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# THE THIRD SECTOR IN FRANCE

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## Abstract

*In France, like in other Western European countries, the third sector has been on a steady increase during the last decades. Similar to the situation in Germany, the French Third Sector is predominately financed by public money that is concentrated on those subsections which form the core of the welfare state: education, health and social services. However, public funding is currently being reduced and against this background, government and nonprofit-organizations are looking for new ways of cooperation. In other words, in France the partnership of the Third Sector with government is changing as well as its position and role in the French welfare mix.*

## Introduction

In the following the results of the Johns Hopkins Nonprofit Sector Comparative Project for France will be presented, thus outlining:

- the overall size of the Third Sector in France in 1995,
- its composition,
- its revenue sources, and
- its recent evolution.

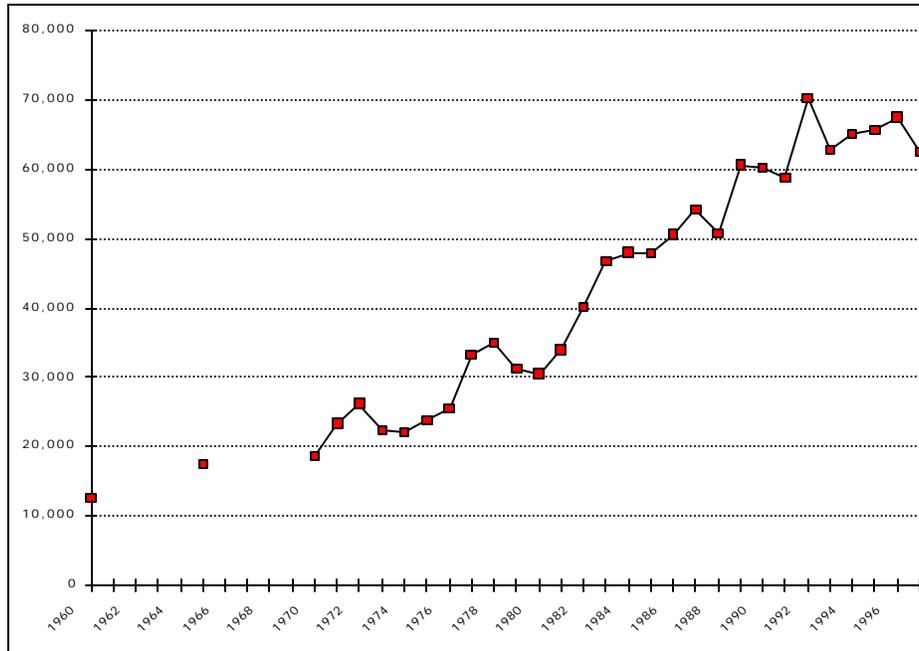
Thereafter, the Third Sector's central role in labour market policies will be discussed. In France, many new jobs, new markets and new skills have initially been explored by volunteer work. Combined with a trend towards professionalisation this knowledge served as a blueprint for paid labour. Moreover, the changing role of the nonprofit organizations as partners in a new welfare mix will be analysed. The recent *Assises de la Vie Associative* - a major event which gathered in February 1999 more than 2,500 nonprofit leaders,

many government representatives and eight ministers including the Prime Minister - was a kind of celebration of the government-nonprofit sector partnership. But beyond this temporary event the relationship is not so clearly defined and in some subfields it includes a newcomer: the for-profit sector.

## **I. Dimension of the French Nonprofit Sector**

As stated elsewhere (Archambault 1997 a, 1997 b), the French nonprofit sector developed only quite recently, associations - the generic form for most nonprofit organizations - being illegal during the whole 19<sup>th</sup> Century until a nearly centenarian act legalized them. During the 1960s and the 1970s the French Nonprofit Sector slowly grew in a context of state-provided welfare. More recently the decentralization of 1982 broke with a millenary Jacobin tradition which was a major incentive for the Third Sector to contract with local authorities. Graph 1 shows this recent growth: today between 60,000 and 70,000 associations are created per year, more than three times the average of the 1960s.

**Graph 1:  
Annual creations of associations, 1960-1997**



Source: Home office.

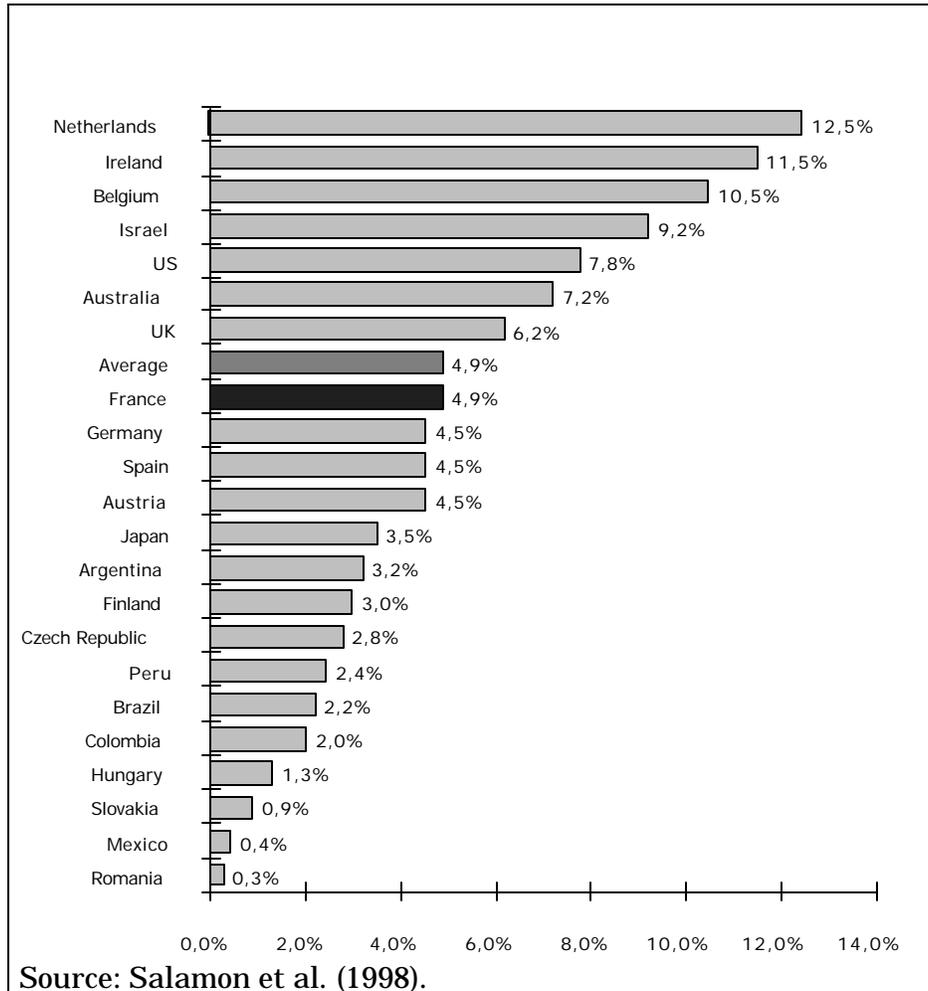
## A. Overall Size of the French Third Sector

In 1995 full-time-equivalent employment was 975,000 including religion and 960,000 excluding religion – that is 5 per cent of the total employment or the total agricultural employment or the total employment of all consumption-goods-manufacturing industries in 1995. In addition to this paid employment, millions of volunteers are working in the Third Sector. One French individual out of four declare to be a volunteer.

The total operating expenditures of the Third Sector in 1995 was FF 290 billion (44.2 billion Euro), which is the equivalent of the turnover of the public utilities industry or the mechanical engineering industry. These figures do not include the estimated monetary value of volunteering which would raise the sum by some 70 per cent.

Therefore, the economic activity of the French Third Sector - which is frequently a by-product of its social role - is significant and sizeable. In a comparative perspective France is a "middle weight" - graph 2 shows the nonprofit share of total employment by country. The French third sector ranks exactly at the average level among the 22 countries which were included in the statistical part of the project. Germany is in a similar position.

**Graph 2:  
Nonprofit share of total employment by country, 1995**



However, in comparison to other Western European countries, the French and German Third Sectors are developed below the average - due to the fact that education as an important area of nonprofit activity is primarily provided by public entities in both countries.

## **B. Composition of the French Third Sector.**

The structure of the French Nonprofit Sector in 1995 can be seen in table 1. The first column lists the organizations, or, more precisely, the percentage of establishments included in the SIRENE file, i.e. organizations which employ at least one salaried or which pay taxes. Out of a total number of nonprofit organizations which is unknown (maybe 800,000) about 250,000 organizations are included in SIRENE file. The other columns show the percentage of the total operating expenditures, the FTE employment, and volunteering (see above).

**Table 1:**  
**Structure of the French Nonprofit Sector, 1995**

Subsector/Group	Number of organizations (SIRENE file % of total)	Operating Expenditures % of total	FTE employment % of total	Volunteering % of total
Culture and recreation	41.6 %	15.5 %	12.1 %	46.7 %
Education and research	15.7 %	24.8 %	20.7 %	8.9 %
Health	2.4 %	14.5 %	15.5 %	3.4 %
Social services	20.7 %	32.8 %	39.7 %	15.7 %
<b>Total (the first 4 subsectors)</b>	<b>80.4 %</b>	<b>87.6 %</b>	<b>88.0 %</b>	<b>74.7 %</b>
Environment	3.2 %	1.0 %	1.0 %	8.7 %
Development and housing	3.8 %	4.4 %	5.5 %	4.0 %
Civic and advocacy associations	6.1 %	2.6 %	1.9 %	1.8 %
Philanthropic intermediaries	0.0 %	0.3 %	0.0 %	1.1 %
International activities	0.4 %	1.3 %	1.8 %	3.0 %
Professional associations, unions	6.1 %	2.9 %	1.8 %	6.6 %
<b>Total (the last six subsectors)</b>	<b>19.6 %</b>	<b>12.4 %</b>	<b>12.0 %</b>	<b>25.3 %</b>
TOTAL	100 %	100 %	100 %	100 %

There are five significant features of the French nonprofit sector:

1. From an economic point of view, the sector is concentrated on the core welfare activities – culture and recreation, education and re-

search, health and social services – which represent 88 per cent of the total operating expenditures and the employment of the third sector, 80 per cent of the organizations recorded in SIRENE file, and 75 per cent of volunteer work.

2. Just as the German Third Sector, the French sector is dominated by social services, and this domination has recently even been increased with the deepening of the economic depression in 1993. Nonprofit organizations run 55 per cent of the overall number of residential care facilities, with a quasi-monopolistic position in the field of disabled persons.
3. France has a higher percentage of Third Sector involvement in education than Germany has: about one fourth of the total resources of the nonprofit sector reside in the field of education. Catholic primary and secondary schools are over-represented in the western part of France where the Belgian, or Dutch, pattern prevails. All over the rest of France private schools frequently represent a second chance for children rejected by public schools. Culture, sports and recreation is also more developed in France. This subsector has been growing rapidly ever since the government started its policy of decentralization. Many small organizations - run mainly by volunteers - are mushrooming everywhere. Due to the fact that hospitals have been secularized, especially during the French Revolution, the percentage of Third Sector organizations active in the field of health is much lower in France than it is in Germany.
4. There is a contrast between those subsectors which are highly professionalized, like education, health and social services - where volunteer work still exists but at the margin, and where the division of labour is the rule - and those subsectors where volunteer work is the main resource, like culture, sports and recreation (which total nearly half of volunteering), or environment, international activities and professional associations.
5. Philanthropic intermediaries and, more generally, all kinds of foundations - grant-making, corporate or operating - are less numerous in France than in other industrial countries because they have been repressed for centuries. Before 1987, there was no law truly governing foundations and today there exist less than 500 independent foundations in France.

### C. Revenue Sources of the French Third Sector.

Table 2 and graph 3 show the overall importance of the three major sources of income of the French nonprofit sector: public funding, private earned income and private giving. With 58 per cent of the total, public resources have a large preponderance, coming primarily from social security, secondly from central government and last but not least from local government. Private earned income covers slightly more than one third of the total resources: commercial resources - i.e. fees, charges and sales - are the main component, followed by membership dues and finally, at a very low level, by investment income. Private giving is low: it covers only 7.5 per cent of the total resources of the French nonprofit sector, one half coming from individual contributions, the other half coming from corporate giving or sponsorship.

**Table 2 and Graph 3:  
Sources of revenue of the nonprofit sector in France, 1995**

Source	Amount (FF million)	%
<b>Public</b>	<b>166,000</b>	<b>58%</b>
<b>Private</b>	<b>121,000</b>	<b>42%</b>
- earned	99,000	34,5%
- giving	22,000	7,5%
<b>TOTAL</b>	<b>287,000</b>	<b>100%</b>

Private earned 35%

Private giving 7%

Public sector 58%

Source: Johns Hopkins Nonprofit Sector Comparative Project - Phase 2.

This support structure is typical of Western European countries. Table 3 shows that the nonprofit sectors of all Western European countries included in the Johns Hopkins Comparative Nonprofit Sector Project - except for Spain - are government-dominant in their funding structure. France ranks at a low-average position among these countries: the relative share of public funding is smaller than it is in Ireland, Belgium, Germany or the Netherlands, but higher than it is in Austria and the UK.

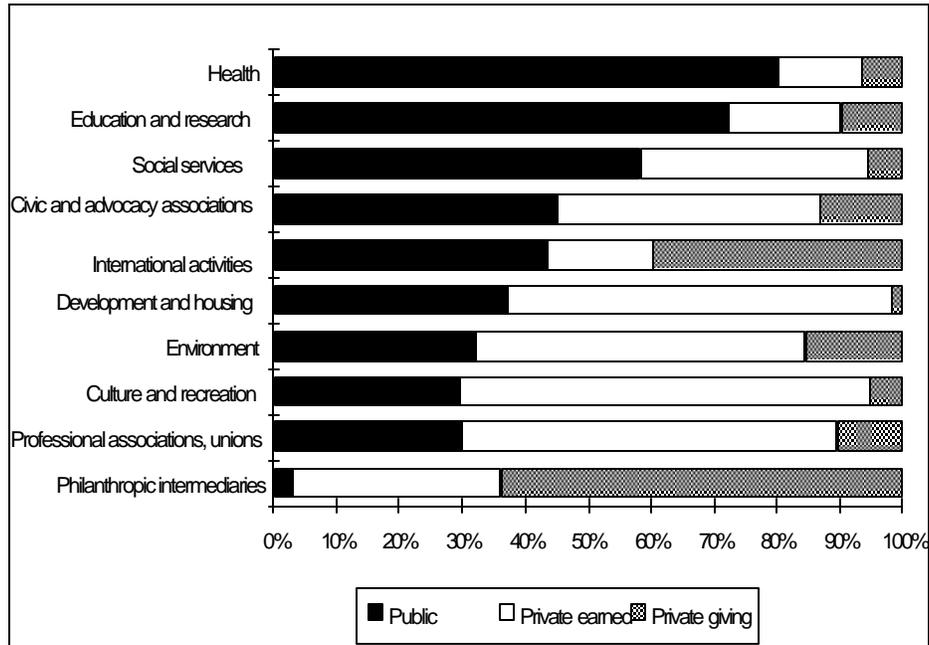
**Table 3:**  
**Sources of nonprofit revenue by country 1995 (19-country-average).**

	<b>Private earned</b>	<b>Public sector</b>	<b>Private giving</b>
<b><u>Fee-dominant</u></b>			
Mexico	85%	9%	6%
Peru	68%	19%	13%
Australia	62%	31%	6%
Japan	62%	34%	3%
Finland	58%	36%	6%
US	57%	31%	13%
Slovakia	56%	21%	23%
Hungary	55%	27%	18%
Romania	54%	11%	36%
Spain	49%	32%	19%
<b><u>Government-dominant</u></b>			
Ireland	15%	78%	7%
Belgium	18%	77%	5%
Germany	32%	64%	3%
France	26%	64%	10%
Israel	36%	60%	2%
Netherlands	<b>35%</b>	<b>58%</b>	<b>7%</b>
Austria	44%	50%	6%
UK	45%	47%	9%
Czech Republic	40%	43%	18%
<b>TOTAL</b>	<b>47%</b>	<b>42%</b>	<b>11%</b>

Source: Salamon and al. Johns Hopkins Nonprofit Sector Comparative Project – 1998

The overall composition of the resources of the French Third Sector hides a wide range of funding patterns among the subsectors as can be seen in graph 4:

**Graph 4:  
Revenue sources by subsector, 1995.**



Source: Johns Hopkins Nonprofit Sector Comparative Project - Phase 2

Health, education and social services are the only subsectors which are predominately funded by public money, they are also 'closer to the welfare state'. Other subsectors show a greater variety of sources of support: philanthropic intermediaries are mainly financed by private giving while commercial resources provide for culture and recreation, development and housing, environment and professional associations. For civic associations public funding and commercial resources are balanced and the same is true for international activities where public funding - coming mainly from the European Union - and private giving are balanced.

## **D. The Evolution of the French Third Sector (1990-95)**

Between 1990 and 1995, nonprofit employment has shown a rapid growth of 20 per cent, from 803,000 to 960,000 FTE wage-earners. This result is noteworthy because during the same period total employment has declined by one per cent. The counter-current trend of nonprofit employment has several causes:

- during this period of time male employment has declined while female employment has increased, today nonprofit employment is 70 per cent female.
- Moreover, employment has declined not only in agriculture and manufacturing but also in commercial and financial service activities. Only relational service activities, either market or non-market, have shown a growth in employment. Today nonprofit organizations provide mainly relational services: out of 157,000 jobs created by the Third Sector from 1990 until 1995 one half has been created in the social services and one sixth in the culture and recreation subsector.
- Finally, the Third Sector has played a pioneering role in the labour market policies as we will see hereafter.

During the 1990-95 subperiod, volunteer work has grown faster than paid employment, with a 10 per cent average annual growth. Its highest growth rate has occurred in the social services subsector. Against the background of the deepening of depression, volunteer work appears as a way to obtain results rapidly at the local level, while public policies appear to be inefficient

There has been little change in the composition of the nonprofit sector within five years; as mentioned before, the preponderance of social services has even been increased. The structure of revenue sources shows a slight trend towards the privatization of resources: a little less public funding, a little more earned income.

Against the background of the results of the Johns Hopkins Comparative Nonprofit sector Project the following section will focus on how nonprofit organizations are actively forming a partnership with public entities, specifically in health or social services.

## **II. New Forms of Partnership Between the Public Sector and the Nonprofit Sector.**

For the two last decades nonprofit organizations have been partners of a new welfare mix. Today they play also an increasing role in labour market policies. Of course these two points are linked. France – just as Germany – is generally characterized as a corporatist welfare state (Esping-Andersen, 1990): in order to acquire social rights an individual has to have worked previously during a minimum duration. Therefore, in such a welfare system long-term unemployment means poverty - at the same token the access to the labour-market represents the key for social rights.

### **A. The Position of the Nonprofit Organizations in Labour Market Policies**

During the last two decades nonprofit organizations have secured their position -within or outside the framework of public labour market policies - in order to help specific categories of unemployed people to enter or re-enter in the labour market.

One of the strategies of public labour market policy from 1991 onwards until today has been to offer part-time collective-utility jobs to young unemployed people or to the long-term unemployed. The wage bill is paid mainly by the government and symbolically by the recipient organization – be it a public agency, a local community or a nonprofit organization. The job must not compete with any regular paid job; training and supervision are to be ensured by the recipient organization and half of the worker's time is to be devoted to job search and continuing education. Under these specific conditions nonprofit organizations have created many jobs, but evaluation studies show that, after the helped contracts, many of the participants of these programmes fall back into unemployment.

In 1997 these collective-utility jobs have become reserved for severe social cases and more regular jobs – also paid mainly by the government - were offered to qualified young people (*emplois-jeunes*). Once more, nonprofit organizations acted as employers for these em-

plais-jeunes, but to a lesser degree than public education, the police or the municipalities, the main employers of qualified young people.

The nonprofit organizations have acquired a position as job providers also outside the framework of public labour market policies: from the early 1980s onwards some nonprofit organizations have specialized in "integration through an economic activity, called *entreprises d'insertion* (integration enterprises) or *associations intermédiaires* (intermediary associations). The *entreprises d'insertion* provide goods or services in activities either overlooked by standard businesses or in competition with them; the *associations intermédiaires* supply temporary manpower to non-market employers, households, nonprofit organizations or public agencies. However, for both organizations, the main objective is to help the most severely deprived people to join the mainstream and maybe to enter the standard labour-market through training programs and on-the-job training. These direct agents of employment policies deal with very difficult economic and social situations: unskilled school drop-outs, potential or former delinquents, alcoholics and drug-addicts. The main resource of these nonprofit organizations is the product of their economic activity but the time spent to train or follow-up the apprentices is compensated by tax or social contribution cuts and by grants. Evaluation studies show that the "integration through an economic activity" organizations have been more efficient than any other training programme in the 1980s but their scope was reduced by the deepening of the depression during the early 1990s (Gariazzo, 1998).

Beyond this role in the professional and social integration of frail populations, nonprofit organizations are also creating new job opportunities through their regular activity - whatever its field.

For example, quite frequently nonprofit organizations are founded - by young people eager to be self-employed or by former executives who have some capital of their own - for the purpose of testing a business project. The very simple legal status of associations is used as an incubator for enterprises: if the project proves to be viable, the "forprofit in disguise" achieves a legal business status, it becomes a corporation or limited liability enterprise.

But even more importantly, nonprofit organizations have been, are and will be pioneers in exploring new service activities which may become either market or public services or stay in the nonprofit sector. In this context a prime example is the Club Méditerranée that was at first a nonprofit organization of social tourism. Moreover, many professional football clubs were initially nonprofit-organizations. New skills are also frequently tested by volunteer work which turns into paid employment when the activity is growing, very often through public funding. This has been the case for social work during the interwar and postwar period and, more recently, for environmental jobs, sports, cultural management, training, or homework specialised in the aid of dependent people. The professionalization-cycle is marked by the creation of professional associations, by new diplomas testifying the new skills, and sometimes by collective bargaining. Let us note that two-third of the 22 new jobs created by the "emplois-jeunes" have first been tested in nonprofit organizations. In that sense volunteer work is a matrix or blue print of future labour, a testing area for flexible employment and therefore an important element of transitional labour markets (Schmid and Auer 1997; Gazier, 1998).

## **B. Nonprofit Organizations Are Partners in a New Welfare Mix.**

The development of a mixed provision system in the field of social services can be explained partly by a voluntarist policy towards decentralization which overcomes a thousand-year-old tradition of etatism, and partly by the initiatives of the nonprofit sector facing new social issues.

On the one hand, the Decentralization Acts (1982-1983) have redistributed the responsibilities between the state and local governments. New activities and new resources were transferred to local governments<sup>1</sup> who on their part contracted out the provision of many services. The nonprofit sector has been the main partner in the field of culture and arts, sports, education and training, and above all social welfare services outside the social security system. This has to be seen against the background of the welfare state being severely criticized - in France as elsewhere - for the inefficiency of public policies,

the weight of bureaucracy, the tendency to create irresponsible beneficiaries and their inadequacy to cope with evolving needs.

According to Ullman (1993), the "delegation to nonprofit organizations has been the result of the deliberate effort on the part of political elites to improve the functioning and extend the scope of both social service provision and of French democracy (...) it was an effort to right the imbalance between an overly centralised and insular state and a weak and fragmented civil society". Also public authorities have been overtaxed by a growing demand for more diversified social services and again it has been the nonprofit organizations who were able provide specific types of services to more consumerist users. Moreover, the nonprofit sector has been very innovative in coping with new social issues. Since the social security scheme only deals with a limited number of social risks it has been the Third Sector to first meet the needs of the handicapped, the rehabilitated alcoholics or drug-addicts, the pre-delinquent, the dependent elderly and so on.

More generally speaking, the Third Sector has coped with social prevention, social exclusion, and rural desertification at the local level because nonprofit organizations can mix social services delivery with advocacy far better than public agencies could do it. Nonprofits are also able to build new solidarity networks, for instance among the persons struck down by a rare disease or among the victims of the same natural or manmade disaster. Finally, they have access to specific resources such as giving and volunteering and to proximity saving networks or joint-ventures which again lowers their costs.

What kind of partnership results from this new welfare-mix? A labour division between the public and the nonprofit sector emerges according to which the state provides standard and basic services towards the whole population and also those services which are either highly medicalized or linked to regal functions - law and order or justice for example. The Third Sector provides personal and specialised services directed to minority groups and endangered populations or services involving moral support and the amelioration of family relations.

According to the subsidiarity principle - a newcomer in France - the bulk of resources of the nonprofit organizations providing these social services is coming from government at its different levels, with variations according to the subfields: public funding is higher for facilities and services intended for the handicapped while users fees cover a larger part for day care, elderly homes, or home care services.

The large-scale public funding in the field of social services is balanced by various regulations related to the creation, costs and activities of nonprofit establishments. Habilitation, accreditation, and agrément are different forms of contracts granted by the administration with a discretionary decision. They imply a control of the skills of the staff and of the quality of the delivered services. The reciprocal commitments are written down in those contracts. Nonprofit leaders regret that annual contracts can be revised by the administration unilaterally and ask for pluri-annual contracts which permit long-term planning. They also fear to become mere tools in the hands of public authorities. Conversely, central or local government ask for more accountability on the part of the nonprofit organizations.

While forprofit providers have been firmly established the health field for several decades now, they still play only a small role in the provision of social services in France. The one exception are homes for the elderly and home services where forprofits have been attracted by a more solvent population thanks to tax incentives. However, the competition between nonprofit and forprofit providers cannot be compared to the situation in UK, or Italy and tenders are not as common as in those countries. In France the trend towards "quasi-markets" was condemned by the present left government which criticized tax incentives for home services as favouring the wealthy strata of population only. Accordingly, the government reduced the tax incentives so that today private companies are no longer as interested in "proximity services" as they were three years ago.

Certainly the most interesting role of the nonprofit organizations in the welfare partnership is their recent involvement in the definition of public policies as it has been the case with the 1975 Law on Disabled People, the 1988 Act creating a Minimum Income, and the 1998 Law Against Social Exclusion. Nonprofit organizations are

considered to be the representatives of the underprivileged stratum of the population. Besides the labour-unions - which are the representatives of the workers - they are the advocates of the out-of-work just as they are the advocates of the "-less": the homeless, the identity-paper-less, the right-less, the stateless...

To conclude on the new welfare mix, nonprofit organizations are trying to meet some of the new challenges of the XXI century. Amongst those are:

- first and foremost the ageing of the population - by 2020 the number of dependent elderly is expected to be 1.2 million, nearly twice today's number. Community-care and continuing care will grow; they offer a trust-relationship and a co-ordination with the family which give a relative advantage to nonprofit organizations. Contrary to the German position, the French social security has not yet decided to cover the dependency risk and so the funding of dependency expenditures is a mix of various resources. Recently, some nonprofit organizations have also specialized in the tutelage of dependent people.
- The family policy is more and more oriented towards the conciliation of professional and family lives, and the nonprofit organizations have afforded many innovative responses to this problem. Their responses characteristically provide educational and recreational activities to the children and the youth during the out-of-school time.
- The social exclusion of unskilled young people and the urban deprived areas are also major social issues - we have seen above the role of nonprofit organizations in the social integration policy. Furthermore, the activities of immigrant nonprofit organizations aiming at equal opportunities for nationals and non-nationals in the fields of employment, housing, education, and social life are crucial for the fight against racist or crypto-racist behaviours.
- The growth of solitude in our society can be seen when comparing the successive population censuses. It is partly a consequence of the ageing of the population, partly of the growth of divorce and partly of the growing mobility of the population. This rising degree of solitude goes with less family solidarity and also less social rights, therefore it predisposes to poverty. By providing other

neighbourhood social ties, nonprofit organizations can play a great part in solving this new social issue.

- Finally, the Third Sector can help to build a social and citizen Europe as it is a pioneer on the way towards citizenship and everyday-democracy. Many nonprofit organizations are already involved in European networks, such as the Red Cross, the Caritas, or youth organizations. A European association legal status is on the agenda and European umbrellas appear step by step. Without any doubt the Third Sector has an important role to play in promoting civism and responsibility among its members and is able to balance self-interest - which is the basis of a market-based economic union - by a sense of public interest, shared with the future political institutions.

## Notes

1. Three levels of local government exist in France: 36,000 *communes*, 96 *départements*, 22 *régions*. Only the two first levels are active in social policies.

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