
THE THIRD SECTOR AND LABOUR MARKET POLICY IN GERMANY

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Abstract

For a long time, the general public and the policy experts alike have neglected Germany's third or nonprofit sector. However, the recent years have given abundant evidence of the fact that the sector constitutes a major force in the country's economy. Particularly the results of the Johns Hopkins Comparative Nonprofit Sector Project show a sector that is contributing significantly to the German labour market, leaving behind the forprofit as well as the public sector in terms of job creation. This prompts the question whether the German nonprofit sector might offer new ways to cope with unemployment as one of the most urgent problems of Germany's society.

Introduction

Modern societies are based primarily on employment (Esping-Andersen 1990). Therefore participation in the labour market is fundamental for social integration, while unemployment represents a main cause of social exclusion and societal deprivation. Throughout the past two decades, Continental Europe has been plagued by mass unemployment (Schmidt 1999; Fiedler 1999; Neugart 2000). Searching for new avenues of approach to the dramatic economic and societal problems connected with unemployment, policy experts have started to take a closer look at the nonprofit or third sector (Rifkin 1995; Giarini/Liedke 1998; Beck 1997; Strasser 1999). However, they come to very different evaluations with respect to the sector's labour market potential.

Whereas post-modernist sociologists perceive the sector as a very dynamic force within the labour market (Beck 1997; Rifkin 1995), others come to a more sceptical assessment of the sector's importance for labour market issues (Bauer 1998; Bode 1999; Evers 1998).

Due to a lack of reliable data, it has until now been difficult to decide whether the third or nonprofit sector has the potential to develop into a job generator of gainful employment for Germany. By the same token scholarly discourse on the „future of labour“, discussing the relevance of the sector as an channel for social integration (Beck 1997), is also lacking empirical foundation. In other words: There is very little knowledge about the nonprofit sector as a terrain for gainful employment, because labour market research has almost systematically neglected the topic of work in nonprofit organisations. Accordingly the potential of the sector to serve as a „transitional labour market“ (Schmidt 1997, 1998, 1999a, b) has not yet been discussed. Transitional labour markets is providing training and education facilities for those who are temporarily unemployed as well as for those who are at a particular stage of their life-cycle, such as the transition from school to professional life, or from full-time employment to retirement. Due to its embeddedness in the German society, the nonprofit sector might be well equipped to provide channels for social integration in times of unemployment.

Focusing on Germany, this paper tries to contribute to the current debate about the labour market potential of the nonprofit or third sector. In Germany, the topic of how to safeguard integration into the labour market ranks high on the political agenda. This is the case because after unification Germany, which used to be an island of stability and economic growth, has been hit by growing rates of unemployment (Fiedler 1999: 67).

This article will in a first step present a profile of the German nonprofit sector based on the empirical findings of the German study of the Johns Hopkins Comparative Nonprofit Sector Project. The analysis will focus on the structure and composition of nonprofit employment, addressing the question whether the sector will develop into a job-machine of gainful employment in Germany. In a second step the employment structure of the sector in Germany will be presented - with special emphasis on working hour regulations - thus addressing the

question whether the sector qualifies as a „transitional labour market“ with some impact on the national employment situation.

Methodology

The data presented have been collected within the framework of the Johns Hopkins Comparative Nonprofit Sector Project (Salamon/Anheier 1998) in which Germany has been participating since 1990. While Helmut Anheier (Johns Hopkins University) and Wolfgang Seibel (Konstanz University) were in charge of the German study during the first phase of the project (1990-1995) (Anheier et al 1997), currently, the local associates of the German study are Eckard Priller (WZB) and Annette Zimmer (Münster University). (Anheier et al 1997; Priller/Zimmer 2000).

With respect to data gathering, the German team has used sources such as national economic accounting, the accountings of the social insurance, and other special surveys and statistics, i.e the data base of the *Welfare Associations*, which are the most important providers of social and health services in Germany (Zimmer/Nährlich 1998). The German research team conducted two surveys: a representative survey on membership and volunteering (3,000 interviews: 1,000 in East Germany and 2,000 in West Germany) (Priller/Zimmer 1999a), and an organisational survey. The organisational survey was conducted as a postal inquiry using a questionnaire (55 questions) that covered aspects of the internal structure, finances and employment of nonprofit organisations. The questionnaire was mailed to 8.400 nonprofit organisations, and with 2,240 organisations responding a return rate of 28 % was achieved (Zimmer et al 1999).(1)

Table 1: Data Sources of the Johns Hopkins Comparative Nonprofit Project, Germany

- **Federal Office of Statistics**
National Economic Accounting (employees, finances), special official surveys
- **Federal Offices of Labor**
Statistical Survey of insured workers according to fields of activity and working hours (full-time, part-time, short time), special surveys

- **Professional Associations**
Special surveys of public employees and workers within the health and social service industries: number of employees, working hours, income,
- **Statistics Compiled by the German Welfare Associations** Employees according to full-time and part-time work
- **Special Surveys and Statistics**
General statistic of hospitals: employees, finances, output; general statistic of the Association of German Communities; data bank of foundations, special survey on foundations conducted by Maecenata
- **Representative Survey on Giving and Volunteering**
conducted 1996 and 1997 (sample of 3,0000 individuals)
- **Organisational Survey**
“Nonprofit-Organisations in a Changing Society”
(response rate: 2,240 questionnaires)

In accordance with the International Classification of Nonprofit Organisations (ICNPO), the German study covers a wide range of organisations. Among those are membership-based associations, such as labour unions, sports or hobby clubs, grant-making or operating foundations, advocacy or lobby groups as well as entities which primarily serve the public, such as nonprofit hospitals. Mutual societies, political parties and religious congregations were not included in the German study.

Findings and Discussion

A Profile of the German Nonprofit Sector: Employment and Funding Structure

Germany's nonprofit sector represents a notable force in the country's economy (Priller et al 1999; Zimmer 1999). In 1995, the German nonprofit sector had operating expenditures of \$ 94.4 billion, or 3.9 % of the country's gross domestic product. Behind these figures lies an important workforce of 1.44 million full-time employees. With respect to employment, Germany's nonprofit sector outstrips the country's largest company Siemens - with „only“ 355,000 full-time equivalent employees - as well as some of the country's major industries, such as the chemical industry (313,000 employees/1.7 % of total employment), or the transport sector (513,000 employees/1.9 % of total employment).

Table 2:
Germany's Nonprofit Sector - Employment and Expenditures, 1990 (only West-Germany) and 1995 (East- and West-Germany)

	1990	1995
Nonprofit Sector Expenditures (in DM million and % of GDP)	93,417 3.9	135,400 3.9
Nonprofit-Sector Full-time Equivalent Employees	1,017,945	1,440,850
Economy - Total Employment Full-time Equivalent Employees	27,200,783	29,239,875
Nonprofit Sector as % of total Em- ployment	3.74	4.93

Data Source: Johns Hopkins Comparative Nonprofit Sector Project, Germany

Against the background of a constantly increasing unemployment rate in Germany, this result was quite a surprise for labour market experts and politicians alike. Compared to the industrial sector, nonprofit organisations had until recently been perceived to be of minor importance for the labour market in Germany. However, the results of the Johns Hopkins Project illustrate that the significance of the sector as a terrain for gainful employment had been largely underestimated. This was particularly the case regarding East Germany. The results of the project revealed that nonprofit organisations represent the only exception to the general rule of de-institutionalisation and rising unemployment in the new Laender (Zimmer/Priller/Anheier 1997). In East Germany, the sector has developed into a very important segment of the labour market. About one fourth of the German nonprofit labour force is employed in organisations operating in East Germany (Zimmer/Priller 1999: 34).

In the long view the German nonprofit sector looks back upon a success story of growing importance with regard to gainful employment, specially in comparison to the commercial and the public sectors. Since the 1960s, the nonprofit sector has developed into a stable segment of the German economy, thus surpassing the rate of the commercial and the public sector by far.

Table 3:
Employment Figures and Percentage Growth, 1960 - 1995
(West-Germany only)

	Forprofit Sector		Public Sector		Nonprofit Sector	
	Employ-ees (in 1000)	Change com- pared to 1960 in %	Employ-ees (in 1000)	Change com- pared to 1960 in %	Employ-ees (in 1000)	Change com- pared to 1960 in %
1960	23.201	100	2.098	100	383	100
1970	22.937	99	2.978	142	529	138
1980	22.126	95	3.929	187	925	242
1990	22.864	99	4.303	205	1.256	328
1995	22.754	98	4.225	201	1.430	373

Data Source: Johns Hopkins Comparative Nonprofit Sector Project, Germany

Traditionally, Germany's export-oriented economy has put high emphasis on productivity. Therefore, since the 1960s the forprofit sector has been shrinking with respect to employment. The public sector – even though it had been on the increase over the past decades - is currently downsizing due to financial constraints as well as to the impact of the new public management movement. Exclusively Germany's nonprofit sector looks back upon a steady and continuous growth of employment over the past decades. Compared to the 1960s, the sector's workforce has more than tripled.

This marvellous growth rate gave rise to speculations about the potential of the sector to develop into a job machine of gainful employment, thus providing the solution to the most significant problem of German society. However, these speculations did not take into account the internal composition and funding structure of the German nonprofit sector.

Table 4:
Nonprofit Employment 1990 and 1995 (Full-time Equivalents)

Area of Activity	1990		1995		Change
	Employees	% of total E.	Employees	% of total E.	Employees 90-95 in %
Culture and Recreation	64,350	6.3	77,350	5.4	20.2
Education and Research	131,450	12.9	168,000	11.7	27.8
Health	364,100	35.8	441,000	30.6	21.3
Social Services	328,700	32.3	559,500	38.8	70.2
Environment	2,500	0.2	12,000	0.8	387.4
Development/Housing	60,600	5.9	87,850	6.1	45.0
Civic and Advocacy	13,700	1.3	23,700	1.6	73.3
Philanthropy/Foundations	2,700	0.3	5,400	0.4	101.0
International Activities	5,100	0.5	9,750	0.7	89.8
Business and Professional, Unions	44,800	4.4	55,800	3.9	24.5
Total	1,018,000	100	1,440,350	100	41.5

Data Source: Johns Hopkins Comparative Nonprofit Sector Project, Germany

With respect to employment, the German nonprofit sector is dominated by nonprofits active in the so-called core welfare fields: the areas of health care and social services. These two fields represent the strongholds of the German nonprofit labour force. About 70 % (1,000,500 or 69.4 %) of the sector's workforce is employed within these two fields. The combined share of all other fields of nonprofit activity amounts to less than 20 % of the total nonprofit employment in Germany.

There is a story behind the specific composition of Germany's nonprofit sector. In accordance with other western European countries, German nonprofit organisations in the core welfare areas represent functional equivalents of public organisations. Nonprofits active in these two fields are deeply embedded in the German welfare state, thus operating as „quangos“ (Salamon/Anheier 1998:6). Since Germany is a prime example of a bureaucratic state with a fairly-sized public administration, the close co-operation between the welfare state and the nonprofit sector is more or less restricted to the areas of health care and social services (Zimmer 1997: 80). In other European countries, e.g. in Great Britain, the Netherlands or Belgium, this co-operation between the welfare state and the nonprofit sector is extended to areas such as the arts and culture, or education and research (Anheier et al 2000). In Germany, these fields are clearly dominated by public organisations. Due to the limited public-private partnership, the German nonprofit sector is relatively small and on par with the size of the French nonprofit sector (see Archaumbault).

The prominent position of health and social services within the German nonprofit sector reflects a long-standing tradition that is incorporated in the „principle of subsidiarity“ (Sachße 1994). The specific interpretation of this principle in German law gives preference to nonprofit over public and commercial provision of core social services. Nonprofit organisations active in welfare-related fields are in the majority affiliated with the German *Welfare Associations*, which are quite unique in terms of their history and closeness to the state (Zimmer 1997: 80-83). Generally speaking, the *Welfare Associations* represent an organisational „repository“ for the outcome of previous societal conflicts, the most important of which was the struggle between the modern German state and the church (Anheier 1990: 314; Schmidt 1996). This significant cleavage of the German society was brought to peace as early as in the Weimar Republic, when the German government accepted the church related associations as partners of public policy. In the Federal Republic of Germany, this corporatist arrangement has been re-established and incorporated into the social economy approach. Therefore, since the early 1950s - as a by-product of the growing welfare state - the *Welfare Associations* have developed into the largest private employer in Germany (Rauschenbach 1995).

In other words, the impressive growth of nonprofit employment is closely connected to the extension of the German welfare state. This

is clearly reflected by the funding structure of the core welfare fields, particularly the areas of health and social services. About 61 % of the operating expenditures of the nonprofit sector are taken up by the combined total of nonprofit organisations engaged in health and social services. As will be shown in the next table, these two fields are to a very large extent supported by public grants and reimbursements of the social insurance. In other words: nonprofits in these two fields are highly dependent on public support.

Taking a closer look at the development of nonprofit employment in the 1990s, its growth rate is only at a first sight very impressive. Although nonprofit employment has increased by about 40 % since 1990, the fields which have particularly benefited from the labour market extension of the sector are those that have until now not been the strongholds of nonprofit employment in Germany. To put it in a nutshell: the most impressive growth rates with respect to employment occur in exactly those areas of nonprofit activity that are dominated by relatively small nonprofits which have been founded quite recently and which are engaged in so-called new societal issues, such as the environment, international activities or civic and advocacy. In comparison with these new fields of nonprofit activity, there is a slow-down of job creation in the traditional areas (see also Betzelt/Bauer 1999: 315; Betzelt/Bauer 2000: 37; Bode 1999: 936). Particularly the field of health - which for several decades used to be the fastest growing segment of the sector in terms of job creation - is no longer the driving force of nonprofit employment in Germany.

There is a simple reason why the core welfare fields of nonprofit activity are losing ground in terms of employment while other areas, such as international activities or civic and advocacy, are gaining importance. As already mentioned, in Germany nonprofit employment is closely related to the welfare state. However, in Germany - as everywhere else - the welfare state is on the retreat and it is affected by a deep crisis brought about by significant cuts in government funding. Like elsewhere German politicians are reducing public support for welfare activities (Leisering 1999: 189). This trend is reflected by the revenue structure of Germany's nonprofit sector. All those fields that managed to diversify their revenue structure in the 1990s, thus becoming less dependent on public financing, were able to enlarge their workforce. Those areas in contrast, that became even more dependent on public grants have not been very successful with respect to job creation.

The field of nonprofit activity that was particularly hit by recent changes in government policy and funding is the area of health care. Major policy changes have brought about a shift from luxurious government support to a funding strategy which focuses on keeping down the costs of personnel. Since private insurance funds do not play a major role in the German health system, there are no alternative funds to public monies or re-imbursments of the public insurance available. Thus the governmental strategy of reducing the costs of the health system has had a major impact on the nonprofit organisations active in the field of health care. Particularly nonprofit hospitals are not able to attract private giving or to increase their income from commercial activities - as many nonprofits in other fields of activity did. The results of the Johns Hopkins Project show that in the 1990s, the area of health lost its prominent position as the most labour intensive field of nonprofit activity. This position was taken over by nonprofits active in the field of social services, where there are more than 500,000 people employed in nonprofit organisations today.

**Table 5:
Revenue of Nonprofit-Organisations, 1990 and 1995**

Field of Activity	Public Monies		Private Giving		Fees, Charges	
	1990	1995	1990	1995	1990	1995
	in %					
Culture and Recreation	16.8	20.4	9.4	13.4	73.8	66.2
Education and Research	69.9	75.4	2.0	1.9	28.1	22.6
Health	83.9	93.8	2.6	0.1	13.4	6.1
Social Services	82.6	65.5	7.3	4.7	10.1	29.8
Environment	23.2	22.3	3.7	15.6	73.1	62.1
Development/Housing	57.2	0.9	0.0	0.5	42.7	98.6
Civic and Advocacy	41.9	57.6	4.5	6.6	53.6	35.8
Philanthropy/Foundations	14.8	10.4	0.5	3.4	84.7	86.2
International Activities	76.9	51.3	16.8	40.9	6.2	7.8
Business and Professional/ Unions	5.5	2.0	0.3	0.8	94.3	97.2
Total	68.2	64.3	3.9	3.4	27.9	32.3

Data Source: Johns Hopkins Comparative Nonprofit Sector Project, Germany

The shift from health to social services as the stronghold of nonprofit employment in Germany was primarily induced by a change in the revenue structure of social service provision. In accordance with the world-wide trend towards commercialisation, (Salamon/Anheier 1998: 10; Salamon 1999: 11) nonprofits active in social services have significantly increased their income from fees and charges in the 1990s in Germany. Indeed, diversification of funding seems to be the most important clue for stabilising or even increasing the nonprofit workforce. However, a shift from government funding to income derived from commercial activities represents only one avenue of organisational success. Nonprofits engaged in international activities were quite success-

ful in attracting private funds, thus remarkably increasing their income from philanthropy (from a share of 17 % to 41 %). The same holds true for organisations that are active in the field of environment. In development and housing, nonprofits were by law forced to engage in commercial activities, because government support for nonprofit housing was terminated in 1990.

Only the field of civic and advocacy does not fit into this pattern. In the 1990s the growth rate of nonprofit employment in this field of activity ranged above the German average (73 %). At the same time, the share of public monies in the total income increased while the share of fees and charges diminished. The remarkable growth of nonprofit employment in this field was primarily induced by unification. In East Germany, legal advice and counselling in situations of financial crisis have become a main area of activity for nonprofit organisations. According to the German taxonomy, these heavily state-subsidised services belong to the field of civic and advocacy (Priller et al 1999: 111-113).

The results of the German study of the Johns Hopkins Project confirm the scepticism of those policy experts and nonprofit researchers who do not perceive the third sector as a terrain of gainful employment in the first place. According to their judgement, it is very unlikely that the nonprofit sector will develop into one of the driving forces of the German labour market (see Betzelt/Bauer 1999, 2000; Bode 1999; Zimmer/Priller 1997). Taking into account the political and legal embeddedness of the sector, German nonprofit organisations will not be able to replace public funding by income derived from fees and commercial activities (see Betzelt 2000).

As is clearly reflected by the numbers, the impact of the welfare state with its strong emphasis on subsidiarity translates into a revenue structure of the Germany nonprofit sector which is highly state-dependent. From an international point of view, the German nonprofit sector stands out for its remarkable dependence on public support. Public grant and insurance allowances account for 64 % of all nonprofit revenue in Germany. While internationally fees and charges are the main source of nonprofit income, amounting to 47 %, this source of revenue is of minor importance for the German nonprofit sector, accounting for only 32 % of all nonprofit revenue. The contribution of private philanthropy to the sector's revenue structure amounts to only 4 % in Germany, thus ranging significantly below the 11 % country-average

of the participants of the Johns Hopkins Project. (Salamon/Anheier 1998: 12).

To put it into a nutshell: in Germany – just as internationally - public spending no longer induces nonprofit employment. In Germany, those areas of nonprofit activity which were able to diversify their revenue structure - relying less on public monies - were successful with respect to employment, whereas those which failed to attract funds other than public grants and third party payments did not enlarge their workforce significantly in the 1990s. In sum, the sector's revenue structure clearly reflects its dependence on the German welfare state. It is therefore most unlikely that the German nonprofit sector will develop into a functional equivalent of the forprofit sector creating new posts of gainful employment in significant numbers.

The Societal Function of the Sector and the Transitional Labour Market Approach

Against this background, labour market experts and sociologists have started to investigate the societal functions of the nonprofit sector more closely (Anheier et al 2000). In Germany, and in many other European countries, gainful employment does not constitute the most prominent characteristic of the third sector. On the contrary, from a non-economic point of view, membership represents the bedrock of the nonprofit sector in many European countries. Similar to the situation in Sweden, the German nonprofit sector is not primarily perceived as a service-provider, but as a terrain for club-life and self-organisation (Zimmer 1996). Generally speaking, the sector offers a terrain or societal sphere where members engage in non-commercial activities. This is clearly documented in the following table.

**Table 6:
Organisations, Members and Volunteering**

Area of Activity	Organi- sations (in 1000)	Members 1997 ¹ (in 1000)	Volun- teers 1996 ² (in 1000)	Hours volun- teered ² (in 1000)
Culture and Recrea- tion	160.1	15 729	5 866	738 182
Education and Re- search	10.0	661	330	27 025
Health	3.6	2 974	1 318	156 869
Social Services	130.0	1 586	1 187	181 530
Environment	30.0	2 710	857	102 827
Develop- ment/Housing	1.5	264	132	36 121
Civic and Advocacy	40.0	1 190	725	192 234
Philan- thropy/Foundations	6.0	132	198	36 385
International Activi- ties	0.4	264	396	52 600
Religion	30.0	2 313	3 098	430 623
Business and Pro- fessional Associa- tions, Unions	5.0	11 963	593	86 019
Others (Religion)	30.0	3 767	5 076	715 376
Total	417.6	41 240	16 678	2 325 168

¹ Social Economic Panel 1997 (without double memberships)

² Social Economic Panel 1996

Source: Johns Hopkins Comparative Nonprofit Sector Project, Ger-
many.

German nonprofit organisations are not exclusively functioning as equivalents or replacements of public entities. On the contrary, specially in the area of culture and recreation the sector represents a prime domain of societal engagement expressing a high degree of civiness. Particularly volunteering provides an excellent example of the importance of the non-economic side of the sector. In Germany, the hours invested in volunteering add up to the equivalent of more than one million full-time jobs. Throughout the past two decades Germany has wit-

nessed a foundation boom of new initiatives and voluntary associations - particularly in the areas of environment, international activities and civic and advocacy (Anheier et al 2000).

In other words, the embeddedness of the sector in many European countries is quite distinct from the US-American model. In the United States the sector represents a societal response to the combined failures of both, the market and the state, to produce public goods in sufficient numbers and of good quality. In many European countries, like Sweden or Germany, the sector has emerged from social movements and civic activities (see Filip Wijkström). Therefore, the sector today still offers a terrain for civic engagement and social integration in Europe. The US model of a nonprofit sector that is non-commercial but nevertheless serving the public does not fit the specific situation of the majority of nonprofit organisations in Germany. Similar to the situation in Sweden, in Germany the sector is perceived as a societal sphere for self-organisation. Particularly at the local level, the sector has provided the organisational framework for many new initiatives and groups arising from the new social movements, which were booming in Germany during the 1970s and 1980s (Zimmer 1997: 87-91).

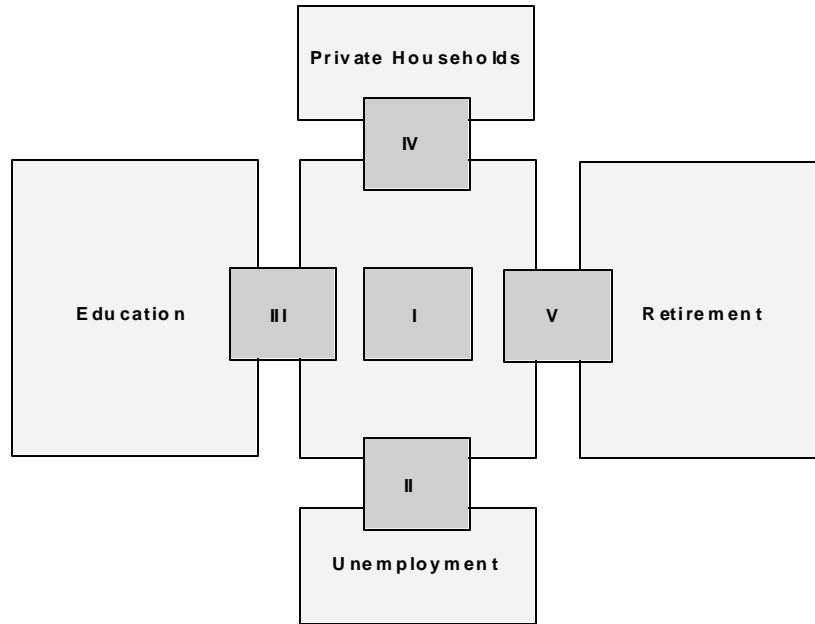
However, there are significant differences between the various areas of nonprofit activity. Nonprofit organisations engaged in the area of culture and recreation are ranking first with respect to the number of organisations, to members and volunteers, and to hours volunteered. Again, the area of social services stands out for its degree of civicness compared to the field of health. It has to be mentioned that during the past decades many self-help organisations have been founded in Germany. Indeed, there was a foundation boom of self-help groups, reflecting a significant change in the country's political culture. Starting in the 1970s, the new social movements have gained importance in Germany; they are now representing an important societal force. In other words, the capacity of the German nonprofit sector to promote new ideas and organisational forms offers ways for societal integration as well as for societal change. Those nonprofit organisations that express a high degree of civicness are very attractive for members and volunteers alike, whereas nonprofits which are closely related to the state apparatus are less innovative. Therefore, the attractiveness of the German nonprofit sector is not based on the business-like behaviour of its organisations; on the contrary, the sector's societal embeddedness and 'the strength of weak ties' are the main reasons why there has been a foun-

dation boom of new organisations during the last two decades and why more and more Germans are joining voluntary organisations or getting involved in volunteering.

Against this background, labour market specialists have started to speculate about the potential of the German nonprofit sector to provide channels for societal integration, specially for those who are temporarily unemployed as well as for those who are in a particular stage of their life-cycle, such as the transition from school to professional life, or from full-time employment to retirement. With respect to social integration the sector might function as a „transitional labour market“ buffering difficult periods in the life cycle as well as providing a terrain for societal innovation. The potential of transitional labour markets are primarily investigated and elaborated by Günther Schmidt who developed a sophisticated approach combining the social and economic function of labour markets (Schmidt 1997, 1998, 1999a, 1999b).

Schmidt and others argue convincingly that „full-time employment“ in the traditional sense of 40 hours five days a week working, life-long for the same company, has never been a characteristic feature of market economies (Schmidt 1999; Voruba 1988). On the contrary, the history of modern capitalism has been marked by significant labour market shocks induced by technical innovations or by rapid changes in the demand for products and services. During the period of industrialisation, the traditional first sector - namely farming - provided an institutional buffer or shock absorber in times of cyclical unemployment, offering social space for useful activities. Until the 1950s, large and multigenerational families provided a second prominent field of activity, which was independent of labour market demand. These classical areas of activities, which are independent from the „official“ labour market, have disappeared in post-industrial societies.

**Figure 1:
Labor Market Policies as a Strategy of Transitional Labor Markets**



- I Transitional arrangements between short-time working and full-time employment or between dependent work and self-employment
- II Transitional arrangements between unemployment and employment
- III Transitional arrangements between education and employment
- IV Transitional arrangements between private domestic activities and employment
- V Transitional arrangements between employment and retirement

According to Günther Schmidt, post-industrial societies are currently in the need of an institutional arrangement which functions as a shock absorber for labour market deficiencies, thus providing the social space for useful activities besides full-time employment. More precisely, Schmidt identifies the need for an institutional arrangement buffering the transition between different working regimes (short-time and full-time employment, dependent work and self-employment, domestic activities and employment, unemployment and employment) as well as

between different stages of the life-cycle (education and employment, employment and retirement (Schmidt 1999: 139)).

Although the transitional labour market approach does not explicitly refer to the third sector as one possible area for transitional work and employment, there are two reasons why the nonprofit sector is highly qualified for this task of smoothing down adjustments induced by life-cycle changes or by economic crises:

- In contrast to the forprofit sector, nonprofit organisations are „mission-oriented“. Therefore the sector is highly appreciated by society, attracting private giving and volunteers. As outlined before, particularly in Europe the sector provides the societal space for joyful engagement and civic activities.
- Furthermore, already today the sector stands out for its flexible arrangement of working hours. Due to its various working hour regimes, the sector opens up avenues for flexible labour market integration and on-the-job-training.

According to the results of the Johns Hopkins Project, „having fun“ ranks first among the reasons to engage in volunteer activities in Germany. Further motivations are „to meet people and to make friends“ or „to stay active“. Besides these rather hedonistic motivations, Germans engage in volunteering, because they try „to help other people“, or because they „want to put their knowledge to use“ (Anheier et al 2000). The different reasons why citizens are attracted to volunteer activities clearly reflect the broad spectrum of societal spheres in which nonprofits are to be found. With respect to volunteering, the potential of the nonprofit sector to function as a „transitional labour market“ is not restricted to those fields of nonprofit activity which are fairly independent from the welfare state.

Table 7:
Composition of the German Nonprofit-Sector

Year	Employees in % of total	Volunteers in % of total
Culture and Recreation	5.4	40.9
Education and Research	11.7	1.5
Health	30.6	8.7
Social Services	38.8	10.1
Environment	0.8	5.7
Development/Housing	6.1	2.0
Civic and Advocacy	1.6	5.7
Philanthropy/Foundations	0.4	2.0
International Activities	0.7	2.9
Business and Professional, Unions	3.9	4.8
Not elsewhere classified	-	15.8
Total	100.0%	100.0%

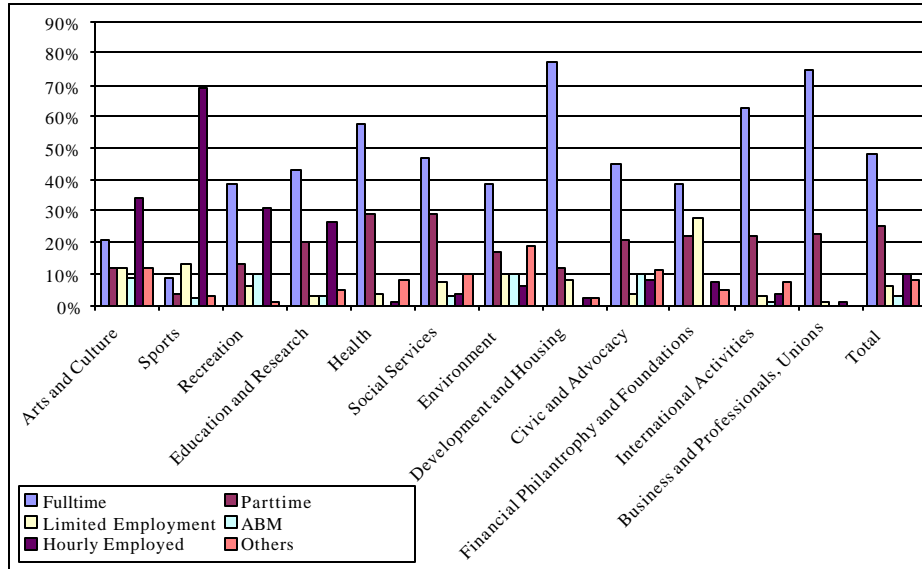
Data Source: Johns Hopkins Comparative Nonprofit Sector Project, Germany

As has been shown before, volunteer work is highly concentrated in the field of culture and recreation. More than 83,000 sports clubs, which are predominantly run by volunteers, are to be found in Germany. However, there are many Germans who volunteer in the core fields of welfare activity, particularly in health and social services. Nevertheless, there is a significant difference between nonprofit organisations active in health and social services and those active in culture and recreation. Whereas health and social services as well as education and research are predominately working with a paid labour force, volunteer activities provide the most important workforce in the other areas. While in the field of social services volunteers and paid employees are in the ratio of one to six, it is just the opposite in culture and recreation. In order to use the potential of the nonprofit sector as a transitional labour market effectively, policy experts have to address a number of questions and problems. First of all, they have to deal with the problem of employee-volunteer partnership. The areas of health and social services are attractive for volunteers; nevertheless, professionals dominate their labour force. As clearly shown in the literature, this leads to tensions and misunderstandings. German nonprofit organisations are not

familiar with the approach of volunteer management. The placement and integration of volunteers in nonprofit organisations is not professionalised. Accordingly, volunteers often express dissatisfaction and uneasiness about their working situation. However, nonprofit organisations in the areas of culture and recreation are showing a significant need for further professionalisation and management know-how. In many cases, volunteers are also dissatisfied with their working conditions due to an overload of commitments and a mismanagement of the organisation. Addressing the difficulties of the management of nonprofit organisations properly might facilitate the use of the sector as a transitional labour market (see Biedermann 2000; Langnickel 2000; Schütte 2000).

To build on the nonprofit organisations' potential to provide joyful work possibilities by improving the integration of volunteers into the nonprofit workforce offers one way to use the sector as a transitional labour market. A second approach is to build upon the capacity of the sector to combine various time regimes and flexible working hour regulations. Compared to the forprofit sector, nonprofit organisations offer a broad variety of working hour regimes, thus allowing flexible arrangements.

**Graph 1:
Time Regimes of the German Nonprofit Sector**



Although full-time work is still a common working regime in the German nonprofit sector, part-time work has been significantly gaining importance during the past decades. Already today, part-time as a working hour regime is far more established and accepted in the nonprofit than in the forprofit or public sector in Germany. One out of four nonprofit employees works part-time in Germany. Particularly the field of social services is characterised by part-time work, whereas in the area of sports as well as recreation employees are predominately working on an honorary basis. Without any doubt, a trend towards flexible working hour regimes allows the integration of employees on a temporary basis. According to the results of the German study of the Johns Hopkins Project, time regime flexibility will significantly increase in the near future, thus improving the changes of the nonprofit sector to function as a transitional labour market.

Table 8:
Anticipated Changes of Employment Structure/Working Hours

Area of Activity	Full-Time		Part-Time		Limited Working Hours		Hourly Work	
	In-crease	De-crease	In-crease	De-crease	In-crease	De-crease	In-crease	De-crease
Arts and Culture	19.7	38.2	40.8	11.8	36.8	66.6	51.3	6.6
Sports	40.0	5.7	37.1	5.7	57.1	14.3	45.7	2.9
Education and Research	17.0	1.7	51.1	25.5	31.9	4.3	44.7	10.6
Health	3.2	77.4	77.4	12.9	38.7	3.2	38.7	-
Social Services	16.8	46.9	62.2	11.8	35.5	9.9	38.2	8.4
Environment	14.8	26.9	48.1	11.1	33.3	11.1	40.7	7.4
Civic and Advocacy	15.4	53.8	53.8	15.4	12.8	-	25.6	2.6
International Activities	35.3	35.3	58.8	11.8	17.6	5.9	64.7	-
Business and Professional, Unions	26.7	46.7	40.0	26.7	13.3	6.7	40.0	66.7
Total in %	19.0	44.8	55.2	13.1	34.2	7.9	41.2	7.0
Total in Numbers	106	250	308	73	191	44	230	39

Data Source: WWW-Müster/WZB - Organizational Survey 1998 (n=2240)

Within the framework of the organisational survey, nonprofits assessed how the nonprofit employment structure will change in the near future. Almost every second organisation that participated in the organisational survey indicated that full-time employment will decrease while part-time and hourly work will increase. In the near future, employment in the nonprofit sector in Germany will be dominated by part-time work. Even those fields of activity which today heavily rely on full-time employment, such as health or business and professional associations and unions will shift their employment regime towards part-time. The regime of „Limited Working Hours“ is a German speciality that

used to be treated beneficially by the tax regime. Since the government has abolished the special treatment of this particular working regime, nonprofit organisations tend to prefer hourly contracts as a flexible working time arrangement. In sum, the nonprofit organisations surveyed perceive work in German nonprofit sector in the future as marked by extremely flexible working hour regulations, thus moving away from the traditional idea of „full employment“.

This trend definitely offers avenues to further develop the potential of the sector as a transitional labour market. There can be no doubt that part-time work might be very attractive particularly for those individuals who are planning a smooth transition from work to retirement. By the same token, the very flexible time-regime of hourly work is well suited to meet the needs of those individuals who are not in the need of earning money, but who like to keep „a foot in the door“ of the professional world in order not to lose their expertise. This might be the case for the well-educated woman who prefers to stay at home taking primarily care of her children, or the university student who wants to get an on-the-job training and a first sight experience (see Mutz 2000).

Besides its potential offering channels for societal integration, the transitional labour market approach is quite limited and only applicable to certain segments of the labour force. Furthermore, the trend towards flexible working hour regimes also has a dark side. Firstly, the sector offers job opportunities more or less exclusively for the well-educated members of the middle class. There is no chance that the sector might integrate those who are less qualified or those who are suffering from long-term unemployment. However, these two groups constitute the majority of the jobless. The range and effectiveness of the transitional labour market approach is therefore rather limited. Secondly, the sector might easily be used as a terrain for „cheap labour“ (Bauer 1998: 121). This might specifically be true for women. In accordance with the distribution of gainful employment in the forprofit or public sector, the female workforce of the nonprofit sector is primarily to be found in part-time jobs or even honorary work-time positions (Buschoff 2000), whereas men are holding the full-time, well paid positions in the sector. In order to further develop the transitional labour market approach, it is necessary to aim at a more gender balanced distribution of labour and positions within nonprofit organisations (Klammer/Klenner 1999).

Conclusion

The results of the Johns Hopkins Project clearly show that the sector represents a significant force in the German economy. During the past decades, the sector's employment figures have been on a steady increase. However, this impressive success story has been closely connected to the expansion of the German welfare state. With respect to its internal composition and revenue structure, the German nonprofit sector can be characterised as a privately organised but highly integrated part of the German welfare state. Due to the current problems of the welfare state, it is therefore unlikely that the nonprofit sector will develop into a job-machine of gainful employment in Germany. The results of the Johns Hopkins Project Germany confirm this pessimistic view. Particularly nonprofits active in the area of health, which used to be the most labour intensive field of nonprofit activity in Germany, are suffering from retrenchment of personnel and reduction of jobs.

In contrast, nonprofits active in leisure, life-style or advocacy-related activities, such as environmental groups, are currently increasing their employment figures. This development will translate into a significant change of the characteristics of the German nonprofit sector. Those fields of nonprofit activity which are not closely related to the welfare state, expressing a greater degree of civicness, are gaining importance. Even though these organisations (sports clubs, arts societies, etc.) - due to their revenue structure - are not in a position to create well-paid jobs in large numbers, they might nevertheless serve as a useful tool for innovative labour market policies, offering on-the-job-training and continued education for specific groups of the German labour force. As the sector also provides a variety of working time regimes it represents an arena for flexible professional adjustment and societal integration - particularly for the group of people who are facing certain stages of the life-cycle as for instance the transition from school to employment or the transition from full-time employment to retirement. The same holds true for the group of highly skilled employees who suffer from short-term unemployment caused by business fluctuations. For these two groups of the workforce the German nonprofit sector is highly attractive as a transitional labour market, because already today the sector offers joyful volunteer activities. Thus, for certain sections of the workforce the sector might indeed function as a transitional labour market providing opportunities for further training and on-the-job ex-

pertise while at the same time guaranteeing societal integration. These capacities of the sector are however limited to well-trained and educated groups.

Furthermore, it has to be mentioned that the increase of flexible work arrangements encompasses various negative aspects. First of all, there are predominately women who are working in part-time positions. Generally speaking, many nonprofit organisations do not qualify as a terrain for gainful employment and career development. There is, however, a significant risk that politicians might use the sector as a field of „cheap labour“.

In sum, Germany's nonprofit sector will not provide new jobs in large numbers. However, in a broader policy perspective, the sector is highly qualified to develop into an effective transitional labour market offering possibilities of on-the-job-training and joyful engagement for specific groups of the labour force, thus smoothing critical periods of life cycle adjustments or cyclical fluctuations.

Notes:

1. Since the total number of nonprofit organisations in Germany is unknown, the research team used a „weighed“ sample. At first, the fields of nonprofit activity were divided into sub-groups. From each of the sub-groups at least 130, but not more than 600 organisations were included in the mailing list. Addresses were either drawn from official address books or provided by the regional and peak associations of the various fields of nonprofit activity.

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