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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BACKGROUND

The Japanese nonprofit sector employs more workers than any other country covered in this volume, except the United States, and more than 15 times the number of workers employed in the Israeli nonprofit sector. However, when considered in the context of the entire national economy, Japan's nonprofit sector is among the smallest of the developed countries, and attracts relatively low levels of private giving and volunteering. At work are a number of factors, such as restrictive legislation and government bureaucracy, that have caused an "under-utilization" of the nonprofit potential in Japan. Events in the second half of the 1990s, including the growth of citizen-based grassroots organizations and the enactment of new facilitative legislation, hold promise for unleashing this untapped potential.

Beginning in 1990, before these events began to unfold, a Japanese research team affiliated with the first phase of the Johns Hopkins Comparative Nonprofit Sector Project initiated one of the first efforts to assess Japan's nonprofit sector in a systematic, comparative way. The findings reported in this chapter are the result of a second phase of the Johns Hopkins project carried out in order to update the Phase I work and to extend the inquiry to...
explore the contributions the Japanese nonprofit sector is making. This second phase in Japan is being conducted by a research team based at the Nonprofit Organization (NPO) Research Forum of Japan.\(^2\)

The present chapter reports on just one set of findings from this project, those relating to the size and structure of the Japanese nonprofit sector in 1995 and the changes the sector experienced between 1990 and 1995. 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. In Japan, the principal data sources used were the Survey on Private Nonprofit Institutions (Minkan-hieiri-dantai jittaichosa) and the Basic Survey on Civic Activity Organizations (Shimin-katsudo-dantai kihonchosa) conducted by the Japanese Government Economic Planning Agency. 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 Japan:

1. **A substantial economic force**

   In the first place, aside from its social and political importance, the nonprofit sector is a significant economic force in Japan, accounting for significant shares of national expenditures and employment.

   More specifically:

   - **A $214 billion industry.** Even excluding its religious worship component, the nonprofit sector in Japan had operating expenditures of nearly $214 billion in 1995, a considerable 4.5 percent of the country’s gross domestic product.\(^3\)

   - **A major employer.** Behind these expenditures is a sizable workforce that includes the equivalent of 2.1 million full-time equivalent (FTE) paid workers. This represents 3.5 percent of all nonagricultural workers in the country, nearly 14 percent of service employees, and the equivalent of the total number of all federal, provincial, and municipal government workers (see Table 12.1).

   - **More employees than in the largest private firm.** The Japanese nonprofit sector engages at least 28 times more employees than the country’s largest private corporation and nearly 7 times more than the...
largest five firms combined. Thus, compared to the 2.1 million paid workers employed in Japan’s nonprofit organizations, Japan’s largest private corporation, Hitachi, Ltd., employs 77,000 workers, and the top five firms employ approximately 318,000 (see Figure 12.1).

• **Volunteer inputs.** Even this does not capture the full scope of the nonprofit sector in Japan, for this sector also attracts a considerable amount of volunteer effort. Indeed, an estimated 21.4 percent of Japanese citizens report contributing their time to nonprofit organizations. This translates into another 700,000 FTE employees, which increases

### Table 12.1  The nonprofit sector in Japan, 1995

- $213.6 billion in expenditures
  - 4.5 percent of GDP
- 2.1 million paid employees
  - 3.5 percent of total nonagricultural employment
  - 13.7 percent of total service employment
  - 39.8 percent of public employment

![Figure 12.1](image-url)  Employment in nonprofits vs. largest firms in Japan, 1995

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the total number of FTE employees of nonprofit organizations in Japan to 2.8 million, or 4.6 percent of total employment in the country (see Figure 12.2).

- Religion. The inclusion of religious worship would boost these totals by another 148,000 paid employees and 155,000 FTE volunteers. With religious worship included, nonprofit paid employment therefore rises from 3.5 percent to 3.7 percent of total paid employment; factoring in volunteers, this figure increases to 5.1 percent. Religion also generates operating expenditures of some $23 billion, thus bringing total expenditures to over $236 billion, the equivalent of 5 percent of GDP excluding volunteers.

2. One of the largest nonprofit sectors among the 22 project countries

In terms of the number of people employed, Japan’s nonprofit sector is clearly one of the largest in the world. However, in relation to the size of the national economy, the nonprofit sector in Japan falls behind that of most other developed, industrialized countries.

- The second largest nonprofit sector. At 2.1 million FTE workers, the Japanese nonprofit sector employs more people than that of any of
the other 21 project countries except the United States (8.6 million FTE employees). The country with the next largest nonprofit sector, Germany, has a considerably smaller sector (1.4 million FTE workers).

- **Below the international average.** Though large in absolute size, the Japanese nonprofit sector is still quite small in relation to the overall Japanese economy. As Figure 12.3 shows, the relative size of the nonprofit sector varies greatly among the countries studied, ranging from a

![Figure 12.3](chart.png)

**Figure 12.3** Nonprofit share of total employment, by country, 1995
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, is 4.8 percent. This means that, excluding religious worship, Japan’s nonprofit sector falls below the global average, comprising 3.5 percent of total employment.

- **Below the developed countries average.** As shown in Figure 12.4, the relative share of employment in the Japanese nonprofit sector is about half that of the Western European (7.0 percent) and other developed countries (6.9 percent) averages. However, the level of employment still exceeds that in all Eastern European and most Latin American countries, as well as Finland.

- **Margin of difference widens with volunteers.** The margin of difference between the relative size of the Japanese nonprofit sector and that of other developed countries widens when volunteers are added. Thus, with volunteer time figured in, nonprofit organizations account for only 4.6 percent of total employment in Japan, whereas comparable figures for other developed countries are more than twice as large (see Figure 12.4). If Japan were to utilize the number of volunteers that is proportional to the size of its national economy and comparable to the number in other developed countries (on average about 3.1 percent of the nonagricultural employment), Japan would engage 1.9 million FTE volunteers, nearly 3 times as many as it does now. This is Japan’s untapped “nonprofit potential.”

![Figure 12.4](image)

**Figure 12.4** Nonprofit share of employment in Japan and four regions, 1995
3. A bifurcated nonprofit sector

While the overall size of the Japanese nonprofit sector is fairly large, as indicated by the data presented here, it consists of two different types of organizations. The first set of organizations are legally well-defined (based on the civil code) and well-recognized nonprofit corporations, such as public benefit corporations, medical corporations, private school corporations, and social welfare corporations. The central and local governments have had strong discretionary power over these organizations and have encouraged their growth. The second set of organizations is basically grassroots groups that engage in such activities as environmental protection, advocacy, community development, and international cooperation. Most of these grassroots organizations are small and their revenue structure is fairly fragile.

These nonprofit organizations have long been less visible in Japan than in most developed countries. Until the 1995 Kobe earthquake, Japanese nonprofit organizations operated in the shadow of the state. With little explicit public support, they scarcely recognized themselves as belonging to a coherent “sector.” Moreover, existing legal provisions erected a seemingly insurmountable wall between formally incorporated nonprofit organizations and the sizable assortment of citizen groups that have emerged over the past decade or more at the community level in Japan. These citizen groups were cultivated over the last several years in response to the growing frustrations of citizens over environmental and social issues, among other problems; they sought to rectify the limitations that prevented citizen action in Japan’s increasingly pluralistic—though still bureaucratically dominated—society by providing opportunities for civic engagement. In Japan, where a sharp divide has long existed between citizens and large incorporated nonprofit institutions, a divide now exists between these incorporated nonprofits and the growing number of informal citizen groups, in large part because these small organizations do not have access to official legal status and the important privileges that legal recognition carries with it.

4. Health dominance

Reflecting this fact, health care clearly dominates the nonprofit scene in Japan, similar to that in the United States and the Netherlands, but unlike the other project countries.

- Over 47 percent of nonprofit employment in health. Nonprofit employment in most Western European and Latin American countries is concentrated in either social services or education, while Eastern Europe’s nonprofit sector is clearly dominated by culture and sports activities. In contrast, of all the areas of nonprofit activity, the field that
accounts for the largest share of nonprofit employment in Japan is health care. As shown in Figure 12.5, 47.1 percent of all nonprofit employment in Japan is concentrated in the health care field. This is comparable to only two other countries in the sample: the United States...
(46.3 percent of nonprofit employment) and the Netherlands (41.8 percent). In the case of Japan, this heavy concentration of health care-related employment reflects the fact that the nonprofit sector is the major provider of health services in Japan. Indeed, over 70 percent of all health care employees are employed within the nonprofit sector. Consequently, health care dwarfs all other fields of activity in the Japanese nonprofit sector.

- **Sizable nonprofit presence in education and social services.** Another sizable portion of total nonprofit employment in Japan is concentrated in the fields of education and social services, which together account for 39 percent of all nonprofit employment, slightly below the developed country averages. Included here are many of Japan’s higher education institutions as well as a number of large social service agencies operating with government sanction and recognition. The three social welfare fields—health care, education, and social services—thus jointly account for 86 percent of nonprofit sector employment in Japan, a much higher concentration than the 22-country average (68 percent).

- **Relatively smaller shares of nonprofit employment in other fields.** Compared to the overall 22-country average, other fields of activity absorb a significantly smaller share of nonprofit employment in Japan. This is particularly true of the economic development and culture fields, as well as the combined fields of environmental protection and advocacy, in which Japan is far below the developed-country and 22-country averages (Figure 12.5). Thus, while the development and housing field absorbs, on average, 5.8 percent of nonprofit employment in the 22 countries studied, less than 1 percent of nonprofit employees in Japan are engaged in this field. A similar disparity holds in the field of culture and recreation where the 22-country average of 14.4 percent is nearly five times the Japanese level of only 3.1. In the case of development and housing, the relatively minor involvement of nonprofits is very likely the result of the active role that the central and local governments have played in community development activities, thereby leaving little opportunity for private nonprofit development activities. In the case of culture, the meager support received from the public sector appears to be a major factor. More generally, however, it is the sheer difficulty of establishing and operating a nonprofit organization in these non-welfare service fields that reduces their weight in the composition of Japan’s nonprofit sector.

- **Pattern remains steady with volunteers.** This pattern remains essentially the same when volunteer work is considered. In particular, as shown in Figure 12.6, with volunteers included, the prominence of health care in overall nonprofit employment in Japan decreases somewhat, yet
remains the single dominant field. Employment in the field of economic development increases six-fold when factoring in volunteer work; however, because of the small size of this field, this increase does not alter the overall picture of employment distribution across the fields of activity in Japan. Culture gains a somewhat larger share of employ-
ment when volunteers are added, increasing from 3.1 percent to 5.5 percent. However, the impact of volunteering on that field’s share is considerably smaller than in other developed countries, especially in Western Europe. In France and Germany, for example, volunteers nearly triple culture’s share of nonprofit employment. This reflects, in part, the fact that volunteering does not play as pronounced a role in Japan as it does in other developed countries since it was not as well-organized a component of Japanese social life prior to the recent Kobe earthquake.

5. Most revenue from service fees and public sector payments, not philanthropy

Consistent with the country’s statist approach to the economy in general, as well as pivotal legislative changes introduced after World War II to stimulate the nongovernmental sector, Japan’s nonprofit sector receives the bulk of its revenue not from private philanthropy but from service fees (52 percent) and public sector payments (45 percent).

- **Service fee income dominant.** Fees and other private payments for services account for more than half (52.1 percent) of all nonprofit sector revenues in Japan, as reflected in Figure 12.7. Public sector payments are comparable, amounting to 45.2 percent of the sector’s revenue inflow.
- **Limited support from philanthropy.** By contrast, private philanthropy provides a minuscule share of total revenues. Thus, as Figure 12.7 also shows, private philanthropy—from individuals, corporations, and
foundations combined—accounts for only 2.6 percent of nonprofit income in Japan.

- **Revenue structure with volunteers.** This pattern changes only slightly when the value of volunteer input is added to private philanthropic contributions. As shown in Figure 12.8, the private philanthropy share of total income increases from 2.6 percent to 10.7 percent with volunteers included, but it is still substantially smaller than revenues gathered from the public sector and private service fees. This is due largely to the fact that, as previously noted, volunteering plays a relatively minor role in Japan’s nonprofit sector.

- **Revenue structure with religion.** When religious worship institutions such as churches, shrines, and temples are taken into account, the philanthropic share of total nonprofit revenue in Japan rises from 2.6 percent to 3.6 percent. Such religious institutions account for approximately 10 percent of the total revenue of Japan’s nonprofit sector. With volunteers included as well, the private giving share rises to 12.3 percent, as shown in Figure 12.9.

- **Similar to global average and developed countries.** The pattern of nonprofit finance evident in Japan is not significantly different from the 22-country average, or from the developed countries’ average. Thus, as shown in Figure 12.10, while fees and charges represent the dominant source of nonprofit financial support in the 22-country average, its dominance is somewhat more pronounced in Japan (52.1 percent of total revenue as compared to 49.4 percent overall). Public

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![Figure 12.8](image_url)  
**Figure 12.8** Sources of nonprofit revenue in Japan, with volunteers, 1995
Figure 12.9  Sources of nonprofit revenue in Japan, with volunteers and religious worship, 1995

Figure 12.10  Sources of cash revenue, Japan, developed countries, and 22-country average, 1995
sector payments also comprise a slightly larger share of nonprofit income in Japan than the 22-country average (45.2 percent vs. 40.1 percent overall), though they constitute a slightly lower share in Japan than in the developed countries generally (51.6 percent). The sharpest disparity, however, is in the share of nonprofit revenue that comes from philanthropy, which is only 2.6 percent in Japan as compared with 10.5 percent in all project countries and 7.5 percent in the developed countries.

The structure of nonprofit finance evident in Japan reflects the long tradition of statism in this society and the cultural norms stressing cooperation and consensus over individualism. Nonprofit organizations consequently have emerged within the ambit of a clearly dominant state bureaucracy and allied corporate sector rather than as the product of grassroots citizen pressures. One of the interesting questions for the future is how extensively nonprofits will be able to go beyond these relatively narrow confines for nonprofit action.

- **Variations by field.** The general picture of Japanese nonprofit revenue masks some differences, however, among the different types of agencies. In fact, two distinct patterns of nonprofit finance are evident among Japanese nonprofits, as shown in Figure 12.11.

  **Fee-dominant fields.** Fee income is the dominant source of income in eight of the ten fields of nonprofit activity in Japan. Professional organizations, labor unions, and business associations represent the most fee-dependent set of organizations, deriving over 99 percent of their income from dues and fees. Two other fields that rely heavily on earned income are education and culture, which receive 80–85 percent of their funding from fees.

  **Public sector-dominant fields.** In the two remaining fields, health and social services, the Japanese government plays the dominant role in financing nonprofit action. This is consistent with Japan’s tradition of government support in areas of service, especially in the field of health. Under the Japanese comprehensive and compulsory health insurance system, a substantial part of the cost of medical service is paid by the government, though the services are actually delivered by large, private nonprofit hospital corporations.


Between 1990 and 1995, the Japanese nonprofit sector grew by 27 percent, adding 451,000 new FTE jobs to the Japanese economy. The sector’s growth exceeds that of total nonagricultural employment growth during
the same period by a ratio of 2:1. However, the expansion of the nonprofit sector was not as fast as that of the service industry as a whole. As a result, the nonprofit sector’s share of service employment actually shrank from 8.6 percent in 1990 to 6.8 percent in 1995.

Figure 12.11  Sources of nonprofit cash revenue in Japan, by field, 1995
Another interesting shift in this time period occurred in the sector’s revenue structure. Total inflation-adjusted revenue grew by over $23 billion, of which nearly 98 percent came from public sector payments. This trend toward etatization of the nonprofit sector diverges from that toward marketization, i.e., growing reliance on fee income, observed in the U.S., France, and Germany. In fact, the inflation-adjusted level of fee income in Japan actually shrank between 1990 and 1995. At the same time, the level of support from private giving grew 22 percent. Nevertheless, since this income source accounts for only a miniscule share of total nonprofit revenue, this growth was dwarfed by the massive influx of public sector payments.

CONCLUSIONS AND IMPLICATIONS

The Japanese nonprofit sector stands today at an important crossroads. Though containing many huge institutions and accounting for a considerable range of human service activity, this set of institutions long operated in the shadow of a dominant state bureaucracy and enjoyed only limited grassroots support. In the wake of the Kobe earthquake of 1995 and the subsequent Russian oil tanker disaster in the Sea of Japan—events that demonstrated the limitations of the governmental bureaucracy and galvanized the Japanese voluntary spirit—the winds of change are clearly blowing in Japan. A new “NPO law” (Law to Promote Specific Nonprofit Activities) passed by the Japanese Diet in 1998, significantly simplified the process of obtaining nonprofit legal status for unincorporated groups. “Civil society” (shimin shakai) has become a topic of interest for the Japanese media and has penetrated public discourse. Moreover, a growing number of academics and researchers have discovered the nonprofit sector and have begun to build knowledge about its contours and possibilities. Politicians, bureaucrats, and even the general public are becoming increasingly more interested in the potential roles of nonprofits in Japanese society.

All of this poses important challenges but also important opportunities for Japanese nonprofits. At issue in Japan, as in many of the developed countries, is not simply the existence of nonprofit organizations but rather more fundamental questions: for what purpose and under what terms should nonprofits exist? Important questions are thus being raised about the character of the nonprofit organizations that exist and about the values they should be called on to serve.

As these issues are debated, the Japanese nonprofit sector, like those in the other developed countries covered in this volume, faces the challenge of cultivating and maintaining the citizen base that has begun to expand over the last decade. As part of this effort, nonprofit organizations in Japan, both the more formal “corporations” and the grassroots groups, will
face the challenge of moving toward greater openness in disclosing their activities to the general public. This will help to ensure their accountability and defend the sector’s worth.

The expansion of both private giving and volunteering will also be important for the future of Japan’s nonprofit sector. As has been shown in this chapter, Japan has low levels of private giving and volunteering in comparison with other developed countries. The aging population in Japan may represent a large reservoir of potential volunteers and donations that remain yet “untapped” for the expansion of the philanthropic share of nonprofit operations. However, in order to tap this potential reservoir, the tax system must be drastically reformed to reward charitable donations and volunteering more generously.

These and other changes are very much “in the wind” in Japan. The next few years will determine whether they settle down to earth.

ENDNOTES


2. Naoto Yamauchi and Masaaki Homma, both members of the NPO Research Forum of Japan and professors at Osaka University, served as local associates for the project in this second phase. In developing the estimates presented in this chapter, they were assisted by Taka-fumi Tanaka of Tokyo Gakugei University and Hiroko Shimizu of the Osaka School of International Public Policy at Osaka University. Additional assistance has been provided by Atsuko Hattori and Satoko Maekawa (along with Hiroko Shimizu) in the giving and volunteering survey; James O’Leary and Reiko Asano in the legal and policy analyses; and Masayuki Deguchi, Reiko Asano, Susumu Furutachi, Yuko Hattori, Kenjiro Hirayama, Makoto Iwata, Tomoyuki Kafuku, and Yoshihiro Mishima in the impact analysis. The Johns Hopkins project is directed by Lester M. Salamon and Helmut K. Anheier.

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 Japan accounted for 2.7 percent of total value added.