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## **Lester Salamon's legacy in European empirical data**

**Edith Archambault**

**(Paris-Sorbonne University, Centre d'économie de la Sorbonne)**

### **1- Introduction**

At the turn of the millennium, comparisons of the non-profit sectors of the 13 countries that had participated in the first phase of the Johns Hopkins Comparison of Non-profit Project (JHCNP), and potential comparisons for the large number of new countries that were entering the second phase of this programme, showed the value of its methodology. Therefore, Lester wanted to anchor the measure of the third sector in the national accounts of every country. Because he was aware that the comparative project was not permanent and it would be the job of national statistical offices to measure and compare their third sectors. (Salamon, Anheier et alii, 1999, Salamon, Anheier et alii, 2004)

National accounting is indeed an international language shared by economists, policymakers, businessmen and many stakeholders since the 1950s. It provides a coherent and reliable framework for analysing national economic activity, its market relations with other countries and a basis for international comparisons. For this reason, Lester addressed the statistical division of UN in charge of the writing of the System of National Accounts (SCN) updated every 15 years. An expert group mixing statisticians and participants to JHCNP phase 1 was formed was convened three times. And a handbook was written to give the guidelines to build a satellite account on the nonprofit sector in any country (UNSD 2003) and a second handbook (UNSD 2018) recommends building a satellite account for the Third Sector or the Social Economy, a set of organizations broader than non-profit institutions

A satellite account is a framework for presenting data on the economy of a particular field in relation to the overall economic analysis of the central framework of national accounts. Education, health, agriculture, tourism and environment protection are examples. Satellite accounts are more detailed than the central framework of national accounts and they have their own classifications, therefore they can help policymakers to steer the areas concerned and to negotiate with the actors of these same activities. The most recent international system of national accounts (SNA 2008) recommends the construction of satellite accounts, although this is optional.

The present paper will begins by a historical background of the two successive handbooks produced by UN statistical division (UNSD 2003 and UNSD 2018). Then it compares the perimeter of Third sector/Social economy as defined by the handbook and the 2014 French law on Social and Solidarity economy. Thirdly it describes the existing empirical evidence on social economy or data in progress in France and in some other European countries

### **2- Historical background : from UNSD Handbook 2003 to UNSD Handbook 2018**

UN statisticians recognized that the JHCNP methodology was robust and operational; it made it possible to compare the non-profit sectors of countries belonging to all continents and all

cultural areas and very different levels of development. The UN Statistical Division has therefore simply modified this methodology to conform to the frameworks, concepts and classifications of the then existing system of national accounts (SCN 93).

The *Handbook on Non-profit Institutions in the System of National Accounts* defines these institutions by combining the five Johns Hopkins Program criteria:

- They are organisations, that is to say they obey a minimum of rules (a statute or by-laws, for example); they must have a minimum of sustainability
- they are not-for-profit; they do not distribute their surplus if any to their members, owners or employees
- they are private, separated from and not controlled by public authorities. On the other hand, they can be financed mainly, and almost entirely, by the public authorities
- they are independent, their management is autonomous
- they must be the subject of a voluntary membership: membership must not be neither mandatory (such as joining the Social Security, for example) nor automatic (such as belonging to a family or caste).

The 2003 handbook also proposes a classification by activity, specific to non-profit institutions (NPIs) The 2003 manual also proposes a classification by activity, specific to NPIs. This classification is finer than the classification of activities and products of the national accounts standards, but it can fit in. The manual also recommends measurement and monetary valuation of organized volunteer time, as volunteering is essential for most NPIs.

In 2008, when the International System of National Accounts was revised, Chapter 23 was devoted to NPIs with the definition of the 2003 UN Handbook without modification. This chapter also recommends the construction of a satellite account for NPIs. Thirteen countries have followed this recommendation : Armenia, Australia, Belgium, Canada, Cameroun, Israel, Japan, Luxemburg, Mexico, New Zealand, Norway, Portugal, Uganda . A few countries realized regular time-series of NPI satellite accounts. In France, an experimental satellite account was done by a free-lance statistician (Kaminski 2006, Archambault et Kaminski, 2009) but this partial experience was neither renewed nor perfected.

The 2003 UN Handbook received in Europe a mixed reception. On one hand JHCNP had revealed the relative importance there of a *terra incognita* of national accounts, namely associations and foundations. On the other hand, , the definition of NPIs in this manual was criticized in France, Belgium and Southern Europe, that is to say in very attached countries historically to the social economy. It was criticized for his overly American view of NPIs: by favouring the criterion of non-distribution of profit; therefore the manual eliminated cooperatives and most mutuels. The 2003 handbook was also criticized for missing out on a criteria considered essential in Europe: the democratic management of NPIs.

To overcome these shortcomings and to complete the satellite account of NPIs to obtain a satellite account of social economy, a *Manual for the Establishment of Satellite Accounts of cooperatives and mutuels*, was written by two Spanish academics (Barea and Monzon, 2006). The feasibility of this manual has been tested in Spain and a few others countries, but no social economy satellite account has resulted from the articulation of accounts of cooperatives and mutuels with that of NPIs.

Finally, The 2018 handbook of the UN Statistical Division, like that of 2003, is following-up a comparative research programme. But this project, entitled “Third Sector

Impact», is European, directed and coordinated by a Franco-Norwegian scholar, Bernard Enjolras and included Lester Salamon as a methodological expert. Funded by the European Union, it aims to build a consensus concept in response to the criticisms mentioned above, but also to better measure the political and social impact of the third sector in Europe and to go beyond economic indicators. Finally, this programme seeks to identify the common or country-specific challenges and opportunities to better orient a European policy for the third sector. Ten EU countries participated: Austria, Belgium, Croatia, France, Germany, Italy, Netherlands, Poland and United Kingdom, as well as Norway, outside the European Union and representative of the Nordic countries (Enjolras and alii, 2017).

As a result of this European research program, the UN Statistical Division has revised the 2003 manual to adopt a broader third-sector concept than the not-profit sector and better adapted to European countries, but also to most developing countries (UNSD, 2018). Called “Satellite account on non-profit and related institutions and volunteer work”. it incorporates all NPIs, as defined in the 2003 manual, and includes co-operatives, mutuals and social enterprises under certain conditions. This somewhat cumbersome title has drifted towards «Third sector and social economy», then to the acronym TSE (Third sector/social economy), and finally “social economy” satellite account.

### **3 – Comparison of the perimeters of social economy, according to the 2018 Handbook and its legal perimeter according to the French 2014 law on social economy**

There are currently about thirty countries that have passed a framework law defining and regulating the social economy in their country (Caire and Tadjue, ). In Europe, Belgium, France, Italy, Portugal, Spain and Sweden have such a law which are very similar despite the differences between their legislation. The following part of this paper analyses the essential elements of the handbook which define the third-sector or social economy satellite account perimeter. Then it will see how this scope covers and differs from that of the social economy within the meaning of the 2014 French framework law on social economy

The main concepts for delineating the satellite account are in the 20 first pages of the manual.. To belong to the TSE field, one must be an organization:

- institutionalized and with minimal sustainability
- that does not distribute its profit (NPI) or substantially limits its distribution (cooperatives, mutuals and social enterprises can therefore be in the field)
- self-governing, responsible for its risks and operations;
- non-mandatory (thus dependent on free choice);
- private, that is, not controlled by the public authorities (if representatives of public authorities are present at decision-making bodies, they must be in the minority).

In relation to the definition of NPI in the 2003 Handbook, four criteria are common and only the second differs: by introducing the concept of limited distribution of profit, it extends the scope to organizations other than NPIs. To be in the TSE field, cooperatives and mutuals must therefore:

- distribute less than 50% of their profit (European interpretation of “significantly”)
- have a capital lock, not distributable in the event of dissolution or change in legal status
- have a capital lock, capital is not distributable in the event of dissolution or change in legal status

Some details are important:

- co-operatives and mutuals differ from lucrative businesses because they are controlled by their members on a democratic basis (one person equals one vote), not by investors on the basis of invested capital
- an independent, lucrative business is never in the field, even if it is legally owned by a unit in the field. Standard for-profit subsidiaries of cooperatives or associations are therefore excluded from the field

The TSE satellite account must thus group together three sets of organizations:

- NPIs, which are in the field when they meet the five criteria;
- cooperatives and mutual societies, provided that they significantly limit the distribution of their profit (less than 50%) and meet the other criteria;
- social enterprises, which, to be in scope, must limit significantly the distribution of their profit and, moreover, have a social or environmental production, or address a disadvantaged population as clients or workers

If we now compare the perimeters of the social economy according to the 2018 handbook and according to the French law, we observe a great similarity. According to their statutes, French cooperatives and mutuals are now included in the field of the handbook's satellite account, as they distribute less than half of their surpluses, and this distribution is not proportional to the capital held. Moreover, their reserves and capital cannot be shared. If the organization is dissolved, its capital has to be given to another cooperative, mutual or association.

Associations and foundations, being non-profit, are obviously in the field, unless they are controlled by public authorities. Moreover, the conditions that define the social enterprises in the field are the same as those of the law: limited distribution of profit and social utility. Social utility is defined in Article 2 as support for people in fragile situations, popular education, strengthening social and territorial cohesion, reducing inequalities, sustainable development and energy transition or international solidarity (2014 law on social and solidarity economy)

The scope of the social economy according to the 2014 law and the handbook are therefore very close. Note that no activities are excluded for social economy organizations, nor in the handbook or in the law: namely political, trade union and religious activities are now in scope even if it is not the French tradition. Moreover, the scope of the handbook is somewhat broader than that of the ESS law, since it also includes organisations meeting the five criteria such as professional orders and consular organisations, syndicates of co-owners and health groups organizations. These organizations will therefore be included in the scope of the comparison but their economic weight is very small (Frémont & Martin, 2020)

#### **4- Existing empirical evidence on social economy or data in progress in France and in some other European countries**

At the end of 2010, Eurostat, the statistical agency of European Union launched a call for tenders in which Eurostat is asking the volunteer statistical institutes to build a social economy satellite account by following the guidelines of the 2018. Seven countries responded positively to this call in 2020 : Belgium, France, Luxembourg, Poland, Portugal, Slovenia and Spain. Of course the implementation of these satellite accounts was disrupted by

the Covid-19 pandemic, especially for common meetings and access to the sources of national accounts during lockdowns. It is too early to comment the results of this Eurostat call to tenders because even if most countries reported to Eurostat at the end of 2021, with the exception of France, which requested a six-month deadline, no publication is yet available. Moreover, despite repeated requests to Eurostat, I received no reply. However, my impression is that it is easier to build a full satellite account in a small country than in a large one, and easier also when social economy is a relative small part of the country GDP than a large one.

Besides these comparable data in progress, what is the existing empirical evidence in France? While it was nearly non-existent forty years ago when JHCNP began (Kaminski, 1983, Archambault, 1984), there is now an abundance of data on the various parts of the social economy, whether from INSEE or from academic or professional sources. In 2010, the *Conseil National de l'Information Statistique*, who organises regularly meetings between producers and users of official statistics created a working group to better non-profit institutions knowledge in the public statistical system (Archambault, Accardo and Laouisset, 2011). Currently, INSEE is currently publishing data on the number of organisations, employment and payroll in cooperatives, mutual societies, associations and foundations with a delay of two to three years. These data are broken down by main activity and by geographical location. Commercial social enterprises are not registered but they are few and those time series do not make it possible to measure the origin and structure of the resources of social economy enterprises, the investments made and do not offer any real measure of impact. To fill these gaps, INSEE runs every five years a survey on associations, the first two are on associations in 2014 and 2019 (INSEE, 2021). The public statistical system has run two surveys on volunteering in 2002 and 2010, but they are not periodical and their data are obsolete.

In addition to these official statistics and often as forerunners, there are academic periodical surveys such as Tchernonog and Prouteau on associations and volunteering (Tchernonog and Prouteau, 2019; Prouteau, 2018), the result of which are fully consistent with the official data. The numerical knowledge of the social economy is also supplemented by work carried out by observatories set up in collaboration with professional actors such as the Social and solidarity economy Observatory which published every two years an Atlas of social and solidarity economy organisations<sup>1</sup> or the Philanthropy Observatory within the *Fondation de France*, that gives periodical and comparative data in giving and foundations<sup>2</sup> (Bidet & Richez-Battesti, 2021).

My vision of the situation of empirical evidence in other European countries is of course more unclear. To put it in a nutshell, countries which have implemented either the NPI or the TSE satellite account have better data on these fields than other countries; they are mainly small countries: Belgium have a time series of NPIs data and do not convert it yet to social economy satellite account. Portugal have done this conversion and has currently a social economy satellite account. The organisation by additive blocks, proposed by the Portuguese statistical office (Archambault & Ramos, 2021), illustrates concretely how these different perimeters can be combined to respond jointly to the definition of the social economy adopted by Portugal in the law of 8 May 2013 and to fit in with the different reference frameworks adopted at the European and international levels. Luxemburg, Hungary, Poland and Slovenia have also recent and comprehensive data. Anglo-Saxon countries measure either charities/voluntary organizations or social enterprises in separate bodies, such as Charity commission

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<sup>1</sup> <https://ess-france.org/fr/les-publications-de-lobservatoire-national-de-less-ones>

<sup>2</sup> <https://www.fondationdefrance.org/fr/observatoire-philanthropie/etudes-de-lobservatoire>

or Euclid Network and do not consider that they are in the same world and it is also the case maybe in Nordic countries.

## **5- Conclusion**

The legacy of Lester Salamon combined with other influences is really sensible in Europe and especially in France. Substantial progress has been made in this area over the last three decades and important issues are expected in the next years with the results of Eurostat tender.

These reliable and comparable data are fundamental to have good policies toward the Third sector or Social economy, namely in Continental Europe where the welfare partnership pattern is dominant. The Covid-19 pandemic and its lockdowns have proved that the social economy organisations have a role to produce health, education and social services in addition to not quite similar public services. Public funding of these private non-profit services became then more abundant than during the preceding decade.

Indeed, fighting poverty, unemployment, dependence of the elderly, climate warming, racism, xenophobia and reducing social inequalities are common issues of European countries. Acting for a fair ecological and energy transition or for a more participative democracy are more recent issues. All these issues are objects of a welfare partnership. But to be efficient this partnership suppose transparency: each partner have to know precisely the potential, the functioning, the opportunities and the limits of its partner. Reliable and periodic data help transparency of course

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