

Session Number: Session 9a (Parallel)
Time: Friday, September 25, 16:00-17:30

*Paper Prepared for the Special IARIW-SAIM Conference on
“Measuring the Informal Economy in Developing Countries”*

Kathmandu, Nepal, September 23-26, 2009

Putting Civil Society and Volunteering on the Economic Map of the World

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Keywords: Nonprofit institutions, civil society, informal labour, volunteering, national accounts, mapping

Thematic Stream: The Role of Non Profit Institutions

Language: English

Abstract

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

This paper provides an overview of a series of steps that have been taken over the past 20 years by researchers at the Johns Hopkins University and colleagues around the world to remedy this situation, culminating in the issuance and initial implementation of a new United Nations *Handbook on Nonprofit Institutions in the System of National Accounts* and the forthcoming publication of a new International Labour Organization *Manual on the Measurement of Volunteer Work*. Taken together, these efforts point the way toward capturing other components of the informal or non-observed sectors in basic economic statistics.

Putting Civil Society and Volunteering on the Economic Map of the World

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Introduction

The past twenty-five years have witnessed a spectacular expansion of philanthropy, volunteering, and civil society organizations throughout the world. Indeed, we seem to be in the midst of a “global associational revolution,” a massive upsurge of organized private, voluntary activity in virtually every corner of the globe.¹ The product of new communications technologies, significant popular demands for greater opportunity, dissatisfaction with the operations of both the market and the state in coping with the inter-related social and economic challenges of our day, the availability of external assistance, and a variety of other factors, this associational revolution has focused new attention, and new energy, on the broad range of social institutions that occupy the social space between the market and the state. Known variously as the “nonprofit,” the “voluntary,” the “civil society,” the “third,” the “social economy,” the “NGO,” or the “charitable” sector, this set of institutions includes within it a sometimes bewildering array of entities—hospitals, universities, social clubs, professional organizations, day care centers, grassroots development organizations, health clinics, environmental groups, family counseling agencies, self-help groups, religious congregations, sports clubs, job training centers, human rights organizations, community associations, soup kitchens, homeless shelters, and many more.

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

Despite their growing presence and importance, however, these “civil society organizations” or “nonprofit institutions” (NPIs) have long been the lost continent on the social landscape of our world. Only recently have they attracted serious attention in policy circles or the press, and academic interest in them has also surfaced only in recent years. For much of our recent history, social and political discourse has been dominated by a “two-sector model” that acknowledged the existence of only two social spheres outside of the family unit—the market and the state, or business and government. This was reinforced by the informal character of many of these organizations, by legal regimes in many countries that made it difficult for them to

¹ Lester M. Salamon, “The Rise of the Nonprofit Sector,” *Foreign Affairs*, Vol. 74, no. 3 (July/August 1994).

attain clear legal status, and by statistical conventions that have kept even the formal parts of this sector largely invisible in official economic statistics.

The System of National Accounts (SNA), the official system guiding the collection and reporting of economic statistics internationally, for example, only explicitly acknowledged the existence of nonprofit institutions (NPIs) and of an NPI sector in 1993. But little was done to encourage collection of data on the vast informal portion of this sector. What is more, a set of decision rules was adopted that has had the effect of allocating most of the economic activity of even the formal and observable NPIs to other economic sectors. Under these rules, any NPI that receives the preponderance of its income from market sales, including sales to government, at “economically significant prices” (i.e. prices that cover the costs of production) is allocated to the corporations sector, either financial or non-financial. Similarly, any NPI considered to be “financed and controlled by” government is allocated to the government sector. In practice, since the control criterion was not clearly defined, the “financed by” portion of this criterion dominated the allocation decisions. The only NPIs allocated to the so-called “Nonprofit Institutions Serving Household (NPISH) sector in the SNA were those that fell into neither of these two categories. But this turns out to be a very small share of all NPI economic activity. It excludes, for example, private nonprofit universities that receive substantial income from tuition, private, nonprofit hospitals that receive reimbursement payments from government, and private, nonprofit social service organizations supported in substantial part from government grants. (See Figure 1 .

Figure 1 goes about here

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

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

In an effort to fill this gap in knowledge and gain a clearer understanding of the scope and contours of the civil society sector around the world than was available from existing official statistics, the Johns Hopkins Center for Civil Society Studies launched a Comparative Nonprofit Sector Project (CNP) in the early 1990s. This project has been under way for more than 15 years and has embraced over 45 countries, making it the largest internationally comparative effort ever undertaken to document the size, scope, history, legal position, and policy environment of the

² Fortunately, the 2008 revision of SNA makes several changes that may clarify the position of NPIs in SNA data systems. This includes a clarification of the SNA’s “controlled by government” criterion, and a recommendation that countries separately identify the NPIs allocated to the corporations and government sectors.

nonprofit sector around the world³ (See Figure 2) The project has relied extensively on local analysts to root its definitions and analysis in the solid ground of local knowledge and experience, and has eventually involved at least 200 local researchers and enlisted hundreds of nonprofit activists, government officials, and knowledgeable leaders as advisors at both the international and national levels.

Figure 2 goes about here

Defining the Nonprofit Sector

The first task in undertaking this project was to settle on a definition of the nonprofit sector that could work in a wide assortment of countries with different legal and cultural traditions. This task was complicated by the enormous diversity of this sector, embracing everything from small soup kitchens and volunteer care centers to huge hospital complexes and prestigious universities. Indeed, there were initially doubts about whether it was even meaningful to talk about a nonprofit institution “sector.”

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

- *Different production function.* A key distinguishing feature of NPIs is that, unlike for-profit companies, they cannot distribute any profits they generate to their owners or director. They thus have a different production function from either businesses or governments: they are not profit-maximizers like for-profit firms, nor do they exercise the legitimate use of force, as does the state. This distinguishing feature was recognized in SNA 1993’s definition of an NPI as an economic unit whose “status does not permit it to be a source of income, profit or other financial gain for the units that establish, control or finance it.” An NPI may make a profit; it may be exempt from taxes; it may have a charitable purpose but none of these are determining characteristics. The essential criterion is that the NPI may not be a source of income, profit or financial gain to its owners or directors.
- *Public-goods production.* While they share with businesses the production of many private goods—i.e. goods that can be consumed privately and paid for through a market relation--many NPIs produce goods and services that provide benefits to the broader community, and do not seek to benefit only their members. These goods and services are hard to finance through market arrangements.

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

- *Different governance structures.* Unlike units of government, NPIs are not governed through public elections or governmental structures. They are either controlled by their members or by self-perpetuating boards of mostly private citizens. These organizations are in charge of their own “destiny,” i.e., they can dissolve themselves, set and change by-laws, and alter their missions or internal structure on their own authority.
- *Distinctive revenue structure.* NPIs secure revenue from a variety of sources. Distinct among economic units, however, NPIs often receive at least a portion of their support from private charitable contributions;
- *Distinctive staffing structure.* Nonprofit organizations rely not only on paid labor but also volunteer labor. This brings nonprofit organizations into the informal economy. Indeed, many NPIs have only volunteer labor. Since the SNA “production boundary” only includes unpaid labor conducted for formal organizations, and even then only to produce goods, as opposed to services, this feature makes the measurement of the economic activity of NPIs a central part of the effort to capture the informal economy;
- *Different tax treatment.* Nonprofit institutions are often subject to different tax treatment from other economic units. This often includes exemption from many taxes as well as eligibility for receipt of tax deductible gifts;
- *Distinctive legal treatment.* Finally, NPIs are often treated distinctively in the laws and regulations of different countries. Typical types of legal forms set aside for NPIs include: associations, foundations, companies limited by guarantee, public benefit organizations, nonprofit corporations, public utility corporations, non-stock corporations, and trusts.

Taken together, these distinctive features establish a credible case for treating NPIs as a distinct sector or class of entities. They do not yet constitute a definition of this set of organizations, however. For one thing, it is not sufficient to say that NPIs differ from other types of economic units along certain dimensions. It is also important to identify which of these differences are sufficiently salient to become part of the definition of the unit, and which can be identified cross-nationally and not just in individual countries.

To accomplish these latter tasks, we adopted a bottom-up, inductive approach to defining the NPI sector, building up our definition from the actual experiences of the broad range of countries embraced within our project. In the initial stage of the project, we solicited from our Local Associates a mapping of the kinds of entities that would reasonably be included in the third or civil society sector in their respective countries. We then lined these maps up against each other to see where they overlapped and identified the basic characteristics of the entities that fell into this overlapping area. Finally, we made note of the “grey areas” that existed on the fringes of this core concept and created a process for Local Associates to consult with us to determine how to treat entities that occupied these grey areas.

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

- *Organizations*, i.e., they have some structure and regularity to their operations, whether or not they are formally constituted or legally registered. This means that our definition embraced informal, i.e., non-registered, groups as well as formally registered ones. The defining question is not whether the group is legally or formally recognized but that it have some organizational permanence and regularity as reflected in regular meetings, a membership, and a set of procedures, whether written or embedded in spoken tradition, for making decisions that participants recognize as legitimate;
- *Private*, i.e., they are institutionally separate from the state, even though they may receive support from governmental sources. This criterion differentiates civil society organizations from government agencies without excluding organizations that receive a significant share of their income from government, as many civil society organizations now do;
- *Not profit-distributing*, i.e., they are not primarily commercial in purpose and do not distribute any profits they may generate to their owners, members, or stockholders. Nonprofit institutions can generate surpluses in the course of their operations, but any such surpluses must be reinvested in the objectives of the organizations, rather than distributed to those who hold financial stakes in the organizations. This criterion differentiates nonprofit institutions from for-profit businesses;
- *Self-governing*, i.e., they have their own mechanisms for internal governance, are able to cease operations on their own authority, and are fundamentally in control of their own affairs. This criterion differentiates nonprofit institutions from subsidiaries or agencies of other legal entities;
- *Non-compulsory*, i.e., membership or participation in them is contingent on an individual's choice or consent, rather than being legally required, or otherwise compulsory. This criterion is useful in differentiating civil society organizations from kin-based groups (e.g. extended households or castes) whose membership is determined by birth rather than individual consent.

The result is a quite broad definition of the nonprofit sector, encompassing *informal* organizations (organizations that are not registered and/or non-observed or that are staffed entirely by volunteers) as well as *formal* organizations (those that are registered or otherwise visible to statistical authorities); *religious* as well as *secular* organizations;⁴ organizations with paid staff and those staffed entirely by volunteers; and organizations performing essentially *expressive* functions—such as advocacy, cultural expression, community organizing, environmental protection, human rights, religion, representation of interests, and political

⁴ Religious organizations can take at least two different forms: (1) places of religious worship, and (2) service organizations such as schools and hospitals with a religious affiliation. Both of these are included within the project's definition of a civil society organization, though, as noted below, where it was possible to differentiate the two, the religiously affiliated service organizations were grouped together with other service organizations in the relevant field and the religious worship organizations identified separately. Not all countries were able to collect information on the religious worship organizations, however.

expression—as well as those performing essentially *service* functions—such as the provision of health, education, or welfare services. While the definition does not embrace individual forms of citizen action such as voting and writing to legislators, it nevertheless embraces most organized forms, including social movement organizations and non-profit-distributing cooperatives and mutual associations serving fundamentally solidarity objectives. Intentionally excluded, however, are government agencies, private businesses, and commercial cooperatives and mutuals that permit surplus distribution to their members.

This definition is quite consistent with the one formulated in the 1993 SNA. The non-profit distributing feature is fully consistent with that feature of the SNA definition, as noted above, while the focus on organizations is consistent with the SNA’s requirement that the entities included within the production boundary of the economy be “institutional units,” i.e, entities that are “capable in their own right of owning assets, incurring liabilities and engaging in economic activities and in transactions with other entities” and for which it is at least theoretically possible to develop “a complete set of accounts,...including a balance sheet of assets and liabilities....”⁵ The definition used in this project provides additional detail beyond that offered in the SNA definition, however, to clarify other features of the definition left open in the SNA terminology—e.g. clarifying that the source of revenue of the entity does not affect whether it is an NPI and differentiating NPIs from kin and family networks.

Most importantly, this definition has been tested in all 40+ countries covered in this project and has proved to be sufficiently broad to encompass the great variety of entities commonly considered to be part of the third or civil society sector in both developed and developing countries, sufficiently flexible to accommodate a great number of cultural and religious traditions, yet sufficiently sharp to distinguish these institutions from other types of social institutions, such as private businesses, units of government, families, and tribes or clans. Although it focuses on structural and operational features and is therefore highly operational, moreover, the definition also includes features that serve as meaningful proxies for the concept of “public purpose” that is central to the purpose definitions of this sector popular in some quarters. It does so, however, without trying to specify for all countries and all times what true “public purposes” are. Rather, it infers such purposes from the behavior of people in the different countries and from the “non-profit-distributing” and “non-compulsory” features of the definition. Essentially, if substantial numbers of people in a country support a set of organizations voluntarily and without expecting a share of any profits they might generate, this is strong evidence that *they* see some public purpose to the organizations.

Methodology

⁵ SNA 1993. Some observers have argued that this definition reflects a particular Anglo-Saxon cultural tradition because it does, not include mutuals and cooperatives, key components of a broader concept of this sector that is referred to as the “social economy.” However, inclusion of mutuals and cooperatives would breach an important distinction drawn in the SNA between NPIs and for-profit businesses. Because, as will become clear below, we held out the hope that the concept of an NPI sector elaborated in the project’s definition could ultimately be embraced more fully in the SNA system’s reporting on the economy, thereby institutionalizing our approach, we retained this more narrow definition, knowing that those interested in the broader “social economy” could add cooperatives and mutuals to the NPI sector data generated by our project.

Armed with this operational definition, the Project's second task was to devise a methodology for assembling data on the set of entities so defined. Fundamentally, our approach here took three different forms⁶:

- ***Tapping existing data sources***

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

- **Household surveys**

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

- **Hypernetwork sampling**

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

Key Findings

⁶ For further detail on the methodologies used in each project country, see Salamon, Sokolowski, and Associates, 2004, Appendix D.

Out of this process has come the first solid comparative empirical picture of the NPI sector ever assembled. In the process, the Project has exploded a number of long-standing myths about the NPI sector. Key findings include the following:

- The NPI sector is a far larger economic force than previously recognized.
 - In the 40 countries on which data are now available, nonprofit institutions represent \$1.9 trillion in operating expenditures. This is larger than the GDP of all but six countries;
 - Nonprofits in these 40 countries employ 48.4 million full-time equivalent workers (or 4.6 percent of the economically active population). This exceeds the workforce of many sizable industries in these countries, such as textiles, printing and publishing, chemical manufacturing, food production, and transport and communications;
- The U.S. does not have the world’s largest NPI sector in relative economic terms, as has been widely thought.
 - Measured as a share of the economically active population, the workforce of the NPI sector is larger in many European nations than in the United States.
 - This underlines the point that Europe south of Scandinavia does not really have a “welfare state,” as has been widely believed. Rather, these countries boast widespread “welfare partnerships” featuring extensive reliance by government on NPIs to deliver publicly financed services (See Figure 3);

Figure 3 goes about here

- Volunteers constitute a crucial part of the NPI workforce, accounting for an estimate 44 percent of full-time equivalent workers (See Figure 4). In fact, even conservatively valued contributions outdistance contributions of cash to NPIs by a factor of more than 2:1.

Figure 4 goes about here

- Fees and public sector payments comprise the largest components of nonprofit revenue, easily outdistancing philanthropy. In aggregate, fees represent 53 percent of nonprofit revenue, government support represents 35 percent, and private philanthropy represents only 12 percent of revenue (see Figure 5). This helps explain why the SNA allocation rules that capture in NPISH only those organizations that receive the preponderance of their income from philanthropy yields an unrealistically small picture of the full NPI sector;

Figure 5 goes about here

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

Filling the Gap II: Institutionalizing the Measurement of NPIs

From CNP to Official UN *Handbook*

The findings generated by the Johns Hopkins Comparative Nonprofit Sector Project attracted considerable attention, leading to three separate phases of project work. At the same time, the usefulness of these data for policy and representational purposes made it clear that a more permanent mechanism was needed to generate such data on a regular basis. Because the most efficient method for doing this was through the existing national accounts data system and national accounts offices that operate in virtually every country in the world, an approach was made to the United Nations Statistics Division (UNSD), which oversees the System of National Accounts, to explore the possibility of formulating an official UN *Handbook* to guide statistical offices around the world in producing regular “satellite accounts” on nonprofit institutions. Satellite accounts provide a mechanism for reconfiguring data already being captured in official statistics for specific purposes without changing the way the data are utilized in the core SNA system. In this case, it meant identifying NPIs in the other sectors to which they are allocated under then-existing SNA allocation roles, identifying NPIs not being captured in existing data systems, and pulling together data on all of these NPIs with the NPIs reported in the NPISH account to produce a composite picture of the NPI economy.

Fortunately, after reviewing the data generated by the Johns Hopkins CNP Project and comparing it to the data on NPIs available through existing SNA data sources, UNSD agreed to forge a partnership with the Johns Hopkins Center for Civil Society Studies and with an Experts Group of statistical officials from around the world to formulate such a *Handbook*. Out of this process emerged a United Nations *Handbook on Nonprofit Institutions in the System of National Accounts* (the UN *NPI Handbook*) that was accepted by the United Nations Statistical Commission in 2002 and formally published in 2003.⁷ The methodology outlined in this *Handbook* closely follows the definition and classification of “civil society organizations” used in the CNP Project but captures a far broader array of variables than was possible in the Johns Hopkins Project. More specifically, the UN *NPI Handbook* makes four major refinements to the 1993 SNA treatment of non-profit institutions:

- It recommends the production of regular NPI “satellite accounts” that pull together data on all NPIs, including those assigned to the corporations or government sector and those not yet captured anywhere in the statistical system. This requires that national accounts staffs identify and flag the NPIs that have been allocated to the corporations and government sectors, upgrade their business registers to include NPIs not currently

⁷ United Nations Statistics Division, *Handbook on Nonprofit Institutions in the System of National Accounts*. (New York: United Nations, 2003). Available for download at: www.jhu.edu/ccss/unhandbook.

covered, and aggregate all of these entities with the NPIs allocated to the NPISH account (See Figure 6);

Figure 6 goes about here

- It provides a refined definition of an NPI to make it possible to identify these entities in the other sectors;
- It recommends the use of the International Classification of Non-Profit Organizations (ICNPO) developed through the CNP Project to provide more detailed differentiation of NPIs than the existing International Standard Industrial Classification (ISIC Rev. 3) allowed⁸; and
- It calls for capturing volunteer work in the NPI satellite account and provides a recommended way to value it.

The United Nations *NPI Handbook*: Implementation

Producing a *Handbook*, even an official one, does not by itself ensure the production of regular data on NPIs or anything else, of course. To ensure that the *Handbook on Nonprofit Institutions in the System of National Accounts* did not become a bookshelf ornament, we sought and secured the approval of the UNSD to launch a dissemination and implementation effort and managed to find financial support for it from a number of private foundations and public agencies.⁹ The results to date are encouraging. In particular:

- **Partnerships** have been forged with the UN Volunteers, the European Commission, the UN's regional Economic Commissions, and with the Skoll, Ford, Kellogg, and Sasakawa Peace foundations to promote the implementation of the *Handbook*;
- **Regional workshops** have been held to introduce national accountants to the *NPI Handbook* in Europe, Latin America, Africa, and Asia, and follow-up meetings arranged with national statistical authorities in more than 20 countries;
- **34 countries have now made formal commitments to implement** the UN *NPI Handbook*. In addition, serious conversations are under way with several others (See Table 1);

Table 1 goes about here

⁸ Significantly, in the revision of the ISIC classification system recently undertaken, most of the categories identified in the ICNPO were incorporated into the revised ISIC, in part thanks to the work done on the UN *NPI Handbook*.

⁹ We are indebted to the Ford Foundation, the Skoll Foundation, the Sasakawa Peace Foundation, the W.K. Kellogg Foundation, and United Nations Volunteers for support of this work, and to the United Nations Economic Commissions for Latin America, Africa, and Asia and the Pacific for assistance with the dissemination events.

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- **Nine countries have produced the “NPI satellite accounts”** called for in this *Handbook*, and at least four (Australia, Belgium, Canada and the United States) have produced updates (See Table 2).

Table 2 goes about here

- **The United Nations Statistics Division**, for the first time, incorporated attention to the nonprofit sector into several crucial statistical system revision processes that have recently been underway, and invited JHU/CCSS to ensure appropriate treatment of NPIs in these processes. Included here were the following:
 - The revision of the System of National Accounts (SNA) undertaken in 2006-2008;
 - The preparation of a special chapter on NPIs in the revised edition of the *SNA Manual*;
 - The revision of the UN *NPI Handbook* to ensure its consistency with the revised SNA; and
 - The revision of the International System of Industrial Classification (ISIC) to ensure appropriate detail on fields where NPIs are active.
- The first-ever **Global Assembly on Measuring Civil Society and Volunteering** was held in Bonn, Germany, in September 2007. This event assembled national accounts statistical staff from all the countries engaged in, or seriously contemplating, *NPI Handbook* implementation as well as representatives of civil society organizations in the same countries and foundation and international organization representatives.

The United Nations *NPI Handbook*: Initial Findings

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

- The civil society sector is an enormous economic force, accounting on average for 5 percent of the GDP in the countries covered and exceeding 7 percent in some countries, such as Canada and the United States (See Figure 7);

Figure 7 goes about here

- This means that the GDP contribution of the NPI sector exceeds or is on a par with the GDP contribution of many major industries in these same countries, such as utilities, including gas, water, and electricity (2.3 percent of GDP), construction (5.1 percent of GDP), and financial intermediation embracing banks, insurance companies, and financial services firms (5.6 percent of GDP) (See Figure 8);

Figure 8 goes about here

- In some fields, such as social services, health, and sports and recreation, the GDP contribution of NPIs is much higher than this. In Belgium, for example, NPIs account for 42 percent of the value added generated in the health field and 66 percent of the value added generated in the social services field (see Figure 9);

Figure 9 goes about here

- About a quarter of the value added by NPIs comes from the work of volunteers, underscoring again the crucial importance of capturing volunteer work in economic statistics;
- Nonprofit institutions also turn out to be a highly dynamic element of the economy. Thus, in the five countries on which historical data are available (Belgium, Canada, the Czech Republic, Japan and the United States), the nonprofit satellite accounts reveal that the NPI contribution to GDP has been growing at an average rate that is twice the growth rate of GDP over recent years (8.1 percent per year vs. 4.1 percent) (See Figure 10);

Figure 10 goes about here

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

Closing the Gap III Institutionalizing the Measurement of Volunteer Work

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

so because under SNA rules, most volunteer labor is considered to be outside the “production boundary” of the economy and therefore not counted. What is more, like other forms of informal activity, even the portion of volunteer work that is theoretically supposed to be measured is not measured in practice. In fact, except for a few countries that have undertaken special surveys of volunteering (e.g. Australia, Canada, the U.K., and the U.S.) data on volunteering is almost non-existent around the world. This posed a serious problem even in countries that undertook to implement the UN *NPI Handbook* because the national accounts statisticians must work with data generated in other parts of the national statistical system, and in this case no such data were available. Accordingly, the resulting satellite accounts were often incomplete.

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

- Volunteer work is a major component of unpaid labour, which has become a focus of increased attention by policymakers throughout the world as a major form of economic activity and economic benefits, particularly in developing countries. Indeed, a recent survey of national statistical offices and institutes conducted by the U.K. Office of National Statistics on behalf of the United Nations Statistical Commission revealed that “the non-observed economy and informal employment” is one of the “three top priority areas for labour statistics” identified by member countries as needing attention (UK Office of National Statistics, 2008).
- Volunteer work is a component of unpaid labour that may be easier to capture since it can be differentiated from household activity and much of it takes place through institutions that are considered to be well within the production boundary of the economy (i.e., nonprofit institutions, or NPIs).
- Because volunteer work not only produces tangible outputs but also gives individuals a sense of self-satisfaction and a feeling of contributing to the progress of society, its measurement is consistent with the International Labour Organization’s emphasis on “decent work” as a means of promoting human agency, dignity, and feelings of self-respect. As the Director of ILO’s Bureau of Statistics recently observed: “There is no doubt that volunteer work contributes significantly to the ILO objectives. It straddles both the economic objectives...and the wider social objectives” (Young, 2007).
- As we have seen, volunteer labor turns out to be a major component of the workforce of NPIs and a major source of the value added that NPIs produce. No attempt to portray the economic impact of NPIs will be complete, therefore, without inclusion of the value of volunteer work;
- There is also a significant amount of volunteer work that does not occur within the context of organizations. This volunteer work is completely overlooked in the statistical system as a general rule, thus undervaluing grossly its contribution to societies. Indeed,

volunteer work is the great renewable resource for social and environmental problem-solving;

- The scale of volunteer work is enormous. Data generated by Statistics Canada just on formal volunteering, i.e. volunteering through organizations, revealed that the value added by such volunteering in Canada exceeded the value added by Canada's agriculture industry. Data generated by the Johns Hopkins CNP Project showed that the value of contributions of time easily exceeds the value of cash charitable contributions to nonprofit organizations in most countries.

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

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

Accordingly, we approached the International Labour Organization in the Fall of 2006 with a proposal to repeat with the ILO the process we had pursued in the development of the UN *NPI*

Handbook to formulate an ILO *Manual on the Measurement of Volunteer Work* that could guide labor force statisticians in measuring volunteer work through labor force surveys. Fortuitously, ILO was organizing one of its every-five-year International Conferences of Labour Statisticians for the Fall of 2008 and recognized the importance of volunteer work to its general emphasis on “decent work.” An agreement was therefore reached in the spring of 2007 to launch such a process and to form a Technical Experts Group of labor statisticians to work with us on it.

Over the ensuing months, we convened this Technical Experts Group, secured agreement on a number of key design issues, drafted most of the required *Manual*, subjected key features of it to testing, and successfully presented this draft to the 18th Annual Conference of Labour Statisticians in November 2008.¹⁰ Work is now needed to respond to a number of points of clarification raised by the Conference, to test the resulting draft instrument, and to launch a dissemination and technical assistance effort to promote its implementation.

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

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

Conclusion

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

The informal economy is currently one of the chief arenas where such distortions exist at the present time. But the message of the nearly two decade-long effort to perfect the lens through which we view the nonprofit institutions sector and volunteering suggest that these distortions are far from inevitable. With perseverance, determination, and good will, it is possible to gain traction on such difficult conceptual and empirical challenges. The formula used in the case of NPIs, consisting of initial research to demonstrate the feasibility of capturing a difficult phenomenon in a reliable way, followed by a concerted effort to find a way to institutionalize the

¹⁰ International Labour Organization, 2009. *Manual on Measuring Volunteer Work*. [In development. Precise reference to be added prior to publication]

resulting approach and then to press this institutionalization on over-worked statistical authorities, can work in other arenas and on other topics as well. Hopefully, the lesson of the UN *NPI Handbook* and the subsequent ILO *Manual on the Measurement of Volunteer Work* will inspire others to pursue similar leaps forward in other priority areas. In this way we will all see our world with new eyes.

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**Figure 1:
Treatment of Nonprofit Institutions in the 1993 SNA**

Type of institutional unit	Sectors of the System of National Accounts				
	Non-financial corporations sector (S.11)	Financial corporations sector (S.12)	General government sector (S.13)	Households sector (S.14)	NPISH sector (S.15)
Corporations	C ₁	C ₂			
Government units			G		
Households				H	
Non-profit institutions	N ₁	N ₂	N ₃	N ₄	N ₅

Figure 2

Johns Hopkins Comparative Nonprofit Sector Project Countries

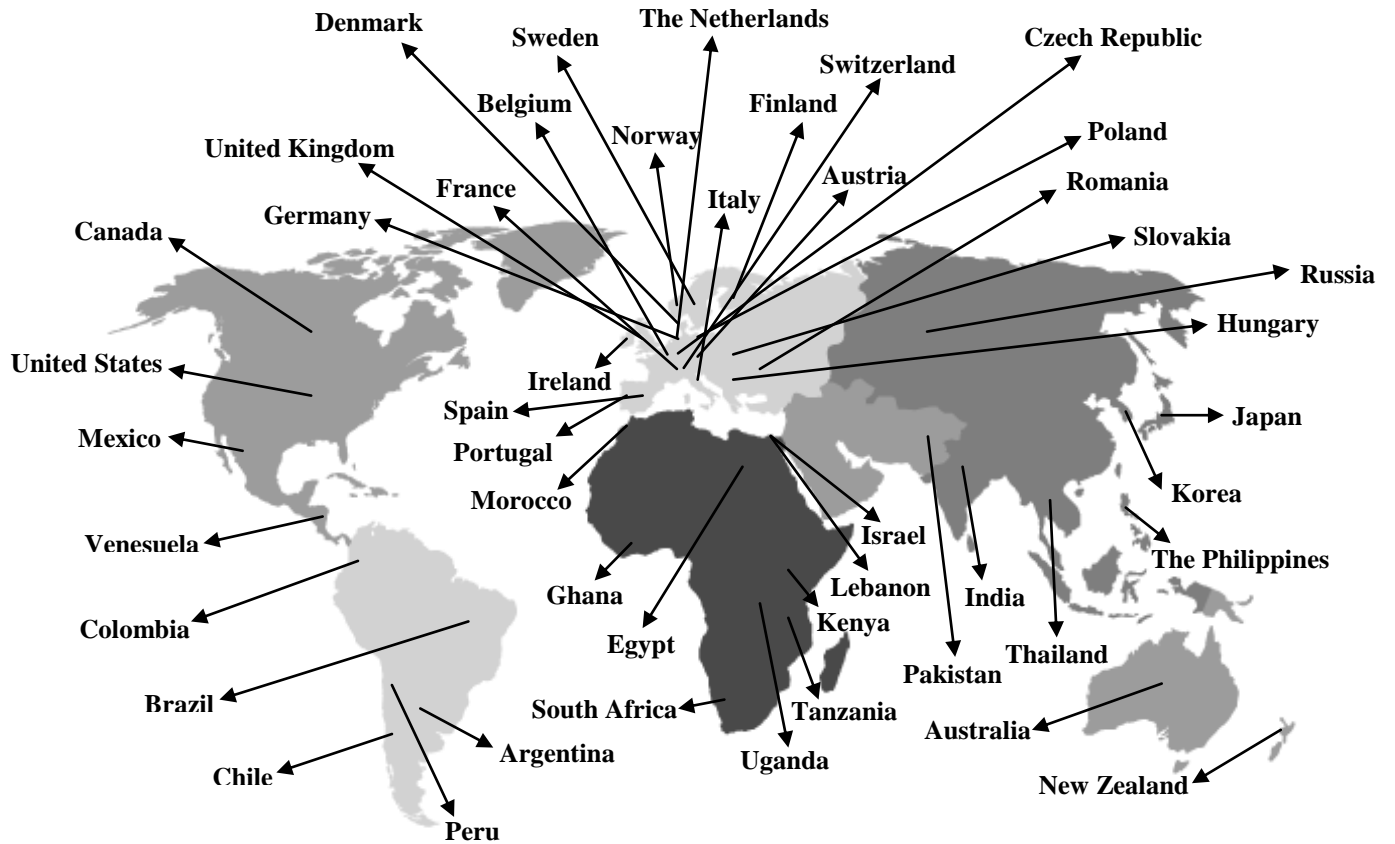
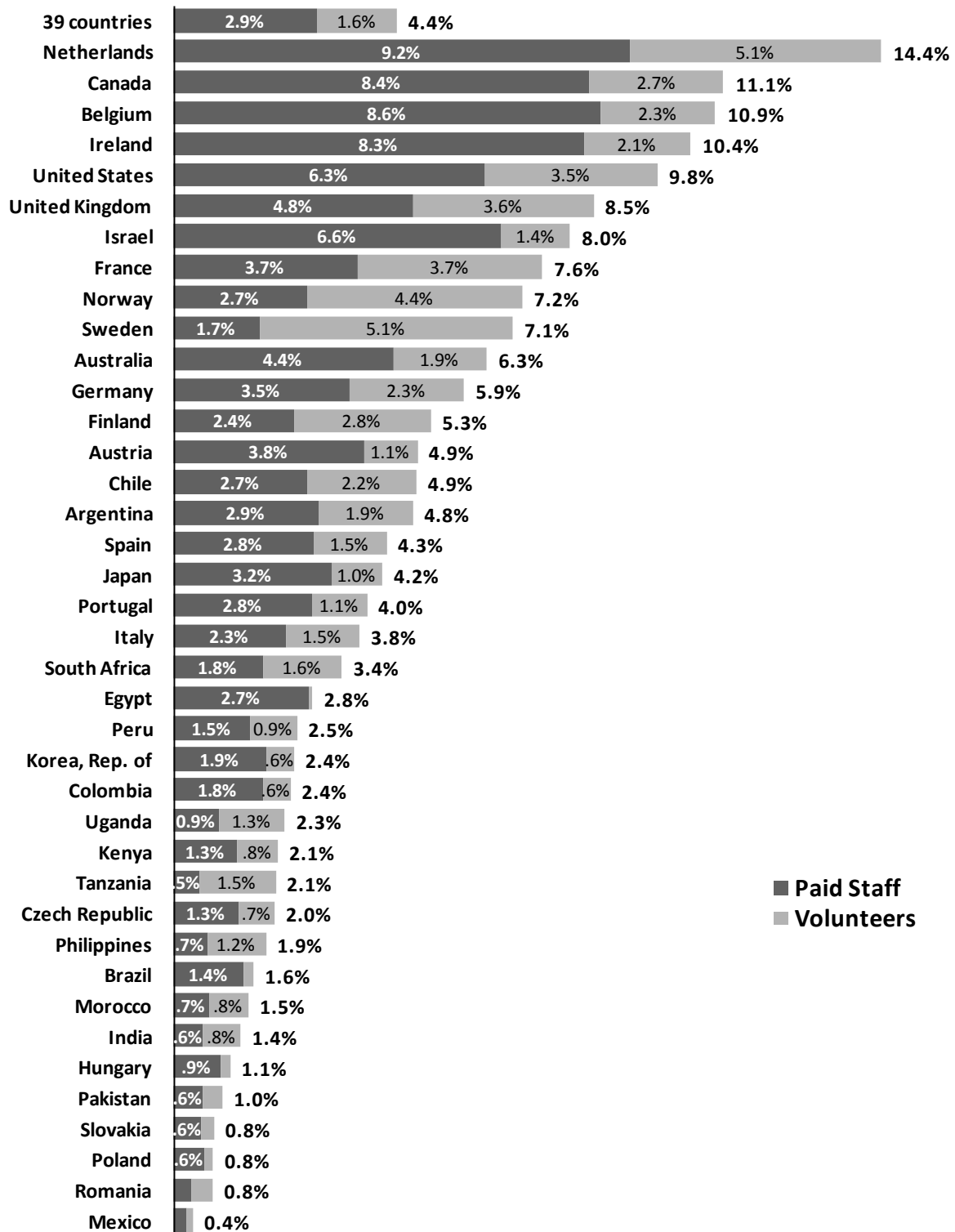


Figure 3

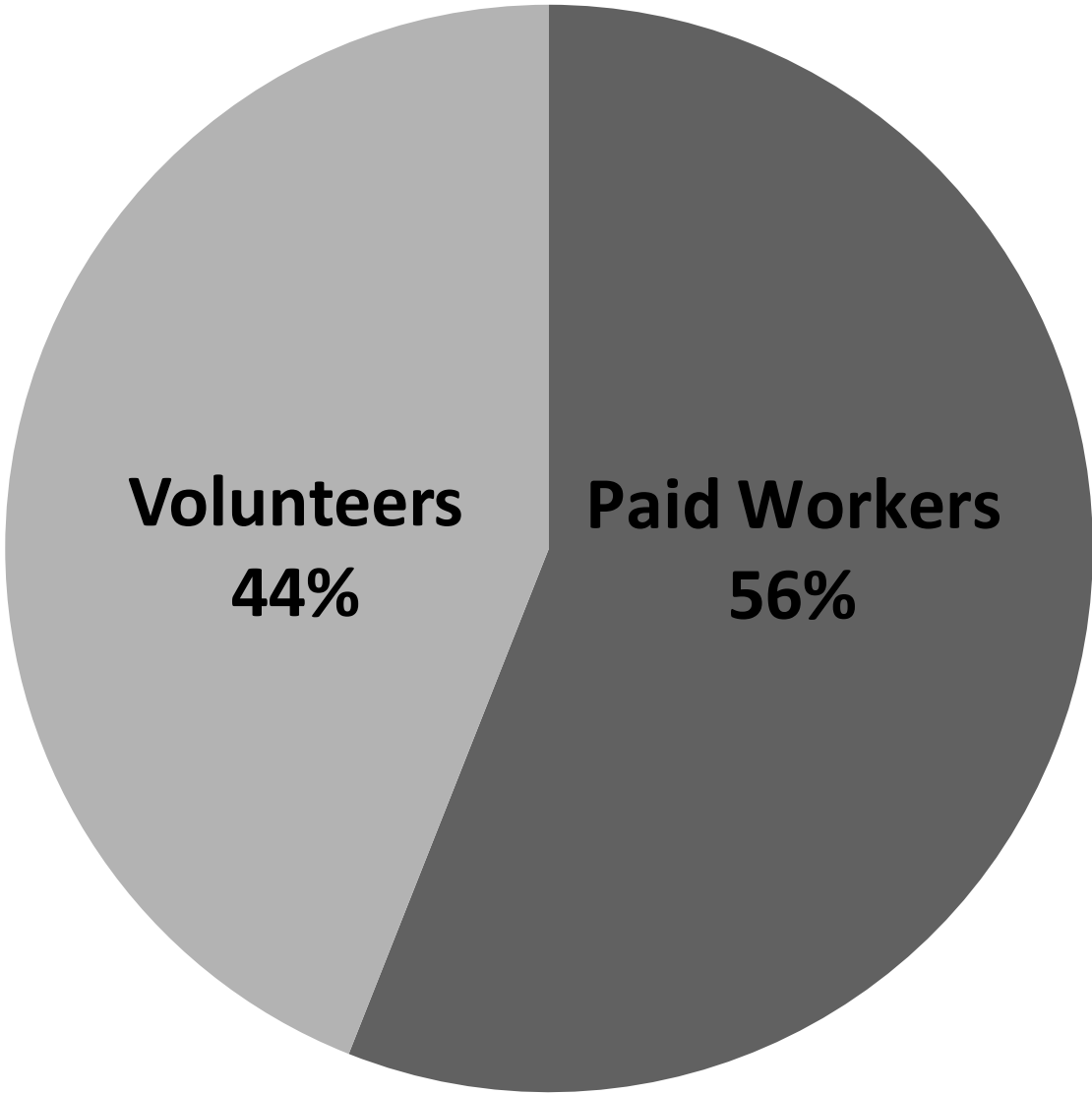
NPI workforce as a share of the economically active population, by country



Source: Salamon, Sokolowski, and Associates (2004)

Figure 4

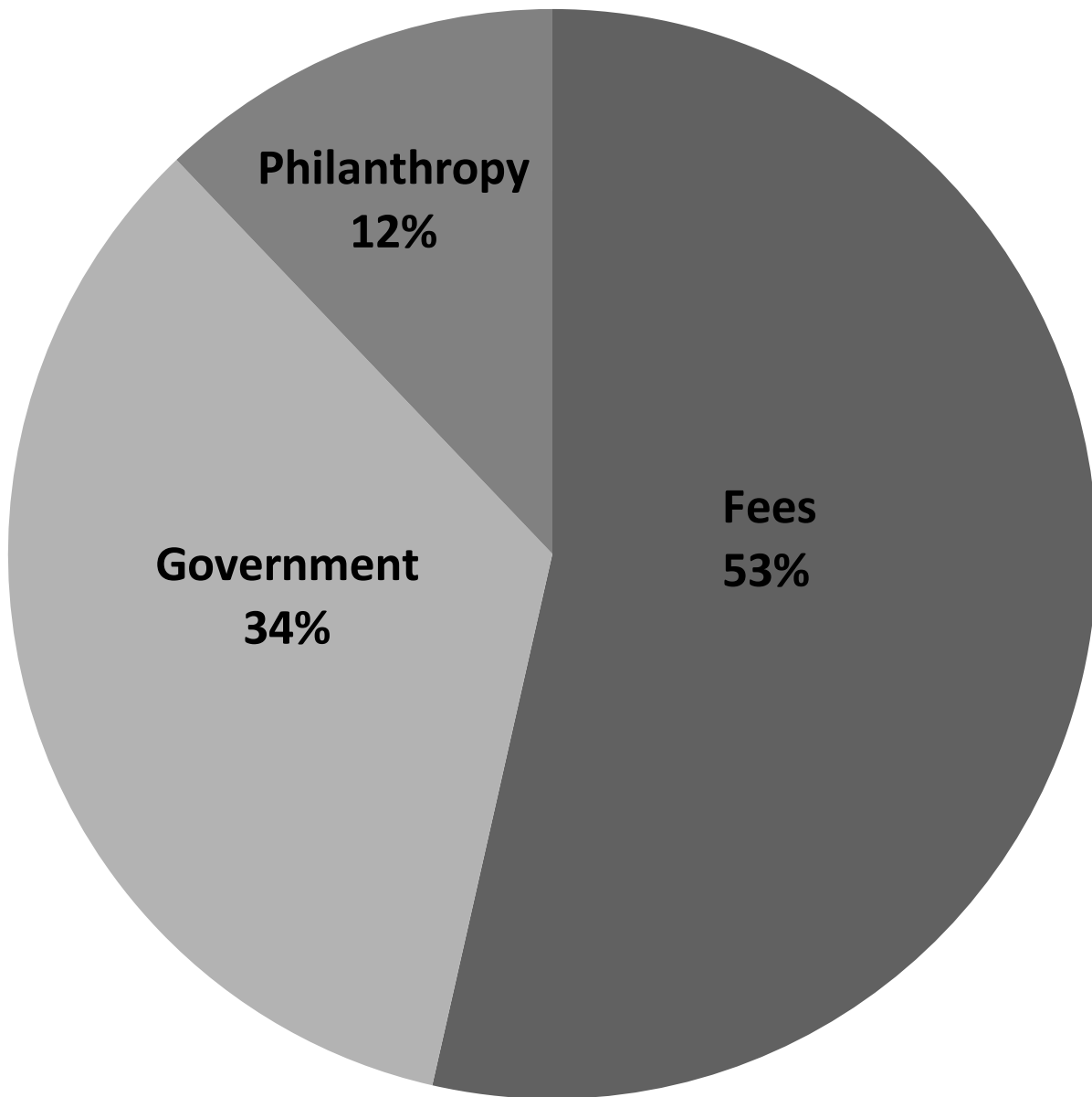
NPI paid vs. Volunteer labor, 36 countries



Source: Salamon, Sokolowski, and Associates, 2004
n=45.5 million
(including religion)

Figure 5

Sources of NPI revenue (34 country average)



Source: Salamon, Sokolowski, and Associates (2004)

**Figure 6:
Treatment of Nonprofit Institutions in the NPI Satellite Account**

Variable	Sectors of the SNA System									Nonprofit Sector $N = \sum NPI$		
	Nonfinancial Corporations Sector S.11		Financial Corporations Sector S.12		General Government Sector S.13		Households Sector S.14		Nonprofit Institutions Serving Households (NPISH) Sector S.15	SNA Basis	With non-market output of market NPIs	With volunteer labor and non-market output of market NPIs
	Total	NPI	Total	NPI	Total	NPI	Total	NPI	Total NPI			
Production Account												
Generation of income account												
•												
•												
•												
Closing Balance Sheet												

Table 1

U.N. Handbook Implementers and Target Countries

Developed Countries		Developing and Transitional Countries	
Committed	Target	Committed	Target
Europe		Central Europe	
Belgium* France* Portugal Norway Italy Germany	Denmark Netherlands Spain United Kingdom	Czech Republic* Slovakia	Hungary Poland Russia
North America		Latin America	
Canada* United States*		Argentina+ Brazil* Peru Mexico	Chile Uruguay
Asia		Asia	
Australia* Japan* Korea New Zealand*	Hong Kong	India Philippines Kyrgyzstan Thailand Vietnam Korea	Bangladesh Pakistan China
Other		Africa and Middle East	
Israel*		Cameroon Ghana Kenya Mali Morocco South Africa Uganda Mozambique* Nigeria	Egypt Tanzania
As of August 2009 *Satellite account completed			

Table 2

Completed Satellite Accounts (10)

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

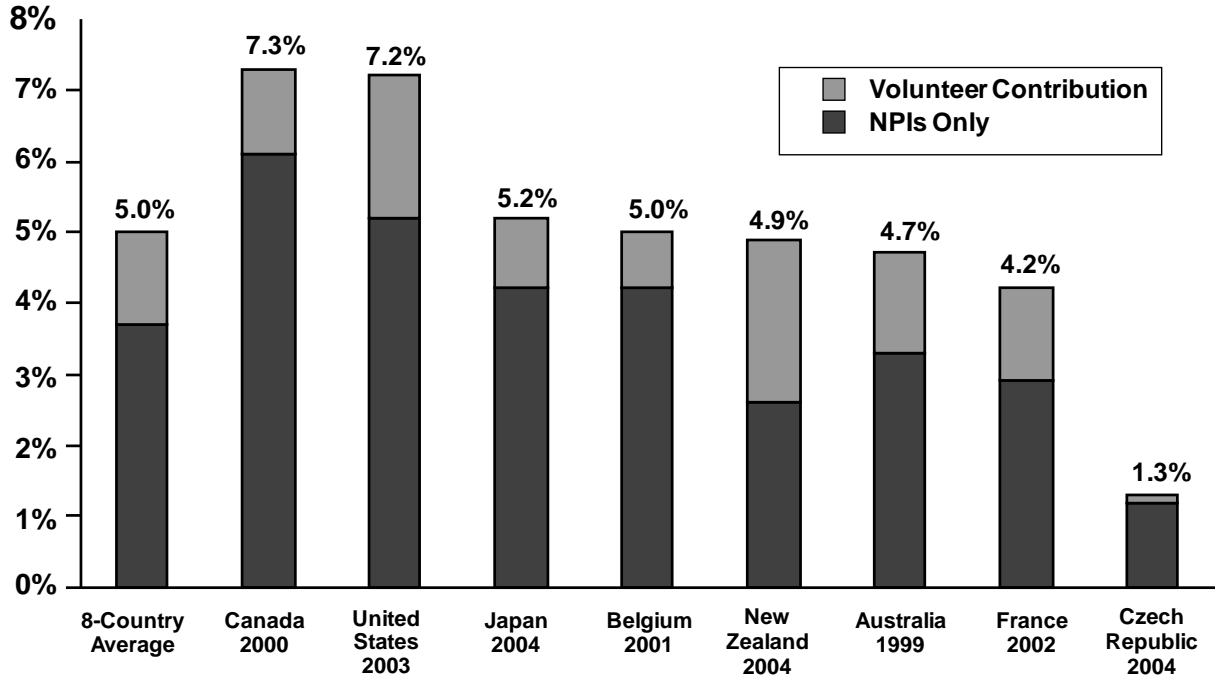
* Multiple satellite account editions available

Release of Satellite Account Imminent (2)

Argentina
Brazil

Figure 7

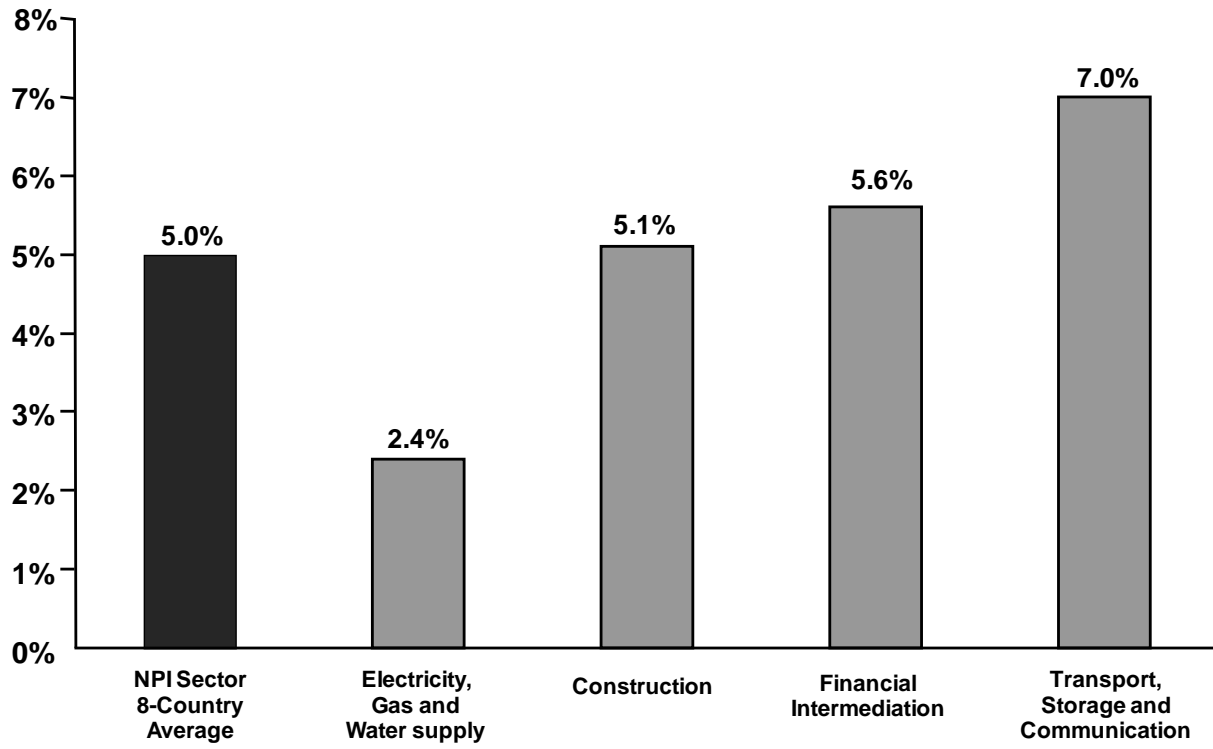
NPI Contribution to GDP, Including Volunteers, by Country and 8-Country Average



Source: Salamon et. al. (2007)

Figure 8

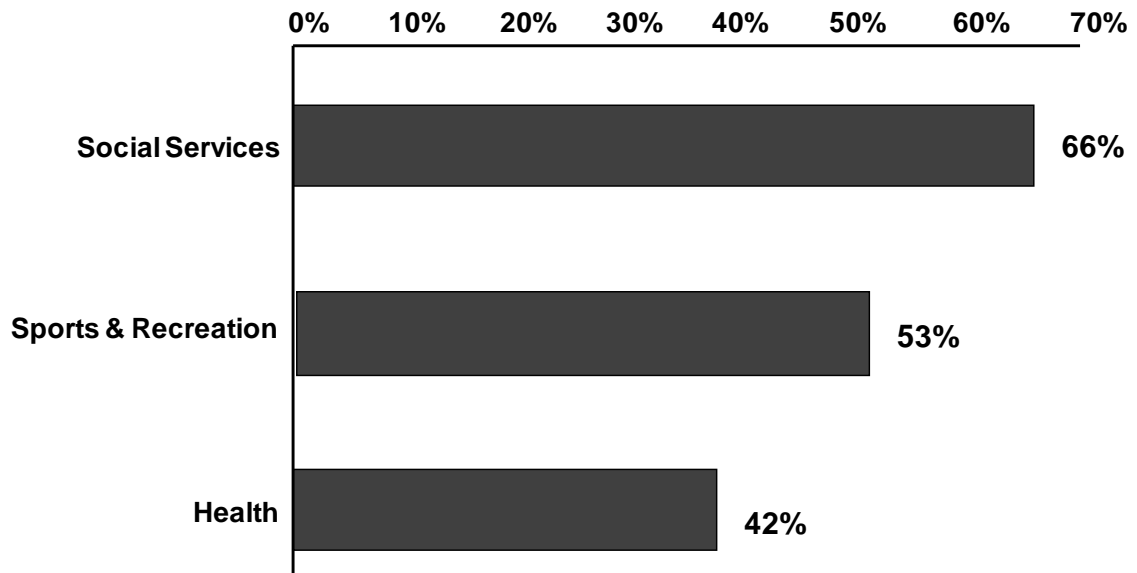
Contribution to GDP, NPI vs Other Industries, 8-Country Average



Source: Salamon et. al. (2007)

Figure 9

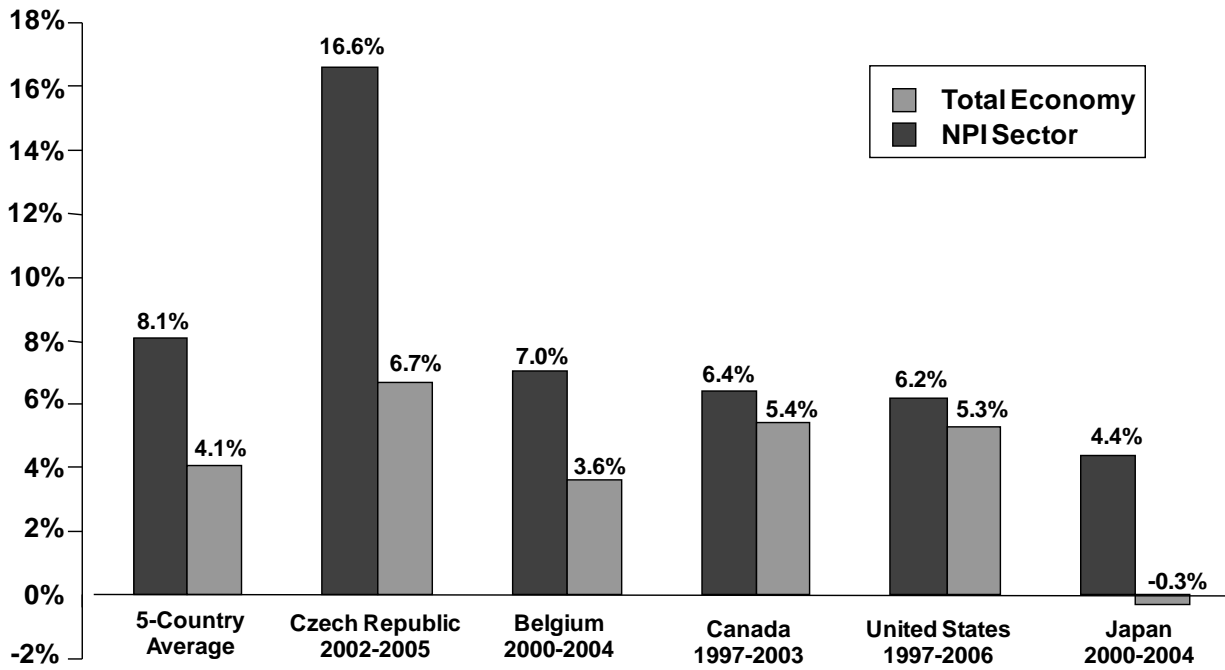
NPI Share of Value Added, Selected Fields, Belgium 2001



Source: Salamon et. al. (2007)

Figure 10

Average Annual Growth of NPIs vs. Total Economy, 5 Countries



Source: Salamon et. al. (2007)

**Data not available on Australia, France, and New Zealand.
Does not include volunteer labor.*