

The determinants of the growth and solidification of the Third Sector – A Comparative Analysis

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Abstract

With the proliferation of Nonprofit Organizations that fit, legally, in a Third Sector that does not belong to the State neither to the Market, it becomes relevant to analyze the impact of this sector on the current economy. Thus, the present study aims the analysis of the determinants which allowed the growth and the solidification of this Third Sector.

Special attention is given to the reasons of the development, size and importance of the Third Sector, being the diverse theoretical concepts and statistical data articulated and analyzed. Hence, after becoming prominent from different studies which variables justify the growth of the Third Sector (GDP, taxes, state intervention and poverty rates), we try, through econometric tests, to corroborate the existence of a positive relationship between them. It is observed that the active population, the growth rate of a country (measured by the GDP) and the size of agriculture indeed are crucial variables to the enlargement of the sector.

Although there are different theories and reasons for the growth of this sector, it is indubitable that this proliferation has multiple causes and had its heyday in the recent decades, with a significant impact on the economy and local and global development.

Key Words: Third Sector, Growth, theories, determinants

Introduction

The Third Sector, as a part of the economy of a country, has been gaining importance and visibility among the various characters of the European economic and political scenarios. As Fenger (2002) refers, the scientific and political community have given attention to the non-profit sector as a model of governance in the Welfare-State.

Authors' most recent analysis focus, most of all, the relevance and evolution that this sector has known, in what considers its importance in the economy, namely, through the production and distribution of services, in the creation and maintenance of jobs. Considering this, Anheier (2002) stresses that we should look to the Third Sector as a main strategy in a context of fundamental developments which we have noticed in the European society. In the decades of 80 and 90, such authors like Weisbrod (1998) quoted in Pevcin (2012) as well as Salamon and Anheier (1996a) stressed in their analysis about the Third Sector the microeconomic aspects, having as a main worry to understand the origin of this sector.

Reis (2003) refers that the Third Sector shows, nowadays, a significant importance, not only due to its qualitative expression but also because of its structuring character and its role in the economic and social life.

Although this sector is knowing a gradual growth, its concept continues to cause some doubts in the scientific and academic circuits, being essential to promote his affirmation in political and social sciences. **This** multi-definition comes from the fact of embracing "*an heterogenic and diffuse social reality*" (Quintão, 2004:28). Besides the wideness of the definition of the Third Sector being huge, his action field is, equally wide, not allowing a conceptual clarity and varying according to the *development and recognition, from country to country, due to economic, historical, political, social and cultural factors*" (Ramos, 2011:83).

In the reviewed literature about the Third Sector, emerge different explicative theories about the development and its impact in the society and its benefit to the global economy of a country. Because of that, will be also a goal of

this study to define determinants which justify this growth and, most of all, which explain the variability of the importance of the Third Sector in the different countries. We can state that doesn't exist only one cause to the growth of a so heterogenic sector as this one, thus we shall consider a diversified range of demographic, social, political and economic characteristics.

The third sector and the Welfare State models

In the ambit of the EU the Third Sector isn't uniform, where at Archambault (2009) preferred to aggregate in five clusters the various countries. These clusters are based in the organization of the civil society and according to the political, social and economic context of each country. Archambault (2009) resorted to statistic data present in the study of John Hopkins Comparative Nonprofit Sector Project (CNP)¹ to aggregate countries. The theoretical approach of the clusters is centred in the three types of Welfare State which Esping-Andersen² defined. The social protection is rooted in the most part of the European Countries, whereby its successive changes and its consequent crisis allow the growth of the Third Sector. Thus, in order to be possible to build an integral knowledge it is essential to associate the dimensions of the Third Sector of each country with the model of Welfare State present in it. Archambault (2009) defined the five dimensions about the volume of the Third Sector according to:

- Governmental relation, namely in what refers to the kind of governance (central or local), as well as the characterization of the tax rates (high or low);
- The more common religion and its connection to the Third Sector;
- The work market situation, namely unemployment rates, flexibility, security, giving special relevance to female employment (full-time or part-time) and to volunteering.;
- The proportion of the social protection in the GDP (national expenditure and the dominant social protection regime);

¹ The comparative study that took place in the John Hopkins University is a pioneer and systematic study about the dimension, the activities and the impact of the Third Sector in a global scale. However, this study received critics from several researchers because of have excluded cooperatives and mutual organizations, basing in the criteria of non-profitting. Thus, the study is considered inappropriate to the European reality and to other countries realities where the production and the commercialization support community needs.

² Gosta Esping-Andersen refer the existence of three models of Social Welfare, or using his own words *Welfare Capitalism* (quoted in Rodrigues, 2006), namely the Liberal Model (which includes such countries like United Kingdom and Republic of Ireland), the Social-Democrat Model (predominant in the Scandinavian Countries) and the Conservative/ Corporative Model (present in France, German, Italy, Austria and Switzerland).

- The composition of the Social Economy (to understand the volume of the Third Sector, its weight in the economy and if predominate associations, cooperatives and mutual organizations).

Later, this researcher confronted the five clusters with the statistic data of the CNP and with political, religious, social and economic visions of each country. Thus, the clusters which Archambault (2009) indicates are (see annex 1 - table with brief description of main clusters differences):

- Continental or Corporatist;
- Anglo-Saxon or Liberal;
- Nordic or Social-Democrat;
- Mediterranean or Emergent;
- Oriental or Post-Communist.

Archambault (2009) defends that these clusters must not be strictly followed, considering that they were defined as ideal models and not as a complete description of the reality. In other words, named countries in the clusters don't occur in tight positions, being possible to move them to other clusters.

From the analysis of the clusters, it is important to retain if it exists or not a “*converging movement*” (Archambault, 2009) between EU countries. We can verify that Third Sector organizations have been boosted, either by European Institutions (through funds application), encouraging local activities and actions and the transference of knowledge and good practices, or by civil society which organizes itself in order to interfere.

Archambault (2009) refers that a convergent movement has been observed in the political, social and economic context of the Third Sector, between EU Member-States. In the member countries, common tendencies have been verified, namely in a political level and in what concerns to the decentralization of govern action and administration. It is verified, also, a shift to the Third Sector of the economy, the growth of the global pressure over the social security systems and over public expenditure, the development of multi-national organizations and migratory trajectory inside the Europe. In a demographic level, are found also

similar tendencies, as the population aging, nativity low rates, growth of the female work strength, a middle class with high qualification and education levels. This convergence is consistent with the growth rates of GDP in more recent countries. We also notice the consistence of Social State models (bismarckian, beveridgian and assistance), conjugating itself in a welfare mix which potentiates the growth of Third Sector organizations and, subsequently, the damping of the state role. As we verify in the Nordic countries, the diminishment of public expenditure allows the constitution of new social players, namely the Third Sector organizations. According to Archambault (2009) it has been noticed some changes both because of these convergent movement, in the Mediterranean cluster and in lest cluster, in other words, these clusters have been melting themselves in only one cluster that resembles like the Continental and Anglo-Saxon models. In the other hand, the Continental cluster have become less corporatist, verifying the diminishing in the influence of social partners and of the consulting organisms and, contrarily, noticing an increasing preponderance of the neo-liberal spirit. In the Anglo-Saxon model, volunteering organizations will adopt a more influent role in partnerships with the central power. Even Nordic model will suffer changes through the instruction of characteristics from other clusters.

Reasons for the growth and solidification of the Third Sector

Current literature refers to the existence of multiple theories, especially interdisciplinary ones, pointing out some hypotheses and concepts on the proliferation of the Third Sector in the last few decades. In addition to the various explanatory theories, existing statistical data indicates that there are significant differences between countries (Pevcin, 2012).

You can't highlight just one reason for the growth of the Third Sector by which one can say that it comes from various forces, notably the failure of markets and governments to provide goods and services to all citizens, or, on the other hand, that it comes from the increasing "*pluralism and individual freedom*" (Pevcin, 2012:187) in societies.

Pevcin (2012) states that the assumptions, concepts and ideas constructed to date on the growth and importance of the Third Sector can be divided between approaches regarding the supply and demand side. The demand side is mainly associated with goods and services that are not adequately provided by the State and Market. In turn, the supply side theories stress that the scope of the Third Sector is related to the extent of available resources. In turn, Salamon and Anheier (1996a) aggregate the causes of growth and impact of the Third Sector into six theories. These authors point out that four of these theories were defined specifically for the Third Sector. However, the remaining two theories are borrowed from other sciences but are consistent with the characteristics of this sector.

- Heterogeneity theory

The heterogeneity theory, developed in 1977 by economist Burton Weisbrod, combines the persistence of the non-profit sector organizations with classical economic theories. Weisbrod (1988, 1998), quoted in Pevcin (2012), argues that the importance of the Third Sector is directly related to the heterogeneity of society. For Salamon and Anheier (1996a), this theory, also known as the theory of the failures of the Government and the Market, emphasizes that the Market itself has limitations regarding the production of public goods that

should be available to the entire population, whether they have the capacity to afford them or not. The failure of the Market to satisfy public needs is the justification, according to classic economic thinking, to the existence of the State, since it exists to fill the gaps left by the Market. The Government's failure has a higher impact in societies where the population diversity is greater and where there is a larger diversity of opinions about which public goods should be produced. This way, people tend to look for public goods, in the Third Sector, which the State and the Market fail to provide. Pevcin (2012) reinforces this hypothesis also referring that the theory of the government failure stipulates that the need for Third Sector organizations arises when, as a result, the State is not able to correct Market failures. And, once again, this failure is justified by the plurality of the population's needs and the difficulty in finding a universal agreement regarding them.

According to Salamon and Anheier (1996a), it is concluded that in countries where there is greater homogeneity in looking for services, the Third Sector is smaller than in countries where there is greater heterogeneity.

- Supply-side theory

The heterogeneity theory focuses on dissatisfaction concerning the demand for public goods as a result of the failure of the Government and the Market, forgetting the supply-side. So, this hypothesis was considered insufficient to explain the variability of the Third Sector originating the Supply-side theory. This theory states that it is essential to take into account the existing supply-side in society, in particular the structures of response to the needs of the population, created according to James (1987), quoted in Salamon and Anheier (1996a), by social entrepreneurs who took the initiative to implement those answers. These authors state that the creation of responses has been, above all, by religious oriented organizations, and there is even competition between them, so as to attract believers to their own causes. Thus, it is expected for the Third Sector to have a greater dimension in countries where there is fierce (diversity) religious competition.

Ben-Ner and Van Hoomissen (1991), cited in Almeida (2005), although considering the trust theory also defend the Stakeholder theory, expecting the quality of a "*particular service in a context of imperfect information to be assured by a group of stakeholders*" (Almeida, 2005:59).

- Trust Theory

This theory finds its genesis not in the failure of the Market but in the so-called breach of contract due to asymmetries in information access on behalf of consumers, since, according to Salamon and Anheier (1996a), consumers do not have the necessary information to define the quality of the goods and services provided. This may occur because the buyer is not the final consumer. According to Hansmann (1980, 1987), quoted in Salamon and Anheier (1996a), non-profit organizations, not being able to distribute the profits amongst the owners, promote greater confidence and are more predisposed to serve the needs of their clients. It is thought that contrary to lucrative organizations, non-profit organizations don't take advantages in lack of information to swindle the consumer. "*As it is not possible for the consumer to evaluate the quantity and quality of a particular service that he intends to acquire, non-profit organizations become more reliable, given the constraint of non-distribution of profits*" (Almeida, 2005:58).

Salamon and Anheier (1996a) propose therefore the following hypothesis: the bigger the degree of trust in the services provided by the Market, the smaller the size of the Third Sector. Besides, the higher the level of trust in society, the population will tend to use the Market services and, therefore, will not have the need to seek the services of the non-profit sector. Hence, according to these authors, the Third Sector will be bigger in economies where there is low confidence in the services provided by the Market.

- Welfare State theory

Welfare State theory considers the Third Sector as a "*residual category*" (Salamon and Anheier, 1996a:15). Thus, the conventional social state ignores the

importance and the role that the non-profit sector plays both historically and in current political debates. These theories see the non-profit sector as a *pre-modern mechanism* (Salamon and Anheier, 1996a) that manages social problems. According to Quadagno (1987) quoted in Salamon and Anheier (1996a), with the progressive advance of industrialization, there was an increase in public spending, in particular with certain social categories (children, disabled, elderly) and, therefore, fostered the reduction of traditional family roles. It can be concluded that the expansion or decrease of State intervention is, automatically, a result of economic and social development of countries.

Salamon and Anheier (1996a) point out that the greater the economic development of a country, the greater the State intervention in society regarding the provision of social services, and, consequently, the greater the role of the State, the smaller the size of the Third Sector.

- Interdependence theory

Both the theory of the Welfare State as well as the theory of the failure of the Government and Market underline that the relationship between the State and the Third Sector is confrontational, the latter being considered, at best, as a by-product of the inherent limitations of the State. On a more negative view, the State tends to socially dissipate the bases of pluralism and diversity. As Salamon and Anheier (1996a) state, you can't just analyze the relationship between the State and the Third Sector as a *conflictual paradigm*, but, from that, enhance interdependence and cooperation. Often, Third Sector organizations are actively involved in sectors that the Government itself cannot reach and give an appropriate response. In contrast, the Third Sector organizations also have several inherent limitations, so, in addition to the failures of the State and the Market, it can be pointed out that there are *flaws in volunteering*. These flaws relate mainly to *philanthropic insufficiency*, i.e., the difficulty of the sector in generating sufficient revenues to maintain activity, and to *philanthropic paternalism*, the difficulty that Third Sector organizations have to promote trust in society regarding their self-sufficiency.

Salamon and Anheier (1996a) point out that the higher the costs of a country with the Welfare State are, the bigger Third Sector will be. It is concluded that the State is a partner of the Third Sector in the production of *quasi-public*³ goods, complementing each other.

- Social Origins theory

The Social Origins theory states that the relationship between the State and the Third Sector, mentioned in the interdependence theory, is neither linear nor uniform. Salamon and Anheier (1996a) argue that the scale of the Third Sector is a product of the existing relations between the various social classes and key social institutions. These authors point out that there is more than one way to justify the importance and magnitude of the Third Sector. From the models of social welfare that Esping-Andersen developed, already mentioned before, and incorporating the Third Sector in these models, it is possible to identify four distinct models of development in this sector. Thus, Salamon and Anheier (1996a) identified four Third Sector regimes, each characterized not only by the role they play within society but by the position they occupy in it. The four non-profit regimes are statist, liberal, social democratic and corporatist, crossing *"two key factors: the level of public spending with social welfare and the dimension of the non-profit sector"* (Almeida, 2005:63). The statist regime is characterized by controlling social welfare, so social public expenditure and development of the Third Sector is constrained. In turn, in the liberal regime dominates a low level of social public expenditure so the Third Sector has a large dimension. In the social democratic regime the Third Sector organizations are not significant in the production of public goods which are provided mostly by the State. Finally, in the corporatist regime, both social public expenditures and the Third Sector are big, and there is a cooperative effort between the State and Third Sector organizations, where *"growth of one is associated with the growth of the other"* (Almeida, 2005:63).

³ Pevcin (2012) uses the term *quasi-public* to refer to goods that are produced by the Third Sector in partnership with the State.

One of the flaws presented in the social origins theory is that, although it incorporates historical factors, it does not emphasize the evolutionary processes of the Third Sector.

Almeida (2005) states that most studies that purport to explain the growth of the Third Sector and its different dimensions from country to country emerges within the neoclassical paradigm, being that their explanations are based on microeconomic fundamentals. Undoubtedly, studies contributed to the analysis of the Third Sector, although, *"their explanations are often biased, ambiguous or even contradictory, when confronted with empirical analysis"* (Almeida, 2005:57).

For Almeida (2005), the above theories were developed taking into account the characteristics of American society, which makes them inadequate to the European reality, since there are different characteristics between the two Continents.

As already mentioned, these approaches focus on microeconomic aspects, ignoring the macroeconomic factors that justify the importance and the role of Third Sector organizations in the economy of modern societies. There are still gaps in these theories regarding *"the evolutionary dynamics of the Third Sector, its size or its variation from country to country, the distribution of production activities, its role in job creation, relations with the State and other sectors of the economy"* (Almeida, 2005:60).

Table 1 - Synthesis of reasons explaining the emergence / growth of the Third Sector

Theories	Authors	Variable	
Heterogeneity Theory	Weisbrod (1977)	Market failure	> More population diversity (heterogeneity)> Third Sector
Supply-side Theory	James (1977)	Response structures to the population's needs	> Religious (diversity) competition> Third Sector
Trust Theory	Hansmann (1980, 1987)	Contract Failures	> Trust of services rendered by the Market < Third Sector
Welfare State Theory	Quadagno (1987)	Weight of the Welfare State	> Economic development of a country> State intervention <Third Sector
Interdependence Theory	Salamon (1995)	Failure of the State and the Market	> Spending on welfare> Third Sector
Social origins theory	Salamon and Anheier (1996a)	Social classes and responses	The size of the Third Sector depends on the type of <i>non-profit regime</i>

According to Anheier (2002), the growth of the Third Sector is due not only to increased demand for social services and by structural changes in society, particularly through the changing role of the State, but also the strengthening of a confident middle class and by demographic factors. Concerning the economic factors, the same author points out that the demographic development was, mainly, due to the generation of *baby boomers* which increased (in 1950) the services directed to children, the growing number of schools (1960) and universities (1970) and retirement homes and daycare centers for the elderly in recent decades. Consequently, there has been an expansion of the Third Sector due simply to the increased demand for services. Therefore, there is a clear expansion of these services along with the societal changes springing in European countries, particularly the noticeable transition from industrial to post-industrial society (Anheier, 2002). Grønbjerg and Paarlberg (2001) quoted in Pevcin (2012) reported that the Third Sector dimension depends on the social and political opportunities provided by the community. Thus, the supply-side factors are important in determining the size of the sector. These authors state that the correlation coefficient between the number of adults with Bachelor's degree and the number of Third Sector organizations is 0.49. In turn, Ben-Ner and Van Hoomissen (1991) emphasize that health is a key factor for all economic sectors of a country and, therefore, the Third Sector will be no exception.

These were not the only reasons that allowed the expansion of the Third Sector, but also significant changes at the political and ideological level, namely the political decisions which affect and channel the existing demand for the Third Sector. Thereby, this sector has a higher prevalence in countries where social measures put into practice a partnership between governments and non-profit organizations (Anheier, 2002). The mentioned partnership between government and non-profit organizations is typically characterized by "*complex contracting schemes*", (Anheier, 2002:2), in which organizations provide services with the

support of the State. The ideological change of the role of the State focuses mainly on the decrease of social performance and in the proclamation of a greater active citizenship, instilling the Third Sector with other roles. The State releases the exclusivity and responsibility of a number of services such as social security, cultural activities, educational and environmental programs. One cannot overlook the fact that some economic policies have in mind the privatization of public enterprises and branches of State. It is noted that, in recent decades, the political, economic and social space to and from the Third Sector has been resized, where various non-profit organizations and volunteers perpetuate, but also new manners of work and organization, both at a qualitative and quantitatively level. Society still expects the State to perform this role. However, this requirement has been declining, by which, as stated by Luksetich (2008), cited by Pevcin (2012), in the U.S.A., if you increase state subsidies by 10%, the number of Third Sector organizations increases by 3.8%, so there is a delegation of powers. Bielefeld (2000) also refers that there is a positive relationship between State spending at the social level and an increase of the Third Sector. That is, the Third Sector tends to increase its action and intervention in society when there is greater financial support of this area by the State.

Anheier (2002) poses a pertinent question: Where does all this energy come from? He responds pointing out that in the Third Sector there are entrepreneurs, employers, employees, clients and customers, but the feature that stands out is the self-organization, meaning that individuals present organizational capacities around interests and needs that do not complement each other in the Market and have no state-only guidelines. Civil society organizes itself in the making of collective actions with utilitarian purposes directed towards common good and social welfare. The Third Sector creates a heterogeneous institutional diversity in society and has an impact in the reduction and prevention of monopolies, in addition to increasing, the already referred, innovation and social cohesion.

According to the study by Chavez and Monzón (2007), Third Sector organizations resurfaced in Europe in the last 25 years of the 20th century due to economic difficulties experienced by the markets to give concrete answers to

various problems such as long-term unemployment, social exclusion, the weakening of rural welfare, the increased demand of urban spaces, health, education, pensioners quality of life and sustainable growth. The mentioned social needs were not being adequately addressed by private capitalists or public authorities and not even "*solutions from the self-adjustment of the market or traditional macroeconomic policies*" (Chavez and Monzón, 2007:15) could be easily found.

Empirical Analysis

In the empirical part of this work and after a comparative analysis of the different studies, we tried to find positive correlations between the different variables presented with the growth of the Third Sector. Therefore, we elaborated a sectional database covering 102 countries, which includes statistical data for the several variables.

Statistic data sources present in this study were removed from several international data basis, namely from Encyclopedia of the Nations which contains recent information about countries (www.nationsencyclopedia.com), from International Labour Organization (www.ilo.org), from the World Bank (www.worldbank.org), from Heritage Foundation (www.heritage.org), from Association of Religion Data Archives (www.thearda.com).

Reviewing the literature, following variable were defined, after put in a logarithm, due to their importance to the study of the Third Sector dimension. Therefore, has been defined as dependent variable:

- *lpop3sector* – Working population in the Third Sector, in thousands.

On the other hand, emphasized independent variables logged on are the following:

- *lpopactive* – Active population, in thousands;
- *lGDP* – annual GDP growth;
- *lGDPpc* – GDP per capita, in US dollars;
- *lagric* – agriculture percentage, GDP added value;
- *lservices* – percentage of the population working in the services sector, GDP added value;
- *lTaxBurdenGDP* – taxes percentage in GDP;
- *lpoverty* – percentage of people who live below the poverty line.

In order to establish conjectures, emphasis will be given to an investigation model described by equation 1. Estimations are made through multiple linear

regression method. Even more attention has been given to tests F and R2. The equation which will be estimated to study which are the Third Sector determinatives is the following:

$$lpop3sector_i = Const + \alpha_1 * lpopactive_i + \alpha_2 * lagric_i + \alpha_3 * ltaxGDP_i + \alpha_4 * lGDPpc_i + \alpha_5 * lservices_i + \alpha_6 * lpoverty_i + \alpha_7 * lGDP_i + e_i$$

Table 2 presents the results obtained from the estimates on equation 1.

Table 2 – Results – Dependent variable: population employed on the third sector)

Pop Third Sector	(I)	(II)	(III)
Lpopactive	0.8269169*** (0.0876099)	0.9171059*** (0.0540151)	0.9244783*** (0.0416748)
% lagric	-0.3144593 (0.3141635)	-0.3331433*** (0.1227151)	-0.2735984*** (0.0929324)
% taxburdenGDP	-0.5658929 (0.4709033)	-0.6296044** (0.2591059)	-0.5523171*** (0.1789537)
% lGDPpc	0.0562527 (0.0812817)	-0.0410867 (0.0556706)	-0.0350219 (0.0484869)
% lservices	0.3916583 (0.7370252)	0.0304325 (0.4747448)	
% lpoverty	-0.2666826 (0.2478049)	0.0695054 (0.1313541)	

% LGDP	-0.0984842		
	(0.2762428)		
Conts	0.0729419	-0.0373694	-0.13694
	(2.304078)	(1.731136)	(0.800425)
Number of Observations	23	60	72
R2	0.8963	0.8594	0.8872

Standard deviation in parentheses
Significance level: 1% (**); 5% (**); 10% (*)

In the table 2, more concretely in the estimations II and III is verified, considering the significance level of 1%, that independent variables with significant statistic coefficient are active population (lpopactive) and the share of agriculture (lagric). The variable taxes volume (ltaxburdenGDP) appears with an estimated coefficient with a significance value level inferior of 5% in the regression II on of 1% in the regression III.

Through Test F we can emphasise that several linear regressions present in the table 2 are statistically significant. The R2 allows us to realize that almost 90% of the variability of the dependent variable is explained by independent variables. This means that the working population in the Third Sector is explained by the active population and by the dimension of the agriculture.

The dimension of the employability in the Third Sector is strictly related to the larger number people in active age, happening that, when the active population raises, consequently, also population employed in Third Sector will suffer a raise. In what concerns the independent variable agriculture, analysing the coefficient (-49.93) is observed that exists a negative correlation, once that when population working in the agriculture raises, for its turn, population working in the Third Sector diminishes. To Pevcin (2012) the relation between poverty and the Third Sector is

negative and statistically significant, however, through data obtained in table 2, we can verify that the coefficient of this variable hasn't statistical significance.

Archambault (2009), in his study, divides European countries in clusters according to the dimension and characteristics of the Third Sector. To do this division, one of the variables that Archambault used was the governmental relation which is measured through taxes levels and the kind of governance. This way, we can stress that, to Archambault (2009), exists a positive relation between the dimension of the Third Sector and taxes levels practiced in the studied countries. Nissan, Castano and Carrasco (2010) reinforce, equally, that the greater the wealth is in a country, greater will be its Third Sector.

According to Pevcin (2012), there is a positive relation between income and the dimension of Third Sector, as we expected. This relation indicates that factors in the supply side, as well as the availability of its structures, contribute positively to the importance and to the socioeconomic development of the Third Sector. Corbin (1999) quoted in Pevcin (2012) concludes that the coefficient of correlation existent between income per capita and the dimension of the Third Sector is 0.50. Archambault also (2009) refer that a convergent movement at political, economic and social levels has been verified in EU member states, namely related to the growth of the Third Sector. This consistence comes out related to the raise of the GDP growth rates in the new EU members. In this study, the variables that refer to GDP annual growth and GDP per capita, in US dollars (IGDP and IGDPpc) have no significance.

Conclusions

As we could already perceive, Third Sector have verified a growing development through last decades and, most of all, have raised its visibility and importance with local communities. This growth has known some irregularities from country to country within, for example, of the EU. For what we can observe, the causes which favoured and disfavoured this expansion are several and change between countries.

From analysis made, come out some theories that point which variables explain the growth of the Third Sector, in the different countries. At a qualitative level we can stress the explanations based in the so called "*microeconomic American school*" (Almeida, 2005), which articulate the emergent initiatives of the Third Sector with the continuous failures of the State and of the Market. Also, the economic postmodern and neoliberal approaches where we can verify a negation of the interventionist state, namely a reduction of the role of the State in what refers to social protection. To neoliberal theorists, as Von Hayek, social order shouldn't be regulated by the economy and the mechanisms of the market should be above the direct production of the State. Neoliberal politic counters Keynes' theories of the social welfare, discrediting it. The neoliberalism reinforces the idea that social matters only refer to the civil society, so the State hasn't any obligation and reinforces the primacy of the individual over the collective.

Thus, in general, the Third Sector appears to fulfil these faults of the State and of the private sector, giving an answer to the needs and the problems of societies. Nowadays, the State is still considered the responsible entity by fulfilling these faults, being able to do it directly through its services or collaborating to the construction of a more cohesive Third Sector, promoting its professionalization and giving aid in form of financing and sustainability. Through the creation of partnerships, the work developed by Institutions of the Third State and of the State will have a greater impact in the society and in fighting its problems. Almeida (2005) refers to the theory of the interdependence to characterize the relation between the State and the Third Sector, existing cooperation between both. On the

other hand, Boaventura Sousa Santos (Ferreira, 2000) reinforces the idea that shouldn't exist a dichotomy between the State and the civil society, and they couldn't be conceived separately. Thus, this author doesn't abandon the idea of the Welfare State, considering that is its role to create conditions to the coexistence. *"If with the Welfare State the borders between State and civil society had become fainter, with the orthodoxy of the Welfare State crises came out the orthodoxy of the return of the civil society or the community."* (Ferreira, 2000:35)

In the several studies that we analyzed, with the exception for the estimations of this study, we can verify different dimensions of the Third Sector are related to wealth levels of each country (GDP). So, the Third Sector comes out with a greater importance in the countries considered as developed. The estimation of the GDP variable is divergent from the conclusions of previous studies, namely Archambault (2009), which stresses that the growth of the Third Sector is associated to the growth of the GDP. Also the study of Nyssan, Castano and Carrasco (2010) stresses the existence of a positive relation between the prosperity of a country, economic development and the growth of the Third Sector.

Through statistical analysis made, is considered that the Third Sector appears associated to the growth of the public income of a country, although in the study of Nyssan, Castano and Carrasco (2010) we can observe a raise of the Third Sector when the State increases public expenditure related with social security. These authors point that, although the significance level of this relation is low, it seems to exist relation and a partnership between public sector activity and non-profit sector, not existing a crowding-out effect between the variables. Pecvin (2012) suggests, equally, that doesn't exist the crowding-out effect, once that the relation between governmental outgoing (public expenditure) and the Third Sector is positive and statistically significant. Thus, we verify a relation of complementarity between the State and the Third Sector when occur faults in the State and in the Market.

Cunha (2007) refer that the economic variable can't explain, by itself, the growth of the Third Sector. Therefore, based on the analysis of the study of John Hopkins University, the author emphasizes that the *"Third Sector expanded and*

developed itself reflecting the relation which exists between social society and the State”.

The emergence of the initiatives of the Third Sector organizations occurred in the moment of the designated *“social matter, of worsening the impoverishment of the working class and the conscience of the limits to the progress resulting of a society characterized by severe social and economic problems”* (Quintão, 2004:3). Besides economic issues that the Third Sector implicates there are social dimensions which progress with the growth of the sector. Certainly the Third Sector activities influence values and the knowledge as well as interfere in human relations. Because of that, both directly and indirectly, Third Sector organizations become a main piece in the social capital and in the human development of a country. Considering the analysis made until the moment about explanatory causes of the emergence and rooting of the Third Sector in the contemporary society is considered relevant readjust these models to the perceived changes and to the knowledge acquired. *“It is necessary to look for an alternative paradigm to the dominant one, grounded in different methodological assumptions, in order to be able to go further in the understanding of the place and the role of the Third State in the contemporaneous economies”* (Almeida, 2005:64). As this author refers, when we proceed to the construction of a new paradigm related to the Third Sector it is essential to consider some assumptions. In other words, the Third Sector must be analyzed as an *“analysis unit socially built”* (Almeida, 2005:64), not focusing individuals who participate in institutional dynamics (micro level) nor spreading the vision only social and institutional scopes (macro level), which means, there should not be a dissociation of both elements. The Third Sector must be seen as whole, focusing equally its historical and evolutionary process and, analysing the social and economic contexts in which it is inserted, as well as its specificities. It is import to refer that we don’t want a thorough analysis to the historical evolution of the Third Sector organizations but the adequacy of this information to existent empirical studies or to the submission of new data. Being this sector a *“socioeconomic regulation mechanism”* (Almeida, 2005:64), it must not be analysed separately from the State and from its role, due to the existence of a permanent dynamic

between both. Throughout decades, the economic theory considered the State and the Market the only mechanisms of social and economic lives regulation of a country. Adding, the Market is seen as the main factor, fitting to State only to fulfil its faults. Laville et al (2000) quoted in Almeida (2005) redefined this dichotomist vision associating the three organization models of the economic activity namely the market, the redistribution and reciprocity⁴ principles, to three types of economy based in one principle: mercantile, non-mercantile and non-monetary. Thus, the Third Sector presents itself as a hybrid form found in the middle of these three types of economy. Lastly, a new approach can't forget that the various sciences should proceed to the joint analysis of the Third Sector dimension, due to its complexity, building connection points to a better scientific and academic income. It must be stressed that approaches built by microeconomic and neo-classic visions must not be abandoned, once they brought pertinent issues to the study of this sector and they continue to be relevant to the understanding of this phenomenon.

⁴ These three models were, primarily, thought by Karl Polanyi (1980) quoted in Almeida (2005) rejecting then in 1980 the dominant academic theories which considered only the State and the Market as economic regulators.

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ANNEXES

Annex 1 – Summary table of the Third Sector and the models of the welfare state

The data in the following table is taken from the study of Edith Archambault (2009), with the exception of the statistics regarding the unemployment rates, which are taken from the Eurostat website, referring to 2011.

CLUSTERS / BACKGROUND	Continental or Corporatist	Anglo-Saxon or liberal	Nordic or socio- democrat	Mediterranean or Emerging	Oriental or post- communist
	(Austria, Belgium, France, Germany, Italy, Netherlands)	(United Kingdom, Ireland)	(Denmark, Finland, Norway, Sweden)	(Greece, Portugal, Spain)	(Czech Republic, Hungary, Poland, Romania, Slovakia)
Government	Decentralized	Centralized	Centralized	Decentralized	Centralized
Taxes	Mean to High	Low	High	Low and Unclear	High
Main Religion	Catholic or Catholic / Protestant	Protestant UK Catholic Ireland	Protestant	Catholic (Ortodox – Greece)	Catholic or no religion
Labor Market	Low Flexibility	Flexible	Flexisecurity	Low Flexibility	Mean to High
Unemployment					

Rate		Belgium, France, Germany, Italy - 6 a 10% Austria, Netherlands – 4%	United Kingdom – 7 a 8% Ireland – 14%	Denmark, Sweden, Finland – 7 a 8% Norway – 3%	Greece – 18% Portugal – 13% Spain – 23%	Poland – 9% Romania – 8% Czech Republic – 7% Hungary – 10% Slovakia – 14%
Women Employment		Variable, Part-time	High, Part-time	High, Part-time	Low, Full-time	High, Full-time
Welfare Model	State	Bismarckian	Beveridgian / Assistantial	Beveridgian	Bismarckian / Beveridgian	Beveridgian / Assistantial
Third Sector		A significant number of cooperatives in the areas of health and insurance (except for Italy); Large number of associations established through the citizens initiatives; The foundations are recent and are growing	Consumers cooperatives Large number of associations based on voluntary Many foundations in UK, few in	Agriculture and Consumers Cooperatives; Mostly, recreational and cultural associations Many <i>grant-making</i>	Significant number of various cooperatives; Associations are recent, in particular those of the social The foundations are recent and are	Traditional cooperative related mostly to agriculture The associations are recent and, specially, with a recreational and cultural context; A significant number of foundations,

Ireland

Foundations

growing

created recently
