

Chapter 4

Third Sector: The Building of a Research Field



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Introduction

Definitions are key elements of the scientific undertaking (journey) (Swedberg, 2016). Tracing a boundary of meaning in order to distinguish what is inside and what is outside a specific research field, definitions change along space and time.

In the field of *civil society organizations* many definitions have been developed around the world, such as: (a) Independent Sector, Voluntary Sector, Nonprofit Sector (in USA); (b) Charitable Sector, Voluntary Sector (in UK); (c) Intermediary Sector (in Netherland and Germany); (d) Social Economy (in France, Belgium, Canada-Quebec). The recent tendency to gather the studies and research concerning the organized part of Civil Society under the label *Third Sector* seems to be more neutral and more easily recognizable worldwide.

The present chapter is organized as follows. The next section deals with epistemological issues arising when dealing with the tough question of definitions in social sciences. The third section analyses the terminologies used worldwide to indicate the sub-sector of the society encompassing what we can broadly refer to as civil society organizations. In the fourth section we illustrate and comment on four main approaches to definition in our research field. Finally, in the fifth and last section we present some concluding remarks.

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Epistemological Issues

When dealing with definitional or classificatory questions in the social science field once the examination of the literature on the subject has been completed, we may find ourselves faced with the dissolution or disappearance of the object of study. This *effect* should not be surprising, as when investigating phenomena of a “social nature”, we become aware that society is comprised of a fabric, a web of social relations incessantly self-substituting (Luhmann, 1990), which are temporarily consolidated around *nodes*, which are also endowed with limited stability. Thus, the more deeply one cuts with the “scalpel” of scientific investigation, the more one contributes to decomposing and fragmenting the “matter” that is being studied. Hence, the conviction of the necessity-usefulness of the task undertaken also matures and is strengthened because, if it is true that something is lost from the point of view of the overall (macro) framework, much is obtained in terms of increasing knowledge on partial aspects and in terms of opening up new viewpoints and conceptual angles from which, and through which, we observe the object examined.

This is the approach advocated by the North American sociologist R. Merton¹ on the different levels of knowledge and “ignorance” of human thought. In particular, the concept of *tractable ignorance* sustains us in the face of the ever-present temptation to abandon the path we have begun. According to Merton, in fact, scientific knowledge operates through a process of sedimentation and accumulation of information endowed with meaning, albeit with numerous discontinuities and setbacks, which leads to approaching from time to time ever wider aspects of reality with increasingly refined tools. The level of “tractable” ignorance is the one in which one “knows” what one does not know, that is, one “knows” what one must ask, to whom, and in what directions, in order to continue the investigation (what questions to ask, how to formulate them, etc.). It is the stage of advancement of human knowledge, with respect to a given field of reference, in which one becomes aware of the things that are not known, in which there is an awareness (re-recognition) of what one wants to know and study further (Morin, 1988).

A second set of reflections concerns the always *spurious* character of social phenomena, which is why every definition in the field of social sciences is always based on a process of *abstraction*, *differentiation* and *generalization* with regard to its object of study. The greater or lesser visibility and social perception of a *field of action* therefore rests more on the relations of force and influence of the actors and social subjects acting in it, than on intrinsic characteristics of the object of study or on the degree of development of the scientific discipline (Crozier & Friedberg, 1978).

In summary, it is argued here that the greater or lesser sophistication of the definition of a social phenomenon depends on the degree of institutionalization at the

¹R. Merton develops his gnoseological and epistemological approach throughout his scientific career. These reflections and insights have been published in a series of essays in numerous North American journals of sociology and social sciences. For a systematic compendium see Merton (1977, 1991, 1992).

societal level (of general society) of the relations and institutions that constitute it, and on the relative power of the social actors and forces that compose it.

Therefore, to move on to the theme of this chapter, it should not be surprising that the first two sectors, *the state* and *the market*, enjoy “clearer” and “distinguishable” definitions than in the case of the Third Sector whose boundaries, characteristics and peculiarities appear more “blurred” and “opaque”. As evidenced by the terminological aspect, that is, the fact that it has not yet been socially possible to find a single, distinctive term for the *Third Sector* that connotes it positively, as has happened instead for the other two.

Obviously, it is not a question of a state of affairs that can be traced back to constitutive traits of the three sectors, nor inherent in their peculiar nature, but rather the result of the balance of power between the social actors operating in them and of the way in which these relationships have come to be configured in a given social order in the social formations at an advanced stage of development.

That the analyses advanced above have a high degree of plausibility is evidenced by the evident gap between the “purity” of the definition of what has *been* and what is the *market* and the multitude of mixed forms, improper relations, spurious exchanges, which characterize the phenomenology of the actions and practices that take place daily within it. If, for example, we use some conceptual dichotomies that are widespread both in the scientific literature and in the political-institutional debate, and finally in public opinion, such as: public/private, formal/informal, as keys to reading-interpreting the dynamics that act within the three sectors, we immediately realize the distance between the definitions and their empirical referents.

In the various branches of the Public Administration, for example, which should be characterized by the public/formal pair, how many practices and institutional subjects are there whose action can be explained more in terms of the private/informal couple. And this is not because of exceptional or marginal or peripheral aspects and dimensions with respect to the system, which is supposed to maintain its own homogeneity and internal coherence of action, but for central and ordinary issues. There is as much “private and informal” in the public sector as there is “public and formal” in the market and in the Third Sector.

Therefore, all the observations that criticize, denying it, the possibility of recognizing the existence of a unitary sphere of action, in advanced societies, which can be called the Third Sector, as well as the possibility of arriving at an unequivocal definition, on the basis of the argument that the subjects operating in this supposed “third” are so different from each other as to hardly allow a common denominator to be glimpsed, they come up against the evidence that although the same is true in the case of the state and the market, they nevertheless have stable definitions with a certain degree of agreement.

To what extent, in fact, are a state-owned enterprise or a municipal company attributable tout court to the market or to the state, on the basis of its legal status or institutional form alone? Or, again, where does the boundary between the state and the Third Sector run in the case of voluntary associations with a high degree of

formalization and institutionalization? Or how can we break down or recompose the concrete work of cooperative enterprises in general and social cooperatives, in particular, on the basis of the market/Third Sector distinction? To which of the three sectors can a consortium be attributed whose membership is made up of public bodies, market companies and non-profit organizations?

These questions lead us to the heart of the issue that we want to address in this chapter, concerning the definition and structural characteristics of the organized subjects operating in the Third Sector.

The research and reflection that we intend to carry out below is based on the critical reading of specialized scientific production, with particular attention to the Anglo-Saxon context.

The intent is to propose a conceptual framework to support the hypothesis of the *social foundations* of any *definition* and *classification*. The basic idea is that every social formation elaborates and institutionalizes a description of itself, a particular way of reading and representing itself, which emerges from the play of actors and social forces that, at different levels of intentionality, guide its evolution and development. In the advanced West, it is only in recent times that it has been possible to differentiate a “discourse on modernity” that describes the internal dynamics of society in terms of the action of three autonomous and interdependent spheres of social relations: the state, the market and the Third Sector.

The first impact and the first sensation that arise in those who take on the burden of dealing with the growing national and international specialized literature on what, for the moment, we will label the Third Sector, is to be faced with a great variety of terminological meanings and definitions, which induce a sense of confusion and bewilderment.

But the attentive researcher who intends to carry out a detailed analysis and an in-depth examination of the various “meanings”, soon realizes how much there is in common, underlying, to the terminological diversities and how these are nothing more than the signal of historical and cultural peculiarities of the social formations in which they emerged and developed, rather than an indicator of original differences.

Another aspect that clearly emerges, after a detailed excavation and in-depth analysis, is that the various wordings, in reality, focus attention on one of the many facets and characteristics (properties) of organized subjects operating in the Third Sector. They are partial points of view on a complex social phenomenon and by their very nature they can only highlight some salient features, leaving them in the shadows or even ignoring (hiding) others (Morgan, 1989).

A definition appropriate to the object of investigation in highly contingency and complex societal contexts, at an advanced stage of development, can only derive, then, from the comparison and integration of the different perspectives assuming a sociological point of view. And this is what we propose to do in the following pages.

Third Sector Definitions' Approaches

In this section I will illustrate and critically analyze four main approaches aimed at elaborating a clear definition of the sector scientifically grounded.

Victor Pestoff: The Triangle of Welfare

The first theoretical framework I would like to comment on is the one elaborated by the US-Scandinavian scholar Victor Pestoff in the early nineties of the last century (1992). The framework went through several modifications and adjustments, until the final version published in a book of 1998, and it is to this version that I will refer in the proceeding of the section.

Pestoff adopt three main “guiding distinctions”² in order to illustrate the “space” of Third Sector organizations and activities in contemporary societies. Namely: (a) public/private; (b) nonprofit/for profit; (c) formal/informal.

The author utilizes the figure of a triangle to represent the configuration of a society in a specific time and space. The triangle is cut horizontally by the line “public/private” and diagonally from right to left by the line right “nonprofit/for profit”, and from left to right by the line “formal/informal”. In so doing the triangle is divided into three main areas: on the upper side there is the “public sphere”, meaning the sector of the public agencies (government, regions, municipalities, health authorities, etc.). On bottom the right side is the “market sphere”, that includes the entities that are private/for profit/formal: firms, corporations, enterprises, businesses, etc. On bottom the left side is the “community sphere”, that includes the relationships that are private/nonprofit/informal: what the German scholar Jurgen Habermas called “life world” (1984, 1987). In the center of the triangle there is a circle that crosses the three above mentioned areas that encompass the entities belonging to the Third Sector. Some of them are hybrid forms that share some characteristics with the public sphere or with the market or with the community. At the center of the circle there is a small upside-down triangle that represents the core elements of the Third Sector, meaning: associations (voluntary nonprofit organizations).

The framework (and the figure) is structured in a way that can be used in both a static (synchronic) and a dynamic way (diachronic). For instance, we can adopt it in order to describe the dimensions of the Third Sector and its relationships with the State, the market and the community in a given society at a given time (such as UK in the eighties, or France in the nineties, etc.). But we can also utilize the framework in order to analyze the modification of the sectors' societal configurations for a

²The concept of “guiding distinctions” (Luhmann, 1995, 1998, 2002) pertains to distinctions that drive public discourses in general and shape theory-building and empirical research in particular.

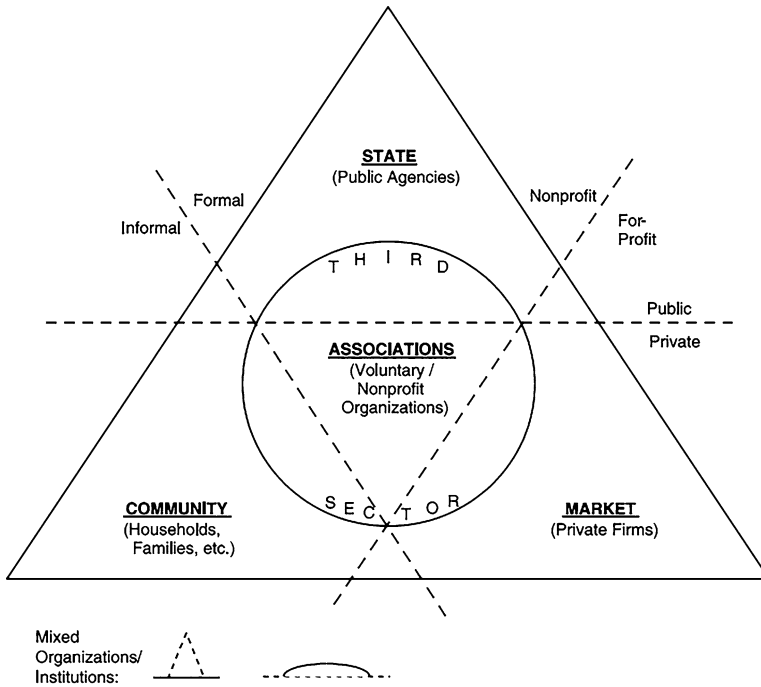


Fig. 4.1 The Third Sector in the welfare triangle (Source: Pestoff, 1998, 2005)

specific society in time (such as the situation of Italy in the nineties compared to the situation in the eighties, etc.).

In my personal opinion the theoretical framework elaborated by Pestoff is a very powerful tool both for a theoretical reflection and for the empirical research, even if it cannot be translated automatically in an operational definition able to guide the collection of data (Fig. 4.1).

It is in order to overcome this limitation that we will move on to analyze and comment the “structural/operational definition” elaborated by Lester Salamon and Helmut Anheier, more or less in the same period.

Lester Salamon: Comparative International Definition

In the beginning of the nineties, Salamon and Anheier launched the *Johns Hopkins Comparative Nonprofit Sector Project* (CNP) with the aim “to understand the scope, structure, and role of the nonprofit sector using a common framework and a

coherent, comparative approach” (1992a). The first phase involved 13 countries³ (Salamon & Anheier, 1994, 1997), the second phase of project work, cover 22 countries (Salamon et al., 1999) and 35 countries the third phase (Salamon et al., 2003).

The authors highlight the overall fame of the project in Working Paper n. 1 (1992a), the definition issues in Working Paper n. 2 (1992b) and the classification issues in Working Paper n. 3 (1992c).

Concerning the definition topic moving forward from the “first principles definition” elaborated by Knapp and Kendall (1990),⁴ introduced the “structural/operational definition” of the Nonprofit Sector (1992b).

This definition is based on five key features: (a) *Formal/Organized*, institutionalized to some extent; (b) *Private*, institutionally separate from government; (c) *Nonprofit*-distributing, not returning any profits generated to their owners or directors; (d) *Self-governing*, equipped to control their own activities; (e) *Voluntary*, involving some meaningful degree of voluntary participation.

The definition was very useful in order to establish a common framework in a comparative study at international level and it allowed the collection of a significant amount of data concerning the Nonprofit Sector around the world. But it showed also some limitations the most important being its “western cultural bias” based on the concept of nonprofit distribution that is typical of the Anglo-Saxon societal configuration.

Indeed, Salamon in the last part of his scientific career moved his interest to Europe and had to confront his framework with a cultural context that was quite different from the North American one.

That’s why in 2016 he elaborated an updated version of the “structural/operational” definition in order to include a set of Third Sector organizations typical of the European context, namely “social cooperatives” and “social enterprises”, that allowed a partial distribution of profit to their stakeholders (Salamon & Sokolowski, 2016) (Fig. 4.2).

The new updated definition that has been published also in an edited book by Enjolras et al. (2018) in my opinion does not modify the core rational of the original framework and it restricts itself to integrating a set of organizations that adopt a soft

³These include seven developed countries (U.S., U.K. Japan, Germany, France, Sweden and Italy); five less developed countries (Brazil, Ghana, Egypt, India, and Thailand), and one Central or Eastern European country (Hungary).

⁴The principles are the following:

- (a) it must be a formally constituted organization;
- (b) it must be an organization capable of self-governance;
- (c) must be independent from the State (public sector, government);
- (d) must be subject to the prohibition on the redistribution of any operating profits;
- (e) must benefit to some extent from volunteering and philanthropy;
- (f) must produce external benefits.
- (g) To these “first principles” usually in the international literature the following ones are added:
- (h) it must be a non-sacramental (religious) organization;
- (i) it must be a non-political organization (political party or trade union);
- (j) it must be a non-discriminatory organization.

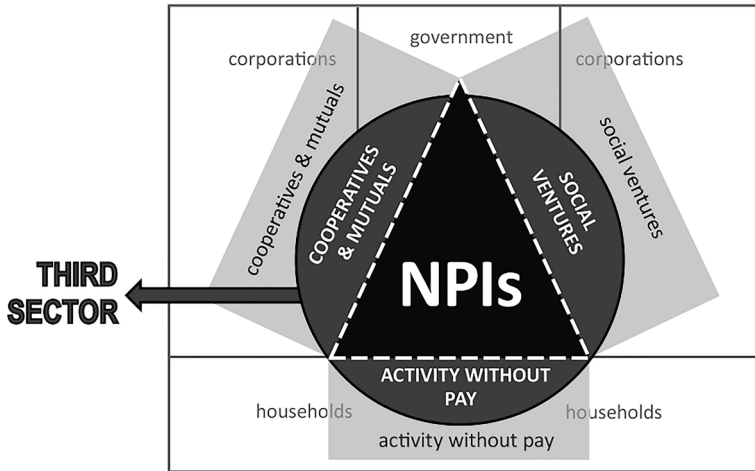


Fig. 4.2 Conceptualizing the Third Sector: a first cut. (Source: Salamon & Sokolowski, 2016, p. 1531)

version of the “non distributional constraint” in the previous frame. As we can see from the figure above the heart of the sector consists of nonprofit institutions (black triangle) at the periphery we can find cooperatives and mutuals (half circle on the left), based on the democratic participation of their members, and social enterprises (half circle on the right) meaning corporate entities with a social purpose with a partial (limited) distribution of profit.

Naoto Yamauchi: Multi Layers Definition

In a very interesting presentation *Challenges & Suggestions for Comparative Studies* Naoto Yamauchi⁵ suggests the hypothesis that a single encompassing definition of the Third Sector is impossible and eventually not very useful (Yamauchi, 2022). He sustains the idea to adopt a “multiple definitions” approach, meaning to have different definitions in relation to different research purposes.

He proposes to utilize at least four main definitions:

TS0 = *Non-profit institutions serving households* (NPISH) as defined in the Systems of National Account (SNA);

TS1 = Nonprofit institutions (NPI) as defined by Johns Hopkins *Comparative Nonprofit Sector Project* CNP (including NPISH);

TS2 = TS1 + Economic value of volunteering;

TS3 = TS2 + a part of cooperatives & mutuals, Social Enterprises (Fig. 4.3).

⁵ Given at the Plenary Session “Mapping the Nonprofit World. The Global Comparative Project” of the 15th ISTR International Conference in Montreal.

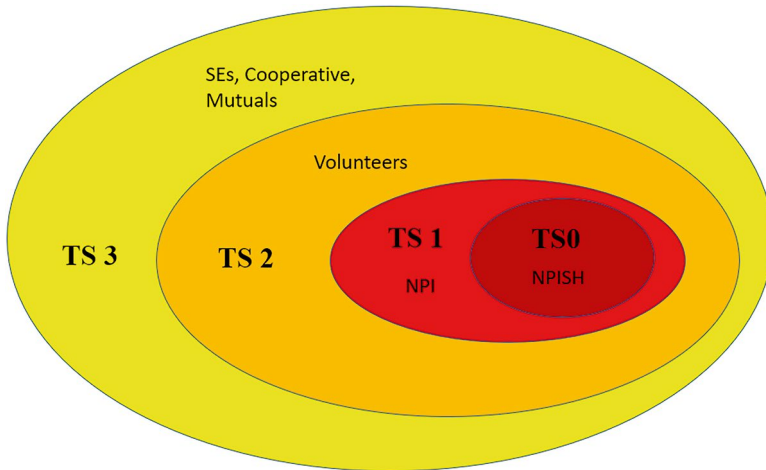


Fig. 4.3 Image of concentric circles for multiple definitions of the Third Sector (Yamauchi, 2022)

The basic idea is that at each definition the empirical reference is widening. For instance, the Third Sector definition n. 1 comprises the entities included in the Third Sector definition n. 0 plus other types of organizations. The TS2 definition encompasses the TS1 plus something else, and so forth.

I think that this proposal consists of a very flexible approach that can be adapted to different research purposes and institutional context around the world, given the different availability of data. Moreover, it is able to overcome several drawbacks of the previous definitions.

Helmut Anheier: In Search of a Synthesis

Recently Helmut Anheier in several writings reflects on comparative, cross-national research on the nonprofit sector (Anheier et al., 2020; Anheier, 2023). Based on the recognition of the institutional embeddedness of nonprofit organizations and their compelling relationship with the three institutional complexes of market, state, and civil society, Anheier suggest a reexamination of the definition and classification of nonprofit organizations.

The main aim of the effort is to elaborate “a comparative-historical research agenda informed by political science and sociology to complement the macroeconomic approach, largely based on national income accounting, that has characterized the field for nearly three decades” (Anheier et al., 2020, p. 648).

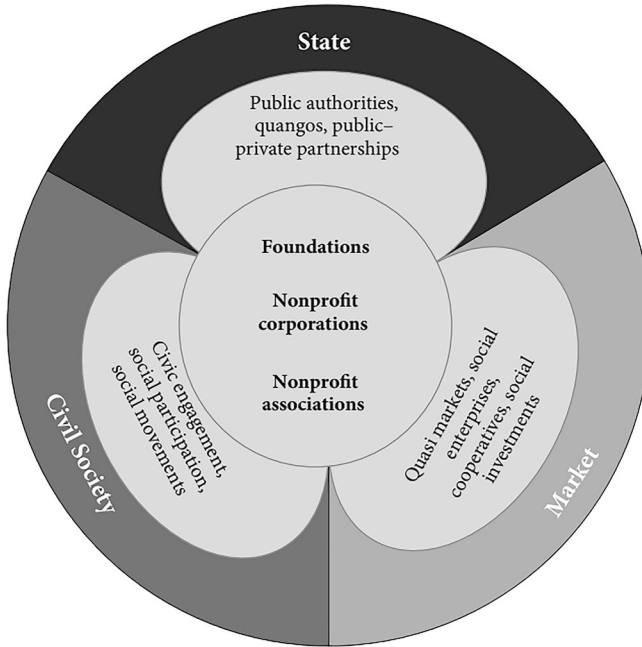


Fig. 4.4 Mapping nonprofit organizations and institutional proximities (Source: Anheier et al., 2020, p. 656)

Concerning the definitional issues Anheier recognizes the limits of the “structural/operational definitions”, he underlines that “The advantage of that definition is that it allows for aggregation and makes comparisons possible. The disadvantage is that it takes nonprofit organizations and sectors out of their institutional context. It is ultimately an artificial statistical unit of analysis good for economic mapping but deficient for other concerns” (Anheier, 2023, p.1116).

In order to overcome the drawbacks of this definition, he admits, it is necessary to elaborate a broader institutional mapping of the embeddedness of the various nonprofit entities, since they do not exist in isolation from the three institutional spheres operating in the society: the state, the market, and the civil society (See the Fig. 4.4 above).

His approach is quite similar to the one of Pestoff and moves the focus of analysis from a static description of the sector to a more dynamic picture of an ever-changing complex of social institutions (meso and macro) emerging from the overwhelming generative process, created by the networks of social relationships (sociability) operating at the micro level of society (informal sphere).

Final Remarks: Open Questions and the Future of Third Sector Research

There is no doubt that the set of definitions and terminologies trying to understand the complex organizations and activities that could broadly be indicated as *civil society*, comprise part of a family of “highly contested concepts” (Gallie, 1956), since often they involve a “normative dimension”.

This situation is not unusual in social sciences, given that the researcher (observer) and the object/subject of research (observed) share the same kind of knowledge, based on language. Human beings are sense-making and meaning-making subjects who try to interpret the world around them, to “explain” what they do not understand.

A scientific community’s level of agreement around its basic concepts and definitions is a clear indicator of the level of its development/maturity, its degree of internal cohesion and external recognition (societal legitimacy).

When building a new research field it is necessary to start with a broad and often ill stated/specified definition, to allow for a study incorporating a high variety of unit of analysis of the phenomenon. Progression/advancement of the research/study make it possible to refine and clarify more precisely the definition we were starting with.

The reflections advanced in this chapter, in my opinion, show that the Third Sector research field has gained a satisfying level of institutionalization, establishing a scientific community worldwide characterized by a core set of shared meanings (internal identity).

There remains much to do with the work of establishing definitions being a never-ending endeavor since society changes over time and space, creating new institutional configurations.

The concept of “Third Sector”, is neutral enough to allow a debate and a confrontation among different disciplines (differently from *civil society* that is a typical political science concept, or *social economy* that is clearly an economics concept) and different social, cultural and historical contests.

Its main limit is in being a “negative” definition, in the sense that it states what the sector is not (neither state/government nor business/market entities) instead of affirming what the sector purposively is.

Nevertheless, its main strength is located in its mid-range position in the “abstraction ladder” neither at the very top (too theoretical to guide empirical research) nor at the very bottom (too empirical to allow generalizations and comparison).

I challenge the new generation of scholars and researchers to “take the baton” and continue the endless undertaking of refining and specifying terms, concepts and definitions related to Third Sector organizations around the world.

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