Elusive spaces and organisational forms: a partial recovery of the history of the 'third sector idea'

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Rough draft – not for quotation!

Abstract: The third sector is variously conceived of an institutional space between state, market and household or as a collection of organisations with particular values and structural characteristics. Against the backdrop of the recent growth of interest in the third sector, this paper begins by exploring the genealogy of the term from diverse work by writers such as Etzioni, Levitt and Bell in the United States during the 1970s. It then discusses how the term 'third sector' was rediscovered and gained wider usage during the 1990s as part of a wave of 'non-governmentalism' (Lewis 2005) that also encompassed ideas about non-governmental organisations (NGOs) and international development, civil society and democracy, and the role of the voluntary sector in the 'mixed economy of welfare' within industrialised societies. Some advocates stress the primacy of social ideas and values as the defining feature of the third sector, while others have taken a metrics approach to trying to measure its dimensions and growth. What all these terms/discussions have in common is that they form part of an increasingly ubiquitous way of framing institutional landscapes and policy parameters that rests on various versions of a 'three sector model' - whether in terms of the World Bank's 'good governance' agenda or the UK government's current vision of public service reform. The paper concludes with a discussion of the ways in which the third sector idea may still be an area of contestation between those who see it as an instrument for forms of neo-liberal restructuring between states and citizens, and those who view it as a site of resistance to such efforts.

Introduction

The concept of the third sector – variously conflated and often used interchangeably with overlapping, related and generally more widely-used terms such as the 'voluntary sector', the 'non-profit sector' and 'civil society' – has become an important organising idea in the ways in which many have come to think about society, economy and policy during the past two decades. For example, the UK government in March 2006, for the first time appointed a Minister for the Third Sector, Ed Miliband, who has quickly set about extolling the virtues of the sector both as a key agent of social service delivery within 'the mixed economy of welfare' and as a critical campaigning force within a democratic

society. Miliband was recently quoted in *Third Sector* newspaper[1] as saying to the third sector: 'Politicians, whether they are local or national, should understand, celebrate and respect your right to campaign - and understand that there is no contradiction if you are helping deliver services with a local authority and you are also campaigning against that local authority' (December 10th, 2006). As Kendall (2003: 1) writes

> In 2003, the voluntary, third or nonprofit sector occupies centre-stage in public policy discussions in the UK. Not since the late nineteenth century, when voluntary action was integral to contemporary concepts of citizenship, and the associated institutional infrastructure of charities and mutuals were the cause of considerable national pride, have organisations occupying the space between the market and the state commanded so much attention.

The economic importance of the sector is now considerable. In 1995, Kendall's data shows that the sector employed almost 1.5 million full time equivalent workers employed in what he terms the broad nonprofit sector, accounting for more than six percent of the economy as a whole – more than the 1.1 million employees of the National Health Service, the largest single employer in the UK. Turning his attention to the phenomenon of volunteering, Kendall shows that a total of 16 million persons volunteer in the UK, amounting to a further 1.7 million full-time employees if their hours are aggregated. The third sector is a considerable and arguably somewhat under-researched area of the economy in the UK.

This tide of interest in the third sector is also an international phenomenon, with organisations such as CIVICUS born out of the rediscovery of the ideas of 'civil society' among anti-authoritarian activists in Eastern Europe and Latin America during the 1980s, and the growth of the 'good governance' agenda of the World Bank and other international development agencies during the 1990s, which saw important roles for non-governmental organisations (NGOs) alongside states and markets (Lewis 2002). Within interdisciplinary social science research communities, the third sector has also become a major area of interest. Founded in 1992, the International Society for Third Sector Research (ISTR) is a flourishing inter-disciplinary field of scholars and activists with its own journal, *Voluntas*.

One may still argue that the study of the 'third sector' remains somewhat underdeveloped. For example, Najam (1999: 143) contrasts the surge of interest in the third sector with the relatively small amount of research that has been produced, pointing out that 'our conceptual understanding of this terrain is even more scant than the terrain is expansive', drawing attention to a literature that is predominantly 'descriptive', 'sectarian' and 'parochial' in character. In the same vein, Tvedt (1998: 3) has argued that

[1] The weekly UK paper *Third Sector* for 'charities, voluntary organisations, social enterprise' boasts a circulation of more than 17,000. Despite this newspaper's title, the term 'third sector' is not widely used by practitioners in the UK and most organisations discussed or writing within the publication use these other three labels. It would seem that third sector is an acceptable general 'umbrella term' by practitioners, but 'the voluntary and community sector' is far more widely used in the UK (while 'nonprofit sector' is widely used in the US, and 'non-governmental organisations' or 'civil society' in the international development field).

research in the field of NGOs lacks conceptual clarity and that 'definitions have tended to be normative and ideological or so broad as to make discussion and comparison difficult'.[2] Furthermore, the third sector is not an idea that has so far received much attention from social anthropologists, in part because it has remained in many ways a policy level concept. The recent (and otherwise very comprehensive) *Handbook of Economic Anthropology* edited by Carrier (2005) for example contains entry on the economics of the sector and indeed no mention of the term itself. In a sense, though, many anthropologists have long been concerned with the general landscape of the third sector(s), such as in studies of West African voluntary associations associated with rural to urban migration in West Africa in the 1960s, or in the anthropology of development agencies that has gained ground more recently (Lewis 1999).

The genealogy of the 'third sector' term

Despite the relative ubiquity of the third sector idea, the term itself is not itself widely known and its precise origins remain somewhat obscure. It seems to have begun life within the field of organizational studies, and first emerges within public policy discussions in the 1970s in the United States. It is usually assumed that sociologist Amitai Etzioni (1973) originated the term, but the management writer Theodore Levitt (1975) also wrote *The Third Sector: New Tactics for a Responsive Society* with a different emphasis and apparently independently of Etzioni's work. Not long after Daniel Bell refers to the third sector in his 1976 book *The Coming of Post-Industrial Society*, and some sociologists associate him with the term (personal communication, Martin Albrow). By the end of the 1970s, the 'third sector' had become more common, such as in Waldemar Neilsen's 1979 book *The Endangered Sector*, who argued that the sector was an undervalued private institutional space that was losing its private character and becoming over-dominated by the public bureaucracy in the US.

It remains Etzioni who is mostly closely identified with the term. Etzioni (1961) had set about analysing the reasons why people become involved in organisations, and the different kinds of power relationships that determine organisational forms. The result was a conceptual framework which set out three different basic types of organisational form, based around the concept of 'compliance' as a central element of all organisational structure. This was then used to explain the relationship between those who have power and those over whom they exercise it and determines commitment or alienation from the organisation among those involved. In his view, power relations differed in terms of the means used to achieve compliance which took one of three forms: *coercive*, which is the application or threat of physical sanctions (such as pain or restrictions on the freedom of movement); *remunerative*, which is based on control over material resources and rewards such as wages or benefits); and *normative*, which is based on the manipulation of symbolic rewards and

[2] The nature of the third sector varies strongly across contexts. For example, in relation to the economics of work, in the UK a paid job in the voluntary sector generally implies working at a lower rate of remuneration than in the public or private sectors, while in Bangladesh, a job in the NGO sector is likely to be much better paid than a public sector position.

deprivations, the use of the power of persuasion, and on appeals to shared values and idealism. While these types of power were not restricted to particular types of organisations, he argued that one will tend to be the dominant force in any one organisational case, such that 'most organisations employ all three kinds of power, but the degree to which they rely on each differs from organisation to organisation' (Etzioni 1961: 6-7).

Third sector organisations were highly diverse, but Etzioni suggested that they chiefly used degrees of normative power to achieve compliance. They built commitment of workers, volunteers and members and compensated them primarily through symbolic reward. This line of thinking has led to an idea of a third sector as a loose category of organisations that are not government or for-profit businesses but which are held together by the 'glue' of value-driven action and commitment. Najam (1996) shows how Etzioni's schema of three different ways in which organisations mobilise resources - coercion and legitimate authority (the state), negotiated exchange in markets (business) and shared values in consensus-based systems (voluntary organisations) can be used to argue that broad differences exist between these three sectors of institutional forms. Within policy circles, the discovery of the 'third sector' has been seen as having several possible purposes - as another potential delivery system for services, as an area of 'private' activity into which government can shift responsibilities, and as a public arena in which individuals can organise social action.

There was another line of thinking around the 'third sector' concept in the US, which placed more emphasis on the third sector as a collection of activist social change organisations. Levitt (1975) traced the emergence in the 1970s of increasing social activism - in the form of organisations and social movements - which were not just seeking 'specific reforms' as many had done earlier, but were pressing for 'a more responsive society' and seeking to change the behaviour of government, business and educational bureaucracies to a higher degree than they had in the past. These demands centred on a greater emphasis of quality of life over material goods, a more equitable distribution of resources, higher levels of public participation in determining what is equitable and through active interest groups and personal involvement rather than just through conventional politics. The new ground which he identified took many forms, including challenging the 'safe anonymity' and controlling functions of large scale bureaucracies in public and private sectors, a critique of normal bureaucratic 'professionalism' and the idea that government was often unwieldy and unresponsive to people's needs.[3] Levitt pointed out that policy makers and researchers had for too long focused only on the state and the market 'sectors' within a taxonomy that merely divided society into public and private - such that private was understood to be 'business', while 'public is presumed to be all else' (p.48) and that

> … that leaves an enormous residuum, which itself is divisible in many ways. … I have called this residuum the Third Sector … a bewildering array of organizations and institutions with differing degrees of visibility, power, and

[3] An parallel can be found in the participatory development movement embodied in the work of Robert Chambers (1994) whose ideas also centre on a critique of 'normal professionalism'.

> activeness. Although they vary in scope and specific purposes, their general purposes are broadly similar - to do things business and government are either not doing, not doing well, or not doing often enough. (p.49)

In the next section, we turn now to the broader political and institutional context in which ideas about the third sector have become prominent.

The wider contexts of 'nongovernmentalism'

'Nongovernmentalism' emerged as a dominant and influential ideology in the fields of public policy, including international development, during the late 1980s onwards and was manifested in an ideology that 'talked up' the roles of the third sector, NGOs and civil society. It was associated with the ascendancy of ideologies of neoliberalism that brought the discourse of privatisation, a disillusionment with states and state-led development, a set of new agendas of 'alternative development' (Lewis 2005).[4] Neoliberalism was a return to the preoccupations of an earlier economic liberalism in the nineteenth century which privileged the market as 'the proper guiding instrument by which people should organise their economic lives' (MacEwan 1997: 4).

This market-oriented policy agenda brought centre-stage the importance of market competition and theories of comparative advantage, and it shifted ideas about government away from national planning and state services towards markets and third sector actors. It envisaged a new 'enabling' role in which the role of government was to secure the conditions in which markets could operate more fully across a range of areas of social and economic life. For example, in the field of international development, an influential World Bank volume edited by Paul and Israel (1991) set out the reasons for the Bank's decision to begin 'an institution-wide effort to expand its work with NGOs' (Beckmann, 1991: 134). This decision was based on the recognition that states and markets had limited capacity to reduce poverty while NGOs had distinctive competences such as closeness to the poor, committed leadership and capacity to build access to services for the poor. This was the beginning of an explicit recognition of roles for NGOs within the unfolding neo-liberal development agenda, which had gained confidence rapidly following the end of the Cold War.

Interest in the third sector was also an outcome of the bundle of different ideas and approaches implied within new public management (NPM) perspectives (Ferlie et al 1996) that formed part of efforts reshape public administration from the 1980s onwards, based a set of broad ideas about linking efficiency and accountability. To varying degrees this thinking has been the dominant model of government reforms in widespread parts of both the industrialised and developing worlds. NPM has led to structural reforms and changes in practice which generally included the restructuring of the public sector through privatisation, the introduction of internal markets and the contracting out of

[4] In the development sector, for example, NGOs became seen by some as a kind of *tabula rasa* onto which could be projected a set of ideas about issues such as empowerment and participation and new forms of management (Lewis 2005).

public services to both market and non-market agencies (such as third sector organisations), a reduction in the overall scale of the civil service and the use of a raft of new managerial techniques for improving efficiency such as the use of performance indicators and incentives (Minogue 1998).

These ideas had obvious implications for increasing the role of the third sector within social policy. Ideas such as the purchaser/provider split in public service provision, the use of agency contracting in order to link performance and incentives, and efforts to improve accounting transparency based on quantifiable output indicators have all contributed to a changing policy climate in which new roles have been opened up for third sector organisations to become involved in service provision as government structure and roles have been redefined and reduced (Turner and Hulme 1997). The attraction of working with third sector organisations within this general paradigm is primarily one of improved efficiency, where they are seen as organisations that are more cost-effective vehicles for service provision in themselves, as able to reach certain sections of the population with specialised services, and in terms of efficiency gains from the 'synergy' which can be created between government and NGOs working in 'partnerships'. This type of thinking also carried a strongly functionalist logic. Third sector organisations were represented as having a set of comparative advantages in relation to public sector agencies such as cost-effectiveness, less bureaucratic operating styles, closeness to communities and reduced prevalence to corruption (Cernea 1988).

In Britain, the gradual shift in the 1980s and 1990s towards using private social service delivery with a reduced government role was termed 'the mixed economy of welfare' which has had uneven results in terms of the quality of provision, despite making more government resources available to the sector. In the developing world, the adoption of structural adjustment policies by African governments – for example - led to cuts in social services with the result that third sector organisations were left attempting to fill the gap. In Zimbabwe, church missions provide 68% of all hospital beds in rural areas, while in Zambia the third sector – which is mostly church-based – provides 40% of health services in rural areas. In Uganda, self-help initiatives in the health sector have emerged from below in recent years, while many rural schools are being managed and funded by parent-teacher associations despite being still nominally under the control of the state (Robinson and White 1997).

Is there value to the third sector idea?

The third sector idea has informed different types of research in recent years. The dominant one has the effort to quantify the third sector in order to show its growing importance and economic value. Considerable effort made in recent years to map and quantify the third sector as its growing importance has come to be recognised. The leading proponents of this 'metrics' approach to understanding the third sector have been researchers at Johns Hopkins University, where the 'comparative nonprofit research project' has since the early 1990s (after first developing a six point definition of the third sector organisation) been developing frameworks for data collection in both the

industrialised and developing worlds in an effort to measure its extent (Salamon and Anheier 1999).[5] The Hopkins study is in part derived from and supports the view of one of its originators, Lester Salamon, that there is a 'global associational revolution' underway that is driven both by the retreat of the state and by a rediscovery of the power of voluntary action to perform value-driven functions that neither the state not the market can produce.

Yet, as Deakin (2001: 14) argues, a more persuasive view of the value of the third sector is precisely one that emphasises its diversity and lack of coherence, making it almost impossible to build, impose or create by policy dictat:

> It is arguable that they key distinctive characteristic of the world of voluntary association lies precisely in the unpredictable character of the form it takes and the diversity of the functions it performs in different times and places.

For others, the concept of the third sector is seen primarily as a guiding metaphor (Wuthnow 1991) or a Weberian 'ideal type', which provides an analytical framework for discussing organizational and institutional relationships, but which rarely corresponds precisely with structures and practices on the ground.[6] Najam (1996) suggests that Nerfin's (1986) framework of three systems of power - the 'prince, the merchant and the citizen' - provides a useful 'way of seeing' by contrasting government and economic power with the power of 'citizens and their associations'.[7]

With both mainstream and more radical origins, the term 'third sector' can also be seen to be useful because it provides an analytical framework into which we can understand the values, practices and relationships of organizations that position themselves outside the realm of government agencies and for-profit business. Of course, such boundaries are in practice unclear and over-lapping, but it is in the analysis of these ambiguous boundaries that the 'rhetoric of the third sector' – as Alexander (2006) puts it - as part of a broader framework of neoliberal regulation can be understood. Hybrid forms of organisation are increasingly important within such processes. For example, Evers (1995) sees it not as a clear-cut sector, but as an intermediate area or 'space' between state, market and household. It exists within mixed systems of welfare in which a range of different kinds of organizations, including hybrid forms or new types of partnership, deliver services in new ways and challenge existing institutional arrangements.

As a guiding metaphor, it is also important to realize that while the concept is relatively new, the organizations of the third sector are not, and the concept may allow us to reinterpret existing studies and data in new ways. As Levitt (1975) points out " … despite

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[5] A wide range of up to date data can be viewed at http://www.jhu.edu/~cnp/

[6] There are increasing numbers of 'hybrid' organizations existing around the alliances and networks which spring up within changing institutional environments (Kramer 1995).

[7] While Nerfin (1986) asserts the moral superiority of the citizen, Najam makes no judgements at all about the relative values of these three different sectors, merely that they are different.

being ignored as a separate ‘sector’, a vast literature arguing about its forms and taxonomies exists”. For example, research by Smith and Friedmann (1972) - along with work by numerous anthropologists who have long focused on the organizational activity of communities in different parts of the world (Lewis 1999) - offers a relatively long and detailed history of thinking about the third sector, to which it is always useful to return even if such work is not presented within conceptual categories that are fashionable today.

Finally, as a term that is still not widely used beyond a small corner of international scholarship (notwithstanding the recent UK government’s make high profile use of it this year) or even particularly liked by many of those in the activist community, the term ‘third sector’ retains a certain potential analytical distance from its subject matter within a field in which heavily normative research agendas and labels tend to dominate.

Conclusion

This short paper has set out the somewhat obscure origins of the third sector term and briefly analysed some aspects of the broader ideological context in which it has emerged. With both mainstream and semi-radical origins, the term ‘third sector’ is useful because it provides an analytical framework into which we can identify a set of organisations, values and practices that identify with a set of conceptual distinctions in relation to government agencies and for-profit business, and an institutional space between state and market in which such activity takes place. In the face of a bewildering range of culturally specific and highly disputed terms such as civil society, the nonprofit sector, *l’economie sociale* etc that are currently in use, the third sector idea becomes one that can perhaps be seen as one that is less ideologically loaded than many of these others.

Finally, it is important to note that while a focus on the third sector draws attention to the ideologies and processes of neo-liberal restructuring around the world, it also – in a Gramscian sense – helps us to focus on the micro-politics of organising resistance and opposition to such forces. As Deakin (2001: 14) writes

> … some voluntary bodies have altogether different objectives of their own, which involve not implementing but resisting those agendas, in some cases to the point of civil disobedience or outright rebellion.

In this sense, the study of the third sector can be linked to wider economic and political forms, as well as to the broader economies of mutuality that characterise shifting boundaries between states, markets and citizens. While a key aspect of the ideology of ‘nongovernmentalism’ has been a conservative strain of populism in which third sector groups have been seen as essentially private, non-state protectors of the public interest, a new and perhaps more fruitful trajectory for researching the third sector will be one which understands it as part of ongoing debates about neoliberalism and globalisation, as both instruments of, and sites of, resistance to the transformations of principles and practices within these current paradigms.

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