Chapter 1
Contextualising the Third Sector

ABSTRACT

This chapter defines the third sector, tracks the historical development and the contextual background of the sector and its governance arrangements. The history of the UK third sector dates back to the Act 1601, the Relief of the Poor, which offered relief to individuals who could not work, were cared for in alms houses or sent to work-houses (Murdock, 2006). Throughout the centuries, the sector continued to provide services for those that the state considered beyond its remit. With high unemployment and the reduction of welfare provision towards the end of the twentieth century the UK government developed polices to help third sector organisations to bid for contracts to deliver welfare, housing and community services. The chapter concludes with a discussion of academic perspectives on the existence of the sector and the distinctiveness between the third sector, private sector and public sector are explained.

INTRODUCTION

The third sector is a collective term used to describe those organisations which exist outside the public- and private-sector domains. However, there is a lack of definitional consensus of what organisations are classified as being third sector. To distinguish third-sector organisations from public-sector organisations, they are sometimes referred to as not-for-profit, non-statutory

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or non-profit organisations (Van Til, 1988; Kendall, 2003). Some are referred to as non-governmental organisations (NGOs), a concept often used to refer to international third-sector organisations engaging in overseas development work, where it is important they are separate from the national government (Vakil, 1997; Martens, 2002).

The UK government defines the third sector as comprising of organisations that are ‘nongovernmental; “value-driven” (concerned with purposes other than profit per se); principally reinvest surpluses to further those purposes’ (HM Treasury, 2005, p. 17). The ‘value-driven’ characteristics means that it does not matter what third sector organisations values are or how they relate to the organisations’ mission or purposes as long as these organisations are not profit oriented (and these values are shared with government). The literature suggests that the different terminology is associated with (1) an ‘exogenous’ approach to the definition of the sector in terms of its relationship with public and private sectors legal forms; (2) an ‘endogenous’ approach that views the sector by the core elements of ‘voluntary action’. This approach was used by the international study of third-sector organisations developed at John Hopkins University in the USA (Salamon & Anheier, 1997).

The United Kingdom HM Treasury (2005) definition would probably fit well with the definition used to describe the sector in the well-known Johns Hopkins University (Baltimore, USA) studies that quantified the sector size and structure, analysed its development prospects and evaluated its impact on society. The study was conducted with third-sector (non-profit) organisations in 36 countries across five continents. The study identified organisations that met the five key characteristics of non-profit organisations, as follows:

1. Organised, i.e., institutionalised to some extent. What is important is that the organisations have some institutional reality to them. Institutional reality can include some degree of internal organisational structure; relative persistence of goals, structure and activities; and meaningful organisational boundaries, that is, some recognised difference between members and non-members. What are excluded are purely ad hoc and temporary gatherings of people with no real structure or organisational identity.

2. Private. i.e. organisations those are institutionally separate from government. They are ‘non-governmental’ in the sense of being structurally separate from the instrumentalities of government. This does not mean that they may not receive significant government support or even that government officials cannot sit on their boards. What is
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