

The Johns Hopkins Comparative Nonprofit Sector Project

Global Civil Society

Dimensions of the Nonprofit Sector

Lester M. Salamon
Helmut K. Anheier
Regina List
Stefan Toepler
S. Wojciech Sokolowski
and Associates

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Center for Civil Society Studies
Institute for Policy Studies
The Johns Hopkins University
3400 N. Charles Street
Baltimore, MD 21218-2688, USA

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CHAPTER 1

Civil Society in Comparative Perspective¹

Lester M. Salamon, Helmut K. Anheier, and Associates

BACKGROUND

Recent years have witnessed a considerable surge of interest throughout the world in the broad range of social institutions that operate outside the confines of the market and the state. Known variously as the “nonprofit,” the “voluntary,” the “civil society,” the “third,” or the “independent” sector, this set of institutions includes within it a sometimes bewildering array of entities—hospitals, universities, social clubs, professional organizations, day care centers, environmental groups, family counseling agencies, sports clubs, job training centers, human rights organizations, and many more. Despite their diversity, however, these entities also share some common features.² In particular, they are:

- *Organizations*, i.e., they have an institutional presence and structure;
- *Private*, i.e., they are institutionally separate from the state;
- *Not profit distributing*, i.e., they do not return profits to their managers or to a set of “owners”;
- *Self-governing*, i.e., they are fundamentally in control of their own affairs; and

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- *Voluntary*, i.e., membership in them is not legally required and they attract some level of voluntary contribution of time or money.

The “global associational revolution”

That these organizations have attracted so much attention in recent years is due in large part to the widespread “crisis of the state” that has been underway for two decades or more in virtually every part of the world, a crisis that has manifested itself in a serious questioning of traditional social welfare policies in much of the developed North, in disappointments over the progress of state-led development in significant parts of the developing South, in the collapse of the experiment in state socialism in Central and Eastern Europe, and in concerns about the environmental degradation that continues to threaten human health and safety everywhere. In addition to stimulating support for market-oriented economic policies, this questioning of the state has focused new attention, and new expectations, on the civil society organizations that operate in societies throughout the world.

Also contributing to the attention these organizations are attracting is the sheer growth in their number and scale. Indeed, a veritable “global associational revolution” appears to be underway, a massive upsurge of organized private, voluntary activity in literally every corner of the world.³ Prompted in part by growing doubts about the capability of the state to cope on its own with the social welfare, developmental, and environmental problems that face nations today, this growth of civil society organizations has been stimulated as well by the communications revolution of the past two decades and by the striking expansion of educated middle class elements who are frustrated by the lack of economic and political expression that has confronted them in many places.

Finally, a new element has surfaced more recently to increase further the attention that has been focused on nonprofit or civil society organizations. This is the growing questioning of the “neo-liberal consensus,” sometimes called the “Washington consensus,” that has guided global economic policy over the past two decades. This consensus essentially held that the problems facing both developed and developing societies at the present time could most effectively be approached through the simple expedient of unleashing and encouraging private markets. In the wake of the worldwide financial crisis and continuing social distress in many regions, however, this consensus has come under increasingly severe attack, even from some of its most ardent advocates. As World Bank Chief Economist Joseph Stiglitz recently put it:

“The policies advanced by the Washington consensus . . . are hardly complete and sometimes misguided . . . It is not just economic policies and human capital, but the quality of a country’s institutions that determine economic outcomes.”⁴

Reflecting this, political leaders in many parts of the world have begun searching for alternative ways to combine the virtues of the market with the advantages of broader social protections, a search that is evident in Mr. Tony Blair’s emphasis on a “Third Way” in the U.K., Gerhard Schröder’s “New Middle” in Germany, and French Prime Minister Lionel Jospin’s summary declaration: “Yes to a market economy, no to a market society.”

Because of their unique position outside the market and the state, their generally smaller scale, their connections to citizens, their flexibility, their capacity to tap private initiative in support of public purposes, and their newly rediscovered contributions to building “social capital,” civil society organizations have surfaced as strategically important participants in this search for a “middle way” between sole reliance on the market and sole reliance on the state that now seems to be increasingly underway.

The Johns Hopkins Comparative Nonprofit Sector Project

The nonprofit sector’s ability to participate in this search as a full-fledged partner has been seriously impeded, however, by a gross lack of basic information about this sector and how it operates. Despite some considerable improvement over the past five years, including the completion of the first phase of the present project and the launching of empirical studies by Eurostat in response to the Commission of the European Union, the nonprofit sector remains the “lost continent” on the social landscape of modern society, invisible to most policymakers, business leaders, and the press, and even to many people within the sector itself.

- **Objectives.** It was to fill this gap in basic knowledge and put the nonprofit sector on the economic map of the world that the project reported on here was undertaken. More specifically, this project seeks to:
 - Document** the scope, structure, financing, and role of the nonprofit sector for the first time in solid empirical terms in a significant number of countries scattered widely throughout the world;
 - Explain** why this sector varies in size from place to place and identify the factors that seem to encourage or retard its development;
 - Evaluate** the impact these organizations are having and the contribution they make;

Publicize the existence of this set of institutions and increase public awareness of them; and

Build local capacity to carry on this work into the future.

- **Approach.** To pursue these objectives, this project adopted an approach that embodies six key features:

It is comparative, covering a wide assortment of countries. A first phase of the project, completed in 1994, focused in-depth on eight countries (the U.S., the U.K., France, Germany, Italy, Sweden, Hungary, and Japan).⁵ The current phase is updating information on many of these original countries and has extended the analysis to 28 countries in all. Of these, 22 have completed the basic data-gathering and are covered in this volume, including nine Western European countries, four other developed countries, four Central and Eastern European countries, and five Latin American countries (see Table 1.1).⁶

It is collaborative, enlisting local analysts in each country to carry out the data gathering and analysis (see Appendix E). Altogether, approximately 150 researchers have been involved in the effort.

It is consultative, utilizing an International Advisory Committee of prominent nonprofit, philanthropic, and business leaders (see Appendix D) and relying on local advisory committees in each country to help interpret and publicize the results. Altogether, more than 300

Table 1.1 Country coverage of Phase II of the Johns Hopkins Comparative Nonprofit Sector Project

Western Europe		Central and Eastern Europe
Austria	Ireland	Czech Republic
Belgium	Netherlands	Hungary
Finland	Spain	Romania
France	United Kingdom	Slovakia
Germany		
Other Developed		Latin America
Australia		Argentina
Israel		Brazil
Japan		Colombia
United States		Mexico
		Peru

nonprofit, philanthropy, government, and business leaders are taking part in the project through these committees.

It utilizes a common definition worked out in collaboration with the local associates and focused on the common features outlined above. Included, therefore, is a broad range of organizations spanning a wide assortment of fields, as outlined in Table 1.2 and Appendix A.

It utilizes a common information-gathering approach based on a set of collaboratively developed field guides. This modular approach relies heavily on existing national income data sources such as employment surveys, estimates of the relationship of expenditures to wages by industry, and other similar data (for more information on data assembly, see Appendix C).

It is quantitative, seeking not just general impressions but solid empirical data on this set of organizations, including data on employment, volunteers, expenditures, and revenues.

- **Coverage.** The present chapter summarizes some of the major results of this second phase of project work, focusing on the major empirical findings of the descriptive portion of the effort in 22 countries. Subsequent publications will include data on the remaining countries and go behind the basic descriptive statistics to explain the patterns that are apparent and to evaluate the contributions that nonprofit organizations are making.

Unless otherwise noted, all data here relate to 1995, and monetary values are expressed in U.S. dollars. In most countries, data were collected on both the formal and informal dimensions of nonprofit activity, and results are reported separately for paid staff only and for paid staff *and* volunteers. Similarly, both secular and religiously based or affiliated organizations, including religious congregations, were covered in most countries. When denominational organizations were mainly

Table 1.2 Fields of nonprofit activity covered by Phase II of the Johns Hopkins Comparative Nonprofit Sector Project

1. Culture	7. Civic and advocacy
2. Education and research	8. Philanthropy
3. Health	9. International
4. Social services	10. Religious congregations
5. Environment	11. Business and professional, unions
6. Development	12. Other

devoted to human service provision, they were assigned to the appropriate service field (e.g. health, education, social services), along with the secular service providers. The organizations engaged primarily in religious worship or promotion of religion *per se* (e.g., parishes, synagogues, mosques, shrines) were allocated to a special “religion” category (ICNPO Group 10). Data on the latter were not available for all of the countries covered here and are therefore reported separately in the discussion that follows.

PRINCIPAL FINDINGS

The major findings emerging from this work on the scope, structure, financing, and role of the nonprofit sector internationally can be grouped under five major headings.

1. A major economic force

In the first place, aside from its social and political importance, the nonprofit sector turns out to be a significant economic force in most of the regions examined, accounting for significant shares of employment and of national expenditures. More specifically:

- **A \$1.1 trillion industry.** Even excluding religious congregations, the nonprofit sector in the 22 countries we examined is a \$1.1 trillion industry that employs close to 19 million full-time equivalent paid workers. Nonprofit expenditures in these countries thus average 4.6 percent of the gross domestic product,⁷ and nonprofit employment is nearly 5 percent of all nonagricultural employment, 10 percent of all service employment, and 27 percent of all public sector employment (see Table 1.3).

Table 1.3 The nonprofit sector in 22 countries, 1995

\$1.1 trillion in expenditures
— 4.6 percent of GDP

19.0 million paid employees
— 5 percent of total nonagricultural employment
— 10 percent of total service employment
— 27 percent of public employment

Source: The Johns Hopkins Comparative Nonprofit Sector Project

- **The world’s eighth largest economy.** To put these figures into context, if the nonprofit sector in these countries were a separate national economy, it would be the eighth largest economy in the world, ahead of Brazil, Russia, Canada, and Spain (see Table 1.4).
- **More employees than in largest private firms.** Put somewhat differently, nonprofit employment in these countries easily outdistances the combined employment in the largest private business in each country by a factor of six (19.0 million nonprofit employees vs. 3.3 million combined employees in the largest private enterprise in each of these 22 countries) (see Figure 1.1).
- **Outdistances numerous industries.** Indeed, more people work in the nonprofit sector in these 22 countries than in the utilities industry, the

Table 1.4 If the nonprofit sector were a country . . .

Country	GDP (trillion \$)
U.S.	\$7.2
Japan	5.1
China	2.8
Germany	2.2
France	1.5
U.K.	1.1
Italy	1.1
Nonprofit Expenditures (22 countries)	1.1
Brazil	0.7
Russia	0.7
Spain	0.6
Canada	0.5

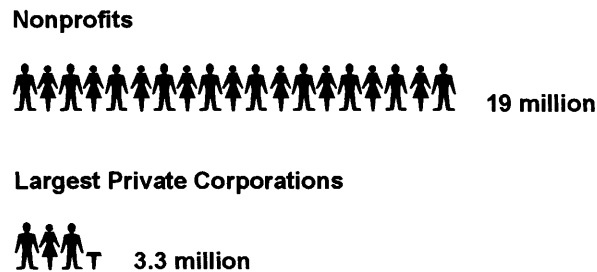


Figure 1.1 Employment in nonprofits vs. largest firm (22 countries)

Source: The Johns Hopkins Comparative Nonprofit Sector Project

textile manufacturing industry, the paper and printing industry, or the chemical manufacturing industry in these same countries, and almost as many work in the nonprofit sector as work in transport and communications (see Figure 1.2).

- **Volunteer inputs.** Even this does not capture the full scope of the nonprofit sector, for this sector also attracts a considerable amount of *volunteer effort*. Indeed, an average of 28 percent of the population in these countries contributes their time to nonprofit organizations. This translates into another 10.6 million full-time equivalent employees, which boosts the total number of full-time equivalent employees of nonprofit organizations to 29.6 million. With volunteers included, the nonprofit sector thus represents, on average, 7 percent of the total nonagricultural employment in these countries, 14 percent of the service employment, and a striking 41 percent of the public sector employment (see Figure 1.3).

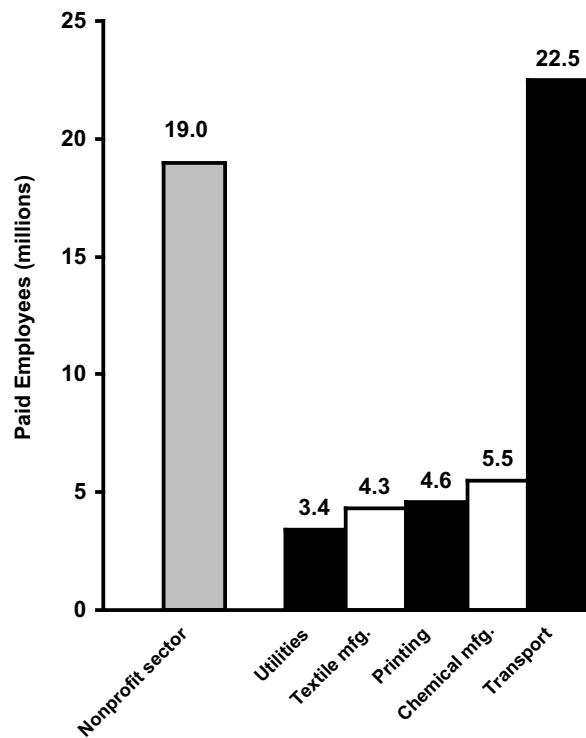


Figure 1.2 Nonprofit employment in context, 1995

Source: The Johns Hopkins Comparative Nonprofit Sector Project

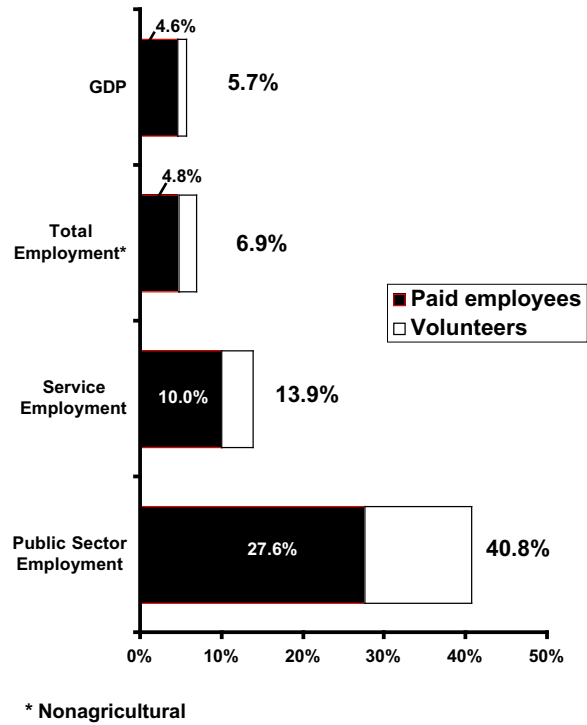


Figure 1.3 Nonprofits with and without volunteers, 1995, as a % of . . .

Source: The Johns Hopkins Comparative Nonprofit Sector Project

- Religion.** The inclusion of religious congregations, moreover, would boost these totals further. Thus, in the 16 countries for which we were able to compile data on the activities of religious congregations (all but Hungary, Belgium, Spain, Colombia, Mexico, and Peru), the inclusion of these data adds approximately 1.5 million paid full-time equivalent employees to the nonprofit sector, an increase of roughly 7.5 percent over the amounts without religion.⁸ With this religious employment included, the nonprofit share of total nonagricultural employment in these 16 countries increases from 5.3 percent to 5.6 percent. With religious volunteering included as well, the share rises from 7.8 percent to 8.5 percent.

2. Great variations in size among countries and regions

While the nonprofit sector is a significant economic force, it nevertheless varies considerably in size from place to place.

- **Larger in more developed countries.** Generally speaking, the nonprofit sector is larger in the more developed countries and much less in evidence in Latin America and Central and Eastern Europe. Thus, compared to an average of 4.8 percent for all the countries, nonprofit organizations account for about 7 percent of the nonagricultural labor force in Western Europe and in the other developed countries this project examined, but only 2.2 percent in Latin America and 1.1 percent in Central and Eastern Europe (see Figure 1.4). Evidently, the scale of the nonprofit sector may have as much to do with the availability of resources as the presence of social or economic needs.
- **Margins widen with volunteers.** This picture does not change much, moreover, when volunteers are added. Indeed, to some extent the margin widens, at least between the developed countries and Latin America, and between Western Europe and other developed countries. Thus, with volunteers included, nonprofit organizations account for 10.3 percent of total employment in Western Europe, 9.4 percent in other developed countries, 3.0 percent in Latin America, and 1.7 percent in Central Europe (see Figure 1.4). Viewed in perspective, therefore, with volunteers included, Western Europe emerges as the region with the most highly developed voluntary and nonprofit sector. Also striking is the relatively low level of formal volunteering the data reveal in Latin America.
- **End of the myth of U.S. dominance.** This point is even more apparent in Figure 1.5, which records the level of nonprofit employment as a share of total nonagricultural employment for each country. As this figure shows, several Western European countries (the Netherlands, Ireland, and Belgium), as well as one other developed country (Israel), have larger nonprofit sectors measured as a share of total employment than does the United States. In other words, the United States, long regarded as the seedbed of nonprofit activity, does not have the world's largest nonprofit sector after all, at least when measured as a share of total employment.⁹ At the same time, while a number of Western European countries exceed the United States and the all-country average in nonprofit employment as a share of total employment, several others (Finland, Austria, Spain, Germany, and France) and at least one other developed country (Japan) fall very near or below the all-country average.¹⁰
- **Impact of volunteers.** The inclusion of volunteers would lift two of the Western European countries (France and Germany) further above the all-country average, but the rest of this pattern would remain largely the same.
- **Inclusion of religious worship activities.** The inclusion of the worship activities of religious congregations does not change this overall picture

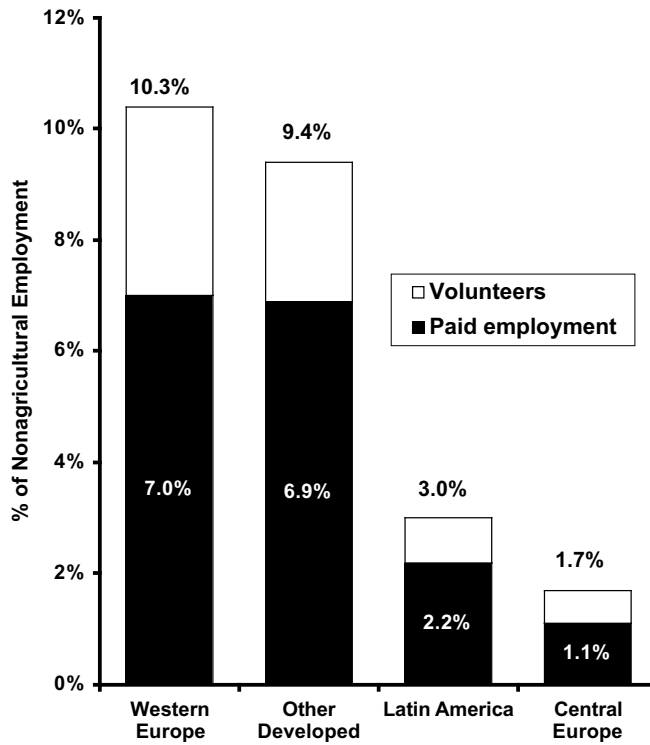


Figure 1.4 Nonprofit share of employment, with and without volunteers, by region, 1995

Source: The Johns Hopkins Comparative Nonprofit Sector Project

either. Although such employment boosts the nonprofit share of total employment by 1 percentage point in the U.S. (from 7.8 percent to 8.8 percent), elsewhere the change is much smaller. Even so, with religious worship included, U.S. nonprofit employment still remains below the level in the Netherlands (12.7 percent), Ireland (12.2 percent), and Israel (9.3 percent). When volunteering in religious congregations is factored in, the overall picture changes only slightly, though under these circumstances the U.S. moves ahead of Israel (11.1 percent) but remains behind the Netherlands (19.4 percent) and Ireland (15.0 percent).

- **Government social welfare spending and nonprofit size.** One possible explanation for these variations is the presence or absence of sizable government social welfare protections. According to a popular line of thought, the greater the scale of government social welfare protections,

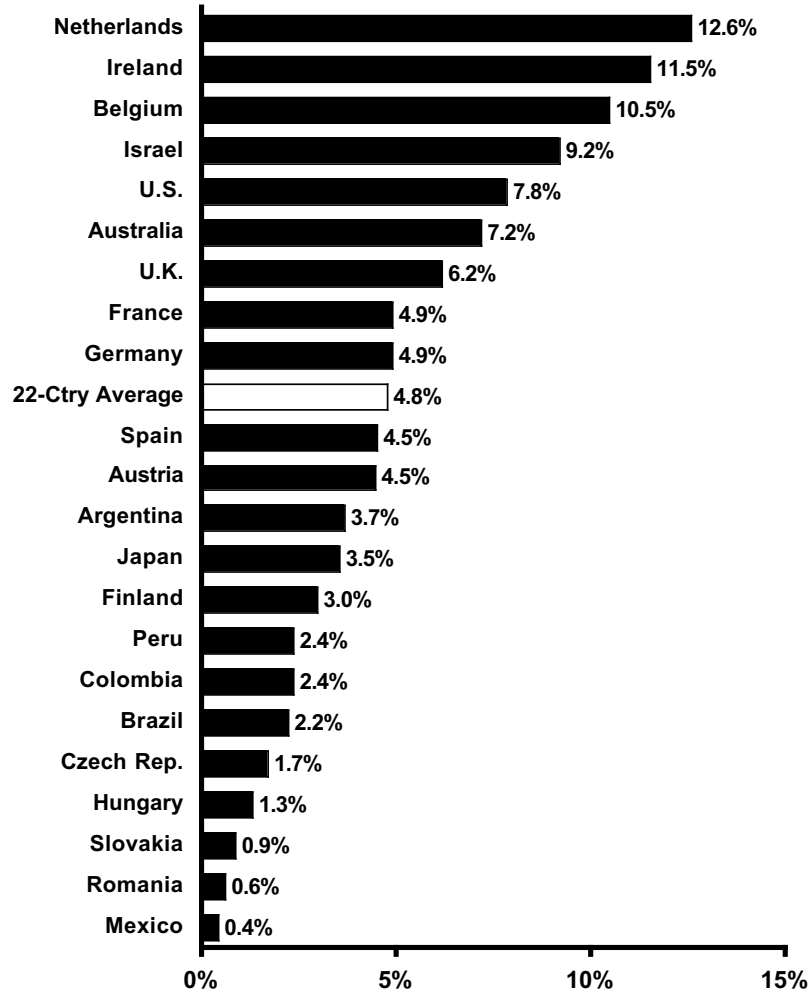


Figure 1.5 Nonprofit share of total paid employment, by country, 1995

Source: The Johns Hopkins Comparative Nonprofit Sector Project

the smaller the nonprofit sector that can be expected. In fact, however, data on the 22 countries studied give no support to this theory. Among the eleven countries with relatively high levels of government social welfare spending (i.e., above the 22-country mean), five had relatively small nonprofit sectors (i.e., lower employment than the 22-country average) while six had relatively large ones. On the other hand, among the 11

Table 1.5 Relationship between government social welfare spending and nonprofit size

Government Social Welfare Spending	Nonprofit Share of Employment (No. of countries)	
	Small	Large
High	5	6
Low	8	3

■ Outcome predicted by theory

Source: The Johns Hopkins Comparative Nonprofit Sector Project

countries that have relatively low levels of government welfare protections, eight had relatively small nonprofit sectors. By contrast, only three had relatively large nonprofit sectors. Thus, as shown in Table 1.5, in more than half of these cases the outcome contradicts the theory. Evidently, something more complex than the relationship posited in this theory is determining the variation in nonprofit scale from place to place.¹¹

3. Welfare services dominate

Despite differences in scale from place to place, the nonprofit sector has certain broad similarities in internal structure and composition, though these, too, differ somewhat from place to place.

- **Two-thirds of employment in three fields.** In the first place, it turns out that two-thirds of all nonprofit employment is concentrated in the three traditional fields of welfare services: education, with 30 percent of the total; health, with 20 percent; and social services, with 18 percent (see Figure 1.6). The field of recreation and culture, moreover, is not far behind with 14 percent of total nonprofit employment.
- **Pattern shifts with volunteers.** This pattern changes considerably when volunteer inputs are factored in. Nearly three-fifths (55 percent) of volunteer time goes into two principal fields: recreation, including sports; and social services. In addition, environment, civic, and development organizations attract a significant share of the time of volunteers. With volunteers included, therefore, the proportion of all nonprofit

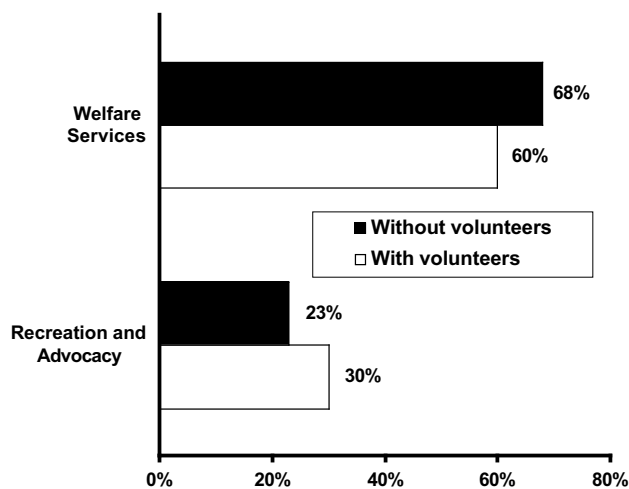


Figure 1.6 Share of nonprofit employment in selected fields, with and without volunteers, 1995 (22-country average)

Source: The Johns Hopkins Comparative Nonprofit Sector Project

employment in the three fields of health, education, and social services falls from 68 percent to under 60 percent while the share in culture and recreation, environment, development, and advocacy increases from 23 percent to 30 percent (see Figure 1.6).

- **Significant variations by region.** Despite some general similarities, the composition of the nonprofit sector also seems to vary considerably by region. Thus, as shown in Figure 1.7:

In *Western Europe*, the dominance of welfare services in nonprofit employment is particularly marked. On average, three-fourths of all nonprofit employees in the Western European countries examined work in education, health, or social service organizations. This reflects the historic role that the Catholic and Protestant churches have long played in the education and social service fields in Western Europe. In Ireland, for example, where Catholic influence is particularly strong, employment in nonprofit schools alone accounts for 6 percent of the nonagricultural employment in the country. Elsewhere, the Catholic Church-inspired doctrine of “subsidiarity,” coupled with strong worker pressures for expanded social welfare protections, helped shape the evolution of social policy. Under this concept, which is especially influential in Germany, the Netherlands, Belgium, and, to a lesser extent, Austria and Spain, nonprofit associations are assumed to be the first line of defense for coping with social welfare problems,

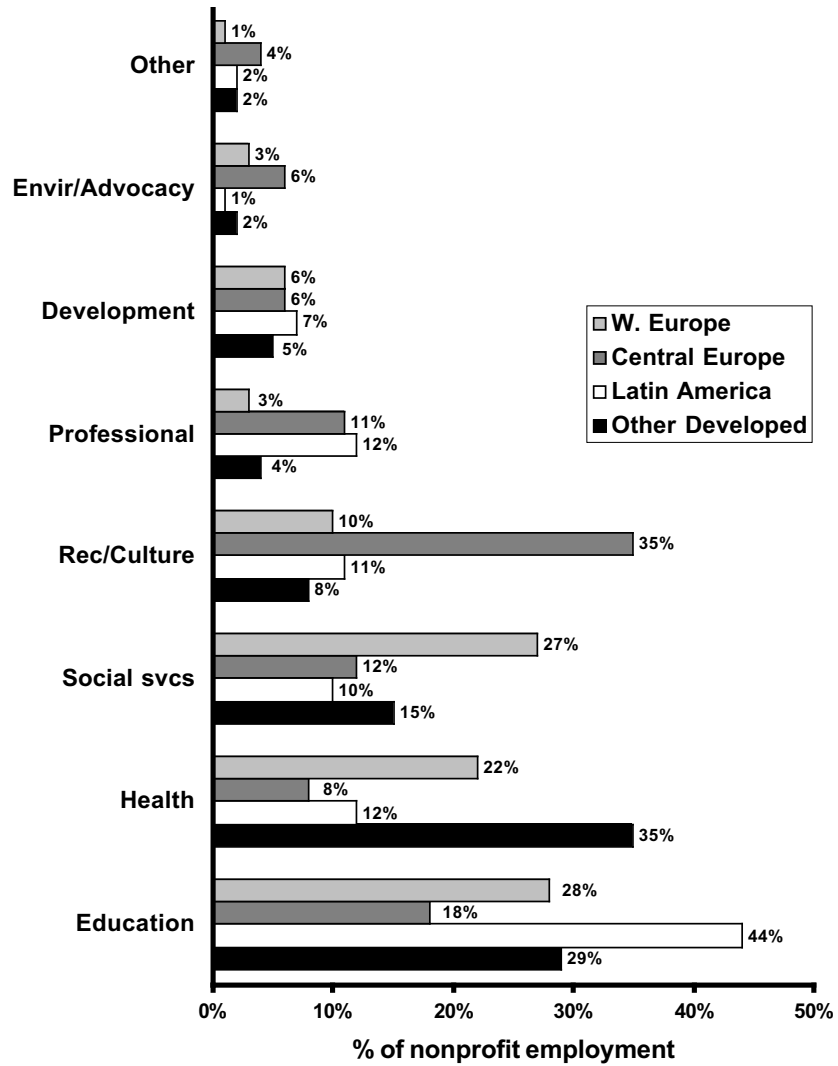


Figure 1.7 Composition of nonprofit employment, by region, 1995

Source: The Johns Hopkins Comparative Nonprofit Sector Project

and state involvement, when it occurs, is expected to take place with and through such groups to the extent possible. Significant nonprofit organizations have consequently grown up in these fields, many of them affiliated with religious groups, and in some places, the workers' movement. While nonprofit organizations operate in other fields as

well, such as culture and recreation, environment, development, advocacy, and business and professional, their share of total nonprofit employment in these fields in this region is considerably smaller (for further detail, see Appendix B: Table 1).

With volunteers factored in, however, the welfare services dominance declines somewhat in Western Europe. This reflects the substantial involvement of volunteers in sports and recreation, as well as in civic and advocacy activities in this region. Thus, with volunteers included, the welfare services share of total nonprofit employment declines from 77 percent to 62 percent, while the culture and recreation share nearly doubles from 10 percent to 19 percent and the environment/civic and advocacy share goes from 3.3 percent to 6.1 percent.

In *Central Europe*, a quite different dynamic seems to be at work. In this region, recreation and culture play a much more important part in the employment base of the nonprofit sector. As shown in Figure 1.7, more than a third of the full-time equivalent workers in the nonprofit sector in these countries is employed in culture and recreation associations. This very likely reflects the heavy subsidization of such associations during the Communist era. The resulting organizations thus had a comparative advantage in making the transition to the post-Communist era. Indeed, they have often managed to retain their prior state assets. Also notable is the sizable 11 percent of all nonprofit employment in Central and Eastern Europe in business and professional associations, again partly a reflection of the Communist past, when the state subsidized writers' unions, engineers' associations, and many other professional groups. Finally, Central Europe is also notable for the significant scale of employment in nonprofit environmental and advocacy organizations. These seem to be newer organizations that emerged as part of the transition to democracy and attracted Western funding. Many of the earliest nonprofit organizations in this region, in fact, were environmental groups mobilizing mass support to deal with the deteriorating environmental conditions in the region. By contrast, the traditional welfare services—health, education, and social services—still engage much smaller shares of the nonprofit workforce in Central and Eastern Europe. This is because the state remains a much more favored vehicle for social welfare provision in this region and the tradition of subsidiarity so evident in Western Europe retains only a faint echo in Central Europe.

When volunteers are factored into the equation, this Central and Eastern European pattern changes only marginally. This is so because a third of the volunteer input goes into culture and recreation organizations, which also absorb the largest single part of the paid workers.

The one major deviation is in the area of social services, which absorbs 28 percent of the volunteer time in the region as compared with only 12 percent of the paid employment. With volunteers included, therefore, the social services share of nonprofit employment in Central and Eastern Europe rises from 12 percent to 18 percent, close to what it is, as a share of the total, though not in absolute scale, in the U.K. and Japan.

In *Latin America*, education dominates the employment base of the nonprofit sector, whereas nonprofit employment in the other fields of social welfare is more limited (see Figure 1.7). This reflects again the prominent role of the Catholic Church in the education field in this region, but also the middle and upper-class tilt to the more formal components of the nonprofit sector in the region, since private education has tended to be heavily financed by fees and therefore available mostly to the upper and middle classes. The unusually large share of nonprofit employment in professional, business, and labor organizations also supports this interpretation.

At the same time, an above-average component of development organizations is also evident in the Latin American data. What is more, with volunteering included, this component turns out to be even larger. Thus, on average, 44 percent of all volunteer time in the Latin American countries we examined goes for social service activities, some of it through religiously affiliated assistance agencies, but increasingly through community-based development organizations. Another 17 percent of volunteer time goes into development organizations *per se*. With volunteer time included, therefore, the social service share of total nonprofit employment increases from 10 percent to 17 percent, and the development share increases from 7 percent to 10 percent. What this suggests is a dualistic nonprofit sector in this region, with a more formal component oriented to middle class professionals, and a smaller, more informal segment oriented toward the poor.

Finally, in the *other developed countries* covered by this project (the United States, Japan, Australia, and Israel), the major area of nonprofit employment is in the health field, which accounts, on average, for 35 percent of the total, followed closely by education with 29 percent. This result is largely a reflection of the situation in the U.S. and Japan, in both of which nonprofit activity is heavily concentrated in health and higher education. Thus in both of these countries, health alone accounts for nearly half (46 and 47 percent, respectively) of all nonprofit employment, and education, mostly at the higher education level, for another 22 percent. By contrast, the social service field,

which accounts for 27 percent of nonprofit employment in Western Europe, absorbs only 14 to 17 percent in the U.S. and Japan. This suggests a fairly strong amenities and middle-class orientation to the nonprofit sector in these two countries. The situation in the other two countries included in this grouping—Israel and Australia—differs somewhat from this U.S. and Japanese pattern. In Israel, the relative positions of education and health in the employment base of the nonprofit sector are reversed, with education—mostly elementary and secondary—accounting for 50 percent and health for 27 percent. In Australia, the social welfare complex also dominates the nonprofit scene, but here the three main components—health, education, and social services—are closely balanced, with 19 to 23 percent of the total employment embraced within each.

With volunteers included, the amenities focus of the nonprofit sector, particularly in the U.S., is moderated considerably. Nearly 40 percent of the considerable volunteer activity that takes place in the United States flows to the social services area, and another 10 percent to civic and advocacy activity. With volunteers included, therefore, the health dominance of the American nonprofit sector declines somewhat and social services emerges as the second largest type of nonprofit activity as measured by full-time equivalent employment. Australia, too, exhibits a substantial amount of social service volunteering, but here sports and recreation absorbs the largest share of volunteer time.

- **Five patterns.** More generally, it is possible to discern five more or less distinct patterns of nonprofit structure among the 22 countries examined, as reflected in Table 1.6. To some extent, these patterns follow regional lines. But they also reflect special national particularities that go beyond regional norms. In particular:

Education-dominant model. Perhaps the most common pattern of nonprofit activity is that embodied in the “education dominant” model. Eight of the 22 countries adhered to this model, including 4 of the 5 Latin American countries as well as Belgium, Ireland, Israel, and the U.K. The distinctive feature of this model is the heavy concentration of nonprofit employment in the education sphere. An average of 48 percent of all nonprofit employment is in this field among these countries. For the Latin American countries as well as Belgium and Ireland, this reflects the prominent presence of the Catholic Church and its involvement in elementary and secondary education. Religiously affiliated education also explains the substantial nonprofit presence in the education field in Israel, though here it is Judaism rather than Catholicism that is responsible. In the U.K., by contrast, the concen-

Table 1.6 Patterns of nonprofit structure, by country

Pattern*	Country
Education-Dominant	Argentina
	Belgium
	Brazil
	Ireland
Health-Dominant	Israel
	Mexico
	Peru
Social Services-Dominant	U.K.
	Japan
	Netherlands
	U.S.
Culture/Recreation-Dominant	Austria
	France
	Germany
	Spain
Balanced	Czech Republic
	Hungary
	Romania
	Slovakia
Balanced	Australia
	Colombia
	Finland

*Based on paid employment

Source: The Johns Hopkins Comparative Nonprofit Sector Project

tration of nonprofit employment in the education field occurs at the higher education level and reflects the recent transformation of significant segments of the U.K. higher education system from public into private, nonprofit status during the Thatcher era.

While the countries that adhere to this pattern share a common concentration of nonprofit employment in the education field, they differ in terms of where the balance of nonprofit employment is concentrated. For the U.K., for example, culture and recreation absorbs a quarter of the employment. For Ireland, Israel, and Belgium, however, health accounts for 27 to 30 percent of the employment. And for Mexico, business and professional organizations are the second largest field of nonprofit action. In short, while these countries have some key features in common, they also diverge along other dimensions.

Health-dominant model. A second distinguishable model of nonprofit structure is that evident in the United States, Japan, and the Nether-

lands. What distinguishes this model is the extent of nonprofit employment in the health field. On average, 45 percent of nonprofit employment is concentrated in this field in these countries. This reflects the unusual private character of health care in these countries. In addition, these three countries also share a sizable nonprofit presence in the field of education, though this is largely in higher education in the U.S. and Japan, and in elementary and secondary education in the case of the Netherlands.

Social services-dominant model. A third pattern of nonprofit activity finds expression in the four Western European countries of Austria, France, Germany, and Spain. These countries, too, share a common background of extensive Catholic influence. However, for a variety of reasons, religious influence has been weakened in the education sphere and remains strong chiefly in the field of personal social services. On average, about 44 percent of all nonprofit employment is thus in the social services field in these countries, though in two of the countries (France and Spain) a sizable nonprofit presence is also evident in education, and in a third (Germany) health almost equals social services as a focus of nonprofit employment.

Culture/recreation-dominant model. Much different yet is the model of nonprofit structure evident in the four Central European countries examined. As noted above, the largest portion of nonprofit employment in these countries is concentrated in culture and recreation. This reflects the heritage of the Communist era in these countries, during which sport and recreational associations were actively encouraged. This pattern also grows out of the transformation of cultural funds into foundations in the immediate aftermath of Communist control in several of these countries. The largest and most established nonprofit organizations in many of these countries, therefore, are traditional organizations with roots in the old order.

Balanced model. Finally, three countries exhibit a more “balanced” pattern of nonprofit employment, with no subsector clearly in the ascendance. In each of these countries (Australia, Colombia, and Finland), anywhere from 14 to 26 percent of total nonprofit employment is dedicated to the three fields of education, health, and social services; but no one of the fields claims more than 26 percent of the total.

- **No fundamental change with inclusion of religious worship activities.** The overall profile of the nonprofit sector does not change much, moreover, when the religious worship activities of religious congregations are included. As reflected in Figure 1.8, religious congregations account for approximately 6 percent of nonprofit employment on average in the 16 countries for which such data were compiled. With reli-

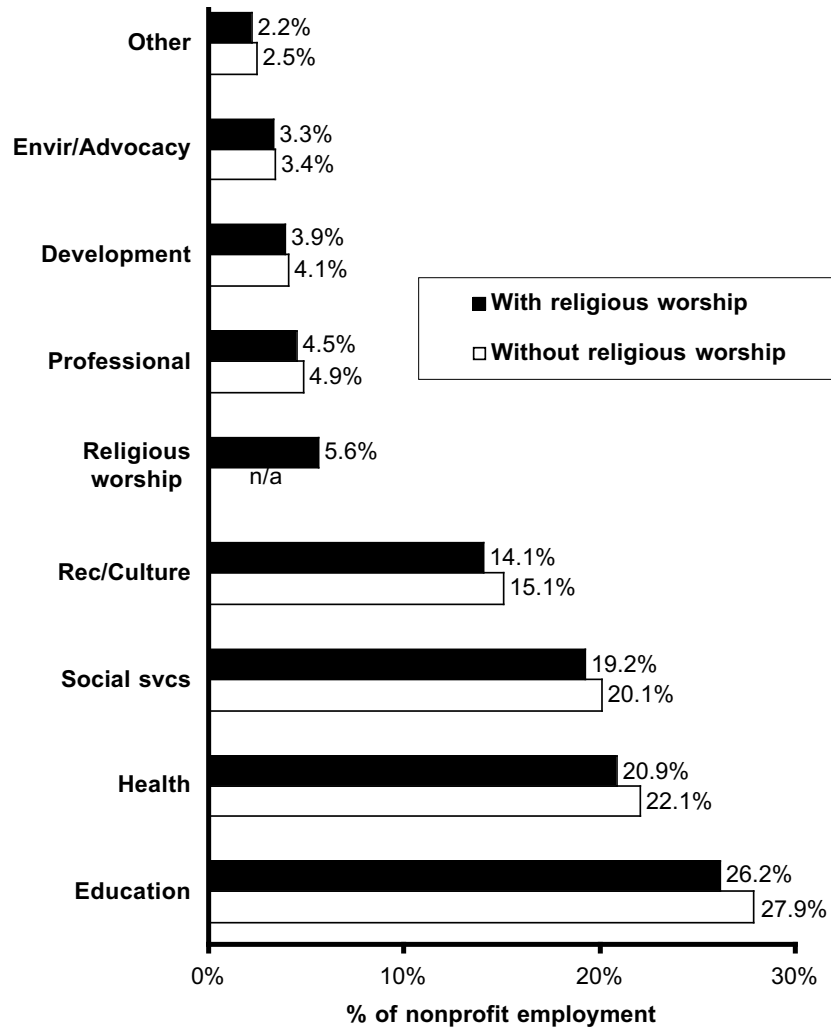


Figure 1.8 Nonprofit employment by field, with and without religious worship activities, 16 countries

Source: The Johns Hopkins Comparative Nonprofit Sector Project

gious worship included, therefore, the relative share of education, health, and social services in the employment base of the nonprofit sector declines somewhat from 70 percent to 66 percent—but it remains clearly dominant. Even in the United States, where religious congregations account for a larger share of total nonprofit employment than

elsewhere (11 percent), health, education, and social services still remain the dominant fields when religious worship is included, accounting for 72 percent of the total sector employment.

In short, the nonprofit sector is not a single thing. Rather, it takes different forms in different places reflecting the particular constellation of cultural, historical, political, and economic forces that are at work. At the same time, these patterns are not wholly random. Rather, they take definable shapes where circumstances are similar.¹²

4. Most revenue from fees and public sector, not philanthropy

Not only does the nonprofit sector take different forms in different places, it also has a distinctive revenue structure. However, this structure differs from what conventional thinking often assumes. In particular:

- **Limited support from philanthropy.** Private philanthropy is hardly the major source of nonprofit sector income. To the contrary, as Figure 1.9 shows, private philanthropy—from individuals, corporations, and foundations combined—accounts for only 11 percent of nonprofit income on average.
- **Fees and public support.** By contrast, the major sources of nonprofit income are fees and public support. Fees and other commercial income alone account for nearly half (49 percent) of all nonprofit revenue, while public sector payments account for 40 percent (see Figure 1.9).

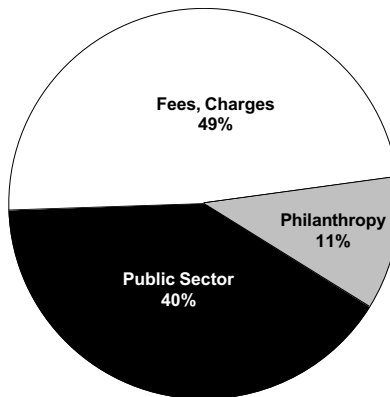


Figure 1.9 Sources of nonprofit revenue, 1995 (22-country average)

Source: The Johns Hopkins Comparative Nonprofit Sector Project

- **Variation among countries.** This general pattern holds up across most of the countries this project examined, though some significant variations are also apparent. In particular, as shown in Figure 1.10:

Fee-dominant countries. Fee income is the dominant source of income for 13 of the 22 countries. The fee share of total revenue in these countries ranged from a high of 85 percent in Mexico to 47 percent in the Czech Republic. Generally speaking, fee income was especially important in Latin America, in Central and Eastern Europe, and in some of the developed countries outside of Western Europe (Australia, Japan, and the U.S.).

This reflects, in part, the composition of the nonprofit sector, as will be noted more fully below. Under these circumstances, the scale of

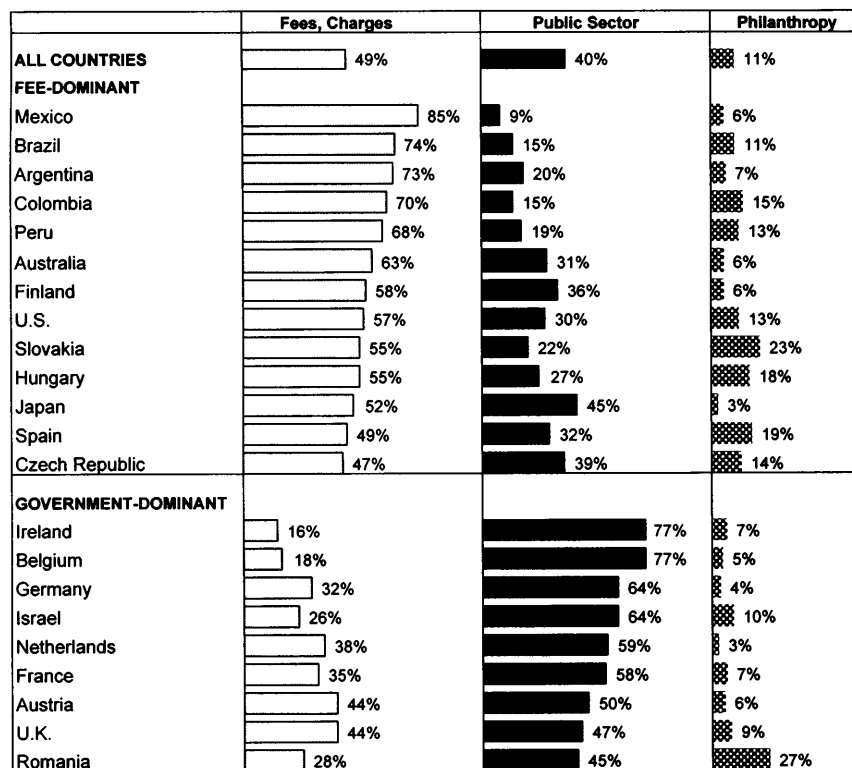


Figure 1.10 Sources of nonprofit revenue, by country, 1995 (22 countries)

Source: The Johns Hopkins Comparative Nonprofit Sector Project

the nonprofit sector comes to depend on the scope of a private market for the services that nonprofits can provide.

A fee-dominant revenue structure is thus consistent with both relatively large and relatively small nonprofit sectors. Where the market is small, as in Central Europe and Latin America, dependence on fees translates into a small nonprofit sector. Where the market is large, as in Australia and the U.S., the nonprofit sector can be relatively large even though fees are the major source of income. To the extent that this model prevails, however, it puts serious limitations on the scope and nature of the nonprofit sector, pushing it in the direction of market forces.

Public sector-dominant countries. A significantly different pattern of nonprofit finance is apparent in the remaining nine countries (see Figure 1.10). In these countries the major source of nonprofit revenue is not fees and payments but public sector grants and contracts. Included here are third-party payments from public sector social security and health programs. Every one of the Western European countries except for Spain and Finland exhibits this pattern. As noted earlier, this reflects the tradition of subsidiarity built into European social policy, a tradition that acknowledges the important role of the state in financing social welfare services, but turns extensively to private, nonprofit organizations to deliver many of the services that result.

A similar pattern is also evident in Israel, where publicly enforced health benefits are channeled to essentially private health care providers. While similar relationships are evident in other countries (e.g., in the federally operated health insurance program for the elderly in the United States), the relative scope is far more extensive in these countries, where the public sector share of nonprofit revenues tends to exceed 50 percent, and often 60 percent, of the total. Significantly, moreover, the countries that have the largest nonprofit sectors seem to adhere universally to this pattern. This is true, for example, of Ireland, the Netherlands, Belgium, and Israel, the four countries that surpass the United States in the relative scope of nonprofit activity. Evidently, public sector support is a critical factor in the growth of nonprofit action.

Private philanthropy. Significantly, in no country is the nonprofit sector supported chiefly by private philanthropy. At the same time, private giving is quite important in a number of settings. Interestingly, this is particularly true in Central and Eastern Europe, where private giving generally accounts for about 21 percent of nonprofit revenue, considerably higher than for other regions. This paradoxical result likely reflects the residue

of a long tradition of enterprise financing of key services for employees under the Communist era and the relatively limited scale of other support for nonprofit action in this region. Also at work in all likelihood is a significant level of outside philanthropic support to the incipient Central European nonprofit sector. Among the more developed countries, private giving is higher in the U.S. and Israel than in most of the other countries, but even here it does not exceed 13 percent of total income.

- **Variations among fields.** That the pattern of nonprofit finance varies among countries is at least partly a result of the fact that revenue sources vary considerably among different fields of nonprofit action, and these different fields are more or less prominent in different places. In particular:

Fee-dominant fields. In six of the 10 fields examined in depth, fees and service charges are the dominant source of nonprofit income (see Figure 1.11). This is understandable enough in the cases of business and professional organizations and recreation and culture. In the case of the development organizations, the explanation lies in the substantial number of housing organizations that are included within this category. So far as foundations are concerned, the chief source of revenue is earnings on endowments, which are treated here as earnings. The significant fee income for environmental organizations likely reflects the membership fees often collected by such organizations. Finally,

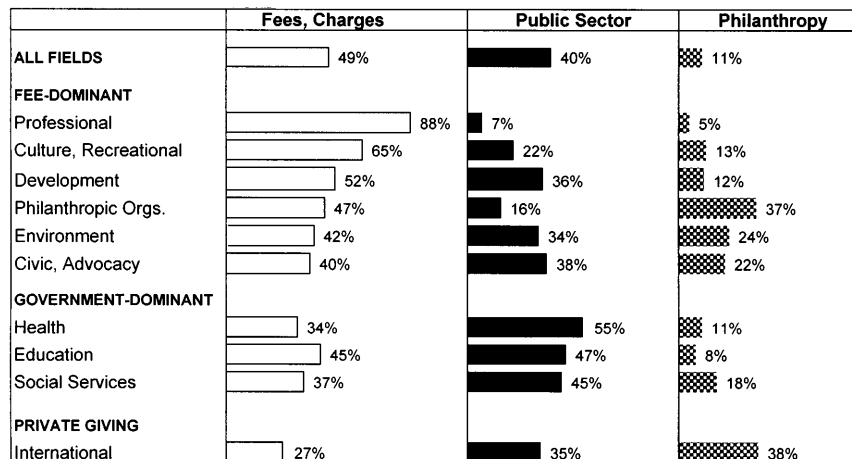


Figure 1.11 Sources of nonprofit revenue, by field, 1995

Source: The Johns Hopkins Comparative Nonprofit Sector Project

civic and advocacy organizations generate slightly more income from fees, including, for example, fees for legal services or membership dues, than from the public sector.

Public sector-dominant fields. In three of the 10 major fields of nonprofit action that were examined, by contrast, the major source of nonprofit income is not fees and charges but public sector support. This is especially true of the major fields of social welfare—health, education, and social services—where public sector support ranges anywhere from 45 percent to 55 percent of the total.

Private philanthropy-dominant fields. In at least one field—international assistance—private philanthropy is the dominant source of income, though it is a close second in one other—philanthropic intermediaries. What is more, private giving is also the principal source of income of religious congregations.

- **Revenue structure with volunteers.** The pattern of nonprofit revenue portrayed here changes significantly when volunteers are factored into the picture. Although the relative ranks of the three major sources of income do not change with volunteers included, the philanthropy proportion increases substantially, from 11 percent to 27 percent, and the fee and public sector proportions decline proportionally, to 41 percent and 32 percent, respectively, as shown in Figure 1.12. Because much of the volunteer input flows to sports and recreation organizations, the relative rankings of funding sources do not change significantly among the

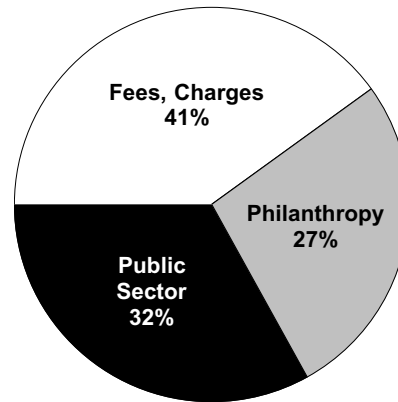


Figure 1.12 Sources of nonprofit revenue with volunteers, 1995 (22 countries)

Source: The Johns Hopkins Comparative Nonprofit Sector Project

different fields. At the same time, the fee dominance of the culture and recreation field declines significantly, from 65 percent to 48 percent, while the private giving share grows from 13 percent to 38 percent. In addition, four other fields become philanthropy-dominant once volunteers are included: environment, civic and advocacy, philanthropic intermediaries, and social services.

- **Modest change with inclusion of religious worship.** With the worship activities of religious congregations included, the general picture of nonprofit finance painted here changes only slightly. With regard to cash revenue, the inclusion of religious worship and religious congregations boosts the private philanthropy share of total revenue from an average of 10 percent in the 16 countries for which there are data to 12 percent. With congregational volunteers included as well, the philanthropy share of the total goes from 28 percent to nearly 32 percent—still behind fees (36 percent) and public sector support (almost 33 percent), though somewhat closer. Only in the United States does the inclusion of religious worship and religious congregations make a major change in the nonprofit revenue picture, boosting private philanthropy from 13 percent to 21 percent when only cash income is considered, and from 27 percent to 37 percent when volunteers are included as well.

5. A major employment generator

Not only is the nonprofit sector a larger economic force than commonly recognized, but also it has been an unusually dynamic one in recent years, outdistancing the general economies in most project countries in generating employment growth.

- **Nonprofit vs. overall employment growth.** Nonprofit employment in the eight countries for which time-series data were available grew by an average of 24 percent, or more than 4 percent a year, between 1990 and 1995 (see Figure 1.13). By comparison, overall employment in these same countries grew during this same period by a considerably slower 8 percent, or less than 2 percent a year. The nonprofit sector therefore outpaced the overall growth of employment in these countries by nearly 3 to 1.¹³
- **Nonprofit contribution to employment growth especially significant in Western Europe.** The growth of nonprofit employment between 1990 and 1995 was even stronger in Europe than elsewhere, moreover. Nonprofit employment expanded by an average of 24 percent in the four European countries for which longitudinal data were available (France, Germany, the Netherlands, and the U.K.), thus accounting

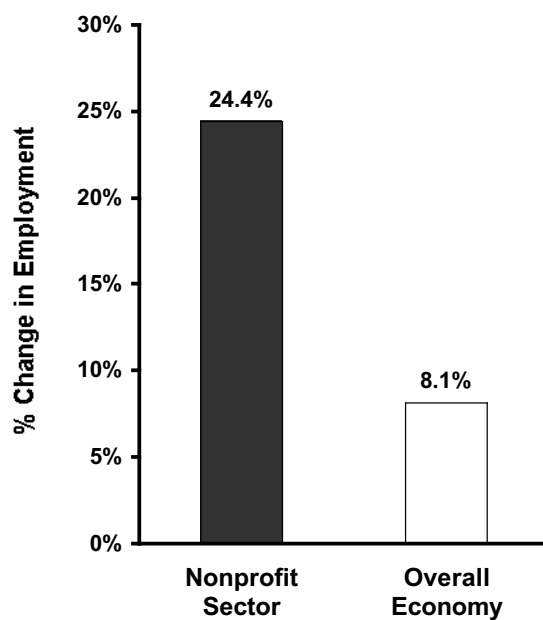


Figure 1.13 Growth in nonprofit employment vs. total employment, 1990–1995 (8 countries)

Source: The Johns Hopkins Comparative Nonprofit Sector Project

for 40 percent of total employment growth (3.8 million new FTE jobs). In the three other developed countries for which there were employment data (Israel, Japan, and the U.S.), the increase averaged 21 percent, though this accounted for a somewhat smaller 11 percent of the 16 million new FTE jobs.

- **Health and social services the dominant sources of nonprofit growth.** The overwhelming majority of nonprofit job growth between 1990 and 1995 took place in two fields: health and social services. The former of these absorbed 40 percent of the job growth and the latter 32 percent (see Figure 1.14). This exceeded substantially the shares of total employment with which these fields started the period. Nonprofit education organizations also absorbed a considerable share of employment growth, though here the share was smaller than the one with which these organizations began the period. Finally, development organizations accounted for 5 percent of the nonprofit job growth.
- **Social services the dominant source of growth in Western Europe.** The composition of nonprofit job growth in Western Europe deviated sig-

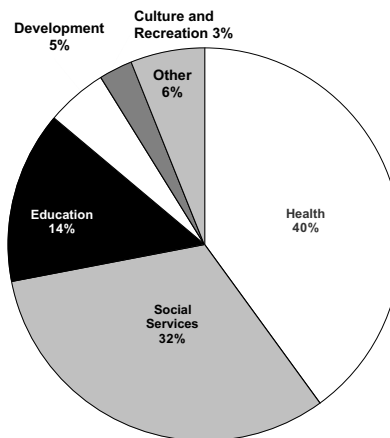


Figure 1.14 Areas of nonprofit job growth, by field, 1990–1995

Source: The Johns Hopkins Comparative Nonprofit Sector Project

nificantly from the overall average. Instead of health, social services accounted for the largest share of nonprofit job growth in Western Europe (50 percent vs. 15 percent). In addition, development organizations in Western Europe experienced a 38 percent increase in employment and accounted for 11 percent of the nonprofit job growth. In all likelihood, these figures reflect the investment that the European Commission, as well as national governments, have been putting into job training and development programs in the European region.

- **“Marketization.”**¹⁴ More generally, the growth in nonprofit employment evident in these figures has been made possible not chiefly by a surge in private philanthropy or public-sector support, but by a substantial increase in fee income. As shown in Figure 1.15, in the six countries for which there were comparable revenue data going back to 1990, fees accounted for 52 percent of the real growth in nonprofit income between 1990 and 1995. By comparison, the public sector accounted for 40 percent and private giving 8 percent. This means that the fee share of the total increased over what it was earlier, whereas both the philanthropic and public sector shares declined.

To be sure, this general trend was not evident everywhere. In Israel, Hungary, and the U.K., for example, substantial increases took place in the levels of public sector support to nonprofit organizations. In the three other countries, however, such support, while growing in absolute terms, nevertheless declined as a share of total nonprofit

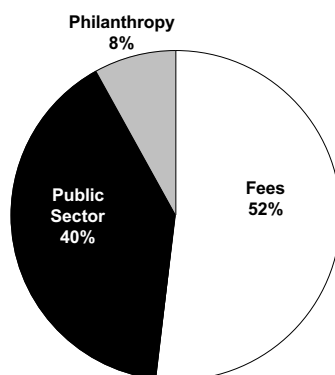


Figure 1.15 Sources of nonprofit revenue growth, 1990–1995

Source: The Johns Hopkins Comparative Nonprofit Sector Project

revenue, forcing nonprofit organizations to turn more extensively to fees and other commercial income. Moreover, this marketization trend was not only apparent in the United States, where it has long been in evidence, but also in Western Europe. In both France and Germany as well, fees and service charges grew faster than overall nonprofit income and thus boosted their share of total income.

- **Tepid growth of private giving.** The record of private giving during this period was varied. Some growth in private giving occurred in every country, and in at least three (the U.S., Hungary, and France) the growth was substantial, exceeding 10 percent. Because of the small base from which such growth is measured, however, it still did not add very much to overall nonprofit revenue. Indeed, in five of the six countries for which time-series data were available, the philanthropy share of total nonprofit income actually declined during this period, and even in France where it gained ground, the absolute growth in fee income outpaced the absolute growth in philanthropic support by 4:1.

CONCLUSIONS AND IMPLICATIONS

The nonprofit sector thus emerges from the evidence presented here as a sizable and highly dynamic component of a wide assortment of societies throughout the world. Not only does this set of institutions serve important human needs, it also constitutes a major, and growing, economic force and is a significant contributor to economic as well as social life. At the same time, this sector is hardly equally developed everywhere. While it has taken its place

as a full-fledged partner with government and the business sector in many countries, in far more it remains a highly fragile organism whose future is very insecure. Thus, no single set of implications will apply equally in all places. Under these circumstances, it may be appropriate to outline the implications that seem to flow from the discussion here, and from the broader evidence this project is generating, for the different regions examined.

Central and Eastern Europe: An ambiguous sector

Ambiguity is perhaps the principal characteristic that emerges from the picture of the nonprofit sector that these data reveal in Central and Eastern Europe. To be sure, the period since the fall of Communism in 1989 has been aptly termed the “rebirth of civil society,” but this rebirth has not been without its delivery pains and the offspring, despite some remarkable energy, has hardly attained full maturity. Indeed, one of the more striking features of the post-Communist nonprofit sector as it appears in the data the project has assembled is how fully it still reflects the Communist legacy, as evidenced by the comparatively strong position of culture and recreation and professional organizations and unions, the two main types of activities that were tolerated and even supported by the Communist regimes. This coexistence of the old and the new creates a pervasive tension that has hardly been addressed, let alone overcome. At the same time, and in striking contrast to the developed world, nonprofit activities in the core welfare state areas of social services, health, and education are still limited. This reflects the expectation that Central and Eastern European citizens still have about the state’s obligation to provide for citizen welfare, an expectation that is all the more paradoxical in view of the abuses of state power under the Communist regimes. This persisting ambiguity suggests the need for continued concerted effort to nurture a truly effective private, nonprofit sector in Central and Eastern Europe. Among the tasks that must be addressed, moreover, three seem especially important:

- **Fostering legitimacy.** The persistent ambiguity of the Central and Eastern European nonprofit sector is due in important part to the legitimacy problems that the sector continues to face. For better or worse, the early evolution of the sector in the immediate aftermath of the fall of Communism produced a limited, but highly publicized, number of scams and scandals in many countries. These were due, in many instances, to early loopholes and uncertainties in the law, which enabled unscrupulous operators to utilize the nonprofit form for personal financial gain. Fortunately, many countries across the region have since passed new legal frameworks that spell out the functions and purposes

of various types of nonprofit organizations more clearly; and some have also improved the tax treatment of both organizations and donations. Indeed, in many ways, the new legal frameworks emerging in the region appear to be superior to those in the West, which developed in a far more haphazard fashion. Nevertheless, public attitudes still lag behind this legal development, and the public at large seems disillusioned with the promise of the sector. To overcome this, a significant investment in public education will be needed along with the development of effective codes of conduct among nonprofit organizations themselves.

- **Capacity building.** A second key conclusion that emerges from the data presented here concerns the time frame required to build a truly viable and self-sustaining nonprofit sector. Despite considerable growth, the nonprofit sector in Central and Eastern Europe, five years after the fall of Communism, remains a pale reflection of its counterparts elsewhere in the world, including Latin America as well as Western Europe. To grow and nurture a sustainable nonprofit sector and civil society obviously takes more than just a few years of investment. Accordingly, it seems crucially important to continue the training and capacity building efforts that marked the first years of Western assistance at significant levels in the foreseeable future. So, too, are the efforts to build an institutional infrastructure for this sector in the region to facilitate training efforts and information-sharing and provide a unified voice vis-à-vis the government, especially at the national level. Such efforts have made important headway, but they regularly run into resistance on the part of nonprofit leaders fearful of “umbrella organizations” that seem to resemble what existed under the previous regime.
- **Resource development.** Finally, as elsewhere, there remains a significant need to create a sustainable financial base for the sector in this region. In part, this will require nurturing a culture of philanthropy and giving. Fortunately, there is a long tradition of enterprise giving, but this has yet to translate into sizable individual donations capable of freeing these organizations from dependence on fees and corporate support. In addition, however, progress is also needed in allowing nonprofit organizations to tap into public funding, which has been a significant engine of nonprofit growth elsewhere in Europe.

Latin America: The problem of duality

If ambiguity is the central reality of the nonprofit sector in Central and Eastern Europe, “duality” is the central feature in Latin America. In a sense,

two separate nonprofit sectors exist in this region—one of them composed of more traditional charitable organizations and other agencies linked to the social and economic elite and the other associated with the relatively newer forms of grassroots organizations and so-called “nongovernmental organizations” (NGOs) that support them. As shown previously in this chapter, the former of these remains quite prominent so far as the formal picture of the sector is concerned, but the latter is clearly gaining ground and comprises an increasingly prominent “informal” or less formal component. Given this situation, the challenges facing the Latin American nonprofit sector therefore take the following forms:

- **Making “sector” a reality.** In the first place, serious steps are needed to bridge this divide between the two major components of the Latin American nonprofit sector and foster a common understanding of a “sector” sharing common interests and needs. The emergence of the concept of “civil society” has been useful in this regard, but much more dialogue and interaction will be required.
- **Capacity building.** One way to foster a sense of a distinctive nonprofit sector in Latin America is to invest in the capacity of this sector through improved training and infrastructure organizations. Although considerable effort has been put into training nonprofit personnel in this region, indigenous capacity to provide such training, and indigenous infrastructure organizations, have been lacking until recently. Building these capabilities thus seems a high priority for the region. Equally important is encouraging indigenous philanthropic institutions to buttress the financial foundation of the sector. In short, with the significant base that has now been built, Latin America is ripe for a major nonprofit sector capacity-building campaign to bring the less formal part of the region’s civil society sector more fully into a position to operate on a par with the more traditional part, and with partners in government and the business sector.
- **Building partnerships with government and business.** Government has emerged in recent years as an important source of support for nonprofit organizations in many parts of Latin America. At the same time, the relationships between the nonprofit sector and the state remain strained. In part, this reflects the lack of transparent procedures for regularizing contacts between these two sectors and the long tradition of clientelistic politics under which the funding and operation of nonprofit organizations are subjected to the whims of local or national political elites. A significant priority for the future, therefore, is to build a firmer foundation for cooperation between these two sectors to ensure a reasonable degree of autonomy for the nonprofit partners.

Similarly, the nonprofit sector must find ways to build cooperative ties with the business sector in the region if for no other reason than as a counterpoise to excessive dependence on the state.

- **Making room in the public space.** One way to foster a greater partnership between nonprofit organizations and the state is to ensure nonprofit organizations a more secure place at the table in the so-called “public space” that is opening in most countries in the region, in which dialogue among social and political actors should occur. Clearly, advances have been made in many countries in bringing nonprofit organizations into the process of public policy formulation and implementation, but much has yet to be done.

Developed countries: The challenge of renewal

If basic capacity building and resourcing are the central challenges facing the nonprofit sectors in Central Europe and Latin America, in the more developed regions of the world the central challenge is one of “renewal.” The 1990s, as shown in these data, was a period of considerable growth for the nonprofit sector. A heightened demand for social services of all kinds and a generally reduced role for governments, among other factors, increased the importance of the nonprofit sector. At the same time, however, this growth has not been without its challenges, though the challenges have been as much to the heart of the sector as to its stomach. Long accustomed to significant levels of public support, and enticed by the promise of greater fee income, nonprofit agencies in the developed world are in heightened danger of losing touch with their citizen base. On the one hand, many of these organizations have long since been transformed into large bureaucracies seemingly indistinguishable from the government bureaus with which they interact; on the other hand, they face a growing danger of becoming evermore like the business firms with which they frequently compete. Negotiating the dual dangers of over-bureaucratization and over-commercialization becomes thus the true challenge for nonprofit managers and policy-makers in these areas.

- **A renewal strategy.** To help preserve and regain the sector’s true identity and core values, serious effort needs to be made to reinvigorate the nonprofit sector on a regular basis. This can be done through regular strategic planning, through improved training and management models that reflect the central values this set of institutions is supposed to promote, and through a critical dialog that engages a wide range of societal actors in a discussion of the sector’s appropriate so-

cial role. Clearly, citizens cannot be expected to defend this sector's worth if the sector does not make itself worthy of their support.

- **Accountability and effectiveness.** In order to ensure their claims on citizen loyalties, nonprofits also need to be able to demonstrate the worth of what they do, and to operate both efficiently and effectively in the public interest. This will require something more than traditional management training, or the wholesale adoption of management techniques imported from the business or government sector. Rather, continued effort must be made to forge a distinctive mode of nonprofit management training that takes account of the distinctive values and ethos of this sector while ensuring the effectiveness of what it does. Important progress has been made along these lines in a number of countries, but significant steps remain to be made in building up the training capability in numerous places, especially in Western Europe.
- **Expanding philanthropy.** Important as the development of organizational and leadership capacities are for the future of the nonprofit sector, the expansion of private philanthropy continues to be vital to ensure a meaningful level of independence from both government and business. Yet, such support is marginal in many countries. What is more, it has not kept pace with the overall growth even in the countries where it historically has been more substantial. Over the long run, therefore, serious efforts are needed to encourage private philanthropy. The recent increases in the number of grant-making foundations in many developed countries suggest a positive trend toward greater philanthropic input into the nonprofit sector—a trend that needs the active encouragement of policy-makers and nonprofit leaders. Moreover, changes in demographics and the labor force suggest that in many countries large reservoirs of potential volunteers remain “untapped” for the expansion of the philanthropic share of nonprofit operations. However, this will require public education efforts on the part of the sector's leadership, and creative models for combining paid and unpaid work, particularly in countries with high levels of unemployment.
- **International integration and globalization.** For the European countries, greater efforts toward integration and harmonization are under way that will certainly increase the role transnational governments play in nonprofit sector affairs. Yet institutions like the European Union have been hesitant in their approach towards the nonprofit sector and civil society. The recent publication of an official *Communication*, which benefited much from the work done in the initial phase

of this project, is a step in the right direction. Yet much more remains to be done—on the part of the European Commission as well as nonprofit leaders—to make sure that this set of institutions can develop its full potential in and for the New Europe. More generally, the worldwide trend towards globalization hardly excludes the nonprofit sector. Policy-makers and nonprofit leaders thus face the challenge to build adequate legal environments for cross-national nonprofit action while protecting legitimate national interests at the same time.

Conclusion

More generally, the discussion here points up the vital need to improve the general awareness of this set of institutions in virtually every part of the world, and to monitor the trends affecting it on a more pervasive, and more sustained, basis. The existence of a vibrant nonprofit sector is increasingly being viewed not as a luxury, but as a necessity, for peoples throughout the world. Such institutions can give expression to citizen concerns, hold governments accountable, promote community, address unmet needs, and generally improve the quality of life. Putting this sector firmly on the mental map of the world is therefore a matter of some urgency. However incomplete, if the work reported here and in the chapters that follow has contributed to this goal, it will have served its purpose well.

ENDNOTES

1. This chapter was published previously as a stand-alone report under the title, *The Emerging Sector Revisited: A Summary, Revised Estimates* (Baltimore, MD: Center for Civil Society Studies, 1999). It has been modified slightly for this volume. Copies of the original can be obtained from the Center for Civil Society Studies at the address provided on the back of the title page.

2. For further detail on the derivation of this “structural-operational definition” of the nonprofit sector, see: *A Cross-national Analysis* (Manchester, U.K.: Manchester University Press, 1997).

3. Lester Salamon, “The Rise of the Nonprofit Sector,” *Foreign Affairs*, vol. 74, No. 3 (July/August 1994).

4. Joseph Stiglitz, 1998 Wider Lecture, Helsinki (January 1998).

5. For a summary of the results of Phase I of project work, see: Lester M. Salamon and Helmut K. Anheier, *The Emerging Sector: An Overview* (Baltimore, MD: Johns Hopkins Institute for Policy Studies, 1994), republished as *The Emerging Nonprofit Sector*, Vol. 1 in the Johns Hopkins Nonprofit Sector Series (Manchester: Manchester University Press, 1996). More detailed results are available in a series of books published in the Johns Hopkins Nonprofit Sector Series by Manchester University Press. For a complete list of the products of the Johns Hopkins Comparative Nonprofit Sector Project, please contact the Center for Civil Society Studies as noted on the back of the title page.

6. Chapters on all but one of these countries, Austria, are included in the body of this volume. In addition, as this volume went to press, preliminary data became available on an addi-

tional Central European country, Poland. A chapter on Poland is therefore included here but the Polish data are not incorporated in the summary figures presented in this chapter.

7. Technically, the more precise comparison is between nonprofit contribution to "value added" and gross domestic product. For the nonprofit sector, "value added" in economic terms essentially equals the sum of wages and the imputed value of volunteer time. On this basis, the nonprofit sector in our 22 countries account for \$840 billion in value-added, which represents, on average, 3.5 percent of the gross domestic product. This still leaves the nonprofit sector, if it were a country, as the eighth largest economy in the world.

8. These personnel engaged principally in religious worship activities are in addition to the employees of religiously affiliated service organizations (e.g. hospitals, social service agencies, soup kitchens), which, as noted above, are already included in the data reported earlier.

9. Given the overall size of the U.S. economy, the U.S. nonprofit sector is still larger in absolute terms, of course. Thus, of the 18.98 million full-time-equivalent nonprofit employees we have identified in the 22 countries examined here, 8.6 million, or 45 percent, are in the U.S. alone. By comparison, the nine countries of Western Europe included in our data set account for 5.6 million nonprofit employees, or 30 percent of the total; Japan accounts for 2.1 million, or 11 percent of the total; the five Latin American countries account for 1.9 million employees, or 10 percent of the total; the other developed countries (Australia and Israel) account for 0.5 million employees, or 3 percent of the total; and the four Central and Eastern European countries account for 0.2 million employees, or 1 percent of the total. These figures are summarized in Appendix B: Table 1.

10. In the case of Germany, this outcome is very likely a result of the inclusion of East Germany in the data. Without former East Germany, the German figure would probably be close to 5.5 percent, or well above the all-country average.

11. For more detailed analysis of the forces that give shape to the nonprofit sector in different settings, and the resulting patterns that emerge, see: Lester M. Salamon and Helmut K. Anheier, "Social Origins of Civil Society: Explaining the Nonprofit Sector Cross-Nationally," *Voluntas*, Vol. 9, No. 3 (September 1998) pp. 213-248.

12. For further elaboration of the alternative patterns, see endnote 9.

13. These data do not include the shift in structure of the U.K. higher education field that occurred during the Thatcher period, since we did not have comparable data for these organizations in both 1990 and 1995. We also note that German data for 1990 include only West German organizations. Therefore, a part of the reported growth of the German nonprofit sector is due to the country's 1990 unification.

14. For a discussion of this concept in the context of the United States, see: Lester M. Salamon, "The Marketization of Welfare: Nonprofit and For-Profit Roles in America's Welfare State," *Social Service Review*, Vol. 67, No. 1 (March 1993) pp. 16-39.