Development of the Swiss Third Sector in the European Context

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39 years of experience in research, education, and consulting on Third Sector Organisation Management

Prof. Dr. Markus Gmür
What is the VMI?

Verbandsmanagement Institut
Institute for Research on Management of Associations, Foundations and Co-operatives

- founded in 1976, part of the Faculty of Social and Economic Sciences
- focussed in research, academic teaching, further education and consulting on the professionalization of NPOs/NGOs as «collective good providers» and «civil society players».
- Every year 250-300 managers and professionals enroll for our courses and ca. 400 organisations from Switzerland, Germany, and Austria joined us as permanent supporters based on a membership fee.
- Research partner in the Johns Hopkins Comparative Nonprofit Sector Project (among 40 national research groups worldwide)
Who and where is the VMI?

www.vmi.ch

www.unifr.ch
The city of Fribourg / Freiburg

36’000 residents with several mother tongues (65% french / 20% german / 15% others)

Bilingual University (f/g) with 10’000 students
The Swiss Third Sector

Prof. Dr. Markus Gmür
The Third Sector in Switzerland

Workforce
- 180’000 employees (FTE) = 4.5% of total employment
- 107’000 full time equivalents of volunteer work

Formal Organizations
- 78’500 associations and federations
- 13’000 foundations of public utility
- 2’000 (e.g. housing) co-operatives
- A small number of stock corporations of public utility
Number of employees in the Third Sector as % of total workforce:

Switzerland: 6.9% (4.5% FTE)

Source: Johns Hopkins Comparative Nonprofit Sector Project

(due to a larger proportion of part-time workers in the Third Sector)
The Third Sector in Switzerland

- Social services: 64.4%
- Health care: 19.0%
- Education and research: 2.3%
- Economic development: 2.1%
- Professional assoc. and labor unions: 7.0%
- Sports and recreation: 6.4%
- Culture: 5.1%
- Religion: 6.0%
- Advocacy: 1.6%
- International: 2.2%
- Environmental protection: 1.5%
- Philanthropic intermediaries n.e.c: 2.0%

Volunteers in 1,000 FTE
Paid workforce in 1,000 FTE
## The Swiss Third Sector – Revenues

- Total revenue = 25,322 million

<table>
<thead>
<tr>
<th>Subsector</th>
<th>Government</th>
<th>Philanthropy</th>
<th>Fees (+ capital income)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health care</td>
<td>45%</td>
<td>3%</td>
<td>52%</td>
</tr>
<tr>
<td>Social services</td>
<td>45%</td>
<td>9%</td>
<td>46%</td>
</tr>
<tr>
<td>International activities</td>
<td>33%</td>
<td>47%</td>
<td>20%</td>
</tr>
<tr>
<td>Religion <em>(large churches excluded!)</em></td>
<td>0%</td>
<td>43%</td>
<td>57%</td>
</tr>
<tr>
<td>Environmental protection</td>
<td>15%</td>
<td>20%</td>
<td>65%</td>
</tr>
<tr>
<td>Culture, sports, and recreation</td>
<td>22%</td>
<td>14%</td>
<td>64%</td>
</tr>
<tr>
<td>Education and research</td>
<td>29%</td>
<td>1%</td>
<td>70%</td>
</tr>
<tr>
<td>Economic development</td>
<td>24%</td>
<td>4%</td>
<td>72%</td>
</tr>
<tr>
<td>Professional associations and labor unions</td>
<td>5%</td>
<td>2%</td>
<td>93%</td>
</tr>
<tr>
<td>Advocacy</td>
<td>11%</td>
<td>6%</td>
<td>83%</td>
</tr>
<tr>
<td>Philanthropic intermediaries</td>
<td>1%</td>
<td>10%</td>
<td>89%</td>
</tr>
</tbody>
</table>

*Goverment; 35%  Fees; 58%  Philanthropy; 8%*
What makes it a typical Western European example?

- Established sector under conditions of economic wealth and a highly developed public social security system
- Employment in the Third Sector is valued
  \textit{(but not as high as in the manufacturing or financial services sector)}
- Volunteering is socially desired
  \textit{(but still not as strong as in the anglo-saxon world)}
- Revenue mix of service fees, public subsidies and only 5-10% donations
- Considerable political influence of large economic and social welfare organisations
What may be special about the Swiss case?

- After Liberal Revolution and Civil War in 1847/48 long period of continuous development without any major disturbances → continuous development and relative wealth

- Absence of nobility power and strong localism with 2’500 communes and 26 cantons with high autonomy levels (legislation, taxation, ..) → local chapters of Swiss NGO often dominate over the peak federation

- Direct democracy and «Milizsystem» (semi-professionalism in political system, military and also civil society organisations) → rather low employment level in the Third Sector; semi-professionalism is highly valued; participation of members important in decision-making

- Liberal and permissive political culture:
  → no mandatory registration for associations
  → associations with significant economic activity are tolerated (FIFA, UEFA)
  → only loose supervision for public utility foundations
What may be special about the Swiss case?

- Weak central government
  (French revolution directorate system without a dominant president, chancellor, or primeminister; coalition of all major political parties; strong consensus orientation)
  → lack of a «culture of leadership»

- «Verbändedemokratie» (= democracy of associations)
  → third sector organisations play an important role in the political system due to a «lean state» (short of financial resources compared to the associative sector)
What may be special about the Swiss case?

- Cultural heterogeneity at the crosslines between german, french and italian influences and a growing community of international expatriates → managing diversity and broad inclusion as a major challenge
Switzerland – a civil society of high diversity

German culture

French culture

Italian culture
Switzerland – civil society of high diversity

- **Swiss German culture** (55% of the population)
  - cradle of the nation, communitarism, direct democracy
  - absolute domination until 1798, relative dominance until today
  - cultural similarities to Germany, but rather strong isolationism against EU
  - preference for a weak state, strong civil society on a local level
  - long tradition of associative and co-operative organizational forms
  - collective mission statement: «Help yourself and do not rely on the state!»

- **Swiss French culture** (17% of the population)
  - historically dominated by german-speaking authorities (with the exception of Geneva)
  - cantons got independence from the French revolutionary army in 1798.
  - France is still highly valued, majority of people would vote for joining the EU
  - strong cultural similarities to France: authoritarian leadership, hierarchy, individualism
  - lower rates of volunteering, smaller associative sector
  - collective mission statement: «The state is responsible for public service provision!»
Switzerland – civil society of high diversity

- **Swiss Italian culture** (4% of the population)
  - tendencies of isolationism against EU
    (and the rest of Switzerland as well ….)
  - family and clan structures dominate over civil society
  - lower rates of volunteering, small associative sector

- **Various national cultures from abroad** (24% of the population)
  - highest and lowest education levels
  - highest and lowest wealth levels
  - lowest participation rates in the civil society
The Swiss Third Sector
Current challenges

Prof. Dr. Markus Gmür
Current challenges (1/5)

Growing requirements from public

- proofs of public utility?
- proofs of good governance?
- proofs of efficient resources management?
- proofs of impact?
- proofs of trustworthiness?
Current challenges (1/5)

Growing requirements from the public

How NPOs try to meet public expectations:

- Implementing Codes of Good Practice since 1990ies
  - ZEWO label for donation collecting organizations in Switzerland
  - Swiss Foundation Code
  - Swiss NPO Code for large charities
  - Label for Nonprofit Management Excellence (VMI)

- Public reporting

- Developing systems for performance measurement
Current challenges (2/5)

Growing intersectoral competition

Example 1:
Refugee camps in Switzerland

Example 2:
Emergency rescue services in Austria
Current challenges (2/5)

Growing intersectoral competition
Growing intersectoral competition

- Commercial firms enter sectors that were traditionally covered by nonprofit organizations.
  → pragmatic legitimacy becomes prevalent
    (rests on the self-interested calculations of an organization's audiences)

  → moral legitimacy loses importance
    (reflects a positive normative evaluation of the organisation, its activities, and the inherent morality, based on consequence, procedures, structures or persons)

- Nonprofit organizations from different subsectors start to compete against another.
Current challenges (3/5)

Inescapable Europeanisation?
Current challenges (3/5)

Inescapable Europeanisation?

«Swiss A»
Future oriented global activities coordinated by a headquarter located somewhere in Switzerland.
→ creates extra economic value
→ requires continuity, liberal legislation, and low taxation

«Swiss B»
Traditional activities based on the idea of «swissness» mostly within national borders.
→ high quality but lower efficiency
→ provides an attractive frame for economic activities of «Swiss A»

(refers to a quote from Klaus Stöhlker, Zürich)
Current challenges (4/5)
Growing individualism and mobility
Growing individualism and mobility

- Civil society organizations are based on the idea of common interests and trust in collective action. Individualism weakens associative organizations, and commercialized services crowd out common activities.

- Civil society organizations are based on local roots. The more people settle from one place to another in the course of their professional career, the less time they have to establish a local network.
Current challenges (4/5)

Attracting and retaining members through member value optimisation

Member Value Dimensions

- Participation
- Impact
- Affection
- Identity
- Power
- Subsistence (Economic Value)
- Security
- Hedonism
- Autonomy
- Esthetic
- Understanding
- Creation

Member Value Dimensions

- Participation
- Impact
- Affection
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- Subsistence (Economic Value)
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- Hedonism
- Autonomy
- Esthetic
- Understanding
- Creation
Current challenges (4/5)

Attracting and retaining members through member value optimisation

Relevance for explaining …

- member satisfaction and retention
- different intensities of engagement
- cooperation and conflicts in multi-level associations
- preferences for housing cooperatives over traditional renting
- Intercultural differences between associations in the same sectors but different countries
Modern forms of economic philanthropy challenge traditional charities

Social Entrepreneurship

- Realizing social innovation
- Social impact over economic profit
- Entrepreneurial spirit added to philanthropic motivation
- Using economic mechanisms for social issues
- Revitalisation of traditional structures and ways of thinking in the Third Sector

Examples:

→ Social Investment Concepts (e.g., grants for students → www.studienaktie.org)
→ Social Impact Bonds (UK, Australia)
Typology of social entrepreneurship

Dimensions:

- Philanthropy- or business-driven?
- Starting from an existing npo or from a social issue?
- Profit resilience or tolerance?
- Impulse from entrepreneurs or social movements?
- Impact for individuals or collectifs?
- Immediate private benefits or participation opportunities?
- Complete new idea or continuous improvement?

→ Contacting 160 SEIF (www.seif.org) decorated Social Enterprises in Switzerland with a survey
→ 47% participation
Types of social innovation and social entrepreneurship

Preliminary results:

- **Cluster 1:** NPO-like; not interested in profits, social mission, focus on collectives’ improvement rather than individual impact
- **Cluster 2:** Business start-up-like; profit oriented, no social movement, distinct from traditional no
- **Cluster 3:** Social Entrepreneurs; profit tolerant, driven by active entrepreneurs or social movements, social mission, NPO as a principle, focus on changing the society.

Further steps:

- Other differentiating characteristics between clusters?
- Subsector differences?
- Performance and impact differences?
Thank you for your interest!

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The Swiss Third Sector
Aspects of individual philanthropy

Prof. Dr. Markus Gmür
# Forms of philanthropy in Europe


<table>
<thead>
<tr>
<th>Level</th>
<th>Association membership</th>
<th>Active participation</th>
<th>Donating</th>
<th>Formal volunteering</th>
</tr>
</thead>
<tbody>
<tr>
<td>High level</td>
<td>&gt;75% Sweden, Norway Denmark Finland Netherlands Luxemburg Switzerland</td>
<td>&gt;40% Sweden, Norway Denmark Germany, Switzerland France, Great Britain Netherlands, Belgium</td>
<td>&gt;40% Sweden, Norway Netherlands Switzerland</td>
<td>&gt;30% Sweden, Norway</td>
</tr>
<tr>
<td>Medium level</td>
<td>51 – 75% Germany France, Belgium Great Britain, Irland Austria, Slowenia</td>
<td>31 – 40% Finland Austria Irland</td>
<td>31 – 40% Denmark Germany, Austria Great Britain, Irland Slowenia</td>
<td>21 – 30% Denmark Netherlands, Belgium Germany, Switzerland Great Britain</td>
</tr>
<tr>
<td>Rather low level</td>
<td>26 – 50% Italy Spain, Portugal Hungary</td>
<td>21 – 30% Luxemburg Slowenia Italy, Spain</td>
<td>21 – 30% Belgium France</td>
<td>11 – 20% Finland, Irland Austria, Slowenia France, Luxemburg</td>
</tr>
<tr>
<td>Lowest level</td>
<td>&lt; 26% Poland Greece</td>
<td>&lt; 21% Hungary, Poland Portugal Greece</td>
<td>&lt; 21% Finland, Luxemburg Hungary, Poland Spain, Portugal Italy, Greece</td>
<td>&lt; 11% Hungary, Poland Spain, Portugal Italy, Greece</td>
</tr>
</tbody>
</table>
# Forms of philanthropy in Switzerland


<table>
<thead>
<tr>
<th>% of the population over 15 years old</th>
<th>Formal volunteers</th>
<th>Board membership</th>
<th>Active participation</th>
<th>Membership</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sports associations</strong></td>
<td>10 %</td>
<td>4 %</td>
<td>29 %</td>
<td>34 %</td>
</tr>
<tr>
<td><strong>Leisure associations</strong></td>
<td>5 %</td>
<td>2 %</td>
<td>20 %</td>
<td>23 %</td>
</tr>
<tr>
<td><strong>Culture associations</strong></td>
<td>6 %</td>
<td>3 %</td>
<td>14 %</td>
<td>18 %</td>
</tr>
<tr>
<td><strong>Churches and religious associations</strong></td>
<td>5 %</td>
<td>2 %</td>
<td>14 %</td>
<td>36 %</td>
</tr>
<tr>
<td><strong>Public service associations</strong></td>
<td>3 %</td>
<td>1 %</td>
<td>7 %</td>
<td>9 %</td>
</tr>
<tr>
<td><strong>Charities</strong></td>
<td>4 %</td>
<td>1 %</td>
<td>9 %</td>
<td>19 %</td>
</tr>
<tr>
<td><strong>Advocacy associations</strong></td>
<td>3 %</td>
<td>2 %</td>
<td>9 %</td>
<td>28 %</td>
</tr>
<tr>
<td><strong>Political offices</strong></td>
<td>1 %</td>
<td>1 %</td>
<td>5 %</td>
<td>5 %</td>
</tr>
<tr>
<td><strong>Political parties</strong></td>
<td>1 %</td>
<td>0,5%</td>
<td>4 %</td>
<td>8 %</td>
</tr>
<tr>
<td><strong>Human rights or environmental protection associations</strong></td>
<td>1 %</td>
<td>0,5%</td>
<td>4 %</td>
<td>15 %</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>26 %</strong></td>
<td><strong>12 %</strong></td>
<td><strong>58 %</strong></td>
<td><strong>77 %</strong></td>
</tr>
</tbody>
</table>
Formal engagement in Switzerland

Some facts about formal volunteering and board membership:

- German parts > french parts > italian parts (lower differences for charities and political organizations)
- Men are more often engaged in formal volunteering and board memberships than women.
- Formal engagement is correlated with formal education and employment:
  - Men: full-time employed > part-time employed > unemployed
  - Women: part-time employed > full-time employed > unemployed
- Formal engagement is positively correlated with household size and household income.
- People from rural regions are more often formally engaged than people from urban regions.
- Protestants are more often formally engaged than roman-catholics or people without any church membership.
# Private donations in Switzerland


## Frequency (1997 → 2007)
(Ration of donators among 2000 respondents)

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men</td>
<td>57% → 64%</td>
</tr>
<tr>
<td>Women</td>
<td>63% → 70%</td>
</tr>
<tr>
<td>15-19</td>
<td>21% → 18%</td>
</tr>
<tr>
<td>20-29 years old</td>
<td>47% → 48%</td>
</tr>
<tr>
<td>30-39 years old</td>
<td>61% → 64%</td>
</tr>
<tr>
<td>40-49 years old</td>
<td>65% → 69%</td>
</tr>
<tr>
<td>50-59 years old</td>
<td>71% → 80%</td>
</tr>
<tr>
<td>60 years or older</td>
<td>69% → 84%</td>
</tr>
</tbody>
</table>

## Amount per year (2007)
(positively correlated with age!)

<table>
<thead>
<tr>
<th>Quartile</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st quartile</td>
<td>100 CHF</td>
</tr>
<tr>
<td>Median</td>
<td>250 CHF</td>
</tr>
<tr>
<td>3rd quartile</td>
<td>550 CHF</td>
</tr>
</tbody>
</table>

Median income per year: 70’000 CHF
Most preferred causes for donors (% among 2000 respondents)

- Children: 36%
- International aid: 35%
- Disabled persons: 30%
- Health sciences: 26%
- Protection of nature: 21%
- Emergency aid: 15%
- Animals: 15%
- Antihunger organizations: 12%
- Elder people: 10%
- Religion: 8%
- Mountain population: 7%
- Refugees: 4%
- Education: 4%
- Culture and Folklore: 3%
The Swiss fundraising market for charities

<table>
<thead>
<tr>
<th>Revenue source</th>
<th>% of organizations with this revenue</th>
<th>∅ Income share</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Donations</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Membership fees</td>
<td>100 %</td>
<td>35 %</td>
</tr>
<tr>
<td>- Individual sponsorships («Patenschaften»)</td>
<td>70 %</td>
<td>6 %</td>
</tr>
<tr>
<td>- Small donations</td>
<td>10 %</td>
<td>1 %</td>
</tr>
<tr>
<td>- Large donations (&gt; 500 CHF)</td>
<td>95 %</td>
<td>11 %</td>
</tr>
<tr>
<td>- Legacies</td>
<td>30 %</td>
<td>2 %</td>
</tr>
<tr>
<td>- Donations from other NPOs</td>
<td>50 %</td>
<td>5 %</td>
</tr>
<tr>
<td>- Donations from business firms</td>
<td>65 %</td>
<td>7 %</td>
</tr>
<tr>
<td>- Sponsoring</td>
<td>45 %</td>
<td>1 %</td>
</tr>
<tr>
<td></td>
<td>20 %</td>
<td>1 %</td>
</tr>
<tr>
<td><strong>Fees for services</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>80 %</td>
<td>25 %</td>
</tr>
<tr>
<td><strong>Public subsidies</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>85 %</td>
<td>40 %</td>
</tr>
</tbody>
</table>

Data calculated from donation collecting organizations, representing 2/3 of the total fundraising market.