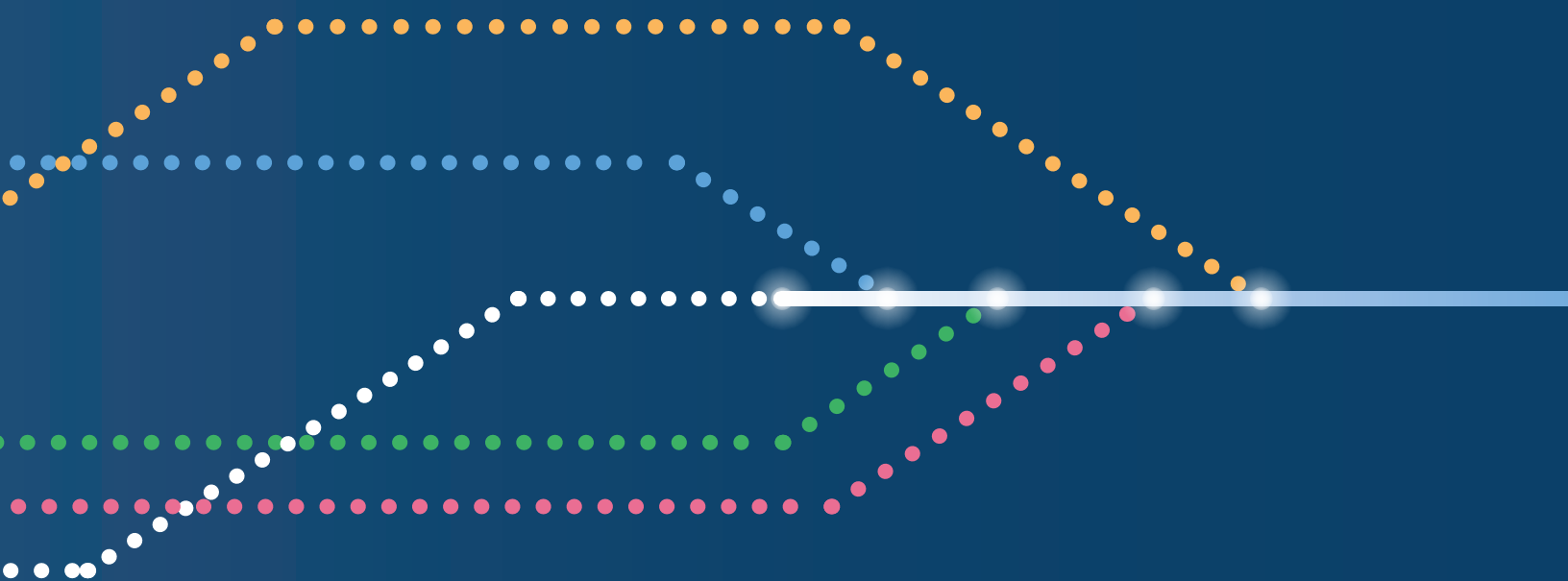


Satellite Account on Non-profit and Related Institutions and Volunteer Work



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Satellite Account on Non-profit and Related Institutions and Volunteer Work



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Department of Economic and Social Affairs

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The present *Handbook of National Accounting: Satellite Account on Non-profit and Related Institutions and Volunteer Work* was intended initially as an update of the *Handbook on Non-profit Institutions in the System of National Accounts*, released by the United Nations in 2003. However, since the System of National Accounts 2008 recommends only separate identification of non-profit institutions and is silent on separately identifying related institutions and direct volunteer work, the framework recommended in the *Handbook* takes a broader approach, while still adhering to the methodological concepts of the System of National Accounts. The *Handbook* also incorporates recommendations contained in other international economic accounting standards, such as the International Standard Industrial Classification of All Economic Activities and the International Labour Organization *Manual on the Measurement of Volunteer Work*, accounts of country experiences in implementing the *Handbook on Non-profit Institutions in the System of National Accounts* and recent discussions in statistical and policy circles about the need to go beyond gross domestic product and assess trends in human well-being.

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Abbreviations and acronyms

2008 SNA	System of National Accounts, 2008
ECE	Economic Commission for Europe
ICNPO	International Classification of Non-profit Organizations
ICNP/TSO	International Classification of Non-profit and Third Sector Organizations
ISIC	International Standard Industrial Classification of All Economic Activities
NPI	non-profit institution
NPISH	non-profit institution serving households
SNA	System of National Accounts
TSE	third or social economy

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Chapter 1

Introduction

A. Background

1.1. The System of National Accounts (SNA), last revised in 2008 (United Nations, 2008b; hereinafter 2008 SNA), is the internationally agreed standard set of recommendations on how to compile measures of economic activity in accordance with strict accounting conventions based on economic principles. The recommendations are expressed in terms of a set of concepts, definitions, classifications and accounting rules that comprise the internationally agreed standards. The accounts provide a comprehensive and detailed record of the complex economic activities taking place in an economy and of the interactions among the various economic agents and groups of agents (2008 SNA, para. 1.1).

1.2. The SNA covers all institutional units resident in an economy and assigns each to one of five institutional sectors: financial corporations, non-financial corporations, general government, households and non-profit institutions serving households (NPISHs) (2008 SNA, paras. 1.9 and 1.10).

1.3. The recommendations of the SNA are necessarily of a general nature. The universality of the SNA approach is one of its major advantages and served as a guiding principle for its development and design. At the same time, the value of satellite accounts and more targeted handbooks is acknowledged in the SNA. They can offer additional guidance and technical advice to national accountants, statisticians and other users of national accounts on specialized topics that may not be addressed specifically in the SNA, but which are important for policy or programmatic purposes (2008 SNA, chap. 29).

1.4. One such topic is measuring the economic activity of non-profit institutions (NPIs), related institutions and volunteer work, variously referred to as: NPIs; the voluntary sector; civil society; cooperatives, mutual societies and social enterprises; or non-governmental organizations (NGOs) and volunteer work. They are known collectively as the third, voluntary, non-profit, social economy or independent sector. Types of organizations commonly included are sports and recreation clubs, arts and cultural associations, schools and universities, research institutes, hospitals, social service organizations, religious congregations and faith-based service organizations, humanitarian assistance and relief organizations, charities, advocacy groups, and foundations and charitable trusts. Increasingly, however, that category has been extended to include entities referred to as social economy institutions, including certain cooperatives, mutual societies (or mutuals), social enterprises, non-stock and benefit corporations, as well as volunteer work performed outside formal organizations.

1.5. The *Handbook* offers comprehensive methodological guidance for creating, in a manner that is compatible with the 2008 SNA, a coherent satellite account on what is called the third or social economy (TSE) sector, which embraces three compo-

nents: NPIs that are not controlled by government; certain related institutions that are not controlled by government, including eligible cooperatives, mutual societies and social enterprises; and volunteer work. The 2008 SNA recommends separate identification only of NPIs and is silent on that of related institutions and volunteer work. Thus, the framework recommended in the *Handbook* takes a broader approach while still adhering to the methodological concepts of the core SNA.

1.6. Despite their diverse organizational or legal forms, NPIs, related institutions and volunteer work have much in common that distinguish them from other institutional units covered by the SNA and can be characterized as involving a combination of three crucial elements:

- (a) They are private (not controlled by government);
- (b) Their main purpose is to serve a social or public purpose rather than to maximize and distribute returns on invested capital; and
- (c) Engagement in them is voluntary (done by free will and without coercion).

1.7. TSE institutions and volunteer work attract policy interest because of their growing economic presence, their extensive involvement in the solution of public problems and the contributions they are thought to make to the common good. Consensus is developing among national authorities, international development agencies and scholars about the importance of the TSE sector. Reference is made in recent United Nations documents to such institutions and volunteer work as crucial for the implementation of the 2030 Agenda for Sustainable Development and the achievement of the Sustainable Development Goals.¹

¹ See, for example, United Nations, 2014.

1.8. Despite the increased interest in those institutions and volunteer work, systematic empirical information on them has long been limited because most are not separately identified in existing national statistical data systems, such as the national accounts, even though they are generally covered by those data systems. The main reason for that lack of statistical visibility is the rules for allocating institutional units to institutional sectors in the SNA framework. They are allocated according to whether they are market producers (producers of output sold at economically significant prices),² non-market producers controlled by government or non-market producers not controlled by government. TSE institutions that are market producers not controlled by government are allocated to one of the two corporations sectors in national accounts. Those that are non-market producers controlled by government are allocated to the general government sector. Those that are NPIs and non-market producers not controlled by government are allocated to the NPISH sector. As a result, only those TSE institutions allocated to the NPISH sector retain their identity as NPIs, while TSE institutions allocated to the corporations and government sectors become statistically “invisible” in the SNA aggregates and lose their identity as TSE sector entities. That is problematic because research has shown that those non-NPISH entities account for the bulk of the economic activity represented by the TSE sector.

² Prices are said to be economically significant if they have a significant effect on the amount that producers are willing to supply and the amounts purchasers wish to buy (2008 SNA, para. 4.18).

1.9. A similar problem exists for volunteer work. Volunteer work takes two forms: uncompensated work for or through organizations (2008 SNA, paras. 19.37–19.39) and uncompensated work outside any organization provided by members of individual households to neighbours, friends or communities (2008 SNA, paras. 23.42–23.45). Under the SNA, the contribution of volunteer work for organizations, called organization-based volunteer work, is conceptually included in the output of the units that employ such labour, but its value is estimated at its actual cost, which is zero (2008 SNA, paras. 7.41 and 19.38). Volunteer work performed outside organizations (direct volunteer work) is treated as a household sector activity (2008 SNA, paras. 4.21 and 23.43). If it results in the production of physical structures, the output is valued at

the market value of the structures but the labour input is merged with mixed income and therefore not visible in the reported data. If such work results in the production of services, no value is allocated to the labour inputs. Thus, neither organization-based nor direct volunteer work is visible in SNA statistics, and, owing to the valuation rules for volunteer work, the full value of such volunteer work is not captured in the SNA.

1.10. To address the growing public demand for regular information on at least one major component of the TSE sector—NPIs—the United Nations issued the *Handbook on Non-profit Institutions in the System of National Accounts* in 2003 (United Nations, 2003; hereinafter 2003 *Handbook*). It contains a methodology for identifying all NPIs included in the SNA framework, regardless of the institutional sector to which they are allocated, and recommends an approach for creating satellite accounts depicting all NPIs not controlled by government, regardless of the institutional sector to which they are allocated. This methodology has been effectively used by statistics offices throughout the world to portray the economic activities of that set of institutional units.

1.11. The methodology was further validated by the 2008 SNA, which incorporated key provisions of the 2003 *Handbook* into the core SNA in ways that should facilitate the production of TSE sector satellite accounts. Three sets of recommendations in the 2008 SNA are worth noting here:

Subsectoring

1.12. While retaining the sectoral allocation of NPIs reflected in the 1993 SNA, the 2008 SNA recommends that statistical agencies separately identify the NPI components of the various institutional sectors into which NPIs are allocated (chiefly the corporations and general government sectors) and to report on NPIs separately from the regular corporations and general government units, respectively, in those accounts. This separate identification of NPIs in sectors other than NPISH is the first step towards the production of a full TSE sector satellite account, making it possible to derive supplementary tables summarizing all NPI activities in a straightforward manner (2008 SNA, paras. 4.35 and 4.85–4.97).

Government control

1.13. The 2008 SNA more clearly clarified the basis for determining control by government. In particular, instead of effectively basing the determination of control solely or chiefly on the extent of government funding, the 2008 SNA identifies a supplementary set of institutional characteristics for determining whether a non-market NPI is effectively “controlled by” government and therefore appropriately allocated to the general government sector in national accounts statistics (2008 SNA, para. 4.22). Once that recommendation is fully implemented in national accounts data, NPIs improperly allocated to the general government sector based on their receipt of government funds should be reallocated to other sectors. It is recommended that NPIs remaining in the general government sector because they are non-market producers controlled by government not be included in the TSE sector satellite account.

NPI satellite accounts guidance

1.14. The 2008 SNA includes a separate chapter on NPIs for the first time, endorsing the recommendation in the 2003 *Handbook* regarding the production of NPI satellite accounts (2008 SNA, chap. 23) and confirms the rationale for it (see section B below).

1.15. Although NPIs represent a significant share of the TSE sector, related institutions and volunteer work are also gaining prominence. Related private institu-

tions are not NPIs but, like NPIs, chiefly serve social or public purposes and are not controlled by government. They take a variety of organizational forms, such as cooperatives, mutual societies, social enterprises and non-stock (or benefit) corporations. Unpaid volunteer work that serves public purposes also deserves to be treated as part of the TSE sector. Related institutions and volunteer work have attracted considerable interest among policymakers, private philanthropic institutions, individual citizens and social-purpose investors striving to direct their resources to the support of social or public purposes (see box 1.1).

1.16. Various attempts have been made to identify some related institutions in official economic statistics, but none has yet been adopted as international statistical recommendations (Barea and others, 2006, and Salamon and Sokolowski, 2016a).

1.17. More significantly, important headway was achieved in gaining statistical “visibility” for the volunteer-work components of the TSE sector through the development of methodological guidance for identifying and measuring volunteer work by the International Labour Organization (ILO). The *ILO Manual on the Measurement of Volunteer Work* (ILO, 2011; hereinafter *ILO Manual*) offers a consensus definition of volunteer work and recommends a procedure for measuring and valuing such work as part of regular labour force or other household surveys. That breakthrough was followed by a broader redefinition of work contained in the resolution concerning statistics of work, employment and labour underutilization adopted by the International Conference of Labour Statisticians in 2013 (International Conference of Labour Statisticians resolution of 2013), which specifically identifies volunteer activity as a form of unpaid work that should be measured by countries regularly along with paid and other forms of unpaid employment.

1.18. The related institutions are defined in a manner similar to the definition of NPIs in the 2008 SNA. However, unlike NPIs, which are defined as “legal or social entities created for the purpose of producing goods and services but whose status does not permit them to be a source of income, profit or other financial gain for the units that establish, control or finance them” (2008 SNA, para. 4.8), the related institutions that the *Handbook* recommends for inclusion in the TSE sector satellite account fall within the scope of the sector even if they distribute some profit to the units that establish, control or finance them, provided that such profit distribution is “significantly limited”. That constraint is consistent with the principle that the primary purpose of the entities concerned is serving the public good and not generating income or profit for the units that establish, control or finance them (2008 SNA, paras. 4.8 and 4.22). Operational criteria for deciding what constitutes a “significant” limitation on profit distribution are outlined in chapter 3 of the *Handbook*.

1.19. In the remainder of this chapter, we outline how the above-mentioned issues are addressed by the *Handbook* and why the separate identification in a satellite account of NPIs, related institutions and volunteer work is useful.

B. Why a satellite account for non-profit institutions, related institutions and volunteer work is needed?

1.20. The rationale for the separate identification in a satellite account of the three categories of entities identified above is similar to that outlined in the 2003 *Handbook* and reconfirmed in the 2008 SNA (chap. 23). TSE sector entities all exhibit a combination of underlying features that differentiate them from other entities in the respective institutional sectors to which they are allocated under the SNA. Those features include their private character, their primary focus on social or public purposes and their adherence to the principle of involvement based on free will. They find expression in shared tangible characteristics that, when coupled with the policy

relevance such TSE sector entities have attained, make their separate identification in basic economic statistics increasingly important.

1.21. The TSE sector constitutes a significant and growing economic force throughout the world. Recent research has demonstrated, for example, that the NPI component of the sector alone accounts for 8 to 12 per cent of non-agricultural employment in many developed countries and even larger shares of formal employment in many developing regions (Salamon and others, 1999 and 2004). Data collected by statistics offices that to date have assembled NPI satellite accounts following the 2003 *Handbook* guidelines also reveal that NPIs account, on average, for 3.5 per cent of gross domestic product. In high-income countries such as Belgium, Canada or the United States, that contribution exceeds 5 per cent, which would make this collection of entities, if they were an industry, one of the larger contributors to gross domestic product. In certain fields, such as health and social services, NPIs frequently account for 40 or 50 per cent of total value added (Salamon and others, 2013). Adding the related institutions expands the figure significantly (Salamon and Sokolowski, 2016b)

Box 1.1

Reports and initiatives regarding third sector institutions

- France created a special interministerial delegation for social economy in 1981 and, in 2012, established a ministerial delegate for the social economy in the Ministry of the Economy, Treasury and Foreign Trade.
- In 1989, the European Commission published a communication entitled “Businesses in the *économie sociale* sector: Europe’s frontier-free market”.
- In 2006, the European Parliament called on the European Commission “to respect the social economy” and develop a communication highlighting “this cornerstone of the European social model”.
- In 2009, the European Parliament adopted a resolution under which the social economy was recognized as “a key operator for fulfilling the Lisbon Strategy objectives”.
- The European Economic and Social Committee produced major reports on the European social economy in 2008 and 2012 and issued an opinion in 2012 on the social economy in Latin America, in which it identified the social and solidarity economy as a key instrument in efforts to promote decent work.
- Spain passed special social economy legislation in 2011. France, Greece, Luxembourg and Portugal subsequently followed suit.
- In 2011, the European Commission announced a social business initiative that “placed the social economy and social innovation at the heart of its concerns”.
- In its Declaration on Social Justice for a Fair Globalization of 2008, ILO identified a strong social economy as one of the three sets of entities crucial “to sustainable economic development and employment opportunities”. ILO subsequently launched an annual “social economy academy”, a series of regional reports on the social economy and a decision at the nineteenth International Conference of Labour Statisticians, held in October 2013, to undertake a major effort to improve data on cooperatives;
- The United Nations made 2012 the International Year of Cooperatives and recommended steps “to establish methodologies for the collection and dissemination of comparable data on cooperatives”.
- More than a dozen United Nations agencies have formed a task force on the social and solidarity economy that has underlined the pressing need for better global data on the subject;

Sources: European Economic and Social Committee, 2012; European Parliament, 2009; European Commission, 2011; ILO, Social and Solidarity Economy Academy, available at <http://socialeconomy.ilo.org/en>; ILO regional conference entitled “The social economy—Africa’s response to the global crisis”, held in Johannesburg, 19–21 October 2009; Mogrovejo, Mora and Vanhuynegem, 2012; ILO, Department of Statistics, 2013; United Nations, 2013; Defourny, Develtere and Fonteneau, 1999; and Council of the European Union, 2015.

- In 2013, the French Parliament called on the National Institute of Statistics and Economic Studies to develop a satellite account on the social economy; similar mandates have since been issued in Luxembourg, Portugal and Romania.
- In 2015, the Council of the European Union called the social economy “a key driver of economic and social development in Europe” and urged “Eurostat and national statistical authorities” to “consider developing and implementing satellite accounts” on the social economy.
- A recent web search of “social economy” yielded 113 million entries in 49 seconds.

1.22. Reflecting this, the TSE sector entities are increasingly a focus of public policy. In particular:

- (a) Policymakers around the world have been searching for ways to improve the quality of public services, promote inclusive social and economic development, encourage environmental sustainability and foster peace and security while reducing the size of government. NPIs and related institutions are widely viewed as important contributors to those outcomes (see also box 1.1). Without a way to portray TSE sector entities separately in their statistical systems, national authorities are unable to gauge the extent of their contributions or effectively mobilize their talents and contributions;
- (b) Recent discussions in statistics and policy circles have emphasized the need to “go beyond gross domestic product” and assess trends in “human well-being”. Equally important have been discussions within the United Nations system about encouraging inclusive, people-centred sustainable development as a central focus of the 2030 Agenda. NPIs and related institutions are believed to play a significant role in contributing to the Sustainable Development Goals and targets. For policymakers to make the most effective use of NPIs and related institutions, they need to be able to separate the entire TSE sector from other institutional units with which they are intermingled in standard SNA usage and generate a clearer picture of the sector’s capabilities, in the aggregate and in particular fields and industries (Independent Expert Advisory Group on a Data Revolution for Sustainable Development, 2014).

1.23. TSE institutions have features that set them apart from other units in the corporations sectors with which they are grouped (2008 SNA, paras. 4.85–4.87) and from similar types of institutions allocated to the general government sector because they are controlled by government. The inclusion of TSE institutions in the corporations sectors thus not only obscures the scale of the full set of TSE institutions but also potentially changes the picture that is provided of the other entities in the corporations sectors. Among the features that distinguish NPIs and related institutions are the following:

- (a) They have a different objective function than do standard corporations and are prohibited from distributing profits and income, or significantly limited in their ability to do so, to units that control or finance them. Although they may earn surpluses, the principal purpose of TSE institutions is not to earn financial returns for investors but to produce goods and services that have some public or social benefit. They therefore are not typically suitable for investing in order to maximize profit. Entrepreneurs in such institutions are often driven by social or ideological impulses rather than solely pecuniary ones;

- (b) Although they often produce goods and services that are sold on the market at economically significant prices, TSE institutions also typically produce goods and services on a non-market basis that are financed through other means, such as government payments, charitable contributions or volunteer effort. TSE institutions address non-market impulses so as to meet demand for collective goods left unsatisfied by governments and markets, address new or newly recognized needs, advocate for citizen concerns and help government to deliver publicly financed services;
- (c) Their sources of revenue may differ from those of government or for-profit units. TSE institutions may receive a substantial share of their revenue from current transfers that include government grants and voluntary contributions that are not available to market producers. That results in different revenue-raising strategies and approaches to the market;
- (d) Staff in TSE institutions, unlike for-profit corporations and government agencies, often include a substantial number of volunteers. On average, the share of volunteers in the NPI workforce is more than 40 per cent (Salamon and others, 1999 and 2004). In addition, some TSE institutions employ persons with difficulties in entering the labour market in order to provide training or help them to overcome some obstacle or disability, despite the limitation on profit that such initiatives may entail;
- (e) They have traditionally had limited access to investment capital. Because they cannot distribute income, NPIs cannot attract equity capital. This alters their capital structure significantly, placing greater emphasis on debt than equity;³
- (f) TSE institutions are often eligible for tax advantages and exempt from, or eligible for lower rates on, corporate income, sales, property and value added taxes;
- (g) Legal provisions covering TSE unit governance, registration, reporting, political participation, commercial activities and other operational or organizational features typically differ markedly from those that apply to for-profit firms. TSE governing boards are often selected on the basis of one person, one vote by members rather than on the basis of ownership shares, and many countries require TSE institutions to report publicly on their financial activities annually;
- (h) TSE institutions do not exercise sovereign authority. Although they often receive government financial support and provide non-market goods and services, they lack the defining feature of a government entity: they are not “legal entities established by political processes that have legislative, judicial or executive authority over other institutional units within a given area” (2008 SNA, para. 4.9). Moreover, while they provide public goods and services, they do not have the same powers or restrictions as government in deciding what those goods and services should be and how they should be allocated (2008 SNA, para. 23.11);
- (i) Two characteristic transactions are available to TSE institutions that cannot be accommodated in the corporations sectors of the SNA: they may have final consumption expenditures and they may receive transfer payments in the form of donations.

1.24. Volunteer work⁴ has certain essential features that distinguish it from other household activity. It is performed voluntarily and without compulsion for the benefit of others and not primarily for the benefit of the person performing it or that person’s family or household, unlike other household activities.

³ The recent development of so-called social impact investment may be altering that constraint on the margin. See, for example, Salamon, 2014.

⁴ Although volunteer work is not an institutional unit, but rather an activity performed within such a unit (organizations or households), it is listed as a separate component of the TSE sector for heuristic purposes. In the Handbook, it is recommended that it be valued by recording values comparable to paid employment instead of zero, thereby adding substantial value to that recorded in the central system. Reference to “direct volunteer work” (work done without the mediation of organizations) reflects terminology approved in 2008 at the eighteenth International Conference of Labour Statisticians and included in the ILO Manual.

1.25. It is intended that the full scope of the contributions of NPIs and related institutions and volunteer work be covered in standard national accounts but, because they are not explicitly identified in regular reporting, they may not be fully represented in existing data. The instructions in the *Handbook* for generating satellite accounts focusing on non-governmental NPIs and related institutions and volunteer work will go a long way towards addressing that issue. Such accounts will also make it possible to incorporate additional data items of special importance to TSE entities, such as the volume of volunteer effort and fully elaborated revenue sources. Like other satellite accounts, the TSE sector satellite account uses the SNA as the overarching framework. It thus does not change the definition or allocation of TSE entities in the core accounts. Rather, it extracts the data on those entities from existing SNA sources and reconfigures them to provide a clearer picture of their contribution to society.

C. Overview of the *Handbook*

1.26. The discussion in the *Handbook* falls into six chapters, supplemented by two annexes.

1.27. After this introductory chapter, chapter 2 describes the three components of the TSE sector targeted for inclusion in the satellite account, noting how they are defined in the SNA and providing further detail on their allocation to subsectors in the institutional sectors of the SNA.

1.28. Chapter 3 sets out detailed operational features and accompanying decision rules that can be used to differentiate in-scope NPIs, related institutions (including cooperatives, mutual societies and social enterprises) and volunteer work from the other institutional units and household activities in the various SNA institutional sectors. The features and decision rules not only build on those identified for NPIs in the 2003 *Handbook* and the recommendation in the 2008 SNA to subdivide the corporations and general government sectors into NPI and non-NPI components, but also embrace related institutions and volunteer work.

1.29. Chapter 4 identifies the key variables on which data are needed for the in-scope components of the resulting TSE sector satellite account. The standard SNA variables on sources and uses of revenue are included, along with a set of refinements and additions that can maximize the clarity and utility of the resulting satellite accounts. In each case, guidance for assembling the data elements is included.

1.30. Chapter 5 provides an updated and expanded version of the International Classification of Non-profit Organizations (ICNPO) that was introduced in the 2003 *Handbook*. This expanded system, called the International Classification of Non-profit and Third Sector Organizations (ICNP/TSO), covers the activities of all institutional units potentially falling within the TSE sector.

1.31. Chapter 6 goes beyond existing SNA economic measures of output to explore ways of assessing the broader outcomes of TSE activity, with particular emphasis on their link to the people-centred, inclusive Sustainable Development Goals.

1.32. Annex I contains suggested formats for presenting and disseminating TSE sector satellite account data.

1.33. Annex II provides a brief description of the SNA framework for non-specialists who wish to understand the TSE sector and broader TSE sector satellite account data but may not be familiar with the specialized technical terminology used in the SNA.

Chapter 2

Conceptualizing the third or social economy sector

A. Introduction

2.1. The conceptual framework introduced in this chapter is designed to facilitate the identification of key components of a satellite account on a set of institutions and volunteer work distinguished by certain general characteristics (see para. 1.6).

2.2. The entities included in the satellite account are of two types: institutions and volunteer work. NPIs constitute the most prominent, but not the only, type of institution created primarily to produce public goods and social benefits rather than maximize returns to invested capital. There is also a set of related institutions that take a variety of organizational forms, such as cooperatives, mutual societies, social enterprises, and non-stock (or benefit) corporations. Both NPIs and the related institutions are of significant interest to policymakers and private investors wishing to invest in social or public initiatives.

2.3. Volunteer work included in the TSE sector consists of work undertaken without pay or compulsion for persons other than the individuals conducting them or members of their households or immediate families.

2.4. The 2008 SNA recommends separate identification of NPIs in all institutional sectors to which they are allocated (2008 SNA, paras. 4.35 and 4.83–4.97) and the compilation of satellite accounts covering all of those that are private (not controlled by government). Although the 2008 SNA does not specifically recommend separate identification of related institutions and volunteer work, it is fully consistent with the principle underlying the recommendation to identify NPIs separately. Related institutions share with NPIs characteristics that distinguish them from the financial and non-financial corporations with which they are often grouped in the SNA. Likewise, volunteer work shares certain characteristics that distinguish it from other unpaid household activities. This step, which is highly desirable for policy purposes, is also consistent with the 2008 SNA principles for creating satellite accounts. The 2008 SNA endorses completing satellite accounts based on alternative concepts to those of the SNA, including those that expand the SNA production boundary “to allow experimentation with new concepts and methodologies, with a much wider degree of freedom than is possible within the central system” (2008 SNA, paras. 29.6 and 29.8).

2.5. Based on those reflections, the *Handbook* recommends the compilation of satellite accounts on the TSE sector to depict the totality of those in-scope entities, while preserving the capability to report on its identifiable components separately as well.

2.6. As a first step to that end, three tasks will be accomplished in this chapter:

- (a) The entities potentially eligible for inclusion in the TSE sector are outlined in section B and include NPIs as defined in the 2003 *Handbook* and 2008 SNA, a set of related institutions and volunteer work;
- (b) In section C, an outline is provided on the treatment of the TSE sector entities in the central SNA system, which makes them indistinguishable from other types of entities allocated to the institutional sectors and assigns no value to volunteer work;
- (b) In section D, the rationale for separate identification of those TSE entities in the institutional sectors of the SNA is articulated and specific guidance is provided on the types of organizations and volunteer work that potentially fall within the scope of the TSE sector.

2.7. The specific steps involved in identifying the institutions and volunteer work that fall within the scope of the TSE sector satellite account are dealt with in chapter 3.

B. Key entities falling within the scope of the third or social economy sector

1. Non-profit institutions

2.8. In the 2008 SNA, an NPI is defined as “an economic entity that is capable, in its own right, of owning assets, incurring liabilities and engaging in economic activities and in transactions with other entities” (2008 SNA, para. 4.2). NPIs are distinguished from other types of institutional units by their purpose—to provide services of benefit to individuals or society rather than for profit. Operationally, NPIs are “legal or social entities created for the purpose of producing goods and services but whose status does not permit them to be a source of income, profit or other financial gain for the units that establish, control or finance them” (2008 SNA, paras. 4.8 and 4.83).

2.9. NPIs may take different legal forms from one country to another (such as public charities, public benefit organizations, associations, foundations and non-stock corporations). However, the key operational criterion determining whether institutions are NPIs is not legal status but that “the articles of association by which they are established are drawn up in such a way that the institutional units that control or manage them are not entitled to a share in any profits or other income they receive” (2008 SNA, paras. 4.8 and 4.83). Strictly interpreted, that operational criterion excludes all institutional units that allow profit distribution, regardless of the purpose for which they have been established.

2.10. Not all NPIs may appropriately be included in a TSE sector satellite account. Units that are controlled by government or that do not meet the operational criteria listed in Section D of this chapter are out of scope of the TSE sector.

2. Related institutions

2.11. Closely related to NPIs are three other sets of institutions: cooperatives, mutual societies and social enterprises. Unlike NPIs, they may generally distribute profits to their members. Often, however, they also operate under laws or governance stipulations that place limits on such distribution in order to achieve the social mission of preserving the organizations for the benefit of their members. Where those limits are “significant”, they render the units unsuitable for ordinary profit-seeking investments and clarify their status as primarily public-purpose entities similar to NPIs and

therefore eligible for inclusion in the TSE sector satellite account. To further complicate the situation, in some countries, at least some institutions legally registered as cooperatives, community interest corporations, benefit corporations, work integration social enterprises, sheltered workshops and similar legal forms are effectively prohibited from distributing *any* profits, making them eligible for treatment as NPIs in the 2008 SNA. Related institutions broadly encompass the following:

- (a) Cooperatives are defined in the SNA as “organizations formed freely by individuals to pursue the economic interests of their members”. Further basic principles that differentiate such entities from standard for-profit companies are set forth in the 2008 SNA: “(a) democratic control, that is, one person, one vote; (b) shared identity, that is, members are both owners and customers; and (c) orientation to provide services to members ‘at cost’” (2008 SNA, para. 23.21). Most cooperatives are allowed to distribute their profits to members, but such profits “are distributed in accordance with their agreed rules and not necessarily in proportion to shares held” (2008 SNA, para. 4.41). In many countries, separate legal forms and stipulations are required for different types of cooperatives (for example, social, worker, consumer and producer cooperatives). Consequently, many units registered as cooperatives do not effectively operate like corporations, while others are essentially NPIs and, by customary law, may not distribute profits. Cooperatives that totally or significantly limit profit distribution are considered to fall within the scope of the TSE sector. What constitutes “significantly limited” profit distribution is clarified in chapter 3;
- (b) “Mutual societies, like cooperatives, are organized by individuals seeking to improve their economic situation through collective activity” but “they differ from cooperatives in that they are mechanisms for sharing risk, either personal or property, through periodic contributions to a common fund” (2008 SNA, para. 23.22). Mutual societies that significantly or completely limit their profit distribution fall within the scope of the TSE sector;
- (c) Social enterprises (also known as social ventures) are units that utilize market means but primarily to serve social purposes, such as employing and training disadvantaged individuals (for example, persons with disabilities and the long-term unemployed), producing products of special social value or serving disadvantaged persons in other ways. Those institutions, too, take different legal forms in different countries, such as work integration social enterprises, community interest corporations, benefit corporations, welfare organizations, self-managed enterprises, social impact investment institutions or worker-owned companies. A social enterprise is considered an NPI in the SNA unless it generates and distributes its surplus to owners or stockholders (2008 SNA, para. 23.25). Those that significantly limit their profit distribution directly, or indirectly by virtue of the personnel they hire and train, the social or environmental character of the products they produce or the clientele they serve, fall within the scope of the TSE sector.

3. Volunteer work

2.12. As clarified in the International Conference of Labour Statisticians resolution of 2013, volunteer work is “non-compulsory work performed for others without pay” (para. 7 (d)). Volunteer work may be performed for or through organizations (2008 SNA, paras. 19.37–19.39) or directly for others outside one’s household or family (2008 SNA, paras. 23.42–23.45).

C. Treatment of non-profit institutions, related institutions and volunteer work in the 2008 System of National Accounts

2.13. The SNA central system allocates the NPIs and related institutions identified in the previous section to the five institutional sectors into which the SNA divides all economies in ways that obscure their common characteristics and, in the case of volunteer activities, applies valuation methods that significantly understate important aspects of their worth. In this section, we identify the allocation rules and valuation methods for those units and activities in 2008 SNA. The rationale for pulling them together in a coherent TSE sector satellite account is discussed subsequently, along with operational guidelines by which this can be accomplished.

2.14. Not all NPIs are allocated to the NPISH sector in the SNA (see table 2.1). Many are allocated to three other institutional sectors: financial corporations, non-financial corporations and general government (2008 SNA, annex 1). Allocation is based on certain features that NPIs share with other units in those sectors, in particular:

- (a) NPI units that are engaged in market production are allocated to the financial or non-financial corporations sector as long as they charge fees that are based on their production costs and that are sufficiently high to have a significant influence on the demand for their services. While their non-profit status may enable them to raise additional funds by appealing for donations from persons, corporations or government in addition to their revenues from fees, and while that may allow them to charge fees below average costs, under the SNA their real activity is considered to be the provision of educational, health or other services at economically significant prices that are somewhat reduced owing to their income from other sources (2008 SNA, para. 4.88);
- (b) Also allocated to the corporations sectors are NPIs, the activities of which are restricted to serving a subset of other market producers. Included are chambers of commerce; agricultural, manufacturing or trade associations; employers' organizations; and certain research or testing laboratories. Although such NPIs are usually financed by contributions or subscriptions from the group of enterprises concerned, the subscriptions are treated not as transfers but as payments for services rendered. As a result, such NPIs are classed as market producers (2008 SNA, para. 4.89);
- (c) NPIs that are engaged in non-market production⁵ but are controlled by government are allocated to the general government sector. Fundamentally, "control" means the ability to determine the general policy or programme of the NPI (2008 SNA, paras. 4.89 and 4.91–4.92);
- (d) NPIs primarily engaged in non-market production that are not controlled by government are described as NPISHs and constitute a separate institutional sector in the SNA (2008 SNA, para. 4.91). Historically, only that set of NPI units has been visible in national accounts.

2.15. Cooperatives, mutual societies and social enterprises are also allocated to various sectors in the SNA (see table 2.1). If their articles of incorporation or prevailing laws prevent them from distributing profits to their owners or directors, they are treated as NPIs in the SNA and are allocated to institutional sectors on the same basis as other NPIs (2008 SNA, para. 23.23). Cooperatives and social enterprises that distribute profits and sell their products or services at economically significant prices are typically allocated to the financial or non-financial corporations sectors, depending on their field of activity. Mutual societies that distribute their profits and sell their products at economically significant prices are usually allocated to the financial corporations sector because they typically provide insurance or other financial services.⁶

⁵ Non-market producers are producers that provide most of their output to others for free or at prices that are not economically significant.

⁶ The legal definitions of cooperatives, mutual societies and social enterprises vary depending on their type and from one country to another. They may therefore differ from the more universal criteria used to identify such institutions under the SNA. In particular, national laws may create classes of cooperatives (for example, social cooperatives) that are completely barred from distributing profits to their directors, investors or members. They would be classified as NPIs under the SNA. Other cooperatives, upon which no limits on profit distribution are imposed, would not meet the criteria for inclusion as cooperatives in the TSE sector satellite account. To provide maximum flexibility in the presentation of data, a modular approach is recommended in chapter 3. Institutions legally registered as cooperatives, mutual societies or social enterprises under national laws but classified as NPIs under SNA guidelines could be flagged, enabling the reconciliation of SNA data with data generated for national purposes using the diverse national legal definitions of such institutions rather than the systematically comparative SNA ones.

2.16. Volunteer work is also split among various institutional sectors in the SNA, but it is considered to have no economic value. Volunteer work carried out through organizations is treated as labour input to the production process by those organizations and allocated to the same sector. The SNA, however, recommends valuing that input at its actual cost. Since that is zero, the labour inputs are not measured. Direct volunteer work performed by individuals or households directly for other households is allocated to the households sector. However, SNA measures only the portion of such direct volunteer work that produces tangible products. Direct volunteer work in the production of services, by contrast, is not measured (2008 SNA, paras. 42–45).

Table 2.1
Allocation of the TSE institutions and volunteer work to institutional sectors in the core SNA

Type of institutional unit ^a	Sectors of the SNA				
	Non-financial corporations sector (S11)	Financial corporations sector (S12)	General government sector (S13)	Households sector (S14)	NPISH sector (S15)
Corporations (including quasi-corporations) ^b	C	C			
Government units (including social security funds)			G		
Households				H	
Non-profit institutions	NPI	NPI	NPI ^c		NPI
Cooperatives ^d	Co-op	Co-op	Page		
Mutual societies ^e		M			
Social enterprises ^f	SE	SE			
Volunteer work	V	V	V	V ^g	V

Note: C = corporations; Co-op = cooperatives; G = government; H = households; M = mutual societies; NPI = non-profit institutions; SE = social enterprises; V = volunteer work.

^a Categories are not mutually exclusive.

^b All quasi-corporations, whether owned by households, government units or non-resident institutional units, are grouped with corporations for the purposes of sectoring.

^c Out of scope of the NPI satellite account and TSE sector.

^d Some legally registered cooperatives are classified as NPIs because they are legally barred from distributing profits.

^e Some legally registered mutual societies are classified as NPIs because they are legally barred from distributing profits.

^f Some social enterprises are classified as NPIs because they are legally barred from distributing profits.

^g Direct volunteer work producing services is outside the SNA production boundary and therefore not counted in the central system.

D. Towards a conceptually and operationally coherent third or social economy sector satellite account

2.17. The separate identification of the TSE sector entities is called for because, although they share some features with other entities with which they are grouped in the 2008 SNA, they differ from them in significant ways. In particular:

- (a) NPIs differ from for-profit corporations in that owners or shareholders have no claim on the profits or equity of the NPI. The members, directors or other stakeholders of an NPI are not entitled to a share of any profits or surplus generated by its productive activities (2008 SNA, para. 4.85c). Such institutions also typically operate under a capital lock, whereby any profit they retain must be dedicated to another similar institution should the NPI cease to operate or be converted into a for-profit institution. Those features provide tangible assurances that NPIs will serve public or social purposes and not just the pecuniary objectives of a set of owners or directors;
- (b) Cooperatives and mutual societies differ from for-profit corporations in that they are controlled by their members on the basis of one person, one vote, and not by investors on the basis of invested capital. In addition, while they may distribute profits to their members, their ability to do so is often significantly limited, and they must often operate with a capital lock, both of which features provide evidence of their public-benefit character;
- (c) Social enterprises differ from for-profit corporations because, while they may be permitted to distribute profits that they generate, they are not profit-maximizing institutions but rather operate under significant constraints on their profit generation owing to limitations on the categories of worker they hire (for instance, former prison inmates or drug addicts), the products they produce (for example, affordable glasses for poor students, low-cost solar panels for farmers in remote villages) or the clientele they serve (such as disadvantaged populations);
- (d) NPIs, cooperatives, mutual societies and social enterprises, unlike government units, are not established by political processes and do not “have legislative, judicial or executive authority over other institutional units within a given area” (2008 SNA, paras. 4.9 and 4.117). NPIs and cooperatives can be controlled by government but such NPIs and cooperatives are not included in the satellite accounts recommended in the *Handbook* (2008 SNA, para. 23.18);
- (e) NPIs, cooperatives and mutual societies differ from households in that the latter are “small group[s] of persons who share the same living accommodations, who pool some or all of their income and wealth and who consume certain types of goods and services collectively, mainly housing and food” (2008 SNA, paras. 4.4 and 4.149–4.150). Although volunteer work is carried out by persons in the household sector, such work differs from most other activities of household members because it is not carried out for the benefit of household members or the volunteer, but for others;⁷
- (f) The NPISH sector embraces only the subset of NPIs that engage in non-market production on behalf of households and excludes NPIs engaged in market production, of which there are many.

⁷ Households produce goods and services for sale on the market, in addition to activities carried out without pay for the benefit of the household or, in the case of volunteer work, for the benefit of others.

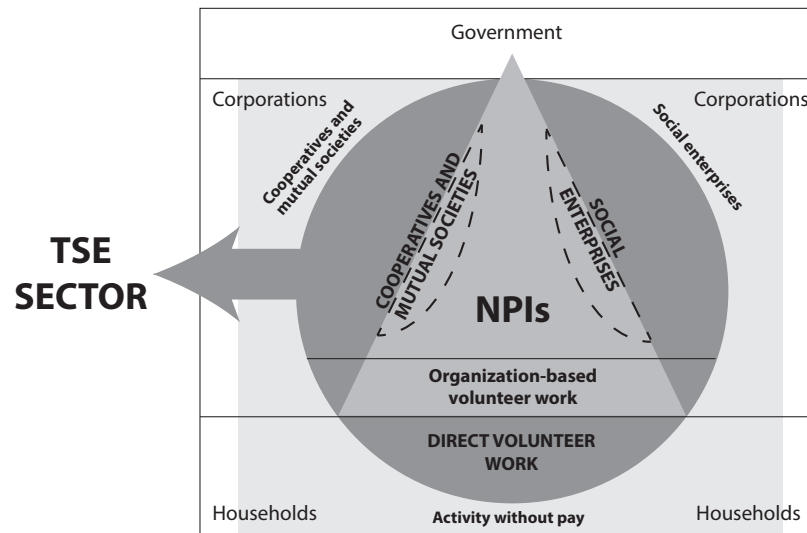
2.18. Not all NPIs, cooperatives, mutual societies, social enterprises or household work without pay share the three critical attributes of being private, serving primarily the public benefit and being non-compulsory. To determine which fall within the scope of the TSE sector, a set of operational criteria has been developed (see also chap. 3):

- (a) Institutions should meet the following five structural or operational criteria to fall within the scope of the TSE sector:
 - (i) They must fulfil the defining characteristics of being organizations, that is, be institutionalized to some extent;
 - (ii) They must be completely (NPIs) or significantly (cooperatives, mutual societies and social enterprises) limited in their capacity to distribute any profit they might generate to members, directors or investors;
 - (iii) They must be self-governing;
 - (iv) They must engage people on the basis of free choice; and
 - (v) They must be private (not controlled by government);
- (b) Volunteer work should meet the following criteria to fall within the scope of the TSE sector:
 - (i) It must produce benefits for others and not just, or chiefly, for the person performing them;
 - (ii) It must not be incidental to other activities but rather conducted for a meaningful period of time;
 - (iii) It must be unpaid;
 - (iv) It must not be aimed at benefiting members of one's household or immediate family;
 - (v) It must be non-compulsory.

2.19. So constrained, the TSE sector covers the following (see figure 2.1):

- (a) All NPIs except those controlled by government;
- (b) All cooperatives, mutual societies and social enterprises that are significantly limited by law, governing documents or widely recognized custom from distributing profits they may generate to directors, investors or stakeholders and that are governed by a capital lock requiring that any retained profits be dedicated to a similarly restricted entity in the event of sale, transformation or dissolution; and
- (c) All unpaid activity undertaken without compulsion for the benefit of persons other than oneself or the members of one's household or immediate family, whether conducted directly or through NPIs or other related institutions.

Figure 2.1
Conceptual framework for the TSE sector in the SNA



2.20. The 2008 SNA already provides for the separate identification of NPIs in all institutional sectors to which they may be allocated, which provides a first step towards identifying an important component of TSE sector satellite accounts and guidance for the creation of such accounts on NPIs not controlled by government. In chapter 3, the provisions relating to the identification of NPIs are reviewed, and similar detail on the identification of in-scope related institutions and voluntary work is added.

Chapter 3

Compiling the third or social economy sector satellite account I—Identifying in-scope institutions and volunteer work

A. Introduction

3.1. Chapter 2 provided definitions of NPIs, related institutions and volunteer work that make up the TSE sector, outlined the criteria used in the SNA for valuing and allocating them to institutional sectors and explained why the valuation and allocation guidelines cause conceptual difficulties. Criteria for assembling a coherent satellite account on all the components of the TSE sector were also set out.

3.2. In this chapter, we look at how to identify the full set of in-scope institutions and volunteer work and the additional criteria needed for the modular presentation of the component parts of the TSE sector. A modular presentation is desirable to facilitate the maximum utilization of the TSE sector satellite account data by policy-makers and industry representatives. The required data elements regarding in-scope entities are examined in chapter 4.

3.3. In section B of this chapter, the operational rules for identifying all in-scope institutions are explained and guidelines provided on how to differentiate the three main types (NPIs, cooperatives and mutual societies, and social enterprises) using the SNA and, where desired, particular national legal concepts regarding those institutional types. The same is done in section C to distinguish organization-based and direct volunteer work. Lastly, section D contains general methodological guidance for identifying in-scope institutions and volunteer work in statistical and administrative data systems.

B. Identifying in-scope institutions and differentiating their major types

1. General operational rules for identifying in-scope institutions

3.4. Institutions that fall within the scope of the TSE sector can be found in all institutional sectors of the economy. Therefore, they must be separately identified in each of the sector data files into which they are allocated in the central system. The steps for doing so outlined here build directly on those set forth in the 2008 SNA (chap. 23 and annex A1), with one modification. In line with the objective of retaining the modular character of the TSE sector satellite account, an additional step is recommended to separate the cooperatives and mutual societies from other market producers and social enterprises, which in the central system are merged with for-profit institutions. This will make such cooperatives and mutual societies separately visible in the satellite account.

3.5. Five features, which together make up the operational definition of TSE institutions, are derived from the three crucial characteristics that distinguish such units from other units in the economy: they are private, have a primarily public purpose and operate on the basis of free will. The presence or absence of any of those features can be reasonably determined from empirical data. In order to fall within the scope of the TSE sector, an institution must possess all five features:

- (a) It must be an *organization* (institutionalized to some extent, although not necessarily legally registered or constituted);
- (b) It must be *self-governing* (fully responsible for the economic risks and rewards of the organization's operations);
- (c) It must be *non-compulsory* in nature (involving a meaningful degree of free choice on the part of individuals working for it or participating in its activities);
- (d) It must be *significantly limited in its distribution of surplus (profit)*, meaning prohibited by law, governing document or set social custom from distributing any (in the case of NPIs) or more than half (in the case of related institutions) of any surplus it generates to its directors, employees, investors or stakeholders;⁸ and
- (e) It must be *private* (not controlled by government).

⁸ Distribution of more than 50 per cent of profit is allowed for cooperatives when it occurs in pursuit of a valid social purpose (such as employment assistance for disadvantaged workers or lower costs for members).

Organization

3.6. The entity does not have to be legally registered but must possess a meaningful degree of permanence, an internal organizational structure and meaningful organizational boundaries. So-called informal organizations that lack explicit legal standing but otherwise meet the criteria of being organizations with a meaningful degree of internal structure and permanence are included. That is consistent with the 2008 SNA characterization of NPIs as entities that, although they may not have any formal legal status, are "recognized by society" (2008 SNA, para. 4.85a).⁹

⁹ This may not apply to cooperatives, mutual societies and similar market producers that must be legally registered in order to operate in most countries.

Self-governing

3.7. An institution may own assets, incur liabilities and engage in transactions in its own right and bears full responsibility for the economic risks and rewards of its operations (2008 SNA, paras. 2.49, 3.23 and 3.26). The need for this feature arises from the way in which institutions are interconnected through legal ownership. Private corporations are often legally owned by other corporations, such as holding companies, cooperatives or even NPIs. Similarly, NPIs or other TSE institutions can be owned by private companies. To determine control, the SNA distinguishes between legal and economic ownership and puts the emphasis on the latter rather than the former (2008 SNA, paras. 2.43 and 3.21–3.29). A TSE unit may be created by a corporation but is not deemed to be controlled by that corporation as long as it retains full responsibility for the economic risks and rewards entailed by its operations (2008 SNA, paras. 2.49, 3.23 and 3.26). Such entities are self-governed and thus institutionally separate from other units that may legally own them. They are allocated to institutional sectors based on their own economic activities rather than those of the units that may legally own them. Thus, a for-profit business that is fully responsible for the economic risks and rewards of its operations does not fall within the scope of the TSE sector even if it is legally owned by a unit that does. Likewise, a TSE unit that is fully responsible for its economic risks and rewards is still treated as being in scope even if it is legally owned by a for-profit corporation.

3.8. The other key indicator that an institution is self-governing is that its governing body has the authority to dissolve the unit and legally dispose of its assets. Institutions, the governing bodies of which do not have such authority, are not self-governing. The dissolution of an institution may require following established procedures to obtain legally mandated permits and fulfil legal or contractual obligations but its governing body must have the legal capacity to initiate the dissolution process in its own right. The power of government to nullify the governing body's decision regarding dissolution, or to dissolve the institution over the governing body's objection or on any other grounds, violates the self-governing feature.

Non-compulsory

3.9. Membership or participation in an institution's activities may not be coercive, meaning that any person may choose not to become a member. Institutions of which membership is decided by birth—such as families, clans or castes—do not fall within the scope of the TSE sector. The obligation to belong to institutions can take any number of forms, including set social customs under which people of certain birth or social status are forced to avow membership of tribes, castes, clans or religious communities; legal requirements mandating membership in certain organizations; or the use of extrajudicial force or credible threats of its use to oblige people to join gangs or militias or keep them from leaving once they join.

3.10. Institutions that require membership—such as professional associations in order to practice a profession; housing associations in order to purchase a housing unit; sports associations in order to obtain a licence (as in the case of hunting or angling); or political parties in order to join affiliated organizations—do not violate the non-compulsory feature so long as individuals may choose whether or not to engage in the activities or professions concerned. Likewise, the presence of social norms, expectations or informal pressures to enrol or participate in certain organizations (such as patriotic societies or associations relating to gender, age or ethnicity) do not violate the non-compulsory feature as long as those expectations or informal pressures are not backed by extrajudicial force or credible threats of its use (by governmental or non-governmental agents).

Significant limitations on the distribution of surplus (profits)

3.11. TSE institutions are required, whether by law, internal governing rules or socially recognized custom,¹⁰ to retain all, or a significant share, of the profits or surpluses generated by their productive activities rather than distribute them to investors or shareholders. That attribute distinguishes them from corporations. They may accumulate a surplus in a given year but all or most of it must be saved or ploughed back into the basic mission of the agency and not distributed to its directors, founders, shareholders or governing board.¹¹ That is consistent with the definition of NPIs whose status does not permit them to be a source of income, profit or other financial gain for the units that establish, control or finance them (2008 SNA, paras. 4.8 and 4.83). The same principle, in somewhat relaxed form, applies to other market producers, such as cooperatives and mutual societies (see section C of this chapter).

3.12. Consensus is emerging globally that a “significant limitation on the distribution of profit” means that at least 50 per cent of the surplus of any such unit should be retained and dedicated to the pursuit of the institution's social mission.¹² Some adjustment may be appropriate, however, where the statutory social mission of the unit involves activities that have the effect of significantly reducing the amount of profit earned. This could be the case, for example, where part of the institution's social

¹⁰ In some countries, where the formal body of laws governing NPIs may be limited, prohibitions on the distribution of profits to members or investors are commonly settled by set social custom. That is consistent with the reference to a “legal or social entity” in the definition of an institutional unit (2008 SNA, para. 4.6). Formal legal status typically stipulates what organizations may legally do. Registration of an organization as a non-profit, non-stock or tax-exempt entity not only establishes its legal status as an institutional unit but also implies a prohibition on the distribution of profits. Similarly, set social custom not only establishes the existence of an organization but also specifies what kind of organization it is, which may comprise expectations regarding how it should deal with surplus.

¹¹ Cooperatives that distribute all or most of their surplus to members may still fall within the scope of the TSE sector but only where such distribution is a central part of the social purpose of the organization designed to reduce costs to members.

¹² In 2015, the Council of the European Union noted: “By definition, social economy enterprises use the majority of their possible profits as a means for achieving their primary social objectives, rather than maximizing profits for their owners and shareholders” (Council of the European Union, 2015). Under Luxembourg law, a key feature of “social impact” companies is that they “follow the principle that at least half of the profits realized are reinvested in the maintenance and development of the company's business” (Luxembourg, 2016). In France, such entities are required by law to operate on the principle that “profits are mostly devoted to the objective of maintaining or developing the activity of the enterprise” (France, 2014).

mission is to subsidize the cost of products or services by selling them below market prices for members or to employ substantial numbers of persons with disabilities or who face social exclusion or other barriers to employment or access to social resources, thereby increasing the costs of training and social support. Such forgone profits resulting from subsidies or extra costs could be considered part of the retained earnings in support of the institution's social mission (see also section C of this chapter).

3.13. Significant limitation on the distribution of profit also means that TSE institutions must be legally bound to transfer any retained earnings or other assets to a similar social-purpose organization in the event of their dissolution (capital lock).

Private

3.14. A TSE sector entity may not be controlled by government. The emphasis is not on whether it receives its income, even when substantial, from government or whether it was established by a government unit or exercises government-like authority (for instance, by issuing licences to practice particular professions). The ultimate test of the absence of government control is the capacity of the institution's governing body to dissolve the institution on its own authority. The 2008 SNA advises statistics agencies to determine whether an institution is controlled by government on the basis of the presence of any combination of the following five indicators, considered collectively, only one of which involves the source of financing (2008 SNA, para. 4.92):

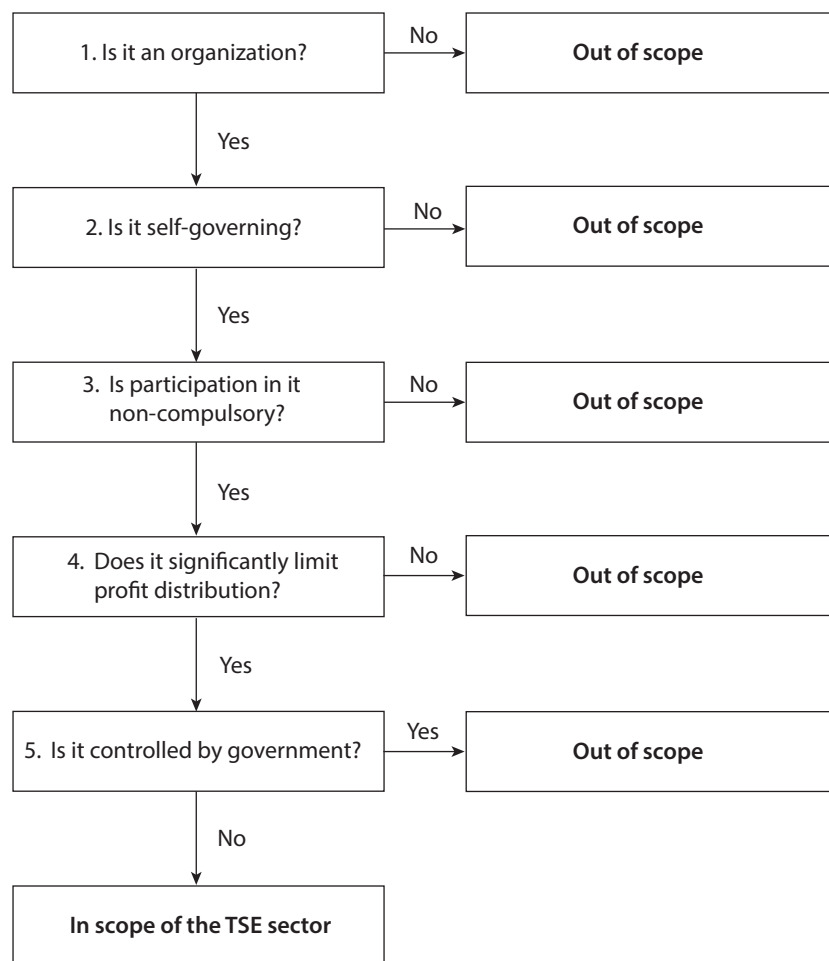
- (a) The right of the government to appoint officers managing the institution under the institution's constitution, articles of association or other enabling instrument;
- (b) If the enabling instrument contains provisions, other than with regard to the appointment of officers, that effectively allow the government to determine significant aspects of the institution's general policy or programme, such as specifying or limiting its functions, objectives and other operating aspects, or giving the government the right to remove key personnel, veto proposed appointments or require prior approval of budgets or financial arrangements;
- (c) If there is a contractual agreement between the institution and government that may allow the latter to determine key aspects of the institution's general policy or programme, for example by permitting the government to renege on contractual agreements or prohibiting the institution from changing its constitution or dissolving itself;
- (d) An institution that is mainly financed by government may be considered to be controlled by government. That would not be the case, however, if the institution determines its policy or programme to a significant extent. For example, although an institution may receive funding from multiple government agencies adding up to a significant share of its income, it may be that, individually, none of those payments is large enough to establish government control. Moreover, there is no government control if the institution's governing body has the authority to reject government funding;
- (e) If a government openly allows itself to be exposed to all, or a large proportion of, the financial risks associated with an institution's activities in ways that allow the government to shape significant aspects of its general policy or programme, then the arrangement constitutes control.

3.15. By default, all units properly allocated to the general government sector or to public subsectors of the corporations sectors in the central system are considered to

be government-controlled. Those units should be separately identified as specified in the rules on subsectoring classification (2008 SNA, paras. 4.148 and 23.9, annex A1) but do not fall within the scope of the TSE sector satellite account recommended in the *Handbook* or the NPI satellite accounts (2008 SNA, para. 23.18). Moreover, by convention, the SNA treats certain types of entities, such as government statistics agencies, social security agencies and public universities, as units of government even if they operate with a considerable degree of autonomy. Similarly, it treats central banks as public financial corporations. Such units therefore fall outside the scope of the TSE sector satellite account. By convention, pension funds are also excluded.

3.16. Locating the institutions that fall within the scope of the TSE sector involves identifying all units in the economy—whether market producers or not—and applying a sequence of tests (see figure 3.1) to determine whether they meet the operational criteria outlined in this section. All units that pass the tests fall within the scope of the TSE sector. Further tests, outlined below, subdivide the TSE sector into three subsectors: NPIs (market and non-market), market cooperatives and mutual societies, and market social enterprises.

Figure 3.1
Sequence of tests for determining in-scope TSE institutions



In-scope units

3.17. Institutions that fall within the scope of the TSE sector may take a variety of legal or organizational forms (associations, foundations, cooperatives, mutual societies, corporations, benefit corporations, limited profit corporations, non-stock corporations, community benefit corporations or other equivalent legal or administrative categories). They may be created to provide services for the benefit of the households or corporations that control or finance them; for charitable, philanthropic or welfare reasons to provide goods or services to other persons in need; to provide health or education services for a fee, but not for profit; or to promote the interests of pressure groups in business or politics (2008 SNA, para. 4.84). The kinds of entities that may fall within the scope of the TSE sector if they pass the tests outlined in figure 3.1 include:

- (a) Providers of human services to households, such as hospitals, nursing and residential care facilities, ambulatory clinics, social-service providers, day-care centres, universities, colleges, schools, training facilities and housing projects;
- (b) Providers of subsidized products or services (such as food, transportation or credit) for persons with low or moderate incomes;
- (c) Organizations that promote international cooperation, peace, economic development or poverty reduction in less developed areas;
- (d) Organizations that aim to reduce environmental pollution; protect clean water, air, natural habitat or endangered species; or promote environmentally sustainable development, eco-tourism and the like;
- (e) Organizations that provide professional, administrative, scientific or technical services to corporations or households;
- (f) Organizations that provide electricity, water supply, sewage treatment, waste disposal or fire protection to low or moderate-income communities;
- (g) Arts and cultural organizations, including museums, performing arts centres, orchestras, ensembles, historical or literary societies, zoological gardens and parks and recreational facilities;
- (h) Clubs involved in sport, training, physical fitness and competitions;
- (i) Advocacy groups that work to promote civil and other rights or advocate on behalf of the social and political interests of general or special constituencies;
- (j) Foundations (entities that have at their disposal assets or an endowment and, using the income generated by that asset, either make grants to other organizations or carry out their own projects and programmes);
- (k) Community-based or grassroots associations that are member-based and offer services to, or advocate in favour of, members of a neighbourhood, community or village;
- (l) Political parties and their affiliates that support the placing of candidates in political office;
- (m) Social clubs, including touring and country clubs, that provide services and recreation opportunities to individual members and communities;
- (n) Labour unions, business, employer and professional associations, chambers of commerce and similar organizations promoting occupational interests;

- (o) Religious congregations, such as parishes, synagogues, mosques, temples and shrines, which administer religious services and rituals, and lay organizations controlled by those congregations, except for religious institutions affiliated with official State religions;
- (p) Organizations that provide funeral services or facilitate funeral arrangements;
- (q) Organizations that recruit volunteers and coordinate volunteer work;
- (r) Social solidarity cooperatives;
- (s) Membership organizations committed to reducing the cost of purchases for members on low or moderate incomes (purchasing cooperatives);
- (t) Membership organizations that aim to reduce marketing costs for members on low or moderate incomes (marketing cooperatives);
- (u) Membership organizations that reduce education costs for members' children;
- (v) Micro-credit organizations that offer low-cost credit to low-income borrowers;
- (w) Providential mutual societies;
- (x) Work integration social enterprises and sheltered employment centres; and
- (y) Benefit, limited-profit, non-stock, community interest and similar corporations.

Out-of-scope units

3.18. Institutions that fail any of the tests outlined in figure 3.1 are beyond the scope of the TSE sector, regardless of their organizational form or legal status. They may include:

- (a) Pension funds (but not necessarily the organizations managing pension funds);
- (b) Government agencies and entities;
- (c) Government-established NPIs that operate with a degree of autonomy, but nevertheless are fundamentally controlled by government;
- (d) Central banks;
- (e) Government statistics agencies;
- (f) Intergovernmental organizations (such as ILO, the United Nations or the World Bank);
- (g) Government-controlled pension funds and similar government social security institutions;
- (h) Government-controlled deposit-taking corporations;
- (i) Government-controlled investment funds;
- (j) Government-controlled insurance or reinsurance corporations;
- (k) Government-controlled hospitals and universities;
- (l) Profit-distributing corporations, regardless of their organizational or legal form;
- (m) Government-owned and controlled title-holding and similar organizations established for the sole purpose of legal ownership of other organizations;

- (n) Cooperatives distributing profits on the basis of investments received;
- (o) Sole proprietorships, partnerships and similar organizational forms effectively under the control of individual households but not constrained by any limitation on the distribution of profit;
- (p) Cooperatives not constrained by a capital lock or limitations on the distribution of profit other than to members;
- (q) Household activity other than volunteer work.

Borderline units

3.19. Some types of institutions can occupy a grey area, given the difficulty of determining with reasonable certainty whether they meet the operational criteria specified in this chapter. Examples include:

- (a) Cooperatives or mutual societies that allow the distribution of more than 50 per cent of their profits to members are normally excluded from the TSE sector. Such entities, however, may be in scope if one or both of the following conditions are met: they are established principally to provide mutual benefits to their members by lowering the cost of cooperative-provided benefits and the distribution of profits in excess of 50 per cent is exclusively to members; or they forgo, under the law or set social custom, the profit they could reasonably earn in order to serve disadvantaged populations, such as by offering employment or below-market products or services to them (see also para. 3.29 below);
- (b) Self-help groups are similar to cooperatives and mutual societies that individuals join to accomplish goals of mutual support that would be unattainable on an individual level. They differ from both, however, in that they are not principally engaged in market activities. As a rule, self-help groups are treated as membership organizations (2008 SNA, para. 23.24) and should therefore be included within the TSE sector as NPIs, unless they lack a sufficient degree of organizational structure;
- (c) Units legally registered as NPIs or cooperatives that, under market pressures, adopt capital structures, distribute profit on the basis of capital invested, employ management and control mechanisms characteristic of for-profit enterprises or otherwise register under cooperative or NPI legal forms without adhering to the relevant principles and restrictions fall outside the scope of the TSE sector. National laws usually make provision for disqualification from non-profit or cooperative status for violations of such restrictions but enforcement is frequently imperfect, making it difficult to determine whether such units are out of scope or not;
- (d) Quasi-NGOs are non-market producers designed to function at arm's length from government departments, thus avoiding direct political control. To the extent that they are truly self-governing entities and may cease to exist by their own authority, they fall within the scope of the TSE sector, even if they exercise only the limited authority delegated to them by government agencies (2008 SNA, para. 23.26). Otherwise, they should be treated as public corporations;
- (e) Indigenous or territorial groups are organized on the basis of cultural or ethnic groupings or a particular geographic area, mainly with the purpose of improving the welfare of their members. Examples include "band councils" in Canada (a form of First Nations government), peasant or

native communities in Peru and tribal governments in the United States. The difficulty in determining their TSE status arises when such groups operate as de facto local governments, often making and enforcing their own laws. In that case, they are not private (institutionally separate from government) and are outside the scope of the TSE sector (2008 SNA, 23.29). The tribal governments in the United States, for example, would fall into that category;

- (f) Sometimes several households pool resources and volunteer to serve their local community, for example by teaching in informal schools, offering medical assistance, or repairing or building roads, wells, school buildings and other infrastructure. Where such informal or temporary units embody the relevant operational features, they are included in the TSE sector as NPIs.

2. Guidelines for differentiating between the major types of institutions

3.20. In this subsection, guidelines are offered on how to distinguish between the various types of TSE institutions in accordance with the SNA subsectoring guidelines.

3.21. The classification rules outlined in the 2008 SNA (paras. 4.33–4.36, 4.96–4.103 and 4.128–4.133 and annex 1, sect. B) provide a foundation for differentiating NPIs from for-profit entities.¹³ In order to facilitate the modular approach to TSE sector satellite account reporting, a further subdivision is needed of the for-profit institutions in the financial and non-financial sectors to identify cooperatives, mutual societies and social enterprises, which are differentiated on the basis of being significantly limited in the distribution of profit.

3.22. In this subsection, we take up the guidelines for identifying NPIs (2008 SNA, paras. 4.8, 4.83 and 23.13–23.19) and those for differentiating related institutions in the TSE sector (cooperatives, mutual societies and social enterprises), drawing particularly on the definition of cooperatives provided in the 2008 SNA (paras. 4.41 and 23.21).

Non-profit institutions

3.23. The total prohibition on the profit distribution that applies to NPIs (2008 SNA, paras. 4.8 and 4.83) is a special case of the “limited profit distribution” feature pertaining to the overall scope of the TSE sector (para. 3.13).

¹³ There are three bases in the 2008 SNA for differentiating subsectors of the five institutional sectors: government versus private control; national versus foreign control; and non-profit versus for-profit status. Using that structure, 130 subsectors are identified (2008 SNA, annex 1, sect. B).

Table 3.1
SNA subsector classification and recommended adaptation in the TSE satellite account

		Subsectors: core SNA versus TSE sector satellite account addition		
		Profit Distribution		TSE sector satellite account addition
Control of units	Existing basis (core SNA)			
		Complete limitation on profit distribution	No limit on profit distribution	Limited profit distribution
Private	NPIs (N module) in scope	Profit-distributing corporations, cooperatives and mutual societies (corporations module) out of scope	Cooperatives and mutual societies (C-M module) in scope	Social enterprises (S module) in scope

3.24. The key operational criterion determining whether institutions are NPIs is that “the articles of association by which they are established are drawn up in such a way that the institutional units that control or manage them are not entitled to a share in any profits or other income they receive” (2008 SNA, para. 4.83). To qualify as an NPI, therefore, an organization can generate surplus from its activities but must plough it all back into its operations rather than distributing it to its members, employees, directors or other stakeholders. That feature distinguishes NPIs from the other two types of institutions within the scope of the TSE sector (cooperatives/mutual societies and social enterprises), which are permitted to distribute some of their profits to their stakeholders.

3.25. The NPI subsector of the TSE sector thus includes NPIs that are market producers allocated to the corporations sector in the central system¹⁴ and non-market producers allocated to the NPISHs institutional sector (see figure 3.2). NPIs controlled by government (as defined in 2008 SNA, paras. 4.77–4.80 and 4.92, and para. 3.15) are excluded.

3.26. NPIs should be reported separately from related institutions in the TSE sector satellite account. They may take a variety of legal or organizational forms (such as associations, foundations, sheltered workshops or non-stock corporations). They may have the legal status of cooperatives, mutual societies or social enterprises, with the difference that defines them as NPIs: the complete prohibition on the distribution of any profits. For certain reporting purposes, however, it might also be useful to identify those NPIs that have the legal status of cooperatives, mutual societies or social enterprises as such and to report on them together with other entities of the same legal status.¹⁵

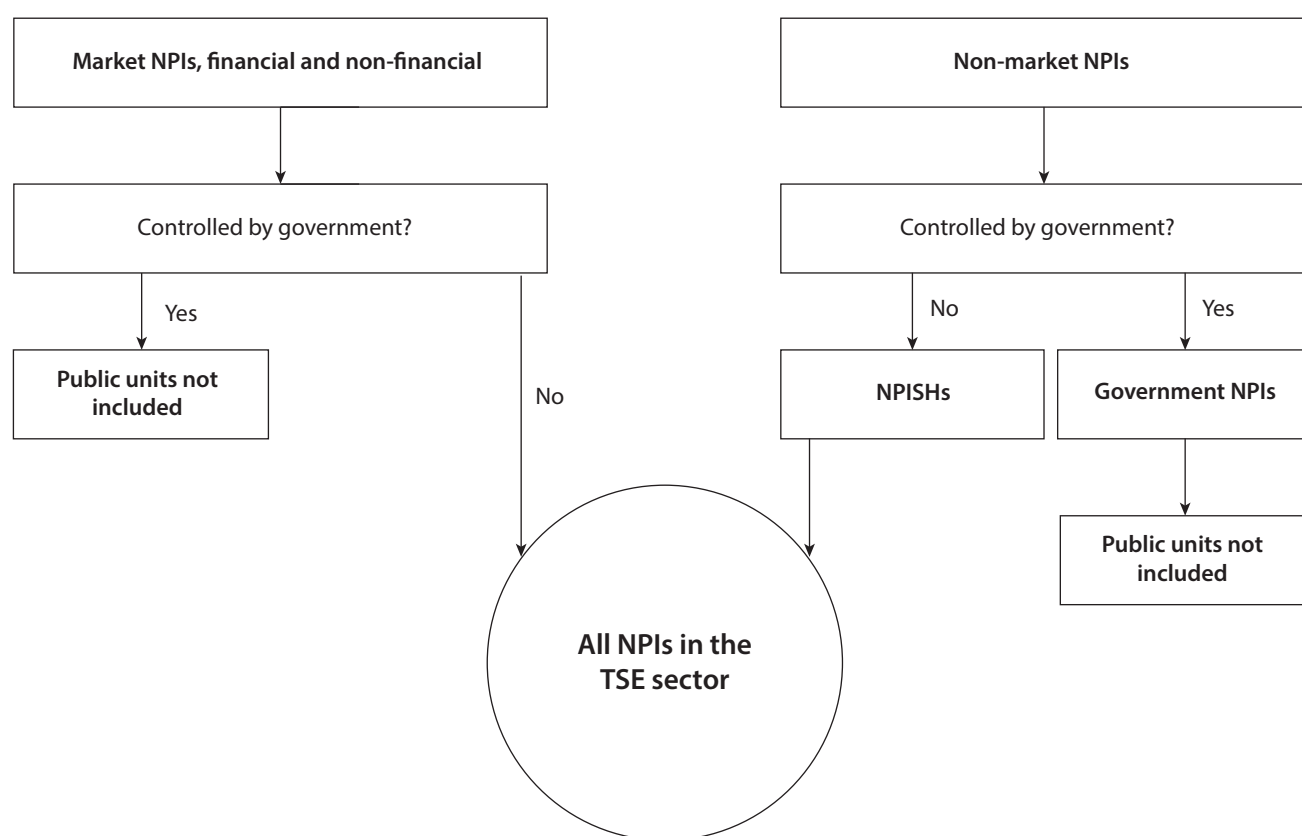
¹⁴ Market producers sell most or all of their output at prices that are economically significant.

¹⁵ That will be especially important in settings where policy attention has come to focus on the concept of the social economy, which often embraces cooperatives, mutual societies and social enterprises as a distinct legal class.

Related institutions

3.27. Cooperatives, mutual societies and social enterprises share one feature that differentiates them from NPIs: they may, to a limited degree, distribute profits. Beyond this one commonality, however, cooperatives and mutual societies differ from social enterprises in significant ways that it is useful to acknowledge in the TSE sector satellite account. “Cooperatives are organizations formed freely by individuals to pursue the economic interests of their members. Their basic principles include: democratic control (one person, one vote); shared identity (members are both owners and customers); and an orientation to provide services to members ‘at cost’” (2008 SNA, para. 23.21). Mutual societies share those features but tend to focus their activities on the sphere of finance.

Figure 3.2
 Identification of NPIS in the TSE sector satellite account in relation to their treatment in the central system



3.28. Another key feature of cooperatives and mutual societies is that profit may be distributed on the basis of member activity but not to members or other stakeholders on the basis of fees paid or capital invested (2008 SNA, para. 4.41).¹⁶

3.29. Social enterprises constitute a less fully articulated class of entities than cooperatives in the SNA. They have, however, attracted considerable interest in policy circles. Special legal categories have been created in various countries for such entities, such as benefit corporations, limited profit corporations, non-stock corporations, community benefit corporations or equivalent legal or administrative categories.

3.30. Like cooperatives, they are market producers that, as components of the TSE sector, operate under a legal or significant social constraint on their ability to distribute profit. That feature differentiates them from for-profit companies with which they are grouped in the central system.

3.31. Unlike cooperatives, however, social enterprises do not operate under a “democratic control” constraint. Rather, they are typically owned and controlled by entrepreneurs, do not often have members and are not obliged to provide services to members at cost, as long as they pursue a social mission that effectively limits the profit they seek. They must also meet the other operational criteria for in-scope TSE entities, such as a capital lock on retained earnings.

3.32. Social enterprises also differ from cooperatives in that there is no constraint with regard to the basis on which the limited distribution of profit is permis-

¹⁶ See also ILO, 2017 (part 1, chap. 1) and Barea and others, 2006. Payment of interest at reasonable rates does not constitute distribution of profit on the basis of capital invested.

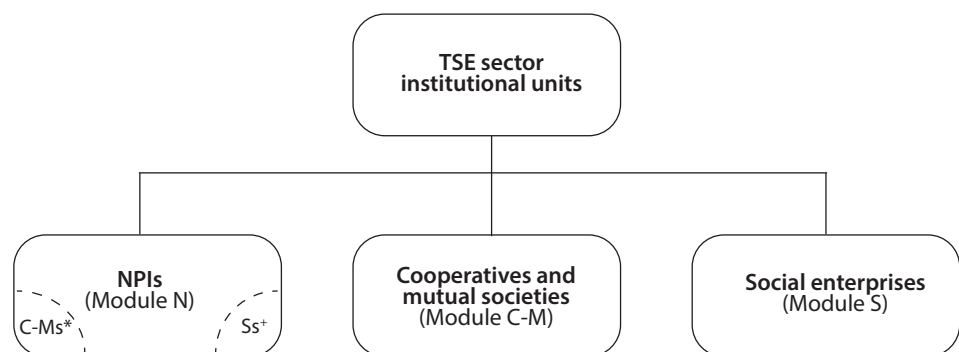
sible. In particular, they may distribute such profit to investors on the basis of capital invested as well as to entrepreneurs and owners.

3.33. The TSE sector thus encompasses three distinct institutional subsectors delineated by rules governing their organizational structure and what they can do with any profit they may earn. The following guidelines can be used to differentiate the subsectors:

- (a) The NPI (N) module consists of units that may not distribute any profit to their stakeholders. NPIs can be governed by their members or by self-perpetuating boards of directors;
- (b) The cooperative and mutual (C-M) module consists of units that are governed by their members according to the principle of one person, one vote; may not distribute more than 50 per cent of profit; must apply a capital lock to retained earnings; and may not include in permissible profit distribution any distribution based on fees paid or capital invested;
- (c) The social enterprise (S) module consists of units that may not distribute more than 50 per cent of profit; must apply a capital lock to retained earnings; may be owned and governed by individual entrepreneurs; and may include in their profit distribution some distribution on the basis of capital invested.

3.34. The variety of legal forms that embrace the three subsectors, or modules, of the TSE sector is probably too great to warrant separate reporting on each. It may, however, be useful for the purposes of policy and maximum data utilization to identify and break out for reporting purposes the cooperatives and mutual societies and social enterprises included in the NPI module of the TSE sector satellite account (see figure 3.3). That would make it possible to combine those units with those in the cooperative and mutual societies module or social enterprise module where there is policy interest in obtaining a full picture of those two legal types. In the case of cooperatives, units will probably be identifiable by virtue of the term “cooperative” or its national cognates in their legal title. There is no such common legal term for social enterprises (or social ventures) but terms such as mutual benefit company, sheltered workshop, work integration social enterprise, community interest company, benefit corporation, limited liability company and non-stock corporation have emerged among the most common.

Figure 3.3
Modular structure of the TSE sector institutions



*Legally registered cooperatives and mutual societies meeting NPI criteria

+Social enterprises registered, or otherwise meeting the criteria as NPIs

C. Operational rules for volunteer work and differentiating its major forms

1. General operational rules for in-scope volunteer work

3.35. In this section, we look at the defining features of the household activity known as volunteer work, or volunteering, which falls within the scope of the TSE sector.

3.36. Volunteer work was defined in the International Conference of Labour Statisticians resolution of 2013 as follows:

Persons in volunteer work are defined as all those of working age who, during a short reference period, performed any unpaid, non-compulsory activity to produce goods or provide services for others, where:

- (a) “any activity” refers to work for at least one hour;
- (b) “unpaid” is interpreted as the absence of remuneration in cash or in kind for work done or hours worked; nevertheless, volunteer workers may receive some small form of support or stipend in cash, when below one third of local market wages (e.g. for out-of-pocket expenses or to cover living expenses incurred for the activity), or in kind (e.g. meals, transportation, symbolic gifts);
- (c) “non-compulsory” is interpreted as work carried out without civil, legal or administrative requirements, that are different from the fulfilment of social responsibilities of a communal, cultural or religious nature;
- (d) production “for others” refers to work performed:
 - (i) through or for organizations comprising market and non-market units (i.e. organization-based volunteer work) including through or for self-help, mutual aid or community-based groups of which the volunteer is a member;
 - (ii) for households other than the household of the volunteer worker or of related family members (i.e. direct volunteer work).

3.37. That definition closely follows that set out in the *ILO Manual*.¹⁷

3.38. To be considered an “activity”, volunteer work must last for at least one hour during a given reference period. The same standard applies to paid employment. The purpose of that requirement is to exclude actions that are incidental to other activities, such as helping an elderly person to cross the street or giving somebody a lift on one’s way to work. Counting such incidental actions would blur the boundaries between volunteer work and other own-use activities.

3.39. “Unpaid” means that the person performing the activity is not entitled to any compensation in cash or kind. Although self-explanatory, the application of that feature may be problematic where such people receive something of value that is not formally defined as compensation or wages. That may include token gifts of appreciation, accommodation, reimbursement of expenses or stipends. The test of whether such transfers of value constitute compensation lies in the question: “Does the value received by the performer exceed the expenses that he or she incurs or is likely to incur in order to perform the activity?” If the answer is no, the transfer does not qualify as compensation.

3.40. “Non-compulsory” means that volunteer work involves a meaningful element of individual choice and absence of any legal obligations or coercion. In other words, a volunteer may refuse to perform volunteer work if he or she so chooses without facing penalties. Social or peer pressure to perform such work does not count as

¹⁷ The main difference is that, in its resolution, the International Conference of Labour Statisticians narrowed the scope of volunteer work by excluding work performed for households of related family members. In the *ILO Manual*, there is no such exclusion and work is counted for all households other than that of the volunteer worker, including, possibly, households of the volunteer’s family members. A resulting complication is how the definition of “family” varies from country to country. Statistics agencies are encouraged to clarify their own interpretation of that concept when reporting their data on volunteer work.

compulsion but the presence of administrative or legal penalties for non-performance does. Not being invited to social events for refusal to perform volunteer work does not count as compulsion, but sanctions involving termination of employment, demotion or denial of graduation from school do.

3.41. Production “for others” means that the primary beneficiary of volunteer work is someone or some cause not exclusively or chiefly for the person performing it. The test is whether the person performing the activity could be replaced by a paid substitute. Thus, for example, time spent playing the piano for one’s personal enjoyment would not be considered volunteer work, whereas doing so for residents of a nursing home would qualify. Activities, the primary purpose of which is to harm others, do not meet the “production for others” criterion.

3.42. The following types of activities are excluded from the definition of volunteer work:

- (a) Community service and work by prisoners ordered by a court or similar authority and compulsory military or alternative civilian service;
- (b) Unpaid work required as part of education or training programmes (unpaid training or internships); and
- (c) Work for others performed during working time associated with employment, or during paid time off from an employee’s job granted by the employer.

3.43. Volunteer work is not an institutional unit but an activity performed within institutional units (organizations or households). Its identification as a separate component of the TSE sector is designed for heuristic purposes and reflects the valuation method for volunteer work recommended in the *Handbook*, following recommendations in the 2008 SNA and the ILO *Manual* (see chap. 4). Volunteer work taking place within organizations is referred to as organization-based volunteer work and volunteer work performed informally by individuals in households is referred to as direct volunteer work.

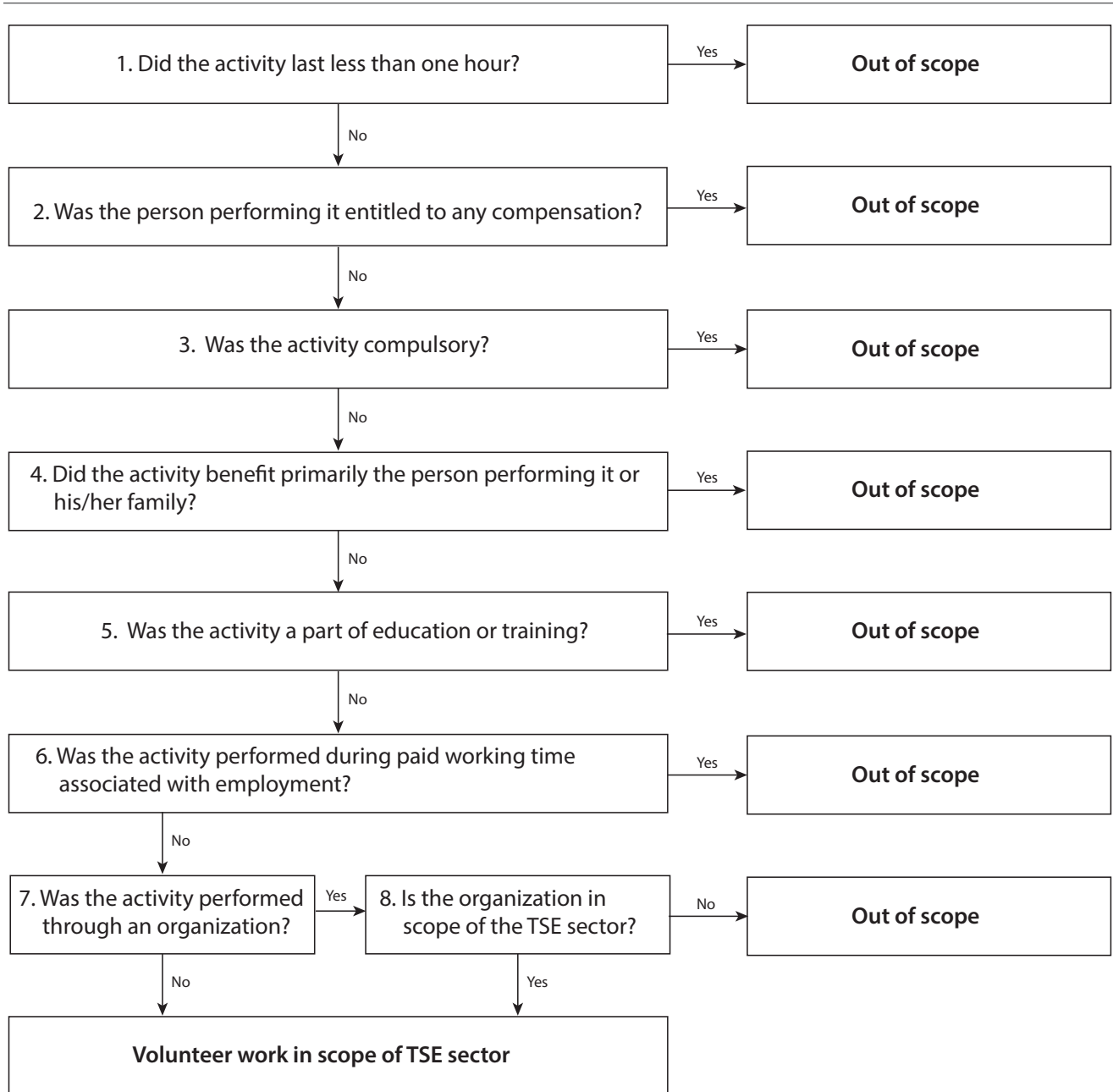
3.44. Given its nature as an activity performed within institutional units, organization-based volunteer work is allocated in the SNA to the same institutional sector as the unit in which it takes place. That, in turn, has implications for the portion of organization-based volunteer work that falls within the scope of the TSE sector. Only organization-based volunteer work carried out for or through organizations that themselves fall within the scope of the TSE sector is considered to be in scope. That includes NPIs and in-scope cooperatives, mutual societies and social enterprises. Not included, however, is organization-based volunteer work done for or through government agencies or for-profit companies.¹⁸

3.45. Unlike organization-based volunteer work, all direct volunteer work is considered to fall within the scope of the TSE sector, even if the institutional unit within which it is performed (e.g., the household) is not. That is consistent with the SNA, which treats household work in the production of goods or services for sale to others as the work of individual household enterprises. In the case of the volunteer work done for others without pay, the household members are considered household volunteer workers. That usage makes it possible to reflect the full value of such volunteer work in the TSE sector satellite account.

3.46. Locating volunteer work activities that fall within in the scope of the TSE sector involves applying a sequence of tests (see figure 3.4) to determine whether they meet the operational criteria outlined in this section. All activities that pass those tests qualify as in-scope volunteer work. Further tests (see sect. C.2) help to differentiate between organization-based and direct volunteer work.

¹⁸ Volunteer work for government organizations and for-profit corporations falls outside scope of the TSE sector. In some countries, however, such work accounts for a significant share of all volunteer work and in those cases there may be considerable policy interest in reporting those additional types of volunteer work in economic statistics. Any such reporting should clearly differentiate such out-of-scope volunteer work from the in-scope portion to permit accurate cross-national comparisons. In addition, care should be taken to exclude such out-of-scope volunteer work that does not meet the operational guidelines established at the nineteenth International Conference of Labour Statisticians. According to those guidelines, activities such as mandatory internships or public service and paid volunteer work (like that performed in corporate volunteer programmes under which workers are granted release time with pay to engage in “volunteer work”) are excluded from volunteer work.

Figure 3.4
Tests for whether volunteer work falls within the scope of the TSE sector



3.47. Applying the criteria listed in figure 3.4 yields a list of illustrative forms of volunteer activity that may or may not fall within the scope of the TSE sector (see table 3.2).

Table 3.2
Illustrative examples of volunteer work likely to be in or out of scope of the TSE sector

Type of activity	In scope	Out of scope
Unpaid work for a non-profit organization	X	
Unpaid work for a labour union or a professional association	X	
Unpaid work for a religious congregation or association	X	
Unpaid work required to complete education or apprenticeship		X
Helping neighbours or strangers without compensation	X	
Helping/taking care of animals (outside an organization)	X	
Participation in neighbourhood clean-up activities	X	
Arranging cultural, social or religious events (outside an organization)	X	
Attending religious services or cultural events		X
Serving as an unpaid usher at a for-profit musical concert		X
Pro-bono professional work or counselling for friends or neighbours	X	
Helping own family members		X
Participation in corporate volunteer programme during working time		X
Participation in cultural, social or religious events		X
Episodic activities (for example, giving directions to a passer-by)		X
Incidental activities (for example, offering someone a ride on one's way to work)		X
Legally mandated voluntary service		X
Any unpaid work by persons under 15 years of age		X
Any activity intended to harm people, animals or community		X
Travelling to perform volunteer work		X
Waiting to perform volunteer work		X
Activities for the benefit of the performer (such as sports, music or sightseeing)		X

2. Guidelines for differentiating major forms of volunteer work

3.48. Organization-based and direct volunteer work are characterized by sufficient practical differences and have attracted sufficiently different treatment within the SNA to deserve separate reporting in the TSE sector satellite account (see also figure 3.5). Guidelines for making that distinction follow.

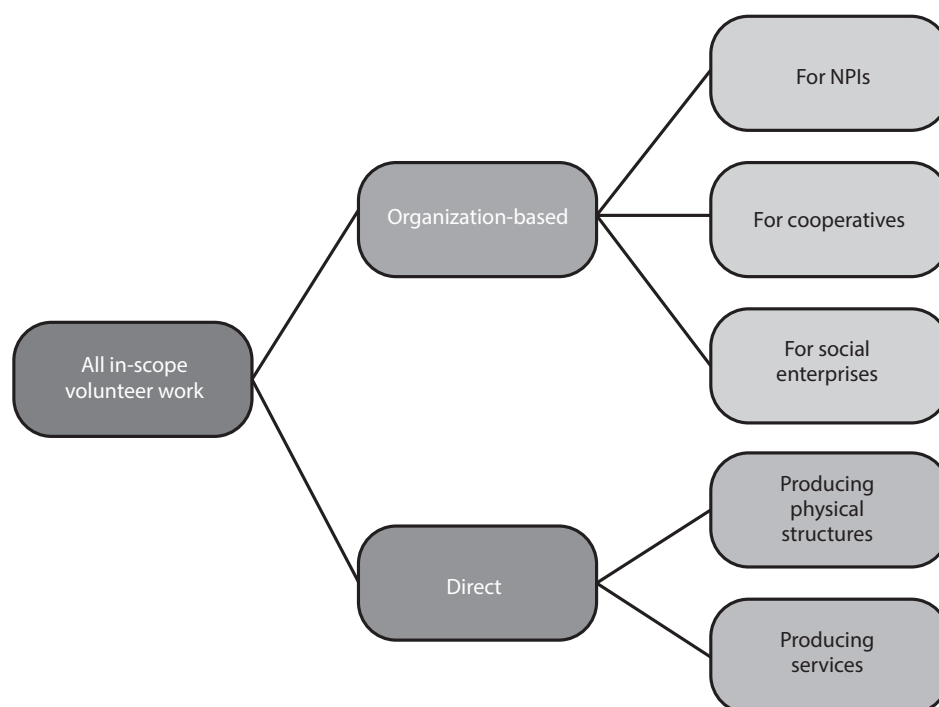
Organization-based volunteer work

3.49. Organization-based volunteer work can be carried out through or for various types of organizations (including government bodies, for-profit companies, cooperatives or non-profit organizations). For the purpose of the TSE sector satellite account, only work carried out for or through organizations that are themselves in scope qualifies. It can be further tagged in terms of the type of in-scope organization through which it is performed.

Direct volunteer work

3.50. Direct volunteer work represents unpaid work carried out by individuals outside organizations and is allocated to the household sector in the central system, which values such work differently, depending on whether it leads to the production of physical structures or of services. For the purposes of the TSE sector satellite account, however, all direct volunteer work is considered to be in scope. For further guidance on assigning value to such activities, see chapter 4.

Figure 3.5
Types of volunteer work included in the TSE sector satellite account



D. Locating the in-scope components of the third or social economy sector

3.51. TSE entities perform a wide range of economic activities. Conversely, almost all types of economic activities can be carried out not only by TSEs but also by for-profit institutions and government units. A central task in compiling and sub-sectoring a TSE sector satellite account is therefore to distinguish TSE entities from the other entities in the various institutional sectors. That requires special methodological procedures. In this section, we provide general guidance for such procedures, bearing in mind that the sources available for implementing them will probably vary from country to country. We first take up the basic approach for identifying in-scope volunteer work and then address the more complicated approach for identifying the institutions.

1. Locating in-scope volunteer work

3.52. The recommended approach for identifying in-scope volunteer work is to use household surveys. The ILO *Manual* provides detailed methodological guidance for measuring direct and organization-based volunteer work using labour force surveys.

3.53. Alternative data sources for direct volunteer work include regular social surveys and time-use surveys that follow the International Classification of Activities for Time-Use Statistics or its equivalent (United Nations, Statistics Division, 2017). Specifically, division 51, on unpaid direct volunteer work for other households, covers direct volunteer work and division 52 covers organization-based volunteer work. Further detail on the valuation of volunteer work is provided in chapter 4.

2. Locating potentially in-scope institutions

3.54. Identifying TSE institutions involves distinguishing them from non-TSE institutions in the institutional sectors to which they are allocated in the central system. The starting point should be a country's business register or similar comprehensive listing of all units resident in the country. However, because the business register itself may not contain TSE flags, two prior stages will probably be needed. The first is to narrow down the search to easily identifiable groups or classes likely to contain in-scope units. Once they have been identified, a second set of steps will determine which units meet the operational criteria outlined in section B.1 of this chapter. Those steps are set out more precisely below.

3.55. The steps involved in identifying potentially in-scope TSE institutions can take a variety of forms and involve tapping various sources of information:

- (a) Organizations that prohibit or limit distribution of any surplus they generate to their stakeholders often must register under a different legal or tax status than organizations that do not have such a prohibition. Examples include non-profit or charitable organizations, various types of cooperatives and mutual societies, corporations limited by guarantee, non-stock corporations, benefit corporations or entities eligible for special tax treatment;
- (b) Determining what legal forms, if any, carry a profit distribution constraint may also require consultations with legal experts or other persons with knowledge of the broad social economy sector in the country;
- (c) Listings maintained by umbrella organizations representing NPIs and related institutions in the country may also be helpful. Often, they carry numerical or other identifiers that correspond to those on the business register, which facilitates cross-checking;
- (d) Legal forms may well include a mix of units, some totally or significantly limited in terms of profit distribution and others not. Additional information is then needed to further subdivide groups of units with a common legal form. That is often provided through tax status or ownership type. Such information can be included in the business register itself or found in other administrative records, such as tax records or registries of various types of organizations.

3.56. In some cases, during the typical process of identifying subsets of TSE entities by combining information most readily available in administrative records, one element will suffice to identify such subsets. In others, additional elements, such as separate laws that apply for TSE entities in different fields of activity, may be necessary (see figure 3.6). An example of how this procedure was applied in one country is presented in box 3.1.

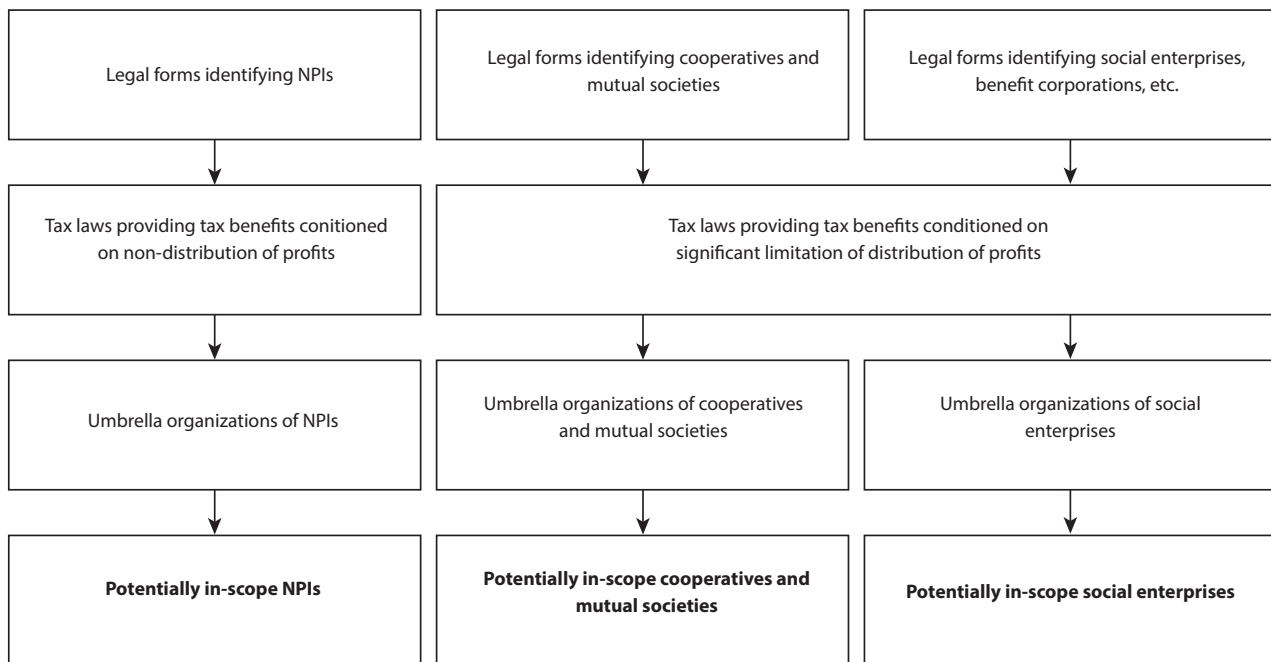
3.57. Separating in-scope TSE entities from those that are out of scope on the basis of their legal or tax status alone may not always be possible. In such situations, special procedures must be employed to identify in-scope units, particularly in cases where a legally defined class contains units both in and out of scope. One way to proceed is to examine certain revealing features of the operations of the units under scrutiny. For example, current transactions are typically recorded in the existing statistical data system used to compile national accounts. Some of those transactions or combinations of transactions are unique to units that prohibit or substantially limit surplus distribution or that pursue social missions that substantially limit their capacity to

generate surplus. Identifying such transactions may be instrumental in identifying units in the TSE sector. Possible ways of identifying in-scope units include:

- (a) The presence of significant miscellaneous current transfers (such as government grants, philanthropic contributions or membership dues) may serve as a proxy for a significant social-purpose mission. Similarly, the absence of dividends paid to owners or members over a period of years can tag an organization or class of organizations as limiting the generation and/or distribution of profits and suggesting a prohibition on the distribution of profits on the basis of invested capital. Lastly, one of the tests of whether an organization is limited in its capacity to distribute profit is the employment of a significant number of people with special needs. That characteristic should appear in the form of higher employee compensation expenses than in comparable units that do not employ such people, given that such employees may need support systems, such as transportation, special facilities, additional training, addiction services, paid sick leave and in-kind compensation;
- (b) Another possibility is to use the industry classification code as an indicator of out-of-scope status. For example, some countries have found that all, or virtually all, cooperatives or mutual societies operating in the finance and insurance industries allow unlimited distribution of profits and/or distribution based on capital invested;
- (c) Since it is possible that none of the above-mentioned operational characteristics alone may be sufficient to properly identify units falling within the scope of the TSE sector and several may need to be considered jointly, statistics offices may want to consider using statistical techniques, such as discriminant analysis, to classify objects into mutually exclusive and exhaustive groups based on a set of measurable features of those objects.¹⁹ Another option would be to use relatively small probability samples of units drawn from the “mixed” categories and examine each unit in the sample individually to determine whether it is likely to be in or out of scope. That sample can then be used to estimate the shares of employment or various financial flows that are in and out of scope. Those shares can then be applied to the entire class of units from which the samples were drawn.

¹⁹ For details on this technique, see Klecka, 1980.

Figure 3.6
Sources of information for identifying potentially in-scope TSE entities



Box 3.1

Case study: Identifying NPIs in the United States

The Quarterly Census of Employment and Wages (QCEW) is a comprehensive listing of all businesses in the United States with employees covered by Unemployment Insurance. Those businesses are required to report employment for each month and quarterly wages and unemployment insurance contributions to the respective state each quarter. The data for all states is centrally managed by the federal Bureau of Labor Statistics. The QCEW contains information on the ownership of units but distinguishes only between government and private ownership, without further breaking down privately owned business into for-profit and non-profit. Official labour force statistics thus make no distinction between for-profit and non-profit places of employment, obscuring the relative scale of non-profit employment in the country, both overall and by industry.

Fortunately, the United States tax authority maintains a separate file of organizations that have been granted tax exemptions under several provisions of the tax code, one of which corresponds closely to the category of NPIs as defined in the *Handbook*. Although far from complete, this exempt organization master file carries an identification number for each organization that corresponds to a number in the QCEW data set. With the cooperation of the Bureau of Labor Statistics, researchers from the Johns Hopkins Center for Civil Society Studies were able to merge the two data sets and identify the vast majority of NPIs in the QCEW data set. In the process, they were able to generate the first empirical estimates of the size of the NPI workforce, overall and by field and state, in the United States.

Sources: Salamon and Sokolowski, 2005; and United States, n.d.

3.58. Identifying social enterprises in the existing records remains a challenge. The legal framework regulating those entities was still developing at the time of writing. Some countries have established distinct legal forms for such organizations, including: social cooperatives in Italy; social impact companies in Luxembourg (Luxembourg, 2016); community benefit corporations in the United Kingdom and benefit corporations and low-profit limited liability companies (L3C) in the United States.²⁰ Such provisions explicitly allow such corporations to direct some of their proceeds to a social or environmental mission and relieve them of the requirement to maximize their returns to investors and shareholders. Companies that choose to register under those laws are thus likely to be candidates for inclusion in the TSE sector satellite account. Many countries, however, have yet to enact such laws. Even where they do exist, moreover, the incentives to register officially under them is often insufficient to convince social enterprises to do so. Many opt to register as NPIs, while others register under an alternative corporate status. As a result, other methods for identifying social enterprises may be needed. Among the more promising could be membership lists maintained by the many social enterprise networks that have surfaced in a growing number of countries, by social impact investment organizations like the European Venture Philanthropy Association²¹ or by social impact certification agencies, such as B-lab, a global non-profit organization operating in Australia, Canada, Europe, Latin America and New Zealand.²²

²⁰ See Lane, 2011.

²¹ See <https://evpa.eu.com/>.

²² See www.bcorporation.net/what-are-b-corps/about-b-lab.

3. Testing whether potentially in-scope organizations correspond to the defining third or social economy operational features

3.59. Once legally defined classes of units likely to contain in-scope units have been identified in the data, the next step is to determine which of those units meet the operational definition for inclusion in the TSE sector satellite account. Table 3.3 provides a tool that can be used to complete this step. All categories of potential TSE entities that can be identified should be listed here (for example, by legal form, tax status, ownership type or other identifiers) and each category should be tested against the defining features of in-scope TSE entities. In each case, some notation should be made about whether none, some or all of the entities in the particular category meet the specified criterion.

Table 3.3
Grid for assessing categories of NPIs and related institutions that potentially fit the criteria for inclusion in the TSE sector satellite account

Categories of potentially in-scope TSE institutions	Share of units displaying defining features of in-scope TSE institutions					
	1 Organization? (none, some, all)	2 Self-governing? (none, some, all)	3 Non-compulsory? (none, some, all)	4 Limited profit distribution? (none, some, all)	5 Private? (none, some, all)	In scope? (none, some, all)
I. Legal form						
A. NPIs						
A.1: Social service organizations						
A.2: Education organizations						
A.3: Hospitals						
A.4: Religious organizations						
Other						
B. Cooperatives						
B.1: Purchasing cooperatives						
B.2: Agricultural marketing cooperatives						
B.3: Consumer cooperatives						
B.4: Housing cooperatives						
Other						
C. Social Enterprises						
C.1: Sheltered workshops						
C.2: Work integration						
C.3: Benefit corporations						
Other						
II. Tax Exemptions						
A.1: Income taxes						
A.2: Value added taxes						
A.3: Property taxes						
A.4: Contribution exemptions						
Other						

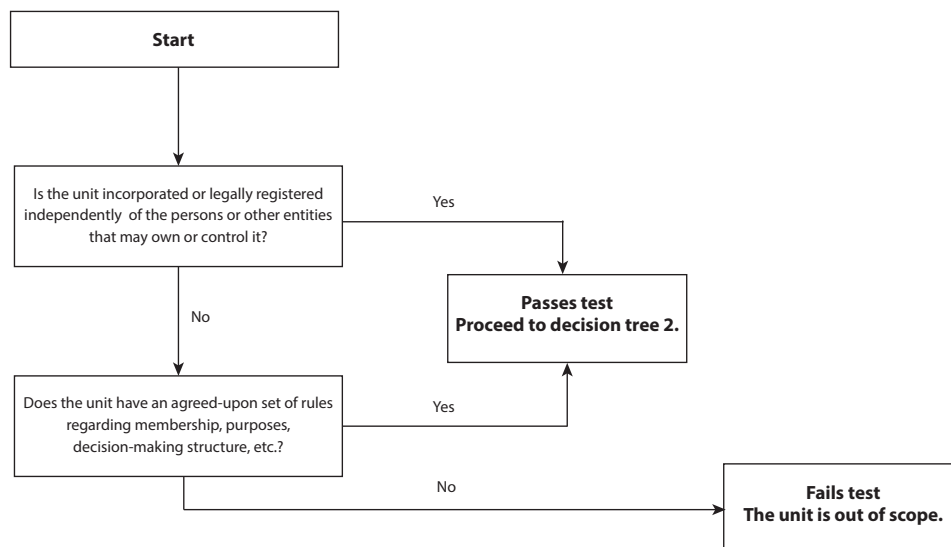
3.60. To assist in the process, decision trees for each of the operational features can be used (see figures 3.7 to 3.11). For each group of organizations identified in the first column of table 3.3, use the decision trees in the order listed below to test whether all, some or none of the units in the group display the given feature and then record the overall result of all five tests in the final column. If all units in a group pass all tests, the entire group is added to the list of institutions and the test ends for that group. If none of the units passes, the entire group is excluded. If some but not all units pass all five

tests, the group should be divided into more homogenous subsets until it is possible to decide whether all or none of the units in those subsets pass or fail. If it is impossible to further split groups indicating “some” TSE presence, alternative means of identifying in-scope units in those groups should be deployed, including case-by-case examination of each record in that group. It can be useful to consult persons knowledgeable about the types of units that fall within the scope of the TSE sector in a given country. The process ends once all or virtually all units that fall within the scope of the TSE sector have been identified. At that stage, two additional decision trees (see figures 3.12 and 3.13) are provided to help to allocate the units to one of the three institutional subsectors—NPIs, cooperatives and mutual societies or social enterprises.

Organization test

3.61. The first decision tree (see figure 3.7) is used to test whether the entities in question are organizations. All legally registered units meet this test by definition, but it is also possible for unregistered units to do so if they meet additional tests. They can be considered to be organizations if their existence is recognized by society and there is evidence of agreed-upon rules, a decision-making structure and some meaningful degree of organizational permanence. All units that pass any of these tests are organizations and proceed to the next test. Those that fail are out of scope.

Figure 3.7
Decision tree 1: Organization test



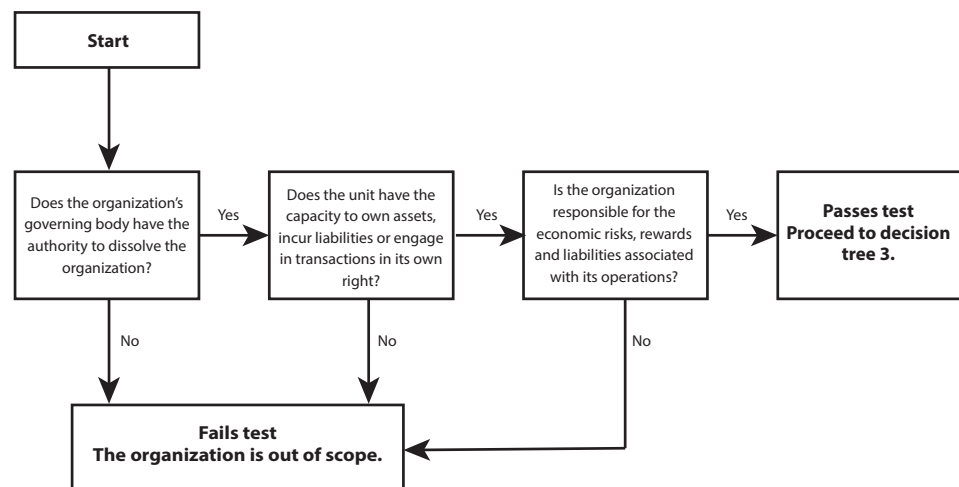
Self-governing test

3.62. The second test in the sequence (see figure 3.8) determines whether organizations are self-governed. Determining self-governance is particularly important owing to the presence of large groups of corporations or conglomerates in which a parent corporation controls several subsidiaries, some of which may control subsidiaries of their own, and so on (2008 SNA, para. 4.51). This test focuses primarily on self-governance vis-à-vis other private-sector organizations, such as for-profit companies or other TSE entities. It is also relevant to establishing self-governance vis-à-vis government but a more comprehensive test of government control for units that pass the self-governing test is administered in decision tree 5 (see figure 3.11).

3.63. According to the 2008 SNA, what is important in making judgments about whether an organization is self-governing is not the locus of legal ownership but the locus of economic control, and this applies to circumstances in which other private-sector units own NPIs, cooperatives or social enterprises and to those in which NPIs, cooperatives or social enterprises own for-profit companies (2008 SNA, paras. 2.43 and 3.23–3.29). While such TSE institutions may be legally owned by a corporation or holding company, they remain self-governing as long as they are fully responsible for the economic risks and rewards that their operations entail and institutionally separate from other units that may legally own them. They are therefore allocated to economic sectors based on their own economic activities rather than those of the units that may legally own them. A for-profit corporation that might be owned by a foundation would therefore not be allocated to the TSE sector as an NPI as long as the corporation maintains full responsibility for any economic risks or rewards its operations entail. Similarly, a non-profit legally owned by a for-profit holding company would be allocated to the TSE sector satellite account as long as it remains responsible for the economic risks and rewards entailed in its operations. Another important indicator of self-governance is the capacity of an institution to own assets, incur liabilities or engage in transactions in its own right.

3.64. Lastly, self-governing organizations may dissolve themselves by their own authority. Legal requirements to follow due process in carrying out the dissolution or to limit the ways in which the organization's assets are disposed of generally do not constitute an infringement of that power. Governing bodies of organizations that are controlled by other units, be they private corporations or government, generally lack the capacity to dissolve the organization on their own authority. The self-governing test related to control by private institutions consists of three questions on whether the organization's governing body has the authority to dissolve it, whether the organization can own assets and enter transactions, and whether it is fully responsible for the economic risks and rewards of its activities. Units that fail this test fall outside the scope of the TSE sector.

Figure 3.8
Decision tree 2: Self-governing test

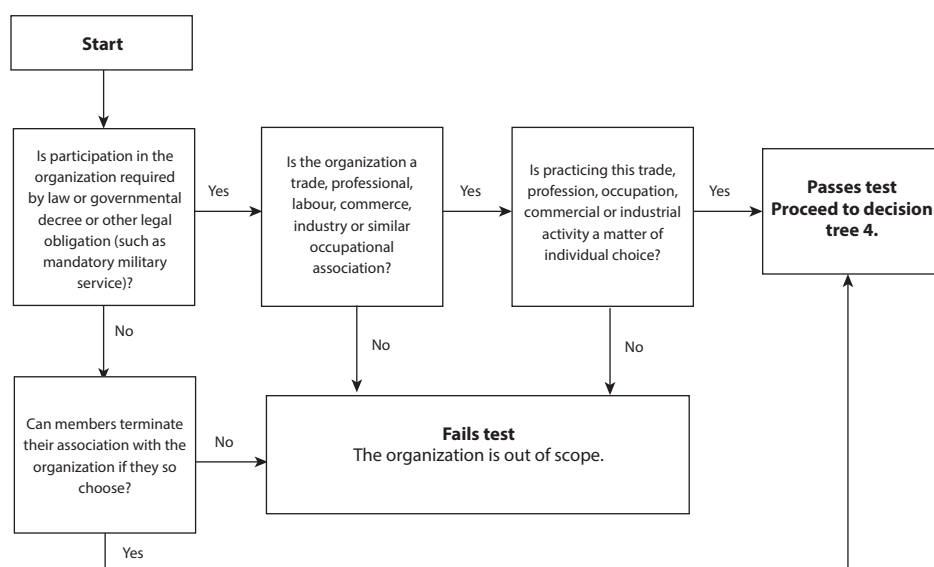


Non-compulsory test

3.65. The third test in the sequence (see figure 3.9) seeks to determine whether participation in the organization, whether as members, employees or supporters, is compulsory. This is a straightforward application of the conditions outlined in paragraphs 3.09–3.10. The only borderline cases are associations in which membership is required to practice a trade or a profession. If the decision to practice a profession or trade is itself open to individual choice, then the obligation to join a professional or trade association does not place it outside the scope of the TSE sector. All units that fail this test are out of scope.

Figure 3.9

Decision tree 3: Non-compulsory test

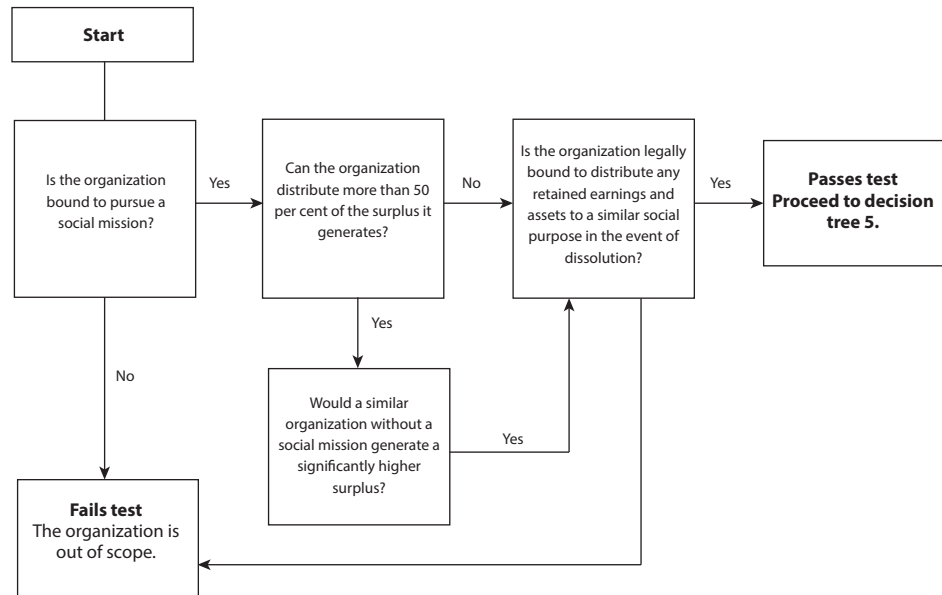


Limited-profit distribution test

3.66. This test (see figure 3.10) is a straightforward application of conditions laid out in section B.1 of this chapter and consists of three questions regarding whether the organization is bound by law, governing document or a set social custom to pursue a social mission; whether it can distribute more than half of any profit it generates; and whether it is legally bound to distribute any retained earnings or other assets to an organization with a similar social purpose in the event of dissolution. If the answer to the second question is affirmative, a further test is administered to determine whether the pursuit of the social mission (including focusing on serving or employing disadvantaged persons or providing products or services to members at below-market costs) significantly limits the organization’s profit-earning potential. The third question indicates the presence of a capital lock. Units that fail this test are out of scope.

Figure 3.10

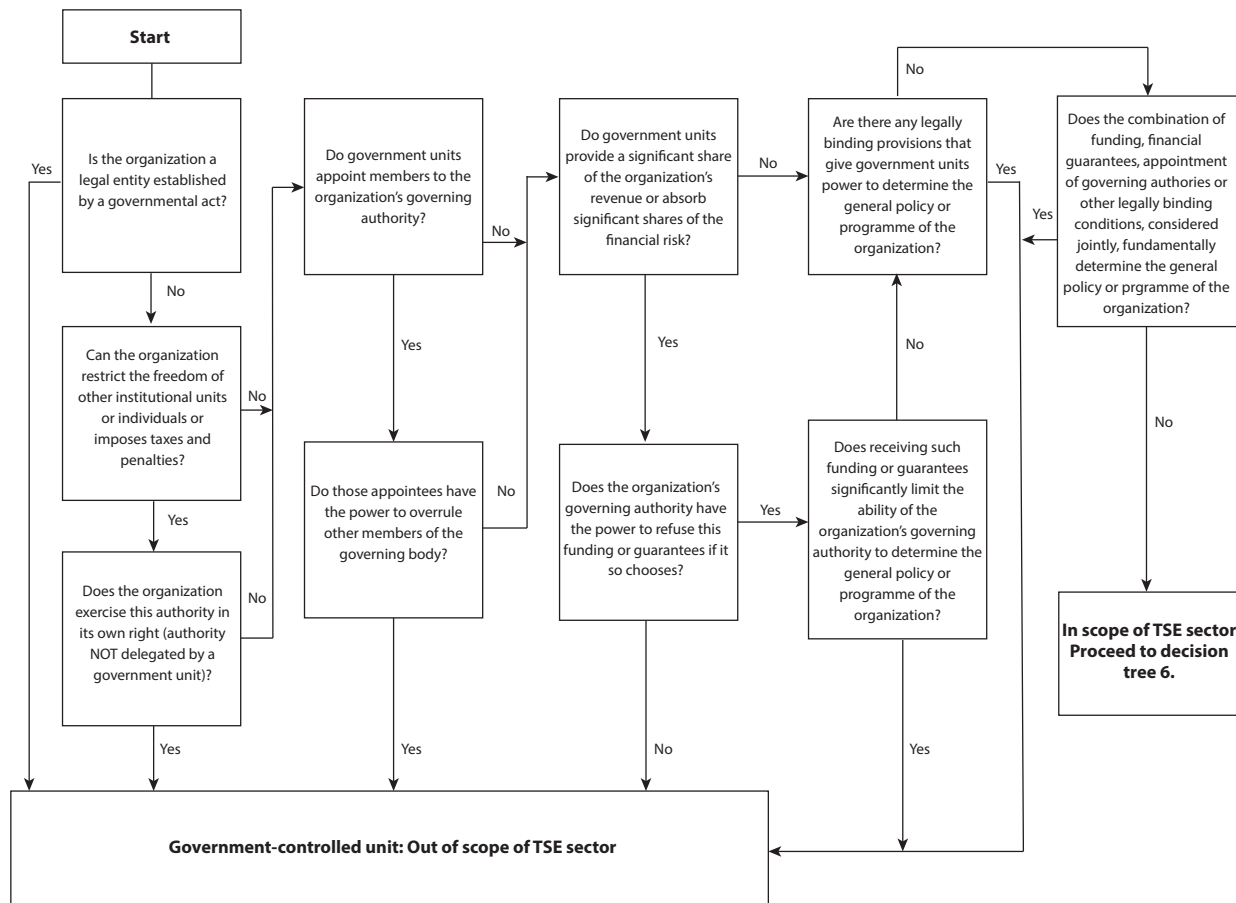
Decision tree 4: Limited-profit distribution test

*Private test*

3.67. The final test in the sequence aims to determine whether entities are private, that is, not controlled by government (see figure 3.11). A first question that must be resolved is whether they were individually established directly by government action through a legislative or governmental process. Entities such as government statistics agencies, public universities and government hospitals typically are created by specific acts of legislation rather than by private individuals. Legislation is thus also needed to terminate them. Such entities differ from those created by private individuals under general legislation and do not fall within the scope of the TSE sector.

3.68. Equally important in assessing the public or private character of entities, and hence the degree to which they are controlled by government, is whether they have legislative, judicial or executive authority over other units or persons. Such authority is typically exercised by governments, which are out of scope. Some entities, such as professional or employer associations, may exercise such authority on behalf of government, so the crucial test is whether they exercise it in their own right or on behalf of government agencies responsible for regulating the particular activity area. Even if they exercise such authority on behalf of other government agencies, they may still pass the test. That can usually be determined by consulting the applicable legal statutes.

Figure 3.11
Decision tree 5: Private test



3.69. A third line of questioning focuses on the control of an entity’s governing body. The appointment of officers by a government unit amounts to control only if the appointees have greater voting or veto power than other members of the governing body. This third line of questioning also examines whether funding by a government unit is so substantial or confining that it leads to effective control. Issues for consideration include whether the entity may seek alternative sources of funding and whether the funding comes from a variety of government sources, even if they are all the same type of source (for instance, multiple departments or levels of government). Receiving government funding does not necessarily restrict the decision-making autonomy of an organization.

3.70. A fourth issue is whether, regardless of the other factors, the organization retains the power to determine its general policy or programme. Government control can be established on the basis of any one of the above-mentioned indicators or several of them jointly. All units identified as controlled by government are out of scope.

3.71. Entities must pass all five tests to be in scope. They should be flagged in the data systems of the business registers. An attempt should be made to ensure that all such identifiers are incorporated into the data systems used to compile national accounts statistics. That may require checking the listings against the business register to ensure that there are no significant gaps in coverage of in-scope units. Such

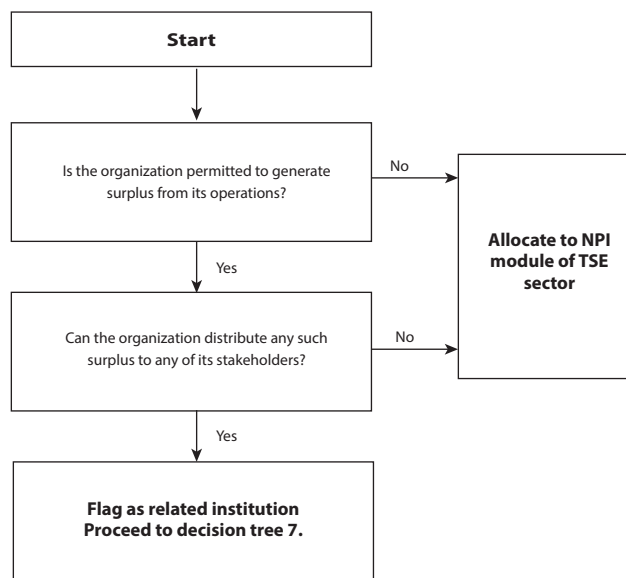
gaps may not be obvious, as they may include small organizations that do not meet reporting requirements or administrative or other records not judged to be central to national accounts work, or result from a lack of staff to keep business registers fully updated. Once preliminary lists of TSE institutions have been identified from the business register or other records, experts may be consulted to determine the size of coverage gaps, if any, and their likely impact on the national estimates of TSE sector financial flows. If the impact is likely to be substantial, experts should suggest possible ways of addressing it.

3.72. The second round of tests allocates all units deemed to be in scope to one of the three institutional subsectors of the TSE sector: NPIs, cooperatives and mutual societies, and social enterprises. These tests apply only to in-scope units and follow operational rules set forth in section B.2 of this chapter.

3.73. The first in this sequence is the NPI module test (see figure 3.12), which aims to establish whether the unit can earn any profits and whether it can distribute them to its stakeholders. If the answer to one or the other question is negative, the unit is allocated to the NPI module. All other units are considered related institutions and tested for further module allocation.

Figure 3.12

Decision tree 6: Non-profit institutions module test



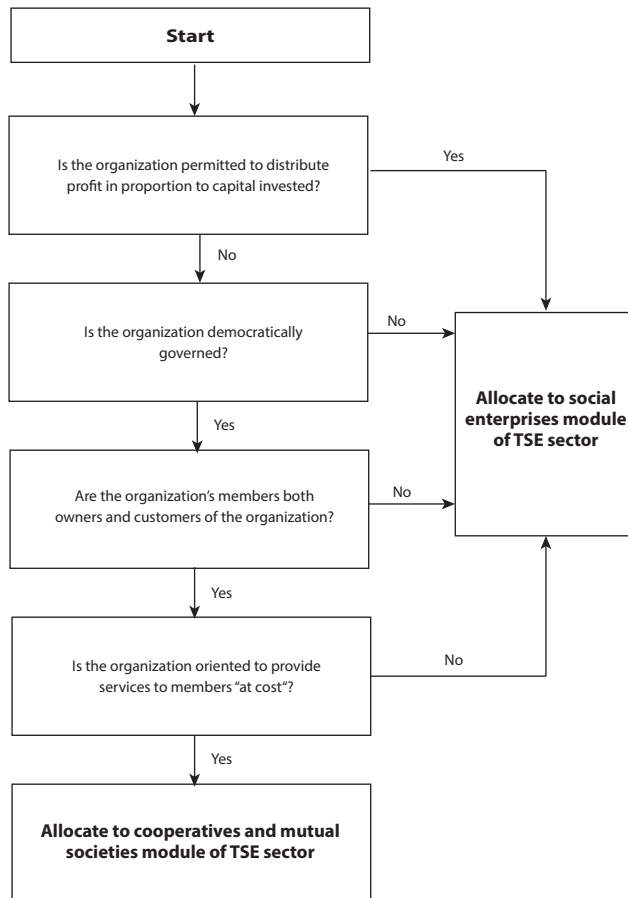
3.74. The next test in the sequence is the cooperatives module test (see figure 3.13). Following the operational rules outlined in subsection B.2, it consists of questions about whether the unit meets the four criteria defining cooperatives: limits on the distribution of profits in proportion to invested capital or fees paid; democratic governance; shared identity (members are both owners and customers); and orientation to provide services to members “at cost”. All units that fulfil those criteria are assigned to the cooperatives and mutual societies module.

3.75. Remaining in-scope institutions that fail to meet the criteria either as NPIs or cooperatives or mutual societies are assigned to the social enterprises module.

3.76. Once those steps have been taken, it will be possible to assemble all the data and produce a full picture of the TSE sector satellite account institutions, overall and

by subsector. In chapter 4, the most critical data elements for inclusion in the satellite account are discussed, as well as how to secure them, with respect to the institutions examined in this chapter and volunteer work, which is addressed more fully in that chapter.

Figure 3.13
Decision tree 7: Cooperative module test



Chapter 4

Compiling the third or social economy sector satellite account II—Assembling the data

A. Introduction

4.1. In the preceding chapters, the scope of a recommended TSE sector satellite account embracing NPIs, related institutions and volunteer work was delineated and an outline provided of the methodology and operational rules for identifying the institutions and forms of volunteer work allocated to the various SNA sectors and sub-sectors. The purpose of this chapter is to outline the data items to be assembled on the in-scope institutions and volunteer work.

4.2. Most of the required data items (referred to as core flows or core variables) are already included in the central national accounts system. The task of assembling the satellite account core variables should thus be straightforward, once the subsectoring recommended in chapters 2 and 3 has been carried out: it is a matter of adding together the values of the core TSE variables for all NPIs and related institutions found in the sectors to which they are allocated in the SNA. In this chapter, a set of refinements and additions to those core variables is identified, which can maximize the clarity and utility of the resulting satellite accounts. Those refinements and additions should also be included in the TSE sector satellite account.

4.3. In section B, the core SNA flows that will be carried over into the TSE sector satellite account are reviewed. Recommended elaborations of those variables are examined in section C. They will enhance the utility of the satellite account by bringing into clearer focus certain features that are especially important for TSE institutions. In section D, details are provided on how to derive two additional variables relating to workers in the TSE sector that will help to provide a fuller picture of TSE output.

B. Core System of National Accounts flows

4.4. The heart of the TSE sector satellite account consists of the core flows already included in SNA data. That includes the information the SNA provides about the behaviour of institutional units, the activities in which they engage—production, consumption and the accumulation of assets—and the transactions and flows among them (2008 SNA, para. 1.7). That logical sequence of interconnected flows and stocks is referred to as the sequence of accounts (2008 SNA, paras. 1.13–1.22).

4.5. Under the 2008 SNA, it is recommended that the flows and stocks of NPIs be identified separately in the national accounts. In the *Handbook*, the same is recommended for related institutions. National accounts statisticians will thus need to

estimate separately the values of the core SNA data elements for NPIs and related institutions allocated to the various institutional sectors in the central SNA system. Once that is done, compiling a TSE sector satellite account will consist of the fairly straightforward task of combining all of those values relating to in-scope TSE institutions.

4.6. The current accounts record the production of goods and services, the generation of income by production, the subsequent distribution and redistribution of income among institutional units and the use of income for purposes of consumption or saving (2008 SNA, para. 1.16). The 2008 SNA contains detailed definitions and instructions for recording those flows. Table 4.1 provides a non-duplicative list²³ of those data elements (transactions and balancing items) that are likely to be most relevant for TSE entities.

²³ Some data elements appear more than once in the sequence of accounts but are listed only once in this section for the sake of brevity.

Table 4.1
Existing core SNA current account data items to be carried into the TSE sector satellite account

SNA account	Transaction/balancing item name	2008 SNA code
Production	Output	P1
	Market output	P11
	Output for own final use	P12
	Non-market output of NPISHs	P13
	Intermediate consumption	P2
	Value added, gross	B1g
	Consumption of fixed capital	P51c
	Value added, net	B1n
Generation of income	Compensation of employees	D1
	Taxes on production and imports	D2
	Subsidies ^a	D3
	Operating surplus, gross	B2g
Allocation of primary income	Property income	D4
	Balance of primary income, gross	B5g
Secondary distribution of income	Other social insurance benefits	D622
	Miscellaneous current transfers	D75
Use of disposable income	Disposable income, gross	B6g
	Final consumption expenditure	P3
	Saving, gross	B8g
Redistribution of income in kind	Social transfers in kind	D63

^a See Viet Vu, 1998.

4.7. Accumulation accounts cover changes in assets and liabilities and changes in net worth and include the capital account, financial account, other changes in the volume of assets account and revaluation account. The accumulation accounts show all changes that occur between two balance sheets (2008 SNA, para. 2.84). The 2008 SNA contains detailed definitions and instructions for recording data elements in those accounts. Table 4.2 provides only a non-duplicative list of those data elements that are most likely to be relevant for TSE entities.

Table 4.2
Existing core SNA accumulation account flows to be carried into the TSA sector satellite account

SNA account	Transaction/flow/balancing item name	2008 SNA code
Capital	Gross capital formation	P5g
	Gross fixed capital formation	P51g
	Consumption of fixed capital	P51c
	Changes in inventories	P52
	Acquisitions less disposals of valuables	P53
	Acquisitions less disposals of non-produced assets	NP
	Capital transfers, receivable	D9r
	Capital transfers, payable	D9p
	Net lending (+) / net borrowing (-)	B9
Financial	Net acquisition of financial assets	
	Monetary gold and special drawing rights	F1
	Currency and deposits	F2
	Debt securities	F3
	Loans	F4
	Equity and investment fund shares	F5
	Insurance, pension and standardized guarantee schemes	F6
	Financial derivatives and employee stock options	F7
	Other accounts receivable/payable	F8
Other changes in the volume of assets	Economic appearance of assets	K1
	Economic disappearance of non-produced, non-financial assets	K2
	Catastrophic losses	K3
	Uncompensated seizures	K4
	Other changes in volume not elsewhere classified	K5
	Changes in classification	K6
	Total other changes in volume	
Revaluation	Changes in net worth due to other changes in volume of assets	B102
	Non-financial assets	AN
	Financial assets/liabilities	AF

C. Elaborations on core System of National Accounts data items recommended for third or social economy sector satellite accounts

4.8. Certain features of TSE entities make it highly desirable to elaborate on the core SNA variables in several ways. Three major such recommended elaborations are examined in this section.

1. Additional detail on sources of revenue

4.9. Unlike private businesses, NPIs and many related institutions receive revenue not only from market sales to governments, other businesses and households, but also from transfers (grants) from governments and corporations, from membership

dues paid by individuals and institutions and from philanthropic gifts from households, corporations and other NPIs (such as foundations). From a policy perspective, it is enormously helpful to track the separate sources of those revenues. It is especially important to have an accurate picture of the share of TSE revenue coming ultimately from government sources because those sources have grown significantly in scale and importance and have special policy relevance. In most developed countries, government payments to NPIs, either directly as purchases (contracts) or grants, or indirectly through reimbursements of services provided to individuals, account for between 40 and 80 per cent of overall NPI revenue (Salamon and others, 2004). Also of considerable interest in the TSE sector are trends in private charitable support from individuals, foundations or corporations. Lastly, volunteer work is treated under the TSE sector satellite account as a producer of economic value that is not fully recorded in the central SNA system but deserving of recognition in the satellite account. How to value such work is discussed below (see paras. 4.36–4.42).

4.10. Standard SNA treatment of such revenue flows makes it difficult to identify some of their sources in the national accounts. For example, in the SNA, government transfers to TSE entities are combined with other miscellaneous current transfers and merged with transfers from the rest of the world, membership dues paid to NPIs by households and private philanthropy (donations of money to NPIs by households, philanthropic intermediaries or private businesses). In addition, government contracts are treated as market sales and consequently recorded together with other output of TSE entities. Government reimbursements of services provided to households are reported in the SNA as social transfers in kind from government to households and consequently also included in the output of TSE entities that receive them as private payments for services they render to eligible individuals. This SNA recording of government support obscures the overall size of government support to TSEs by combining grants with private philanthropy and dues and recording government contract purchases and reimbursement payments as market sales.

4.11. To clarify the scale of government and private charitable support to TSEs, it is recommended that the TSE sector satellite account supplement the standard SNA reporting on revenue flows to TSE entities, which is based on transaction type, by regrouping the flows into the following categories, based primarily on the source of revenue and only secondarily on transaction type: government support, including grants, contracts, reimbursement payments and transfers from the rest of the world; non-government purchases; charitable transfers from individuals, corporations, foundations and the rest of the world; and membership dues. Table 4.3 depicts the SNA location of the various components of those types of flows to TSE entities. Thus, for example, government support includes: government purchases that are treated as market sales and grouped with other output in the SNA; government grants (including foreign government grants) that are grouped with other transfers in the SNA; and government-funded, voucher-type reimbursements for services to households that are treated as market sales to households and also grouped with other output in the SNA.

Table 4.3
Revenue flows to TSE entities: TSE sector satellite account versus SNA categorization

TSE sector satellite account categorization	SNA categories in which the TSE sector satellite account variable can be found
Source and transaction type	Transaction type
Government:	
Government transfers	Transfers (D75), including those from the rest of the world
From the rest of the world (S.2)	Transfers (D75)
Government contracts	Output (P11)
Government vouchers	Output (P11)
Non-government payments:	
Household purchases	Output (P11)
Corporate purchases	Output (P11)
TSE purchases	Output (P11)
Dividends, rent, interest, etc.	Property Income (D4)
Dues paid by:	
Corporations	Output (P11)
TSE entities	Output (P11)
Households	Transfers (D75), including those from the rest of the world
Philanthropy from:	
Households	Transfers (D75)
Imputed value of volunteer work	See paras. 4.36–4.42
Foundations	Transfers (D75)
Corporations	Transfers (D75)
Rest of the world (S.2)	Transfers (D75)
Capital transfers from:	
Households	Transfers (D9)
Foundations	Transfers (D9)
Corporations	Transfers (D9)
RoW (S.2)	Transfers (D9)
Total	Total

4.12. The separate identification of membership dues to TSE institutions is needed in view of the separate treatment of such dues, depending on the type of TSE institution in question. In particular, subscriptions and membership dues paid to NPIs serving businesses are a part of the market output of those NPIs, whereas subscriptions and membership dues paid to NPISHs are treated as miscellaneous current transfers (2008 SNA, para. 4.89), along with charitable donations and government transfers. In addition, certain dues, such as those to health or social clubs, have the character of payments for services or other benefits available only to members rather than charitable contributions for services available to the public. They should thus be reported separately for TSE institutions so that dues representing philanthropic support, such as those paid to environmental or human rights organizations, can be distinguished from those that essentially represent the purchase of “club goods”.

4.13. The sources of capital transfers to TSE entities reported in the capital account should, to the extent possible, also be identified in the TSE sector satellite

account. That is consistent with the need to clarify the relative weight of government and private charitable support to those entities. Such transfers should be reported separately from any government payments recorded in the current accounts.

4.14. The additional information needed to that end is listed in table 4.4. The remainder of this subsection contains guidance for compiling the set of regrouped revenue data elements recommended for the TSE sector satellite account, in particular with regard to estimating government payments related to output and miscellaneous current transfers to TSE entities (see paras. 4.16–4.18) and estimating the value of subscriptions and membership dues payable to NPISHs (see paras. 4.19–4.20).

Table 4.4
Information needed to clarify revenue flows in the TSE sector satellite account

SNA flow name	SNA code	Additional information needed for TSE sector satellite account
Output	P1	<ul style="list-style-type: none"> Identify portion of output attributable to government contracts and reimbursements for services to households
Miscellaneous current transfers	D75	<ul style="list-style-type: none"> Identify government transfer share of miscellaneous current transfers Identify portion of miscellaneous current transfers from subscriptions and membership dues to NPISHs Identify portion of miscellaneous current transfers from philanthropic gifts from corporations and households Identify portion of miscellaneous current transfers from the rest of the world (by source, if possible)
Capital transfers, receivable	D9r	<ul style="list-style-type: none"> Separately identify capital transfers from government, corporations and households and the rest of the world (by source, if possible)

4.15. Identifying the sources of government support to TSE entities can be done by working either from the provider side (government budget data) or the recipient side (data on TSE sector revenues), or both.

4.16. To estimate government payments to TSE entities from government budget data, all government programmes that provide financial resources to TSE entities either directly, through transfers or contracts, or indirectly, through reimbursements for particular services, need to be identified. The outlays under those programmes in a given reference year also need to be identified. Then the share of those programme outlays that flows to TSE entities needs to be estimated. If government data systems do not track those revenue flows, the TSE share will also need to be estimated. That can be done by consulting programme experts or by using a proxy that reflects the TSE share of a given programme. The TSE share of gross value added in a particular economic activity, the TSE share of total employment in the field or some other relevant capacity measure may serve as a proxy. Those TSE shares of activity can then be applied to the total outlays in a field or programme to yield an estimate of the amount of government revenue reaching TSE entities in the field or under the various programmes.

4.17. If the government budget data do not make it possible to reliably estimate government payments to TSE entities, an alternative approach is to focus on the recipient side of the transaction. Many countries require some or all TSE entities to submit regular financial reports that include detail on the amount and sources of their revenues. If such reports are unavailable or provide insufficient detail on revenue sources, a probability sample of the TSE entities can be used to estimate the parameter in question for the entire population. Alternatively, the information may be collected in economic surveys or censuses.

4.18. The purpose of identifying membership dues in miscellaneous current transfers to NPISHs is to provide a clearer picture of private charitable contributions, also included in miscellaneous current transfers. This, too, can be done in two ways: by working from the recipient side (from data on NPISH revenues) in a manner similar to that described above (para. 4.18) for identifying government payments, if such data are available, or by generating an estimate based on the main type of activity in which NPISHs engage. The activities can be grouped into two categories: public-serving (providing goods and services to the general public); and member-serving (providing goods or services only to members of the entity). All miscellaneous current transfers from households and corporations to public-serving NPISHs can be treated as private philanthropic gifts, whereas all such transfers to member-serving NPISHs can be treated as membership dues. Membership dues to market producers, including NPIs and related institutions, are treated as market output rather than miscellaneous current transfers and do not need to be identified separately. The assumption is that NPIs primarily funded through dues are allocated to the NPISH sector, meaning that their dues are treated as contributions.

4.19. The distinction between NPISHs that serve members and those that work for the public can be based on their economic activity (United Nations, 2008a, hereinafter ISIC Rev.4) or on administrative data sources containing information on public purposes served by institutions. Those that primarily serve members include: social clubs; fraternal lodges; sports and recreation, automobile, gardening, hobby, book discussion, consumer and other clubs; fraternities and sororities; alumni and parent-teacher associations; burial or cremation societies; labour and trade unions and professional associations; homeowner and tenants associations; and political action and campaign organizations.²⁴ Those that primarily serve the public include: social assistance and family support organizations; counselling (such as legal, psychological and marriage) services; health care and health promotion institutions; regional and neighbourhood associations for the promotion of development; museums, galleries and performing arts organizations; broadcast centres; historical sites and societies for the preservation of monuments; agencies for the promotion of science or literacy; public parks, zoological gardens and organizations for the maintenance of natural reserves; human and civil rights advocacy groups; antipoverty organizations; groups for the prevention of substance abuse; public safety advocacy organizations; animal rights and welfare organizations; environmental conservation and advocacy groups; foundations and charitable trusts; organizations for volunteering and international collaboration and exchange; and organizations promoting world peace and understanding.

²⁴ Transfer payments from households to religious congregations should be treated as membership dues but those from such congregations to public service organizations (such as family support groups) should be treated as charitable donations. Given that congregations are supported mostly by contributions from their members, this approach nets out the charitable share of those contributions from the cost of delivering member services (including facility maintenance, compensation of personnel and the cost of materials and supplies).

2. Non-market output of market third or social economy entities

4.20. The non-market output of market TSE institutions deserves further elaboration in the TSE sector satellite account. Under the SNA, non-market output is estimated for NPISHs (2008 SNA, paras. 6.94–6.98) but not for NPIs or related institutions allocated to the corporations sectors, on the assumption that market producers do not generate non-market output. Unlike other market producers, however, market TSE institutions may have substantial non-market output that is not captured in their market receipts. Such output is typically supported by volunteer work, charitable contributions or other transfers that do not appear in sales revenue. For example, an education or health care institution may provide some services free of charge or at prices below production cost. The value of such output should be estimated in order to assemble the satellite account and thereby determine the actual full value added by TSE institutions.

4.21. The non-market output of market TSE entities should thus be valued in the same way as the output of non-market NPIs in the SNA: on an operating expense basis. That information can be obtained with relative ease by adding up total production costs, including consumption of fixed capital and taxes (net of subsidies) on production (2008 SNA, para. 6.94),²⁵ plus the value of volunteer labour (see below). Where cost exceeds sales, the difference is taken to be the measure of non-market output. Where sales exceed cost, however, non-market output is assumed to be zero and the volunteer labour, if any, as valued below, is assumed to be a part of the factors of production responsible for market output.

²⁵ Taxes and subsidies on products are excluded from this calculation. By convention, no net return to capital is included for non-market production. That means that the expenses associated with the non-market output of market NPIs must be added to the measures of NPI output. Those expenses must include consumption of fixed capital and taxes on production (less subsidies) and the value of volunteer labour, but not return to capital.

4.22. On occasion, the total production cost method may be inadequate for estimating the actual value of non-market output. Many organizations cross-subsidize their non-market (social or charitable) activities with market sales of goods and services. If the market sales cover the total operating costs of such an organization, the non-market output is invisible under the total production cost method. In such situations, an alternative approach is to follow the method of estimating the value of direct volunteer work producing physical goods and structures (2008 SNA, para. 23.43), which is discussed in more detail below. Under that approach, the volume of goods or services provided by market TSE entities on a non-market basis (such as the number of patient-hours provided free of charge, the number of students with tuition waivers, or the number of clients served on a pro bono basis) is measured and then an imputed market value is assigned to those goods and services. The information on the volume of non-market goods or services may be available from annual reports of the units providing such services and extrapolated to the entire population in scope. The imputed market value can be estimated by one of two widely accepted techniques: replacement cost or contingent valuation. The replacement cost technique determines the imputed value of non-market production by what it would cost to purchase similar or comparable goods or services sold on the market.²⁶ The contingent valuation technique surveys the recipients of non-market goods to determine how much they would be willing to pay for those goods if they had to buy them on the market.²⁷

²⁶ For more on this technique, see Abraham, 2005, and the ILO *Manual* (chap. 6).

²⁷ For more on this technique, see Arrow and others, 1993.

4.23. For the purposes of the TSE sector satellite account, the value of the non-market output of market TSE entities should be reported along with the value of the non-market output of NPISHs on line P13 of the output table contained in annex I.

D. Third or social economy worker variables

4.24. In addition to the core SNA and enhanced TSE sector satellite account variables, two important sets of non-financial worker variables should be included in the satellite accounts. They measure the full scope of human resources engaged in the TSE sector, including paid workers and volunteers (see table 4.5), and are needed because financial variables alone do not provide a full picture of the TSE sector's contribution to the economy. That is in large part owing to the significant degree to which TSE entities rely on volunteer labour to produce market and non-market output (2008 SNA, para. 23.11). Volunteers make up, on average, 40 per cent of NPI workers globally (Salamon and others, 2004). By SNA convention, the value of that labour is estimated at cost, which, given that volunteers typically receive no compensation, means zero.

Table 4.5
Recommended worker variables to include in the TSE sector satellite account

Name and description	Code
Employment, count of employed persons	ECNT
Employment, full-time equivalent	EFTE
Volunteers, count of persons	VCNT
Volunteers, number of hours	VHRS
Volunteers, full-time equivalent	VFTE
Imputed value of volunteer work	VVAL

4.25. In addition, many TSE entities produce non-market output that is financed by transfers and unpaid volunteer work rather than market sales. Measuring the quantity of labour therefore provides a more direct expression of the scale of non-profit activity than do financial data based on market revenue. That is particularly important in view of empirical research showing that NPIs, a core component of the TSE sector, employ significant numbers of people, often outdistance for-profit institutions in job creation and create jobs even during economic downturns (Salamon, Sokolowski and Geller, 2012).

1. Paid employment

4.26. An elaborate system for measuring employment has been developed under the auspices of the ILO. As defined under the International Conference of Labour Statisticians resolution of 2013, employment covers all persons engaged in “any activity to produce goods or provide services for pay or profit” (para. 27). Employment is typically measured by the number of persons employed for at least one hour within a specified reference period, regardless of the number of hours worked. Given that some employees work part-time, an alternative measure, full-time equivalent employment, is often used. This measure represents the number of full-time equivalent jobs, defined as the total hours worked by all workers during a reference period divided by the average annual hours considered to represent a full-time job.

4.27. Reliable data on employment are typically available from labour force surveys, which are regularly conducted in most countries. They use either households or establishments as their unit of observation. Establishment surveys allow for the estimation of TSE employment only if their respondent records can be matched with an already existing register of TSE entities of the sort likely to result from the steps outlined in chapter 3 (see box 3.1). Household surveys allow for the estimation of TSE employment only if they provide a positive identification of the institutions in which the respondents are employed and it is possible to match those units with the records of a TSE register.

4.28. If identifying TSE institutions by means of existing labour force or other surveys is not possible, a special survey of those institutions may be needed. The most efficient and cost-effective approach is to develop a supplement to an existing labour force or other survey of establishments that already collects employment data. Questions in the supplement would be needed only to allow for the identification of the TSE status of each respondent establishment. Where the TSE status of every unit may be unambiguously determined by its legal status (see chap. 3), a single screening question regarding that status will suffice. Otherwise, a series of screening questions testing each of the five defining features should be asked. Given that units covered by establishment surveys are by definition organizations in which participation is most likely

to be non-compulsory, only questions about non-profit distribution constraints, self-governance and independence from government control need to be included in the supplement (see table 4.6).

Table 4.6
Sample TSE supplement to a survey or census of establishments

Step	Question	Answers and skip logic
1	Introduction: the purpose of the next few questions is to determine whether this organization can be classified as a non-profit institution, a cooperative or a mutual society in our country's official statistics. This classification is for statistical purposes only. Answering these questions will not affect your current legal or tax status or any other aspect of your business.	
2	Does the organization have a binding prohibition on distributing any profit it generates?	Yes/no. If yes, go to step 7.
3	Is the organization bound to pursue a social mission?	Yes/no. If no, the organization is out of scope.
4	Does the organization have a binding requirement to devote at least half of any profits it generates to its social or environmental purpose?	Yes/no. If no, the organization is out of scope.
5	Does the organization have a capital lock requiring retained earnings to be dedicated to the same type of organization in the event of dissolution or sale?	Yes/no. If no, the organization is out of scope.
6	Is the organization prohibited from distributing profits in proportion to invested capital or fees paid?	Yes/no. If no, the organization is out of scope.
7	Is membership of the organization compulsory?	Yes/no. If yes, the organization out of scope.
8	Does the organization have the capacity to own assets, incur liabilities or engage in transactions in its own right?	Yes/no. If no, the organization out of scope.
9	Does the organization provide most of its goods and services to other units free of charge or at prices that are not economically significant?	Yes/no. If no, the organization is a non-market producer; if yes, it is a market producer.
10	Do government units determine the general policy or programmes of the organization or possess the authority to dissolve it?	Yes/no. If yes, the organization is out of scope.
	Decision rules	1. If 2 and 10=yes, it is NPI in S13. 2. If 2 and 9=yes and 10=no, it is S15 (NPISH). 3. If 2 or 3-6=yes and 10=yes, it is gov-ernment controlled. 4. If 2 or 3-6=yes and 10=no, it is TSE entity in S11/S12 and in scope of the TSE sector satellite account.

4.29. Once TSE entities have been identified using the supplement, the employment data can be obtained from the instrument to which the supplement has been attached.

4.30. If further survey work is not possible, an alternative estimate of TSE employment can be obtained using the employee compensation data (SNA code D1) that should be available as part of the core SNA data. For this purpose, the TSE share of employee compensation among entities in a given industry can be computed and the resulting percentage applied against the total number of paid workers in that industry in order to estimate the number of TSE paid workers. That exercise can be conducted for each industry in which TSE entities have a significant presence. Where TSE entities

pay lower wages than for-profit institutions in a particular industry or use more part-time workers, the number of TSE workers will be underestimated. The opposite holds true where TSE wages are higher. Adjustments should be made for those disparities.

2. Volunteer work

4.31. An accurate measurement of the economic impact of the TSE sector requires a proper account of volunteer work. However, little has been done to measure the scale, scope and distribution of volunteer work. The few existing surveys—official and private—use different definitions, methodologies and survey platforms, yielding widely disparate results (Salamon, Sokolowski and Haddock, 2011). Volunteer work estimates have thus been sketchy, even in countries that have already produced NPI satellite accounts.

4.32. The importance of the contribution of volunteer work to national economies was recognized by the eighteenth International Conference of Labour Statisticians in 2008. The *ILO Manual*, which was developed in 2011 in cooperation with an international group of technical experts and vetted by the labour force divisions of a number of national statistics agencies, offers a consensus definition of volunteer work and recommends a procedure for measuring and valuing such work as part of regular labour force or other household surveys. In 2013, ILO issued a broader redefinition of work, in which volunteer activity was identified as a form of unpaid work that should be measured by countries regularly, along with paid and other forms of unpaid employment. Volunteer work is defined in the *ILO Manual* as unpaid non-compulsory work; that is, time individuals give without pay to activities performed either through an organization or directly for others outside their own household or related family members (para. 3.5). The term “related family members”, which first appeared in the International Conference of Labour Statisticians resolution of 2013 (para. 37 (d) (ii)), may be interpreted differently from country to country. For the sake of comparability, we suggest using the concept of “immediate family” or “next of kin”, which can be taken to mean parents, grandparents, siblings, children and grandchildren of household members.

4.33. Six measures of volunteer work are of primary interest for the purposes of the TSE sector satellite account: (1) the number of persons who volunteered during a particular reference period; (2) the number of hours they volunteered; (3) whether the volunteer work is direct or channelled through an organization and, if the latter, what type of organization; (4) the industry (field) of the organization through which the volunteer work is carried out; (5) the tasks performed by the volunteers; and (6) the monetary value represented by the work (see also *ILO Manual*, chap. 5). Five of these are directly measured and the sixth is derived from the ones measured plus additional data. It will also be useful to collect available demographic data on the volunteers if such data are available on the survey platforms used to measure the other variables.

4.34. The number of persons who volunteered is a convenient measure of the extent to which a country’s population engages in volunteer work and can be used to compute the percentage of the adult population that engages in volunteer work (the volunteer rate) (*ILO Manual*, chap. 6). However, because volunteer work is typically performed at irregular time intervals of irregular duration, reliance on the number of persons volunteering can give an inaccurate picture of the scale of that kind of work. Information on the number of hours volunteered must also be gathered, making it possible to compare volunteer input with that of paid employment by converting the volunteer hours into full-time equivalent jobs (see para. 4.27 above).

4.35. Devising a suitable approach to valuing volunteer work poses significant challenges. In the *ILO Manual* and the *Guide for Valuing Unpaid Household Service Work* (United Nations, Economic Commission for Europe, 2017, herein after *ECE Guide*), a “replacement cost” approach to valuing volunteer work is recommended. That is fundamentally the approach adopted in the *Handbook*. By that method, the value of volunteer work is imputed by what it would cost to hire someone to do the work done by the volunteer without pay. That essentially requires measuring the duration (number of hours) of the performed volunteer work and applying an appropriate wage received by employees performing comparable work. That differs from the approach long employed in the SNA, whereby organization-based volunteer work is valued as its cost to the sponsoring organization, which, by definition, is zero or near zero. The SNA approach values direct volunteer work that leads to the production of physical structures at the value of those goods but treats direct volunteer work leading to the production of services as outside the production boundary of the economy and therefore not appropriate to count. The overall consequence is that the valuation of volunteer work is minimized.

4.36. Under the newly recommended statistical procedures for the TSE sector satellite account, valuation based on the cost to a sponsoring organization or on the value of a produced good (but not a produced service) is replaced by a valuation based on a replacement wage. Two broadly defined methods are available for determining the appropriate replacement wage: the generalist and specialist methods. The former applies an average gross wage across a range of industries and occupations and the latter determines wages that are specific to the industry, occupation and, if feasible, skill and experience level of the volunteer work performed.

4.37. The *ILO Manual* recommends application of the specialist method to all volunteer work but the *ECE Guide* acknowledges the likelihood that the productivity of direct volunteers will not match that of specialist workers in the organizational setting and that, therefore, the quality of service per hour of work is likely to be less (para. 7.5.3). Accordingly, it recommends the use of the generalist method to value direct volunteer work.

4.38. Applying the specialist approach requires the determination of wages paid in the same industry for the same occupational tasks as those performed by the organization-based volunteer workers and applying those wages to the time spent on the organization-based volunteer work. Provisions to account for differences in skill and experience levels between volunteers and paid workers should also be made, if such information is available.

4.39. To generate the data required, the *ILO Manual* recommends periodic additions of a short special supplement to labour force surveys. That method is also recommended for the compilation of TSE sector satellite accounts. The supplement (see annex 4.1) captures all the information needed to report the volume (number of hours worked) and the value of volunteer work by asking respondents about the hours of volunteer work carried out in a reference period and the tasks carried out in each volunteer engagement.

4.40. Where use of the specialist replacement cost method is not feasible because of data limitations or other factors, the next best available generalist detail should be used. Possible alternatives include (a) the average wage by industry; (b) the average wage by occupation; (c) the average wages of high, medium and low-skilled workers; or (d) a minimum wage or the wage of a low-paying occupation, such as social work activities without accommodation (ISIC Rev.4, division 88) or personal services activities (ISIC Rev.4, division 96).

4.41. To implement the generalist method, it is recommended to use the average wage for construction (ISIC Rev.4, sect. F) or repair of personal and household goods (ISIC Rev.4, group 952) for direct volunteer work leading to the production of goods, and the average wage for social work without accommodation (ISIC Rev.4, division 88) or other personal services activities (ISIC Rev.4, division 96) for direct volunteer work resulting in the production of services.

4.42. Labour force surveys have enormous advantages for the collection of reliable data on volunteer work. They typically rely on household surveys, entail the largest sample sizes of any such official or unofficial surveys (except for periodic censuses), are conducted at least annually and often on a monthly rolling basis and are most likely to survive budget cuts because employment is a critical economic variable. They are carried out by employment experts who are well versed in translating respondent descriptions of tasks into standard occupational classifications, which is crucial to identifying the appropriate replacement wage at which volunteer work should be valued. More detailed information is provided in the *ILO Manual*.

4.43. Because of the difficulties associated with obtaining access to labour force surveys, alternative vehicles for generating reliable and comparable data on volunteer work may need to be explored. One promising option is to turn to time–use surveys employing the International Classification of Activities for Time–Use Statistics or its equivalent. Time–use surveys provide a highly reliable measure of time spent on volunteer work, making it possible to estimate the total number of full-time equivalent volunteer workers in the economy during a given reference period.

4.44. The estimation involves multiplying the average number of minutes per person per day reported in the survey by the size of the adult population and by the number of days in the reference period and then dividing this by the average number of hours per a full-time job during that reference period. Time–use surveys increasingly rely on quite sizable samples, are carried out in most countries and make it possible, through the classification structure of the International Classification of Activities for Time–Use Statistics, to differentiate between direct volunteer work, captured under the major division 5 (unpaid volunteer, trainee and other unpaid work) in division 51 (unpaid direct volunteering for other households), and organization-based volunteer work, captured in division 52 (unpaid community and organization-based volunteering).

4.45. Some of the volunteer work captured in division 52, however, probably takes place in organizations that are out of scope of the TSE sector. In addition, time–use surveys capture only limited information on the occupational characteristics of volunteer work (see annex 4.2) and no information on the industry in which the organization-based volunteer work occurred—both pieces of information are needed for estimating volunteer value using the replacement cost method discussed above. Another potential problem is that volunteer work takes, on average, a small portion of the 24-hour timespans utilized for time–use surveys, so time–use survey reports often aggregate all of them to the major division level, making it impossible to distinguish between organization-based, direct and out-of-scope volunteer work (such as trainee work). That problem, however, can be partially mitigated at least by accessing time–use survey microdata and recalculating them at the desired level of aggregation.

4.46. General social surveys, which are carried out routinely in many countries, may provide an alternative source of data on volunteer work. They, too, are household surveys in which substantial amounts of demographic data are collected that can be useful for analysing volunteer work. While not nearly as sizable as the samples used for labour force surveys, they are often quite robust. Inclusion of regular supplements

on volunteer work in the periodic fielding of those surveys can therefore substitute for labour force surveys where the latter are not available. However, the quality of the data generated varies, owing to possible self-selection, non-response or recall bias. Moreover, such surveys often have their own objectives, which may or may not be consistent with the goal of obtaining data on volunteer work. Care must therefore be taken to adhere as closely as possible to the definitions and coverage of the volunteer supplement recommended in the ILO *Manual* and to ensure that corrections are made for non-response and recall biases.

4.47. Ideally, demographic data on volunteers and paid workers associated with the TSE sector should be collected, along with data on the industry in which such work is carried on. That will permit the disaggregation of the data elements listed in table 4.6 by industry and sociodemographic or geographic subcategories to meet individual country needs. For example, employment can be disaggregated by sex, age or ethnicity. Volunteer work can be disaggregated by labour force status, sex, age, educational attainment or ethnicity. As the implementation of the ILO *Manual* and its integration into the satellite account process expands, the array of countries able to generate comparable and reliable data on volunteer work will grow, making it feasible to provide the fuller picture of TSE activity that the satellite account seeks to offer.

4.48. In carrying out this valuation, care should be taken to adhere to the in-scope guidelines identified for volunteer work in section C.1 of chapter 3. Organization-based and direct volunteer work fall within the scope of the TSE sector. In the case of organization-based volunteer work, however, only volunteer activity carried out for or through in-scope TSE institutions is eligible for inclusion in the TSE sector satellite account (see para. 3.47 and figure 3.5). All direct volunteer work is eligible for inclusion in the satellite account, regardless of whether it leads to the production of goods or services.

Annex 4.1

Recommended survey module and coding book for measuring volunteer work

Step or variable	Question	Coding
RS_RULE	<i>Please indicate whether the information in this questionnaire pertains to the respondent him/herself or to other members of the household.</i>	if respondent answers for him/herself if other members of the household provide proxy response
START	So far, I have been asking you about paid work. The next few questions are about <u>unpaid, non-compulsory</u> work that you did, that is, time you gave without pay to activities performed either through organizations or directly for others outside your own household and immediate family members. <i>[Note: work is understood here to be an activity that could, in principle, be done for pay.]</i> <i>[Note: reimbursement of expenses does not disqualify an activity.]</i>	n.a.
WORK_01	In the past four weeks [<i>provide dates marking the period</i>], did you spend any time on this kind of <u>unpaid</u> activity? <i>[If yes, proceed to WORK_02. If no or not sure, proceed to PROMPT_01.]</i>	01 Yes 02 No 09 Don't know/not sure
WORK_02	Please tell me what kind of <u>unpaid</u> work you did. Please mention as many activities as you can remember. Why don't you start with the <u>unpaid</u> work that [<i>you did most recently/on which you spent the most time</i>]. <i>[Record response verbatim for subsequent occupational coding.</i> If respondent mentions more than one type of activity, differentiate answers from WORK_02 to WORK_03 by a, b, c, at end of each stated activity.]	WORK_021 Record response verbatim WORK_022 Assign activity code from ISCO-88 index
HOUR_01	I would like to determine the total number of hours you did this [<i>repeat back to the respondent the first activity they reported, then repeat HOUR_01 through TYPE_ORG04 for each additional activity mentioned</i>] in the past four weeks. Do you recall approximately how many hours you spent on this <u>unpaid</u> activity? <i>[If yes, record number of hours indicated and go to TYPE_ORG01. If no or not sure, go to HOUR_02.</i> If respondent reports a volunteer activity that is carried out concomitantly with paid work, that activity would not qualify as volunteer work. If respondent reports a volunteer activity that is carried out concomitantly with unpaid work for a member of the respondent's household, then ask the respondent to estimate the amount of time attributable to the volunteer activity.]	Record response verbatim or enter estimation based on HOUR_01 and HOUR_03
HOUR_02	If you do not recall the total number of hours, could you perhaps recall how many times you engaged in this activity in the past four weeks? <i>[Record response verbatim for subsequent frequency coding.]</i>	Enter the number of times
HOUR_03	And how many hours did you spend doing this <u>unpaid</u> work [<i>the last time you did it/on average each time you did it</i>]? <i>[Record response verbatim.]</i>	Enter the number of hours
TYPE_ORG01	Did you do this <u>unpaid</u> work for or through an organization? <i>[If no, code [direct] and go to WORK_03.]</i>	01 Yes 02 No 09 Don't know
TYPE_ORG02	<i>What is the name of the organization for which you did this <u>unpaid</u> work?</i> <i>[Record response verbatim for subsequent industry and sector coding. If more than one organization is mentioned, repeat questions TYPE_ORG03–04 for every organization.]</i>	TYPE_ORG021 Record response verbatim TYPE_ORG022 Assign industry code from ISIC Rev.4 index (leave blank if answer to TYPE_ORG-1 is "no" or "don't know") TYPE_ORG032 Assign sector code (leave blank if TYPE_ORG01 is "don't know") 00 Direct volunteer work in S14 (if TYPE_ORG01 is "no") 01 NPI or NPISH 02 Cooperative/social enterprise 03 For profit business (S11/S12) 04 Government, including NPI in S13 09 Don't know/not sure
TYPE_ORG03	<i>[If name of organization is not in code book, or if no code book is used, ask]</i> What does this organization do? _____ (80 spaces) <i>[Record response verbatim for subsequent industry coding.]</i>	TYPE_ORG031 Record response verbatim TYPE_ORG032 Assign industry code from ISIC Rev.4 Index (leave blank if answer to TYPE_ORG-1 is "no" or "don't know")

Step or variable	Question	Coding
TYPE_ORG04	I will now read you a list of four types of organizations. Please tell me which best describes the organization for which you worked: A. Charity/non-profit organization/non-governmental/union/religious B. Cooperative or social enterprise with limited profit distribution C. For-profit D. Government E. Don't know/not sure F. Not sure <i>[Record response verbatim for subsequent sector coding.]</i> <i>If respondent mentions more than one type of activity, ask questions from HOUR_01 to TYPE_ORG04 for each activity separately. Then proceed to WORK_03.]</i>	TYPE_ORG041 Record response verbatim TYPE_ORG042 Assign sector code (leave blank if answer to TYPE_ORG01 is "don't know") 00 Direct volunteer work (if TYPE_ORG01 is "no") 01 NPI or NPISH 02 Cooperative/social enterprise 03 For profit business (S11/S12) 04 Government, including NPI in S13 09 Don't know/not sure
WORK_03	Is there any other <u>unpaid, non-compulsory</u> time you gave to activities performed either through organizations or directly for others outside your own household or for immediate family members <i>[provide dates marking the period]</i> ? <i>[If yes, go to WORK_02. If no, proceed to END]</i>	01 Yes 02 No
PROMPT_01	Sometimes people don't think of some activities as <u>unpaid</u> work. I have a list of other types of unpaid work you may have done. Have you done any of these? If you gave any time without pay to these activities during the past four weeks <i>[provide dates marking the period]</i> , please respond with a yes to each as I read them out. Otherwise, say no.	n.a.
PROMPT_02	Did you work without pay for a community organization, such as by fundraising, providing administrative support or serving on the board of a school, library, health-care centre, NGO, club, union, religious congregation or association? ____ Yes/____ No <i>[Note: Specific examples of activities considered to be within the scope of the survey may vary from country to country. However, the overall types of activities should remain the same in order to maintain international comparability.]</i>	01 Yes 02 No
PROMPT_03	Did you work without pay to clean or improve your community (such as picking up rubbish) or work to improve the water supply, parks or roads? ____ Yes/____ No	01 Yes 02 No
PROMPT_04	Did you work without pay to organize an event, such as a community gathering, a sporting or cultural activity, a religious celebration or a political event to make others aware of an issue? ____ Yes/____ No	01 Yes 02 No
PROMPT_05	Did you work without pay to provide any assistance to persons outside your household (such as the elderly, children, the poor or disaster victims), prepare and serve food, or transport persons or goods? ____ Yes/____ No	01 Yes 02 No
PROMPT_06	Did you work without pay to conduct any coaching, officiating or counselling, or provide any free medical care or legal advice, or gather information or scientific data? ____ Yes/____ No	01 Yes 02 No
PROMPT_07	<i>[If respondent says "yes" to any one of the questions in PROMPT_02 to PROMPT_06, say] You said that you <i>[read back the examples provided for the questions to which they responded "yes": (1) worked for a community organization; (2) worked to clean or improve your community; (3) worked to organize an event; (4) provided assistance to persons outside of your household; and/or (5) provided coaching, counselling, medical legal or food or transport services.]</i> <i>[Ask questions from WORK_02 to TYPE_ORG04 for each activity. If respondent says "no", proceed to END]</i></i>	n.a.
END	End of survey module	n.a.

Annex 4.2

Excerpt from the International Classification of Activities for Time–Use Statistics 2016

- 5 Unpaid volunteer, trainee and other unpaid work
 - 51 Unpaid direct volunteering for other households
 - 511 Unpaid volunteer household maintenance, management, construction, renovation and repair
 - 512 Unpaid volunteer shopping/purchasing goods and services
 - 513 Unpaid volunteer childcare and instruction
 - 514 Unpaid volunteer care for adults
 - 515 Unpaid volunteer help in enterprises owned by other households
 - 519 Other activities related to direct unpaid volunteer work for other households
 - 52 Unpaid community- and organization-based volunteer work
 - 521 Unpaid volunteer work on road/building repair, clearing and preparing land, cleaning (streets, markets, etc.), and construction
 - 522 Unpaid volunteer work preparing/serving meals, cleaning up
 - 523 Unpaid volunteer cultural activities, recreation and sports activities
 - 524 Unpaid volunteer office/administrative work
 - 529 Other activities related to community- and organization-based unpaid volunteering
 - 53 Unpaid trainee work and related activities
 - 530 Unpaid trainee work and related activities
 - 54 Travelling time related to unpaid volunteer, trainee and other unpaid work
 - 540 Travelling time related to unpaid volunteer, trainee and other unpaid work
 - 59 Other unpaid work activities
 - 590 Other unpaid work activities

Chapter 5

Economic activity classification of third or social economy sector institutions and volunteer work

A. Introduction

5.1. In chapters 2 and 3, procedures for identifying the universe of TSE sector institutions and volunteer work were described. In this chapter, we look at how to classify them into different fields of in order to portray its composition and enable a comparison of its role and impact in different fields between and across countries. The emphasis is on the economic activity classification of institutions. Issues relating to volunteer work were covered in chapter 4 but guidance on sources that can be useful in handling the economic activity classification of volunteer work is provided at the end of this chapter.

5.2. Three classification systems are available for identifying the fields of activity of in-scope TSE institutions:

- (a) The International Standard Industrial Classification of All Economic Activities (ISIC) system was developed by the United Nations to classify data according to the kind of economic activity involved. The current version is the result of a major revision completed in 2008 (ISIC Rev.4). Several countries or regions have developed regional variants of the system, including: the North American Industry Classification System, developed in the United States and used also in Canada and Mexico; the Statistical Classification of Economic Activities in the European Community (known by its French acronym, NACE), formulated under the auspices of Eurostat, and the Australian and New Zealand Standard Industrial Classification;
- (b) The International Classification of Non-profit and Third Sector Organizations (ICNP/TSO) constitutes the first revision (see annex 5.1) of the International Classification of Non-profit Organizations (ICNPO). ICNPO was developed in the early 1990s as part of an international research project designed to generate systematic economic data on NPIs globally. The need for such a specialized classification structure for NPIs was dictated by two considerations. First, the industrial classification system commonly in use at that time (ISIC Rev.2 and the Standard Industrial Classification in the United States) did not provide sufficient detail to differentiate many of the most crucial types of NPIs. Second, the system's limitations made it difficult to differentiate the many functions that NPIs perform. For example, one of their major functions is to promote affordable housing and community development. The ISIC structure allocates various housing and

community development activities—such as housing construction, management and finance, and the provision of public utilities such as water and electricity—to a variety of different industries, whereas ICNPO pulls those activities together. Similarly, while environmental protection and animal welfare services are split among numerous industries (such as forestry, agriculture or veterinary medicine) in the ISIC structure, they are brought together in ICNPO under Group 5 (environment). ICNPO has been used extensively by countries that have carried out the recommendations of the 2003 *Handbook* for compiling satellite accounts on NPIs. The broadening of the scope of entities covered by the TSE sector satellite account recommended in the *Handbook* requires a substantial extension of ICNPO to reflect activities of the related institutions and direct volunteer work;

- (c) The Classification of the Purposes of Non-profit Institutions Serving Households (COPNI) is relevant only to NPISHs. Their individual outlays are classified according to the purpose they serve rather than the “economic activities” or fields in which they operate.

5.3. The advantages and disadvantages of the different classification systems are reviewed in this chapter with regard to the objectives for which the separate identification of TSE institutions might be relevant. A strategy to best achieve those objectives is also set forth.

B. International Standard Industrial Classification of All Economic Activities, Rev.4

5.4. ISIC Rev.4 is the international statistical standard for the economic activity classification system for all economic units covered by the SNA. All TSE institutions will therefore already be classified in ISIC Rev.4 terms and those classifications will carry over into the institutional sector tables recommended in the 2008 SNA, as well as into the TSE sector satellite account data. This has the great advantage of facilitating analyses of the TSE sector that compare its role in different industries with that of other institutional units in the same industries, both within and between countries.

5.5. To take full advantage of this feature of ISIC Rev.4, however, it will be necessary to report data on TSE institutions at the three-digit aggregation level and provide comparable detail on the other units in the same industries.

5.6. That is particularly the case given that, although TSE entities can be found in any section of ISIC Rev.4, they tend to congregate in certain industries and are only clearly visible at the three-digit level. Table 5.1, by way of illustration, lists industries where most TSE institutions are typically found. The list is not exhaustive.

Table 5.1
Industries with likely presence of TSE sector institutions, by ISIC Rev.4 categories

Section	Title
Section A	Agriculture, forestry and fishing
Section F	Construction
Section G	Wholesale and retail trade; repair of motor vehicles and motorcycles
Section J	Information and communication
Section K	Financial and insurance activities
Section L	Real estate activities
Section M	Professional, scientific and technical activities
Section P	Education
Section Q	Human health and social work activities
Section R	Arts, entertainment and recreation
Section S	Other service activities

C. International Classification of Non-profit and Third Sector Organizations

5.7. Although ISIC Rev.4 is the standard economic activity classification recommended in the 2008 SNA, ICNP/TSO has certain advantages that recommend its use in TSE sector satellite accounts. Numerous statistics agencies that have completed NPI satellite accounts in accordance with the 2003 *Handbook* used ICNPO, as recommended in that *Handbook*. The use of ICNP/TSO, which is based on the same principles as, and is compatible with, ICNPO, will facilitate time series analyses.

5.8. Moreover, while ICNP/TSO, like ISIC Rev.4, classifies TSE entities by economic activity at the lowest level of aggregation, it also groups them by similar activities at the higher levels of aggregation, which adds information not readily available in the existing industry classification systems. This is especially important in the development of satellite accounts because they are frequently used in the kind of policymaking for which purpose identification can be important. With ICNP/TSO, therefore, it is possible to achieve the special objectives of a satellite account while still adhering to conventions and activity classifications associated with ISIC Rev.4 and its international counterparts, making correspondence between them easy.

5.9. The successful use of ICNPO in classifying NPIs in the countries that have so far developed NPI satellite accounts has nonetheless revealed the need for its further revision. That need arises from several factors. First, few NPIs were found in such fields as manufacturing, agriculture, mining, trade or finance under ICNPO, which implicitly placed those industries into Group 12 (not elsewhere classified). Recent studies, however, have revealed a not insubstantial NPI presence in some of those industries. Second, new kinds of NPIs have emerged, such as microfinance institutions and social enterprises providing employment opportunities for disadvantaged populations. Third, some major groups in ICNPO, such as the one set aside for international NPIs, were found to be populated by very few organizations, suggesting that they should be eliminated as major groups. Lastly, expanding the scope of coverage of the revised satellite account guidance document from NPIs to the TSE sector requires that the activity fields in which such units operate also be expanded. The *Handbook* therefore presents a revised version of ICNPO and ICNP/TSO, which has been assembled in cooperation with statistics agencies that have implemented the NPI satellite account.

ICNP/TSO retains the basic structure of ICNPO but introduces new fields in which NPIs and related institutions have been found and reconfigures certain groups to allow for easier correspondence with ISIC Rev.4, meaning that fewer ISIC Rev.4 categories need to be split at the two-digit level in those correspondences.

5.10. *Structure.* The ICNP/TSO system consists of three hierarchically organized levels of aggregation. The main aggregates, called sections, are subdivided into groups and subgroups. To facilitate reporting in a machine-readable format, each section, group and subgroup is denoted by a single alphanumeric digit as follows: sections are denoted by capital letters A–L and groups and subgroups by numerals 1–8. The numeral 9 is reserved for “catch all” categories of entities not elsewhere classified. The resultant coding system consists of one, two- and three-digit alphanumeric strings denoting different levels of hierarchical aggregation. Annex 5.1 shows the basic structure of ICNP/TSO with annotations.

5.11. *Covered entities.* ICNP/TSO covers all entities in the scope of the TSE sector, regardless of the institutional sector to which they are allocated. Units classified as public administration and defence (division 84 of ISIC Rev.4) are by definition out of scope.

5.12. *Unit of analysis.* The unit of analysis for classification of TSE institutions is identical to SNA practice for other types of organizations. Thus, the “institutional unit” is the unit of analysis in the *Handbook* for all variables in the full sequence of the integrated economic accounts and the “establishment” is the unit of analysis for variables in the production accounts for industries. For conglomerates in which a parent corporation controls multiple establishments (such as certain universities or hospitals), each individual establishment should be treated as a separate institutional unit (2008 SNA, paras. 4.51–4.52).

5.13. *Focus on economic activities.* The basis of classification for ICNP/TSO, as for ISIC Rev.4, is the unit’s economic activity. Units are thus differentiated according to the types of services or goods they produce (such as health, education, social assistance, house construction and professional services). In accordance with a convention adopted for ISIC Rev.4, under ICNP/TSO, the economic activity of a unit is usually measured as the activity that represents the largest share of value added or, if value added is not available, gross output or, if neither is available, employment.

5.14. *Treatment of multipurpose units.* The treatment of multipurpose units in the satellite account should be consistent with their treatment elsewhere in the 2008 SNA. To the extent that an organization carries out its activities in separate units, each unit is classified according to its major activity. Where separate units are not defined, the whole organization should be classified by its major activity: that which represents the largest share of value added, gross output or employment. Further, while religious congregations (churches, synagogues, mosques and other religious worship organizations) are included in section I (religious congregations and associations), religiously affiliated service organizations (such as schools, clinics, day-care centres and hospitals) are included in the appropriate service fields in which they primarily operate rather than in section I.

5.15. ICNP/TSO is backward compatible to ICNPO at the group and division levels. Sections A–J are fundamentally identical to Groups 1–11 in ICNPO, with some minor deviations. Specifically, ICNPO subgroup 2400 (research) has been reassigned to the new section K (professional, scientific, accounting and administrative services) rather than section B (education services), primarily because research is performed either by divisions of universities that are not institutional units themselves and thus cannot be classified separately from higher education or by separate units, such as

research laboratories, the activities and functions of which differ greatly from those of educational institutions. ICNPO subgroup 6300 (employment and training) has been reassigned to section D (social services), which is consistent with how those activities are classified in existing industry classification systems. ICNPO subgroup 7200 (law and legal services) has been split because it groups several fundamentally different activities together. It is assigned in ICNP/TSO as follows: legal services are now subgroup K21 (legal and mediation services); victim support and rehabilitation services are reassigned to subgroup D19 (other individual and family services); and consumer protection is now part of subgroup G11 (social advocacy). Correspondence between ICNPO and ICNP/TSO and between ISIC Rev.4 and ICNP/TSO are provided in annexes 5.2 and 5.3 to this chapter.

5.16. Countries compiling a TSE sector satellite account should use ICNP/TSO at the most detailed level possible, in addition to their “default”, whether ISIC Rev.4 or other industry classification systems. That will facilitate the analysis of this information by users and enable comparisons with other countries compiling satellite accounts.

D. Classification of purposes of Non-profit Institutions Serving Households

5.17. Unlike ISIC Rev.4 and similar industry classification systems, which are designed to categorize a wide range of economic activities, the focus of COPNI is on the purpose of outlays of the subset of NPIs that provides services to households (NPISHs) (United Nations, 2003a). Under the COPNI classification system, eight major such purposes (divisions) are identified: housing; health; recreation and culture; education; social protection; religion; political parties, labour and professional organizations; and environmental protection. They are further subdivided into more specific purpose areas, including research and development activities in the areas of health, education, social protection and environmental protection.

5.18. COPNI classifies a range of transactions by NPISHs, including outlays on final consumption expenditure, intermediate consumption, gross capital formation and current transfers. By convention, all consumption expenditure of NPISHs is treated as individual consumption in the 2008 SNA. The main purpose is to classify expenditure of NPISHs by purpose in a manner consistent with the purposes of individual consumption expenditure of households and general government in order to obtain the SNA aggregate of actual final consumption expenditure of households. COPNI is therefore useful for highlighting social and policy functions performed by NPISHs. Although it is possible to link the purpose classification to the economic activity classification of NPIs, its usefulness may be limited by the narrow scope of coverage that includes only NPISHs and not the entire TSE sector. For that reason, COPNI has not been widely used for presenting statistics in NPI satellite accounts.

E. Further guidance on the classification of volunteer work

5.19. To implement the recommendation in the *Handbook* on estimating the value of volunteer work by the replacement cost method (see chap. 4, sect. C), other classification systems may be needed. Specifically, estimating the value of organization-based volunteer work using the specialist method requires knowledge of the work’s occupational characteristics. The ILO *Manual* recommends use of the Inter-

²⁸ See www.ilo.org/public/english/bureau/stat/isco/isco08/.

national Standard Classification of Occupations (ISCO-88 or its newer version, ISCO-08) for that purpose.²⁸

5.20. Because volunteer workers often do not have the same skills as paid employees, it may be beneficial to make adjustments to take such differences into account. One approach is a hierarchical classification system of occupational skills, such as the “Data, people and things” system that ranks job functions on three dimensions: data processing, interaction with people and the manipulation of objects or things.²⁹

²⁹ See https://occupationalinfo.org/appendxb_1.html.

Annex 5.1 International Classification of Non-profit and Third Sector Organizations (ICNP/TSO (December 2017))

Section	Group	Sub-group	Title	Notes
Section A: Culture, communication and recreation activities				
A10			Culture and arts	
A11			Performing and visual arts	Includes theatres, galleries, music halls, dance studios, agencies promoting arts, etc.
A12			Museums, zoos, parks, historical sites and similar institutions	Excludes libraries, classified as A30, and natural reserves, classified as E10
A19			Culture and arts not elsewhere classified	
A20			Sports and recreation	
A21			Sports activities	Includes amateur sports associations, agencies promoting sports, etc.
A22			Amusement and recreation services	Includes recreational facilities, but excludes member-serving organizations and social clubs (G13)
A29			Sports and recreation not elsewhere classified	
A30			Information and communication services	Includes broadcasting, publishing, libraries, media centres, etc.
A90			Culture and arts services not elsewhere classified	
Section B: Education services				
B10			Pre-primary, primary and secondary education	ICNPO Group 2 (except research, now classified as K10))
B11			Pre-primary education	
B12			Primary education	Includes institutions providing basic academic courses for very young children (kindergartens and elementary schools)
B13			Secondary education	Includes institutions providing academic courses typically for adolescents who have completed primary education
B19			Primary and secondary education not elsewhere classified	
B20			Higher education	Includes institutions providing advanced academic courses for students who have completed secondary education
B21			Colleges and universities	Includes institutions offering four or more years of academic courses leading to an academic degree
B29			Higher education not elsewhere classified	Includes community colleges and similar institutions not qualifying as B21
B30			Other education	
B31			Technical, vocational and continuing education	
B32			Education support services	Includes testing and academic guidance services, student exchange, etc.
B90			Education services not elsewhere classified	

Section	Sub-group	Title	Notes
Section C: Human health services			
C10	Ambulatory health services		
C11	General ambulatory health-care services		Includes institutions providing general health-care services
C12	Specialized outpatient care centres		Includes family planning, mental health or substance abuse treatment, rehabilitation, etc.
C13	Emergency medical response		Includes ambulance services, Red Cross, Doctors Without Borders, etc.
C14	Medical and diagnostic laboratories		Includes testing labs, kidney dialysis centres, etc.
C19	Ambulatory health-care services not elsewhere classified		
C20	Hospitals		
C21	General hospitals		
C22	Specialty, psychiatric and substance abuse hospitals		
C29	Hospitals not elsewhere classified		
C30	Nursing and residential care services		
C31	Residential nursing care facilities		Includes convalescent homes, hospices, residential care and similar institutions providing continuous nursing care
C32	Residential care for the elderly		Includes retirement and assisted living homes for the elderly and similar facilities
C39	Nursing and residential care services not elsewhere classified		
Section D:			
Social services			
D10	Individual and family services		
D11	Child and youth services		Excludes child day-care services (D20)
D12	Services for the elderly		
D13	Services for people with disabilities		
D14	Family services		
D19	Other individual and family services		Includes self-help groups like Alcoholics Anonymous, ex-offender rehabilitation, crisis intervention, helplines, etc.
D20	Child day-care services		Excludes kindergartens and similar institutions for very young children classified as pre-primary education (B11)
D30	Emergency and relief services		
D31	Community food services		
D32	Temporary shelters		
D33	Emergency and relief services		Includes institutions providing assistance in natural disasters, life events (such as burial societies), etc.
D34	Refugee assistance		
D39	Emergency and relief services not elsewhere classified		

Section	Group	Sub-group	Title	Notes
D40			Vocational rehabilitation services for people with barriers to employment	
	D41		Job counselling or training activities	Excludes vocational and trade schools (B31)
	D42		Sheltered workshops	Separate from activities in other groups (such as L20 and L30)
	D49		Vocational rehabilitation services not elsewhere classified	
	D90		Social services not elsewhere classified	
Section E: Environmental protection and animal welfare activities				
	E10		Natural resource management and protection	ICNPO Group 5 (excludes organizations engaged in environmental and animal welfare advocacy, which should be classified in G12)
	E11		Land or water management activities	
	E12		Pollution abatement and control activities	Includes natural preserves, green spaces, wildlife sanctuaries, etc.
	E13		Eco-tourism	
	E14		Eco-farming and forestry	
	E19		Natural resource management, conservation and protection not elsewhere classified	
	E20		Animal health and welfare activities	
	E21		Animal sanctuaries and shelters	
	E22		Veterinary services	
	E29		Animal health and welfare activities not elsewhere classified	
	E90		Environmental protection and animal welfare activities not elsewhere classified	
Section F: Community and economic development, and housing activities				
	F10		Construction of housing and infrastructure	ICNPO Group 6 (except vocational rehabilitation services, now D40)
	F11		Construction of housing	
	F12		Construction of infrastructure	Roads, water and sewage and alternative energy infrastructure (solar, geothermal, etc.)
	F19		Construction of housing and infrastructure not elsewhere classified	
	F20		Community and economic development activities	Includes financing or management of community and economic development projects
	F30		Housing management and maintenance	Homeowner, tenant, community and neighbourhood associations, management of public or cooperative housing, etc.
	F40		Utilities and waste management	Includes providers of water, sewage and energy (gas, electricity or alternative energy sources)
	F50		Indigenous people self-governance	Organizations established to manage and preserve indigenous culture, language, heritage, land and physical assets
	F90		Community and economic development and housing not elsewhere classified	

Section	Sub-Group	Title	Notes
Section G: Civic, advocacy, political and international activities			
	G10	Civic, advocacy and social participation activities	ICNPO Group 7 (plus international activities, formerly classified as ICNPO Group 9) Excludes political activities (G20)
	G11	Social advocacy	Includes advocacy for human and civil rights, public safety, literacy, science and similar public serving activities
	G12	Environment conservation and animal welfare advocacy	
	G13	Social clubs and similar member-serving activities	Includes social/hobby/automobile/country clubs, consumer associations, fraternities and sororities, and similar member-serving activities; excludes housing management and maintenance (F30)
	G14	Social youth organizations	Boy Scouts and Girl Scouts, etc.
	G15	Social organizations for the elderly	
	G16	Social organizations for the disabled	
	G19	Civic, advocacy and social participation activities not elsewhere classified	
	G20	Political activities	
	G21	Political parties	
	G22	Political action, lobbying and similar activities	
	G29	Political activities not elsewhere classified	
	G30	International activities	Formerly Group 9; includes institutions primarily engaged in promoting international exchange, aid and collaboration; excludes direct providers of services, such as education, health, social assistance, environmental protection or community development, which should be classified in sections B–F accordingly
	G90	Civic, advocacy, political and international activities not elsewhere classified	
Section H: Philanthropic intermediaries and voluntarism promotion			
	H10	Grant-making foundations	ICNPO Group 8
	H90	Other philanthropic intermediaries and voluntarism promotion	Includes operating foundations, fund-raising organizations and volunteer recruitment organizations
Section I: Religious congregations and associations			
	I10	Religious congregations	ICNPO Group 10
	I90	Other religious associations	Includes institutions primarily engaged in promoting religious faith; excludes faith-based direct providers of services, such as education, health or social assistance, which should be classified in sections B–D accordingly
Section J: Business, professional and labour organizations			
	J10	Business and employers associations	ICNPO Group 11
	J20	Professional associations	
	J30	Labour unions	
	J90	Business, professional and labour organizations not elsewhere classified	

Section	Group	Sub-group	Title	Notes
Section K: Professional, scientific, accounting and administrative services				
	K10		Scientific research and testing services	Includes research in natural and social sciences and humanities, formerly subgroup 2400
	K20		Professional services	Includes legal, mediation, accounting, architectural, engineering and similar services; excludes education support services (B32) and individual and family services (D10)
	K21		Legal and mediation services	
	K22		Public relations and related services	
	K23		Accounting, bookkeeping and related services	
	K29		Professional services not elsewhere classified	
	K30		Management and administrative services	Units engaged in administering, overseeing and managing other establishments, except housing management and maintenance (F30) and natural resource management and protection (E10)
	K90		Professional, scientific and administrative services not elsewhere classified	
Section L: Other activities				
	L10		Agriculture, forestry and fishing	ICNPO Group 12 with added detail and household activities
	L20		Manufacturing	Excluding eco-farming and forestry (E14)
	L30		Accommodation, catering and food services	
	L40		Trade activities	Includes retail and wholesale trade
	L50		Transportation and storage activities	
	L60		Financial and insurance services	
	L70		Real estate activities	
	L80		Unpaid activities of households	Direct volunteer work
	L81		Unpaid goods-producing activities of households	
	L82		Unpaid service-producing activities of households	
	L90		Activities not elsewhere classified	

Annex 5.2

Correspondence between the International Classification of Non-profit Organizations (ICNPO) and the International Classification of Non-profit and Third Sector Organizations (ICNP/TSO)

ICNPO	ICNPO Title	ICNP/TSO
01000	Culture and recreation	A
01100	Culture and arts	A10 A30
01200	Sports	A21
01300	Other recreation and service clubs	A12 A29
01900	Culture and recreation not elsewhere classified	A90
02000	Education and research	B
02100	Primary and secondary education	B10
02200	Higher education	B20
02300	Other education	B30
02400	Research	K10
02900	Education and research not elsewhere classified	B90
03000	Health	C
03100	Hospitals and rehabilitation	C20
03200	Nursing homes	C30
03300	Mental health and crisis intervention	C22
03400	Other health services	C10
03900	Health not elsewhere classified	C90
04000	Social services	D
04100	Social services	D10 D20
04200	Emergency and relief	D30
04300	Income support and maintenance	D30
04900	Social services not elsewhere classified	D90
05000	Environment	E
05100	Environment	E10
05200	Animal protection	E20
05900	Environment not elsewhere classified	E90
06000	Development and housing	F
06100	Economic, social and community development	F20 F30 F40
06200	Housing	F10 F30
06300	Employment and training	D40
06900	Development and housing not elsewhere classified	F90

ICNPO	ICNPO Title	ICNP/TSO
07000	Law, advocacy and politics	G
07100	Civic and advocacy organizations	G10
07200	Law and legal services	K21
		D19
		G10
07300	Political organizations	G20
07900	Law, advocacy and politics not elsewhere classified	G90
08000	Philanthropic intermediaries and voluntarism promotion	H
08100	Grant-making foundations	H10
08200	Other philanthropic intermediaries and voluntarism promotion	H90
08900	Philanthropic intermediaries and voluntarism promotion not elsewhere classified	H90
09000	International	G30
09100	International activities	G30
10000	Religion	I
10100	Religious congregations and associations	I10
		I90
11000	Business and professional associations, unions	J
11100	Business associations	J10
11200	Professional associations	J20
11300	Labour unions	J30
11900	Business and professional associations, unions not elsewhere classified	J90
12000	Not elsewhere classified	L
		L10
		L20
		L30
		L40
		L50
		L60
		L90

Annex 5.3

Correspondence between the International Standard Industrial Classification of All Economic Activities Rev.4 (ISIC Rev. 4) and the International Classification of Non-profit and Third Sector Organizations (ICNP/TSO)

ISIC Rev.4	ISIC Title	ICNP/TSO
A	Agriculture, forestry and fishing	
01	Crop and animal production, hunting and related service activities	L10, E14
02	Forestry and logging	E10
B	Mining and quarrying	L90
C	Manufacturing	L20
D	Electricity, gas, steam and air conditioning supply	
35	Electricity, gas, steam and air conditioning supply	F40
E	Water supply; sewerage, waste management and remediation activities	
36	Water collection, treatment and supply	F40
37	Sewerage	F40
38	Waste collection, treatment and disposal activities; materials recovery	F40
39	Remediation activities and other waste management services	F40
F	Construction	
41	Construction of buildings	F11
42	Civil engineering	F12
43	Specialized construction activities	F19
G	Wholesale and retail trade; repair of motor vehicles and motorcycles	
45	Wholesale and retail trade and repair of motor vehicles and motorcycles	L40
46	Wholesale trade, except of motor vehicles and motorcycles	L40
47	Retail trade, except of motor vehicles and motorcycles	L40
H	Transportation and storage	
49	Land transport and transport via pipelines	L50
50	Water transport	L50
51	Air transport	L50
52	Warehousing and support activities for transportation	L50
53	Postal and courier activities	L50
I	Accommodation and food service activities	
55	Accommodation	L30
56	Food and beverage service activities	L30
J	Information and communication	
58	Publishing activities	A30
59	Motion picture, video and television programme production, sound recording and music publishing activities	A30
60	Programming and broadcasting activities	A30
61	Telecommunications	A30
62	Computer programming, consultancy and related activities	A30
63	Information service activities	A30
K	Financial and insurance activities	

ISIC Rev.4	ISIC Title	ICNP/ TSO
64	Financial service activities, except insurance and pension funding	L60
65	Insurance, reinsurance and pension funding, except compulsory social security	L60
66	Activities auxiliary to financial service and insurance activities	L60
L	Real estate activities	
68	Real estate activities	L70
M	Professional, scientific and technical activities	
69	Legal and accounting activities	K21, K22
70	Activities of head offices; management consultancy activities	K90
71	Architectural and engineering activities; technical testing and analysis	K90
72	Scientific research and development	K10
73	Advertising and market research	K22
74	Other professional, scientific and technical activities	K90
75	Veterinary activities	E22
N	Administrative and support service activities	
77	Rental and leasing activities	K30
78	Employment activities	K30
79	Travel agency, tour operator, reservation service and related activities	K30
80	Security and investigation activities	K30
813	Landscape care and maintenance service activities	E10
82	Office administrative, office support and other business support activities	K30
O	Public administration and defence; compulsory social security	
8412	Regulation of the activities of providing health care, education, cultural services and other social services, excluding social security	F50
8423	Public order and safety activities	D30, F50
P	Education	
85	Education	
851	Pre-primary and primary education	B10
852	Secondary education	B10
853	Higher education	B20
854	Other education	B30, B90
855	Educational support activities	B32
Q	Human health and social work activities	
86	Human health activities	
861	Hospital activities	C20
862	Medical and dental practice activities	C10
869	Other human health activities	C90
87	Residential care activities	C30
871	Residential nursing care facilities	C31
872	Residential care activities for mental retardation, mental health and substance abuse	C39
873	Residential care activities for the elderly and disabled	C32
879	Other residential care activities	C39
88	Social work activities without accommodation	
881	Social work activities without accommodation for the elderly and disabled	D10
889	Other social work activities without accommodation	D20, D30, D40, D90

Annex 5.3 (continued)

ISIC Rev.4	ISIC Title	ICNP/ TSO
R	Arts, entertainment and recreation	
90	Creative, arts and entertainment activities	A10
91	Libraries, archives, museums and other cultural activities	A12, A30
92	Gambling and betting activities	A29
93	Sports activities and amusement and recreation activities	A20
931	Sports activities	A21
932	Other amusement and recreation activities	A29
S	Other service activities	
94	Activities of membership organizations	
9411	Activities of business and employers membership organizations	J10
9412	Activities of professional membership organizations	J20
942	Activities of trade unions	J30
9491	Activities of religious organizations	I
9492	Activities of political organizations	G20
9499	Activities of other membership organizations not elsewhere classified	G10, G30, G90, H
95	Repair of computers and personal and household goods	L90
96	Other personal service activities	L90
T	Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	
97	Activities of households as employers of domestic personnel	out of scope
98	Undifferentiated goods- and services-producing activities of private households for own use	L80
U	Activities of extraterritorial organizations and bodies	G30
99	Activities of extraterritorial organizations and bodies	G30

Chapter 6

Assessing third or social economy impacts by measuring third or social economy inputs, outputs and outcomes

A. Introduction

6.1. Important as the capacity measures of the TSE sector presented in chapters 3 and 4 may be, they remain an approximation for what is ultimately of interest to policymakers and TSE stakeholders: the impact of TSE institutions and volunteer work on society. The production of TSE impact data at the national level has been limited to date because basic data on the scope and structure of the TSE sector have not been available.

6.2. In this chapter, we consider how data on the scope, economic activities and funding of the TSE sector resulting from the development of TSE sector satellite accounts might be used to describe how the sector helps to achieve policy objectives. Economic transactions constitute only one measure and do not capture the non-economic aspects of the TSE sector's contribution to promoting inclusivity, transparency, accountability, solidarity, social cohesion and the general well-being of the population. Acquiring knowledge of the full scale of that contribution can provide an important basis for evidence-based policy-making and improving the enabling environment for the sector itself.

6.3. In order to provide internationally relevant measures, we concentrate in this chapter on the Sustainable Development Goals, which are designed to guide the global development agenda until at least 2030 (see annex 6.1). Indicators to directly measure progress towards the achievement of the Goals were proposed to the Statistical Commission in March 2016 by the Inter-Agency and Expert Group on Sustainable Development Goal Indicators. The measures presented in this chapter are designed to build on those adopted by the Group.

6.4. It is important to understand the impact of the TSE sector because achieving the Goals will require not just the efforts of governments and the private sector but also the skills and resources of NPIs, the broader social economy sector and millions of volunteers (Salamon and Haddock, 2015). The TSE sector can contribute to the achievement of all the Goals:

- (a) TSE institutions make a crucial contribution to actions needed to end poverty and create productive economic opportunities for all (Goal 1);
- (b) Farmers cooperatives and TSE sector programmes for sustainable agriculture, nutrition education and food distribution all play an important role

- in overcoming hunger and achieving food security and improved nutrition (Goal 2);
- (c) TSE institutions are key providers of health care in developed and developing settings alike (Goal 3);
 - (d) Non-profit and social enterprise institutions play a significant part in filling gaps in education systems in many countries, offering early childhood schooling, learning opportunities for women and experimental education initiatives (Goal 4);
 - (e) NPIs have been a major global force in promoting gender equality and empowering women and girls (Goal 5);
 - (f) NPIs play a key role in promoting the protection of the environment and the planet's water supply, and, through organizations such as the World Toilet Association, addressing the debilitating reality of grossly inadequate or non-existent sanitation facilities in many parts of the globe (Goal 6);
 - (g) NPIs have done leading research on climate change and the impact of irresponsible energy use on the environment, pioneered renewable energy options and developed cost-effective ways of delivering low-cost solar and other forms of power to remote areas (Goal 7);
 - (h) The TSE sector is the second- or third-largest employer in many countries and provides training programmes to displaced or migrant workers (Goal 8);
 - (i) TSE sector microcredit organizations have enabled small and medium-sized enterprises to flourish and have joined other NPIs in promoting innovation on a broad front (Goal 9);
 - (j) Thousands of human rights NPIs around the world work to provide a voice to the marginalized and to protect the rights of minorities, women and children and other vulnerable groups (Goal 10);
 - (k) TSE institutions are major providers of affordable housing and non-profit community development organizations work to upgrade neighbourhoods, house the homeless and improve living conditions in slums (Goal 11);
 - (l) TSE institutions have led advocacy efforts to promote resource and energy efficiency, sustainable infrastructure, access to basic services, green and decent jobs and a better quality of life for all (Goal 12);
 - (m) TSE environmental organizations have led efforts to combat global warming (Goal 13);
 - (n) TSE institutions have also been in the lead in promoting the sustainable use of the world's oceans and marine resources (Goal 14);
 - (o) TSE institutions have been the catalysts for a host of approaches to sustainable production, forestry and fisheries and have contributed to the establishment of investment guidelines that penalize companies operating in ways that destroy precious ecosystems or otherwise harm the environment (Goal 15);
 - (p) TSE institutions have played a vital role in easing conflict around the world (Goal 16);
 - (q) TSE institutions have helped to strengthen the capacity of national statistics agencies to develop, implement and report on mechanisms for measuring the impact of the non-profit sector and volunteer work (Goal 17).

6.5. Given the essential role that TSE institutions have to play in achieving the Sustainable Development Goals and related policy objectives, reliable information on the sector will assist in the planning and implementation of policies. In this chapter, we outline a methodology for assembling empirical information on how the TSE sector contributes to achieving specific policy objectives in a manner that allows for statistical control of external factors that may affect the quantity and quality of the sector's contributions. The empirical measures draw chiefly on readily available or easily created administrative and statistical records, supplemented on occasion by targeted surveys.

6.6. The aim is to suggest how to go beyond a purely financial measurement of the scope and size of different sets of economic units and identify means of measuring more fully the impact of the TSE sector on the achievement of policy goals. Individual countries will doubtless choose different paths to meet their goals, and that will require adjustment of the illustrative outputs and outcomes and the data elements required. What follows is a common framework of concepts and methodologies that can be adapted easily to local decisions on how to meet policy goals.

B. Third or social economy sector contribution model

6.7. Numerous experimental approaches to identifying the social impact of the activities of various types of organizations have been proposed. The World Summit on Sustainable Development of 2002 led to the issuance of guidelines on measuring sustainable development (United Nations, 2007), and another milestone was set when an international group of prominent social scientists and statisticians made a series of recommendations on incorporating social outcome measures into the SNA. The TSE sector contribution model proffered in this chapter, which was inspired by the programme logic model widely used to assess the effectiveness of programmes run by individual organizations, is designed to determine how much the TSE sector contributes to achieving policy objectives and the scale and relative effectiveness of that contribution compared with that made by other types of institutional units.

6.8. The TSE sector contribution model differentiates four elements: inputs, outputs, outcomes and impacts:

- (a) *Inputs* are organizational resources, whether human or financial (for example, the number of employees and volunteers, or the amount of expenditure) used to produce and deliver a service or programme;
- (b) *Outputs* denote the number of people or households served by a programme within a defined reference period (for instance, one year);³⁰
- (c) *Outcomes* means the benefits obtained as a direct result of programme initiatives (such as improvements in health, education, job and social skills and the quality of the environment) within the same reference period;
- (d) *Impacts* represent extended benefits accrued over a longer period, not only to direct beneficiaries of a programme, but also to the community in which they live and society as a whole.

6.9. In conventional approaches to the measurement of impact, the possible social impact of a programme or policy initiative encompasses a wide range of possible benefits over a long period of time. As the scope of potential social benefits broadens, the number of factors that may affect them grows exponentially, making it difficult, if not impossible, to quantify the contribution of the original programme or initiative to those benefits. For such an approach to be useful for policy planning and assessment,

³⁰ "Outputs" in the TSE sector contribution model should not be confused with the concept of "output" (code P1) in the SNA.

the range of possible impacts resulting from the outcomes that are attributable to a given programme or initiative must be narrowed down. In other words, impacts are used as a framing device and empirical attention is focused on the degree of success of outcomes that policymakers are convinced will contribute to the achievement of those impacts. This approach does not capture the entire range of potential benefits of a programme or policy initiative, such as general well-being or quality of life, but it can generate empirical data for measuring the contributions that different institutional units make towards specific policy objectives. The data can also serve as the basis for studies on other types of social impacts resulting from those policy initiatives.

6.10. The TSE sector contribution model measures the relative contribution of the TSE sector to numerical target outcomes that policymakers set to achieve the impact desired under the Sustainable Development Goals, without the need to account for the myriad other factors that might influence the achievement of that impact. It does so by collecting data not only on the inputs and outputs of programmes carried out by the TSE sector, government and for-profit institutions in pursuit of certain policy objectives, but also on their outcomes. It uses the data to evaluate the relative contribution of each of those types of entities to the numerical target outcomes in question. That comparison serves as a way of controlling for external influences by measuring the performance of several types of entities on the same set of outcomes during the same time period. The model is not intended to address the question of whether those numerical target outcomes fully achieve the desired impact. Rather, it takes the achievement of outcomes as evidence of progress towards the achievement of that impact and systematically compares and contrasts the success or failure of TSE institutions in making such progress with that of the other involved institutions, taking into account the resources that they are able to deploy.

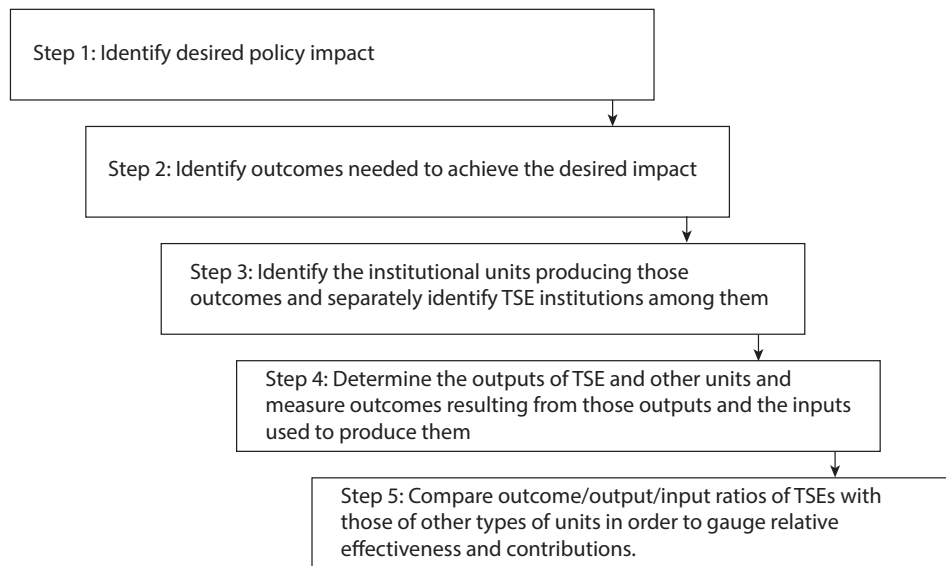
6.11. The model starts by identifying first the specifically desired impact and then the outcomes that policymakers believe could contribute to its achievement. In the case of a policy to reduce unemployment (impact), a contributing outcome might be the provision of certain job skills to unemployed persons.

6.12. The next step involves identifying all the institutions that will deliver those outcomes (for instance, employment training leading to the acquisition of specified job skills) and separately identifying TSE institutions (if any) among those units.

6.13. The subsequent step entails determining the inputs available to the various types of units (for example, organizational resources, such as total expenditure, labour expenditure, or, if such financial measures are unavailable, the number of staff), the outputs produced (the number of people trained) and the actual outcomes resulting from this output (the number of trainees employed after the training).

6.14. The final step involves comparing the ratios of outputs to inputs and outcomes to outputs for each type of institution to determine the relative effectiveness of each type of unit in achieving the outcomes sought and, consequently, contributing to progress towards the desired impact.

Figure 6.1
TSE sector contribution model



6.15. The TSE sector contribution model narrows the scope of possible impacts resulting from programme initiatives conducted by TSE institutions to concrete, desired policy outcomes. That makes it possible to determine the relative effectiveness of the TSE sector by measuring their outcomes and comparing the ratios of outcomes to outputs and to inputs with those of other types of units producing similar outputs and outcomes. The model can thus be used to evaluate the relative contribution of the TSE sector to the attainment of any policy objectives, including the Sustainable Development Goals.

6.16. Those broadly defined Goals can be achieved in many ways, making it likely that countries will opt for varying strategies and different sets of desired outcomes. Ending poverty in all its forms (Goal 1) could be achieved in different ways, such as by creating new jobs, implementing employment training programmes, promoting small business or improving agricultural productivity. The TSE sector contribution model can be adapted easily to whatever programmatic initiatives different countries may adopt.

6.17. The effective deployment of the model requires at least five steps that translate the broad policy objectives into specific interventions and numerical target outcomes and then measure the resulting outputs and outcomes:

- (a) *Needs assessment* to identify numerical targets that the country must meet in order to make progress towards achieving a given Sustainable Development Goal or other policy objective. For example, if the needs assessment determines that 1 million households in the country live below the poverty line, then the numerical target to meet Goal 1 (“End poverty in all its forms”) is to lift the income of those 1 million households above the poverty line;
- (b) *Identification of policy initiatives* that planners believe will help to meet the numerical target. For example, lifting incomes above the poverty line might be achieved by employing people who face barriers to employment, expanding business opportunities, promoting rapid industrializa-

tion, improving agricultural productivity or providing income support to households in need. Given that not every path to a particular target will involve the TSE sector, this step should also identify the paths by which TSE sector entities have been, or could be, involved in a significant way;

- (c) *Specification of annual target outcomes* of the policy initiative. Given that producing policy outcomes that contribute to achieving the Sustainable Development Goals may require a long-term effort, this step requires setting interim, annual target outcomes. If, for example, the specified initiative to “ensure inclusive and equitable quality education” (Goal 4) entails providing primary education to 5 million impoverished children, then, given a five-year economic planning cycle, the annual targets may call for the completion of primary school by 1 million such children per year;
- (d) *Identification of institutions performing the policy initiatives*. Policy initiatives will probably be performed by units in different institutional sectors, including government and corporations. TSE institutions among them need to be identified (see chaps. 2 and 3), taking into account that units may fall into a variety of industries (as defined by ISIC Rev.4);
- (e) *Assembly of numerical data on inputs, outputs and outcomes*. The input data represent the resources (for example, compensation of employees, total expenditure, number of paid employees) used by the various types of institutions to carry out a specified policy initiative during the reference period of one year. That information should be available from regular national accounts or employment statistics for all institutional units, and from the satellite account for the TSE sector (see chap. 4). Data on outputs and outcomes, however, must be assembled separately from administrative and other records, most of which should be readily available or easy to develop. The additional data are described and general guidelines for their assembly are provided below.

6.18. The compilation of reliable output and outcome measures is critical for the successful implementation of the TSE sector contribution model. The output measures are typically straightforward. In the case of services, they represent the total number of people or households receiving the specified service or benefitting from the policy initiative during the reference period (such as the number of people receiving vaccinations, students enrolled in educational programmes or patients in health-care institutions). In the case of goods production, the output measures typically include the volume or count of the units produced during the reference period (such as the number of housing units or the length of irrigation canals). The output data may be further disaggregated by the sociodemographic (such as males and females) or geographic (such as rural and urban) character of the groups receiving the goods or services, where such detail is of policy interest.

6.19. The outcome measures pose a more challenging task. In the TSE sector contribution model, outcomes represent benefits obtained as a direct result of programme initiatives, and these may be difficult to define or measure empirically. Ideally, the policy may specify outcomes and an effective way of measuring them; for example, a certain number of households with income initially below the poverty line that attain income above the threshold stipulated by the policy within a specified period, or the number of students successfully completing a given level of education and finding employment. In many cases, however, the policy objective may be stated in terms of outputs rather than outcomes; for example, the enrolment of a specified number of low-income children in primary school (Goal 4). The benefits policymakers expect to

flow from the enrolment of children in school, such as literacy, job skills or increased earning potential, may not be clearly spelled out in policy documents and thus subject to interpretation. In other cases, the outcomes may be specified but difficult to measure (such as inclusive, safe, resilient and sustainable human settlements (Goal 11)). The aim, however, is to work towards clearly specified and measurable outcome indicators.

6.20. Where tangible outcome measures are difficult to establish, the implementation of the TSE sector contribution model requires the development of suitable proxy measures for the intended outcomes. Proxy measures for education outcomes, for example, might include the number of students who successfully complete a given level of education, pass a skill test or obtain employment, or the income they earn after graduation. Such proxy measures depend on specific policy objectives and the availability of data, but they should follow three general principles: reliability, a clear link to the policy initiative and ready availability. *Reliability* means that the measure yields consistent results on repeated measurements. For example, counting people or physical units meeting certain requirements is more reliable than quality assessments based on subjective perceptions. A *clear link to policy intervention* means that there is a well understood relation of cause and effect between the initiative and the outcome. For example, counting students who graduate or pass a skill test is more closely related to the policy objective of providing education than assessing household income after graduation, given that many factors unrelated to education may affect that income. *Ready availability* means that the proxy measure is already available in existing administrative data on programmes or could be easily assembled at a relatively low cost.

6.21. A second complication in outcome measurement may arise from the fact that several types of institutions may be involved in producing desired outcomes. For example, the provision of health-care services often involves several distinct procedures, including prevention, diagnosis, medical intervention and convalescence, and they are frequently performed by different institutions, including individual practitioners (doctors or dentists), primary-care clinics, diagnostic laboratories, hospitals or residential care facilities. The evaluation of the health-care outcomes—cure, containment or prevention of illness—can be properly addressed only at the entire system level, which includes multiple institutions (Abraham and Mackie, 2005). To properly account for the contribution of TSE institutions to those outcomes, the interim outcomes obtained by intermediate units in the system (such as non-profit, primary health-care providers, diagnostic laboratories or hospitals) must be recorded. Interim outcomes that contribute to desired final outcomes may include diagnosis, triage or referral for treatment to specialized units. It may also be necessary to record interim outcomes when policy initiatives span several years, as in the case with primary education, which takes from six to eight years to complete. Interim outcomes in that case may refer to stages in the educational process (advancement from one grade to the next), while the final outcome represents successful completion of the entire process (passing final examinations).

6.22. The type of outcomes that should be counted in the TSE sector contribution model depends on the institutional structure of the entity or entities delivering the policy initiative. If the structure is fragmented (one type of units provides referrals to other types of units to achieve the final policy outcomes), counting interim outcomes will be necessary to evaluate the TSE sector contribution. If the institutional structure is *integrated* (where each type of unit involved in performing the policy initiative is able to achieve the desired final outcome without referrals to other types of units), counting final outcomes may be sufficient to evaluate the TSE sector contributions. Examples of integrated policy initiative structures include ambulatory services, vaccinations and short-term training. In such situations, all outcomes are final out-

comes. In other instances, the organization of the initiative may be fragmented. For example, a policy initiative may require completion of primary, secondary or tertiary education. The first is integrated because primary schools can achieve the desired final outcomes without referring students to other types of units. The other two are fragmented because, in order to achieve the final outcome, primary schools feed students to secondary schools, which in turn feed them to tertiary institutions.

6.23. A central challenge in any approach to measuring outcomes is to distinguish between effects attributable to the policy initiative and those resulting from a wide variety of external factors, including other policy initiatives, general economic growth or recession or natural disasters, which may have an impact on outcomes. To take account of such external factors, a control mechanism is needed to hold those other factors constant. In the TSE sector contribution model, the comparison between the performance of TSE entities and that of other types of institutional units operating in the same area or industry provides the necessary control mechanism. The logic is that the TSE and other entities in a particular industry will be operating in the same policy field and experiencing roughly the same external factors. Comparing the performance of those different sectors operating in the same environment during the same time period holds the environmental factors constant and makes it possible to assess the relative performance of TSE entities while controlling for possible distorting factors. To work, however, control groups for the different sectors should have a similar balance of collective and individual services. Comparing a group that provides mostly individual services (such as individual counselling) with one that provides mostly collective services (such as information dissemination) will be misleading. To satisfy that condition, it may be necessary to subdivide industries into more homogenous subsets for the purpose of comparison (for instance, for-profit and TSE entities providing individual counselling, or government and TSE entities disseminating information).

6.24. To keep track of those performance indicators, it is useful to compile a comparative institutional performance matrix for each set of inputs, outputs and outcomes. Table 6.1 provides an example of such a matrix for primary education institutions involved in a hypothetical policy initiative to achieve Sustainable Development Goal 4. Under the initiative, an annual target of 1.5 million low-income children receiving primary education is set. All types of primary schools—non-profit, public and private for-profit—participate. Given that no particular outcomes are specified in the initiative, it is assumed that the successful completion of primary education is the appropriate proxy for the intended outputs.

Table 6.1
Comparative institutional performance matrix for primary education, one year

Desired impact:		Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all (Goal 4)			
Policy initiative:		Provide primary education to all low-income children			
Annual target:		1.5 million low-income children receiving primary education			
Line	Measure	Type of institution			
		All schools (1)	TSE sector schools (2)	Public schools (3)	For-profit schools (4)
1	Input (e.g. employees)	950 000	237 500	665 000	47 500
2	Input shares	100%	25%	70%	5%
3	Output (low-income students enrolled)	1 500 000	350 000	1 100 000	50 000
4	Output shares	100%	23%	73%	3%
5	Outcome (final, such as students completing primary school)	205 000	51 000	145 000	9 000
6	Outcome shares (absolute performance shares)	100%	25%	71%	4%
7	Efficiency scores (outputs/inputs, line 4/line 2)	1	0.92	1.04	0.6
8	Relative efficiency indices (TSE efficiency/government efficiency, col. 2, line 7/col. 3, line 7 and vice versa)		0.88	1.13	
9	Effectiveness score (outcomes/outputs, line 6/line 4)	1	1.09	0.97	1.33
10	Relative effectiveness indices (TSE effectiveness/government effectiveness, col. 2, line 6/col. 3, line 6, and vice versa)		1.12	0.89	

6.25. The illustrative input measure in table 6.1 (line 1) is the number of staff employed in the reference year in the primary schools, broken down by TSE sector schools and two reference groups: public and private for-profit schools. The use of two reference groups reflects the fact that public and private for-profit schools operate differently (for instance, in terms of how they select students and the ratio of students to teachers); lumping them together may produce misleading results. The input shares (line 2) are the percentage shares of staff employed in each type of institution. The output measure (line 3) is the number of low-income students enrolled during the target year in the three types of schools and the output shares for each type of institution are shown thereafter (line 4). The outcome measure (line 5) is the number of students successfully completing primary education in the reference period. Alternative outcome measures, such as the number of students admitted to secondary institutions or entering the labour force, may also be used, if data permit.

6.26. Once the inputs, outputs and outcomes of the various institutional sectors involved in a policy initiative are determined, three possible relative performance measures can be computed:

- (a) The absolute TSE sector performance share calculates the share of outcomes for which each of type of institution active in the policy arena is responsible. Although useful, it fails to take account of the institutions' relative starting positions. Knowing, for example, that TSE sector units account for 25 per cent of the target outputs towards the goal of having disadvantaged students complete primary education does not allow us to judge the performance of those units if it is unknown whether they accounted for more or less than 25 per cent of available primary education institutional resources or inputs;

- (b) A more robust relative performance indicator, a relative efficiency index, is thus needed to take account of the institutions' differential starting points. That index is computed in two steps: first, an efficiency score, computed by dividing the share of outputs by the share of inputs, is calculated for each institutional sector (see table 6.1, line 7); second, the efficiency score of the TSE institutions is then computed as a ratio of the efficiency scores of the other two institutional sectors (the control groups) and vice versa. The index thus controls not only for the external environment but also for the differences in scale of involvement of the different sectors in the policy arena concerned. In the performance matrix presented in table 6.1, if public institutions account for 70 per cent of the inputs of personnel and resources available in the provision of primary education and produce 73 per cent of the output goals (students completing primary education), they will have a TSE efficiency score of 1.04 (73/70). By contrast, if TSE institutions account for 25 per cent of the inputs but produce only 23 per cent of the outputs, their efficiency score would be only 0.92. Putting the two together yields a "relative efficiency score" of only 0.88 for TSE institutions relative to government sector providers, or 1.13 for government sector providers relative to TSE institutions (see table 6.1, line 8). A comparable comparison can also be made between TSE and for-profit providers;
- (c) The relative efficiency score measures the quantity but not the quality of performance (the extent to which outputs translate into outcomes). For that, a relative effectiveness index is needed. It measures the ratio of the share of outcomes (final or interim) to the share of outputs produced by TSE and control group institutions. Thus, if TSE institutions account for 25 per cent of the target outcomes with only 23 per cent of the outputs, they have an effectiveness score of 1.09 (25/23) (see table 6.1, line 9). By contrast, if the public institutions involved in primary education produce 73 per cent of the outputs but only 71 per cent of the ultimate outcomes, their effectiveness score is only 0.97. Putting the two together yields a relative effectiveness index (see table 6.1, line 10) of 1.12 (1.09/0.97) for TSE institutions relative to public ones, or 0.89 (0.97/1.09) for public institutions relative to TSE ones. A similar pair of effectiveness indices can be computed to compare TSE with for-profit institutions and vice versa.)

6.27. Similar institutional performance matrices can be assembled to measure the performance of TSE entities with regard to other Sustainable Development Goals, particularly in fields where such entities have a substantial presence. One such field is social services, where TSE institutions account for, on average, about one third of total employment.³¹ That makes TSE institutions major players in efforts to achieve Sustainable Development Goals 1 (ending poverty), 5 (gender equality), 10 (reducing inequality) and 11 (human settlements). Input measures in that field include expenditure or the number of paid workers in social service institutions. Output measures include the number of people receiving services during the reference period. Outcomes will vary depending on policy goals and programmes but, by way of example, might include fewer arrests of at-risk youth, lower rates of recidivism among former convicts, more job opportunities for the long-term unemployed, fewer malnourished children or declining rates of violence against women.

6.28. There is also a substantial TSE institutional presence in the area of environmental protection. Outputs in this field are often measured not by the number of people served but by other quantity indicators, such as the size of the area under

³¹ Estimates based on data for 32 countries covered by the Johns Hopkins Comparative Nonprofit Sector Project.

environmental protection. Ultimate outcomes can be measured in improved human health (for example, a decline in the number of asthma cases) or improved water quality. Relevant Sustainable Development Goals include Goals 13 (climate change), 14 (sustainable use of the oceans, seas and marine resources) and 15 (ecosystems and biodiversity). Policy initiatives may range from service provision (such as cleaning up polluted areas) to improved forestry practices (including reforestation and sustainable logging) or designating protected areas. TSE institutions have traditionally been involved in environmental clean-ups, sustainable forestry and related activities (such as ecotourism). Inputs in those activities can be measured by expenditure or the number of paid staff working in institutions in different sectors. The outputs are defined by specific policy objectives: the clean-up of areas of land or bodies of water, the removal of a certain volume of pollutants or debris, the area of land devoted to the sustainable cultivation of trees, a certain number of people visiting ecotourism facilities or a certain volume of recycled materials. In most instances, the outcomes of environmental protection initiatives are classic public goods, such as cleaner air and water and more open space. Measuring them can be challenging. One method is based on the contingent valuation approach, commonly used by governments, lawyers and real estate agents to assess environmental damage.³² It involves using carefully designed surveys to assess the stated willingness to pay for an environmental amenity by people benefitting from it. The contingent valuation method measures the outcomes of environmental protection as the imputed monetary value of benefits resulting from that protection.

6.29. Community development and housing is another focus area (Goals 6, 7, 9 and 11) in which TSE institutions play a significant role. The field encompasses industries producing goods and services in at least three subfields: housing, community infrastructure and economic development promotion (see table 6.2). Industries listed in the table can be matched to activities classified by ISIC Rev.4 and ICNP/TSO (see chap. 5). Each of those activities produces different outputs (see table 6.2). Outputs might include: the number of low-income housing units built in a reference period; the number of people living in managed or cooperative housing; the volume of water or electricity delivered; or the length of roads or water conduits constructed. Outcomes could encompass reductions in the rate of homelessness and shelter occupancy and the number of vacant houses, rising house prices and increased park attendance. The contingent valuation method can be used to measure the perceived monetary value of community improvements resulting from the production of community development goods and services.

³² For an overview of approaches to measuring environmental damage, see Arrow and others, 1993. With regard to real estate, see McLean and Mundy, 1998; and McLean, Kilpatrick and Mundy, 1999.

Table 6.2
Outputs associated with community development Sustainable Development Goals,
by type of activity

Type of industry	Housing	Infrastructure	Development promotion
Services	Management or maintenance of dwelling units	Water, energy or sanitation services; Transportation services	Economic development activities (tourism, commerce, jobs, etc.); Quality of life improvements
Goods production	Construction or rehabilitation of dwelling units	Construction or rehabilitation of water, energy or sanitation facilities; Road construction or rehabilitation	Construction of schools, clinics, etc.; Construction of public spaces and parks; Neighbourhood improvements
Possible links to Sustainable Development Goals	Goals 1 and 9	Goals 6, 7 and 9	Goals 1, 3, 4, 8 and 9

6.30. In addition to service delivery and goods production, TSE institutions also engage in a variety of expressive activities, which include social participation; advocacy; the promotion of social solidarity or ethnic, racial or religious values; the representation of economic and political interests; and cultural and recreational activities. The social outputs and outcomes associated with those activities, unlike others performed by TSE entities, do not always take the form of concrete services or goods. The full benefit of attending a musical performance may not be as obvious as that resulting from health-care treatment, for example. A range of possible benefits associated with expressive activities are set forth in the Sustainable Development Goals, including Goals 5 (gender equality), 13, 14 and 15 (environment) and 16 (peace and inclusive societies and justice for all). It could be argued that the expressive activities of TSE entities, such as advocacy, could be instrumental in achieving all the Goals.

6.31. A useful distinction in assessing the contributions of TSE institutions through their expressive activities is reflected in two different groupings in ICNP/TSO: section A (culture, arts, communication and recreation activities) and a combination of sections E and G–J (social participation, expression and interest representation activities). Each of those two groupings can be further subdivided into their component parts and linked to Sustainable Development Goals (see table 6.3).

Table 6.3
Illustrative expressive activities and their possible links to Sustainable Development Goals

Sustainable Development Goals	Type of expressive activities							
	Culture, arts, communications and recreation				Social participation, expression and interest representation activities			
	Culture and arts	Sports and recreation	Information and communications services	Social advocacy	Environment conservation and animal welfare advocacy	Occupational interest representation	Political interest representation	International activities
5: Gender equality				X				
8: Inclusive growth and decent work						X		
10: Reduced inequality				X				X
11: Inclusive communities	X	X	X					
13: Climate change					X			
14: Marine resources					X			
15: Land resources					X			
16: Justice				X			X	

6.32. The aim in assessing the outcomes of expressive activities is to know the level of success of the advocacy or expressive activities undertaken. Examples include news coverage generated by expressive activities, legislative changes resulting from public involvement or changes in public or corporate behaviour. Given that this is exceedingly difficult to pin down, particularly in the time span likely to be available for measuring progress on the achievement of the Sustainable Development Goals, it seems likely that a fall-back approach will be needed. Outputs of expressive activities could be used as a proxy for the outcomes; the greater the involvement in the activities, the more efficacious they are likely to be. One way of assessing their social impact could thus be to measure the level of participation that they generate: the number of paid employ-

ees, volunteers and participants (such as members, supporters, activists and protesters) engaged in advocacy efforts and groups and the events they organize.

6.33. That fall-back approach is likely to be appropriate for measuring the impact of the TSE sector only on specific impact goals. Adding together all outputs into a universal measure of the impact of TSE sector expressive activity is likely to be misleading. Moreover, if assembling the data needed for that analysis is too difficult, an alternative approach based on public perception methods (see sect. C) may be more appropriate.

6.34. The TSE sector contribution model does not take into account variations in the skills or salary levels of personnel in the various sectors or the presence of volunteers. However, in line with efforts to measure the economic value of volunteer work by using TSE sector satellite accounts, it may also be useful to assess the extra contribution by volunteers to TSE sector outcomes. Distinguishing between outputs produced by volunteers and those produced by paid staff directly is likely to be extremely difficult, if not impossible. Volunteers may not be involved in producing particular outputs or outcomes and the time they spend is not proportionate to their numbers in the labour force of TSE institutions.

6.35. Indirect methods are thus called for. One involves calculating the output per unit of paid staff input or employee compensation for the types of institutions in the field that do not engage volunteers and applying that rate to the respective input measure of the TSE institutions to see what their paid workers or level of employee compensation would yield if their paid workers were involved in producing the given output. Any difference between the actual output of those TSE institutions and estimated output with paid staff only can be credited as output generated by volunteers. The resulting volunteer share of the outputs can be used to estimate the volunteer share of the outcomes.

C. Data assembly for the third or social economy sector contribution model

6.36. The greatest challenge in implementing the TSE sector contribution model is to identify the sources of data needed to populate comparative institutional performance matrices for the Sustainable Development Goals. General suggestions about possible sources appear in this section. National accounts statisticians, however, should consult other units in their own agencies and private research organizations (such as universities and public opinion or market research firms) with experience in quality-of-life, education, health and well-being surveys. They should take an incremental approach, working first on fields in which data relevant to the outcome measurement task are most conveniently available or on fields prioritized by policymakers to achieve the Sustainable Development Goals. This will root the impact measurement work more securely in local circumstances and priorities.

1. Industry statistics

6.37. Some of the required data can be obtained from the administrative and statistical data on activities in major fields, such as education, health care, social assistance or housing, provided that TSE institutions and activities are identifiable in the sources (see chaps. 2 and 3). That may call for setting up new reporting systems that allow for the collection of relevant outcome data, as recommended by the Statistical Commission's Global Working Group on Big Data for Official Statistics.³³

³³ See <https://unstats.un.org/bigdata/>.

2. Organizational surveys

6.38. Where such data is unavailable even for major fields, alternative approaches will be needed. Short surveys of relatively small samples of TSE and other institutions active in a particular field can target several representative institutions, such as non-profit and public schools or non-profit and public hospitals. If no detailed stratification, for instance by geographical region or by size of institution, is needed, the sample can be rather small (30–50 units per sector). The information sought in the survey can be limited to the bare minimum needed for the proper sectoral allocation of annual inputs, outputs and outcomes. See annex 6.2 for a sample organizational survey questionnaire.

6.39. The survey approach can also be used to assemble data needed to populate the matrices for the TSE sector contribution model in the expressive fields. Some of the information, such as on employment, may be obtainable from the sources used to compile the national accounts, but other information, such as on the number of volunteers or participants, may not be readily available. Some organizations can provide the necessary data on the outputs, such as the number of tickets sold, members, participants in public events, publications sold or distributed and website views. Where sampling representative organizations proves difficult, an alternative is to assess public perceptions of the activities (see paras. 6.41–6.44).

3. Big data

6.40. Advances in telecommunication technologies are opening new opportunities for collecting data on services usage. Analysis of mobile telephone records or website visits can yield useful information about electronic traffic to different types of organizations, which may serve as a proxy for their outputs, especially in the fields of advocacy or culture. Simple mobile device apps can be created that allow subscribers to report using specific types of services in real time. TSE sector entities often spearhead innovations in this area to expand their public reach. Serious consideration should be given to using such unconventional data assembly tools and working with telecommunication services and TSE sector entities to explore their potential.

4. User perceptions

6.41. Another approach to the generation of output and outcome data, aimed primarily at determining the quality of outcomes, focuses on beneficiaries. The main benefit is the relatively low cost of data collection, which is carried out mainly through household opinion surveys. The down side is that information on the actual outputs of institutions is limited, as is the ability to reliably identify TSE institutions among them. Moreover, clearly defined benchmarks allowing longitudinal and cross-national comparability of the collected information are lacking.³⁴

6.42. Several instruments exist for measuring quality of services at the system level in major fields, such as health and education. WHO conducts a variety of surveys to assess the quality of health-care systems worldwide.³⁵ UNESCO does the same with education systems.³⁶ Keystone, an international organization based in the United Kingdom, has developed a web-based platform, Feedback Commons, which allows users to design a survey questionnaire to measure the level of satisfaction felt by recipients of non-profit services.³⁷ Lastly, general social surveys in many countries include questions measuring the trust or confidence of respondents in public institutions, including TSE sector institutions. Those surveys, if available, constitute another potential source of valuable information about the quality of services delivered by the TSE sector, provided TSE entities can be separately identified in the data.

³⁴ Most opinion surveys use intensity (or Likert) scales, which record responses in the form of symbols representing varying levels of the respondent's subjective feelings or attitudes towards the subject being scrutinized (for example, from extremely positive to extremely negative). That exemplifies the ordinal level of measurement that allows rank-ordering of responses from lowest to highest for individual respondents but makes comparing answers given by different respondents difficult, since the values of those responses are not clearly defined and thus are subjective.

³⁵ See www.who.int/healthinfo/tools_data_collection/en/.

³⁶ See www.uis.unesco.org/UIS/Questionnaires/Pages/default.aspx.

³⁷ See <http://feedbackcommons.org/>.

6.43. Where output and outcome data required for the matrices for the TSE sector contribution model in certain expressive fields, such as advocacy, the defence of human rights or the promotion of accountability and transparency, are unavailable, public opinion surveys measuring perceptions of such activities may be the only option. Such advocacy may be undertaken by a small number of well-known TSE institutions (such as Greenpeace, the International AIDS Society or Transparency International), governmental and intergovernmental agencies (such as the United Nations Environment Programme (UNEP) or Joint United Nations Programme on HIV/AIDS (UNAIDS)), or a larger number of smaller, grassroots organizations. If different organizational units in different institutional sectors are involved in a specific type of advocacy effort, separating and comparing them may offer useful information about their relative contributions to public perceptions of the issues targeted by a policy.

6.44. Public perceptions of advocacy efforts have two components: familiarity with the organizations engaged in an advocacy campaign and perceptions of the results achieved by the campaign. The first component represents the interim outcomes of the campaign and the second component the final outcomes (or rather the perceptions thereof). Annex 6.3 includes a list of suggested data items for use in a public opinion survey to measure perceptions of outcomes of specific advocacy efforts. They represent outcomes by cumulative scaling, each item indicating an increased level of intensity.³⁸ The instrument should be designed to measure advocacy efforts linked to specific Sustainable Development Goals or similar policy goals carried out by the TSE sector institutions and the organizations in the control group (for example, governmental agencies or for-profit firms). The questions can be used as a supplement to existing general social surveys or public opinion polls. Alternatively, they can be used in an online survey, for example, on websites of media organizations or similar websites with high-volume traffic. The data collected through the questions can be entered into the inputs/outputs/outcomes matrix (see table 6.4).

³⁸ Known as Guttman scaling.

Table 6.4

Example of a comparative institutional performance matrix for advocacy activities based on public perceptions

Impact sought: Achieve gender equality and empower all women and girls (Goal 5)		
Initiative:	Increase the number of female candidates in local elections	
	TSE sector	Control group
Inputs (paid staff, expenditure)	\$5 000 000	\$12 000 000
Outputs (size of target audience)	8 000 000	15 000 000
Percentage of positive (yes) answers by type of unit		
Interim outcomes ^a (familiarity)		
1. Heard about organizations	40%	60%
2. Learned about organizations from the media	30%	60%
3. Attended events arranged by organizations	25%	20%
4. Gave money to organizations	15%	10%
5. Volunteered for organizations	10%	5%
Final outcomes (perceived results)		
1. Percentage of members of TSE sector or control group organizations aware of campaign	40%	50%
2. Percentage of the general public aware of campaign	30%	45%
3. Public opinion towards goal changed	30%	20%
4. Percentage believing that government policy on goal changed	20%	20%
5. Percentage saying that the attitude of people to goal changed	10%	4%

^a These items represent suggested data items listed in annex 6.3. The values represent the percentage of survey respondents answering yes to each data item.

Annex 6.1

Sustainable Development Goals

- Goal 1:** End poverty in all its forms everywhere.
- Goal 2:** End hunger, achieve food security and improved nutrition and promote sustainable agriculture.
- Goal 3:** Ensure healthy lives and promote well-being for all at all ages.
- Goal 4:** Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.
- Goal 5:** Achieve gender equality and empower all women and girls.
- Goal 6:** Ensure availability and sustainable management of water and sanitation for all.
- Goal 7:** Ensure access to affordable, reliable, sustainable and modern energy for all.
- Goal 8:** Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
- Goal 9:** Build resilient infrastructure; promote inclusive and sustainable industrialization and foster innovation.
- Goal 10:** Reduce inequality within and among countries.
- Goal 11:** Make cities and human settlements inclusive, safe, resilient and sustainable.
- Goal 12:** Ensure sustainable consumption and production patterns.
- Goal 13:** Take urgent action to combat climate change and its impacts.
- Goal 14:** Conserve and sustainably use the oceans, seas and marine resources for sustainable development.
- Goal 15:** Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.
- Goal 16:** Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.
- Goal 17:** Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development.

Annex 6.2

Suggested data elements on outputs and outcomes for inclusion in an organizational survey

- Step 1: Does the organization provide service programmes related to *[describe policy initiative, such as primary education for low-income students, vaccinations or medical treatment, etc.]*?
- Yes/No
- Y: proceed to the next question
- N: end the questionnaire
- Step 2: Determination of profit distribution and government control:
- Question 1: Is the organization a business seeking to maximize profits from market operations? Y/N; if N go to Question 7
- Question 2: Are there any limitations on the distribution of those profits to owners or stakeholders? Y/N; if N, end of questionnaire
- Question 3: Is the organization required to pursue a social mission that limits how much profit it can earn or distribute? Y/N; if N, end of questionnaire
- Question 4: Is the organization required to retain at least 50 per cent of surplus generated by its operations? Y/N; if N, end of questionnaire
- Question 5: If the organization is liquidated (sold or dissolved), are the owners or stakeholders entitled to the proceeds from the liquidation? Y/N; if Y, end of questionnaire
- Question 6: Is the organization prohibited from distributing the surplus from its operation in proportion to the invested capital (shares) or fees paid to the organization? Y/N; if N, end of questionnaire
- Question 7: Is the organization a government agency or controlled by such an agency? Y/N; if Y, end of questionnaire
- [Outline System of National Accounts criteria for government control if needed].*
- Step 3: Determination of the outputs of the service programme:
- Question 1: How many people, households or institutional units participated in this programme *[for example, how many low-income students were enrolled in primary education programmes; how many people received vaccinations or medical treatment, etc.]* during *[year]*?
- Expected answer: the number of people, households or institutional units
- Step 4: Determination of the outcomes of the service programme:
- Question 1: Does your organization's programme aim to _____ *[describe outcomes sought by the policy or a proxy measure of the outcome]*? Y/N; if N, end of questionnaire
- Question 2: Do the participants in this programme achieve _____ *[benefit described in question 1]* after completing it with-

out additional referrals, or must they be referred to another organization?

Answer: They can achieve the outcomes without additional referral

Answer: They must be referred to another organization;
skip to question 4

Answer: Both

Question 3: How many programme participants achieved _____ [*benefit described in question 1*] after completing the programme during [year]?

Question 4: Expected answer: the number of people, households or institutional units

Question 5: How many programme participants were referred to another organization to achieve _____ [*benefit described in question 1*] after completing the programme during [year]?

Expected answer: the number of people, households or institutional units

Step 5. Determination of the inputs (organizational resources deployed to implement the programme):

[*You may choose only questions 1–3, 4–5, or all questions*]

Question 1: How many employees were engaged in delivering the service programme during [year]?

Expected answer: number of people, broken down by full and part-time status if necessary

Question 2: How many volunteers were engaged in delivering the service programme during [year]?

Expected answer: number of people

Question 3: What is the average number of hours spent on delivering the service programme by one volunteer during [year]?

Expected answer: number of hours

Question 4: What is the total cost of delivering the service programme during [year]?

Expected answer: programme cost in currency units

Question 5: What is the total revenue generated by the service programme during [year]?

Expected answer: programme revenue in currency units

End of questionnaire

Annex 6.3

Suggested data elements for survey of public perceptions of advocacy activities

Instruction: I would like to ask you a few questions about a public campaign/outreach effort to mobilize support for [*describe the Sustainable Development Goal or other policy initiative*]. I will read you names of different types of organizations involved in this campaign/outreach effort. Please tell me if you know of any of them.

Question 1: Here is the first group of organizations: [*list a few well-known TSE institutions advocating the policy initiative*]. Do you know of any of these organizations?

Yes/No

If Y; proceed to the next question

If N; skip to question 4

Question 2: I will read to you several statements that describe different levels of familiarity with these organizations. Please say yes for each statement that describes how familiar you are with them.

2.1 I have heard about these organizations [__]

2.2 I learned what these organizations do from newspapers/radio/television/social media [__]

2.3 I attended an event/rally/meeting organized by these organizations [__]

2.4 I gave money/something of value to these organizations [__]

2.5 I help/work without pay for these organizations [__]

Question 3: I will now read you several statements that describe different results of organizational activities. Please say yes if you think that these organizations achieved the results described by each statement.

3.1 Informed their members/supporters about [*describe Sustainable Development Goal or other policy initiative*] [__]

3.2 Informed the public about [*describe Sustainable Development Goal or other policy initiative*] [__]

3.3 Influenced public opinion on [*describe Sustainable Development Goal or other policy initiative*] [__]

3.4 Influenced government policy on [*describe Sustainable Development Goal or other policy initiative*] [__]

3.5 Significantly changed behaviour/practices regarding [*describe Sustainable Development Goal or other policy initiative*] [__]

Question 4: Here is another group of organizations [*list a few well-known governmental and intergovernmental agencies advocating this policy initiative*]. Do you know of any of these organizations?

Yes/No

If Y; ask questions 2 and 3 again

If N; end questionnaire

End of questionnaire

Annex I

**Formats for presenting and disseminating
third or social economy sector satellite
account data**

Table A.1
Sample table format for reporting TSE sector satellite account, by account type

Production account		TSE sector				
Code	Transactions and balancing items	Direct volunteering	Social enterprises	Cooperatives and mutual societies	NPIs	Total
P1	Output					
P11	Market output					
P11g ^a	Government ^b					
P12	Output for own final use					
P13	Non-market output					
P2	Intermediate consumption					
B1g	Value added, gross					
^a Denotes TSA sector satellite account specific elements.						
^b The portion of output attributable to government contracts and reimbursements for services to households.						
Generation of income account		TSE sector				
Code	Transactions and balancing items	Direct volunteering	Social enterprises	Cooperatives and mutual societies	NPIs	Total
D1	Compensation of employees					
D11	Wages and salaries					
D12	Employers' social contributions					
V0V ^a	Imputed value of volunteers (replacement cost)					
D2	Taxes on production					
D3	Subsidies on production					
B2g	Operating surplus, gross					
B3g	Mixed income, gross					

Allocation of primary income account					
TSE sector					
Cooperatives and mutual societies					
Social enterprises					
Direct volunteering					
NPIs					
Total					
Code	Transactions and balancing items				
D4	Property income receivable				
D41	Interest				
D42	Distributed income of corporations				
D44	Investment income disbursements				
D45	Rent				
D4	Less: property income payable				
D41	Interest				
D42	Distributed income of corporations				
D44	Investment income disbursements				
D45	Rent				
B5g	Balance of primary income				
Secondary distribution of income account					
TSE sector					
Cooperatives and mutual societies					
Social enterprises					
Direct volunteering					
NPIs					
Total					
Code	Transactions and balancing items				
D7	Other current transfers receivable				
D75	Miscellaneous current transfers				
D751	Current transfers to NPIs				
D751g ^a	Government				
D751md ^a	Membership dues				
D751p ^a	Gifts from households and corporations				
D752	Current transfers between resident and non-resident households				
D759	Other miscellaneous current transfers				
D5	Less: current taxes on income, wealth, etc.				
D61	Less: net social contributions				
D7	Less: other current transfers payable				
B6g	Disposable income, gross				

Table A.2
Sample table format for reporting TSE sector gross value added, by industry (ISIC Rev.4)

Code	ISIC Rev.4 Title	TSE sector				
		Total	NPIs	Cooperatives and mutual societies	Social enterprises	Direct volunteer work
	All industries					
A	Agriculture, forestry and fishing					
B	Mining and quarrying					
C	Manufacturing					
D	Electricity, gas, steam and air conditioning supply					
E	Water supply; sewerage, waste management and remediation activities					
F	Construction					
G	Wholesale and retail trade; repair of motor vehicles and motorcycles					
H	Transportation and storage					
I	Accommodation and food service activities					
J	Information and communication					
K	Financial and insurance activities					
L	Real estate activities					
M	Professional, scientific and technical activities					
N	Administrative and support service activities					
O	Public administration and defence; compulsory social security					
P	Education					
Q	Human health and social work activities					
R	Arts, entertainment and recreation					
S	Other service activities					
94	Activities of membership organizations					
T	Activities of households as employers; undifferentiated goods and services-producing activities of households for own use					
U	Activities of extraterritorial organizations and bodies					

M	Professional, scientific and technical activities
N	Administrative and support service activities
O	Public administration and defence; compulsory social security
P	Education
Q	Human health and social work activities
R	Arts, entertainment and recreation
S	Other service activities
T	Activities of households as employers; undifferentiated goods and services-producing activities of households for own use
U	Activities of extraterritorial organizations and bodies
^a See www.ilo.org/public/english/bureau/stat/isco/isco08/ .	

Table A.4
Sample table format for TSE institutions, by industry, sources of support^a and TSE sector component (ICNP/TSO)

Code	Item	Government			Private purchases			Dues			Private transfers current			Private capital transfers			Annex: non-financial support—imputed value of volunteers											
		NPIs	Co-ops and mutual societies	Social enterprises	Government subtotal	NPIs	Co-ops and mutual societies	Social enterprises	Private purchase subtotal	Purchases	Membership dues	Gifts	Dues subtotal	NPIs	Co-ops and mutual societies	Social enterprises	Current transfer subtotal	NPIs	Co-ops and mutual societies	Social enterprises	Capital transfer subtotal	NPIs	Co-ops and mutual societies	Social enterprises	Direct volunteering	Volunteering subtotal		
A	Culture, communication and recreation activities																											
B	Education services																											
C	Human health services																											
D	Social services																											
E	Environmental protection and animal welfare activities																											
F	Community and economic development, and housing activities																											
G	Civic, advocacy, political and international activities																											
H	Philanthropic intermediaries and voluntarism promotion																											
I	Religious congregations and associations																											
J	Business, professional and labour organizations																											
K	Professional, scientific and administrative services																											
L	Other Activities																											
L90	Activities not elsewhere classified																											

^a See chap. 4, table 4.3 for definitions of revenue sources and paras. 4.35–4.36 for a definition of the imputed value of volunteer work.

Table A.5
Format for machine-readable TSE sector satellite account data file

Element	Description	Column	Length	Type
Country	Country name	1	30	Text
Ctry_code	Country code (ISO-alpha3 code)	31	3	Text
Year	Year of reporting	34	4	Text
COMP	TSE sector component	38	1	Number
Class_name	Industry classification (ISIC or ICNPO)	39	3	Text
Class_group	Group code in industry classification	42	4	Text
P1	Output	46	14	Number
P11	Market output	60	14	Number
P11g	Market output (governmental)	74	14	Number
P13	Non-market output	88	14	Number
P2	Intermediate consumption	102	14	Number
B1g	Value added, gross	116	14	Number
B1n	Value added, net	130	14	Number
D1	Compensation of employees	144	14	Number
D11	Wages and salaries	158	14	Number
D2	Taxes on production and imports	172	14	Number
D3	Subsidies	186	14	Number
B2g	Operating surplus, gross	200	14	Number
B2n	Operating surplus, net	214	14	Number
D4_p	Property income paid	228	14	Number
D4_r	Property income received	242	14	Number
D75_r	Miscellaneous current transfers received	256	14	Number
D75g_r	Miscellaneous current transfers (governmental) received	270	14	Number
D75p_r	Miscellaneous current transfers (corporations + households) received	284	14	Number
D75pc_r	Miscellaneous current transfers (corporations) received	298	14	Number
D75ph_r	Miscellaneous current transfers (households) received	312	14	Number
D75r_r	Miscellaneous current transfers (rest of the world) received	326	14	Number
D7_n	Other current transfers net	340	14	Number
D75_n	Miscellaneous current transfers net	354	14	Number
D75g_n	Miscellaneous current transfers (governmental) net	368	14	Number
D75p_n	Miscellaneous current transfers (corporations + households) net	382	14	Number
D75pc_n	Miscellaneous current transfers (corporations) net	396	14	Number
D75ph_n	Miscellaneous current transfers (households) net	410	14	Number
D75r_n	Miscellaneous current transfers (rest of the world) net	424	14	Number
D75f_p	Transfers to rest of the world	438	14	Number
D75f_r	Transfers from rest of the world	452	14	Number
D75f_n	Transfers to/from rest of the world (net)	466	14	Number
B6g	Disposable income, gross	480	14	Number
B6n	Disposable income, net	494	14	Number

Element	Description	Column	Length	Type
D63	Social transfers in kind	508	14	Number
B7g	Adjusted disposable income, gross	522	14	Number
B7n	Adjusted disposable income, net	536	14	Number
P3	Final consumption expenditure	550	14	Number
B8g	Savings, gross	564	14	Number
B8n	Savings, net	578	14	Number
P51	Gross fixed capital formation	592	14	Number
P52	Changes in inventories	606	14	Number
P53	Acquisitions less disposals of valuables	620	14	Number
K2	NP acquisitions less disposals of non-produced assets	634	14	Number
D9_r	Capital transfers, receivable	648	14	Number
D9_p	Capital transfers, payable	662	14	Number
B9	Net lending/borrowing	676	14	Number
TOTR	Total NPI revenue (market output, property income and transfers)	690	14	Number
GOVR	NPI revenue from government (transfers, contracts and reimbursements)	704	14	Number
FEER	NPI revenue from private sales	718	14	Number
PHLR	NPI revenue from private transfers (donations)	732	14	Number
MDR	NPI revenue from membership dues	746	14	Number
OTHR	Other revenues not elsewhere classified	760	14	Number
PEP	Paid employment, number of persons	774	8	Number
PEF	Paid employment, full-time equivalent	782	8	Number
PEH	Paid employment, hours	790	8	Number
VOP	Volunteers, number of persons	798	8	Number
VOF	Volunteers, full-time equivalent	806	8	Number
VOH	Volunteer hours	814	8	Number
VOV	Value of volunteer work	822	8	Number

Codes for TSE sector components (COMP)

Code	TSE sector component
1	NPIs total
2	Non-profit cooperatives and mutual societies
3	Related institutions total
4	Market cooperatives and mutual societies
5	Direct volunteer work total
6	Direct volunteer work (goods producing)

Notes:

A TXT (fixed-length) file records variables at pre-defined positions (column), so each variable occupies the same length.

A CSV (comma separate values) file separates variables by a comma, so the length of each variable is the actual number of digits needed to record the value.

A list of ISO-alpha3 codes is available at <https://unstats.un.org/unsd/methodology/m49/>.

Annex II

System of National Accounts and the third or social economy sector: a primer for non-specialists

A. Introduction

A2.1. The System of National Accounts (SNA) constitutes the internationally agreed standard set of recommendations on how to measure economic activity in accordance with strict accounting conventions based on economic principles. The recommendations are expressed in terms of a set of concepts, definitions, classifications and accounting rules that together allow the development of systematic comparative data on national economies throughout the world. The resulting accounts provide a comprehensive and detailed record of the complex activities taking place within an economy and of the interactions among the various economic agents and groups of agents, drawing on a wide variety of administrative records and economic surveys.

A2.2. The SNA covers all institutional units resident in a national economy, including those within the scope of the TSE sector, and assigns each to one of five institutional sectors: financial corporations; non-financial corporations; governments; households; and non-profit institutions serving households (NPISHs). Institutional units are assigned to sectors based on the type of economic activities they perform:

- Units that undertake production in the market and aim to sell their products at economically significant prices (2008 SNA, para. 4.18) are assigned to the corporations sector, which is further subdivided into two parts, non-financial and financial, on the basis of the secondary criterion of their main product.
- Units that produce individual and collective goods at prices that are not economically significant and that consume goods and services on behalf of the population are assigned to the general government sector.
- Units that consume on their own behalf are assigned to the households sector.
- Units that are not market producers and not controlled by government are assigned to the NPISH sector.

A2.3. The SNA provides information about the behaviour of institutional units and the activities in which they engage—production, consumption and the accumulation of assets—by recording the exchange of goods, services and assets among institutional units in the form of transactions. Those transactions are reported as a logical sequence of interconnected flows of economic values that begins with the production of goods and services and ends with consumption expenditure and saving that are

carried forward into the capital account. That sequence is referred to as the sequence of accounts.

A2.4. The SNA contains three types of accounts: the current, capital and financial accounts. Each account in the sequence starts with an initial value, followed by the values representing relevant transactions. The final element of each account, called the “balancing item”, is the difference between the opening item and the values of transactions subtracted from it. The balancing item is then forwarded to the next account in the sequence, where it is treated as the initial value, from which the relevant transactions are then subtracted.

A2.5. The sequence of current accounts starts with the “production account”, which reflects the value of all goods and services sold by producers less the expenses incurred in the production process. The balancing item is “the value added” to the national economy. The sum of value added by all institutional units in the national economy is popularly known as the gross value added or gross domestic product (GDP).³⁹ The next element in the current account sequence is a series of “income accounts”, which represent remuneration received by “factors of production”, that is, individuals engaged in different capacities in the production process, such as labour, owners of property used in production and entrepreneurs or owners of institutional units producing the goods. Income accounts include several different “cuts” on the income of the factors of production, of which the following three show transactions of particular relevance to the TSE sector satellite accounts: the “generation of income account”, which focuses on the income of labour (compensation of employees) and government (taxes on production less subsidies); the “allocation of primary income account”, which shows the income of property owners, including rent, interest and dividends; and the “secondary distribution of income account”, which shows taxes on income, social contributions and transfers, including government grants, membership dues paid to NPISHs and private philanthropic contributions. The balancing item of those accounts, after the income of different factors of production and transfers are factored in, are the operating surplus, the balance of primary incomes and the disposable income, respectively. The final component of the current account sequence is the “use of disposable income account”, which separates disposable income into spending on consumed goods and services (final consumption expenditure) and savings. Savings are then transferred to the “capital account”, which deals with changes in the value of assets held by institutional units. It records transactions in non-financial assets. The “financial account” records transactions in financial assets and liabilities.

A2.6. Each of the accounts records aggregate in-flows (“resources”) to the units in an institutional sector and aggregate out-flows from the sector (“uses”). They roughly correspond to the concepts of revenue and expenditure. This system makes it possible to record certain transactions among different institutional sectors. For example, property income identified as “resources” indicates investment income or rent receivable from units in other institutional sectors, while property income identified as “uses” indicates investment income or rent payable to other institutional sectors. Likewise, transfers identified as “resources” represent income receivable from other sectors in the form of government grants or corporate and individual philanthropy, whereas those identified as “uses” represent grants or contributions payable to other sectors, including households.

A2.7. The SNA provides a rich and systematic picture of the scale of operation of national economies that is conceptually integrated and, at the same time, allows for full cross-national comparison. Virtually every country has national accounts staff in their statistics or economic analysis departments who are conversant with the SNA

³⁹ More precisely, $GDP = GVA + \text{taxes on products} - \text{subsidies on products}$.

system and, consequently, within the limits of available information, produce data that adheres to the commonly agreed rules. The SNA is also periodically reassessed to cope with new economic realities. The 2008 SNA superseded its predecessor of 1993 after an extensive revision process.

B. System of National Accounts, third or social economy institutions and volunteer work

A2.8. Although market producers take a wide variety of organizational forms, such as sole proprietorship, collectively owned units or corporate entities, they are unambiguously assigned to the corporations sector (financial or non-financial). However, the treatment of TSE sector entities is not as straightforward, because they engage in several types of economic activities. Some sell their products at economically significant prices, as corporations do, while others provide individual or collective goods at prices that are not economically significant, as government does. Some of the latter may be set up and controlled by government, while others may undertake activities similar to those of government but act independently of it. The SNA therefore assigns TSE sector units to different institutional sectors:

- TSE sector units primarily engaged in market production (such as certain NPIs, cooperatives, mutual societies and social enterprises) are assigned to the corporations sectors as long as they charge fees that are based on their production costs and that are sufficiently high to have a significant influence on the demand for their services.
- NPIs, the activities of which are restricted to serving a particular subset of other market producers, such as chambers of commerce, agricultural, manufacturing or trade associations, employers' organizations and research or testing laboratories, are also assigned to the corporations sector, even if they are financed by dues.
- NPIs engaged in non-market production and controlled by government are assigned to the general government sector.⁴⁰
- NPIs engaged in non-market production that are not controlled by government are classified separately as NPISHs.
- Direct volunteer work is treated as a part of household sector activities. However, only the portion of direct volunteer work that results in the production of physical structures is counted in the SNA, whereas the portion that results in the production of services is considered outside the "production boundary" of the economy.

A2.9. The main result is that only TSE institutions allocated to the NPISH sector are visible in the SNA. All other types of TSE sector entities—market NPIs, government-controlled NPIs, cooperatives and social enterprises—are allocated to the corporations or general government sectors and merged with other units in those sectors. Once so merged, their identity as NPIs, cooperatives or social enterprises is lost from view.

A2.10. Similar problems arise in the treatment of volunteer work. In the SNA, the value of volunteer work through organizations is measured in terms of the cost to the employer, which is zero, thus making such work virtually invisible in national accounts data. The value of direct volunteer work producing physical structures is measured by the market value of the goods produced or by the implicit value of the

⁴⁰ Control refers to the ability to determine the general policy or programme of the NPI. Receipt of government funds alone does not constitute government control. Other factors include the appointment of the unit's governing body, provisions allowing the setting of policy or programmes and the capacity of the governing body to dissolve the unit or refuse funding from government sources.

labour input used to produce them (the replacement cost method). The value of direct volunteer work that produces services is not measured, even in theory.

A2.11. The result is that most TSE sector units and most direct volunteer work, although present, are invisible in the basic SNA data. Therefore, in 2003, the Statistics Division, with the help of the Johns Hopkins Center for Civil Society Studies, prepared the *Handbook on Non-profit Institutions in the System of National Accounts*, which provides guidance for the creation of satellite accounts on the NPI portion of the TSE sector. Another major step was taken in the 2008 SNA, with the call to identify NPIS separately in the institutional sectors to which they are allocated. In the *Handbook*, the same logic is applied to the other TSE entities—cooperatives, mutual societies and social enterprises—and to direct volunteer work leading to the production of services (as well as goods), for the valuation of which the use of a replacement cost method is recommended.

A2.12. Also of note is that the flows shown in the sequence of current accounts contain only limited information about their sources. Thus, market “output,” or sales of goods or services, do not contain information on whether those goods or services came from private households or government reimbursements in the form of social benefits (such as health insurance payments). Transfers from private philanthropy and government grants are typically also merged. In the *Handbook*, therefore, we recommend a methodology for identifying the sources of such flows so as to detail more clearly the sources of support that TSE sector entities receive. We also draw on the ILO *Manual on the Measurement of Volunteer Work* in providing a methodology for documenting the amount and value of volunteer work, direct and through organizations.

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