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### CONTENTS

Putting the Civil Society Sector on the Economic Map of the World

LESTER M. SALAMON

The Effects of Organizational Form in the Mixed Market  
for Foster Care

JEREMY THORNTON and LISA CAVE

Mutual Versus Proprietary Ownership: an Empirical Study  
from the UK Unit Trust Industry with a Company-Product Measure

YOSHIKATSU SHINOZAWA

Evaluating EU Policies on Public Services: a Citizens' Perspective

JUDITH CLIFTON and DANIEL DÍAZ-FUENTES

Public Service Perspectives on Reforms of Electricity Distribution  
and Supply: a Modular Analysis

UTE DUBOIS and ROXANA SAPLACAN

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## PUTTING THE CIVIL SOCIETY SECTOR ON THE ECONOMIC MAP OF THE WORLD

by

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**ABSTRACT\*\*:** *The past twenty-five years have witnessed a spectacular expansion of philanthropy, volunteering, and civil society organizations throughout the world. Indeed, we seem to be in the midst of a ‘global associational revolution,’ a world-wide upsurge of organized private voluntary activity. Despite the promise that this development holds, however, the nonprofit or civil society sector remains the invisible subcontinent on the social landscape of most countries, poorly understood by policymakers and the public at large, often encumbered by legal limitations, and inadequately utilized as a mechanism for addressing public problems. One reason for this is the lack of basic information on its scope, structure, financing, and contributions in most parts of the world. This lack of information is due in part to the fact that significant components of the nonprofit sector fall within the non-observed, or informal, economy, and in part to the way even the observed parts of this sector have historically been treated in the prevailing System of National Accounts (SNA).*

*This paper provides an overview of a series of steps that have been taken over the past 20 years by researchers at the Johns Hopkins University in cooperation with colleagues around the world and, more recently, with officials in the United Nations Statistics Division and the International Labour Organization to remedy this situation, culminating in the issuance and initial*

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\*\* *Résumé en fin d'article; Zusammenfassung am Ende des Artikels; resumen al final del artículo.*

*implementation of a new United Nations Handbook on Nonprofit Institutions in the System of National Accounts and the forthcoming publication of a new International Labour Organization Manual on the Measurement of Volunteer Work. Taken together, these efforts point the way toward putting the civil society sector on the economic map of the world for the first time in a systematically comparative way.*

## **1 Introduction**

The past twenty-five years have witnessed a spectacular expansion of philanthropy, volunteering, and civil society organizations throughout the world. Indeed, we seem to be in the midst of a 'global associational revolution,' a massive upsurge of organized private, voluntary activity in virtually every corner of the globe (Salamon 1994). The product of new communications technologies, significant popular demands for greater opportunity, dissatisfaction with the operations of both the market and the state in coping with the inter-related social and economic challenges of our day, the availability of external assistance, and a variety of other factors, this associational revolution has focused new attention, and new energy, on the broad range of social institutions that occupy the social space between the market and the state. Known variously as the 'nonprofit,' the 'voluntary,' the 'civil society,' the 'third,' the 'social economy,' the 'NGO,' or the 'charitable' sector, this set of institutions includes within it a sometimes bewildering array of entities – hospitals, universities, social clubs, professional organizations, day care centers, grassroots development organizations, health clinics, environmental groups, family counseling agencies, self-help groups, religious congregations, sports clubs, job training centers, human rights organizations, community associations, soup kitchens, homeless shelters, and many more.

Because of their unique combination of private structure and public purpose, their generally smaller scale, their connections to citizens, their flexibility, and their capacity to tap private initiative in support of public purposes, these organizations are being looked to increasingly to perform a number of critical functions: to help deliver vital human services, such as health, education, counseling, and aid to the poor, often in partnership with the state and the market; to empower the disadvantaged and bring unaddressed problems to public attention; to give expression to artistic, religious, cultural, ethnic, social, and recreational impulses; to build community and

foster those bonds of trust and reciprocity that are necessary for political stability and economic prosperity; and generally to mobilize individual initiative in pursuit of the common good.

Despite their growing presence and importance, however, these ‘civil society organizations’ or ‘nonprofit institutions’ (NPIs) have long been the lost continent on the social landscape of our world.<sup>1</sup> Only recently have they attracted serious attention in policy circles or the press, and academic interest in them has also surfaced only in recent years. For much of our recent history, social and political discourse has been dominated by a ‘two-sector model’ that acknowledged the existence of only two social spheres outside of the family unit – the market and the state, or business and government. This was reinforced by the informal character of many of these organizations, by legal regimes in many countries that made it difficult for them to attain clear legal status, and by statistical conventions that have kept even the formal parts of this sector largely invisible in official economic statistics.

The System of National Accounts (SNA), the official system guiding the collection and reporting of economic statistics internationally, for example, only explicitly acknowledged the existence of nonprofit institutions (NPIs) and of an NPI sector in 1993. But little was done to encourage collection of data on the vast informal portion of this sector. What is more, a set of decision rules was adopted that has had the effect of allocating most of the economic activity of even the formal and observable NPIs to other economic sectors. Under these rules, any NPI that receives the preponderance of its income from market sales, including sales to government, at ‘economically significant prices’ (i.e. prices that cover the costs of production) is allocated to the corporations sector, either financial or non-financial. Similarly, any NPI considered to be ‘financed and controlled by’ government is allocated to the government sector. In practice, since the control criterion was not clearly defined, the ‘financed by’ portion of this criterion dominated the allocation decisions. The only NPIs

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1 I use the terms ‘nonprofit organization or sector,’ ‘nonprofit institutions (NPIs),’ and ‘civil society organizations (CSOs) or sector’ interchangeably here. Although there are subtle differences among these terms, they are all used extensively in the literature to refer to a common array of entities, and they will be used here to refer to a particular array of entities that fit the definition presented in this article. Not used is the term ‘civil society’ as a noun because this often embraces far more than the entities covered by the definition presented in this article.

**Table 1 – Treatment of nonprofit institutions in the 1993 SNA**

Type of institutional unit	Sectors of the system of national accounts				
	Non-financial corporations sector (S.11)	Financial corporations sector (S.12)	General government sector (S.13)	Households sector (S.14)	NPISH Sector (S.15)
Corporations	C <sub>1</sub>	C <sub>2</sub>			
Government units			G		
Households					
Non-profit institutions	<b>N<sub>1</sub></b>	<b>N<sub>2</sub></b>	<b>N<sub>3</sub></b>	<b>N<sub>4</sub></b>	<b>N<sub>5</sub></b>

Source: United Nations Statistics Division 2003.

allocated to the so-called 'Nonprofit Institutions Serving Household (NPISH) sector in the SNA were thus those that fell into neither of these two categories. But this turns out to be a very small share of all NPI economic activity. It excludes, for example, private nonprofit universities that receive substantial income from tuition; private, nonprofit hospitals that receive reimbursement payments from government; and private, nonprofit social service organizations supported in substantial part from government contracts. (See Table 1).

In other words, nonprofit organizations were no sooner recognized than they were largely consigned to statistical oblivion, buried in statistics on other sectors or not picked up anywhere because of their informal character and reliance on uncounted volunteer workers.<sup>2</sup> The result has been to render the civil society sector largely invisible in the world's major statistical systems and to make even the most basic information about these organizations – their numbers, size, activities, economic weight, finances, and role – unavailable in most countries.

2 Fortunately, the 2008 revision of SNA makes several changes that may clarify the position of NPIs in SNA data systems. This includes a clarification of the SNA's 'controlled by government' criterion, and a recommendation that countries separately identify the NPIs allocated to the corporations and government sectors. As will be noted below, these changes resulted in part from the work reported on here, especially the development and publication by the United Nations in 2003 of a *Handbook on Nonprofit Institutions in the System of National Accounts* (hereafter *UN NPI Handbook*).

## 2 Closing the Gap I: The Johns Hopkins Comparative Nonprofit Sector Project

In an effort to fill this gap in knowledge and gain a clearer understanding of the scope and contours of the civil society, or nonprofit, sector around the world than was available from existing official statistics, the Johns Hopkins Center for Civil Society Studies launched a Comparative Nonprofit Sector Project (CNP) in the early 1990s. From the start, this project has had five principal objectives: first, to *document* the size, structure, financing, and role of the civil society sector in solid empirical terms in a significant number of countries representing different geographic regions, cultural and historical traditions, and levels of development; second, to *explain* the variations in size, shape, and role of this set of institutions from place to place; third, to *evaluate* the impact of these organizations; fourth, to use the resulting information to *improve awareness* of this set of institutions; and finally, to *build local capacity and on-going systems* to carry this work forward.

Initially, this project focused on thirteen countries stretching from Latin America to the Far East, but over time it has grown to embrace over 40 countries, making it the largest systematic comparative effort ever undertaken to document the size, scope, history, legal position, and policy environment of the nonprofit sector around the world<sup>3</sup> (See Figure 1). The project has utilized a collaborative approach relying extensively on local analysts to root its definitions and analysis in the solid ground of local knowledge and experience, and has eventually involved at least 200 local researchers and enlisted hundreds of nonprofit activists, government officials, and knowledgeable leaders as advisors at both the international and national levels.

### 2.1 Defining the nonprofit sector

The first task in undertaking this project was to settle on a definition of the nonprofit sector that could work in a wide assortment

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3 For a summary of the results of the previous phases of project work, focusing on 36 countries, see: L. M. Salamon, S. Wojciech Sokolowski and Associates, *Global Civil Society: Dimensions of the Nonprofit Sector*, Vol. 2, Bloomfield, CT: Kumarian Press, 2004). For a complete list of the products of the Johns Hopkins Comparative Nonprofit Sector Project, please visit our Web site at: [www.ccss.jhu.edu](http://www.ccss.jhu.edu).



**Fig. 1 – Johns Hopkins comparative nonprofit sector project countries**

of countries with different legal and cultural traditions. This task was complicated by the enormous diversity of this sector, embracing everything from small soup kitchens and volunteer care centers to huge hospital complexes and prestigious universities. Indeed, there were initially doubts about whether there was enough commonality among these institutions to think of them as a distinct economic sector.

To address these doubts, we began by identifying the commonalities that the many different types of NPIs share despite their many differences, commonalities that differentiate NPIs from other economic units and therefore justify their treatment as a distinct economic sector with its own characteristic features. Among these commonalities are the following:

*Different production function.* A key distinguishing feature of NPIs is that, unlike for-profit companies, they do not fundamentally exist to generate and distribute profits. They thus have a different production function from either businesses or governments: they are not profit-maximizers like for-profit firms, nor do they exercise the legitimate use of force, as does the state. This distinguishing feature was recognized in SNA 1993's definition of an NPI as an economic unit whose 'status does not permit it to be a source of

income, profit or other financial gain for the units that establish, control or finance it.' An NPI may make a profit; it may be exempt from taxes; it may have a charitable purpose but none of these are determining characteristics. The essential criterion is that the NPI may not be a source of income, profit or financial gain to its owners or directors.<sup>4</sup>

- *Public-goods production.* While they share with businesses the production of many private goods – i.e. goods that can be consumed privately and paid for through a market relation – many NPIs produce goods and services that provide benefits to the broader community, and do not seek to benefit only their members. These goods and services are hard to finance through exclusively market arrangements.
- *Different governance structures.* Unlike units of government, NPIs are not governed through public elections or governmental structures. They are either controlled by their members or by self-perpetuating boards of mostly private citizens. These organizations are in charge of their own 'destiny,' i.e., they can dissolve themselves, set and change by-laws, and alter their missions or internal structure on their own authority.
- *Distinctive revenue structure.* NPIs secure revenue from a variety of sources. Distinct among economic units, however, NPIs often receive at least a portion of their support from private charitable contributions;
- *Distinctive staffing structure.* Nonprofit organizations rely not only on paid labor but also volunteer labor. This brings nonprofit organizations into the informal economy. Indeed, many NPIs have only volunteer labor. Since the SNA 'production boundary' only includes unpaid labor conducted for formal organizations, and even then only to produce goods, as opposed to services, this feature makes the measurement of the economic activity of NPIs a central part of the effort to capture the informal economy;
- *Different tax treatment.* Nonprofit institutions are often subject to different tax treatment from other economic units. This often includes exemption from many taxes as well as eligibility for receipt of tax deductible gifts;

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4 As will be noted more fully below, adherents to the broader 'social economy' conception include organizations such as mutuals and co-operatives that distribute profits to their members, but with limits. They thus share some of the same production function as nonprofit organizations. Problems have arisen, however, in defining precisely the permissible limits of such re-distribution of profits.



- *Distinctive legal treatment.* Finally, NPIs are often treated distinctively in the laws and regulations of different countries. Typical types of legal forms set aside for NPIs include: associations, foundations, companies limited by guarantee, public benefit organizations, nonprofit corporations, public utility corporations, non-stock corporations, and trusts.

Taken together, these distinctive features establish a credible case for treating NPIs as a distinct sector or class of entities. They do not yet constitute a definition of this set of organizations, however. For one thing, it is not sufficient to say that NPIs differ from other types of economic units along certain dimensions. It is also important to identify which of these differences are sufficiently salient to become part of the definition of the unit, and which can be identified cross-nationally and not just in individual countries. What is more, given our objective of developing a systematic body of empirical data on these entities, we had to formulate a definition that met the requirements of statistical data-gathering as well. In practice, this meant a definition that met four key criteria: (1) sufficient *breadth* to encompass the great diversity of this sector; (2) the *clarity* to differentiate civil society organizations as clearly as possible from the other major types of social units – government agencies, private businesses, and families; (3) the *sensitivity* to accommodate the varied social, legal, and religious traditions of different countries; and (4) the ability to be *operationalized*, i.e. to be translated into terms that could actually be applied in practice on the ground. One further consideration that influenced our choice was the desire to choose a definition that was not so much at odds with existing international statistical usage as to doom any real hope that official statistical authorities might eventually be persuaded to utilize the definition in their own work, thus institutionalizing our effort to put the civil society sector and philanthropy more clearly and more explicitly on the economic map of the world.

To develop such a definition we took a number of steps. First, we scrutinized existing definitions of this diverse set of institutions to determine whether any of them met our basic criteria of sufficient breadth, clarity, and workability in a cross-national context. Fundamentally, four types of definitions could be found in the literature: (1) *legal* definitions; (2) *economic* definitions; (3) *purpose*, or *normative*, definitions; and (4) *functional* definitions.<sup>5</sup> Each of these definitions

5 For further detail on these alternative definitions and their limitations, see: Salamon and Anheier (1997); Heinrich (2005), Sokolowski and Salamon (2005).

has its advantages. Nevertheless, each of them turned out to be at least partly problematic for the kind of cross-national comparative inquiry we wanted to launch.

Legal definitions are perhaps the most common. As their name implies, they define civil society organizations, or what corresponds to such entities in particular national settings, in terms of their legal form or their tax treatment. Such definitions obviously have great clarity in particular country settings, but they fall seriously short for international comparative work. While there is considerable similarity among national legal systems in certain groups of countries, legal usage is far from uniform across national borders. It is therefore extremely difficult to find a legal definition that can work cross-nationally. What is more, some countries make grossly inadequate legal provision for civil society organizations. Using a particular legal definition or even a requirement that organizations be legally constituted could thus exclude significant numbers of valid organizations in countries where the legal provisions are restrictive

*Economic* definitions are firmly rooted in international statistical systems. But they take two quite different forms. One identifies civil society organizations in terms of what they do with any surplus they happen to generate. A very common form of such definitions is a prohibition on distributing any surplus the organization may earn to the organization's managers, directors, or members. As noted, this is the definition incorporated in the System of National Accounts (SNA) that guides official international economic data assembly and it is widely used in the laws of numerous countries. However, as noted earlier, the SNA also applies a second test that looks at whether the institutions so defined receive the preponderance of their income from private contributions or from either market sales or government transfers. Only the former entities, so-called Nonprofit Institutions Serving Households (NPISH), remain identifiable as nonprofit institutions in official 'national accounts' statistics. The others are allocated either to the corporate or government sector depending on whether the preponderance of their income comes from fees and sales or from government grants, respectively.

The first of these economic definitions has the great advantage of differentiating civil society organizations very clearly from for-profit businesses. This thus helps meet the 'clarity' criterion we set for our definition. However, the portion of such definitions that focuses on the *source* of organizational revenues does not work well. Research has shown that it inappropriately excludes most of the economically most significant non-profit-distributing organizations,

since these entities typically receive income from sales, fees, or government payments yet still differ fundamentally from private businesses or government agencies.

A third set of definitions takes a normative approach and focuses on the *purposes* organizations pursue. Several types of purposes have been featured in such definitions. Thus, only organizations that promote the 'public good,' encourage grassroots empowerment and participation, meet basic human needs, or promote solidarity are considered to be valid civil society organizations by this type of definition. While appealing, however, such definitions are highly nebulous and subjective, especially since different countries, or different groups of people within countries, have different ideas about what constitutes a valid 'public purpose' or what are truly basic needs, and the content of these concepts varies over time.<sup>6</sup> What is more, this kind of definition raises the danger of creating tautologies by making the sector's pursuit of public purposes true *by definition*, when in fact there are serious questions in the minds of many about whether particular civil society organizations are truly serving public purposes. Finally, purpose definitions quickly run afoul of the operationalization criterion so crucial for empirical research. Strictly applied, such definitions would require data-gatherers to verify whether each of the thousands, or tens of thousands, of organizations comprising the nonprofit sector in most sizable countries were truly serving 'public purposes' or manifesting a spirit of solidarity and therefore eligible for inclusion.

The final set of definitions broadens the concept of the civil society sector to embrace not just organizations but also certain types of individual activities, particularly those involving forms of civic action. This definition is associated with the work of sociologist Jurgen Habermas who conceived of civil society as a 'public space,' or an arena outside the state and the market where citizens can advance their interests (Heinrich 2005, Edwards 2004). This conceptualization extends the concept of civil society not only to participation in civil society *organizations* but also to mass social movements, popular demonstrations, and other individual forms of civic action. Since our focus was on a distinct set of entities, we refer always to civil society *organizations* or civil society *sector* to make clear what portion of this broader concept is the object of our attention.

6 One well-known fifteenth century British charity, for example, earned its charitable status for the 'public purpose' of distributing faggots, or bundles of wood used to burn heretics at the stake, free of cost to the populace.

In view of the difficulties with these existing definitions, we set out to find one that better met the criteria we set. To ensure we met the sensitivity criterion, we adopted a bottom-up, inductive approach to defining the NPI sector, building up our definition from the actual experiences of the broad range of countries embraced within our project.<sup>7</sup> In particular, we solicited from our Local Associates a detailed mapping of the kinds of entities that would reasonably be included in what would commonly be considered a third or civil society sector in their respective countries, whatever the term or terms used to refer to these entities locally. We then lined these maps up against each other to see where they overlapped and identified the basic characteristics of the entities that fell into this overlapping area. Finally, we made note of the ‘grey areas’ that existed on the fringes of this core concept and created a process for Local Associates to consult with us to determine how to treat entities that occupied these grey areas.

Out of this process emerged a consensus on five structural-operational features that became what we have termed the ‘structural operational definition’ of the NPI sector. Under this definition, the NPI sector is composed of entities that are:

- *Organizations*, i.e., they have some structure and regularity to their operations, whether or not they are formally constituted or legally registered. This means that our definition embraced informal, i.e., non-registered, groups as well as formally registered ones. The defining question is not whether the group is legally or formally recognized but whether it has some organizational permanence and regularity as reflected in regular meetings, a membership, and a set of procedures for making decisions that participants recognize as legitimate, whether written or embedded in spoken tradition;
- *Private*, i.e., they are institutionally separate from the state, even though they may receive support from governmental sources. This criterion differentiates civil society organizations from government agencies without excluding organizations that receive a significant share of their income from government, as many civil society organizations now do;

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7 Some commentators have charged that the definition adopted in this project reflects an ‘American bias.’ Such suggestions overlook the elaborate bottom-up process and extensive engagement of scholars from many different countries and continents in its primary development and the project’s practice of re-visiting the definition in each country added to it.

- *Not profit-distributing*, i.e., they are not primarily commercial in purpose and do not distribute any profits they may generate to their owners, members, or stockholders. Nonprofit institutions can generate surpluses in the course of their operations, but any such surpluses must be reinvested in the objectives of the organizations, rather than distributed to those who hold financial stakes in the organizations. This criterion differentiates nonprofit institutions from for-profit businesses and thus meets both the *clarity* and *operationalizability* criteria we set, since the vast majority of countries utilize such a non-distribution constraint in their legal structures. It also aligned our definition with existing statistical usage, enhancing the prospect that we could engage the international statistical system to carry on the data-gathering work that we were undertaking once we demonstrated the true scope of this sector that the allocation rules of the SNA obscured;
- *Self-governing*, i.e., they have their own mechanisms for internal governance, are able to cease operations on their own authority, and are fundamentally in control of their own affairs. This criterion differentiates nonprofit institutions from subsidiaries or agencies of other legal entities, including units of government;
- *Non-compulsory*, i.e., membership or participation in them is contingent on an individual's choice or consent, rather than being legally required, or otherwise compulsory. This criterion is useful in differentiating civil society organizations from kin-based groups (e.g. extended households or castes) whose membership is determined by birth rather than individual consent.

The result is a quite broad definition of the nonprofit sector, encompassing *informal* organizations (organizations that are not registered and/or non-observed or that are staffed entirely by volunteers) as well as *formal* organizations (those that are registered or otherwise visible to statistical authorities); *religious* as well as *secular* organizations;<sup>8</sup> primarily *member-serving* organizations such as professional associations, labor unions, and business associations

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8 Religious organizations can take at least two different forms: (1) places of religious worship, and (2) service organizations such as schools and hospitals with a religious affiliation. Both of these are included within the project's definition of a civil society organization, though, as noted below, where it was possible to differentiate the two, the religiously affiliated service organizations were grouped together with other service organizations in the relevant field and the religious worship organizations identified separately. Not all countries were able to collect information on the religious worship organizations, however.

as well as primarily *public-serving* organizations; organizations with paid staff and those staffed entirely by volunteers; and organizations performing essentially *expressive* functions – such as advocacy, cultural expression, community organizing, environmental protection, human rights, religion, representation of interests, and political expression – as well as those performing essentially *service* functions – such as the provision of health, education, or welfare services.

This definition has elements that go beyond usage in any particular country while still being workable in almost all countries. Thus, it includes, but also extends beyond, the narrow concept of ‘non-governmental organizations,’ or NGOs, common in many developing areas. It also differs significantly from usage in the United States, where member-serving organizations such as labor unions are not typically embraced within the academic and common public conception of the nonprofit sectors (Salamon 1999, 2002, Powell and Steinberg 2006). Claims by some commentators that the definition reflects an ‘American bias’ thus betray a poor understanding of American usage.<sup>9</sup> Inclusion of this set of entities was championed particularly by Local Associates from the Middle East who pointed to the important role played by professional associations of lawyers in defending human rights and was embraced because of the operational difficulty of verifying the ‘public-benefit’ character of all organizations.

While the definition encompasses a broad array of types of organizations, however, it stops short of certain broader conceptions of the ‘third sector’ domain, such as the concept of ‘civil society’ and the concept of ‘social economy.’ Both of these turn out to be highly elastic concepts, making them difficult to use in empirical research. One prominent treatment of ‘civil society,’ for example, identifies three quite distinct meanings of the term – ‘associational life,’ ‘the good society,’ and ‘the public sphere’ (Edwards 2004). Some civil society activists reject the organizational focus of our structural-operational definition as too narrow and urge the inclusion of mass movements and other individual forms of citizen action. In fact, however, while the structural-operational definition of the nonprofit or civil-society sector does not embrace individual forms of citizen action such as voting and writing to legislators, it nevertheless embraces all such forms that are in some sense mediated by organizations, whether formal or informal, including social movement organizations. What is more, because the Comparative Nonprofit Sector Project has insisted

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9 Evers and Laville (2004).

on treating volunteers as part of the civil-society organization workforce, it actually picks up a reasonable portion of the individual advocacy and social movement activity because its methodology for measuring volunteering takes the form of household interviews. Beyond this, the focus on organizations reflected a belief in the fundamental importance of organizational forms of behavior outside the spheres of the market and the state. In fact, experience in the twentieth century has suggested that mass social and political action by individuals not mediated by institutions and organizations can too easily degenerate into totalitarianism. Indeed, it is the definition of totalitarianism (Kornhauser 1959). Bringing this organizational core of civil society into better focus thus seemed a worthwhile and important objective. Not incidentally, this organizational focus also accorded well with established statistical norms and particularly the SNA's requirement that the entities included within the production boundary of the economy be 'institutional units,' i.e., entities that are 'capable in their own right of owning assets, incurring liabilities and engaging in economic activities and in transactions with other entities' and for which it is at least theoretically possible to develop 'a complete set of accounts,...including a balance sheet of assets and liabilities....' (Commission of the European Union et al. 1993).

Similar considerations led us to stop short of the broader concept of 'social economy.' This concept, too, has a multitude of meanings. Typically, it is used to refer to three sets of organizations: co-operatives, mutuals, and associations (Defourny 2001:4). So defined, it embraces all of what we here term nonprofit or civil-society organizations. Gaining greater clarity about the scope and contours of the social economy sector should thus contribute directly to gaining greater clarity about the scope and contours of the social economy sector, particularly since our own definition specifically included co-operatives and mutuals that meet the non-distribution constraint, as many do, as well as grass-roots development organizations that happen to take the legal form of cooperatives yet fundamentally meet our structural-operational definition.

The problem, however, is that other authors do not fully accept this formulation. Thus, in their explication of the social economy concept in a prior issue of this journal, José Luis Monzon and Rafael Chaves exclude from their definition of the social economy most of the significant entities embraced by our structural-operational definition of the civil-society sector and include only those nonprofit entities that are 'non-market producers, i.e. those that supply their output free of charge or at prices that are not economically significant' and

whose 'principal resources, apart from those derived from occasional sales, come from voluntary contributions in cash or in kind from households... and from property income.'<sup>10</sup>

One reason for these disparities appears to be that the social economy concept is not only defined in institutional terms, but also in normative ones. Thus social economy organizations are defined as ones that serve a solidarity objective and respect the 'primacy of the individual,' that have democratic decision-making processes, and that are allowed to distribute profits to members but only in a limited way. (Defourny 2001: 9, Monzon and Chaves 2009: 553–558). These are powerful and meaningful concepts, but difficult ones to operationalize for empirical inquiry. Can statisticians really be expected to assess the degree of real democracy in a particular enterprise to determine if it should be counted as part of the social economy? As Robert Michels pointed out over a century ago, the 'iron law of oligarchy' works powerfully against true democratic control even in open membership organizations. Similarly, what are the limits on the distribution of profits by commercial co-operatives and mutuals that would make it possible to differentiate true social economy enterprises from for-profit ones? In this era of corporate social responsibility the difference between the two is sometimes difficult to discern, especially when in a number of countries, such as France, many of the major insurance and banking institutions are organized as mutuals yet bear striking resemblance, despite their legal form, to the large for-profit insurance companies and banking firms in other countries. The social economy concept, as so far articulated, thus runs afoul not only of the *operational* criterion but also of the *clarity* criterion required for empirical work by significantly blurring an already imperfect border between the third sector and the market.

Some social economy theorists seem to recognize these problems. As one prominent theorist has written, a number of the

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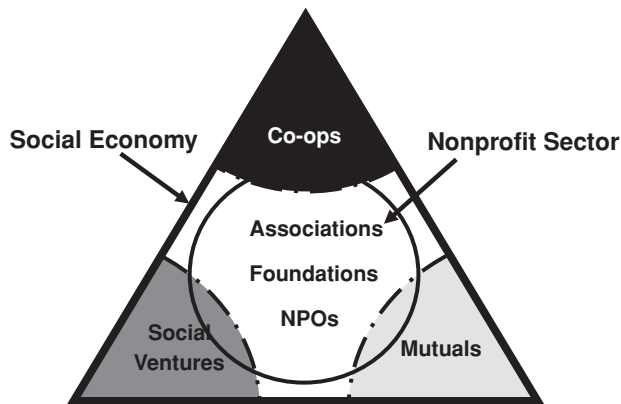
10 Monzon and Chaves (2009) also claim to include entities that receive the preponderance of their revenue from 'payments made by general governments,' but this is not consistent with SNA conventions that treat such entities as market producers if the government payments take the form of contracts instead of grants, as they often do. This is the case in Belgium, for example, as reflected in recent reports on non-profit institutions in that country carried out by the National Bank of Belgium. This leaves only entities primarily financed by charity as part of the nonprofit sector that Monzon and Chaves would embrace within their definition, thus excluding the major part of the nonprofit sector in countries such as Belgium. (See National Bank of Belgium, 2004).



normative definitional distinctions claimed for social economy institutions ‘only apply strictly from a theoretical point of view; they might be much less significant when investigated by empirical research.’ This is ‘especially’ true of the defining feature of democratic control which, this author concedes, ‘should not be taken for granted in all social economy organizations, because in many entities the actual power often tends to be concentrated in a few hands’ (Defourny 2009: 11–12). A defining concept that is this dispensable in fact seems hard to sustain in an actual research setting. Indeed, after stressing that democratic control is ‘essential’ to the social economy notion, Monzon and Chaves nevertheless embrace within the social economy family voluntary organizations ‘even if they do not possess a democratic structure’ (Monzon and Chaves 2009: 559). With such fluidity in its basic concepts, it is no wonder that the social economy conception has remained an elusive, if conceptually attractive, reality.

Given these difficulties, it seemed prudent to focus our efforts on taking a first step toward bringing the third sector into better empirical focus by concentrating on the quite substantial and diverse array of civil society organizations that adhere to the non-profit-distribution restriction long used in international statistical conventions. This concept is well articulated and firmly implanted in a substantial proportion of national laws and it embraces an array of institutions that is enormously robust yet has never been fully mapped and measured due to the allocation rules used in national income accounting systems. Meantime, the door can remain open for those convinced of the workability of the social economy concept to add to this core if a suitably clear and operational definition of the other components of the social economy can be devised. Figure 2 pictures how such a broadened conception of the social economy could build on the work we started.

In short, that the structural-operational definition of the non-profit sector adopted in our project consciously incorporated the non-distribution constraint and focused on organizations was not the product of some American bias. Rather it reflected the fact that these definitional features better guaranteed the clarity and operationalizability of the definition than any of the alternative definitions, and because doing so best guaranteed that this definition could eventually be incorporated into the SNA system and used as a basis for institutionalizing data-gathering and reporting on this important but long-overlooked sector of social existence. While adhering to SNA conventions in these two regards, however, the structural-operational definition departed from the SNA practice of



**Fig. 2 – Social economy and the nonprofit sector: an alternative conception**

defining the nonprofit sector in terms of the sources of its revenues and set out to organize data around a more coherent and encompassing conception of this sector, one that included not only non-profit-distributing organizations supported mainly by charity, but also those supported extensively by fees and charges and by government payments, whether transmitted by grants, contracts, or vouchers.

Finally, although it eschews explicit purpose criteria and focuses on structural and operational features that make it highly operational and therefore useable for statistical analysis, the structural-operational definition used in our project also included features that serve as meaningful proxies for the concept of ‘public purpose’ that is central to the purpose definitions so popular in some quarters. It does so, however, without trying to specify for all countries and all times what true ‘public purposes’ are. Rather, it infers such purposes from the behavior of people in the different countries and from the ‘non-profit-distributing’ and ‘non-compulsory’ features of the definition. Essentially, if substantial numbers of people in a country support a set of organizations voluntarily and without expecting a share of any profits the organizations might generate, this is strong evidence that *they* see some public purpose to the organizations.

Most importantly, perhaps, this definition was not only elaborated through a highly participatory process involving dozens of local researchers and national advisory committees, but also it has now been tested in all 40+ countries covered in this project and been proved to work. That is, it has proved to be sufficiently *broad* to

encompass the great variety of entities commonly considered to be part of the third or civil society sector in both developed and developing countries, sufficiently *flexible and sensitive* to accommodate a great number of cultural and religious traditions, yet sufficiently *sharp* to distinguish these institutions from other types of social institutions, such as private businesses, units of government, families, and tribes or clans.

## 2.2 Methodology

Armed with this operational definition, the Project then faced two additional tasks: first, to formulate a classification system for sorting the entities that met the target definition; and second, to devise a methodology for assembling data on the set of entities so defined.

### *Classification*

Because of our hope to integrate the analysis of the civil society sector into the broader analysis of economies and societies, we began our search for a common classification system with the official International Standard Industrial Classification (ISIC) used in most international economic statistics. This elaborate system sorts economic units among a number of major industries based on their principal activity, and then further subdivides them among hundreds of sub-industries. Our initial review of the ISIC system revealed, however, that the level of detail it offered in the fields in which civil society organizations are active was far too limited to portray the diversity of the civil society sector adequately. Accordingly, we employed a method similar to that used for our definition to refine ISIC: we asked our Local Associates to evaluate how well the ISIC classification fit the diverse realities of civil society or nonprofit organization activity in their respective countries and then collaboratively developed a way to adjust this system to address the problems that were identified. The result was a consensus on the need to elaborate on the basic ISIC categories in a number of areas. Thus, for example, the broad health and human services category of ISIC was broken into a number of subcategories to differentiate better the range of civil society organization activities in the health and human-service area. So, too, a special 'development' category was added to accommodate the 'nongovernmental organizations,' or NGOs, common in the developing world. These organizations pursue a broad

**Table 2 – International classification of nonprofit organizations**

Code	Field	Code	Field
1	Culture and recreation	7	Civic and advocacy
2	Education and research	8	Philanthropic intermediaries
3	Health	9	International
4	Social services	10	Religious congregations
5	Environment	11	Business and professional, unions
6	Development and housing	12	Not elsewhere classified

range of development purposes and often utilize an empowerment strategy.

Out of this process emerged an International Classification of Nonprofit Organizations, or ICNPO, that, as shown in Table 2, identifies twelve different categories of civil society organization activity. Included here are a broad range of essentially ‘expressive’ functions such as civic and advocacy, culture and recreation, environmental protection, and business, labor, and professional representation as well as the more commonly perceived ‘service’ functions such as education, health care, and social services. Each of these broad categories in turn was further subdivided into subcategories.<sup>11</sup>

### *Data-gathering methods*

To handle the empirical parts of the project work, three different methodologies were then used:<sup>12</sup>

- *Tapping existing data sources*

Because SNA 1993 theoretically called on statistical agencies to gather data on NPIs, though not to report on these data separately except for a small subset of NPIs, we assumed that it might be possible to locate a significant portion of the data needed for our analysis from SNA data sources. This required an identification of the entities that met the project’s definition, however. For this, existing registration systems and tax records had to be accessed. Fortunately, we were able to secure the assistance of statistical agencies in many of the project countries to help us ferret out these

11 For a full specification of the resulting International Classification of Nonprofit Institutions, see: Salamon, Sokolowski and Associates (2004).

12 For further detail on the methodologies used in each project country, see Salamon, Sokolowski, and Associates (2004, Appendix D).

data from existing statistical records, at least on an aggregate basis. We then supplemented these data with subsector data systems and other sources.

- *Household surveys*

Because the existing SNA and other data sources focused only on the formal parts of the nonprofit sector and included no data on volunteer work, which is mostly considered to be outside the production boundary of the economy, we supplemented our scrutiny of existing data sources with household surveys. Due to resource limitations we were typically restricted to buying time on omnibus surveys being conducted for commercial or other purposes, but took care to ensure reasonable representativeness of the samples being used. Common survey instruments were developed to ensure reasonable consistency in the resulting data across countries;

- *Hypernetwork sampling*

As the project moved its focus from more developed to less developed countries, more extensive survey work became necessary because of the absence of meaningful coverage of NPIS in existing data systems. Our technique here was to rely on 'snowball' or 'hypernetwork' sampling, in which interviewers canvassed carefully sampled geographical regions to compile a comprehensive listing of organizations active in these regions. This typically involved going house to house or organization to organization in selected geographic areas, asking respondents about the organizations they belonged to or worked with, sorting out which of these fit our project definition, and continuing this process until no new organizations were encountered. The listings compiled through this process were then used as sampling frames for organizational surveys collecting data on the workforce, activities, and finances of the organizations so identified. The results were then blown up to estimate the scale of the civil society sector workforce – paid and volunteer – for the country as a whole.

## 2.3 Key findings

Out of this process has come the first solid comparative empirical picture of the NPI sector ever assembled. In the process, the Project has exploded a number of long-standing myths about the NPI sector and begun the hard task of explaining the distinctive patterns of civil society organization development that these findings reveal. In this section we briefly outline both the basic descriptive findings and the analytic insights to which they have given rise.

*Descriptive Findings.* Key descriptive findings of this work to date include the following:<sup>13</sup>

- *The NPI sector is a far larger economic force than previously recognized.*

In the 40 countries on which financial data are now available, nonprofit institutions represent \$2.2 trillion in operating expenditures.<sup>14</sup> This is larger than the GDP of all but six countries. In the 42 countries on which we have employment data, nonprofits employ nearly 56 million full-time equivalent workers or an average of 5.6 percent of the economically active populations of these countries.<sup>15</sup> This exceeds the workforce of many sizable industries in these countries, such as utilities, construction, transport and communications, and most individual branches of manufacturing.

- *The U.S. does not have the world's largest NPI sector in relative economic terms, as has been widely thought.*

Measured as a share of the economically active population, the workforce of the NPI sector is larger in many European nations than in the United States (See Figure 3) This underlines an important, if surprising, point about Europe south of Scandinavia: contrary to widespread beliefs, this region does not really have a 'welfare state,' as has long been assumed. Rather, these countries boast widespread 'welfare partnerships' featuring extensive reliance by government on NPIs to deliver publicly financed services;

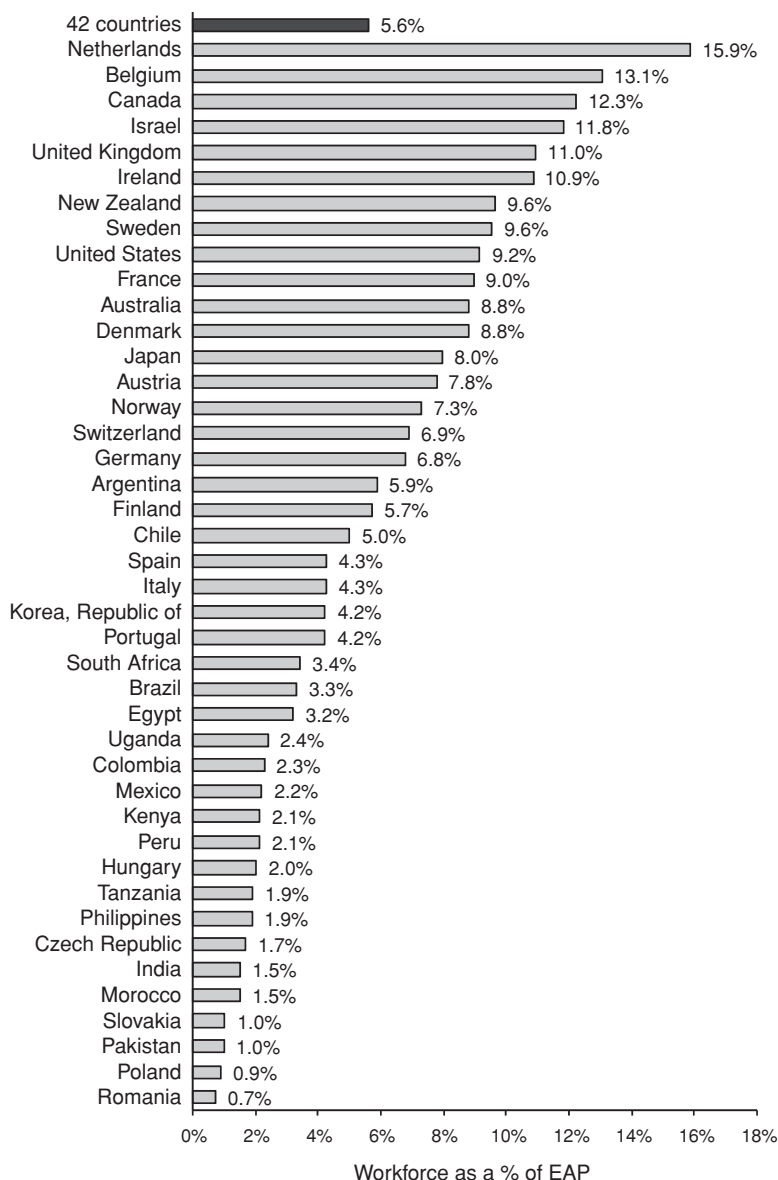
- *Volunteers constitute a crucial part of the NPI workforce.*

Translated into full-time equivalent positions, volunteers account for an estimated 42 percent of nonprofit workers (See Figure 4). In fact, even conservatively valued, contributions of time outdistance contributions of cash to NPIs by a factor of more than 2:1.

13 Findings here reflect all three phases of project work to date. These findings are presented in more detail in Salamon, Wojciech Sokolowski and Associates (2010).

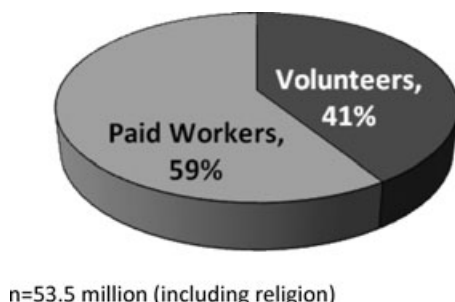
14 The base year utilized in the collection of data for this project differ from country to country. To normalize the estimates to a common base year, we calculated the ratio of CSO expenditure to the GDP in the year the data were collected and then applied this ratio to the 2005 GDP of the country. We believe this estimate is conservative since there is evidence that the CSO share of the GDP is rising in most countries for which data are available, as will be detailed below.

15 This represents the numeric average of the 41 countries. Because some of the countries with the highest nonprofit share of economically active workers are small, the 'weighted' average nonprofit share of the economically active population in these 41 countries is approximately 4.2 percent.



**Fig. 3 – NPI workforce as a share of the economically active population, by country**

Source: Salamon, Sokolowski and Associates, *Global Civil Society*, 3rd ed. (Kumarian Press, 2010).



**Fig. 4 – NPI paid vs. volunteer labour, 42 countries**

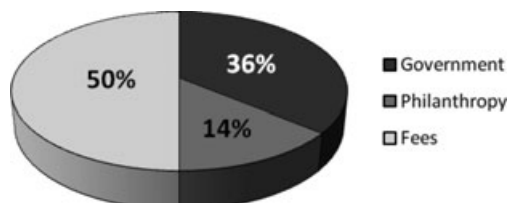
Source: Salamon, Sokolowski and Associates, *Global Civil Society*, 3rd ed. (Kumarian Press, 2010).

- *Philanthropy accounts overall for a relatively small share of non-profit organization revenue.*

Most nonprofit revenue comes from fees and public sector payments around the world. These two sources easily outdistance charitable support. In the aggregate, fees represent 50 percent of nonprofit revenue, government support accounts for 36 percent, and private philanthropy provides only 14 percent (see Figure 5). This helps explain why the SNA allocation rules that capture in NPISH only those organizations that receive the preponderance of their income from philanthropy yield an unrealistically small picture of the full NPI sector;

- Far from a laggard component of the economy, nonprofits have been a dynamic presence, boosting their employment faster than business or government in recent years.

*From Description to Explanation: The Social Origins Approach.* Armed with these empirical findings we then turned to the project's



**Fig. 5 – Sources of NPI revenue (34 country average)**

Source: Salamon, Sokolowski and Associates, *Global Civil Society*, 3rd ed. (Kumarian Press, 2010).



second major objective: to *explain* the variations in nonprofit scale, structure, and financing from place to place. The first step here, naturally, was to examine existing theories. Fundamentally, two broad sets of theories purporting to explain such variations could be found in the literature. One of these links the presence and scale of the nonprofit sector in a society to the presence or absence of certain *sentiments*, such as the sentiment of altruism or, more recently, feelings of trust and reciprocity resulting from the presence of social capital (Bellah et al. 1985, Wuthnow 1991, Putnam et al. 1993, Fukuyama 1995). The second focuses instead on certain *preferences*, particularly the preferences of consumers and producers of certain services. Such preferences can take the form of demands for certain public goods that can not be supplied through the state due to the lack of majority support for them (Weisbrod 1977, 1988); for assurances of quality in circumstances where the consumer of services is not the purchaser (Hansmann 1980); or for certain advantages that the nonprofit form offers to certain suppliers of services, such as the opportunity to win adherents to one's cause or religious beliefs (James 1987).

Although each of these theories had something to say about the causes of the variations we found in our data, none seemed to account for them sufficiently. A common shortcoming of these theories is that they assume a functioning market system and a democratic political system, and hence a degree of flexibility in institutional choice that seems belied by the historical record. Choices about whether to rely on market, third-sector, or state provision of key services are not simply made freely by individual consumers in an open market as advocates of the economic preference theories seem to assume. Rather, these choices are heavily constrained by prior patterns of historical development that have been shaped by complex interrelationships among social strata and social institutions. What is more, civil society organizations do more than provide services. They also affect the balance of power among social groups and between them and the state. As Wolfgang Seibel (1990: 46) has reminded us, nonprofit organizations 'are not only providers of goods and services but important factors of social and political coordination.' As a consequence, they do not float freely in social space responding merely to sentiments and preferences as the prior theories seem to suggest. Rather, they are firmly 'embedded' in prevailing social and economic structures, often serving as 'the knots within networks of elites with reputation, finance, and power.' In addition to sentiments or preferences, this perspective thus sees the scope, scale, and role of

the civil society sector as fundamentally also, and perhaps mostly, a matter of *power*.

What this suggested is the need for a more complex, historically rooted ‘social origins’ analysis to account for the varied size, composition, and structure of the civil society sector in different societies. Such an analysis views the shape and size of the civil-society sector in a country as the product of a complex set of power relationships among a variety of socio-economic groups, institutions, and, in some cases, countries. According to this line of argument, the size, form, and relationship of the civil society sector to other institutions, especially government, have been shaped by the outcomes of these power relations, especially at critical historical moments such as the era of rapid industrialization. These critical moments often set a ‘path’ or establish propensities that institutional actors, including civil society organizations, follow for many years to come.<sup>16</sup>

To pursue this line of argument, we proceeded in two steps. Step one was to search for distinct patterns of civil society development in the welter of data we assembled. This led to the identification of five more or less distinct such patterns, each associated with a particular constellation of features related to the size, structure, function, and financing of civil society organizations, as reflected in Table 3. Thus, for example, the ‘liberal pattern’ is characterized by a sizable nonprofit sector with extensive volunteer involvement but relatively limited reliance on government support, while the ‘welfare partnership’ pattern is characterized by a very large nonprofit sector with a predominance of paid staff and supported chiefly by government.

The next step was then to examine the historical record to see if it was possible to discern distinctive patterns of social relationships that explained the emergence of these patterns in the countries exhibiting them. More specifically, this theory identified four types of power relationships or tensions that at critical turning points it posited set in motion forces that significantly shaped the size, composition, and role of the civil society sector. These drivers reflect tensions among:

16 This is known as ‘path dependency’ (Arthur 1994, Krugman 1991) or a tendency that a decision made at a strategically important moment progressively increases the chance that similar decisions will be made in the future. The concept of path dependency has been used to explain a wide range of economic and social phenomena, from the geographic distribution of industries to the spread of technologies, and the institutionalization of social rules of behavior.

**Table 3 – Patterns of Civil Society Sector Structure**

Model	Dimension				
	Workforce size	Volunteer share	Government support	Philanthropic support	Expressive share
I. Liberal	Large	Medium – high	Medium	Medium – high	Medium
II. Welfare Partnership	Large	Low – medium	High	Low	Small
III. Social Democratic	Large	High	Medium	Medium	Large
IV. Statist	Small	Low	Low	Medium – high	Prof-high Advoc-low
V. Traditional	Small	High	Low	Medium – high	Small

Source: Salamon, Sokolowski and Associates. *Global Civil Society: Dimensions of the Nonprofit Sector* (2010).

- *Socio-economic classes*
- *Socio-demographic groups* (e.g. ethnic, religious, geographic, tribal)
- *State-church-society*
- *‘Core’ vs. ‘periphery’ countries*

Although a full explication of the results of this analysis would take us far beyond the confines of the present article, these results do confirm the basic parameters of this social origins approach and provide a way to come to terms systematically with the considerable range of civil society developments in a broad range of societies representing divergent religious and cultural traditions, levels of development, and historical evolution.<sup>17</sup>

### **3 Filling the Gap II: Institutionalizing the Measurement of NPIs**

#### **3.1 From CNP to Official UN Handbook**

The findings generated by the Johns Hopkins Comparative Nonprofit Sector Project attracted considerable attention, leading to three separate phases of project work. At the same time, the usefulness of these data for policy and representational purposes

17 For further detail on this ‘social origins’ theory of the nonprofit sector, see Salamon and Sokolowski, (2002, 2010: chapter 3).

made clear to others what we had assumed from the start: that a more permanent mechanism would be needed to generate such data on a regular basis. The most efficient method for doing this was through the existing System of National Accounts, the international system for harmonizing economic data, and the national accounts offices that implement this system in virtually every country in the world. Once our data were assembled and interest in them demonstrated, we therefore approached the United Nations Statistics Division (UNSD), which oversees the System of National Accounts, to explore the possibility of formulating an official UN *Handbook* to guide statistical offices around the world in producing such data on a regular basis.

Fortunately, after reviewing the data generated by the Johns Hopkins CNP Project and comparing it to the data on NPIs available through existing SNA data sources, UNSD agreed to forge a partnership with the Johns Hopkins Center for Civil Society Studies and with an Experts Group of statistical officials from around the world to formulate an official United Nations *Handbook* to provide this guidance. Central to this agreement was a fundamental decision to pursue this aim through the design of a procedure for producing ‘satellite accounts’ on nonprofit institutions, rather than through changing the allocation systems for NPIs embodied in the core System of National Accounts. Satellite accounts provide a mechanism for reconfiguring data already being captured in official statistics without changing the way the data are portrayed in the core SNA accounts. In this case, it meant identifying NPIs allocated to sectors other than the Nonprofit Institutions Serving Households sector, adding to this NPIs not being captured in existing data systems, and pulling together data on all of these other NPIs with the NPIs reported in the NPISH account to produce a composite picture of the NPI economy

Out of the three-year process required to reach consensus emerged the United Nations *Handbook on Nonprofit Institutions in the System of National Accounts* (the UN *NPI Handbook*). This *Handbook* was ultimately introduced to the United Nations Statistical Commission in 2002 and formally published in 2003.<sup>18</sup> The methodology outlined in this *Handbook* closely follows the definition and classification of ‘civil society organizations’ used in the CNP Project but captures a far broader array of variables than was possible in the Johns Hopkins Project. More specifically, the UN *NPI*

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18 United Nations Statistics Division (2003).

*Handbook* makes four major refinements to the 1993 SNA treatment of non-profit institutions:

- *First*, it recommends the production of regular NPI ‘satellite accounts’ that pull together data on all NPIs, including those assigned to the corporations or government sector and those not yet captured anywhere in the statistical system. This requires that national accounts staffs identify and flag the NPIs that have been allocated to the corporations and government sectors, upgrade their business registers to include NPIs not currently covered, and aggregate all of these entities with the NPIs allocated to the NPISH account (See Table 4);
- *Second*, it provides a refined definition of an NPI to make it possible to identify these entities in the other sectors. This definition draws directly on the one used in the Johns Hopkins Comparative Nonprofit Sector Project and therefore adds the sanction of the international statistical community to the core definition of nonprofit institutions developed in this project;
- *Third*, it recommends the use of the International Classification of Non-Profit Organizations (ICNPO) developed through the CNP Project to provide more detailed differentiation of NPIs than the existing International Standard Industrial Classification (ISIC Rev. 3) allowed, thus sanctioning the CNP project’s classification system as well,<sup>19</sup> and
- *Fourth*, it calls for capturing volunteer work in national accounts data for the first time, at least in the NPI satellite account, and provides a recommended way to value it.

### 3.2 The United Nations *NPI Handbook*: Implementation

Producing a *Handbook*, even an official one, does not by itself ensure the production of regular data on NPIs or anything else, of course. To ensure that the *Handbook on Nonprofit Institutions in the System of National Accounts* did not become a bookshelf ornament, we sought and secured the approval of the UNSD to launch a dissemination and implementation effort and managed to

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19 Significantly, in the revision of the ISIC classification system recently undertaken, most of the categories identified in the ICNPO were incorporated into the revised ISIC, in part thanks to the work done on the UN *NPI Handbook*.

Table 4 – Treatment of nonprofit institutions in the NPI satellite account

	Sectors of the SNA System					
	Nonfinancial Corporations Sector S. 11	Financial Corps Sector S. 12	General Government Sector S. 13	Households Sector S. 14	Nonprofit Institutions Serving Households (NPISH) Sector S. 15	ALL NPIs $N = \sum NPI$
Variable	Total	Total	Total	Total	Total NPI	
Production Account	NPI	NPI	NPI	NPI		
Generation of income account						
Closing Balance Sheet						

Source: United Nations (2003), *Handbook on Nonprofit Institutions in the System of National Accounts*.

find financial support for it from a number of private foundations and public agencies.<sup>20</sup> The results to date are encouraging. In particular:

- *Partnerships* have been forged with the UN Volunteers, the European Commission, the UN's regional Economic Commissions, and with the Skoll, Ford, Kellogg, and Sasakawa Peace foundations to promote the implementation of the *Handbook*;
- *Regional workshops* were held to introduce national accountants to the *NPI Handbook* in Europe, Latin America, Africa, and Asia, and follow-up meetings arranged with national statistical authorities in more than 20 countries;
- *32 countries have now made formal commitments to implement the UN NPI Handbook*. In addition, serious conversations are under way with several others (See Table 5);
- *Eleven countries have produced the 'NPI satellite accounts'* called for in this *Handbook*, and at least four (Australia, Belgium, Canada and the United States) have produced updates (See Table 6).
- *The United Nations Statistics Division*, for the first time, incorporated attention to the nonprofit sector into several crucial statistical system revision processes that have recently been underway, and invited JHU/CCSS to ensure appropriate treatment of NPIs in these processes. Included here were the following: (a) the revision of the System of National Accounts (SNA) undertaken in 2006–2008; (b) the preparation of a special chapter on NPIs in the revised edition of the *SNA Manual* that resulted from this revisions; (c) the revision of the *UN NPI Handbook* to ensure its consistency with the revised SNA; and (d) the revision of the International System of Industrial Classification (ISIC) to ensure appropriate detail on fields where NPIs are active. As a result of these activities, moreover, significant improvements were made in the treatment of nonprofit institutions in the revised System of National Accounts (so-called SNA 2008). These include: (a) a requirement that countries separately identify the NPIs that are allocated to the corporations accounts, which will make it far easier to compile the NPI 'satellite account'; (b) the redefinition of the criteria for allocating NPIs to the government account by making it clear that being 'financed by' is not sufficient to drive

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20 We are indebted to the Ford Foundation, the Skoll Foundation, the Sasakawa Peace Foundation, the W.K. Kellogg Foundation, and United Nations Volunteers for support of this work, and to the United Nations Economic Commissions for Latin America, Africa, and Asia and the Pacific for assistance with the dissemination events.

**Table 5 – UN *Handbook* implementers and target countries**

Developed countries		Developing and transitional countries	
Committed	Target	Committed	Target
Europe		Central Europe	
Belgium*	Denmark	Czech Republic*	Hungary
France*	Netherlands	Slovakia	Poland
Portugal	Spain		Russia
Norway*	UK		
Italy	Luxembourg		
Germany			
Sweden			
North America		Latin America	
Canada*		Argentina	Chile
USA*		Brazil*	Uruguay
		Peru	
		Mexico	
Asia		Asia	
Australia*	Hong Kong	India	Bangladesh
Japan*		Philippines	Pakistan
Korea		Kyrgyzstan	China
New Zealand*		Thailand	
		Vietnam	
Other		Africa and Middle East	
Israel*		Cameroon	Egypt
		Kenya	Tanzania
		Mali	Lebanon
		Morocco	Jordan
		South Africa	Kuwait
		Uganda	
		Mozambique*	
		Nigeria	

As of August 2009.

\*Satellite account completed.

such an allocation; and (c) the incorporation into the international statistical system of a classification system that does much better justice to the activities of NPIs.

- The first-ever *Global Assembly on Measuring Civil Society and Volunteering* was held in Bonn, Germany, in September 2007. This event assembled national accounts statistical staff from all the countries engaged in, or seriously contemplating, *NPI Handbook* implementation as well as representatives of civil society



**Table 6 – Completed NPIs Satellite Accounts**

Completed Satellite Accounts (12)

Australia*	Israel
Belgium*	Italy (partial)
Canada*	Japan
Czech Republic	United States*
France	New Zealand
	Norway
	Mozambique

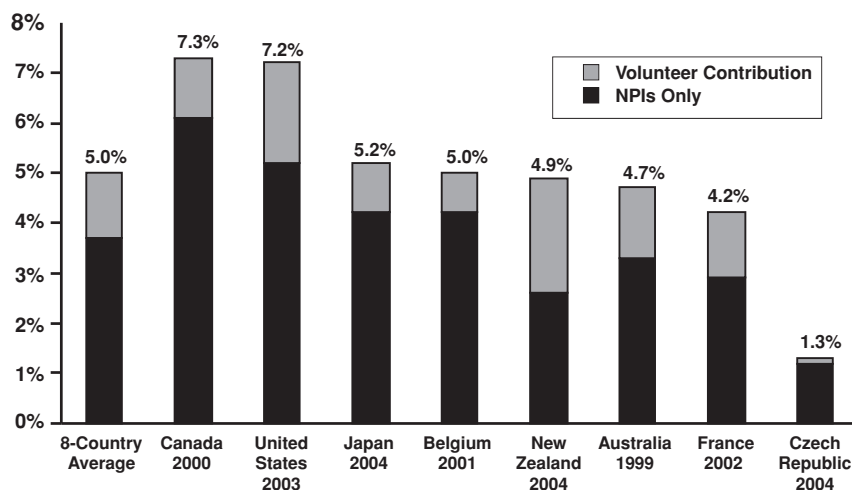
\*Multiple satellite account editions available.

organizations in the same countries and foundation and international organization representatives.

### 3.3 The United Nations *NPI Handbook*: Initial Findings

Initial findings from eight of the countries that have completed satellite accounts (Australia, Belgium, Canada, the Czech Republic, France, Japan, New Zealand, and the United States) have been processed and are quite revealing. They generally reinforce the findings of the Johns Hopkins CNP Project, but now with the imprimatur of official statistical agencies. Among these findings are the following:

- The civil society sector is an enormous economic force, accounting on average for 5 percent of the GDP in the countries covered and exceeding 7 percent in some countries, such as Canada and the United States (See Figure 6);
- This means that the GDP contribution of the NPI sector exceeds or is on a par with the GDP contribution of many major industries in these same countries, such as utilities, including gas, water, and electricity (2.3 percent of GDP), construction (5.1 percent of GDP), and financial intermediation, embracing banks, insurance companies, and financial services firms (5.6 percent of GDP) (See Figure 7);
- In some fields, such as social services, health, and sports and recreation, the GDP contribution of NPIs is much higher than this. In Belgium, for example, NPIs account for 42 percent of the value added generated in the health field and 66 percent of the value added generated in the social services field (see Figure 8);
- About a quarter of the value added by NPIs comes from the work of volunteers, underscoring again the crucial importance of capturing volunteer work in economic statistics;



**Fig. 6 – NPI contribution to GDP, including volunteers, by country and 8-country average**

Source: Salamon et al. (2007).

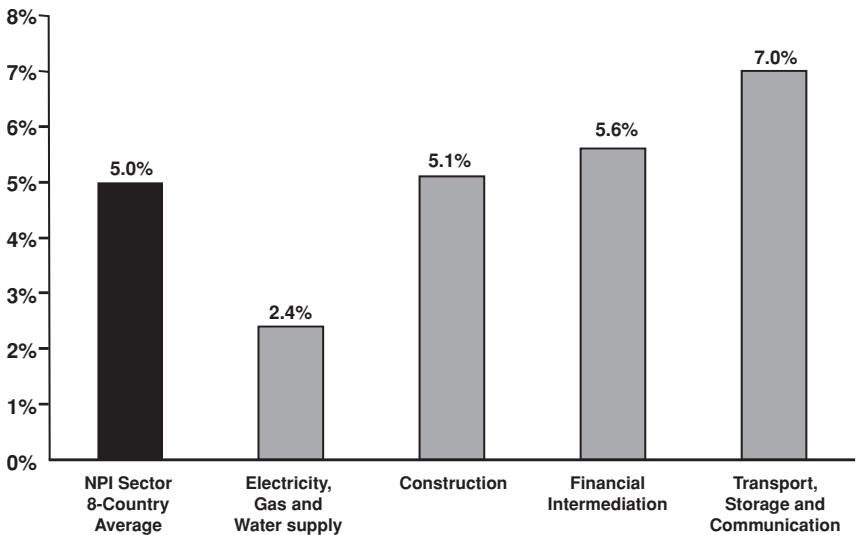
- Nonprofit institutions also turn out to be a highly dynamic element of the economy. Thus, in the five countries on which historical data are available (Belgium, Canada, the Czech Republic, Japan and the United States), the nonprofit satellite accounts reveal that the NPI contribution to GDP has been growing at an average rate that is twice the growth rate of GDP over recent years (8.1 percent per year vs. 4.1 percent) (See Figure 9);

These data add the credibility of national statistical agencies to the findings generated earlier through the Johns Hopkins CNP studies to underline the critical importance of civil society organizations and the volunteers that support them in countries throughout the world.

## 4 Closing the Gap III

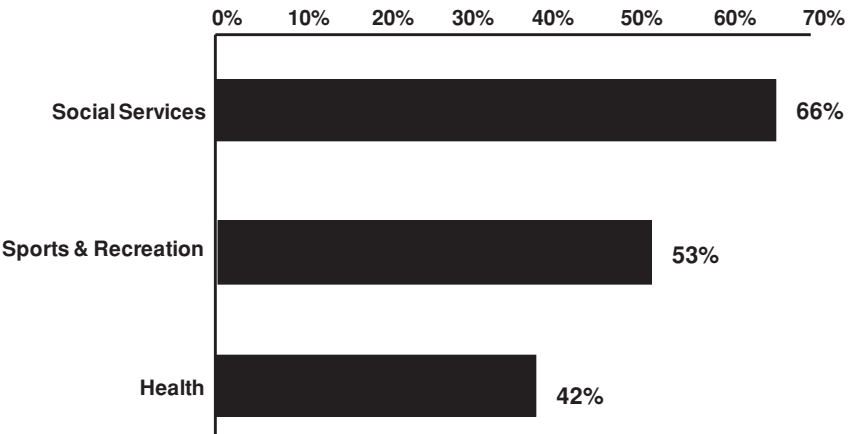
### 4.1 Institutionalizing the measurement of volunteer work

In the course of implementing the UN *NPI Handbook* it became clear that one crucial part of the *Handbook's* mandate could not be fulfilled without a further change in the international statistical system. This was the mandate to capture the value of volunteer work and include it in the measurement of the economic role and



**Fig. 7 – Contribution to GDP, NPIs vs other industries, 8-country average**

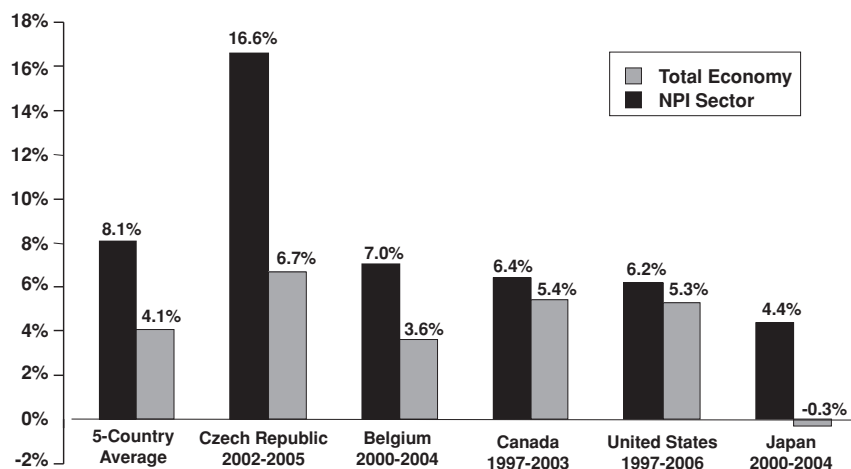
Source: Salamon et al. (2007).



**Fig. 8 – NPI share of value added, selected fields, Belgium 2001**

Source: Salamon et al. (2007).

contribution of the NPI sector. The problem here lay in the prevailing SNA rules that defined most volunteer labor to be outside the ‘production boundary’ of the economy and therefore not to be counted. What is more, like other forms of informal activity, even the portion



**Fig. 9 – Average annual growth of NPIs vs. total economy, 5 countries**

Source: Salamon et al. (2007).

\*Data not available on Australia, France, and New Zealand.

Does not include volunteer labour.

of volunteer work that was supposed to be measured was not measured in practice. In fact, except for a few countries that have undertaken special surveys of volunteering (e.g. Australia, Canada, the UK, and the USA) data on volunteering is almost non-existent around the world. This posed a serious problem even in countries that undertook to implement the UN *NPI Handbook* because the national accounts statisticians must work with data generated in other parts of their national statistical systems, and in this case no such data were available. Accordingly, the resulting satellite accounts were often incomplete.

Rather than accept this limitation as a given, we resolved to find a remedy just as we had with the effort to institutionalize the collection and reporting of data on NPIs. This was important not just for the purposes of fulfilling the mandate outlined in the UN *NPI Handbook*. Volunteer work is important in its own right to policymakers and to the statistical community for a variety of reasons:

- Volunteer work is a major component of unpaid labour, which has become a focus of increased attention by policymakers throughout the world as a major form of economic activity and economic benefits, particularly in developing countries. Indeed, a recent survey of national statistical offices and institutes conducted by the

UK Office of National Statistics on behalf of the United Nations Statistical Commission revealed that 'the non-observed economy and informal employment' is one of the 'three top priority areas for labour statistics' identified by member countries as needing attention (UK Office of National Statistics 2008).

- Volunteer work is a component of unpaid labour that may be easier to capture since it can be differentiated from household activity and much of it takes place through institutions that are considered to be well within the production boundary of the economy (i.e., nonprofit institutions, or NPIs).
- Because volunteer work not only produces tangible outputs but also gives individuals a sense of self-respect and a feeling of contributing to the progress of society, its measurement is consistent with the International Labour Organization's emphasis on 'decent work' as a means of promoting human agency, dignity, and feelings of self-respect. As the Director of ILO's Bureau of Statistics recently observed: 'There is no doubt that volunteer work contributes significantly to the ILO objectives. It straddles both the economic objectives...and the wider social objectives' (Young 2007).
- As we have seen, volunteer labor turns out to be a major component of the workforce of NPIs and a major source of the value added that NPIs produce. No attempt to portray the economic impact of NPIs will be complete, therefore, without inclusion of the value of volunteer work;
- There is also a significant amount of volunteer work that does not occur within the context of organizations. This volunteer work is completely overlooked in the statistical system as a general rule, thus undervaluing grossly its contribution to societies. Indeed, volunteer work is the great renewable resource for social and environmental problem-solving;
- The scale of volunteer work is enormous. Data generated by Statistics Canada just on formal volunteering, i.e. volunteering through organizations, revealed that the value added by such volunteering in Canada exceeded the value added by Canada's agriculture industry (Statistics Canada 2004). Data generated by the Johns Hopkins CNP Project showed that the value of contributions of time easily exceeds the value of cash charitable contributions to nonprofit organizations in most countries.

Based on initial research, we concluded that the best option for institutionalizing the collection of reliable data on volunteer work was to secure approval to add a special volunteering module to regular labor force surveys. Such surveys have enormous advantages

as the platform through which to capture the economic value of volunteer work:

- They are among the most frequent and regular of all official data-collection programs;
- They are household-based, making it possible to capture volunteer work that is not done through easily identified, registered organizations;
- They cover all components of the population;
- They generally utilize relatively large samples;
- They gather important demographic data on respondents, which can be used to investigate the correlates of volunteering;
- They are managed by highly professional staff equipped to classify categories of work, which is important for accurate valuation of volunteer work;
- They cover other aspects of work (paid employment, hours of work, unemployment, underemployment, and employment-related income), making the coverage of volunteer work a natural extension and making it easier for respondents to differentiate volunteer work from paid work;
- They already have procedures in place to handle bias and error and thus ensure reliability;
- They offer a highly cost-effective way to capture at least a limited body of core information about the contours of volunteer work in a country; and
- They have already been used successfully to collect data on volunteer work in a number of countries, including Australia, Canada, and the United States, without any negative impact on the labour force surveys and high response rates on the volunteer components.

Accordingly, we approached the International Labour Organization in the Fall of 2006 with a proposal to repeat with the ILO the process we had pursued in the development of the UN *NPI Handbook*: i.e., to formulate an ILO *Manual on the Measurement of Volunteer Work* that could guide labor force statisticians in measuring volunteer work through labor force surveys. Fortunately, ILO was organizing one of its every-five-year International Conferences of Labour Statisticians for the Fall of 2008 and recognized the importance of volunteer work to its general emphasis on 'decent work.' An agreement was therefore reached in the spring of 2007 to launch such a process and to form a Technical Experts Group of labor statisticians to work with us on it.

Over the ensuing months, we convened this Technical Experts Group, secured agreement on a number of key design issues, drafted most of the required *Manual*, subjected key features of it to testing, and successfully presented this draft to the 18th Annual Conference of Labour Statisticians in November 2008 (International Labour Organization 2009). Work is now needed to respond to a number of points of clarification raised by the Conference, to test the resulting draft instrument, and to launch a dissemination and technical assistance effort to promote its implementation.

The expected result of this work will be an internationally sanctioned *Manual* for gathering systematic data on the amount and value of volunteer work and its distribution across various fields by national statistical agencies throughout the world. The *Manual* proposes a broad definition of volunteer work that embraces both formal and informal volunteering, offers a suggested survey module to measure volunteer work, describes the target data elements this module seeks to capture and the classification system recommended to characterize the type of volunteer work performed and the field in which it is carried out, discusses recommended procedures for survey administration and reporting, and discusses recommended procedures for valuing volunteer work using a replacement cost approach that begins with the activity the volunteer engages in and the wage typically paid for that activity in each country to determine the value of the volunteer work.

Current plans call for the completion and official acceptance of this ILO *Volunteering Manual* by June 2010.

## 5 Conclusion

Statistical authorities throughout the world are coming to recognize the enormous misconceptions about both economic and social activity that result from statistical systems that overlook crucial dimensions of economic activity. Statistics are the lens through which we view social reality, and when that lens is misshapen or distorted or incomplete, our view of the world is misshapen, or distorted, or incomplete (Commission on the Measurement of Social Progress 2009).

The informal economy is currently one of the chief arenas where such distortions exist at the present time. But the record of the nearly two decade-long effort to perfect the lens through which we view the nonprofit institutions sector and volunteering suggests

that these distortions are far from inevitable. With perseverance, determination, and good will, it is possible to gain traction on such difficult conceptual and empirical challenges. The process used in the case of NPIs, consisting of initial research to demonstrate the feasibility of capturing a difficult phenomenon in a reliable way, followed by a concerted effort to find a way to institutionalize the resulting approach, and then the launching of a dissemination campaign to press this institutionalization on over-worked statistical authorities, can work in other arenas and on other topics as well. Hopefully, the lesson of the UN *NPI Handbook* and the subsequent ILO *Manual on the Measurement of Volunteer Work* will inspire others to pursue similar leaps forward in other priority areas. In this way we will all gain the lenses to see our world with new eyes.

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### Situer la société civile sur la carte économique du monde

*Au cours des 25 dernières années on a assisté partout dans le monde à un spectaculaire développement de la philanthropie, du bénévolat et d'organisations émanant de la société civile. Il semble en effet qu'on soit au milieu d'une "révolution associative globale", une avancée mondiale de l'activité privée bénévole. Malgré la promesse que représente ce développement, le secteur sans but lucratif et la société civile restent la péninsule invisible dans le paysage social de la plupart des pays. En effet, ce secteur est mal compris par les pouvoirs politiques et le public au sens large, souvent freiné par des limitations légales et inadéquatement utilisé comme mécanisme de réponse à des problèmes publics. Une explication réside dans le manque d'information sur son champ, sa structure, son financement et ses contributions. Ce manque d'information est partiellement dû au fait que des composantes significatives du secteur sans but lucratif demeurent dans l'économie informelle non observée et mais aussi à la façon dont les composantes observées de ce secteur ont historiquement été traitées dans le Système des Comptes Nationaux (SCN).*

*Cet article offre un aperçu d'une série d'avancées qui ont été réalisées au cours des 20 dernières années par des chercheurs de l'Université Johns Hopkins en coopération avec des scientifiques du monde entier et plus récemment avec des représentants de la Division statistique des Nations Unies et du Bureau International du Travail (BIT). Le résultat majeur de cette collaboration fut la publication et la première application du 'Handbook on Nonprofit Institutions in the System of National Accounts' et la prochaine édition par le BIT du 'Manual on the Measurement of Volunteer Work'. Tous ces efforts permettent de situer le secteur de la société civile sur la carte économique du monde en rendant pour la première fois possible une analyse comparative systématique.*

### **Zivilgesellschaft und ehrenamtliche Arbeit auf die ökonomische Weltkarte bringen**

*Die letzten 25 Jahre waren geprägt von einer spektakulären Expansion von Philanthropie, ehrenamtlicher Tätigkeit und zivilgesellschaftlichen Organisationen in der ganzen Welt. Tatsächlich scheinen wir uns mitten in einer "globalen zivilgesellschaftlichen Revolution" zu befinden, einem weltweiten Auftrieb organisierter privater ehrenamtlicher Tätigkeit. Trotz der Verheißung, dass diese Entwicklung anhält, bleibt jedoch der Nonprofit- oder Zivilgesellschaftssektor der unsichtbare Subkontinent in der sozialen Landschaft der meisten Länder, kaum verstanden von politischen Entscheidungsträgern und insgesamt der Öffentlichkeit, oft behindert durch rechtliche Beschränkungen und unzureichend genutzt als ein Mechanismus, mit dem sich öffentliche Probleme angehen lassen. Ein Grund dafür ist der Mangel an grundlegender Information über seinen Umfang, seine Struktur, seine Finanzierung und seine Leistungen in den meisten Teilen der Welt. Dieser Mangel an Information ist zum Teil auf die Tatsache zurückzuführen, dass signifikante Bestandteile des Nonprofit-Sektors zur nicht wahrgenommenen oder informellen Wirtschaft zählen, und zum Teil auf die Art und Weise, in der selbst mit den wahrgenommenen Teilen dieses Sektors historisch im bestehenden System der Volkswirtschaftlichen Gesamtrechnungen (VGR) umgegangen wurde.*

*Dieser Beitrag bietet einen Überblick über eine Reihe von Schritten, die in den vergangenen 20 Jahren von Wissenschaftlern an der John Hopkins Universität und Kollegen in der ganzen Welt unternommen wurden, um dieses Problem abzustellen. Diese Schritte gipfeln in*

*der Herausgabe und ersten Implementierung eines neuen Handbook on Nonprofit Institutions in the System of National Accounts der Vereinten Nationen sowie der bevorstehenden Veröffentlichung eines neuen Manual on the Measurement of Volunteer Work der Internationalen Arbeitsorganisation. Zusammengenommen zeigen diese Bemühungen den Weg zur systematischen und vergleichenden Einbeziehung weiterer Bestandteile des Nonprofit- und Zivilgesellschaftssektors in die ökonomische Weltkarte auf.*

### **Situar la sociedad civil en el mapa de la economía mundial**

*En el curso de los últimos 25 años se ha asistido en todo el mundo a un espectacular desarrollo de la filantropía, del voluntariado y de distintas organizaciones que emanan de la sociedad civil. Parece, en efecto, que se está en medio de una “revolución asociativa global”, de un avance mundial de la actividad privada benévola. A pesar de la promesa que representa este desarrollo, el sector no lucrativo y la sociedad civil aún permanecen en un área invisible del paisaje social de la mayor parte de los países. En efecto, está mal comprendida por los poderes políticos y por el público en un sentido amplio, a menudo frenada por limitaciones legales e inadecuadamente utilizada como mecanismo de respuesta a los problemas públicos. Una explicación a esta situación se encuentra en la falta de información sobre su campo de actuación, su estructura, su financiación y sus contribuciones. Esta falta de información es debida, particularmente, al hecho de que los componentes significativos del sector no lucrativo permanecen en la economía informal y, asimismo, a la forma en que los componentes observados de este sector han sido tratados históricamente en los Sistemas de Cuentas Nacionales (SCN).*

*Este artículo ofrece un compendio de una serie de avances realizados en el curso de los últimos 20 años por investigadores de la Universidad Johns Hopkins en colaboración con científicos del mundo entero y más recientemente con representantes de la División Estadística de las Naciones Unidas y de la Organización Internacional del Trabajo (OIT). El resultado más importante de esta colaboración fue la publicación y la primera aplicación del Handbook on Nonprofit Institutions in the System of National Accounts y la próxima edición por la OIT del Manual on the Measurement of Volunteer Work. Todos estos esfuerzos permiten situar al sector de la sociedad civil en el mapa económico del mundo, haciendo posible por primera vez un análisis comparativo sistemático.*