Global Civil Society
Dimensions of the Nonprofit Sector

Lester M. Salamon
Helmut K. Anheier
Regina List
Stefan Toepler
S. Wojciech Sokolowski
and Associates
The Johns Hopkins Center for Civil Society Studies (CCSS) seeks to encourage the development and effective operation of not-for-profit, philanthropic, or "civil society" organizations that provide organized vehicles for the exercise of private initiative in the common good, often in collaboration with government and the business sector. CCSS is part of the Johns Hopkins Institute for Policy Studies and carries out its work internationally through a combination of research, training, and information-sharing.
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Nonprofit organizations play an important part in Australian life and have done so since almost the beginning of European settlement, over 200 years ago. They came in the intellectual luggage of the United Kingdom migrants who settled and transformed the country. However, the importance of a nonprofit sector is not widely acknowledged in Australia. Most people do not see a single nonprofit sector but rather a disparate gaggle of organizations: charities, clubs, private schools, churches, associations, lobby groups, unions and the like, gathered between the two powerful pillars of government and business.

Over its two centuries of existence, Australia’s nonprofit sector has shaped many important institutions in every aspect of Australian life. Yet from time to time it has been challenged; and over the years, the fields of greatest nonprofit activity have changed. Eighty years ago, for example, nonprofit hospitals and friendly societies played a far greater role in health care than today. In times past, nonprofits faced the possibility of being taken over by governments; today, the threat is from the business sector. Australia’s nonprofit sector now faces another period of transformation and, if it is to maintain a
strong presence, it will need to develop a wider public recognition as a distinct and important sector.

The data reported here should help to develop such a recognition. They were collected as part of the Australian Nonprofit Data Project (ANDP) by a small team of researchers from the University of Technology, Sydney, with considerable support from the Australian Bureau of Statistics (ABS), and as part of Phase II of the Johns Hopkins Comparative Nonprofit Sector Project, thus ensuring that Australian data were collected in a manner that permitted detailed comparisons with other participating countries.

This chapter reports just one set of findings from the project, comparing the size and structure of the nonprofit sector in Australia to that elsewhere. Details of the legal environment of nonprofit organizations in Australia have already been published, and subsequent publications will illuminate the history and policy context of the sector as well as its impact. The data reported here come mainly from industry surveys conducted by the ABS, together with other ABS collections and from data collected by several other Australian government agencies. A fuller account of data sources is provided in Appendix C. A more complete statement of the types of organizations included can be found in Chapter 1 and Appendix A.

PRINCIPAL FINDINGS

Five major findings emerge from this work on the scope, structure, financing, and role of the nonprofit sector in Australia:

1. A substantial economic force

In the first place, aside from its social and political importance, the nonprofit sector turns out to be a major economic force in Australia, accounting for significant shares of national expenditures and employment. More specifically:

- **A $19 billion industry.** The nonprofit sector in Australia had operating expenditures of $19 billion in 1995–96, or 5.2 percent of the country’s gross domestic product, a significant amount.

- **A major employer.** Behind these expenditures lies a sizable workforce that includes the equivalent of nearly 403,000 full-time equivalent (FTE) paid workers. This represents 7.2 percent of all nonagricultural workers in the country, 15.3 percent of service employment, and the equivalent of 31.2 percent of the people who work for government at all levels: federal, departmental, and municipal (see Table 10.1).
Many more employees than in the largest private firm. Put somewhat differently, nonprofit employment in Australia outdistances the employment in the largest private business in the country by a factor of four. Thus, compared to the 403,000 full-time equivalent paid workers in Australia's nonprofit organizations, Australia's largest private corporation, Coles Myer, employs about 100,000 workers.

Outdistances numerous industries. In fact, more people work in the nonprofit sector in Australia than in most industries. Thus, nonprofit employment exceeds that in the communication services industry (which in 1995-96 employed 142,900 FTE workers), the transport and storage industry (300,500), the construction industry (317,900), and the provision of public utilities (67,200).

Volunteer inputs. Even this does not capture the full scope of the nonprofit sector in Australia, for this sector also attracts considerable volunteer effort. Indeed, an estimated 9.3 percent of the Australian population reports contributing their time to nonprofit organizations. This translates into another 177,148 full-time equivalent employees, which boosts the total number of full-time equivalent employees of nonprofit organizations in Australia to nearly 580,000, or 10.1 percent of all nonagricultural workers in the country (see Figure 10.1).

Religion. The inclusion of operating expenditures by religious worship organizations (about $1 billion) would boost the nonprofit sector's total operating expenditures to $20 billion, equivalent to 5.4 percent of GDP, as shown in Figure 10.1. Similarly, the inclusion of religion would increase FTE employment by 13,000 workers and FTE volunteers by 41,000. The nonprofit sector's share of paid employment with religion included then rises from 7.2 percent to 7.5 percent, and with volunteers, from 10.1 percent to 11.0 percent of the nonagricultural workforce.

<table>
<thead>
<tr>
<th>Table 10.1 The nonprofit sector in Australia, 1995</th>
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<td>$ 19.0 billion in expenditures</td>
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<td>— 5.2 percent of GDP</td>
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<td>402,574 paid employees</td>
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<td>— 7.2 percent of total nonagricultural employ</td>
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<td>— 15.3 percent of total service employment</td>
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<td>— 31.2 percent of public sector employment</td>
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2. One of the larger nonprofit sectors

The size of the Australian nonprofit sector, measured in terms of paid employment, is larger than the international average and on a par with that in other developed countries.

- **Above the international average.** As Figure 10.2 shows, the relative size of the nonprofit sector, as measured by employment, varies greatly among countries, from a high of 12.6 percent of total nonagricultural employment in the Netherlands to a low of less than 1 percent of total employment in Mexico. The overall 22-country average, however, was 4.8 percent. This means that Australia, at 7.2 percent, is well above the global average.

- **Same as the other developed countries average.** Not only is it well above the 22-country average, but also nonprofit employment in Australia is marginally higher than the average for other developed countries. Thus, as shown in Figure 10.3, full-time equivalent employment in nonprofit organizations in Australia, at 7.2 percent of total employment, is just ahead of the average both for non-European developed countries (i.e., Australia, Israel, Japan, and the U.S.) of 6.9 percent and...
for Western European countries of 7.0 percent. However, those averages conceal considerable variation, ranging, as was shown in Figure 10.2, from 12.6 percent for the Netherlands to 3.5 percent for Japan. Australia’s ratio of nonprofit employment to total employment is higher than that in the United Kingdom and Germany, but marginally
lower than that in the United States and markedly lower than that in Ireland or Israel.

• **Position similar with volunteers.** When volunteers are added, nonprofit organizations account for 10.1 percent of total employment in Australia, on a par with that in Western Europe and other developed countries (see Figure 10.3).

3. **A rich history of nonprofit activity**

The relatively large size of the nonprofit sector in Australia is a product of the history of such institutions in this country. This history includes:

• Government policy from almost the time of European settlement that encouraged the provision of social services and hospital care by private charitable organizations supported by government grants. It was within this policy tradition that a large increase in government funding in the 1970s and 1980s produced a proliferation of new community-based social service organizations, the most recent period of marked nonprofit growth.

• Sectarianism, or conflict between Catholic and Protestant churches, which divided Australians from the 1870s to the 1960s and prompted...
the building of a separate Catholic school system and a proliferation of church-sponsored health and social service nonprofits.
• A benign climate, relatively high wages, and, from the late 19th century, a five-and-a-half-day work week which encouraged the growth of a vast array of sport and recreation organizations. In the 19th century this growth was further prompted by a strong social movement that encouraged the participation of young men in organized sports as a way of building character.
• A tradition of working class self-help imported from Britain that generated many types of mutual assistance organizations such as friendly societies, building societies, trade unions, and credit unions. The first two have since declined to almost nonexistence, while in the past decade trade union membership has also begun to decline markedly.
• A highly developed economy and high levels of education that have created a strong set of business and professional associations.
• Since 1901, a federal system of government built on six separate Australian colonies, and later, the territories, which meant that for every profession, trade, or cause, there are up to nine independent organizations.

4. Human services dominate

As is the case in other developed countries, human services—education, social services and health—dominate the nonprofit scene in Australia.

• Almost two-thirds of nonprofit employment is in the three industries that constitute human services. Of all the types of nonprofit activity, the one that accounts for the largest share of nonprofit employment in Australia is education. As shown in Figure 10.4, nearly one-quarter, or 23.3 percent, of all nonprofit employment in Australia is in the education field. This reflects in part the historical conflict between Catholicism and Protestantism that resulted in a large number of Catholic schools. Social services (20.1 percent) and health (18.6 percent) closely follow education. The share of nonprofit employment in the health field is considerably lower, however, than the developed country average (25.9 percent), though it is closer to the Western European average (21.9 percent). This reflects the growth of a public health system in Australia.

• Significant shares of nonprofit employment in the culture and development fields. The next largest fields of nonprofit activity are culture and recreation (16.4 percent), which includes sports and social clubs, and development and housing (10.8 percent). In both of these fields, nonprofit employment shares in Australia are higher than the average for developed countries generally (9.5 percent and 5.7 percent, respectively).
Pattern shifts with volunteers. This pattern changes when volunteer inputs are factored in. In particular, as shown in Figure 10.5, with volunteers included, the social services share of nonprofit employment in Australia increases from 20.1 percent to 23.6 percent and becomes the
largest field of activity. The culture and recreation field also records a substantial increase (16.4 percent to 22.7 percent) to become the second largest field, reflecting the high level of volunteering for sports organizations.

Figure 10.5  Share of nonprofit employment in Australia, with and without volunteers, by field, 1995
5. Most revenue from fees, not philanthropy or public sector

Unlike the Western European countries, but like the U.S. and Japan, the Australian nonprofit sector receives the bulk of its revenue not from private philanthropy or the public sector but from fees and charges. In particular:

- **Fee income dominant.** The clearly dominant source of income of nonprofit organizations in Australia is fees and charges for the services that these organizations provide. As reflected in Figure 10.6, this source accounts for nearly two-thirds, or 62.5 percent, of all nonprofit revenue in Australia.

- **Smaller but significant share from the public sector.** Almost a third (31.1 percent) of nonprofit sector revenue comes from the public sector.

- **Very limited support from philanthropy.** By contrast, private philanthropy provides a very small share of total revenues. Thus, as Figure 10.6 shows, private philanthropy—from individuals, corporations, and foundations combined—accounts for 6.4 percent of nonprofit income in Australia.

- **Revenue structure with volunteers.** This pattern of nonprofit revenue changes significantly when volunteers are factored into the picture. In fact, as shown in Figure 10.7, the private philanthropy share increases from 6.4 percent to 23.4 percent. Fees are still the dominant revenue source, however, providing just over half of total nonprofit revenues.

- **Deviation from developed country pattern.** This pattern of nonprofit revenue in Australia differs considerably from the average for the de-

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**Figure 10.6**  Sources of nonprofit revenue in Australia, 1995
veloped countries covered in the Johns Hopkins project. As shown in Figure 10.8, the nonprofit sectors in these thirteen developed countries rely, on average, for more than half (51.6 percent) of their revenues on public sector payments as compared to 31.1 percent in Australia. By contrast, fees and charges constitute a smaller 40.9 percent of income in these countries vs. 62.5 percent in Australia. The pattern of nonprofit finance in Australia thus resembles that in the U.S., where fees and charges also account for the largest share of nonprofit revenue (57 percent), rather than that in Western Europe, where public sector payments are the most important source.

- **Variations by subsector.** Even this does not do full justice to the complexities of nonprofit finance in Australia, however, because important differences exist in the finances of nonprofit organizations by subsector. In fact, when considering the revenue sources, three quite distinct patterns of nonprofit finance are evident among Australian nonprofits, as shown in Figure 10.9:

  - **Most fields are fee-dominant.** Fee income is the predominant source of income for six fields of nonprofit action in Australia: culture and recreation (91.5 percent), professional (90.5 percent), civic and advocacy (65.7 percent), development and housing (57.9 percent), health (52 percent), and the environment (45.2 percent). This is understandable enough in the case of cultural organizations (which includes sports associations and social clubs), where fee charges for attendance and membership dues are the primary source of income. It is also under-

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**Figure 10.7** Sources of nonprofit revenue in Australia, with volunteers, 1995
standable in the case of professional and trade associations and civic and advocacy groups, where dues from members are also a major source of revenue. Similarly, many development and housing associations depend on membership fees or on the sale of their services for their income, as do environmental groups. The nonprofit health sector includes a large number of private hospitals that depend entirely on fee income, though public sector payments are also quite significant.

**Significant public sector role in financing the education and social services fields.** Public sector payments play the dominant role in two fields of nonprofit action, education and social services, though fee income is also quite important in both.

**Philanthropy is dominant in only one field.** Philanthropy is the dominant source of revenue for only international aid organizations, where it provides 70 percent of income. This would increase to two fields if religion (which receives 84 percent of its revenue from philanthropy) were added. Philanthropic intermediaries receive equal amounts of their income (37.5 percent) from private giving and fees and charges, most of the latter in the form of investment earnings.
CONCLUSIONS AND IMPLICATIONS

Although the nonprofit sector emerges from the evidence presented here as both an important and a rather complex set of institutions in Australian society, it has never been less secure. This is a consequence of several developments.

![Figure 10.9](image_url) Sources of nonprofit cash revenue in Australia, by field, 1995

**ALL FIELDS**
- Fee-Dominant: 62.5%
  - Culture: 4.4%
  - Professional: 6.8%
  - Civic: 4.1%
  - Development: 6.8%
  - Health: 3.8%
  - Environment: 4.4%
- Public Sector-Dominant: 31.1%
  - Education: 25.1%
  - Social services: 25.1%
- Philanthropy-Dominant: 6.4%
  - International: 25.0%
  - Philanthropy: 25.0%

**Fee-Dominant**
- Culture: 91.5%
- Professional: 90.5%
- Civic: 65.7%
- Development: 57.9%
- Health: 44.2%
- Environment: 45.2%

**Public Sector-Dominant**
- Education: 51.5%
- Social services: 51.2%

**Philanthropy-Dominant**
- International: 70.0%
- Philanthropy: 37.5%
• In public perception and discourse, Australia’s organized world is divided into business and government. The recent dominance in public policy discussions of neo-liberal ideas has thus de-emphasized the role of government and emphasized the importance of business. Meanwhile, there is no recognition of a nonprofit sector; rather, there are distinct groups of diverse organizations in various industries that are not seen as constituting a distinct sector and making a unique contribution to society. As a result, their importance is underrecognized.

• There is a decline in public involvement in nonprofit organizations. Volunteering has declined over the past fifteen years; moreover, membership has also declined in most of the mass membership organizations such as churches, service clubs, trade unions, political parties, and youth groups. In others there is a shift from small to large organizations. People are seeking to reconfigure their relationship to nonprofit organizations as consumers rather than as members or active supporters. In so doing, they erase the distinction between nonprofit and for-profit.

• For-profit organizations are entering many fields previously occupied exclusively by nonprofits and, in some cases, displacing them. This has happened in the finance and insurance industry, and it is beginning to happen for social and sporting clubs. In health, the contribution of nonprofit hospitals is declining. And, in social services, for-profits are successfully competing for nonprofits in an increasing number of areas.

• In many fields, government policy changes have withdrawn or reduced any special privileges for nonprofits. Over the past decade, in fields such as social services, what had previously been a loose partnership between government and nonprofit organizations has been replaced by government-encouraged competition for government contracts among nonprofits and between nonprofits and for-profits, treating both forms of organizations alike. Changes in taxation legislation have removed almost all of the special treatment of mutual organizations and are slowly reducing some of the other special advantages of nonprofits.

At the same time, there are areas of limited growth, such as church groups working with the disadvantaged, self-help organizations in the health field, and advocacy organizations in the environment and human rights fields. However, the trends noted above seem more powerful as of this writing.

The nonprofit sector, therefore, faces serious challenges if it is to forge a renewed and relevant role for itself in the new millennium:

• Leaders in the various parts of the nonprofit sector will need to work together, both to learn from each other and to claim a distinct and im-
portant place for the nonprofit sector in debates about Australia’s future. This will require, inter alia, establishing mutually respectful relationships with the government and business sectors.

- Nonprofit organizations will need to work out ways to reinvigorate their memberships and reengage with volunteers. To do this, they will need to respond to the changes in values, aspirations, and availability of free time of an increasingly diverse population.
- Nonprofit organizations need to explore new ways of raising the operating revenue and capital they need to pursue their missions. This should include increased donations from members of the public; by comparison with comparable countries, Australians are not generous to the nonprofit sector.
- Nonprofits will need to gain wider public respect and acknowledgment. To this end they will need to be more clearly and proactively accountable to the public and to forego the belief that filling out returns to government departments adequately meets their accountability obligations.

ENDNOTES

1. Mark Lyons and Susan Hocking of the Australian Nonprofit Data Project served as local associates to the Johns Hopkins Comparative Nonprofit Sector project. They were assisted by Charlotte Fabiansson and Miriam Wiggers de Vries and by a number of staff from the Australian Bureau of Statistics, especially Russell Rogers, Paul Sullivan, and Ross Upson. They were also aided by a local advisory committee which drew leaders from almost every field in which the nonprofit sector has a significant presence, as well as government officials from several departments with a strong interest in the nonprofit sector. These are listed in Appendix D.

2. The definitions and approaches used in the Johns Hopkins project were developed collaboratively with the cooperation of the Australian researchers and researchers in other countries and were designed to be applicable to Australia along with other project countries. For a full description of the Johns Hopkins project definition of the nonprofit sector and the types of organizations included, see Appendix A. For a full list of the other countries included, see Chapter 1 above and Lester M. Salamon and Helmut K. Anheier, The Emerging Sector Revisited: A Summary, Revised Estimates (Baltimore, MD: The Johns Hopkins Center for Civil Society Studies, 1999).


4. Technically, the more precise comparison is between nonprofit contribution to value added and gross domestic product. For the nonprofit sector, value added in economic terms essentially equals the sum of wages and the imputed value of volunteer time. On this basis, the nonprofit sector in Australia accounted for 3.9 percent of total value added.
