

WHY A THIRD SECTOR ROUNDTABLE?

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Australians commonly divide the world of organisations into two: business and government.

But there are hundreds of thousands of organisations that are neither part of government nor run to make a profit for their owners.

Such organisations are as diverse as the Australian Football League, the Red Cross, the Australian Medical Association, the Arthritis Foundation, the RSPCA, the Australian Workers Union, St Vincent's Hospital, Geelong Grammar, Surf Lifesaving Australia, the Uniting Church – to name some with a national reputation. In suburbs and towns throughout Australia, there are numerous sporting groups, recreation clubs, charities, churches (and some mosques, temples and synagogues), private schools, parent associations, progress associations, community service clubs, self-help groups, youth groups, reading groups, environment associations and so on. Two-thirds of adult Australians belong to at least one association, club or society; one-quarter, more than three million, describe themselves as active members. More than two-thirds make at least one donation to such organisations during a year.

These organisations constitute a **third** sector.

Defining the third sector

Third sector organisations are the product of private initiative. The great majority are both democratically governed and constrained from distributing any profit to members. A very few modify one or other (but never both) of these two distinguishing features.

They are huge differences within this third sector – differences in the size of organisations, in what they do and in the way they operate. But there are equally huge differences within the government and the business sectors.

What third sector organisations have in common (and what distinguishes them from organisations in the other two sectors) are six features: the centrality of values; the complexity of revenue generation; their reliance on volunteers; the difficulty they have in judging their performance; their complex accountabilities and the likelihood that they will experience board/staff conflict.

Contribution of the third sector

Third sector organisations make a huge contribution to Australia. Without them we would be a very different country, and greatly impoverished.

Third sector organisations contribute to our economy –

In 1996 there were about 700 000 of them, 320 000 of which were incorporated; only 34 000 employed people

In 1996 these 34 000 employed 630 000 people – 12% of private employment, more than the communications and hospitality industries combined.
In 1995/96 these 34 000 organisations turned over \$59 billion, more than the mining industry. They contributed 3.3% to GDP.

Third sector organisations contribute to our society –

They are expressions of peoples' capacity to join together, to work together for self (mutuality) and for others (altruism)
They practice people in voluntary collaboration
They are the product of, but also regenerate, our social capital.

Third sector organisations contribute to our democratic political system –

They are the vehicles that enable everybody to participate in the political process between elections
They are our “elementary schools of democracy”
They are the single most important manifestation of civil society.

International comparisons.

Internationally, after adjusting for our smaller population, Australia's nonprofit sector is almost as large as the United States'. It is larger than the UK and as large as Canada's. Unlike those countries, where the weight of the sector is in a single field (eg health in the US and education in the UK), in Australia the nonprofit sector is equally strong in several fields – education, community services, health and sport and recreation.

However, rates of giving and volunteering are lower in Australia.

International third sector growth.

Internationally, the third sector has grown remarkably over the past 35 years. This growth has been helped by many factors:

- The collapse of communism
- The near collapse and subsequent modification of the welfare state
- Recognition of an environmental crisis
- Growth of an educated middle class in many previously underdeveloped countries

Many forecasters see a greatly enhanced role for the third sector (or civil society) in this new century.

Nonetheless, the third sector faces many challenges – new environmental and social problems, the transformation of the old order by globalisation, the growth of consumerism, from businesses seeking new markets.

Internationally, third sector consolidation.

In countries similar to Australia, such as the United States, the United Kingdom and Canada, many different parts of the third sector have formed overarching organisations to represent their common interests to the wider public and to government.

- In the US, the Independent Sector formed in 1979 to represent charities (nonprofits providing education, social services, health, the arts and religion, along with charitable foundations). It was a byproduct of a major review of the nonprofit sector, The Filer Commission, which was funded by several foundations and which commissioned the first major body of scholarly research into the sector. In turn the Independent Sector, through its research department, commissions and publishes regular surveys of the sector and of volunteering and giving and developed campaigns to encourage those activities.
- In England, early in the 1990s, the National Council of Voluntary Organisations (NCVO) which represented social service nonprofits, began to broaden its membership to include peaks in the arts, the environment, recreation, health and local economic development. It combined with mutuals and cooperatives in a Social Economy Forum. With support from foundations it initiated a review of the Future of the Voluntary Sector. This in turn attracted the attention of government and led to a “compact” between the government and the voluntary sector, which in turn has led to a considerable improvement in relations between the sector and government and a far higher recognition by the government of the contribution of the sector to economy, society and polity. Similar initiatives were taken by Councils of Social Service in Scotland, Wales and Northern Ireland.
- In Canada, in the late 1990s, the McConnell Foundation funded the formation of the Voluntary Sector Roundtable, a coming together of peaks representing nonprofits from the social services, health, environment, overseas aid, sport and the churches. The Roundtable in turn sponsored a Commission of Inquiry into the Accountability and Governance of the Voluntary Sector, headed by a recently retired leader of a minor party, Ed Broadbent. In turn, this Inquiry led the national government to seek dialogue with the Roundtable and to the formation of “joint tables” between government and voluntary sector leaders to discuss the many pressing and vexed issues in their relationship. Out of these interactions has come the government’s Voluntary Sector Initiative, which commits the government to continuing a constructive dialogue with the sector and to appropriate almost \$100 million over five years for building sector capacity and the level of knowledge of the sector among the wider public.

It is worth noting that these expanded peaks or round tables do not include mutuals or trading cooperatives, nor professional and trade associations nor trade unions (the Canadian Cooperatives Association is involved in the joint-tables with the government). Their core is primarily, but not exclusively, public serving nonprofits, many of which are legally charities.

What future for Australia’s third sector?

In Australia, the prognosis for the third sector is mixed

There are signs that the third sector is in decline

- Declining membership in most traditional third sector organisations – service clubs, trade unions, Christian churches, political parties, scout/guides, mutuals, cooperatives.

- Nonprofits in an increasing number of fields are facing for-profit competition for the first time – sporting clubs, many community services, schools, industry associations. Some of this competition is encouraged by government

But there are also some signs of growth

- Volunteering, which declined in the eighties and early nineties is now growing.

The need for a roundtable

In Australia, the capacity of the third sector to adapt to a new environment and to grow is limited by the **low recognition** of the sector, and by **failure of public policy** to accord it the recognition and encouragement that is provided business.

The logic of this analysis leads to a conclusion that a similar initiative is needed in Australia to that which helped transform the level of recognition of the sector, and its position in public policy in Canada, England and the United States.

For this to happen, a large number of peaks, representing many (though probably not all) parts of the nonprofit sector should form an equivalent to Canada's roundtable. There is interest in exploring such a grouping from peaks in the community services, the arts, overseas aid, charitable foundations, the churches, the environment,

But, as in Canada, **the first step is for a charitable trust, or a small coalition of trusts, to indicate that they want to fund the coming together of such a roundtable.**

A note on terminology and composition

The term "roundtable" is preferable to "peak", as it makes it clear that such a body is not seeking to represent its members across a wide range of issues, and is certainly not seeking to replace any function that existing peaks currently perform. Rather it is a vehicle that seeks to enable its members to publicise the extent of the sector and its contribution, to identify pressing issues and work together (and, where appropriate, with government or business) to solve them.

A roundtable should be comprised of peaks representing at least significant groups of nonprofits in particular fields. They at least can claim to have a familiarity with the issues facing their members. A body comprised of self-selected individual nonprofits or a mix of individual nonprofits and peaks cannot work. Such models do not exist elsewhere.

Issues to be addressed

Among the sort of issues that need to be addressed are

- Accountability issues – to help the sector work toward a commitment to coherent and transparent methods of public reporting and to push for the development of a consistent and appropriate set of accounting standards for the sector
- Regulatory issues – to work with government to develop a consistent set of models for incorporation – at present larger nonprofits are generally required to register as nonprofit companies which are regulated by ASIC in the same

manner as a public company which requires a set of inappropriate reporting standards

- Fundraising issues – at present each state regulates fundraising, applying different standards and forcing national nonprofits to incur additional expense
- Taxation issues – the tax treatment of nonprofits is informed by neither clear principle nor coherent theory and is often inconsistent in its application. Correcting this would be a huge challenge, but would be assisted by a clearer recognition by public and government alike of the contribution of the sector
- Government recognition and consultation – governments should not introduce any policy impacting upon any part of the sector without a period of consultation.
- Government funding - at present the approach adopted by parts of government to funding the sector is purely exploitative and damaging to the sustainability of the sector. Such approaches should be corrected.
- Government understanding - many government policies that touch on the third sector are marked by ignorance. For example, governments appear unaware of empirically verified theory that nonprofits are more trustworthy than for-profits and thereby require lower levels of monitoring; or of just what organisations do. And only a particularly ignorant government could give the responsibility for regulating nonprofit pharmacies to APRA, the body which regulates financial institutions. All parts and levels of government should seek to improve their understanding of the third sector.
- Government support to improve public knowledge of the sector – the ABS could collect and report far more information about the sector without a huge increase in expense.
- Building recognition of the sector in other bodies - for example, ANTA is insisting that to obtain accreditation, management training courses for nonprofit managers must be based on the inappropriate small business management template. Insurance for nonprofit organisations could also be improved if the insurance industry were better informed about the special characteristics of the sector.