act of 1982 was an effort to respond to critics of centralized authority, and to facilitate entry into a European market whose other members were increasingly adopting decentralization policies. But because decentralization confers upon local communities both prerogatives and resources, it places nonprofit organizations in a dilemma: On the one hand, the groups are better able to participate in local development and policy formation; on the other hand, their consequent political and financial dependence on local government imperils them when these governments change or cut back funding.

**French Social Economy and the Nonprofit Sector**

Widely divergent historical, religious, and cultural traditions among nations make it difficult to compare nonprofit sectors across national boundaries. To facilitate such comparisons, the common structural/operational definition specifies five key characteristic of nonprofit organizations: formal, private, self-governing, nonprofit-distributing and voluntary (Salamon and Anheier, 1992). How does this definition relate to the French notion of social economy?

*The French "Charter of Social Economy"*
In 1980, the Charter of Social Economy formally acknowledged the existence of a nonprofit sector, notwithstanding the legal diversity of its components. The charter also specified the basic principles underlying the sector's member organizations. These include:

- Personal and voluntary participation. Free entrance and free exit of individual members, in contrast to compulsory adhesion and contributions to Social Security.

- Solidarity among members. The concept of solidarity is very important to the French nonprofit sector. It implies interdependence, a sense of belonging, joint responsibility, and income redistribution. In many French nonprofit organizations, members either pay the same flat fee for different types of services, or they pay according to income.

- Democratic management. General meetings of nonprofit organizations are conducted in accordance with "one person, one vote." By contrast, meetings of joint-stock companies operate under the principle of "one share, one vote."

- Independence from government. The organizations must not be a part of the government. This is important, because quasi-governmental agencies with the legal status of associations are often created to circumvent administrative regulations and public accountability. Many such entities were created during the previous decade. Trustees are often civil servants or municipal representatives. As such, these groups are not self-governing, hence not part of l'économie sociale.

- Volunteer board of directors. Directors may receive no compensation, other than cost reimbursement.

- Profit is not the aim of the organization, and remuneration of capital, as in the form of dividends, is not present. Income in excess of expenses is reinvested in the organization. This applies strictly to organizations in the associative sector, but less tightly to mutuals or cooperatives. The latter may either reinvest profits, or distribute them to members and clients in the form of reduced fees and prices.

- Capital cannot be shared. In the event of a nonprofit's dissolution, its capital assets must be given to another nonprofit organization.

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The Charter (Charte de l'économie sociale) is a formal declaration signed by representatives of major nonprofit organizations and umbrella groups. Based on a 1976 protocole d'accord among the signatories, the Charter is an expression of an emerging awareness of French nonprofit organization as a distinct sector. The following principles are either stated in the Charter itself, or are otherwise commonly agreed upon.
Comparing Charter and Structural/Operational Definition

As can be seen, some of the Charter's principles coincide with those of the structural/operational definition, while others do not. The first three principles of the Charter reflect basic themes in French history. Personal and voluntary participation contrasts with compulsory membership in Old Regime guilds. Solidarity derives from the workers movement, and contrasts with the ideology of a free or atomized market, in which individuals compete against each other. Democratic management contrasts with the basic law of capitalist governance, under which decisions are made in accordance with wealth (one share, one vote).

The Charter's fourth principle of independence from government is, in its intent, similar, but not identical to, the structural/operational definition's "self-governing" criterion. Some associations are in fact quasi-governmental agencies. Examples include the Association pour la Formation Professionelle des Adultes, which works in continuing education, and the Institut National de la Consommation, the main umbrella group for consumer protection. According to the structural/operational definition, both these groups would have to be excluded from the nonprofit sector, because they are not in fact self-governing.

Where the Charter specifies a volunteer board of directors, the structural/operational definition stipulates voluntarism. The concept of "nonprofit distributing" in the structural/operational definition matches the Charter's specifications that profit is not the aim of the organization, and that capital is not shared or remunerated. However, the nonbusiness criteria included in the characteristic "nonprofit-distributing" has no equivalent in the Charter. Where the Charter would include most cooperatives, the structural/operational definition would exclude them as businesses (except, perhaps, for housing cooperatives). Likewise the entire banking sector and mutual insurance societies would not meet the structural/operational definition's principles, but do qualify under the Charter.

Figure 3 offers a comparison of nonprofit sector and social economy. While we have already discussed most communalities and differences, it is useful to examine several types of organizations in more detail, and to see how, within the French context, they might fit the nonprofit and social economy concept.

Public Foundations. While France has few private foundations, it has no governmental or public foundations. Despite the absence of public foundations, the state, public agencies, and towns often create associations, governed by the 1901 Act, to manage social services, especially since the Decentralization Act of 1982. The aims of creating these associations include easing the welfare state's financial burdens, circumventing regulations, avoiding public accountability, escaping civil service requirements, and obtaining more flexible management. Associations so created are dependent on public subsidies, and are often not self-governing. Therefore they are not part of the social economy.
**Universities.** Most French universities are public. Only five are private and Catholic, with one percent of the student body. However, higher education in France is delivered as well by *grandes écoles*. Engineering schools and institutes of technology are public, but most business schools are private and managed by the Chamber of Commerce or by trade associations. Theoretically, therefore, they are included in the social economy.

**Schools.** Most elementary and pre-schools are public. Some specialized kindergartens are operated either as nonprofits or for-profits. Likewise, most secondary schools are public, but France has some 11,000 private schools, which enroll 2.3 million pupils. Most of these schools are Catholic and subsidized by government and local authorities. Teacher salaries are paid by the government.

**Housing associations.** Large-scale housing initiatives were a characteristic of the welfare state in France and other European countries. After World War II, the government established both public and private agencies to construct housing at below-market rents for low income families. As the housing shortage ended, the market assumed a growing role in the housing sector, but some nonprofit housing associations are still in existence. Public housing agencies (*habitations à loyers modérés*) are excluded from the social economy; some housing cooperatives, however, are borderline.
### Figure 3. Terminology and Type of Organization

<table>
<thead>
<tr>
<th>TYPE OF ORGANIZATION</th>
<th>Economie</th>
<th>Nonprofit</th>
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</thead>
<tbody>
<tr>
<td>Adult education agencies</td>
<td>formation professionelle des</td>
<td></td>
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<tr>
<td>Advocacy organizations</td>
<td>associations de défense</td>
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<td>Business Associations</td>
<td>syndicats patronaux</td>
<td>borderline</td>
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<td>cliniques</td>
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<tr>
<td>Cooperatives</td>
<td>coopératives</td>
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<tr>
<td>Cultural organizations</td>
<td>associations culturelles</td>
<td></td>
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<tr>
<td>Elementary and secondary schools</td>
<td>écoles primaires et secondaires</td>
<td></td>
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<tr>
<td>Hospitals</td>
<td>hôpitaux</td>
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<tr>
<td>Labor Unions</td>
<td>syndicats de travailleurs</td>
<td>borderline</td>
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<tr>
<td>Mutuals</td>
<td>mutuelles</td>
<td>borderline</td>
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<tr>
<td>Neighborhood/ethnic</td>
<td>associations de</td>
<td></td>
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<tr>
<td>Nursing Homes</td>
<td>maisons de retraite</td>
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<td>Political parties</td>
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<td>Popular tourism organizations</td>
<td>tourisme populaire</td>
<td></td>
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<tr>
<td>Private Foundations</td>
<td>fondations privées</td>
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<td>Public housing</td>
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<td>Public Foundations</td>
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<td>Religious Congregations,</td>
<td>congrégations religieuses, églises</td>
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<td>Self-help groups</td>
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<tr>
<td>Service Club</td>
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<tr>
<td>Sheltered workshops</td>
<td>ateliers protégés</td>
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<td>Social service agencies</td>
<td>services sociaux</td>
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<td>Sports clubs and associations</td>
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<td>Trade associations</td>
<td>associations professionnelles</td>
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<td>universités, instituts de recherche</td>
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<td>Works Councils</td>
<td>comité d'entreprise</td>
<td>borderline</td>
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<tr>
<td>Young workers or students</td>
<td>foyers de jeunes travailleurs, cités</td>
<td></td>
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<tr>
<td>Enterprises Intermediaries</td>
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Entreprises intermédiaires. These are organizations with associative or cooperative legal status. They provide temporary jobs to unskilled young people having failed schooling, potential or former delinquents, and drug addicts. They seek to produce marketable goods or services in sectors overlooked by ordinary businesses. *Entreprises intermédiaires* are usually operated by former social workers; they are government-subsidized, and fit somewhere between ordinary businesses and adult education agencies. Sheltered workshops perform the same function for handicapped people.

Work Councils (*Comités d'entreprises*). Works councils, specific to France, are borderline social economy organizations, operating in every enterprise with more than 50 employees. Administered by salaried employees elected from union lists, they manage canteens, day care and holiday centers, cultural activities, and other personal or family social services. They are funded by one percent of the total wage bill.

Social Tourism. Like the work councils, social tourism is specific to France, though versions of it can be found in other European countries with strong socialist traditions. The establishment of social tourism dates back to 1936 when the first "vacation with pay" was created by a Socialist government. Leo Lagrange, a minister, instigated a network of holiday villages or camps for working class families. He also established youth hostels, holiday centers for children, and similar facilities. This nonprofit network developed more fully after World War II. Its aims included encouraging tourism among low income people, promoting cultural and sports activities, and intermingling working and middle classes. Payment is in proportion to income.\(^5\)

In sum, the concept of the French social economy is broader than the set of organizations described by the structural/operational definition of the nonprofit sector. But the two are basically compatible. Perhaps it would be best to say that most organizations within the social economy other than associations are "borderline cases," neither completely within nor completely outside either typology.

Conclusion

The growing importance of the French nonprofit sector, in particular the associative sector, is due largely to the Decentralization policy of the Socialist Government initiated in the 1980s. Basic to this policy, which runs counter to a long tradition of centralization, is the use of independent nonprofit or "social economy" organizations as vehicles through which the government administers welfare and employment programs. In the context of the budgetary constraints facing the public sector, many local governments began to include nonprofit organizations in the provision of social services. A striking example of the emergent partnership between the state and the nonprofit sector is the introduction in 1989 of a minimum income for the poor, coupled with an "insertion contract" between service provider and client that aims at

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\(^5\) Club Méditerranée applied the basic concept to a for-profit business, catering to middle and upper income clients.
integrating ("insertion") clients into the labor force. While the central state provides the funds, nonprofit organizations and local government agencies implement the program.

Even prior to decentralization, however, French society has been "catching up" to other European countries and the United States in the development of the nonprofit sector, at least since the mid-1960s. Today, the most important challenge the sector faces is the creation of a unified European Community in political, economic and social spheres. If French social economy organizations can bridge their own conflicts and divisions, deriving from legal differences and divergent historical traditions, they will contribute immensely to the European Community as a cultural and social entity, not merely as a huge market for social services, sports and cultural activities.

References


