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Assessing the impact of the third sector in Europe: From concept to metrics. Progress on indicators and methods

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ABSTRACT

The third sector and volunteering have positive impacts on the socio-economic development in Europe.

However, systematic reviews of research do not support unconditional and general claims about improvement of health, wellbeing, innovation, social capital, empowerment, or economic development. Data are not produced systematically and robust analytical frameworks are missing. Policy claims both from governments and from the sector itself are largely based on intuitions that lack European standards and empirical grounding.

Only by using the best available sources of data and suitable methods, it is possible to understand under which circumstances the third sector and volunteering can have positive impacts. Our research shows that better health and well-being may be a result of who decides to volunteer, rather than an effect of volunteering. However, political engagement may increase as a result of volunteering. Among unemployed, volunteering may improve mental health and well-being, but only when there are generous welfare benefits. Variations in levels of engagement in charitable organizations between communities are primarily concerned with the social mix of individuals in communities, rather than the density of charitable organizations. These findings indicate that the impacts of the third sector and volunteering depend not only on the activities that take place, but also on the kind of support and conditions governments provide.

Social impact has become a high profile focus in policy strategy of European and several national institutions and agencies, including the EU Council. To make progress in this area, we need to further develop impact indicators and methods that can reliably identify causal links between third sector activities, their impacts and infrastructure elements by which they are significantly determined.

This TSI Policy Brief provides a definition of what is understood by the term “third sector impact”, summarizes the state of the art of the research, presents recent TSI research findings on the topic and proposes a framework for impact assessment methodology. Finally, in the conclusive paragraph, indications for policy driven actions and suggestions for practical cross/sector collaborations are presented. The Policy Brief is completed with a repertory of essential documentation. It is organized around the priorities for advancing the culture and practice of impact measurement, which can be achieved only by pursuing further collaborations between researchers, policy makers, statisticians, third sector leaders and practitioners.

DEFINITION OF THIRD SECTOR IMPACT

In the policy arena, the term “third sector impact measurement” is used rather recklessly to indicate a large variety of expectations and is often reduced to documenting outputs for evaluation purposes. This below is a cautionary operational definition that is appropriate for policy making.

Third sector impact means direct or indirect, medium to long-term consequences of the activity of volunteers or of third sector organizations on individuals or on the community, ranging from neighborhoods to society in general. Impact goes beyond and above the outcome that would have happened without the third sector activity.

THIRD SECTOR IMPACT: STATE OF THE ART

Research on impact of the third sector on other parts of society is scattered and inconclusive. Measurement of the sector’s size, structure and composition can take advantage of standardized procedures, definitions and typologies, such as the UN Handbook for Nonprofit Organizations in the System of National Accounts¹, and the ILO Manual on the measurement of volunteer work². However, there is no such handbook for impact assessment.

One reason for this lack of convergence on a set of indicators is that the third sector can have effects at individual (micro), organizational and community (meso) and societal (macro) levels. Moreover, the third sector can have impact on many social domains. The state of the art is therefore comparable to the normal situation in many other fields of social research. There are debates about definitions, procedures for measurement, and interpretations of findings. However, the research front is moving forward in different ways on different levels and domains.

Impact on individuals and on community: inequalities in opportunities to participate to be addressed

There is in particular a lot of research produced on the impacts of volunteering and of third sector organizations on *individuals and community*. Among the most often studied impacts are: need satisfaction, pursuit of interest jointly with others, employability, well-being and health, third sector pay and non-monetary rewards, civic engagement and democracy, community building, crime reduction and public health. However, a systematic review of this research shows that impacts are often assumed but rarely demonstrated. Furthermore, the positive impacts are not equally accessible or spread. Individuals who already have better well-being, health and social trust are more likely to be involved in the third sector. Groups and individuals with fewer resources or who are already less advantaged are less likely to become involved in voluntary organizations to promote their interest, satisfy their needs, or make changes in policy favorable to them. Moreover, the effects of voluntary participation are gendered and can also vary by age, employment status, income, type of association and type of involvement.

In short, third sector activity is not a simple solution to individual or social problems. Those that have the largest potential benefits of third sector impact are less likely to be involved, which represents a challenge

¹ UN Handbook on Nonprofit Institutions in the System of National Accounts, 2003 (UN Handbook).

² Manual on the Measurement of Volunteer Work, International Labour Organization, 2011 (ILO Manual).

for how to design third sector activities and support programs.³ This also makes it difficult to document the effects of third sector organizations and volunteering. People that choose to be involved may already have characteristics assumed to be possible impacts of the third sector, such as good health, well-being, and civic engagement. This raises challenges for the choice of research methods. To meet these, a coordinated European approach is of vital importance.

Impact on social innovation: contribution to systemic societal change to be studied

The potential contribution of the third sector and volunteering to *social innovations* can be seen at different levels. At the micro level they are an important element affecting the socio-economic development of societies by helping individuals in need, enhancing their capabilities and promoting well-being. Changing the form of governance, as well as the development of local communities can be distinctive impacts of third sector social innovations at the meso-level. Social innovations at the macro-level can prove their impact in evoking systemic change by transforming the ways in which society thinks and acts. Building new social relations is also a main component of the macro-level impact of third sector social innovations. However, further steps in measuring the impact on social innovations are required.⁴ This calls for specific research focused on third sector impact that will try out different approaches and indicators to detect their relevance, usefulness, and validity, which are still in an early stage.⁵

Impact at organizational level: existing tools inadequate for impact measurement

Analysis of impact at organizational level is often done by single organizations as a response to requirements by funders to prove the impact of specific projects. The organizations also want to attract donors and public support by presenting documentation with a strong stakeholder orientation. This kind of impact analysis is a rapidly growing field, using established concepts such as *Social Return on Investment* (SROI). A critical assessment of this particular method⁶ and consultations with third sector stakeholders, however, point to significant shortcomings of the SROI method.⁷

In the first place, it is not adequate for generalizing to the macro-level. The third sector consists of greatly heterogeneous constellations and there is no pre-defined sample of organizations. Therefore, the impossibility to refer to control groups or benchmark data renders counterfactual analysis impossible. Moreover, impacts that do not affect a particular stakeholder group do not come into the calculation, such as environmental or wider societal impacts on the macro-level. In addition, the SROI-analysis presupposes that all kinds of outcomes are expressed in a monetary value, often resorting to less than accurate proxies.

³ Kamerāde, D., (2015) "Third Sector impacts on human resources and community", TSI Working Paper No. 3 Working Paper Series No.134. Seventh Framework Programme (grant agreement 613034), European Union. Brussels: Third Sector Impact.

⁴ Baturina, D., Bežovan, G. (2015) Social Innovation Impact-review No. 9. Seventh Framework Programme (grant agreement 613034), European Union. Brussels: Third Sector Impact.

⁵ The project Impact of the Third Sector as Social Innovation (itssoin.eu) also funded by the FP7 Programme has a special focus on this.

⁶ Simsa, R., Herndler, M. & Totter, M. (2015) "Meta-Analysis of SROI Studies – Indicators and Proxies", TSI Working Paper Series No. 6. Seventh Framework Programme (grant agreement 613034), European Union. Brussels: Third Sector Impact.

⁷ Simsa, R., Rauscher, O., et.al. (2014) "Methodological Guideline For Impact Assessment", TSI Working Paper Series No. 1. Seventh Framework Programme (grant agreement 613034), European Union. Brussels: Third Sector Impact.

This is especially evident for some dimensions of particular importance for the third sector, such as participation and innovation, which tend to remain ignored because there is no consensus on indicators.

Volunteering is a good example to this end. In SROI, most of the data used are input-related indicators – in our case, the hours of voluntary work. This information is not suitable, in itself, for measuring the specific impact of volunteering. Furthermore, from this value the outcome that would have happened anyway - the so called dead-weight - must be subtracted, in order to obtain a separate reasonable measure of the impact that volunteering generates. The question that ought be asked is: What would have happened to the outcome without the engagement of volunteers?⁸ Further development of indicators of impact and methods for assessing the deadweight related to volunteering is an upcoming challenge for the TSI project and the scientific community.

THIRD SECTOR IMPACT PROJECT FINDINGS

Empirical research unmask some widely acquired beliefs

As we have seen from the literature review, it is difficult to identify the effects of volunteering or employment in third sector organizations because this relies on analyses of cross-sectional or longitudinal panel data where participation and impact have been measured simultaneously. People that choose to be involved may already have characteristics assumed to be possible impacts of the third sector, such as improved health, well-being, and civic engagement. Two empirical TSI-working papers analyzing individual survey data from a large number of European countries avoid these problems of self-selection by using propensity scores matching estimators. This results in other findings than what has been common in previous research.

Volunteering boosts political engagement, but not necessarily personal well-being

The first empirical working paper focuses on effects of volunteering in 23 European countries, and finds positive effects on political engagement, but not on health and well-being, in contrast to many previous studies. This suggests that health and well-being may be a precondition for volunteering, but that there may be a positive effect on political engagement.⁹

Volunteering helps the unemployed only when coupled with generous welfare benefits

The second empirical working paper focuses on voluntary work during unemployment, and investigates if volunteering can compensate for the loss in manifest and latent benefits associated with paid work and thus improve unemployed individuals' wellbeing and mental health in 29 European countries. It is found that this depends on generous welfare benefits.¹⁰

⁸ Simsa, R., Herndler, M. & Totter, M. (2015) "Meta-Analysis of SROI Studies – Indicators and Proxies", TSI Working Paper Series No. 6. Seventh Framework Programme (grant agreement 613034), European Union. Brussels: Third Sector Impact.

⁹ Enjolras, B. (2015) "The Impact of Volunteering on Volunteers in 23 European Countries", TSI Working Paper Series No. 4, Seventh Framework Programme (grant agreement 613034), European Union. Brussels: Third Sector Impact.

¹⁰ Kameråde, D. & Bennett, M. (2015) Unemployment, volunteering, subjective well-being and mental health, TSI Working Paper Series No. 8. Seventh Framework Programme (grant agreement 613034), European Union. Brussels: Third Sector Impact.

More organizational density does not mean bigger impact

The third empirical working paper focuses at community level. It is often assumed that the density of third sector organizations provides opportunities that are beneficial for engagement in volunteering, social cohesion, and social capital. By sophisticated multi-level modelling and after controlling for relevant individual and area characteristics in data from the UK, the paper concludes that the “foot-print” of third sector organizations does not add to the explanation of community level variations. This indicates that organizational density at community level is a less important infrastructure than assumed in previous research and in policy orientations.¹¹

TSI CONTRIBUTION TO IMPACT ASSESSMENT METHODOLOGY

Methodological guideline with indicators of third sector impact

The TSI project has already made significant progress through a systematic review of the field with the working paper “Methodological Guideline for Impact Assessment”. The working paper presents results of a comprehensive review of scientific literature as well as official reports and policy documents on existing impact measurement methodologies and results. Furthermore, it includes the input from Third Sector stakeholder meetings¹² at EU and national levels in seven of the countries participating in the TSI-project. The purpose of the working paper was to form a set of impact indicators with the broadest possible consensus behind, both at micro (individual) and macro (societal) levels within the following theory-based impact domains: well-being and quality of life; innovation; civic engagement, empowerment, advocacy and community building; economy and human resources.¹³

Affirmative conceptualization of the third sector: actors and activities of the civil sphere

A new, theoretical working paper links the concept of the third sector to potential impact domains, and thereby integrates the project’s working packages on definition, measurement and impact assessment. The concept of the third sector is seen as a complementary perspective of civil society and the public sphere. Together these concepts constitute the civil sphere in society. This means that third sector organizations can potentially play a role in society, not just in terms of economic and social action. Their distinctive function is as actors of the civil sphere. Their action contributes to value pluralism, associative life, and maintenance of values and norms. In addition, they can be important for creating a public sphere in society where communicative action and value contention take place. Which of these roles a certain organization may play is of course an empirical question. However, these theoretical assumptions make it possible to outline

¹¹ Mohan J. and Bennett M. R. (2015) “Community-level impacts of the third sector: linking indicators of the local distribution of third sector resources to survey data on the likelihood of volunteering”, TSI Working Paper Series No. 7. Seventh Framework Programme (grant agreement 613034), European Union. Brussels: Third Sector Impact.

¹² THIRD SECTOR IMPACT PROJECT STAKEHOLDER ENGAGEMENT REPORT

Third Sector Networks Indicate Priorities for Measuring Impact: Participation and Wellbeing

http://thirdsectorimpact.eu/site/assets/uploads/documentations/first-tsi-stakeholder-engagement-report/TSI_ReportStakeholdersNational_Impacts11.pdf

¹³ Simsa, R., Rauscher, O., et.al. (2014) “Methodological Guideline For Impact Assessment”, TSI Working Paper Series No. 1. Seventh Framework Programme (grant agreement 613034), European Union. Brussels: Third Sector Impact.

potential impact domains of the third sector. This working paper therefore presents an important, common theoretical background for the conceptualization and the measurement of the third sector, and for the assessment of its impacts.¹⁴

PROGRESS IN POLICY RELEVANCE

Social impact has emerged as an important object for policy making for several institutions and agencies, stimulated by the Stiglitz report on Measurement of Economic Performance and Social Progress (2009) which emphasized the need to “shift emphasis from measuring economic production to measuring people’s well-being”¹⁵. It also called attention particularly to the role that third sector institutions play as providers of collective and individual services such as security, health, education, culture and recreation as well as civic engagement and social capital. Eurostat provides a general overview of achievements in terms of measurement capacities of the European Statistical System related to GDP and beyond initiative¹⁶ with indicators to support the Europe 2020 strategy¹⁷; OECD runs the Better Life Index¹⁸ and the UN Sustainable Development Goals¹⁹ have a strong focus on impacts such as well-being, healthy lives, and peaceful and inclusive societies. Furthermore, the social investment agenda²⁰ in EU policymaking implies a strong impact-orientation, in order to concentrate scarce resources on initiatives with the highest potential return. In addition, new orientations in philanthropy and in social entrepreneurship argue that funding should depend on documented impact, and not just on the scale of operations or the number of clients treated.

The Council of the European Union is determined to promote the social economy as a key driver of economic and social development in Europe, and to increase awareness and recognition of the impact social economy enterprises generate for the society. To this end, data availability is of crucial importance. “As all policies should be evidence-based, Eurostat and national statistical authorities should consider developing and implementing satellite accounts in their respective statistics aimed at establishing the effective contribution of the social economy to economic growth and social cohesion in the European Union” (Council Conclusions 13766/15 SOC 643 EMPL 423 of 7 December 2015)²¹.

This conclusion institutionalizes the claim for statistics on social economy and volunteering that third sector and researchers together have been working into EU proceedings since 2008.

The European Economic and Social Committee (INT/721 EESC-2013-6135)²² has already stressed the importance of social impact measurements for social enterprises. The EU Commission Expert Group on the social business initiative (GECES) has a subgroup on measurement of social impact that has proposed approaches to *Social Impact Measurement in European Commission legislation and in practice relating to*

¹⁴ Enjolras, B. (2015) “Measuring the Impact of the Third Sector: From Concept to Metrics”, TSI Working Paper No. 5, Seventh Framework Programme (grant agreement 613034), European Union. Brussels: Third Sector Impact.

¹⁵ Stiglitz, J., Sen, A. K. & Fitoussi, J.-P. (2009) "Report by the Commission on the Measurement of Economic Performance and Social Progress", Final Report and Recommendations.

¹⁶ <http://ec.europa.eu/eurostat/web/gdp-and-beyond>

¹⁷ http://ec.europa.eu/europe2020/index_en.htm

¹⁸ <http://www.oecdbetterlifeindex.org/>

¹⁹ <https://sustainabledevelopment.un.org/sdgs>

²⁰ <http://ec.europa.eu/social/main.jsp?catId=1044>

²¹ <http://data.consilium.europa.eu/doc/document/ST-15071-2015-INIT/en/pdf>

²² <http://www.eesc.europa.eu/?i=portal.en.int-opinions.29291>

*EuSEFs and the EaSI.*²³ The social economy is gaining spotlight also beyond the EU, as testified by the recent OECD's *Policy Brief on Social Impact Measurement for Social Enterprises* (OECD 2015)²⁴.

It is important though not to restrict the progress on metrics for measuring the impact of third sector solely to the social economy field. Volunteer work is an essential component of the third sector satellite account. All major EU institutions have processed claims and instruments to measure and document the contribution of volunteers to social and economic cohesion in European communities.²⁵

INDICATIONS FOR THE WAY FORWARD

To establish documentation of the impact of the third sector and volunteering, we need:

- 1) **concepts and metrics** suited for the distinctive features of the third sector;
- 2) standardised and comparable **indicators at micro-, meso- and macro-level**;
- 3) **methods** that can deal with problems related to identifying causal relations between third sector activities and impacts, including what part of the outcome would have happened anyway (deadweight);
- 4) reliable and comparable **data** on individual, organizational, and country level.

The TSI-project has contributed to the field of impact assessment by systematic **reviews of research** on individuals, community and on social innovation, and a meta-analysis of organization-level impact studies. Furthermore, there is **new research** focusing on 1) the impact of volunteering on health, well-being and political engagement, 2) the impact of voluntary work during unemployment on well-being and mental health, and 3) the importance of density of voluntary organizations for participation at the community level. Finally, TSI engaged in conceptual **development of impact indicators** that is important for bringing impact assessment forward, through linking different functions of the third sector with impact domains. The TSI project next steps include **pilot-testing of new impact-indicators** and **analyses of developmental trends** of the third sector in Europe. To this end, we call on all stakeholders to work in synergy in order to build a common European resource base of indicators, methods and data on third sector, its distinctive features and its impact, that can serve as reference instrument at the global level.

²³ http://ec.europa.eu/internal_market/social_business/docs/expert-group/social_impact/140605-sub-group-report_en.pdf

²⁴ <http://www.oecd.org/industry/Policy-Brief-social-impact.pdf>

²⁵ European Parliament Report on recognising and promoting cross-border voluntary activities in the EU, Council of the European Union Conclusions on the Role of Voluntary Activities in Social Policy, European Commission Communication on EU Policies and Volunteering, European Economic and Social Committee Opinion on the Commission Communication, EYV 2011 Alliance P.A.V.E. Policy Agenda on Volunteering in Europe, EYV 2011 National Coordinating Bodies Declaration for Sustainability of Action on Voluntary Activities and Active Citizenship and most recently European Economic and Social Committee Opinion ECO/343 EESC-2013-1979 "Statistical tools for measuring volunteering" (2013) <http://www.eesc.europa.eu/?i=portal.en.eco-opinions.26964>

REPERTORY OF ESSENTIAL DOCUMENTATION

Concepts

Enjolras, B. (2015) "Measuring the Impact of the Third Sector: From Concept to Metrics", TSI Working Paper No. 5, Seventh Framework Programme (grant agreement 613034), European Union. Brussels: Third Sector Impact.

http://thirdsectorimpact.eu/site/assets/uploads/documentations/tsi-working-paper-no-5-measuring-the-impact-of-the-third-sector-from-concept-to-metrics/TSI_WP5_Measuring-TSI_Concept_to_Metrics1.pdf

THIRD SECTOR IMPACT PROJECT POLICY BRIEF NO. 01/2015

What is the "Third Sector"? A new consensus definition for Europe

http://thirdsectorimpact.eu/site/assets/uploads/documentations/first-tsi-policy-brief-defining-the-third-sector/TSI_PolicyBrief1_ThirdSectorDefinition.pdf

Salamon, L. M. and Sokolowski, W. (2014), "The third sector in Europe: Towards a consensus conceptualization", TSI Working Paper Series No. 2. Seventh Framework Programme (grant agreement 613034), European Union. Brussels: Third Sector Impact.

http://thirdsectorimpact.eu/site/assets/uploads/documentations/tsi-working-paper-no-2-third-sector-europe-towards-consensus-conceptualization/TSI_WP2_TSconcept.pdf

Indicators

Enjolras, B. (2015) "The Impact of Volunteering on Volunteers in 23 European Countries", TSI Working Paper Series No. 4, Seventh Framework Programme (grant agreement 613034), European Union. Brussels: Third Sector Impact.

http://thirdsectorimpact.eu/site/assets/uploads/documentations/tsi-working-paper-no-3-the-impact-of-volunteering-on-volunteers-in-23-european-countries/TSI_WP4_ImpactVolunteering.pdf

Simsa, R., Herndler, M. & Totter, M. (2015) "Meta-Analysis of SROI Studies – Indicators and Proxies", TSI Working Paper Series No. 6. Seventh Framework Programme (grant agreement 613034), European Union. Brussels: Third Sector Impact.

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Kamerāde, D. & Bennett, M. (2015) Unemployment, volunteering, subjective well-being and mental health, TSI Working Paper Series No. 8. Seventh Framework Programme (grant agreement 613034), European Union. Brussels: Third Sector Impact.

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Methods

Simsa, R., Rauscher, O., et.al. (2014) "Methodological Guideline For Impact Assessment", TSI Working Paper Series No. 1. Seventh Framework Programme (grant agreement 613034), European Union. Brussels: Third Sector Impact.

http://thirdsectorimpact.eu/site/assets/uploads/documentations/tsi-working-paper-1-methodological-guideline-impact-assessment/TSI_WorkingPaper1_Impact_Simsa_Rauscher_etal.pdf

Kamerāde, D., (2015) "Third Sector impacts on human resources and community", TSI Working Paper No. 3 Working Paper Series No.134. Seventh Framework Programme (grant agreement 613034), European Union. Brussels: Third Sector Impact.

http://thirdsectorimpact.eu/site/assets/uploads/documentations/tsi-working-paper-series-no-3-third-sector-impacts-on-human-resources-and-community-a-critical-review/TSI_WP3_ImpactReview.pdf

Baturina, D., Bežovan, G. (2015) Social Innovation Impact-review No. 9. Seventh Framework Programme (grant agreement 613034), European Union. Brussels: Third Sector Impact.

http://thirdsectorimpact.eu/site/assets/uploads/documentations/tsi-working-paper-no-9-social-innovation-impact-review-of-research/TSI_WP9_Social-Innovation-Final.pdf

Data

THIRD SECTOR IMPACT PROJECT PRESS RELEASE No 4

A Statistical Revolution in Data on the Third Sector in Europe

http://thirdsectorimpact.eu/site/assets/uploads/post/a-statistical-revolution-in-data-on-the-third-sector-in-europe/TSI_PressRelease_No4_StatisticalRevolutionUnderWay.pdf

UN Handbook on Nonprofit Institutions in the System of National Accounts, 2003 (UN Handbook)

http://unstats.un.org/unsd/publication/seriesf/seriesf_91e.pdf

Manual on the Measurement of Volunteer Work, International Labour Organization, 2011 (ILO Manual)

http://www.ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/publication/wcms_162119.pdf