

The Third Sector:

Reflections on Policy Developments

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Facts

- 5-7% of total employment in OECD
- Significant growth in economic importance of third sector, with 5% growth rates annually in some countries (90's)
- Increase in associational density
- Increase in number of foundations, assets
- Greater policy recognition
- Heightened expectations

Trends

- Demand for nonprofit services likely to increase, but also greater presence of for-profits and income-maximizing nonprofits
- Demand for nonprofits in public governance to increase, but also greater internal demands for greater accountability and transparency
- Demand for new forms of associability to increase social capital generation, but old forms declining

But also greater scrutiny, more uncertainty...

- Complex politics, legal debates
- Pressures on nonprofits (reduction in public budgets, commercialization, competition)
- Hybrids
- Nonprofit– business border, “new business model needed”
- Is legal framework still adequate?
- Transnational issues

Three main arguments / policy approaches (domestic, international)

- **New Public Management**
- **Neo Tocquevillian ideas / initiatives**
- **Social Accountability**

The rise of nonprofit organisations as service-providers as part of public-private partnerships and under the rubric of new public management and the rise of markets and quasi-markets in areas that have hitherto been part of the welfare state plus new needs.

(NHS in UK, reframing subsidiarity, US welfare reform, CEE, WB – NGO relations)

A simple equation:

less government =
less 'bureaucracy' =
more flexibility =
greater efficiency

(and perhaps greater effectiveness as well).

Whatever happened to equity?

The (re)discovery of civil society, and the growing awareness among policymakers that the very social fabric of society is changing.

(Call for civic renewal at national level / Active Citizen Unit, UK; civil society commission in Germany; UN/WB/EU stress civil society)

A simple equation:

more engagement =

more trust =

makes good citizens =

makes for better economy
and increases social cohesion

Whatever happened to ‘class
society?’

The role of nonprofits in governance

as part of a wider social accountability perspective that sees them as instruments of greater transparency, heightened accountability and improved governance of public institutions.

(party system seen as inadequate; NGOs watchdogs & whistle-blowers; participatory budgeting; WB public budgeting; TI)

A simple equation:

citizens demand of accountability =
more public accountability and
transparency =
better public sector performance =
good economy, social self-organization

Whatever happened to government
reform?

Key Policy Question

How can nonprofit organisations be efficient providers, neo-Tocquevillian associations and accountability enforcers -- ‘be all’ -- at one and the same time; how can they serve such functions beyond a certain threshold?

Does emphasis on one, e.g., service provision under new public management, come at the expense of the other, e.g., creating a sense of belonging and social trust, or can both be combined, and if so, how?

On to more basic questions

- The numerous government policy initiatives currently under way and being considered suggest a more fundamental policy shift whose ultimate objective is however not clear: what kind of ‘society’ and what kind of ‘community’ does Europe, the current/next US administration, New Labour or the Tories etc want?

WHAT KIND OF NONPROFITS FOR WHAT KIND OF FUTURE

... SOCIETY?

... WELFARE REGIME?

... POLITICAL SYSTEM?

FOUR SCENARIOS

- Here: European Union
- But similar diagnosis at country level
- ‘Caricatures’—but indicative
- Not either or, but clear tendencies

NPM-Scenario

- Nonprofits as a set of well-organised, corporate entities to take on tasks and functions previously part of national state administrations, but now delivered through competitive bidding processes and contractual arrangements that try to maximise the competitive advantages of non-profit providers in complex, Europe-wide social markets under some form of EU oversight.

Social Capital Scenario

- Nonprofits as the self-organising, ‘quasi-state’ apparatus of the 21st century, as part of a benign civil society, with high levels of individualism, participation and ‘connectivity’, that prevents social ills, detects and corrects them before they become ‘social problems,’ well-co-ordinated, at arm’s length, with and by a technocratic EU regime of minimalist national states?

Social Accountability Scenario

- Nonprofits as a source of dissent, challenge and innovation, a counter-veiling force to some form of European government ('super state') and the power of TNCs—a sector that serves as a social, cultural and political watchdog keeping both global market and state powers in check, a sector that creates and reflects the diversity and pluralism and dynamism of modern, European, even global society.

The Muddling Through Scenario:

Nonprofits are encouraged to operate in areas or problem fields that politicians find either too costly relative to payoffs (actual, opportunity costs) or inopportune to tackle themselves, which allows them to pretend that ‘something is being done.’ Nonprofits are the fig leaf for a political world unwilling to solve social problems in a serious way. Nonprofits under mild EC/state tutelage.

Which shall it be ...?

In conclusion

- Reconsider nonprofit – for-profit border as well as nonprofit – politics border
- Emerging organizations, groups, networks
- Hybrids (nonprofits in disguise, for-profits in disguise, true hybrids) and forms of cooperation
- Legal framework