The Third Sector at a Glance

The Third Sector encompasses nonprofit or non-governmental organizations (NPOs/NGOs), which are not part of the market economy and are independent of the state. These organizations perform different functions: Some provide variegated services, while others promote volunteering, engage in advocacy and organize people into religious congregations or membership organizations. They promote philanthropy and altruism, social participation and innovation, and promote social change, often representing the interests of minorities and marginalized groups.

In Israel these organizations developed the infrastructure for the national systems of educational, health and welfare services in the pre-state era. Their engagement in the provision of such services continues to this date. Since the late 1970s the third sector witnessed rapid growth, representing a surge in the scope and importance of Israeli Civil Society, and expressing the exceedingly pluralistic nature of Israeli society.

The Economic Scale of the Third Sector in Israel

The share of the Third Sector in Israel’s economy has been increasing continuously since the 1990s. The annual current expenditure of the Third sector in 2002 amounted to 65 billion NIS (Approx. $14 billions), a sum which is equivalent to 13.3% of Israel’s GDP.

The extent of employment in the Third Sector in 2002 amounted to 236,000 full time equivalent jobs, or 10.9% of the total employment in Israel - a 30% increase in the sector’s share since 1991 (Figure 1).

Figure 1: Growth in Employment of the Third Sector, 1991-2002
Financial Resources
The Sector is funded by three main sources: Public funding through government payments and grants, contributions from individuals and organizations, and earned income through sales of products and services. Public funding, mostly through government purchasing services provided by Third Sector organizations, is still the dominant source, but its share decreased from 63% of total sector revenue in 1995 to 52% in 2002 (Figure 2). Concurrently, the share of earned income in the sector’s income increased from 27% in 1995 to 34% in 2002.

Figure 2: Third sector funding, 1995 and 2002

- Earned Income
- Contributions
- Public Funding

Giving and Volunteering 1997-2002

Rates of Giving and Volunteering
Many more Israelis engaged in voluntary work in 2006 when compared to 1997. The rates of volunteering increased 40% in the last decade, from a rate of 32% to 45% (Figure 3). This increase was manifested in formal volunteering in organizations and in informal volunteering with individuals and households. In contrast, a comparison of 1997 and 2006 giving shows that the general rate of giving remained virtually constant. However, this hides an increase in the rate of giving through organizations, and a decrease in direct donations to individuals and households. This is the case among the Jewish population. The Arab patterns of giving and volunteering differ substantially from those of the Jewish population and normally take a more informal route, thus calling for the use of different definitions and methodology. The Rate of volunteering in organizations among Arab Israelis in 2005 was 23% and informal volunteering with persons other than family members reached 62%.
Socio-demographic Correlates

Giving and volunteering are found to be positively correlated with income, and their propensity increases among persons with higher income. The rate of giving among the richest is 93% whereas among the poorest it is 74%. The richest volunteer more than the other income groups. Country of origin is also correlated with philanthropic behavior. Jews of European and American descent show the highest rates of giving and volunteering, and Jews of African-Asian descent show the lowest rates. Recent immigrants give at similar rates as do those born in Israel.

Religiosity and Philanthropy

The last decade saw an increase in the rates of giving and volunteering, regardless of level of religiosity. Yet, the strong correlation between
levels of religiosity and the propensity of philanthropic behavior remained unchanged. Rates of volunteering are particularly high among the Ultra-Orthodox, and rates of giving are highest among the religious and the Ultra-Orthodox (Figure 4).

Registration of New Organizations

In Israel Third Sector organizations can incorporate in three different forms: As an Amuta (association), as a Trust and as a Public Purpose Company. Altogether, 40,800 organizations of these three types were registered between 1981 and 2005 (data prior to 1981 is very partial). Registration of new organizations reached its peak in the years 1991-2000 (Figure 5).

Figure 5: Annual average registration of new organizations, 1986-2005

Areas of Activities

The organizations are classified into twelve categories, according to the John Hopkins International Classification of NPOs. Most of them engage in five fields: Religion, Culture and Recreation, Education and Research, Welfare and Philanthropy (see Figure 6). The share of organizations involved in these areas declined from 86% in 1985 to 83% in 2005, reflecting a slow and steady trend of increased diversity in the areas of activities Third Sector organizations engage in.
Figure 6: The Distribution of registered organizations by area of activities, 2005

A Comparison of new registrations between the last decade (1996-2005) and the previous one (1986-1995) shows:

- An increase in the area of Welfare which mirrors the harsh economic situation of some of the population and the withdrawal of the government from this area.
- Moderate growth in the field of Education & Research, as a result of conflicting trends: Dissatisfaction with state-provided education, expressed in more organizations focusing on preschool to high school education, and decrease in ultra-religious institutions.
- In the last 20 years fewer new foundations are established.
- While in absolute numbers Civic and Advocacy and Environmental organizations comprise only a small fraction of the sector, these fields demonstrated rapid growth.

Active Organizations

There are 23,650 active organizations according to government records. This means that 57% of the registered organizations are formally active, even though possibly some of them have no real activity. Two factors are related to the viability of the organizations: The organizations’ age and field of practice.

Age

Almost 60% of the organizations cease to exist within ten years of their establishment (Figure 7). Most of those that have past the ten-year barrier can be expected to demonstrate considerable longevity.
Field of Practice
Organizations in the fields of Philanthropy, Professional Associations and Education & Research tend to survive more than the average, while organizations in the fields of Development & Housing, Civic & Advocacy and Welfare tend to be more short-lived.

Spatial Distribution
Organizations tend to concentrate in the two central cities of Israel: Jerusalem and Tel Aviv, where also the per-capita rate of organizations is highest. The Southern district has the lowest number of organizations per capita. A trend of decentralization can be observed in the last decade (1996-2005). During the years 1986-1995, 55% of all new organizations were established in the districts of Jerusalem and Tel-Aviv. A decade later this share dropped to only 47% (Figure 8).
The Israeli Center for Third sector Research

The Israeli Center for Third sector Research was established in 1997. At the outset ICTR has set four major goals for its operation: (1) To develop policy-relevant knowledge of the nature, structure and societal role of Israel’s Third Sector; (2) to promote the study of the Third Sector and related subjects as a legitimate multi-disciplinary and inter-disciplinary academic field; (3) to engage in policy analysis on the Third Sector and to make Third Sector issues a focus of the public agenda; and (4) to create a resource center and database on Israel’s Third Sector and to make it available to researchers, policy makers and professionals in the field. Since its inception ICTR has been successfully addressing all four of its goals, and has established itself as a prominent actor in the field nationally and globally.

The data in this publication is based on the ICTR’s Israeli Third Sector Database, ICTR’s 2006 giving and volunteering survey, and analysis done with the help of Israel’s Central Bureau of Statistics.

Selected publications of the Israeli Center for Third sector Research


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