Measuring Civil Society and Volunteering

Initial Findings from Implementation of the UN Handbook on Nonprofit Institutions

Johns Hopkins University Center for Civil Society Studies
Background

Recent years have witnessed a significant growth of interest in the role that nonprofit institutions (NPIs) and the volunteers they help to mobilize play in addressing social needs, promoting civic involvement, and improving the quality of life in countries throughout the world. However, efforts to understand this set of institutions and to fashion policies supportive of its development have long been impeded by a lack of basic information on its scope, finances, and role.

One important reason for this has been the way nonprofit institutions are treated in the System of National Accounts (SNA), which guides official economic data-gathering and reporting internationally. Although the SNA makes provision for a “Nonprofit Institutions Serving Households,” or NPISH, sector, the rules for allocating economic units among sectors leads to the assignment of many of the economically most significant nonprofit institutions not to this NPISH sector, but to the corporations or government sectors based largely on the source of their revenues (Figure 1). This means that only a relatively small fraction of all NPI economic activity is visible in the SNA’s NPISH sector. Partly as a result, few countries have bothered to report on NPISH at all.

Figure 1. Allocation of Nonprofit Institutions Among Institutional Sectors in the 1993 SNA

<table>
<thead>
<tr>
<th>Type of institutional unit</th>
<th>Sectors of the System of National Accounts (SNA)</th>
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<tbody>
<tr>
<td></td>
<td>Non-financial corporations sector (S.11)</td>
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<td></td>
<td>Financial corporations sector (S.12)</td>
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<td></td>
<td>General government sector (S.13)</td>
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<td></td>
<td>Households sector (S.14)</td>
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<td></td>
<td>NPISH sector (S.15)</td>
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<tr>
<td>Corporations</td>
<td>C_1</td>
</tr>
<tr>
<td>Government units</td>
<td>C_2</td>
</tr>
<tr>
<td>Households</td>
<td>G</td>
</tr>
<tr>
<td>Non-profit institutions</td>
<td>N_1</td>
</tr>
<tr>
<td></td>
<td>N_2</td>
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<tr>
<td></td>
<td>N_3</td>
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<td></td>
<td>N_4</td>
</tr>
<tr>
<td></td>
<td>N_5</td>
</tr>
</tbody>
</table>
The UN NPI Handbook

When research work under the Johns Hopkins Comparative Nonprofit Sector Project revealed that nonprofit institutions constituted a much bigger economic force than the available NPISH statistics suggested, the UN Statistics Division (UNSD) enlisted a Consultative Group and researchers from the Johns Hopkins University Center for Civil Society Studies to produce a Handbook on Non-Profit Institutions in the System of National Accounts designed to provide a more comprehensive picture of the economic contribution of nonprofit institutions (NPIs).

The resulting Handbook, issued in December 2003, makes four major refinements to the 1993 SNA treatment of nonprofit institutions:

• It recommends that countries produce regular NPI “satellite accounts” that pull together data on all NPIs, including those assigned to the corporations or government sector;
• It provides a refined definition of an NPI to make it possible to identify these entities in the other sectors;
• It recommends the use of an International Classification of Non-Profit Organizations (ICNPO) that elaborates on the then-prevailing consensus system for classifying economic activities (ISIC Rev. 3) in order to differentiate NPIs more precisely; and
• It calls for inclusion of volunteer work in the NPI satellite account and provides a recommended way to value it.

Implementation of this Handbook will make it possible for policy-makers to take much more explicit account of NPIs in their policy deliberations and bring these important institutions into far better focus for the media, researchers, and the public at large.

Implementation Progress

At the invitation of the UNSD, the Johns Hopkins Center for Civil Society Studies has launched a global effort to promote the implementation of this Handbook in countries around the world, with results that are quite encouraging. In particular:

• Partnerships have been forged with the UN Volunteers Programme, the European Commission, the UN’s regional Economic Commissions for Latin America, Africa, and Asia; and the International Labour Organization;
• An International Advisory Committee has been formed involving leading civil society, foundation, and statistical officials from around the world (see inside back cover);
• Financial support has been provided by the United National Volunteers, and by the Ford, W.K.Kellogg, Skoll, Sasakawa Peace, and Sasakawa USA foundations;
• Regional workshops to introduce national accountants to the NPI Handbook have been held in Europe, Latin America, Africa, and Asia, and follow-up meetings arranged with national statistical authorities in more than 20 countries;
• Twenty-eight countries have so far committed to implement the NPI Handbook (Table 1);
• Eight countries have produced the “NPI satellite accounts” called for in this Handbook, and at least three (Belgium, Canada and the United States) have already produced updates.

This report analyzes the initial findings from these eight reporting countries (Australia, Belgium, Canada, the Czech Republic, France, Japan, New Zealand, and the United States).

Table 1. Countries Committed to Handbook Implementation

<table>
<thead>
<tr>
<th>Argentina</th>
<th>France</th>
<th>Kyrgyz Republic</th>
<th>Peru</th>
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<tbody>
<tr>
<td>Australia</td>
<td>Ghana</td>
<td>Korea</td>
<td>Philippines</td>
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<tr>
<td>Belgium</td>
<td>India</td>
<td>Mali</td>
<td>Slovakia</td>
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<tr>
<td>Brazil</td>
<td>Israel</td>
<td>Morocco</td>
<td>South Africa</td>
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<tr>
<td>Cameroon</td>
<td>Italy</td>
<td>New Zealand</td>
<td>Uganda</td>
</tr>
<tr>
<td>Canada</td>
<td>Japan</td>
<td>Nigeria</td>
<td>United States</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>Kenya</td>
<td>Norway</td>
<td>Vietnam</td>
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</table>
Key Findings

1. A sizable economic force

The nonprofit institutions sector that comes into focus in the NPI satellite accounts is a significant economic force. Including the value added by volunteers, these institutions account for an average of 5 percent of Gross Domestic Product in the eight countries for which satellite account data are available. This varies from a high of 7.3 percent in Canada to a low of 1.3 percent in the Czech Republic (Figure 2).

2. Much larger than previously understood

As expected, the nonprofit institutions sector that comes into focus through the NPI satellite accounts is much larger than the Nonprofit Institutions Serving Households (NPISH) sector that has long been the only component of nonprofit institutions visible through the System of National Accounts. As Figure 3 shows, once volunteer work plus the nonprofit institutions allocated to the other sectors under the SNA sectoring rules are included, the full NPI sector is anywhere from 267 to 758 percent larger than the portion that is captured in NPISH.

Figure 2. NPI Contribution to GDP, Including Volunteers, by Country and 8-Country Average

Figure 3. NPIs as a Percent of NPISH, by Country*

* Data not available on Australia and the United States
3. NPIs outdistance major industries

The economic scale of nonprofit institutions outdistances that of major industries. Even including the Czech Republic, where the scale of the NPI sector is well below the average of other countries, the NPI contribution to GDP, at an average of 5 percent for the eight countries covered, outdistances that of the utilities industry and is on a par with that of the construction and finance industries in these same countries (Figure 4). As shown in Table 2, moreover, this pattern holds in most of the countries.

Table 2. Contribution to GDP, NPIs vs Other Industries, by Country

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</thead>
<tbody>
<tr>
<td>NPI sector</td>
<td>5.0%</td>
<td>4.7%</td>
<td>5.0%</td>
<td>7.3%</td>
<td>1.3%</td>
<td>4.2%</td>
<td>5.2%</td>
<td>4.9%</td>
<td>7.2%</td>
</tr>
<tr>
<td>Electricity, gas and water supply</td>
<td>2.4%</td>
<td>2.3%</td>
<td>2.2%</td>
<td>2.7%</td>
<td>3.4%</td>
<td>1.5%</td>
<td>2.5%</td>
<td>2.7%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Construction</td>
<td>5.1%</td>
<td>6.1%</td>
<td>4.4%</td>
<td>4.6%</td>
<td>5.8%</td>
<td>4.7%</td>
<td>6.5%</td>
<td>4.6%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Financial intermediation</td>
<td>5.6%</td>
<td>6.3%</td>
<td>5.0%</td>
<td>5.5%</td>
<td>3.1%</td>
<td>4.2%</td>
<td>6.7%</td>
<td>6.2%</td>
<td>7.7%</td>
</tr>
<tr>
<td>Transport, storage and communication</td>
<td>7.0%</td>
<td>7.7%</td>
<td>7.1%</td>
<td>6.4%</td>
<td>9.8%</td>
<td>5.7%</td>
<td>6.8%</td>
<td>7.0%</td>
<td>5.9%</td>
</tr>
</tbody>
</table>

4. A diverse sector

Nonprofit institutions are active in a wide variety of fields, but much of their activity is concentrated in the fields of health, education, and social services, all fields that are central to the achievement of the UN’s Millennium Development Goals. On average, as shown in Figure 5, health, education, and social services account for 61 percent of the NPI contribution to GDP.

But the composition of the NPI sector also varies a great deal among countries. Thus, for example, in Japan, 45 percent of the NPI contribution to GDP is in health care whereas in Australia this figure is only 12 percent (Table 3).

Table 3. Distribution of NPI Contribution to Value Added, by Country and Field*

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<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Culture and recreation</td>
<td>17.0%</td>
<td>23.1%</td>
<td>16.5%</td>
<td>8.1%</td>
<td>12.2%</td>
<td>29.6%</td>
<td>3.3%</td>
<td>25.9%</td>
<td></td>
</tr>
<tr>
<td>Education and research</td>
<td>20.1%</td>
<td>24.7%</td>
<td>1.9%</td>
<td>20.3%</td>
<td>50.9%</td>
<td>11.9%</td>
<td>16.5%</td>
<td>14.2%</td>
<td></td>
</tr>
<tr>
<td>Health</td>
<td>21.9%</td>
<td>12.0%</td>
<td>34.4%</td>
<td>38.4%</td>
<td>1.8%</td>
<td>9.9%</td>
<td>45.4%</td>
<td>10.3%</td>
<td></td>
</tr>
<tr>
<td>Social services</td>
<td>18.7%</td>
<td>21.6%</td>
<td>24.5%</td>
<td>11.7%</td>
<td>3.5%</td>
<td>35.7%</td>
<td>17.8%</td>
<td>15.8%</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>22.4%</td>
<td>18.5%</td>
<td>22.7%</td>
<td>21.5%</td>
<td>31.6%</td>
<td>11.9%</td>
<td>16.9%</td>
<td>33.7%</td>
<td></td>
</tr>
</tbody>
</table>

* Data not available on United States
5. The dominant providers of health and social services

In many of the fields where they are especially active, nonprofit institutions often play an even greater role than their overall role in the economy might suggest.

In Belgium, for example, where NPIs account for 5.0 percent of the value added overall, they account for:

- 66.2 percent of the value added in the social services field, which includes day care, family counseling, and food and shelter assistance;
- 52.9 percent of the value added in sports and recreation activities; and
- 42 percent of the value added in health care (Figure 6).

Figure 6. NPI Share of Belgian Value Added, Selected Fields, 2001

6. Distinctive economic structure: labor intensity and reliance on volunteers

Nonprofit organizations have a distinctive economic structure. One reflection of this is their generally labor-intensive character. Another is their mobilization of volunteer effort. Thus:

- 66 percent of the expenditures of NPIs goes for employee compensation vs. 27 percent for nonfinancial corporations (Figure 7);
- Even conservatively estimated, volunteer time accounts for more than a quarter of the NPI contribution to GDP (Figure 8).

Figure 7. Labor Costs as a Share of Expenditures, NPIs vs. Nonfinancial Corporations, 4 Countries*

Figure 8. Sources of NPI Contribution to GDP, Volunteers vs. Other Factors*, 7-Country Average

*Data not available on Australia, Canada, Japan, and New Zealand
Does not include volunteer labor

*Includes employee compensation, consumption of fixed capital, net taxes on production, and operating surplus
7. Limited reliance on philanthropic revenue

The revenue structure of the NPI sector differs markedly from what is often assumed. On average, fees, charges, and government support account for 65 percent of revenue and private philanthropy, and even with the value of volunteer time included, accounts for only 35 percent.*

Figure 9. Composition of NPI Revenue, 7-Country Average**

* The government share of NPI revenue reported here is understated because government purchases from NPIs are included in fees and cannot be separately identified.
** Data not available on France

8. Gifts of time outdistance gifts of cash

Of the sources of NPI revenue from philanthropy, gifts of time, even conservatively valued, outdistance gifts of cash in value by almost 1.5 to 1, and in some countries this reaches 3 to 1.

Figure 10. Composition of NPI Revenue from Philanthropy, Gifts of Time vs. Gifts of Cash, 7-Country Average*

* Data not available on France

9. A growing sector

The NPI sector is growing at a rate that exceeds the growth rate of the general economy in most of the countries on which time series data are available. Thus, the GDP contribution of NPIs in these countries grew at an average annual rate of 8.1 percent while the overall GDP in these countries grew on average by only 4.1 percent per year.

Figure 11. Average Annual Growth of NPIs vs. Total Economy, 5 Countries*
Except as noted, data reported in the figures and tables include the imputed value of volunteer labor. The base year of data varies somewhat by country. Variations in the number of countries included in the figures and tables reflect data availability.

Data sources for each country are given below.


**OECD Data on Gross Value Added and Compensation by Industry:** OECD Annual National Accounts, Volume 2 Detailed Aggregates, Table 7, Gross Value Added at Basic Prices by Industry, and Table 8, Components of Value Added by Industry: http://fiordilii.sourceoecd.org/vl=1646635/cl=17/rw=1/rpsv/home.htm.

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The Johns Hopkins Center for Civil Society Studies

The Johns Hopkins Center for Civil Society Studies seeks to improve understanding and the effective functioning of not-for-profit, philanthropic, or “civil society” organizations in the United States and throughout the world in order to enhance the contribution these organizations can make to democracy and the quality of human life. The Center is part of the Johns Hopkins Institute for Policy Studies and carries out its work through a combination of research, training, and information-sharing both domestically and internationally.

For information about the UN Nonprofit Handbook Project or to download a full-text version of the United Nations Handbook on Nonprofit Institutions in the System of National Accounts, please visit: www.jhu.edu/ccss/unhandbook