Chapter 2
Defining and Theorizing the Third Sector

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Introduction

According to some, the third sector is by nature unsuited to singular definitions (Osborne 2008), and it has famously been deemed a "loose and baggy monster" (Knapp and Kendal 1995). There are reasons of both substance and terminology for this pessimism. First, the "third sector," often closely associated with the idea of civil society and voluntarism (see Chapter 3 by Håkon Lorentzen, this volume), is often thought of as having non-system qualities. Unlike the state and the market economy, it is something that can scarcely be subjected to detailed planning or regulated without it loosing some of its third sector qualities such as voluntary participation, value-based motivation, and independence from more institutionalized power structures. This naturally makes generalization about it trickier. Second, the term "third" itself betrays the idea of the third sector as a residual category for things that do not fit into two other "primary" and "secondary" categories – usually the state and the market. Residual categories are naturally prone to becoming loose and baggy. In practice "third sector" is used to refer to widely differing kinds of organization such as charities, nongovernmental organizations (NGOs), self-help groups, social enterprises, networks, and clubs, to name a few that do not fall into the state or market categories. In fact, a case could be made to refer to it as the "fourth sector" since communitarian groups such as clans and families and informal associations are also often excluded from the idea of a third sector (Priller and Zimmer 2001).

However, even if less rigorous theorizing makes the third sector look "loose and baggy," the reality of the monster is rarely denied. The idea of third *sector* suggests that these entities, however diverse, together make up a coherent whole – a sector with its own distinct type of social form and practical logic. But whereas the state has "state theory" and the academic subject of public administration and

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comparative politics to theorize it, and the study of markets has its own highly prestigious scientific discipline of economics, the "third sector" remains comparatively under-theorized despite some good efforts to the contrary.

This chapter aims to present a brief overview of existing definitions and theorizations of the third sector. It divides them into two main categories. The first puts the emphasis on definitions, while the second comprises approaches that theorize. First, those who aim to define the third sector seek to understand it as a certain kind of institution (or group of actors) with specific "third sector" characteristics. These "ontological" definitions of the third sector offer differing views on what it is made up of and what is excluded from this category. This category can be subdivided into an American and a European view (though no neat geographical division exists). The former sees the third sector as a discrete sector characterized by certain qualities such as civility, whereas European theorists tend to take "the hybrid view" that views third sector organizations essentially as mixtures of other kinds of social organization such as private and public, or hierarchic and anarchic.

The second approach conceives of the third sector not as an object out there waiting to be authoritatively defined but as a kind of societal process. These "epistemological" approaches (so-called because they look at the kinds of knowledge that they depend upon) include a variety of perspectives too. A systems theory view sees the third sector as a particular form of communication between different societal systems facilitating certain activities while obstructing others. Discourse-theoretical accounts view it as a form of ordering of people and ideas (e.g., a "governmentality"). Finally, a critical communicative civil society view of it as a zone of dialogue or struggle between diverse actors and holders of institutional power.

If the former ontological approaches are interested in defining what things "are," charting out their existence and finding methodology to uncover the truth of their being, epistemological ones tend to be concerned with how things (structures, organizations, or identities) come to be made real, defined, and authorized, and how different perspectives generate different understandings of them. Studying something epistemologically means interrogating the lenses, vocabulary, and practices it relies upon for coherence (Åkerstøm 2003). An ontological approach to the third sector assumes its existence as a singular and meaningful category, defines it as clearly as possible, and then gets on with the job of investigating what it is, how big it is, perhaps what the causal relations between it and other sectors are, and so on. This has the advantage of simplicity, facilitating the massing of empirical and statistical data. On the other hand, the risk is that one perspective among many possible is privileged. As Jenei and Kuti note, "different disciplines (economics, sociology, political sciences) have different foci on third sector organisations" (2008, p. 13). Economists focus on the non-redistribution of wealth generated, and sociologists on the value-driven motivation of the participants. We can add that different social and geographical settings tend to lead to different analytical perspectives. Laying down one definition necessarily excludes other ways in which the third sector is understood and treated. For the epistemologist the point is that all of the different takes on the third sector exist at the same time in the necessarily messy social construction of the field of the third sector. An epistemological approach would therefore focus on

how the third sector is generated, the position of observations that identify a third sector in a particular way, and what makes it possible to see such a thing in different ways.

Defining the Third Sector

Most ontological accounts of the third sector place it in relation to the state and the market. For Etzioni, who coined the term "the third sector" in 1973, in his "The third sector and domestic missions," it was an alternative sector separate from and balancing the state and the market, themselves considered separate sectors. If something is ruled neither primarily by market logic nor via a bureaucratic chain of command, it must be part of the "third" sector. Many current operational definitions follow this basic schema. For the British government, for example, "The term is used to distinguish such organisations from the other two sectors of the economy: the public sector ('government') and the private sector ('businesses')" (NAO 2009). According to a new textbook on social enterprises, a national economy can be conceptualized as having three sectors: the public sector, a private economy, and a third sector "with organisations established by people on a voluntary basis to pursue social or community goals" (Ridley-Duff and Seanor 2008, p. 1). This view is not restricted geographically to the United States – even though it has been widely associated strongly with researchers at The Johns Hopkins University in Baltimore, Maryland (Salamon and Anheier 1997).

Theorizing the third sector in this way usually goes beyond negative stipulations of non-state and not-for-profit. Without further criteria, a purely residual category remains dependent for conceptual coherence on the primary categories they "tidy up" for. This has led people to look for defining characteristics, as in the above textbook definition which adopts the idea of voluntary recruitment and the pursuit of social or community goals. For Etzioni the third sector is characterized by value-driven action and commitment from individuals operating within it. If the state ultimately achieves compliance via coercion and sanctions (or the threat of them) and market organizations work through rewards or remuneration (or the threat of incurring costs), a "third sector" exists without either of those two mechanisms instead relying on "the manipulation of symbolic rewards and deprivations, the power of persuasion and on appeals to shared values and idealism" (Lewis 2003, p. 328). Normative appeals and communicative rationality are considered dominant. In extension of this, for Salamon and Anheier, third sector organizations share five common characteristics:

> Firstly they are *organized*, i.e., they possess some institutional reality. They are *private*, i.e., institutionally separate from government. They are *non-profit-distributing*, i.e., not returning any profits generated to their owners or directors. They are *self-governing*, i.e., equipped to control their own activities. They are *voluntary*, at least in part, i.e., they involve some meaningful degree of voluntary participation, either in the actual conduct of the agency's activities or in the management of its affairs. (Salamon and Anheier 1997, p. 9)

The first of the above criteria distinguishes third sector organizations from private or informal ones such as family or friendships (the above-mentioned "fourth sector"). The second and third represent the earlier mentioned non-state and non-market criteria. In an "American" context, this tends to mean that the organization does not allow the generation of wealth for redistribution to those who run the organization, thus excluding cooperatives or "the people's economy" (see below). The fourth refers to independence, again implicitly from state or market actors.

The final stipulation of voluntary participation reflects the fact that the third sector has many of its roots in ideas about "civil society." Before modern times, civil society referred to the idea of a society ruled by law as opposed to patronage or tradition. These were termed "civil societies" also with reference to virtues of citizenship associated with the rule of law and political society. Civil society was therefore at one stage closely related to the idea of the state itself and political society that governed and ordered a society. However, today the bureaucratic logic of command and control of the state and the depersonalizing force of (global) markets are considered incompatible with a rejuvenated conception of civil society that has advanced since emerging as a key concept in Eastern Europe in the 1980s and in global protests and movements during the 1990s and after the turn of the millennium (Kaldor 2003). Some of the civic virtues central to earlier conceptions live on in modern definitions such as non-violence, the pursuit of shared public interests, adherence to value-based rationality, and strong reliance on communicative power.

One example of the civil view of the third sector is that chosen by the Centre for Civil Society at the London School of Economics:

> Civil society refers to the arena of uncoerced collective action around shared interests, purposes and values. In theory, its institutional forms are distinct from those of the state, family and market, though in practice, the boundaries between state, civil society, family and market are often complex, blurred and negotiated. Civil society commonly embraces a diversity of spaces, actors and institutional forms, varying in their degree of formality, autonomy and power. Civil societies are often populated by organisations such as registered charities, development non-governmental organisations, community groups, women's organisations, faith-based organisations, professional associations, trades unions, self-help groups, social movements, business associations, coalitions and advocacy group. (Centre for Civil Society 2009)

The "uncoerced" properties imputed into civil society are particularly interesting since this associates coercion with both the state and markets. It refers not to a free-floating power-free situation but to being outside a system of hierarchic state control and freedom from a market-driven imperative to generate or keep surplus value. Third sector organizations are therefore usually considered organizations that obey the "non-distribution constraint" that exclusively allows reinvestment of profits and not their distribution among the members and/or the employees (Jenei and Kuti 2008, p. 12). "Social enterprises" – key components of a third sector – are defined as organizations or associations that explicitly exist to benefit a wider community rather than private owners and whose pursuit of profits are limited to the purpose of reinvesting to further the social aims of the organization. A greater emphasis on economic risk-taking marks these out from other kinds of third sector organizations

such as the charity or the pressure group. But the stipulation that profits must be reinvested or distributed to a wider social purpose remains.

In contrast, a "European" definition of the third sector does not envisage separate sectors. The third sector or third system is thus conceived not as a corrective add-on to the blind spots of a market economy, but as a hybrid form of various kinds of organizations such as firms, bureaucracies, and kinship associations that "act as hybrids, intermeshing different resources and connecting different areas, rather than setting clear demarcation lines around a sector and mapping its size" (Evers 1995, p. 160). The rejection of the notion of sectors "avoids creating the impression that there is a clear line of demarcation between, on the one hand, the market place, the political arena and the community and, on the other, the Third Sector" (Laville et al. 1999, p. 5). This leads among other things to an inclusion of cooperative firms and the so-called people's economy that may be profit-seeking but are guided above all by social purpose. Organizations with strong links to (welfare) states are also included. Leaning more on this tradition, the British government's Office of the Third Sector views it as comprising "non-governmental organisations which are value-driven and which principally reinvest their surpluses to further social, environmental or cultural objectives; it includes voluntary and community organizations, charities and social enterprises, cooperatives and mutuals" (NAO 2009, p. 5). Some European researchers define third sector organizations as "organisations with an explicit aim to benefit the community, initiated by a group of citizens and in which the material interests of capital investors is subject to limits" (Defourny and Nyssens 2006, p. 5, quoted in Nyssens 2008, p. 87).

These two definitions are the most common and seem to produce a large amount of agreement concerning the type of organizations that make up the third sector, and as such they form the main basis of third sector research. Nonetheless, they suffer from some weaknesses. As a residual category, the "third" sector is always one (or two) steps behind in terms of primacy. It implies that the third sector is parallel to the first two while not being their equal. Defining the third sector in relation to the market and the state (as separate or hybrid) points focus toward its functionality vis-à-vis those sectors: nongovernmental organizations fill a service gap for welfare states; the "social economy" covers for failings in the market economy. If the fourth "private" sector of family and community is included, the third sector is again conceived in terms of its functionality for "cohesion" or "the family." This is why the third sector, despite its potentially subversive effects, is accused of being a "tamed" sector subservient to other societal forces, in particular neoliberalism (Kaldor 2002).

Theorizing the Third Sector as Process

An alternative approach is to view the third sector as a particular kind of process of interaction or communication between different sectors, usually the public and private sectors. Rather than looking for another "sector," similar or somehow equal to the state or the economy, this approach looks at what communicative forms allow

third sector organizations – be they social enterprises, partnerships, community organizations, or pressure groups – to form and function.

One strain works on organizational identity formation and emphasizes how identities such as "social enterprise" emerge out of interaction, negotiation, and shared processes of sense-making avoiding "the danger of making a particular organizational identity appear to be essential, to be the 'true self' of an organization" (Clegg et al. 2007, p. 498). Similarly, focusing on process, a public–private partnership is not like a contract that can be "had," but is a "promise to give further promises" – what Åkerstøm (2008, p. 4), using Luhmann-inspired systems theory, considers a "second order contract" designed to facilitate further forms of cooperation and interaction: "Partnerships provide an answer to the increasing differentiation of society. They link systems of communication in a way where new possible couplings are continually sought out … Partnerships constitute a machine of possibilities on the perimeter of multiple different systems of communication" (ibid, p. 5). In this view, third sector organizations are essentially processes of negotiation between citizens and political or economic agents. Their third sector quality lies in their viewing the world not according to the market logic of investment for-profit or a hierarchical logic of formal super- and sub-ordination, but in their ability to transgress such logics and provide identities and action possibilities while closing off others.

In a similar vein, but an overtly critical theorization of the third sector, is what I will call the "governmental" view. It has a longer pedigree and in its contemporary form tends to draw heavily on the work of Michel Foucault, suggesting that civil society and the third sector are not free of power or coercion, nor essentially dialogical, but on the contrary forms of power that to a large degree condition and constrain which actors can exist and what they can do and say. The idea of a "governmentality" described by Foucault (1978) is an interconnected system of discourse and techniques or institutions that allows certain practices to flourish and others to appear impossible, wrong, or just ludicrous. Neoliberalism has – using this concept – been viewed not as a purely economic system allowing "free individuals" to operate voluntarily in "free markets," but as a mentality and technique of governing that creates a certain kind of individual who is self-disciplining, adapted to market competition and consumption, and subservient to the social order that this depends on (Barry et al. 1996).

In this light, the third sector is not to be taken at face value as a power-free zone of non-coerced realization of shared values where authentic human communication can take place, nor as a zone of contestation. For a governmental view, both would be naïve. Discourses and institutions of civil society such as partnerships, private associations, or guilds form part of the power technologies through which a certain kind of governance is achieved. Usually the third sector is seen as part of – or even a tool for – the dominant liberal order in Western countries and the global Western conglomerate of international organizations and global civil society. For example, Sending and Neumann (2006) have pointed out how states use NGOs to implement their policies on population control. Lipschutz (2005) argues that a global governmentality is arising, whereby the state system deploys civil society or third sector organizations to further its state aims, for example, in environmental politics.

This view is reductionist in its own way, reducing the third sector to being a tool in the hands of an impersonal discursive project that orders society. But it is an epistemological view insofar as the third sector is seen not as something timeless or generically known by a distinct logic (such as that suggested by the civil or communicative views), since social forms and logics of behavior are beasts of changing dominant discourses of society. Where the European view has the third sector as a hybrid of market and state forms of organization, and the civil view has the third sector as one of communicative rationality, the governmental view puts it under the auspices of the dominant form of power. In Western societies this is seen to be a form of neoliberal, capitalist order. Third sector organizations are recruited to implement neoliberal policies of downsizing the state, disciplining the individual and family, and oiling the wheels of the economy; but that would change as the hegemonic societal formation changed.

In a third kind of epistemological approach, the third sector can be seen as a zone of contestation. This tradition draws on the likes of the Italian theorist Antonio Gramsci, who theorized civil society as a zone in which social forces vie for dominance: hegemonic blocks sparking their own counter-hegemonic forces and vice versa (Gramsci 1971). This allows for the possible dominance of society from a particular segment of society, e.g., capital (the narrative of the governmentalists), but also theorizes how change happens when other forces manage to band together and assert themselves. The third sector would, seen in this way, be a process – one of potential cooperation or conflict, depending on the social forces at work.

In a similar vein, Mary Kaldor has pointed to civil society as a process of negotiation or communicative interaction (not necessarily harmonious) between rulers and ruled, formerly in city states, then in nation states, and now in a global discourse between global governance and social movements: "Civil society could be described as those organisations, groups and movements who are engaged in this process of negotiation and debate about the character of the rules – it is the process of expressing 'voice'" (Kaldor 2002, p. 10). In an even wider sense, "civil society is a process not an end point. Moreover, it is a contested process ... the term offers a future direction which is not dictated" (Kaldor 2003, p. 14). Civil society becomes the dialogue (dialogical in the traditional sense of negotiating or in a more antagonistic sense of, for example, a strike or a protest) or struggle between bodies or systems in a society that otherwise operate on separate planes or according to mutually incomprehensible logics.

The "third sector," for Kaldor, denotes only one aspect of civil society, namely a relatively depoliticized part of it rather than such things as charities or NGOs that orient themselves wholly toward participation alongside state or market institutions. However, understood more broadly, a third sector process would be one in which communicative rationality – the force of the better argument – predominated over instrumental rationality and/or the force of tradition or coercion. This definition of the third sector would mean that social movements, anarchic eruptions, spontaneous protest movements, formal NGOs, cooperatives, as well as the chaos and cacophony of (global) civil society would be included – as long as they all furthered a deliberative process (verbally or symbolically).

Conclusion

Distinctions are always problematic because they pick out certain features and ignore others. On the other hand, that is precisely what makes them useful, provided they are used consciously and with humility. The existence of borderline cases or hybrids is often used as a way of discrediting a distinction but could just as well justify it: without a definition or theorization, we would have no way of thinking about how something is borderline and between which two types of entities it lays. A statistician would need a formal definition to lean on. Someone exploring the emergence or functioning of a given actor would do well to leave the formal definition open to begin with and explore how the entity in question is made to work and made intelligible by the actors in and around it. It would seem that the aim behind much third sector research is to find new and better ways of organizing human life. Rather than ossify an existing conception of what building blocks society is supposedly made of, those who deploy the term "the third sector" should be attuned to the changing relations between social actors, the way different kinds of organizations and ways of looking at those organizations condition what and who has which possibilities of acting. A processual view should therefore always at least accompany a formal definition, acknowledging and questioning the lens that produces the distinctions it relies upon.

Furthermore, that processual view should be open to different logics – not just harmonizing or logics of domination. The Gramscian approach has strengths in this respect. Of course it shifts attention in third sector research naturally away from service provision and onto political processes, highlighting pressure groups, interest groups, social movements, and resistance movements rather than charities, NGOs, or public–private partnerships. All the same, many agents, even service providers, often identified as "third sector" like social enterprises or charities perform a similar function seen through a process lens. A social enterprise links an economic sector dynamic to a public or political world goal that might otherwise be seen separate or even antagonistic and will also challenge/buttress each of its adjacent sectors. Cooperatives or ethical businesses may exert pressure on authorities or other companies to change their ways (and vice versa) – or they may lend legitimacy to each other. Pressure groups communicate directly between agents of particularist interest such as trade unions or business associations and the political system of representation, hierarchy, and bureaucratic control.

An open processual approach would make third sector research more than just the study of certain organizations or a particular sector of society. It would also make it a way to analyze the balance of social forces in a society (e.g., Katz 2006). It would also prevent the writing-out of subversive or revolutionary elements – something third sector and civil society research is often accused of doing; the African National Congress (ANC) of South Africa would have qualified as a third sector organization (until it assumed the reins of the state). At the same time, the identity of the third sector would not be lost. Only those processes aimed at governing the whole – affecting discourse between incongruous societal sectors – would be included; mafias or clans would not be included in the third sector, since they would

be governed by the drive for private gain rather than an ultimately political vision for society.

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