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 Comparative Nonprofit Sector Project
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Similar to France and much of Western Europe, Germany also has a sizeable nonprofit sector that is marked by strong government support. In the case of Germany, the prominent position of the nonprofit sector reflects long-standing social policies that incorporated the so-called “principle of subsidiarity,” giving preference to nonprofit over public provision of core welfare services. Thus, in fields such as health and social services, extensive partnership arrangements emerged between the nonprofit sector and the state. The overall size, structure, and development of the German nonprofit sector in the 1990s has also been influenced by the reunification of West and East Germany that took place in 1990 and the subsequent evolution of a nonprofit sector in East Germany. In contrast to the experience of other transition countries in Central Europe, however, the emerging East German nonprofit sector largely adopted existing West German patterns and is by now virtually indistinguishable from its West German counterpart in size, structure, and composition.

These conclusions emerge from work carried out by a German research team at the Wissenschaftszentrum Berlin für Sozialforschung (WZB) and...
the Westf. Wilhems-University of Münster as part of the Johns Hopkins Comparative Nonprofit Sector Project. It thus offered ample opportunities both to capture local German circumstances and peculiarities and to compare and contrast them to those in other countries both in Western Europe and elsewhere in a systematic way. The result is a comprehensive empirical overview of the German nonprofit sector and a systematic comparison of German nonprofit realities to those elsewhere in Western Europe and the rest of the world.

The present chapter reports on just one set of findings from this project, those relating to the size and structure of the nonprofit sector in Germany and elsewhere. Subsequent publications will fill in the historical, legal, and policy context of this sector and also examine the impact that this set of institutions is having. The data reported here draw heavily on national economic accounting, social insurance, and other special official surveys, as well as organizational and giving and volunteering surveys conducted by the research team. Unless otherwise noted, financial data are reported in U.S. dollars at the 1995 average exchange rate. (For a more complete statement of the sources of data, see Appendix C. For a more complete statement of the types of organizations included, see Chapter 1 and Appendix A).

**PRINCIPAL FINDINGS**

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

1. **A major economic force**

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

- **A $94 billion industry.** Even excluding its religion component, the nonprofit sector in Germany had operating expenditures of $94.4 billion in 1995, or 3.9 percent of the country’s gross domestic product, a quite significant amount.

- **A major employer.** Behind these expenditures lies an important workforce that includes the equivalent of 1.44 million full-time equivalent paid workers. This represents close to 5 percent of all nonagricultural workers in the country, close to 12 percent of service employment, and the equivalent of 30 percent of the government workforce at all levels—federal, state, and municipal (see Table 5.1).
More employees than in the largest private firm. Put somewhat differently, nonprofit employment in Germany easily outdistances the employment in the largest private business in the country, and does so by a factor of four. Thus, compared to the 1.4 million paid workers in Germany’s nonprofit organizations, Germany’s largest private corporation, Siemens, employs only 355,000 full-time equivalent workers (see Figure 5.1).

Outdistances numerous industries. Indeed, more people work in the nonprofit sector in Germany than in many entire industries in the country. Thus, as shown in Figure 5.2, nonprofit employment in Germany outdistances employment in the country’s utilities and in its textile, paper and printing, and chemical manufacturing industries. In fact, employment in the nonprofit sector in Germany is on a par with employment in all of transport and communications.

Volunteer inputs. Even this does not capture the full scope of the nonprofit sector in Germany, for this sector also attracts a considerable amount of volunteer effort. Indeed, more than one-fifth of the German population reports contributing their time to nonprofit organizations.

Table 5.1  The nonprofit sector in Germany, 1995

<table>
<thead>
<tr>
<th></th>
<th>1995</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 94.4 billion in expenditures</td>
<td>3.9 percent of GDP</td>
</tr>
<tr>
<td>1.4 million paid employees</td>
<td>4.9 percent of total nonagricultural employment</td>
</tr>
<tr>
<td></td>
<td>11.6 percent of total service employment</td>
</tr>
<tr>
<td></td>
<td>30.4 percent of public employment</td>
</tr>
</tbody>
</table>

Figure 5.1  Employment in nonprofits vs. largest firm in Germany, 1995
This translates into another one million full-time equivalent employees (without religion), which boosts the total number of full-time equivalent employees of nonprofit organizations in Germany to close to 2.5 million, or 8 percent of total employment in the country (see Figure 5.3).

- **Religion.** The inclusion of religion, moreover, would boost these totals by another 40,000 paid employees and 233,400 full-time equivalent volunteers. With religion included, nonprofit paid employment therefore rises to slightly more than 5 percent of the total and paid plus volunteer employment rises to close to 9 percent.

### 2. One of the larger nonprofit sectors in Western Europe

Not only is the German nonprofit sector large in relation to the German economy, but it is also fairly large relative to its counterparts elsewhere in Western Europe, although it still falls behind the level of some smaller Western European countries.

- **On par with the international average.** As Figure 5.4 shows, the relative size of the nonprofit sector 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 Slovakia, Romania, and Mexico. The overall 22-country average, however,
was 4.8 percent. This means that Germany, at 4.9 percent without religion, is essentially even with the global average.

- **Considerably below the Western European and other developed countries averages.** While it is even with the 22-country average, nonprofit employment as a share of total employment is still considerably lower in Germany than it is elsewhere in Western Europe and also lower than it is in other developed countries. Thus, as shown in Figure 5.5, full-time equivalent employment in nonprofit organizations in Germany, at 4.9 percent of total employment, is about two percentage points below the Western European and other developed countries averages of 7 percent. Indeed, three of the Western European countries studied (the Netherlands, Belgium, and Ireland) show nonprofit sectors more than twice the size of the German sector in relative terms. The U.K. sector is also relatively larger (at 6.2 percent), and the French one of equal size. By contrast, the nonprofit sectors in Spain, Austria, and Finland fall below the German level.

- **Margin narrows slightly with volunteers.** This margin narrows somewhat, however, when volunteers are added. Thus, with volunteer time included, nonprofit organizations account for 8 percent of total employment in Germany, as compared to the regional average of 9.4 percent (see Figure 5.5).
3. A rich history of nonprofit activity

That the nonprofit sector is relatively highly developed in Germany is very likely a product of the rich history that such institutions have had in this country. Over the last 200 years or so, this history gave rise to three crucial principles that shaped Germany's modern nonprofit sector. These are:

<table>
<thead>
<tr>
<th>Country</th>
<th>Nonprofit Share of Total Employment, 1995</th>
</tr>
</thead>
<tbody>
<tr>
<td>Netherlands</td>
<td>12.6%</td>
</tr>
<tr>
<td>Ireland</td>
<td>11.5%</td>
</tr>
<tr>
<td>Belgium</td>
<td>10.5%</td>
</tr>
<tr>
<td>Israel</td>
<td>9.2%</td>
</tr>
<tr>
<td>U.S.</td>
<td>7.8%</td>
</tr>
<tr>
<td>Australia</td>
<td>7.2%</td>
</tr>
<tr>
<td>U.K.</td>
<td>6.2%</td>
</tr>
<tr>
<td>Germany</td>
<td>4.9%</td>
</tr>
<tr>
<td>France</td>
<td>4.9%</td>
</tr>
<tr>
<td>22-Ctry Average</td>
<td>4.8%</td>
</tr>
<tr>
<td>Spain</td>
<td>4.5%</td>
</tr>
<tr>
<td>Austria</td>
<td>4.5%</td>
</tr>
<tr>
<td>Argentina</td>
<td>3.7%</td>
</tr>
<tr>
<td>Japan</td>
<td>3.5%</td>
</tr>
<tr>
<td>Finland</td>
<td>3.0%</td>
</tr>
<tr>
<td>Peru</td>
<td>2.4%</td>
</tr>
<tr>
<td>Colombia</td>
<td>2.4%</td>
</tr>
<tr>
<td>Brazil</td>
<td>2.2%</td>
</tr>
<tr>
<td>Czech Rep.</td>
<td>1.7%</td>
</tr>
<tr>
<td>Hungary</td>
<td>1.3%</td>
</tr>
<tr>
<td>Slovakia</td>
<td>0.9%</td>
</tr>
<tr>
<td>Romania</td>
<td>0.6%</td>
</tr>
<tr>
<td>Mexico</td>
<td>0.4%</td>
</tr>
</tbody>
</table>

Figure 5.4  Nonprofit share of total employment, by country, 1995
• The principle of self-administration or self-governance that originated from the 19th century conflict between the state and the citizenry and allowed the development of nonprofit organizations in an autocratic state that had only partially granted freedom of association. Significantly, however, the state used this principle in the beginning of the 19th century to mandate public/private partnerships at the local level, obliging citizens to fulfill special duties and assume "honorary offices."

• The principle of subsidiarity that assigns priority to private, nonprofit provision over public provision of welfare and social services. Under this principle, the state acknowledges the self-administration and self-governance of nonprofit organizations while guaranteeing these organizations financial support at the same time. Originally a Catholic social doctrine intended to define the responsibilities of Church and State, subsidiarity fully developed after the second World War as part of social assistance legislation and essentially created a set of six nonprofit welfare conglomerates ranking among the largest nonprofit organizations world-wide.

• The principle of Gemeinwirtschaft, or communal economics, which was based on the search for an alternative to both capitalism and socialism and led to the development of a cooperative movement as well as mutual associations in the banking and housing industries.
4. Social services dominance

Similar to other Western European countries, but unlike the all-country average, social services clearly dominate the nonprofit scene in Germany.

- **Close to 40 percent of nonprofit employment in social services.** Of all the types of nonprofit activity, the one that accounts for the largest share of nonprofit employment in Germany is social services. As shown in Figure 5.6, 39 percent of all nonprofit employment in Germany is in this field. This greatly exceeds even the Western European average of 27 percent, and is more than twice as much as the 22-country average of 18 percent. This situation highlights the crucial importance of the principle of subsidiarity in the design of the German welfare system and the resulting dominance of a few very large nonprofit welfare conglomerates.

- **Relatively larger share of nonprofit employment in health.** Compared to the overall 22-country average, health also absorbs a larger share of nonprofit employment in Germany. Thus, while health absorbs about 20 percent of nonprofit employment on average, it accounts for almost 31 percent of nonprofit employment in Germany. As in the social services case, this is also a reflection of subsidiarity and the prominent position of the welfare conglomerates, which are active in social and health care alike.

- **Sizable nonprofit presence in education.** Another sizable portion of total nonprofit employment in Germany is in the education field with close to 12 percent. However, this represents only a little more than one-third of the 22-country average of 30 percent. This reflects, in part, the fact that the principle of subsidiarity does not apply to the education field. Nevertheless, with social services and health alone accounting for more than two-thirds of nonprofit employment, adding education employment brings the share of these three core welfare fields to over four-fifths of total nonprofit employment in Germany. This in turn clearly highlights the full extent of the government/nonprofit partnership in the welfare area.

- **Average nonprofit development and advocacy employment.** Compared to the employment in nonprofit social welfare, health, and education organizations, the share of German nonprofit employment in the development field and in the related fields of advocacy and environmental protection is less pronounced. Altogether, these fields absorb almost 9 percent of all nonprofit employment in the country, only slightly less than the 22-country average. An additional 10 percent of nonprofit employees fall into other categories, including culture and recreation (5.4 percent)—another service field not covered by subsidiarity—and professional associations and unions (3.9 percent).
• **Pattern shifts with volunteers.** This pattern changes considerably when volunteer inputs are factored in. In particular, as shown in Figure 5.7, with volunteers included, the relative share of social services, health, and education in nonprofit employment declines considerably from about 80 percent of paid employment to a little more than half of combined paid and volunteer employment. By contrast, the culture and recreation share almost quadruples from 5 percent to close to
20 percent, largely due to sports-related volunteering. The advocacy and environment share also grows from 2.5 percent to 6 percent. The share of other fields increases almost nine-fold, which is a reflection of considerable volunteer activity in local, frequently church-based, internationally oriented groups and initiatives.
In summary, the overall composition of the German nonprofit sector with its overwhelming dominance of core welfare services, especially social care and health, closely reflects the cooperative relationships between the state and crucial parts of the nonprofit sector. Indeed, Germany provides a prime example of a corporatist regime, largely driven by the adoption of the principle of subsidiarity by the state in the social policy realm. By contrast, the German nonprofit sector seems relatively underdeveloped in service areas such as education and culture, where this principle has not taken root and where state provision remains the rule.

5. Most revenue from the public sector, not philanthropy or fees

Consistent with the principle of subsidiarity, the German nonprofit sector receives the bulk of its revenue not from private philanthropy or fees, but from public sector sources. In particular:

- **Public sector income dominant.** The overwhelmingly dominant source of income of nonprofit organizations in Germany is public sector payments. As reflected in Figure 5.8, this source alone accounts for almost two-thirds, or 64 percent, of all nonprofit revenue in Germany.

- **Limited support from philanthropy and private fees and charges.** By contrast, private philanthropy and fees provide much smaller shares of total revenues. Thus, as Figure 5.8 shows, private philanthropy—from individuals, corporations, and foundations combined—accounts for only 3 percent of nonprofit income in Germany, while fees and charges account for nearly one-third.

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**Figure 5.8** Sources of nonprofit revenue in Germany, 1995
• **Revenue structure with volunteers.** This pattern of nonprofit revenue changes significantly when volunteers are factored into the picture. In fact, as shown in Figure 5.9, private philanthropy increases substantially from 3 percent to 36 percent, thereby clearly overtaking fees and charges (21 percent) though still falling short of the level of public sector support (43 percent).

• **Similar to other Western European countries.** The pattern of nonprofit finance evident in Germany is quite similar to that elsewhere in Western Europe, although this pattern is even more pronounced in the German case. Thus, as shown in Figure 5.10, like Germany, the nonprofit organizations in the other Western European countries included in this project (Austria, Belgium, Finland, France, Ireland, the Netherlands, Spain, and the U.K.) derived on average the overwhelming majority of their revenues from public sector sources. Thus, compared to Germany's 64 percent, the share of total nonprofit income coming from the public sector stood at 56 percent for the other Western European countries. Although similar in tendency, the philanthropy and fee shares of nonprofit revenue in Germany deviated from the regional average, with philanthropy weaker by half in Germany than elsewhere in the region (3 percent vs. 7 percent on average) and fees also somewhat weaker (32 percent vs. 37 percent). Interestingly, the share of philanthropy in Germany remains low even when the "quasi-voluntary" income from the church tax is taken into account. The church tax is a levy on the income tax of church members, collected by the government revenue service on behalf of the main

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**Figure 5.9** Sources of nonprofit revenue in Germany, with volunteers, 1995
churches. Adding the church tax income would increase the philanthropy share by approximately one percent.

- **Deviation from the global average.** While the revenue structure of the German nonprofit sector generally mirrors that elsewhere in Western Europe, it differs considerably from that evident elsewhere in the world. Thus, as Figure 5.10 also shows, public sector payments account for a considerably larger share of nonprofit income in Germany than in these other countries on average (64 percent vs. 40 percent). By contrast, fees and charges account for a considerably smaller share (32 percent vs. 49 percent). Evidently, the subsidiarity-based partnership between the state and the nonprofit sector in Germany has allowed German nonprofits to escape the dependence on the market so evident elsewhere.

- **Variations by subsector.** Even this does not do full justice to the complexities of nonprofit finance in Germany, however. This is so because important differences exist in the finances of nonprofit organizations by subsector. In fact, two quite distinct patterns of nonprofit finance are evident among German nonprofits, as shown in Figure 5.11:

**Public sector-dominant fields.** In six fields (health, education, social services, civic, development, and international activities) government...
plays the dominant role in financing nonprofit action in Germany. For the most part, the dominance of this support derives from third-party payments of public health and social insurance systems, of which the health and social care parts of the nonprofit sector are primary beneficiaries. In education, government support results from subsidies for elementary and secondary education. In the civic and adva-
cacy area, the state supports advocacy and support organizations for certain social groups, such as the elderly or disadvantaged families. In development, municipalities have come to finance nonprofit job training programs for young and long-term unemployed in the context of combating high unemployment levels. Particularly in East Germany, organizations offering job opportunities in community work or the environment are highly subsidized. Finally, the policy field of foreign aid and international activities is another prime example of “third-party government” in Germany. While the state keeps a relatively low profile, nonprofit organizations affiliated with the main churches and the political parties, as well as the Red Cross, play a significant role in channeling government funds for international disaster relief and development aid.

Fee-dominant fields. Fee income is the dominant source of income in four fields of nonprofit action for which data were gathered. Professional associations and unions are almost exclusively financed through membership dues. Membership dues also explain the high degree of fee income in the environmental field. In culture and recreation, the fee income is comprised of a combination of dues (sport and social clubs) and admission and ticket sales in the arts. The philanthropy area, in turn, is essentially financed out of investment and similar income.

State dependency? The relatively high government support share of total nonprofit sector cash revenue frequently has led to criticism of the sector’s growing dependence on the state. As shown above, however, the share of government support varies greatly by field and shrinks considerably when volunteer labor is factored in. Shifting the unit of analysis from the sectoral to the organizational level, moreover, yields still another view: Of the organizations that responded to the project’s organizational survey, only 23 percent reported receiving more than half of their revenues from direct public sector payments and subsidies, and another 10 percent reported deriving more than half of their revenues from third-party payments of public sickness funds. The finding that only about one-third of all nonprofit organizations in Germany receive the majority of their funding from the public sector thus raises important doubts about the validity of the widespread state-dependency thesis despite the relatively high overall share of government support in nonprofit finance in Germany.


Not only does the German nonprofit sector carry significant economic weight, but it has also been growing in importance. Whereas
nonprofit organizations in the former West Germany had expenditures of 
$54 billion in 1990, total expenditures amounted to $94 billion in 1995 for 
the whole country. Expressed as a percentage of GDP, however, nonprofit 
expenditures remained constant at 3.9 percent. In terms of its employment 
contributions, the West German nonprofit sector boasted approximately 
one million full-time equivalent jobs in 1990, which translated into a 3.7 
percent share of total employment. With the former East Germany in-
cluded, the number of full-time equivalent nonprofit jobs exceeded 1.4 
million in 1995, constituting a substantially increased share of total em-
ployment of nearly five percent (see Table 5.2).

This expansion of the German nonprofit sector between 1990 and 1995 
was due to the continued growth of the West German nonprofit sector, but 
also, to a significant degree, to the formation of nonprofit organizations in 
the former East Germany after the end of socialist rule. Although a rudimen-
tary nonprofit sector existed in these parts early on, it was not possible 
to capture it statistically in 1990. In 1995, nonprofit organizations in the 
area of the former East Germany accounted for an estimated 20 percent of 
the German nonprofit sector’s size.

Interestingly, however, the evolution of the East German nonprofit sec-
tor differed significantly from the development path of nonprofit organiza-
tions in other post-socialist societies, since it mostly followed West German 
patterns. While the East German nonprofit sector has therefore generally 
become a mirror image of its West German counterpart, the characteristics 
of its evolution nevertheless influenced certain aspects of the structure and 
financing of the German nonprofit scene as a whole. This becomes evident 
when changes in the composition of the sector are taken into account. As 
boring out in Table 5.3, the high demand especially for social services in 
the East boosted the relative share of social service employment in total 
nonprofit employment from 32 percent in 1990 to 39 percent in 1995. By 
the same token, the greater reliance on the state in the East to provide 
health, educational, and cultural services—as a persisting remnant of the

<table>
<thead>
<tr>
<th>Table 5.2</th>
<th>Change in the German nonprofit sector, 1990–1995</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1990</td>
</tr>
<tr>
<td>Operating expenditures (in billions)</td>
<td>$54</td>
</tr>
<tr>
<td>as % of GDP</td>
<td>3.9%</td>
</tr>
<tr>
<td>Paid FTE employment (in millions)</td>
<td>1.02</td>
</tr>
<tr>
<td>as % of total nonagricultural employment</td>
<td>3.7%</td>
</tr>
</tbody>
</table>

Source: Johns Hopkins Comparative Nonprofit Sector Project/Germany
socialist era—slowed down the development of these fields for the German nonprofit sector as a whole (e.g., health employment as a share of total nonprofit employment dropped from 36 percent in 1990 to less than 31 percent in 1995).

In terms of changes in the revenue composition, the substantial public start-up funding that supported the development of the nonprofit sector in the East over the first few years helped offset the overall trend of declining government support in relative terms. Whereas the share of public sector support in total nonprofit revenues stood at 68 percent for (West) Germany in 1990, it only accounted for 64 percent for the unified Germany in 1995. Without the substantial public investment in the East German nonprofit infrastructure, therefore, the relative share of government support in 1995 would have been considerably lower.

CONCLUSIONS AND IMPLICATIONS

The nonprofit sector thus emerges from the evidence presented here as both a sizable and a rather complex set of institutions in German society. Not only does this set of institutions serve important human needs, it also constitutes a major economic force and a significant contributor to political as well as social life.

The complexity derives mainly from the fact that the German nonprofit sector almost divides into two more or less distinct parts, which has

Table 5.3  Changes in the employment composition of the German nonprofit sector, 1990–1995

<table>
<thead>
<tr>
<th></th>
<th>1990</th>
<th>1995</th>
</tr>
</thead>
<tbody>
<tr>
<td>Culture and recreation</td>
<td>6.3%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Education and research</td>
<td>12.9%</td>
<td>11.7%</td>
</tr>
<tr>
<td>Health</td>
<td>35.8%</td>
<td>30.6%</td>
</tr>
<tr>
<td>Social services</td>
<td>32.3%</td>
<td>38.8%</td>
</tr>
<tr>
<td>Environment</td>
<td>0.2%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Development and housing</td>
<td>5.9%</td>
<td>6.1%</td>
</tr>
<tr>
<td>Civic and advocacy</td>
<td>1.3%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Philanthropy</td>
<td>0.3%</td>
<td>0.4%</td>
</tr>
<tr>
<td>International</td>
<td>0.5%</td>
<td>0.7%</td>
</tr>
<tr>
<td>Professional associations and unions</td>
<td>4.4%</td>
<td>3.9%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

*Source: Johns Hopkins Comparative Nonprofit Sector Project/Germany*
impeded the development of a unified sector identity in the past. One part of the sector is comprised of nonprofit activities in areas such as culture, recreation and sports, and the environment, which show a remarkable degree of civicness and rely heavily on membership dues and volunteer input to finance their activities. The other part consists of nonprofit organizations primarily active in the health and social services fields, which are an integral part of the German welfare state and where the principle of subsidiarity is most forcefully in place. Health and social service organizations are highly professionalized, thus perceived as less civic, and rely primarily on income from social insurance payments and direct state subsidies. Nonprofits in these fields, as well as in some other highly subsidized areas, such as international activities and local development, cooperate very closely with the public sector. Although, as noted above, the state dependency thesis cannot be generalized over the whole German nonprofit sector, it is especially in these fields that nonprofit organizations appear to be quasi-governmental and almost indistinguishable in their operations from the encompassing German state bureaucracy.

These structural particularities of the nonprofit sector were essentially transferred to East Germany after the unification in 1990. The unification treaty included a provision extending the subsidiarity principle in health and social services to the new German states, and the federal government provided substantial seed money to support the establishment of a nonprofit infrastructure in the core welfare service areas. Financial support was also granted to emerging nonprofit organizations in sports, recreation, and culture, but to a significantly lesser degree. With the availability of job subsidies for nonprofits, in addition to the considerable direct public investment, the East German nonprofit sector began to grow at a remarkable pace after unification compared to both the overall economic growth in East Germany and the growth of the nonprofit sector in other post-communist transition countries in Central Europe. In fact, today there are hardly any significant differences between the East and West German nonprofit sectors with respect to size and societal importance.

By the same token, however, East Germany also inherited the many problems of the West German sector, most of which are closely related to the legacy of subsidiarity. Specifically, the highly subsidized and professionalized parts of the sector are looked upon as “public” entities and thus fail to attract volunteers or private giving to any significant degree. This lack of civic or societal embeddedness is perhaps even a little more pronounced in the Eastern parts of the country, where these organizations essentially emerged as a product of an institutional transfer from the West without having any roots in the local communities.
While the principle of subsidiarity has thus generally been both beneficial and problematic for the development of the German nonprofit sector, its future is anything but assured. In fact, the privileged position that it accords to parts of the nonprofit sector is at odds with the market-driven logic at the European Union level. At present, it seems rather unlikely that German nonprofits will be able to protect their market shares in health and social services in the future due to the European deregulation procedures. In accordance with the European integration rules, recent German legislation has already begun to loosen the rigidity of the subsidiarity principle in some areas. In the context of the recently introduced long-term care insurance, for example, all service providers regardless of their organizational form are treated on equal footing. Thus, nonprofits have not been able to capture significant market shares in the relatively new personal social care market. More generally, there is little doubt that Brussels will gain in importance in the future as far as the legal regulation and funding procedures and sources are concerned. Already, a number of EU programs providing infrastructure and financial support are leaving their marks on German nonprofit organizations, especially in fields such as arts and culture and education and job training.

Whatever else the future of the EU integration might entail, the German nonprofit sector is already facing a turbulent environment, particularly with respect to the possibility of legal reforms at the national level. Currently being discussed are possible changes in the legal treatment of foundations, the tax deductibility of corporate and individual giving, and the treatment of earned income and business activities of nonprofits. With the new Social-Democratic government just beginning to “discover” the nonprofit sector as the fastest growing segment of the country’s service industry, major legal changes in these areas might indeed become a reality. Any loosening of the earned income and business activity rules would perhaps have the most far-reaching ramifications, as the current rules have so far impeded the ability of the German nonprofit sector to follow the global trend of commercialization and monetarization. Selected results from the project’s organizational survey already indicate that German nonprofits are getting ready to substitute a stronger market orientation for their traditional “state dependency.” How far such a trend will proceed is an open question at this writing. Clearly, however, data of the sort presented here will be crucial in charting the evolution.

ENDNOTES

1. The work in Germany was coordinated by Eckhard Priller of the Wissenschaftszentrum Berlin für Sozialforschung (WZB) and Annette Zimmer of the Westf. Wilhems-Universität
Münster, who acted as local associates to the project. Assisting them were Klaudia Sauer, Sigrid Glowka, Jana Rückert, Nicole Schneider, Thorsten Hallmann, André Zimmermann, Georg Albers, Stefan Modlich, and Ingo Benitz. The team was aided, in turn, by a local advisory committee made up of more than 20 prominent philanthropic, government, academic, and business leaders (see Appendix D for a list of committee members). The Johns Hopkins project was directed by Lester M. Salamon and Helmut K. Anheier.

2. The definitions and approaches used in the project were developed collaboratively with the cooperation of the German researchers and researchers in other countries and were designed to be applicable to Germany and the other project countries. For a full description of this definition 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 (Baltimore, MD: The Johns Hopkins Center for Civil Society Studies, 1999).

3. 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 Germany accounted for 4.5 percent of total value added, a somewhat higher amount.

