The Third/Social Economy (TSE) Sector: Conceptualization and Operationalization


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Conceptualizing the TSE Sector

Background I: UN *NPI Handbook, Rev. 1 (2016)*

1) SNA 2008 sub-sectoring directions

2) New “control by government” test

3) “Decision trees”

4) Measuring impact

Source: Johns Hopkins Center for Civil Society Studies (ccss.jhu.edu).
Background II: EU Third Sector Project

△ TSI Project Objective: Assess Impact of THIRD SECTOR

△ EC Directive: “stock-taking presupposes conceptual clarification”
Approach--Step 1: Establish Criteria

1. Sufficient **BREADTH** and **SENSITIVITY** to encompass diversity.

2. **CLARITY**, to differentiate Third Sector from government, for-profit businesses, and families or tribes.

3. **COMPARABILITY**, to highlight similarities and variations.

4. **OPERATIONALIZABILITY**, to permit meaningful, objective empirical measurement.

5. **INSTITUTIONALIZABILITY**, to facilitate permanent application in official statistics.
## Conceptualizing the TSE Sector

### The Approach—Bottom-up Inquiry

<table>
<thead>
<tr>
<th>REGION</th>
<th>RESPONSIBLE PARTNER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nordic region</td>
<td>ISF-Norway</td>
</tr>
<tr>
<td>Northern Europe</td>
<td>WUUW-Austria</td>
</tr>
<tr>
<td>Anglo-Saxon</td>
<td>KU—United Kingdom</td>
</tr>
<tr>
<td>Southern Europe</td>
<td>UV-Spain</td>
</tr>
<tr>
<td>Central and Eastern Europe</td>
<td>Uniwarsaw-Poland</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>INSTITUTIONS/INDIVIDUAL ACTIVITY</th>
<th>RESPONSIBLE PARTNER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonprofit Institutions</td>
<td>JHU/SAIS Bologna</td>
</tr>
<tr>
<td>Mutals and Cooperatives</td>
<td>University of Valencia</td>
</tr>
<tr>
<td>Social Ventures</td>
<td>Centre National De La Recherche Scientifique</td>
</tr>
<tr>
<td>Individual activity without pay</td>
<td>JHU/SAIS Bologna</td>
</tr>
</tbody>
</table>
Two Key Conclusions

1. Enormous diversity/ambiguity

2. Broad consensus on 3 identifiable commonalities
   - Private-ness
   - Public purpose
   - Free will
4 identifiable “clusters” of potential Third Sector manifestations:

- Associations & foundations ("nonprofit institutions," or NPIs)
- Cooperatives, mutuals ("social economy")
- Social enterprises or social ventures
- Individual activity without pay ("volunteering," "the public sphere," or "civil society")

Sectoral blurring—Not all entities in these clusters may be in-scope of the Third Sector
Conceptualizing the TSE Sector

- Government
- Corporations
- Cooperatives & Mutuals
- NPIs
- Activity without Pay
- Households

Measuring impact. Enhancing visibility.
Satellite Account Handbook on Non-profit and Related Institutions and Household Volunteer Activities

Draft for expert review
August 2016
Chapter 6
Beyond NPIs: The Third or Social Economy (TSE) Sector
Two Sets of Tentative Defining Features

1. For ORGANIZATIONAL components of TS

2. For INFORMAL AND INDIVIDUAL components of TS
Organizational Components

1. Organization, formal or informal
2. Private
3. Self governing
4. Non-compulsory
5. Totally or significantly limited profit distribution
Organizational Components

1. Organization

- Institutionalized
- Legally registered

OR

- Socially recognized

(2008 SNA, para 4.6)
2. Private

- Not controlled by government
- Governing body can dissolve it on its own authority
3. Government control criteria

- Appointment of officers
- In control of basic mission
- Ability to assume financial obligations on own authority
- Degree of financing—not determinative
- Risk exposure

(2008 SNA, para 4.92)
The TSE Sector: Operationalization

Organizational Components

4. Self-governing

- In control of its general policy
- Internal governance procedures
- Able to own assets and engage in transactions on its own
Organizational Components

5. Non-compulsory

Membership:

- Not legally required
- Not coerced
- Not acquired by birth or status
- Can be terminated by member at will
Measuring impact. Enhancing visibility.

The TSE Sector: Operationalization

Organizational Components

**LIMIT ON SURPLUS DISTRIBUTION:**

- **TOTAL, OR**
  - **SIGNIFICANT:**
    - Explicit Social Mission **AND**
    - No distribution of more than 50% of surplus **AND**
      - Capital lock **AND**
        - Either
          - At least 30% of employees or beneficiaries with special needs **OR**
          - No surplus distribution linked to capital invested or fees paid (but reasonable interest OK)

Organizational Components

Binding limit on profit distribution:

- By legal status
- By governing document
- By socially recognized status
INDIVIDUAL COMPONENT

Volunteer household activities:

- Benefits chiefly others = WORK
- Requires meaningful effort
- Unpaid
- Not benefiting own household or close family
- Non-compulsory
THANK YOU!

For more information:

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