Global Civil Society
Dimensions of the Nonprofit Sector

Lester M. Salamon
Helmut K. Anheier
Regina List
Stefan Toepler
S. Wojciech Sokolowski
and Associates
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Unlike Belgium and the rest of Western Europe, Finland adopted quite different arrangements for attending to the social welfare and other needs of its society. A “Nordic-type” government social welfare system based on the principle of universal coverage and a strong tradition of popular social movements has greatly influenced the development of the Finnish nonprofit sector. As of the mid-1990s, therefore, the Finnish nonprofit, or “third,” sector was relatively small in terms of paid employment, with a lower concentration of employees in social welfare fields than in most other countries. Reflecting this, the sector has been less reliant overall on public sector payments than its counterparts elsewhere in Western Europe. The picture changes dramatically, however, when account is taken of the involvement of volunteers in Finnish social movement organizations. This involvement has been substantial, making the third sector in Finland a far more significant social, political, and economic force than the data on paid employment alone would suggest. In addition, at the close of the 20th century, the Finnish nonprofit sector faces tremendous challenges as citizens, politicians, and public officials look for alternative ways to provide for societal needs.
These and other findings reported in this chapter result from work carried out by a Finnish research team based at the Department of Public Administration of the Åbo Akademi as part of the Johns Hopkins Comparative Nonprofit Sector Project. This work sought both to analyze Finnish nonprofit circumstances and to compare and contrast them to those in other countries both in Western Europe and elsewhere in a systematic way. The result is the first empirical overview of the Finnish nonprofit sector and the first systematic comparison of Finnish nonprofit realities to those elsewhere in the world.

The present chapter reports on just one set of findings from this project, those relating to the size and structure of the nonprofit sector in Finland (as of 1996) and elsewhere. Subsequent publications will fill in the historical, legal, and policy context of this sector and also examine the impact that this set of institutions is having. Most of the data reported here were drawn from a comprehensive survey of local-level associations complemented by a survey of national-level associations and data on private foundations. These field data were supplemented with data from official Finnish statistics and special studies on associations. (For a more complete statement of the sources of data, see Appendix C.) Unless otherwise noted, financial data are reported in U.S. dollars using the 1996 exchange rate for Finland and the 1995 exchange rate for other countries.

**PRINCIPAL FINDINGS**

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

1. **A sizable economic force**

   In the first place, despite the presence of a highly developed “welfare state,” Finland has a sizable nonprofit sector that, though smaller than its counterparts elsewhere in Western Europe, still accounts for significant shares of national expenditures and employment.

   More specifically:

   - **A $4.7 billion industry.** Even excluding its religion component, the nonprofit sector in Finland had operating expenditures of $4.7 billion in 1996, or 3.8 percent of the country’s gross domestic product, a significant amount.

   - **A major employer.** Behind these expenditures lies a sizable workforce that includes the equivalent of 63,000 full-time equivalent paid workers. This represents 3 percent of all nonagricultural workers in the
country, 9.5 percent of service employment, and the equivalent of
nearly one-eighth as many people as work for government at all levels-
national, provincial, and municipal (see Table 3.1).

- **More employees than in the largest private firm.** Put somewhat differ-
ently, nonprofit employment in Finland outdistances the employment
in the largest private business in the country by a ratio of 3:2. Thus,
compared to the 63,000 paid workers in Finland’s nonprofit organiza-
tions, Finland’s largest private corporation, Nokia, employs 44,000
workers, only 19,000 of whom work in Finland (see Figure 3.1).

- **Outdistances numerous industries.** Indeed, more people work in the
nonprofit sector in Finland than in some entire industries in the coun-
try. Thus, as shown in Figure 3.2, nonprofit employment in Finland
outdistances employment in the country’s paper making and food in-
dustries that employ 45,000 and 39,000 persons, respectively.4

- **Volunteer inputs.** Paid employment does a particularly inadequate
job of capturing the full reality of the nonprofit sector in Finland,
however, because this sector plays less of a service delivery than policy
advocacy role. As such, it attracts a considerable amount of volunteer

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**Table 3.1**  The nonprofit sector in Finland, 1996

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<th>Expenditures</th>
<th>3.8 percent of GDP</th>
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<tr>
<td>Employees</td>
<td>62,848 paid employees</td>
</tr>
<tr>
<td>Sector</td>
<td>3.0 percent of total nonagricultural employment</td>
</tr>
<tr>
<td>Service</td>
<td>9.5 percent of total service employment</td>
</tr>
<tr>
<td>Public</td>
<td>12.9 percent of public sector employment</td>
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**Figure 3.1**  Employment in nonprofits vs. largest firm in Finland, 1996

- **Nonprofits**
  - 63,000

- **Largest Private Company (Nokia)**
  - 44,000
effort. Indeed, an estimated 12.6 percent of the Finnish population reports contributing their time to nonprofit organizations. This translates into another 75,000 full-time equivalent employees, which more than doubles the total number of full-time equivalent employees of nonprofit organizations in Finland to 138,000, or 6.3 percent of total employment in the country (see Figure 3.3).

- Religion. The inclusion of religion (but not state-sponsored churches), moreover, would raise these totals by another 3,000 paid employees and 2,000 full-time equivalent volunteers. With religion included, nonprofit paid employment therefore rises modestly from 3.0 to 3.1 percent of the total; factoring in both paid and volunteer employment increases this share from 6.3 to 6.4 percent. Religion also increases operating expenditures by $176 million, thus bringing total expenditures to $4.9 billion, the equivalent of 3.9 percent of the gross domestic product.

2. One of the smallest nonprofit sectors in Western Europe

Although the size of the Finnish nonprofit sector is considerable relative to the Finnish economy, it is small relative to its counterparts in other Western European countries included in this study, though still above the level in most countries outside of Europe.
Below the international average. As Figure 3.4 shows, the relative size of the nonprofit sector varies greatly among countries, from a high of 12.6 percent of total nonagricultural employment in the Netherlands to a low of less than 1 percent of total employment in Mexico. The overall 22-country average, however, was 4.8 percent. This means that Finland, at 3.0 percent without religion, falls considerably below the global average.

Considerably below the Western European and other developed countries averages. Nonprofit employment as a share of total employment is also considerably lower in Finland than it is elsewhere in Western Europe and other developed countries. However, nonprofit employment in Finland is still higher than in Central Europe and Latin America. Thus, as shown in Figure 3.5, full-time equivalent employment in nonprofit organizations in Finland, at 3 percent of total employment, is less than half the Western European and other developed countries averages of 6.9 percent. However, in relation to her nearest neighbor-country, Sweden, the Finnish figure is comparable. The nonprofit sector employment share for Sweden in 1992 was a little lower than that in Finland.5
Margin narrows significantly with volunteers. As noted above, with volunteer time included, nonprofit organizations account for 6.3 percent of total employment in Finland. Thus, although the employment share is still less than the Western European regional average of 10.3 percent, the margin narrows considerably (see Figure 3.5).

Figure 3.4  Nonprofit share of total employment, by country, 1995
3. A limited history of nonprofit activity

That the nonprofit sector is relatively small in Finland is very likely a product of the country’s social and political structure. The following features in particular seem to have shaped the Finnish nonprofit sector:

- A traditional cultural homogeneity has favored egalitarian ideals and equal treatment for all citizens in public policies and administration. Thus private schools, private hospitals, and other agencies that cater to particular population groups have been seen as problematic, possibly promoting inequity.
- Also limiting the incentives to form nonprofit organizations has been an ancient tradition of strong local government which, with the help of the Lutheran parishes, survived through periods of centralized power. This tradition of local self-government gives individuals and groups confidence that local politicians will represent their interests.
- The Finnish population has turned actively to private associations as vehicles for social movements seeking to provide health and social benefits, among other things. Such social movements were crucial to Finland becoming an independent state in 1917 and have played a

![Figure 3.5 Nonprofit share of employment, with and without volunteers, Finland and four regions, 1995](image)
central political role in the country's development into a Nordic-type welfare state. The resulting organizations historically have been content to leave the service delivery functions to government and to perform more of an advocacy and watchdog function themselves.

• The tax-financed universal welfare system has high legitimacy among the population but criticism and increasing needs for alternative solutions have recently surfaced.

• The old social movements are suffering from institutionalization, an aging membership, and recruitment problems and tend to distrust changes that are contrary to their own traditional ideals.

4. A balanced composition of the nonprofit sector

Similar to other Western European countries and the all-country average, education and research is the largest field of nonprofit activity in Finland as measured by its share of nonprofit employment. However, unlike most other countries, in Finland several other fields rival it in size.

• One-quarter of nonprofit employment in education and research. Of all the types of nonprofit activity, the one that accounts for the largest share of nonprofit employment in Finland is education and research. As shown in Figure 3.6, 25 percent of all nonprofit employment in Finland is concentrated in the education field, mainly in vocational and other adult education organizations. This is comparable to the Western European average of 28.1 percent; however, the share of employment in education and research does not dominate the sector in Finland as it does in many other societies. Its relative weight within the Finnish nonprofit sector very likely reflects the fact that the education field employs many professionals, especially in the subfield of adult education.

• Sizable nonprofit employment shares in other social welfare fields. Another sizable portion of total nonprofit employment in Finland is found in the health and social services fields. As shown in Figure 3.6, the health field accounts for 23 percent of nonprofit employment and social services comprises 17.8 percent. Altogether, the three core welfare fields (education, health, and social services) account for 65.8 percent of all nonprofit employment in Finland. Although this share is slightly less than the 22-country average for these three fields (68.1 percent) and significantly less than the Western European average (77.1 percent), the core social welfare functions in Finland remain an important generator of paid work among nonprofit organizations.

• Relatively large share of nonprofit employment in civic and advocacy. The civic and advocacy field absorbs by far a larger share of nonprofit
employment in Finland than in any of the other 21 countries studied. Thus, while civic and advocacy associations within the 22 countries studied absorb 1.9 percent of nonprofit employment on average, they account for a much larger 8.7 percent of nonprofit employment in Finland. This very likely reflects the traditionally important roles that

Figure 3.6  Composition of the nonprofit sector, Finland, W. Europe, and 22-country average, 1995
civic and political associations have played at both national and local levels. Political associations such as youth, women, and pensioner organizations that belong to the “party family” without being political party organizations proper, are strong organizations with numerous salaried officials. Several other multifunctional organizations act at the same time as both service organizations and interest organizations. Since they define their functional focus as interest mediation in relation to public authorities, they are classified as civic and advocacy organizations.

• **Pattern shifts significantly with volunteers.** This pattern changes considerably when volunteer inputs are factored in. In particular, as shown in Figure 3.7, with volunteers included, the weight of nonprofit employment shifts dramatically to the field of culture and recreation. With volunteers, the share of employment in cultural and recreational activities rises from 14.2 percent to 32.6 percent, making it by far the largest field. This reflects the ability of organizations in this field, particularly sports, to capture nearly one half of all nonprofit sector volunteering. The civic and advocacy field takes second place, with its share rising from 8.7 percent without volunteers to 16.8 percent with them. As in the case of culture and recreation, this increase is based on the great voluntary input that constitutes almost one-fourth of all volunteering.

In summary, in terms of paid employment, the Finnish nonprofit sector is relatively small, in fact the smallest in relation to those in the other Western European countries. Although social welfare services absorb nearly two-thirds of paid nonprofit employment in Finland, their combined share is not as significant as elsewhere in Western Europe where nonprofit organizations are much more engaged in service delivery. Rather, these social welfare fields are more in balance with other fields of nonprofit activity, such as culture and recreation, civic and advocacy, and professional associations that have more to do with social mobilization than services. When volunteering is factored in, the share of nonprofit employment more than doubles in relation to total employment. Furthermore, the profile of the nonprofit sector changes dramatically so that activities other than social welfare take on much larger shares of the total.

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

Consistent with its relative smallness, its strong reliance on voluntary work, and its more balanced composition, the Finnish nonprofit sector receives the bulk of its cash revenue not from private philanthropy or the public sector, but from private fees and charges.
- **Fee income dominant.** The dominant source of income of nonprofit organizations in Finland is fees and charges for the services that these organizations provide, as well as membership dues. As reflected in Figure 3.8, this source alone accounts for nearly three-fifths, or 57.9 percent, of all nonprofit revenue in Finland.
• **Limited support from philanthropy and the public sector.** By contrast, private philanthropy and the public sector provide much smaller shares of total revenues. Thus, as Figure 3.8 shows, private philanthropy—from individuals, corporations, and foundations combined—accounts for only 5.9 percent of nonprofit income in Finland, while public sector payments account for 36.2 percent.

• **Revenue structure with volunteers.** This pattern of nonprofit revenue changes dramatically when volunteers are factored into the picture. In fact, as shown in Figure 3.9, private philanthropy swells by a factor of approximately 6 once volunteers are included, jumping from 5.9 percent of total revenue without volunteers to 34.6 percent with them, thereby moving ahead of public sector financing (25.2 percent). Although private fees and charges remain the dominant source of income at 40.3 percent, their dominance is reduced significantly.

• **Revenue structure with religion.** The overall pattern of nonprofit finance in Finland changes only modestly when account is taken of religious institutions, such as churches and synagogues, but not the official churches of the state. Such religious institutions account for approximately 4 percent of the total revenue of the Finnish nonprofit sector. With religion included, therefore, the philanthropic share of total nonprofit revenue in Finland rises from 5.9 percent to 7.1 percent. With volunteers included as well, the private giving share rises to 35.6 percent (see Figure 3.10).

• **Different from other Western European countries.** The pattern of nonprofit finance evident in Finland is quite different from that else-

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**Figure 3.8** Sources of nonprofit revenue in Finland, 1996
where in Western Europe. Thus, as shown in Figure 3.11, unlike Finland, the nonprofit organizations in the Western European countries included in this project, on average, derived the overwhelming majority of their revenues from the public sector. Thus, in contrast to Finland’s 36.2 percent, the share of total nonprofit income coming from the public sector stood at 55.6 percent on average for all nine Western European countries. The fees and private giving shares of nonprofit
revenue in Finland deviated considerably from the Western European regional average, with fees and charges much stronger in Finland than elsewhere in the region (57.9 percent in Finland compared to an average of 37.2 percent for all nine Western European countries) and philanthropy somewhat weaker (5.9 percent as compared to 7.2 percent).

- **More like the global average.** While the revenue structure of the Finnish nonprofit sector differs from that elsewhere in Western Europe, it generally mirrors that evident elsewhere in the world. However, as Figure 3.11 also shows, although fees and charges are the dominant element in the financial base of the nonprofit sector globally, their dominance is less pronounced elsewhere than in Finland (49.4 percent of total revenue compared to 57.9 percent in Finland). By contrast, public sector payments comprise a larger share of nonprofit income in these other countries on average (40.1 percent as compared to 36.2 percent in Finland). Quite clearly, a different pattern of cooperation has taken shape between nonprofit organizations and the state in these other countries. Evidently, the Nordic-type welfare system adopted by Finland, in which the state directly provides
services for all people, explains the lower share of public sector payments in the revenue structure of the Finnish nonprofit sector, as well as the sector’s relatively small size. Comparisons to Sweden point out striking similarities between these Nordic countries as far as the size and the profile of their nonprofit sectors are concerned.  

- **Variations by subsector.** Even this does not do full justice to the complexities of nonprofit finance in Finland, however. This is so because important differences exist in the finances of nonprofit organizations in different fields. In fact, two distinct patterns of nonprofit finance are evident among Finnish nonprofits, as shown in Figure 3.12.

**Fee-dominant fields.** Fee income is the dominant source of income in seven of the fields of nonprofit action for which data were gathered. The dominance of self-financing is very striking for professional associations (95.6 percent) and development and housing organizations (95.2 percent), as well as for environmental groups (87.0 percent), philanthropic intermediaries (83.6 percent), and international-oriented groups (61.5 percent). Membership dues constitute by far the most important source of income for nonprofit organizations in these fields, particularly professional associations. The field of culture and recreation, the largest category in terms of paid employment and volunteering, receives 70.1 percent of its cash revenue from private fees and charges. This source is particularly important for the sports subfield, for which sponsorship by private firms, selling of services, and membership dues constitute the largest sources of income. The culture and arts subfield, however, is principally financed from the public purse. It is also important to notice that one of the welfare fields, education and research, is greatly reliant (60.8 percent) on private fees and charges mainly paid by students, although grants and gifts from private foundations help ensure the relative independence of these schools and research institutes.

**Public sector-dominant fields.** In three fields (health, social services, and civic and advocacy), government plays the dominant role in financing nonprofit action in Finland. The large share of public financing in the health care and social services fields can be attributed to the unique system in Finland whereby a monopoly on gambling and its revenues has been entrusted to a statutory association, the Slot Machine Association (SMA). Partly governed by the health and social service associations and partly by the government, the SMA delivers a certain sum from the gambling surplus on an annual basis to the associations in these fields to cover their operating expenditures and investments.

**Private philanthropy.** Private philanthropy is not the dominant source of nonprofit cash income in Finland for any field of activity. In fact,
private donations exceed 10 percent of total income in only two fields, civic and advocacy and philanthropic intermediaries. Only when (non-state) religion is considered does private giving become dominant in any field. The missionary societies of churches and religious organizations are independent associations, which heavily depend on voluntary commitment and private donations.
CONCLUSIONS AND IMPLICATIONS

The Finnish nonprofit sector thus emerges from the evidence presented in this chapter as a vibrant set of institutions in Finnish society with several features that distinguish it from the nonprofit sectors in other Western European and most post-industrial societies. First, it employs fewer FTE paid workers than those of other developed countries. Second, the share of paid nonprofit employees engaged in social service delivery is smaller. Third, the Finnish nonprofit sector is more reliant overall on volunteer input than elsewhere in Western Europe.

Since the 1970s, the future of Finland’s “Nordic-type” welfare state and the role of its nonprofit sector have been at the center of public debate. The extensive and expanding welfare services that had been offered by public institutions to all individuals without cost other than a relatively high level of taxation became too expensive for the public economy. When Finland fell into deep economic crisis at the beginning of the 1990s, resulting in a sudden and steep rise in unemployment, this problem became even more acute for central government and the municipalities. Complaints about insufficiencies in public welfare services increased not only because of real cut-backs in public spending, but also because the uniform solutions offered by public officials were considered insensitive to the variety of needs among individuals in different life situations. The crisis has motivated common citizens, politicians, and public officials alike to look for alternative solutions. As a result, the state has placed new expectations on the associations to provide services, especially in the improvement of employment situations.

In Finland, as in all Nordic countries that have experienced both a strong tradition of popular movements from the 19th century and a close relationship between nonprofit organizations and public authorities, volunteerism in associations and civil organizations has been seen as a natural building block of an activated third sector. Thus far, however, the experience has not convincingly proven that the movements that represent traditional values can readily take on more responsibility for the whole society. At the same time, it is clear that new forms of organizations aiming at concrete and pragmatic goals are appearing. In fact, the political and economic position of these new organizations that produce and deliver welfare services has been strengthened as a consequence of their capacity to offer concrete products in fields that are important to society.

Despite all this attention, Finland’s third sector is not a coherent entity, and it is not limited to the social movements, organizations, and associations that to a large extent represent organizational ideals that are over a hundred years old. The majority of associations that are totally dependent on the voluntary commitment of members have purposes and activities that
require few material resources, do not need a salaried staff, and do not handle large sums of money. Furthermore, many do not naturally see themselves as part of an autonomous sector separate from the private and public sectors. Rather, they have been partners with public authorities during the construction of the Finnish welfare society. In fact, numerous associations interact with at least some part of the governmental or political system, and thus may stand too close to the government authorities. The recent calls for even closer cooperation with the government may challenge associations’ ability to channel the demands of citizens as they once did.

In the wake of the economic and fiscal crises facing Finland in the 1990s, the Finnish third sector has come under strong pressure to generate services for all citizens. To answer these challenges, the nonprofit sector must keep up its strong volunteering traditions and its role as an interpreter of the needs of the civil society, while, at the same time, it must become more effective in providing citizens with the services they require.

ENDNOTES

1. The work in Finland has been coordinated by Voitto Helander of the Department of Public Administration at the Åbo Akademi. He was assisted by Harri Laaksonen and Susan Sundback. The team was aided, in turn, by a local advisory committee made up of nine prominent philanthropic, government, academic, and business leaders, and chaired by Krister Shähberg (see Appendix D for a list of committee members). The Johns Hopkins project was directed by Lester M. Salamon and Helmut K. Anheier.

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

3. Technically, the more precise comparison is between nonprofit contribution to “value added” and gross domestic product. For the nonprofit sector, “value added” in economic terms essentially equals the sum of wages and the imputed value of volunteer time. On this basis, the nonprofit sector in Finland accounted for 3.8 percent of total value added, still a quite significant amount.


7. Tommy Lundström and Filip Wijkström, op. cit.