

Handbook of National Accounting

**Handbook**  
**on**  
**Non-Profit Institutions**  
**in the**  
**System of National Accounts**

United Nations

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Handbook of National Accounting

# **Handbook on Non-Profit Institutions in the System of National Accounts**

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## Preface

The *Handbook on Non-Profit Institutions in the System of National Accounts* recommends statistical standards and guidelines for the development of data on non-profit institutions (NPIs) within the System of National Accounts, 1993 (1993 SNA). The framework, concepts and classifications are designed as an extension and clarification of those underlying the 1993 SNA. The objective of developing NPI data is to improve and make available data on a sector that is growing in importance and that is often ignored or little developed as part of the economy-wide compilation of data on national accounts.

The *Handbook* was prepared in close collaboration between the Johns Hopkins University Center for Civil Society Studies and the Economic Statistics Branch of the United Nations Statistics Division. Particular mention may be made of the contributions by Lester M. Salamon, Regina List, S. Wojciech Sokolowski and Helen Tice of the Johns Hopkins University Center for Civil Society Studies; Helmut K. Anheier, formerly at the Johns Hopkins University and now at the Centre for Civil Society, London School of Economics and Political Science, University of London; and Cristina Hannig, Károly Kovács, Jan W. van Tongeren, Vu Viet and Magdolna Csizmadia of the United Nations Statistics Division.

Throughout the development of the *Handbook*, guidance was provided by a consultative group, which met at United Nations Headquarters in New York on 13 and 14 April 1999, 8 and 9 June 2000 and 8 and 9 July 2001. Members of the consultative group included (in alphabetical order): Heidi Arboleda (Economic and Social Commission for Asia and the Pacific); Édith Archambault (France); Estrella V. Domingo (Philippines); Lourdes Ferrán (Venezuela); Ezra Hadar (Israel); Anne Harrison (Organisation for Economic Cooperation and Development (OECD)); Virginia Hodgkinson (United States); Youri Ivanov (Commonwealth of Independent States); Estelle James (World Bank); Dickson Mzumara (Economic Commission for Africa (ECA)); Brian Newson, Statistical Office of the European Communities (Eurostat); René Rakotobe (ECA); Leen Roosendaal (Netherlands); and the late Richard Ruggles (United States). Advice was offered by Guy Standing and Azfar Khan of the In Focus Programme on Socio-Economic Security, International Labour Organization.

A draft of the *Handbook* was tested in 11 countries that varied in their level of development.<sup>1</sup> In many cases, the test built on current or previous work carried out in connection with the Johns Hopkins Comparative Non-Profit Sector Project and members of the network of local project associates often provided technical assistance to the

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<sup>1</sup> In addition, at an early stage in the development of the *Handbook*, a small group of United States experts was convened to review a “worked example” based on United States administrative records data. Members of that group included: Evelyn Brody (Chicago-Kent College of Law); Nadine Jalandoni (Independent Sector); Károly Kovács (United Nations Statistics Division); Linda Lampkin (National Center for Charitable Statistics); Wilson Levis (City University of New York); Charles McLean (Guidestar); Robert P. Parker (United States Bureau of Economic Analysis); Russy Sumariwalla (Consultant); and Murray Weitzman (Consultant).

statistical offices carrying out the test. Teams carrying out the test met for orientation in The Hague on 1 and 2 November 2000 and joined members of the consultative group at its July 2001 meeting in New York. Test countries and participants were: in Australia, David Bain and Sharon Bailey, Australian Bureau of Statistics; in Belgium, Sybille Mertens, University of Liège, with the contribution of the national accounts department of the National Bank of Belgium; in Canada, Catherine Bertrand, Sophie Joyal, Malika Hamdad, James Chowhan, Karen Ashman and Kim Longtin, Statistics Canada; in Israel, Ezra Hadar, Nava Brenner, Aharon Blech and Soli Peleg, Central Bureau of Statistics; in Italy, Stefania Cuicchio, Raffaele Malizia, Andrea Mancini, Allesandro Messina and Nereo Zamaro, Italian Institute of Statistics (ISTAT); in Mozambique, Saide Dade and Antonio Heber Lazo, Instituto Nacional de Estatística and Jan van Tongeren, United Nations Statistics Division; in the Netherlands, Leen Roosendaal, P. R. H. van der Neut and W. van Nunspeet, Statistics Netherlands; in the Philippines, Estrella V. Domingo, National Statistical Coordination Board, and Ledivina Cariño, University of the Philippines; in South Africa, Johan Prinsloo, Reserve Bank of South Africa, and Joe de Beer, Statistics South Africa; in Sweden, Ann-Marie Brathen, Torbjorn Israelsson, Christina Liwendahl and Birgitta Magnusson, Statistics Sweden and Filip Wijkstrom, Stockholm School of Economics; and in Thailand, Somjit Janyapong, Suchavadee Srsuwannakan and Pak Tongsom, National Economic and Social Development Board.

The United Nations Statistics Division also convened a meeting of SNA experts to review the draft *Handbook* at United Nations Headquarters from 10 to 12 July 2001. Members of the Expert Group included: Catherine Bertrand (Canada); Estrella V. Domingo (Philippines); Lourdes Ferrán (Venezuela); Ezra Hadar (Israel); Omar Mohammad Ali Hakouz (Jordan); Anne Harrison (OECD); Clifford Lewis (Trinidad and Tobago); Pablo Mandler (Argentina/Israel); Brian Newson (Eurostat); René Rakotobe (ECA); Kusmadi Saleh (Indonesia); and Kotb Salem (Egypt).

Thanks to the involvement of the above-mentioned experts, advisers and test countries, as well as additional meetings and deliberations held by the Center for Civil Society Studies and the United Nations Statistics Division, it was possible to reflect in the concepts, classifications and tables of the *Handbook* the theoretical and practical expertise of many national accountants and other specialists from a variety of developed and developing countries. The compilers of the *Handbook* wish to express their gratitude to all of the advisers and experts who assisted in the development of the recommendations summarized here. As additional experience with the implementation of the present recommendations accumulates, updated recommendations may be issued.

We are also grateful for the financial support of the Andrew W. Mellon Foundation, the Ford Foundation, the Atlantic Philanthropies and the International Labour Organization. Special thanks are also due to Paul Dekker of the Social and Cultural Planning Office of the Netherlands for assistance in arranging the field test orientation meeting held in The Hague.

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## LIST OF ABBREVIATIONS AND ACRONYMS

1993 SNA	System of National Accounts, 1993
ANZIC	Australia and New Zealand Industry Classification
CCIS	Cross-Classification by Industries and Institutional Sectors of Production Account Items
CEPA	Classification of Environmental Protection Activities
CIS	Commonwealth of Independent States
COFOG	Classification of the Functions of Government
COICOP	Classification of Individual Consumption According to Purpose
COPNI	Classification of the Purposes of Non-Profit Institutions Serving Households
COPP	Classification of the Outlays of Producers According to Purpose
CPC	Central Product Classification
DAC	Development Assistance Committee
ECA	Economic Commission for Africa
EIN	Employer identification number
ESA	European System of Accounts
ESCAP	Economic and Social Commission for Asia and the Pacific
Eurostat	Statistical Office of the European Communities
FTE	full-time equivalent employment
ICATUS	International Classification of Activities for Time-Use Statistics
ICNPO	International Classification of Nonprofit Organizations
IEA	integrated economic accounts
ILO	International Labour Organization
IMF	International Monetary Fund
IRS	United States Internal Revenue Service
ISCED	International Standard Classification of Education
ISIC	International Standard Industrial Classification of All Economic Activities
n.e.c.	not elsewhere classified
NACE	General Industrial Classification of Economic Activities within the European Communities
NAICS	North American Industry Classification System
NIPA	national income and product account
NPI	non-profit institution
NPISH	non-profit institutions serving households
OECD	Organisation for Economic Cooperation and Development
SIRENE	Système de répertoire des entreprises et des établissements
SNA	System of National Accounts
SSN	Social Security Number
UNESCO	United Nations Educational, Scientific and Cultural Organization
VAT	value added tax



# CHAPTER 1

## Introduction

### A. Background

1.1 The *System of National Accounts, 1993* (1993 SNA) is a set of international guidelines for the development of economic accounts of member countries and for reporting such statistics to international organizations in a manner comparable across countries.<sup>1</sup> The 1993 SNA provides an integrated framework of concepts, definitions, accounting rules, classifications and accounts and tables—all designed to organize, in an analytically useful way, the transactions, other flows and stocks that make up the accounting record of the economy.

1.2 In order to maximize its usefulness, the guidelines and methodologies of SNA are necessarily of a general nature. The universality of the SNA approach is one of its major advantages and indeed served as a guiding principle for its development and design. At the same time, SNA guidelines suggest the expansion of SNA through the development of satellite accounts and more targeted handbooks in order to offer additional instructions and provide specific approaches and technical advice to national accountants, statisticians and other users of national accounts data on specialized topics (see 1993 SNA, Chap. XXI).

1.3 Such SNA satellite accounts are developed and used in order to shed further light on data features needed for specialized analyses that are not contained or are not well represented in the central SNA framework but nonetheless reflect important economic, social and political concerns.<sup>2</sup> They expand the capacity and utility of SNA without overburdening and disrupting the logical frame and integrity of the system as a whole. In such satellite accounts, amendments may be made to concepts and the classification detail of the central SNA. More specifically, the handbooks and satellite accounts generally extend SNA in three directions: first, they deal in more detail with SNA concepts than is done in the SNA itself and in some cases adapt SNA concepts to particular uses through satellite accounts; second, handbooks offer suggestions with regard to data sources and compilation approaches; and third, handbooks elaborate on the use of data in analysis.

1.4 Examples of guidelines on satellite accounts that have been published by the United Nations include the *Integrated Economic Environmental Accounts*<sup>3</sup> and the *Tourism Satellite Account*.<sup>4</sup> In addition, socio-economic satellite accounts are being developed.<sup>5</sup> In the case of environmental satellite accounts, amendments are made to the concept of intermediate

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<sup>1</sup> For a general overview, see Commission of the European Communities et al. (1993) and European Commission (1996); for discussion and background, see Keuning (1998); see also Carson (1996) and van Tongeren (1996).

<sup>2</sup> Van Tongeren and Becker (1995).

<sup>3</sup> United Nations (1993).

<sup>4</sup> Commission of the European Communities, Organisation for Economic Cooperation and Development, United Nations and World Tourism Organization (2001).

<sup>5</sup> For an example of socio-economic satellite accounts, see Republic of Korea, National Statistical Office and Ministry of Science and Technology, United Nations Development Programme and United Nations Statistics Division (2000).

consumption in order to take into account environmental impacts on the cost of production. In the case of tourism satellite accounts, more detail is included in the breakdown of International Standard Industrial Classification of All Economic Activities (ISIC) and Central Product Classification (CPC) categories in order to identify tourism-related industries and products and to classify tourism expenditures in detail that serves the analysis of the tourism activities in a country. Similarly, educational satellite accounts, as part of the socio-economic satellite accounts, may use a concept of human capital and, in accordance with that, define selected educational expenses as capital formation instead of final consumption, as is the practice followed in the central framework of SNA.

1.5 The present *Handbook* is one in a series of handbooks dealing with various components of SNA. It completes the subset of handbooks issued by the United Nations dealing with SNA sectors. The series started with the *Handbook on Household Sector Accounts*<sup>6</sup> and was followed by a handbook on the non-financial corporate sector and focused on the links between business accounting and national accounting concepts and practices.<sup>7</sup> The other SNA sectors have been dealt with by International Monetary Fund (IMF) publications covering government finance statistics,<sup>8</sup> money and banking statistics<sup>9</sup> and balance of payments statistics.<sup>10</sup>

1.6 The use of satellite accounts in the case of NPIs is needed because the central framework of SNA does not focus on an exhaustive identification of NPIs. To the extent that it focuses on NPIs, the SNA's primary objective is to develop the criteria for the allocation of NPIs to the appropriate institutional sectors of SNA, i.e., government and financial and non-financial corporations sectors. As to the remaining units serving the household sector, a separate sector—i.e., non-profit institutions serving households (NPISHs)—is created in order to bring out the revenues and final consumption expenditures of households, as distinct from those of NPISHs. Thus, SNA does not seek to develop a comprehensive picture of NPIs but rather focuses on allocating NPIs to other sectors based on certain characteristics that NPIs share with other units assigned to those sectors.

1.7 The present *Handbook*, however, is concerned with the identification of all NPIs in order to permit better understanding of a sector of the economy that has been growing in many countries but was not considered as important at the time the 1993 SNA was prepared. The emphasis on NPIs in the present *Handbook* is reflected in three ways. One is the presentation of a detailed definition of NPIs, which makes it possible to identify them as a group. Second is the valuation of volunteer labour, which is significant in the activities of NPIs. Third is the introduction of a detailed classification of NPIs by function. None of those elements is available in the concepts and classifications of the central framework of the 1993 SNA.

1.8 The present *Handbook* thus seeks to provide additional guidance for coverage within SNA of a set of institutions about which it is often difficult to gather data—namely, the wide assortment of institutions that operate in some sense separate from both the market and the state. It also seeks to organize the material on such organizations using a satellite account within the

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<sup>6</sup> United Nations (2000a).

<sup>7</sup> United Nations (2000b).

<sup>8</sup> International Monetary Fund (2001).

<sup>9</sup> International Monetary Fund (2000).

<sup>10</sup> International Monetary Fund (1993).

SNA structure so that it is more accessible to those with an interest in it. In the process, it helps to clarify the composition of the sectors to which NPIs are assigned in the basic SNA by separately identifying their NPI and non-NPI components.

1.9 The balance of the present chapter briefly describes the background of the *Handbook*, identifies the major needs it serves for different users and explains the rationale for the approach taken in developing the *Handbook*. The introduction concludes with an overview of the *Handbook*'s structure and content by providing a brief summary of each chapter.

## **B. Why this *Handbook*?**

1.10 The fundamental aim of the present *Handbook* is to respond to the growing interest that statisticians, policy makers and social scientists have in organizations that are neither market firms nor state agencies nor part of the household sector. Such social institutions are variously referred to as “non-profit”, “voluntary”, “civil society” or “non-governmental” organizations and collectively as the “third”, “voluntary”, “non-profit” or “independent” sector.<sup>11</sup> Types of organizations commonly included under these terms are sports and recreation clubs, art and cultural associations, private schools, research institutes, hospitals, charities, religious congregations and faith-based organizations, humanitarian assistance and relief organizations, advocacy groups and foundations and charitable trusts. Such non-profit institutions are currently covered by SNA; however, SNA does not group them into a single economic sector.

1.11 **Gaining a clearer overview of the broad NPI sector is increasingly important for a variety of reasons:**

- (a) **NPIs constitute a significant and growing economic force in countries throughout the world.** NPIs have recently come to be recognized as a major economic presence in countries throughout the world. Indeed, what one analyst has termed a “global associational revolution”,<sup>12</sup> a massive upsurge of organized private voluntary activity, seems to be under way in many parts of the world at the present time as a product of changes in communications, new popular pressures and growing questioning of the capabilities of government to solve pressing social and economic problems on its own. Indeed, recent research has demonstrated that non-profit organizations account for 8 to 12 per cent of non-agricultural employment in many developed countries and even larger shares of formal employment in many developing regions.<sup>13</sup> Because much of the revenue supporting that sizeable non-profit sector comes from public sector payments in Western Europe and from fees and charges in Japan, the United States and Australia,<sup>14</sup> however, that set of institutions is allocated to the government and corporate sectors, respectively, in SNA and therefore largely disappears from view. The resources

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<sup>11</sup> In the present *Handbook*, the phrase “non-profit sector” refers to this set of organizations; as will be shown below, that usage is not equivalent to the SNA’s NPISHs; for a fuller treatment of the definition and classification of non-profit organizations, see Salamon and Anheier (1997).

<sup>12</sup> Salamon (1994).

<sup>13</sup> Salamon et al. (1999); and Anheier and Ben-Ner (1987).

<sup>14</sup> Salamon et al. (1999).

controlled by institutions identified as NPISHs in SNA thus turn out to represent only a small portion of all the resources controlled by non-profit institutions in most countries;<sup>15</sup>

- (b) **NPIs have distinct features that justify treating them as a separate sector for many analytical purposes.** The placement of the economically most important NPIs into the corporate or government sectors not only obscures the size of the NPI sector but also complicates the picture that is provided of the corporate and government sectors. Given the distinctive features of NPIs, a case can be made for splitting them out from the other entities in those sectors, at least for some analytical purposes. Among the distinctive features of NPIs that justify such special identification are the following:
- (i) Not-for-profit character. Although they may earn profits, NPIs are not organized for profit and cannot distribute any profits earned to their directors or managers. They therefore have different objective functions from the for-profit firms with which some of them are grouped. Non-profit entrepreneurs are often driven by social or ideological impulses, not primarily pecuniary ones;
  - (ii) Public-goods production. Although they often produce private goods that are sold on the market, NPIs also typically produce collective goods that are financed through other means (e.g., charitable contributions, volunteer effort). NPIs often arise where “free rider” problems impede the emergence of market producers yet where lack of sufficient political support also keeps government from becoming involved;
  - (iii) Governance structures. The governance structures of NPIs differ from those of both corporations and governmental units. Non-profit boards are not publicly elected and are rarely paid. Non-profits are therefore different types of units to manage;
  - (iv) Revenue structure. The sources of non-profit revenue also differ from those of government and for-profit firms. In particular, they include important voluntary donations of time and money that are not available to for-profit producers and that are also far less extensively utilized by government agencies, which in turn requires different revenue-raising strategies and different orientations to the market;
  - (v) Staffing. The staffing of non-profit organizations is also different, often including substantial numbers of volunteers;
  - (vi) Capital sources. Since they cannot distribute profits, NPIs cannot attract equity capital. As a result, the composition of their payments of property income differ from those of for-profit enterprises;
  - (vii) Tax treatment. NPIs are typically exempt from corporate income taxes, and may also be exempt from other taxes, such as sales taxes and property taxes. In

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<sup>15</sup> This is not just a theoretical possibility; Archambault (1998) finds that the application of the SNA sectoring scheme results in an NPISH that substantially understates the French non-profit sector.

addition, they are often exempt from provisions that apply to for-profit corporations;

- (viii) Legal treatment. NPIs are often subject to special legal provisions relating to the composition of their boards, their purposes, their revenues, their involvement in political activities, the compensation of their staff, and their reporting and accounting standards. In addition, they are often exempt from provisions that apply to for-profit corporations;
  - (ix) Lack of sovereign powers. Although they often receive government financial support, NPIs lack the defining feature of a governmental entity, i.e., “compulsory powers over all those dwelling or carrying on activities within a given area”;<sup>16</sup>
  - (x) Relative detachment from political pressures. NPIs operate with considerably more detachment from political pressures than regular units of government. Indeed, that is one of the reasons acknowledged by the 1993 SNA (see para. 4.62) for Governments to rely on NPIs for certain functions rather than carrying out the functions themselves;
  - (xi) Characteristic types of transactions. NPIs have two characteristic transactions that cannot be accommodated in the corporations sectors of SNA: they have final consumption expenditure and they receive transfer payments in the form of philanthropic donations;
- (c) **NPIs are increasingly a focus of concern in public policy.** A third reason for separating NPIs out and focusing attention on them is that those institutions have recently attracted increased attention from policy makers, who have been searching for ways to improve the quality of public services and reduce the size of the state. Because of their distinctive features as private institutions serving public purposes, non-profit organizations offer important advantages in that regard. Indeed, major initiatives have recently been launched in the United States, the United Kingdom, France, Italy, Canada, the Netherlands, Germany, Australia, New Zealand, Japan, Chile, Pakistan and the European Commission, among others, to promote NPIs or otherwise change government’s relations with them. All of which has increased the need for better information on NPIs and the role that they play both in specific fields (e.g., health, education and social services) and more generally;
- (d) **Need for improved coverage.** Because NPIs as a whole are not separately identified in SNA, there is little incentive for statistical offices to take the special steps often needed to identify and collect data on them. **Sample frames may not adequately reflect the NPI components of the various sectors to which NPIs are allocated (e.g., corporations and governments).** As a consequence, significant portions of the NPI sector may not be adequately represented in existing data. In addition, the existing SNA sectoring guidelines are often difficult to apply. **Those guidelines stipulate that NPIs must be both financed by and controlled by government in order to be included in the government**

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<sup>16</sup> United Nations (1988).



sector. However, difficulties arise when only one of those two criteria is met, in large part because the definition of “control” offered by SNA does not always apply easily to institutional arrangements within a given country (Organisation for Economic Cooperation and Development (OECD, 1998). That is especially true in the case of hospitals, clinics, universities and schools, where government provides a significant part of the organizations’ financing but has varying degrees of control over their management and operations. Therefore, different countries are likely to include different types of NPIs in their government accounts, causing potential disparities in estimates.

### C. Approach

1.12 Given the complexity of the SNA system, one approach to remedying the problem of the lack of visibility of the full NPI sector and to generating more complete and coherent data on the NPI sector might be to develop a data system focused squarely on the sector. Such an approach would have the virtue of organizing the needed data around the set of organizations that is of particular concern. Tempting though that might be, however, the present *Handbook* rejects that approach and works instead within the SNA framework. The advantage of such an approach is the opportunity that it provides to build on an established data system, which is staffed by existing statistical agencies and has already resolved many of the key technical issues involved in mapping economic activity, and also has in place a process for working out additional issues as they arise in the future. In addition, that system has the additional advantage of making it possible to compare the NPI sector to other economic sectors within a common, agreed-upon format.

1.13 The strategy of the present *Handbook* is thus to work within the SNA framework, to leave NPIs where they are in existing SNA aggregates and institutional accounts but create a satellite account that consolidates the information on NPIs found in the other sectors and, hopefully, improves on that information by developing more refined ways of gathering data on the non-profit entities (e.g., through special surveys of organizations and of individual giving and volunteering). In addition, to facilitate a cross-walk with the standard SNA structure, the proposed satellite account structure reports both on the newly created aggregate NPI sector and on the NPI and non-NPI components of the individual sectors to which the existing SNA structure allocates NPIs.

1.14 One major implication of that set of decisions is that the resulting non-profit satellite account structure quickly becomes rather complex. Not only is it necessary to produce the entire sequence of SNA tables on the consolidated NPI sector but it is also necessary to show in each of those tables the separate components into which SNA allocates NPIs.

1.15 In view of those challenges, we have adopted a three-pronged strategy for the NPI satellite account. We first specify a *fully elaborated* satellite account structure for the non-profit sector within SNA. Next, recognizing that for other analytic and policy-related purposes, it may be useful to extend the data coverage of the satellite account system beyond monetary representations of economic activity alone, we identify a range of other social and economic indicators to be covered in a set of *extensions* to the fully elaborated satellite account. Finally, we specify a fall-back *short form* focused on only the most essential or readily available variables and relationships that can be used until the full elaboration becomes feasible.

1.16 In the full elaboration, the data items included cover the transactions, other flows and stocks of the integrated economic accounts, from the production account through the balance sheets. Although there is particular emphasis on output, final consumption expenditure, compensation of employees, property income, transfer payments, gross capital formation and consumption of fixed capital, the satellite account also covers holdings and acquisition of, as well as volume and price changes in, such items as buildings and structures; entertainment, literary or artistic originals; antiques and other art objects; currency and deposits; and securities. In the extensions, those core monetary data are supplemented with data in physical units on such variables as employment, volunteers, NPI entities, members, memberships, output and capacity. In the short form, the data items included cover a slightly abbreviated set of items in the accounts through the financial account, plus a subset of the data items in physical units.

1.17 In order to accommodate the revaluations within the SNA production boundary discussed above, many of the tables and variables in the satellite account are shown in three versions:

- (a) SNA basis: A version that uses standard SNA conventions for all variables;
- (b) With non-market output of market NPIs: A version that adds to the SNA basis an estimate of the non-market output of “market” NPIs in the SNA corporations sectors. That adjustment is necessary in view of the fact that market NPIs, unlike other market producers, typically also have substantial non-market output that is not captured in their market receipts. Without some adjustment, the value of such non-market output can therefore be missed; to correct for that omission, the non-market output of market NPIs is valued by operating expenses and the additional value of output added into the accounts;
- (c) With non-market output of market NPIs and volunteer labour: A version that makes a further adjustment and adds the imputed value of volunteer labour in addition to an estimate of the non-market production of market NPIs. Thus, it adds to the paid employment of NPIs the imputed value of volunteer labour contributed to NPIs. As noted above, such labour is an important component of the operation of many NPIs. It represents both a contribution to NPI production and a source of NPI revenue. The estimation procedure recommended for that labour input is to value it at the average gross wage for the community, welfare and social service occupation category as a proxy for the wages paid in the actual occupations in which the volunteers are engaged.

1.18 In view of the challenges enumerated above, the present *Handbook* proposes a three-pronged strategy for implementation. The first step is to tap existing sources of data to compile a *short form*, containing the most essential and readily accessible variables. The second step is reach out to additional data sources, including new surveys, to compile the *fully elaborated* satellite account for the non-profit sector within SNA. Finally, the third step is to extend the analysis beyond the current SNA structure to capture additional information about the structure, output and capacity, clients and users, and impact and performance of the non-profit sector. Some of the structure and capacity and output measures can be included within the second stage of the work, but others will extend beyond that.

## **D. The 1993 SNA as a platform for developing a global information system on non-profit institutions**

- 1.19 The purpose of the present *Handbook*, then, is to
- (a) Develop a satellite account that provides a complete picture of the economic weight of non-profit institutions as a whole;
  - (b) Assist national statistical agencies in improving their coverage of NPIs within SNA by suggesting additional data items and collection methods on NPIs and identifying alternative data sources.

The ultimate outcome will be a major breakthrough in our ability to chart the scope, size, structure, financing and impact of NPIs throughout the world.

1.20 In the process, the present *Handbook* also seeks to increase understanding of SNA and the statistical system that undergirds it among non-profit researchers, analysts and socio-economic policy makers. SNA is a comprehensive system that draws on and reconciles a wide range of economic statistics. With some basic understanding of SNA and its source data, non-specialists can tap existing data on NPIs more effectively. In addition, knowledge of the statistical system can make the non-specialist a more effective advocate for additional information and facilitate the development of new source data on NPIs.

## **E. Overview of the *Handbook***

1.21 To that end, chapter 2 of the present *Handbook* takes up the issue of how to define NPIs in the context of SNA. It begins by reviewing the definition of NPIs in the 1993 SNA relative to other units and examining the criteria used for allocating NPIs to different institutional sectors. The chapter then outlines a definition of the NPI sector that can be used for the purposes of the satellite account system proposed here.

1.22 Chapter 3 describes the classification systems to be used for NPIs in the satellite account. The major classification is the *International Classification of Non-Profit Organizations* (ICNPO), a more detailed version of certain parts of ISIC that was developed for use in the Johns Hopkins Comparative Non-Profit Sector Project. ICNPO is contained in full in annex A1. In addition, use is made of the activity classification ISIC and the SNA's functional classification, the *Classification of the Purposes of Non-Profit Institutions* (COPNI).

1.23 Chapter 4 identifies the key variables for which data are needed on NPIs. It identifies those needed for the fully elaborated satellite account, the short form and the major extensions. The chapter focuses particularly on those variables that are especially relevant to NPIs, such as charitable contributions, volunteer labour and third-party payments. It also reviews the SNA table structure as background for the proposed NPI satellite account system, the detailed tables of which are contained in annex A2. To make the satellite account more accessible to policy makers and social scientists, annex A3 provides additional background on SNA for non-specialists. In the same vein, annex A4 offers a glossary of SNA terminology to aid users in making their way through the SNA-based tables.

1.24 Chapter 5 provides practical guidance and technical assistance for identifying NPIs and related variables and data items in existing data-collection activities and for generating such data where they are not yet available, drawing on the experience of both statistical offices and the non-profit research community. It reviews possible data sources and discusses how they can be used for the purposes of the satellite account. On that basis, it makes suggestions about the concrete steps that national statistical offices can take to implement the satellite account system. Annex A5 contains several tools that have proved effective in such efforts.

1.25 Chapter 6 presents some physical measures of NPI output, by field, drawing on three bodies of work: work on the specification of outputs and prices in selected industries; work on performance measurement and accountability in both the public and non-profit sectors; and other indicators developed as part of the Johns Hopkins Comparative Non-profit Sector Project.

1.26 Annex A6 provides a road map for relating the satellite account data back to the parent SNA system.

1.27 Annex A7 reproduces a report prepared by the International Labour Organization “Work in the non-profit sector: forms, patterns and methodology”, which provides additional background concerning the definition and measurement of volunteering.

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## CHAPTER 2

# Defining NPIs

### A. Introduction

2.1 The first task in developing a meaningful satellite account for non-profit institutions is to formulate a clear definition of the entities to be covered by such an account. The 1993 SNA already includes a definition of NPIs that takes us well down the road toward such a concept. However, as indicated in chapter 1 above, the 1993 SNA sectoring rules require the allocation of numerous NPIs to sectors other than the one sector that has “non-profit” in its name, “non-profit institutions serving households”. As a consequence, the “non-profit sector” thus identified as the NPISH sector in the 1993 SNA differs considerably from what would be included in the collection of all entities that fit the SNA definition of a non-profit institution.

2.2 The present chapter reviews the basic definition of a non-profit institution offered in the 1993 SNA, briefly discusses the rules for sectoring NPIs in the 1993 SNA, identifies several alternative concepts of the NPI sector evident in the literature, and offers some amplification and clarification of the existing SNA definition of a non-profit institution and of the broader non-profit sector for use in the non-profit satellite account proposed in the present *Handbook*. Against that backdrop, the chapter then offers some concrete illustrations of the types of entities that that proposed definition would embrace, and discusses how it would treat a number of “borderline cases” about which uncertainties might exist.

### B. Definition of NPIs in the 1993 SNA

2.3 The 1993 SNA distinguishes two broad types of economic entities: *establishments*, which are enterprises, or parts of enterprises, that perform a single production activity, generally at a single site; and *institutional units*, which are “capable, in their own right, of owning goods and assets, incurring liabilities, and engaging in economic activities and transactions with other units.” Institutional units may have one or a number of establishments.

2.4 Within that structure, NPIs form a class of *institutional units*. The 1993 SNA distinguishes NPIs from other institutional units principally in terms of what happens to any profit that they might generate. In particular:

“Non-profit institutions are legal or social entities created for the purpose of producing goods and services whose status does not permit them to be a source of income, profit, or other financial gain for the units that establish, control or finance them. In practice their productive activities are bound to generate either surpluses or deficits but any surpluses they happen to make cannot be appropriated by other institutional units.<sup>1</sup>”

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<sup>1</sup> See 1993 SNA, para. 4.54.

That basis for defining NPIs, which focuses on the common characteristic that they do not distribute their profits, is a central feature of most definitions of “the non-profit sector” in law and social science literature.<sup>2</sup>

2.5 The 1993 SNA also distinguishes NPIs in terms of the kinds of services that they produce. The 1993 SNA notes that the reasons for establishing NPIs are varied. For example, “NPIs may be created to provide services for the benefits of the persons or corporations who control or finance them; or they may be created for charitable, philanthropic or welfare reasons to provide goods or services to other persons in need; or they may be intended to provide health or education services for a fee, but not for profit, ...etc.”<sup>3</sup> While acknowledging that “they may provide services to groups of persons or institutional units,” the 1993 SNA definition of NPIs stipulates that “by convention” NPIs “are deemed to produce only individual services and not collective services”.

2.6 Non-profit institutions, so defined, thus differ from the other three major types of institutional units defined within SNA—corporations (financial and non-financial), government agencies and households. Thus:

- (a) *Corporations* differ from NPIs in that they are “are set up for purposes of engaging in market production” and “are capable of generating a profit or other financial gain for their owners” (see 1993 SNA, para. 4.47);
- (b) *Government units* differ from NPIs in that they are “unique kinds of legal entities established by political processes which have legislative, judicial or executive authority over other institutional units within a given area,” including “the authority to raise funds by collecting taxes or compulsory transfers from other institutional units” (see 1993 SNA, para. 4.104);
- (c) *A household* differs from an NPI in that it is “a small group of persons who share the same living accommodations, who pool some or all of their income and wealth, and who consume certain types of goods and services collectively, mainly housing and food....”. (see 1993 SNA, paras. 4.132-4.133).

### **C. Sectoring of NPIs**

2.7 The 1993 SNA groups the institutional units so defined among economic sectors on the basis of the economic transactions in which they are principally involved, the purposes they serve, and the kinds of units that control and finance them. It identifies five such sectors: (a) financial corporations; (b) non-financial corporations; (c) government; (d) households; and (e) NPISHs.

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<sup>2</sup> See, for example, Hansmann (1996), Ben-Ner and Gui (1993), Weisbrod (1988) and Salamon and Anheier (1997b).

<sup>3</sup> See 1993 SNA, para. 4.55.



**Figure F2.1**  
**Treatment of non-profit institutions in the 1993 SNA**

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

2.8 Whereas all corporations go into the corporate sector (financial or non-financial), all government units into the government sector and all households into the household sector, however, NPIs are divided among five different sectors, only one of which—the NPISH sector—has “non-profit” in its title. That is because NPIs turn out to differ markedly with regard to the transactions on which they rely. Thus, as shown in figure F2.1:

- (a) Some NPIs, such as universities or hospitals, receive most of their receipts from sales of non-financial services and are assigned to the non-financial corporations sector in the 1993 SNA;
- (b) Other NPIs, such as microcredit financing organizations, are principally engaged in financial transactions. Those NPIs are assigned to the financial corporations sector in the 1993 SNA;
- (c) Other NPIs receive substantial government support and are substantially controlled by government. Those NPIs are allocated to the government sector in the 1993 SNA;
- (d) Other NPIs lack legal status or rely solely on volunteer input. In ESA 1995,<sup>4</sup> those NPIs are allocated to the households sector.
- (e) Finally, NPIs that receive most of their income from households in the form of contributions and are not substantially financed and controlled by government are assigned to the NPISH sector in the 1993 SNA.

#### **D. Need for a satellite account on NPIs**

2.9 Although sector assignment makes sense for many analytical purposes, it makes it difficult to gain a comprehensive view of the entire universe of NPIs. Gaining such a view is

<sup>4</sup> European Commission (1996).

increasingly important, however, for a number of reasons. As spelled out more fully in chapter 1 above, those reasons include the following:

- (a) NPIs constitute a significant and growing economic presence in countries throughout the world, accounting for 7 to 10 per cent of non-agricultural employment in many developed countries and considerable shares of the employed labour force in developing countries as well;
- (b) NPIs have distinct features that give them production functions and other characteristics that differ significantly from those of the other entities included in the corporate and government sectors to which they are assigned under current usage. Those features include:
  - (i) The prohibition on the distribution of profits from their operations, which gives them an objective function quite different from that of for-profit corporations;
  - (ii) Their involvement in the production of public goods in addition to whatever private goods they may produce;
  - (iii) A revenue structure that generally includes substantial voluntary contributions of time and money;
  - (iv) The use of volunteer as well as paid staff;
  - (v) Limited access to equity capital because of the prohibition on their distribution of profits;
  - (vi) Eligibility for special tax advantages in many countries;
  - (vii) Special legal provisions pertaining to governance, reporting requirements, political participation and related matters;
  - (viii) The lack of sovereign governmental powers despite their involvement in public goods provision;
- (c) NPIs are increasingly a focus of policy attention as Governments seek to divert social functions to private groups, which has increased the need for better information on NPIs;
- (d) Existing treatment, by folding NPIs into other sectors, reduces the incentives to make the special efforts needed to capture NPIs fully in current data;
- (e) Existing sectoring rules are hard to apply given the increasing complexity of the NPI universe. Considerable variation in treatment may consequently occur among countries.

2.10 As a first step in addressing the need for better information on NPIs, it is important to identify an appropriate definition of an NPI and of the NPI sector. Such a definition must be able to accommodate all entities currently embraced within the existing SNA definition of an

NPI, while clarifying the differences between NPIs and both Governments and pure market producers. In addition, it must be neutral enough to accommodate the array of legal systems, patterns of financing and types of purposes associated with NPI-type institutions in different national settings.

2.11 Several alternative concepts are available around which such a definition and resulting satellite account on non-profit institutions might be built:

- (a) Social economy. One of these is the concept of “social economy”, which is used widely in Europe to depict non-governmental institutions that have a social or collective purpose. Typically, three and often four sets of institutions are included in the social economy: mutuals, cooperatives, associations and foundations;
- (b) Public benefit organizations. At the opposite extreme is the concept of the “public benefit organization”. That concept is typically used to depict a more narrow range of institutions that primarily serve a broad public purpose as opposed to a purpose related more narrowly to the interests of the members or participants of a particular organization or social group;
- (c) Non-profit organizations. An intermediary concept is that of the “non-profit sector” elaborated in the Johns Hopkins Comparative Non-Profit Sector Project.<sup>5</sup> The product of deliberations by a broad team of social scientists from more than 35 countries, the “structural-operational” definition of the non-profit sector follows the basic SNA definition fairly closely but elaborates on that definition to clarify several potential ambiguities. More specifically, according to the structural-operational definition, the NPI sector includes all entities that are:
  - (i) Organizations, that is, institutionalized to some extent;
  - (ii) Private, that is, institutionally separate from government;
  - (iii) Non-profit-distributing, that is, not returning profits generated to their owners or directors;
  - (iv) Self-governing, that is, able to control their own activities;
  - (v) Voluntary, that is, non-compulsory and involving some meaningful degree of voluntary participation.

2.12 Most of the key features of the structural-operational definition correspond quite closely to the definition of a non-profit institution in the 1993 SNA, especially the “organized” and “non-profit-distributing” criteria, which are the focal points of the SNA definition. There are, however, several elements of the structural-operational definition that might be used to clarify the SNA definition for the purpose of the NPI satellite account.

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<sup>5</sup> The definition is presented in some detail in Salamon and Anheier (1997a and 1997b); the latter includes a detailed evaluation of this and other possible definitions, using a framework for choosing among models.

## E. NPI satellite account working definition

2.13 For a variety of reasons, the NPI satellite account utilizes a mid-range concept of the NPI sector that comes closest to the structural-operational definition. In particular, the concept of “social economy” seems too broad for this stage of work since it departs too far from existing SNA usage by including profit-distributing cooperative and mutual institutions—many of them huge commercial institutions-- and thus dropping what is perhaps the central defining feature of NPIs in the SNA system—namely, their not-for-profit or non-profit-distributing feature. On the other hand, the “public benefit” definition restricts the range of eligible organizations too severely and raises complicated challenges of settling on a definition of public benefit that would be applicable to widely divergent cultures and societies. At the same time, the existing SNA definition, while conceptually compelling, contains some ambiguities in practice that could usefully be clarified, particularly with respect to the borders between NPIs and both corporations and governments. Three of the components of the structural-operational definition can provide the needed clarification:

- (a) In the first place, the “institutionally separate from government” criterion places additional emphasis on the non-governmental nature of NPIs, a crucial feature in most understandings of this set of institutions;
- (b) In the second place, the “self-governing” criterion usefully distinguishes NPIs from organizations that are essentially controlled by other entities, whether governments or corporations;
- (c) Finally, the “non-compulsory” element of the “voluntary” criterion distinguishes NPIs from entities that people belong to by birth or legal necessity, which distinguishes NPIs from families, tribes and other similar entities and represents another central feature of the common understanding of these organizations.

2.14 Thus, for the purpose of the satellite account on non-profit institutions, we define the non-profit sector as consisting of (a) organizations; that (b) are not-for-profit and, by law or custom, do not distribute any surplus they may generate to those who own or control them; (c) are institutionally separate from government; (d) are self-governing; and (e) are non-compulsory (see box B2.1.).

**Box B2.1**  
**Working definition of the non-profit sector**

The non-profit sector consists of units that are:

- (a) Organizations;
- (b) Not-for-profit and non-profit-distributing;
- (c) Institutionally separate from government;
- (d) Self-governing;
- (e) Non-compulsory.

2.15 *Organization* means that the entity has some institutional reality. Institutional reality can be signified by “some degree of internal organizational structure; persistence of goals, structure, and activities; meaningful organizational boundaries; or a legal charter of incorporation. Excluded are purely ad hoc and temporary gatherings of people with no real structure or organizational identity”.<sup>6</sup> Specifically included, however, would be informal organizations that lack explicit legal standing but otherwise meet the criteria of being organizations with a meaningful degree of internal structure and permanence. This is consistent with the 1993 SNA definition of NPIs: “Most NPIs are legal entities created by process of law whose existence is recognized independently of the persons, corporations, or government units that establish, finance, control or manage them.” Those entities can take the legal form of associations, foundations or corporations. “The purpose of the NPI is usually stated in the articles of association or similar document drawn up at the time of establishment.” In addition, however, an “NPI may be an informal entity whose existence is recognized by the society but which does not have any formal legal status”.<sup>7</sup>

2.16 *Not-for-profit* means that NPIs are organizations that do not exist primarily to generate profits, either directly or indirectly, and that are not primarily guided by commercial goals and considerations. NPIs may accumulate surplus in a given year, but any such surplus must be plowed back into the basic mission of the agency and not distributed to the organizations’ owners, members, founders or governing board. This is consistent with the 1993 SNA definition of an NPI, which acknowledges that, in practice, NPIs’ “productive activities are bound to generate either surpluses or deficits but any surpluses they happen to make cannot be appropriated by other institutional units”.<sup>8</sup> The 1993 SNA goes on to note that “The term ‘non-profit institution’ derives from the fact that the members...are not permitted to gain financially from its operations and cannot appropriate any surplus which it may make. It does not imply that an NPI cannot make an operating surplus on its production”.<sup>9</sup> In that sense, NPIs may be profit-making but they are non-profit distributing, which differentiates NPIs from for-profit businesses.<sup>10</sup> Where excessive salaries or perquisites make it appear that organizations are evading the “non-distribution constraint”, grounds exist for treating the organization as a for-profit corporation. National laws usually make provision for disqualification from non-profit

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<sup>6</sup> Salamon et al. (1999).

<sup>7</sup> 1993 SNA, para. 4.56(a).

<sup>8</sup> 1993 SNA, para 4.54.

<sup>9</sup> 1993 SNA, para. 4.56(e).

<sup>10</sup> If profits from one NPI are distributed to another NPI, the first is still an NPI under that criterion because the surplus remains within the NPI sector to be used for charitable and other not-for-profit purposes.

status on those grounds, although the implementation of such laws is frequently imperfect. The laws and regulations of some countries add restrictions to the use of the organization's income in addition to surplus. Canada's Income Tax Act, for example, states that registered charities (and some other non-profits) must ensure that no part of its income "can be payable or otherwise available to personally benefit any proprietor, member, shareholder, trustee, or settlor of the organisation". (Statistics Canada, 2001).

2.17 *Institutionally separate from government* means that the organization is not part of the apparatus of government and does not exercise governmental authority in its own right. The organization may receive significant financial support from government and it may have public officials on its board; however, it has sufficient discretion with regard to the management of both its production and its use of funds that its operating and financing activities cannot be fully integrated with government finances in practice. "What is important from the point of view of this criterion is that the organization has an institutional identity separate from that of the state, that it is not an instrumentality of any unit of government, whether national or local, and that it therefore does not exercise governmental authority".<sup>11</sup> That means that an organization may exercise the authority that has been delegated to it by the state or administer a set of rules determined by the state, but it has no sovereign authority on its own. Thus, for example, a trade association might be given authority to set and even to enforce industry standards, but that authority could be withdrawn if misused or no longer necessary. Along different lines, an NPI might be empowered to distribute government subsidies, grants or contracts to individuals or other organizations, but within a given set of regulations determined by government. In those cases, the institution is still considered an NPI.

2.18 *Self-governing* means that the organization is able to control its own activities and is not under the effective control of any other entity. To be sure, no organization is wholly independent. To be considered self-governing, however, the organization must control its management and operations to a significant extent, have its own internal governance procedures and enjoy a meaningful degree of autonomy. The emphasis here is not on the origins of the organization, i.e., what institution "created" it; or on the degree of government regulation of its activities or on the dominant source of its income. The emphasis is instead placed on the organization's governance capacity and structure. In particular:

- Is the organization generally in charge of its own "destiny", i.e., can it dissolve itself, set and change its by-laws and alter its mission or internal structure without having to secure permission from any other authority than the normal registration officials? If yes, then the organization is an NPI.
- If government or corporate representatives sit on the governing body of the organization, do they exercise veto power, and if so do they serve in their official capacities or as private citizens? If the representatives serve in an official capacity and have veto power, the organization is not considered self-governing. The presence of government or corporate representatives on the board of a non-profit organization does not, therefore, disqualify the organization. The question is the degree of authority they wield and the degree of autonomy the organization retains. That means that a corporate foundation tightly controlled by its parent corporation should be

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<sup>11</sup> Anheier and Salamon (2000).

- excluded. However, a corporate foundation that controls its own activities and is not subject to the day-to-day control of its affiliated corporation could be included.
- Do government or corporate entities select the executive director of the organization or is the executive director a government or corporate official? If either is true, the organization is probably not an NPI.

Of course, the self-governing criterion should be applied with care and should not disqualify NPIs in countries with less-democratic governance structures in which the state may close down organizations that oppose it.

2.19 *Non-compulsory* means that membership and contributions of time and money are not required or enforced by law or otherwise made a condition of citizenship. As noted above, non-profit organizations can perform regulatory functions that make membership in them necessary in order to practice a profession (e.g., bar associations that license lawyers to practice law), but as long as membership is not a condition of citizenship, as opposed to a condition of practicing a chosen profession, the organization can still be considered non-compulsory. By contrast, organizations in which membership, participation or support is required or otherwise stipulated by law or determined by birth (e.g., tribes or clans) would be excluded from the non-profit sector.<sup>12</sup>

2.20 The “non-profit sector” as defined above includes NPIs that meet those five basic criteria, regardless of the sector to which the 1993 SNA assigns them. Included, therefore, are NPIs that may be market producers and that sell any part of their products or services at an economically significant price; they would be found in either the non-financial corporations sector or the financial corporations sector of the 1993 SNA, depending on their principal activity.<sup>13</sup> Also included are entities within the general government sector of the 1993 SNA that are self-governing and institutionally separate from government, even though they are mainly financed by government and may have public appointees on their boards.<sup>14</sup> Finally, NPIs that receive the bulk of their income from households, which would be found in either the households or NPISH sectors of the 1993 SNA, should also be included.<sup>15</sup> Within the satellite account, therefore, we can show both the NPI and non-NPI components of the 1993 SNA sectors, as well as a separate non-profit Sector. This is illustrated in figure F2.2.

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<sup>12</sup> Salamon et al. (1999).

<sup>13</sup> Some ambiguities arise for *NPIs serving business*, which are organizations established to promote, regulate and safeguard the interests of specific groups of businesses that are their members. They are financed by dues or subscriptions, which are treated as payments for services. Most of them are market NPIs and included in the sectors “non-financial corporations” (S.11) or “financial corporations” (S.12). However, if they are mainly financed by government, they are treated as non-market NPIs and included in the sector “general government” (S.13), as described in the 1993 SNA, para. 4.59.

<sup>14</sup> This differs slightly from SNA guidelines, which indicate that entities assigned to general government be both financed and controlled by government. By the *Handbook* working definition, however, NPIs are not effectively controlled by government even if they are primarily financed by government.

<sup>15</sup> NPIs that are organizations, formal or informal, with volunteers but little or no paid employment, are assigned to Sector S.15 (NPISH) in the 1993 SNA. However, they are assigned to sector S.14 (households) in ESA (paras 2.76(e) and 2.88), and many statistical systems assign them to sector S.14 de facto. The *Handbook* leaves that choice to national preferences.

Figure F2.2

Treatment of non-profit institutions in the NPI satellite account

Type of institutional unit	Sectors of the SNA					Non-profit sector
	Non-financial corporations sector (S.11)	Financial corporations sector (S.12)	General government sector (S.13)	Households sector (S.14)	NPISH sector (S.15)	
Corporations	C <sub>1</sub>	C <sub>2</sub>				
Government units			G			
Households				H		
Non-profit institutions	N <sub>1</sub>	N <sub>2</sub>	N <sub>3</sub>	N <sub>4</sub>	N <sub>5</sub>	$N = \sum N_i$

F. Satellite account definition in practice

2.21 NPIs as defined above may take a variety of legal or organizational forms, e.g., association, foundation or corporation, and are created for a variety of purposes. They “may be created to provide services for the benefit of the persons or corporations who control or finance them; or they may be created for charitable, philanthropic or welfare reasons to provide goods or services to other persons in need; or they may be intended to provide health or education services for a fee, but not for profit; or they may be intended to promote the interest of pressure groups in business or politics, etc.”<sup>16</sup> The following are illustrative examples of the kinds of entities that are therefore likely to be found within the “non-profit sector” for the purposes of the NPI satellite account:

- (a) *Non-profit service providers*, such as hospitals, higher education institutions, day-care centres, schools, social service providers and environmental groups;
- (b) *Non-governmental organizations* promoting economic development or poverty reduction in less developed areas;
- (c) *Arts and culture organizations*, including museums, performing arts centres, orchestras, ensembles and historical or literary societies;
- (d) *Sports clubs* involved in amateur sport, training, physical fitness and competitions;
- (e) *Advocacy groups* that work to promote civil and other rights, or advocate the social and political interests of general or special constituencies;
- (f) *Foundations*, i.e., entities that have at their disposal assets or an endowment and, using the income generated by that asset, either make grants to other organizations or carry out their own projects and programs;

<sup>16</sup> 1993 SNA, para. 4.55



- (g) *Community-based or grass-roots associations* that are member-based and offer services to or advocate for members of a particular neighborhood, community or village;
- (h) *Political parties* that support the placing of particular candidates into political office;
- (i) *Social clubs*, including touring clubs and country clubs, that provide services and recreation opportunities to individual members and communities;
- (j) *Unions, business and professional associations* that promote and safeguard labour, business or professional interests;
- (k) *Religious congregations*, such as parishes, synagogues, mosques, temples and shrines, which promote religious beliefs and administer religious services and rituals. However, an official state church incorporated into the state administration, particularly one supported by obligatory taxes, would not meet the “institutionally separate from government” criterion and thus would be excluded from the sector. It should be noted that religious congregations are different from religiously affiliated service agencies in such fields as health, education and social services. Similarly, service organizations related to a state church might still be considered to be within the non-profit sector, as long as they are separate institutional units and meet all the definitional criteria.

2.22 Certain other types of organizations are likely to occupy a gray area between the non-profit sector and either the corporate or government sectors. Some of those entities will properly belong within the non-profit sector for purposes of the NPI satellite account, while others will not. The following guidelines may be helpful for making those decisions. (Obviously, these guidelines will have to be applied to broad aggregations of organizations and not on an organization-by-organization basis, but the decision rules can still be instructive):

- (a) *Cooperatives* are organizations formed freely by individuals to pursue the economic interests of their members. The basic principles of cooperatives include (i) democratic control, i.e., one person, one vote; (ii) shared identity, i.e., members are both owners and customers; and (iii) orientation to provide services to members “at cost”. In some countries, the law may stipulate additional requirements that usually relate to the disposition of surplus. Although some cooperatives function more as grass-roots community development organizations than commercial enterprises, the NPI satellite account will generally follow SNA usage and will not treat cooperatives as NPIs;
- (b) *Mutuals* (for example, mutual savings banks, savings and loan associations, mutual insurance companies, sickness and burial funds) are, like cooperatives, organized by individuals seeking to improve their economic situation through collective activity. Mutual societies differ from cooperatives, however, in that they are mechanisms for sharing risk, either personal or property, through periodic contributions to a common fund. Ideally, mutual societies also hold to the patron-owner principle, whereby depositors formally control their operations. Because mutuals operate in the commercial sphere and generally distribute profits to their members, the NPI satellite account will follow SNA usage and treat them as financial institutions within the corporate sector and not as NPIs unless they happen to be fully part of government social security schemes, in

which case they are treated as governmental entities, or unless they do not distribute profits, in which case they can be NPIs;

- (c) *Self-help groups* are similar to both cooperatives and mutual societies in that individuals join to accomplish goals of mutual support that would be unattainable on an individual level. They differ from both, however, in that they are not principally engaged in commercial activities. As a general rule, non-economic self-help groups should be treated as membership organizations and included within the non-profit sector. Economic self-help groups, however, should be excluded from the NPI sector;
- (d) *Social ventures* are enterprises organized for the purpose of employing and training disadvantaged individuals (handicapped, long-term unemployed etc.) who would otherwise not find employment. Even if the purpose of the enterprise is primarily charitable, it is not considered an NPI because it generates and distributes its surplus to owners or stockholders;
- (e) *Quasi-non-governmental organizations*, which are found in many European countries and elsewhere, are designed to function at arm's length from government departments, thus avoiding direct political control. To the extent that they are truly self-governing entities, they are appropriately considered part of the non-profit sector, even if they exercise the limited authority delegated to them by government agencies;
- (f) *Universities*, like other institutions, can be either NPIs, public institutions or for-profit corporations. Especially difficult is differentiating NPIs from public institutions since both may receive significant amounts of government support, either directly or indirectly, and since even public institutions may have a significant degree of autonomy. The key, therefore, is whether the institution is clearly self-governing and not part of the government's administrative system. Educational institutions that are NPIs will have their own self-perpetuating boards that can determine all facets of organizational operations, without approval by government officials, and that can cease their operations without the approval of government authorities. Public educational institutions will have boards selected in significant part by government officials or agencies and lack the power to cease operations without an act of the government;
- (a) *Hospitals*, like educational institutions, can also be either NPIs, public institutions or for-profit corporations. The same rules that apply to educational institutions also apply to hospitals;
- (b) *Indigenous or territorial groups*, such as band councils in Canada and peasant or native communities in Peru, are organized around either cultural or ethnic groupings or a particular geographic area, mainly with the purpose of improving the welfare of their members. The difficulty arises when such groups essentially operate as local governments, often making and enforcing their own laws. When that is the case, the groups would not meet the "institutionally separate from government" criterion and would fall outside the boundaries of the NPI satellite account.

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## CHAPTER 3

# Classifying NPIs

### A. Introduction

3.1 In the previous chapter, we defined the universe of NPIs to be covered by a satellite account consisting of:

*(a) organizations, that (b) are not-for-profit and, by law or custom, do not distribute any surplus they may generate to those who own or control them, and that are (c) institutionally separate from government, (d) self-governing and (e) non-compulsory.*

3.2 With that definition in place, the next task is to specify one or more classification schemes that can be used to differentiate the various types of organizations covered by that definition. Definition and classification are closely related tasks, the first identifying what the objects in a group have in common and the latter specifying the ways in which they nevertheless also differ. Classification thus makes it possible to group and subdivide objects that share certain common characteristics yet differ along certain other dimensions, thus making it possible to draw meaningful comparisons and contrasts among them (Hoffman and Chamie, 1999).

3.3 The 1993 SNA identifies two bases for classifying NPIs—one according to the economic activity in which they engage and the other in terms of their function or purpose, as follows:

- (a) The *economic activity* classification is the more general one. NPIs are essentially classified into industries on the basis of the chief or characteristic product that they produce, using the same classification scheme that is applied to economic activities generally in the 1993 SNA—i.e. ISIC , Rev. 3.<sup>1</sup> ISIC, Rev. 3 is designed to be a classification for production statistics. The unit to which it is applied—the establishment—is intended to be the smallest unit from which it is possible to collect information on outputs, inputs and the processes by which inputs are transformed into outputs;
- (b) The *purpose* classification is more specific and relates to the “objectives that institutional units aim to achieve through various kinds of outlays” (United Nations, 2000). A particular economic activity can serve any of a number of objectives. A special classification system—COPNI<sup>2</sup>—has been designed for non-profit institutions, at least for those serving households.

3.4 Neither of the above classification schemes can serve alone as the primary classification for the broad non-profit sector defined in the previous chapter since:

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<sup>1</sup> United Nations (1990).

<sup>2</sup> This applies also to the companion classifications: Classification of the Functions of Government (COFOG), Classification of the Outlays of Producers According to Purpose (COPP) and Classification of Individual Consumption According to Purpose (COICOP).

- (a) ISIC, Rev. 3 has very limited detail on the service industries—particularly the services that NPIs typically provide.<sup>3</sup> For example, the ISIC classes—the most detailed activity level—in tabulation categories L (Public Administration and Defense), M (Education), N (Health and Social Work) and O (Other Community, Social and Personal Service Activities) are limited in number and in specificity, at least in comparison to the classes provided for manufacturing and trade. Thus, for example, ISIC category 8532 (Social work without accommodation) is a catch-all category that makes no differentiation among child day care, disaster relief, community activities or vocational rehabilitation;
- (b) In addition, there are potentially some problems with the 1993 SNA purpose classification used for non-profits. That classification, COPNI, is applicable only to NPISH and may be inappropriate for classifying NPI activity outside of NPISH by purpose.<sup>4</sup> That is certainly the case for NPIs serving business. In addition, NPI data classified under current SNA rules use sector-specific purpose coding. For example, outlays of market NPIs serving households will normally be coded using COPP, not COPNI. Similarly, the outlays of non-market NPIs controlled and mainly financed by government will normally be coded using COFOG, not COPNI. That means that NPIs are classified according to at least three different purpose codes, depending on the sector to which the NPIs happen to be assigned.

## **B. International Classification of Non-Profit Organizations**

3.5 To address those problems, the present *Handbook* uses a classification system built fundamentally on ISIC, Rev. 3 as the primary classification scheme to detail the NPI sector in the satellite account when the focus of the analysis or data presentation is chiefly or exclusively the NPI sector. That elaborated classification, ICNPO, was originally developed through a collaborative process involving the team of scholars working on the Johns Hopkins Comparative Non-Profit Sector Project.<sup>5</sup> The system took shape by beginning with ISIC, Rev. 3 (United Nations, 1990) and elaborating on it, as needed, to capture most succinctly the reality of the non-profit sector in the 13 different countries that were involved in the first phase of the project (the United States, the United Kingdom, France, Germany, Italy, Sweden, Japan, Hungary, Brazil, Ghana, Egypt, India and Thailand).

3.6 Since then, ICNPO has been successfully applied by researchers in a broad cross-section of countries that vary by level of economic development; by political, cultural and legal system; and by size, scope and role of their non-profit sector.<sup>6</sup> In the process, refinements have been made in the basic scheme (Salamon and Anheier, 1997). That revised version was further tested by 11 countries that participated in a field test of the present *Handbook* and was found to work.

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<sup>3</sup> See Salamon and Anheier (1997) for a discussion of those issues.

<sup>4</sup> COPNI has undergone revision recently, along with the other classifications of expenditure according to purpose mentioned in footnote 2 above, namely, COFOG, COPP and COICOP.

<sup>5</sup> For a fuller description of the project, see Salamon and Anheier (1996) and Salamon et al. (1999).

<sup>6</sup> This includes research in the countries covered in phase I of the Johns Hopkins Comparative Non-Profit Sector Project (see Salamon and Anheier, 1996) and phase II of CNP (Salamon et al., 1999); see also National Council of Voluntary Organisations, 1995; Johnson and Young, 1994; Gidron, 1996; Sokolowski, 1994. In addition, the ICNPO has been used for data collection on NPIs by the Italian Statistical Office and Statistics Canada (see test reports).

Based on those experiences, it is possible to conclude that ICNPO effectively accommodates the major differences among non-profit groups in a wide assortment of countries. By and large, ICNPO neither excludes nor distorts nor misrepresents crucial subdivisions of the non-profit sector in various countries.

3.7 However, because ICNPO is not generally used for classifying data for sectors other than the non-profit sector, there are problems in using it in analyses in which comparisons of NPIs and other sectors are the focus. For those purposes, the existing ISIC, Rev. 3 and COPNI classifications, possibly augmented to provide more detail on NPIs, can be used (see paras. 3.28-3.31 below).

3.8 The central features of ICNPO are summarized below, after which a number of classification issues are clarified. A detailed table of ICNPO, with explanatory notes, is contained in annex A1.

#### (i) Main features of ICNPO

3.9 *Covered entities.* ICNPO covers all entities identified as NPIs under the working definition cited in chapter 2 above, regardless of the SNA sector to which they are assigned.

3.10 *Unit of analysis.* The unit of analysis for NPIs in the satellite account should be identical to SNA practice for other types of organizations. Thus, the institutional unit will be the unit of analysis in the *Handbook* for all variables in the full sequence of the integrated economic accounts, and the establishment will be the unit of analysis for variables in the shortened sequence of accounts for industries. To the extent possible, separate institutional units should be defined for the various activities of multipurpose NPIs, such as universities that have separable research institutes, hospitals etc., in addition to educational facilities. That is similar to the treatment that the 1993 SNA recommends in paragraph 4.38 for conglomerates in the corporations sectors, where it notes that:

“...with the exception of ancillary corporations...each individual corporation should be treated as a separate institutional unit, whether or not it forms part of a group. Even subsidiaries which are wholly owned by other corporations are separate legal entities... Although the management of a subsidiary corporation may be subject to the control of another corporation, it remains responsible and accountable for the conduct of its own production activities.”

3.11 *ICNPO as an elaboration of ISIC.* Although it is based on the ISIC system, ICNPO elaborates on the basic ISIC structure to permit fuller specification of the components of the non-profit sector. In particular:

- ICNPO details the ISIC classes in tabulation category N (Health and social work) to define separate groups for both human health services (ICNPO group 3) and social services (ICNPO group 4). The former further distinguishes mental health services (subgroup 3 300) from hospitals (subgroup 3 100), nursing homes (subgroup 3 200) and other health services (subgroup 3 400). The latter distinguishes among personal social services to recognize various client groups, emergency and relief services, and food pantries and other organizations providing cash and material assistance to indigent clients.

- ICNPO provides further elaboration of the ISIC classes in tabulation category O (Other community, social and personal service activities) to differentiate the many different types of non-profit organizations that have emerged in recent years—for example, environmental organizations (including animal-related activities that ISIC includes under group 5 (Health)), civil rights and advocacy organizations (subgroup 7 100)—as well as the familiar ISIC classes relating to culture, sports and membership organizations.
- ICNPO adds an additional group 6 (Development and housing) to accommodate the NGOs that have taken such a distinctive place in the non-profit sectors of developing countries, where they function as crucial transmission belts for development activities. Also included here are small-scale quasi-commercial or financial activities related to economic development, grass-roots organization, and the provision of housing, as well as sheltered workshops and job training activities.
- ICNPO adds a special class 8 100 (Grant-making foundations) for organizations whose principal activity is making grants to other NPIs using funds from donations and from the property income and other returns on the organization’s endowment. Although such endowments are classified as financial intermediaries in ISIC, Rev3, the defining characteristic for that class in ICNPO is the fact that most of the organization’s current outlays are transfer payments, not operating expenses.
- ICNPO adds a special group 9 (International) to accommodate organizations that focus their activities internationally. Such organizations promote greater intercultural understanding, provide relief during emergencies abroad, undertake development assistance, and promote human rights and peace outside the nation’s boundaries.

**Table T3.1**  
**ICNPO detailing of selected “catch-all” ISIC activity codes**

ISIC activity code	Description	ICNPO detail for the ISIC, Rev.3, class
8519	<i>Other human health activities</i>	3 200 Nursing homes 3 300 Mental health and crisis intervention 3 400 Other health services (e.g., outpatient)
8532	<i>Social work without accommodation</i>	3 300 Mental health and crisis intervention 4 100 Social services 4 200 Emergency and relief 4 300 Income support and maintenance 6 200 Housing (assistance) 6 300 Employment and training 7 200 Law and legal services 8 200 Other philanthropic intermediation
9199	<i>Activities of other membership organizations n.e.c.</i>	1 100 Culture and arts (historical, literary, and humanistic societies) 1 300 Other recreation and social clubs 5 100 Environment 6 100 Economic, social and community development (community & neighborhood groups) 6 200 Housing (associations) 7 100 Civic and advocacy organizations 8 200 Other voluntarism promotion



3.12 Table T3.1 shows how ICNPO fills in some of the ISIC categories important for NPIs—other health activities, social work without accommodation and activities of other membership organizations not elsewhere classified (n.e.c.).

3.13 *Focus on economic activities.* As far as the basis of classification is concerned, ICNPO uses the “economic activity” of the unit as the key to classification, as does ISIC, Rev. 3. Units are thus differentiated according to the types of services or goods they produce (e.g., health, education, environmental protection). In accordance with a convention adopted for ISIC, Rev. 3 ICNPO classifies the unit by its *major* economic activity, usually measured as the activity that consumes the largest share of (a) value added, (b) gross output if value added is not available, or (c) employment if neither value added nor gross output is available.

3.14 Although it is fundamentally an activity classification system, ICNPO does include some purpose criteria where the similarity of activities warrants it. Thus, for example, ICNPO classification 6 (Housing and development) includes organizations engaged in both housing production and housing finance. The rationale for grouping them together is that the non-profit character of the organizations makes them more similar to other non-profits in the housing field than they are to other production units in their respective activity cluster.

3.15 That blurring of activity and purpose is a common challenge in classification systems. Thus, as observed in a comparison of ISIC, Rev. 3, the General Industrial Classification of Economic Activities in the European Communities (NACE) and the industry classifications used in the United States and Canada before the adoption of the North American Industry Classification System (NAICS), “If similarity of input structures, processes and technologies used, or production functions are described as supply-side criteria, and combinations of producers of goods and services which are substitutes, complements, or cater to similar markets, are described as demand side criteria, then all three industrial classifications are based on mixed criteria” (United States et al., 1995).

3.16 *Basic structure of ICNPO.* As reflected in table T3.2 and in more detail in annex A1, the resulting ICNPO system classifies the non-profit sector as defined in chapter 2 above into 12 major activity groups, including a catch-all “not elsewhere classified” group. Those 12 major activity groups are divided into 30 subgroups, each of which is further divided into a number of activities, but the ICNPO system as currently developed does not attempt to achieve standardization at the level of activities because of the great diversity of the non-profit sector in different locales. The activities are nevertheless listed in the fuller description offered in the annex in order to illustrate the kinds of organizations that fall into each subgroup.

**Table T3.2**  
**ICNPO: groups and subgroups<sup>a</sup>**

<i>Groups</i>	<i>Subgroups</i>
1. Culture and recreation	1 100 Culture and arts
	1 200 Sports
	1 300 Other recreation and social clubs
2. Education and research	2 100 Primary and secondary education
	2 200 Higher education
	2 300 Other education
	2 400 Research
3. Health	3 100 Hospitals and rehabilitation
	3 200 Nursing homes
	3 300 Mental health and crisis intervention
	3 400 Other health services
4. Social services	4 100 Social services
	4 200 Emergency and relief
	4 300 Income support and maintenance
5. Environment	5 100 Environment
	5 200 Animal protection
6. Development and housing	6 100 Economic, social and community development
	6 200 Housing
	6 300 Employment and training
7. Law, advocacy and politics	7 100 Civic and advocacy organizations
	7 200 Law and legal services
	7 300 Political organizations
8. Philanthropic intermediaries and voluntarism promotion	8 100 Grant-making Foundations
	8 200 Other philanthropic intermediaries and voluntarism promotion
9. International	9 100 International activities
10. Religion	10 100 Religious congregations and associations
11. Business and professional associations, unions	11 100 Business associations
	11 200 Professional associations
	11 300 Labour unions
12. Not elsewhere classified	12 100 Not elsewhere classified

<sup>a</sup> For more detail, see annex A1.

## (ii) Modular approach

3.17 ICNPO makes it possible to group and regroup organizations in order to shed light on components and dimensions of the non-profit sector that might be important for national or comparative purposes. One important distinction often drawn in analyses of the non-profit sector, for example, is that between “member-serving” and “public-serving” organizations. Under the ICNPO system, the member-serving components of the non-profit sector are easily separated out by selecting the subgroups under major group 11 (Business and professional associations, unions) and groups 1 200 (Sports) and 1 300 (Other recreation). Other countries may have a broader concept of “member-serving” and may wish to include major group 10 (Religion) and group 7 300 (Political organizations) under that component of the non-profit sector.

3.18 Similar adjustments can be made for other analytic purposes as well. For example, ICNPO can be adapted to fit into the broader concept of the “social economy” used in some European countries, such as France, which includes non-profit associations, mutual associations, such as savings and insurance institutions, and cooperatives. For that purpose, mutuals and cooperatives can be added to the respective ICNPO groups containing non-profit entities, allowing the researcher to examine the combined weight of the social economy in particular areas, while keeping each component separate.

3.19 In addition, as is the case with ISIC, Rev. 3, ICNPO subgroups can be further detailed to highlight groups of NPIs of particular significance in the context of particular countries, such as women’s groups or those considered “public benefit” organizations by the laws and customs of the country. Thus, the modular character of ICNPO makes it a useful tool for projects working with conceptions of the non-profit sector that may be “broader” or more “narrow”, depending on the topic and national context of the research.

## (iii) Boundaries and other implementation issues

3.20 In applying ICNPO, several types of organizations often prove difficult to classify; some guidelines to clarify their treatment are set out below.

3.21 *Multipurpose NPIs.* The treatment of multipurpose NPIs in the satellite account should be consistent with the treatment of multipurpose entities elsewhere in the 1993 SNA. In particular, to the extent that the organization carries out its various purposes in separate units, each unit will be classified according to its *major* activity. Where separate units are not defined, the whole organization should be classified by its *major* activity—that is, the activity that consumes the largest share of value added, gross output or employment—as described in paragraph 3.13 above.

3.22 *Financial institutions.* Credit and savings associations, credit unions and similar financial institutions, provided they fulfill the definition of an NPI given in paragraph 3.1 above, should be classified in group 6 100 (Economic, social and community development) under the item “economic development”. The description for organizations classified under that item reads:

“...programmes and services to improve economic infrastructure and capacity; includes building of infrastructure, such as roads, and financial services, such as credit and savings associations, entrepreneurial programmes, technical and managerial consulting, and rural development assistance.”

3.23 *Non-governmental organizations (NGOs)* are classified according to their major activities. For example, NGOs offering basic health-care services in rural areas would be classified in group 3 400, (Other health services), local NGOs providing development assistance by building local infrastructure would be classified in group 6 100 (Economic, social and community development) and organizations providing international humanitarian relief would be in group 9 100 (International activities).

3.24 *Cooperatives, mutual societies and self-help groups*, provided that they meet the criteria spelled out in paragraph 3.1 above, would be classified according to their major economic activity. For example, a self-help group of drug addicts would be classified in group 4 100 (Social services), a self-help cooperative workshop of handicapped persons in group 6 300 (Employment and training), burial funds in group 4 300 (Income support and maintenance), and credit and savings groups in group 6 100 (Economic, social and community development). To the extent that they distribute profits to members or directors, however, cooperatives and mutuals would be excluded from the NPI sector and therefore not classified.

3.25 *Religious organizations*. Churches, synagogues, mosques and other religious worship organizations are included in group 10 (Religion). Religiously affiliated service organizations (e.g., schools, hospitals, day-care centres, clinics) are included in the appropriate service field in which they primarily operate (education, health, etc.) rather than in group 10 (Religion). For example, a primary school that is affiliated with a religious congregation would be classified under education, not religion.

3.26 *Treatment of foreign establishments*. Frequently, international organizations establish national affiliates or offices in different countries. Following national accounting conventions, local affiliates and subsidiaries of international non-profit organizations are to be treated as “resident establishments”, and therefore as part of the host country’s non-profit sector, if they maintain a presence for more than one fiscal year. For example, the Ford Foundation office in Rio de Janeiro would form part of the Brazilian non-profit sector. Similarly, the local office of Save the Children in Moscow would be part of the Russian non-profit sector even though the headquarters of the organization is in Connecticut. By contrast, short-term projects of foreign non-profit organizations would not be treated as part of the host country's non-profit sector.

3.27 NPI registers may include non-resident charities with no resident affiliates that have registered with government authorities in order to solicit charitable donations from residents. Such registration means that those entities are considered to have “a centre of economic interest” in the economic territory of the country and to be resident units for national accounts (and balance of payments) purposes.

### **C. Relation of ICNPO to International Standard Industrial Classification of All Economic Activities, Revision 3, and Classification of the Purposes of Non-Profit Institutions Serving Households**

3.28 Although ICNPO provides an excellent, field-tested method for classifying NPIs, it is necessary to relate it to others used more generally in the 1993 SNA so as to facilitate comparisons between NPIs and other institutional units, particularly since existing data are generally available in terms of the standard classifications used in economic data collection and in national accounts (i.e., ISIC, Rev. 3, NACE, the Australian and New Zealand Standard Industrial Classification (ANZIC) and NAICS and, more recently, the functional or purpose classifications, such as COPNI and COFOG). In addition, since the sectoring of NPIs specified in the existing SNA will be retained, NPIs will have to be assigned activity classifications that work within the context of the other institutional sectors to which the 1993 SNA assigns them.

3.29 *Activity classification.* For that purpose, each NPI must be classified by activity, using ISIC, Rev. 3,<sup>7</sup> which is the international standard used by most countries, and it is subject to an official process of revision and interpretation.<sup>8</sup> Moreover, a new focus on the NPI sector may lead to improvements in ISIC coverage of activities in which NPIs engage. ISIC, Rev. 3 is to be used when comparisons are made of production aggregates, such as value added, output and employment.

3.30 *Purpose classification.* It may also be useful to have a system for classifying the purposes of NPI outlays. For the *purpose* classification, the choice is COPNI, which is used to classify consumption outlays by socio-economic purpose. Also included, as needed, are elements from COFOG and COPP to accommodate those NPIs that the 1993 SNA would assign to corporations and government, which builds on the recent OECD/United Nations Statistics Division work revising and harmonizing COPNI and other classifications of expenditure according to purpose, such as COFOG and COPP. The work on COPNI and related classifications identifies common social purposes—for example, health, education, culture—that span all sectors of the economy, although it also identifies sector-specific purposes as well. Those classifications are subject to a review and updating process that is widely circulated. They are also harmonized with other international classifications, such as the International Standard Classification of Education (ISCED) or the Classification of Environmental Protection Activities (CEPA).

3.31 Tables T3.3 and T3.4 provide a correlation between ICNPO and ISIC, Rev. 3 headings, and between ICNPO and COPNI headings, respectively, which should guide the reallocation of NPIs to activity and purpose categories for comparisons with the rest of the economy.

### **D. Suggestions for future development**

3.32 In order to improve the detailing of the NPI sector in a way that can be implemented within regular statistical activities and practices, both the 1993 SNA classifications and ICNPO may need to be modified. Expanding the detail of ISIC, Rev. 3 and COPNI will make it easier to implement ICNPO, and experience with using ICNPO can usefully inform the revision process

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<sup>7</sup> The usual treatment of multi-establishment firms would apply here as well.

<sup>8</sup> See the United Nations classification site at <http://unstats.un.org/unsd/class/default.htm>.

for ISIC, Rev. 3 and COPNI. To the extent that the detail of ISIC, Rev. 3 and COPNI are expanded in ways that accommodate the NPI sector better, the need for a separate ICNPO classification system will decline.

3.33 Much can be accomplished by providing additional detail on four ISIC, Rev. 3 classes, 8519 (Other human health activities), 8531 (Social work with accommodation), 8532 (Social work without accommodation) and 9199 (Activities of other membership organizations n.e.c.). Country classifications that are based on ISIC, Rev. 3 but have detail beyond it may provide some help, and some of the detail in NAICS may provide a model. Some examples are provided in annex A5.

3.34 Still more can be derived from countries' implementation of COPNI. The descriptions of the classes COPNI 01.0 (Housing) and ICNPO 6 200 (Housing) are the same, and implementation may reveal other possibilities for moving the two classifications closer. Certainly, the detailing of the NPI sector COPNI group 9.1 (Services n.e.c.) should be expanded.

3.35 Finally, it may be possible to improve the detailing of the NPI sector by expanding the coverage of NPI activities in CPC and related classifications. Work is currently under way on defining the products of service industries and classifying them—the development of the North American Product Classification System (NAPCS), for example. Making sure that such work gives adequate attention to the products characteristic of NPIs can improve NPI coverage in ISIC, Rev. 3, COPNI and ICNPO.

**Table T3.3**  
**Correlation of ICNPO and ISIC, Rev. 3 headings**

<b>ICNPO class</b>	<b>Description</b>	<b>ISIC, Rev. 3 class</b>	<b>Description</b>
<b>Group 1</b>	<b>Culture and recreation</b>		
1 100	Culture and arts	2211	Publishing of books, brochures, musical books and other publications
		2212	Publishing of newspapers, journals and periodicals
		2213	Publishing of recorded media
		2219	Other publishing
		9199 <sup>a</sup>	Activities of other membership organizations n.e.c.
		9211	Motion picture and video production and distribution
		9213	Radio and television activities
		9214	Dramatic arts, music and other arts activities
		9231	Library and archives activities
		9232	Museums activities and preservation of historical sites and buildings and buildings
		9233 <sup>a</sup>	Botanical and zoological gardens and nature reserves activities
1 200	Sports	9241	Sporting activities
1 300	Other recreation and social clubs	9199 <sup>a</sup>	Activities of other membership organizations n.e.c.
		9249	Other recreational activities
<b>Group 2</b>	<b>Education and research</b>		
2 100	Primary and secondary education	8010	Primary education
		8021	General secondary education
2 200	Higher education	8030	Higher education
2 300	Other education (vocational/technical schools)	8022	Technical and vocational secondary education
2 400	Research (medical research, science and technology)	8090 <sup>a</sup>	Adult and other education
		7310	Research and experimental development on natural sciences and engineering (NSE)
		7320	Research and experimental development on social sciences and humanities (SSH)
<b>Group 3</b>	<b>Health</b>		
3 100	Hospitals and rehabilitation	8511 <sup>a</sup>	Hospital activities
3 200	Nursing homes	8519 <sup>a</sup>	Other human health activities
3 300	Mental health and crisis intervention	8511 <sup>a</sup>	Hospital activities
		8512 <sup>a</sup>	Medical and dental practice activities
		8519 <sup>a</sup>	Other human health activities
		8532 <sup>a</sup>	Social work without accommodation
3 400	Other health services	8512 <sup>a</sup>	Medical and dental practice activities
		8519 <sup>a</sup>	Other human health activities
		9000 <sup>a</sup>	Sewage and refuse disposal, sanitation and similar activities
<b>Group 4</b>	<b>Social services</b>		
4 100	Social services	8531	Social work with accommodation
		8532 <sup>a</sup>	Social work without accommodation
4 200	Emergency and relief	8532 <sup>a</sup>	Social work without accommodation
		7523	Public order and safety activities
4 300	Income support and maintenance	8532 <sup>a</sup>	Social work without accommodation

**Table T3.3 (continued)**

<b>ICNPO class</b>	<b>Description</b>	<b>ISIC, Rev. 3 class</b>	<b>Description</b>
<b>Group 5</b> 5 100	<b>Environment</b> Environment	9000 <sup>a</sup> 9199 <sup>a</sup> 9233 <sup>a</sup>	Sewage and refuse disposal, sanitation and similar activities Activities of other membership organizations n.e.c. Botanical and zoological gardens and nature reserves activities
5 200	Animal protection	0140 8520 9233 <sup>a</sup>	Agricultural and animal husbandry service activities, except veterinary activities Veterinary activities Botanical and zoological gardens and nature reserves activities
<b>Group 6</b> 6 100	<b>Development and housing</b> Economic, social and community development	4520 4530 4540 6519 7414 7421	Building of complete constructions or parts thereof; civil engineering Building installation Building completion Other monetary intermediation Business and management consultancy activities Architectural and engineering activities and related technical consultancy
6 200	Housing	9199 <sup>a</sup> 4510 4520 4530 4540 7010 7020 8532 <sup>a</sup> 9199 <sup>a</sup>	Activities of other membership organizations n.e.c. Site preparation Building of complete constructions or parts thereof; civil engineering Building installation Building completion Real estate activities with own or leased property Real estate activities on a fee or contract basis Social work without accommodation Activities of other membership organizations n.e.c.
6 300	Employment and training	8090 <sup>a</sup> 8532 <sup>a</sup>	Adult and other education Social work without accommodation
<b>Group 7</b> 7 100 7 200	<b>Law, advocacy and politics</b> Civic and advocacy organizations Law and legal services	9199 <sup>a</sup> 7411 7523 8532 <sup>a</sup>	Activities of other membership organizations n.e.c. Legal activities Public order and safety activities Social work without accommodation
7 300	Political organizations	9192	Activities of political organizations
<b>Group 8</b> 8 100 8 200	<b>Philanthropic intermediaries and voluntarism promotion</b> Grant-making foundations Other philanthropic intermediaries and voluntarism promotion	6599 <sup>a</sup> 8532 <sup>a</sup> 7499 9199 <sup>a</sup> 9249	Other financial intermediation n.e.c. Social work without accommodation Other business activities n.e.c. Activities of other membership organizations n.e.c. Other recreational activities n.e.c.
<b>Group 9</b> 9 100	<b>International</b> International activities	9199 <sup>a</sup>	Activities of other membership organizations n.e.c.
<b>Group 10</b> 10 100	<b>Religion</b> Religious congregations and associations	9191	Activities of religious organizations



**Table T3.3 (continued)**

<b>ICNPO class</b>	<b>Description</b>	<b>ISIC, Rev. 3 class</b>	<b>Description</b>
<b>Group 11</b>	<b>Business and professional associations, unions</b>		
11 100	Business associations	9111	Activities of business and employers organizations
11 200	Professional associations	9112	Activities of professional organizations
11 300	Unions	9120	Activities of trade unions
<b>Group 12</b>	<b>Not elsewhere classified</b>		
12 100	Not elsewhere classified		

<sup>a</sup> ISIC, Rev. 3 uses a catch-all category of activities that is specified in more detail in ICNPO.

**Table T3.4**  
**Correlation of ICNPO and COPNI headings**

<b>ICNPO class</b>	<b>Description</b>	<b>COPNI group</b>	<b>Description</b>
<b>Group 1</b>	<b>Culture and recreation</b>		
1 100	Culture and arts	03.2	Cultural services
1 200	Sports	03.1 <sup>a</sup>	Recreational and sporting services
1 300	Other recreation and social clubs	03.1 <sup>a</sup>	Recreational and sporting services
<b>Group 2</b>	<b>Education and research</b>		
2 100	Primary and secondary education	04.1	Preprimary and primary education
		04.2	Secondary education
2 200	Higher education	04.3	Post-secondary, non-tertiary education
		04.4	Tertiary education
2 300	Other education	04.5 <sup>a</sup>	Education not definable by level
		04.7 <sup>a</sup>	Other education services, n.e.c.
2 400	Research	02.5 <sup>a</sup>	R&D health
		04.6 <sup>a</sup>	R&D education
		05.2 <sup>a</sup>	R&D social protection
		08.2 <sup>a</sup>	R&D environmental protection
		09.2 <sup>a</sup>	R&D services, n.e.c.
<b>Group 3</b>	<b>Health</b>		
3 100	Hospitals and rehabilitation	02.3 <sup>a</sup>	Hospital services
3 200	Nursing homes	02.3 <sup>a</sup>	
3 300	Mental health and crisis intervention	02.2 <sup>a</sup>	Outpatient services
		02.3 <sup>a</sup>	Hospital services
3 400	Other health services	02.1	Medical products, appliances and equipment
		02.2 <sup>a</sup>	Outpatient services
		02.4	Public health services
		02.6	Other health services, n.e.c.
<b>Group 4</b>	<b>Social services</b>		
4 100	Social services	05.1 <sup>a</sup>	Social protection services
4 200	Emergency and relief	05.1 <sup>a</sup>	Social protection services
4 300	Income support and maintenance	05.1 <sup>a</sup>	Social protection services.
<b>Group 5</b>	<b>Environment</b>		
5 100	Environment	08.1 <sup>a</sup>	Environmental protection, n.e.c.
5 200	Animal protection	08.1 <sup>a</sup>	Environmental protection, n.e.c.
		09.1 <sup>a</sup>	Services, n.e.c.
<b>Group 6</b>	<b>Development and housing</b>		
6 100	Economic, social and community development	05.1 <sup>a</sup>	Social protection services
		09.1 <sup>a</sup>	Services, n.e.c.
6 200	Housing	01.0	Housing
6 300	Employment and training	04.5 <sup>a</sup>	Education not definable by level
		05.1 <sup>a</sup>	Social protection services
<b>Group 7</b>	<b>Law, advocacy and politics</b>		
7 100	Civic and advocacy organizations	09.1 <sup>a</sup>	Services, n.e.c.
7 200	Law and legal services	09.1 <sup>a</sup>	Services, n.e.c.
7 300	Political organizations	07.1	Services of political parties

Table T3.4 (continued)

ICNPO class	Description	COPNI group	Description
<b>Group 8</b>	<b>Philanthropic intermediaries and voluntarism promotion</b>		
8 100	Grant-making foundations	04.7 <sup>a</sup> 09.1 <sup>a</sup> 02.5 <sup>a</sup> 04.6 <sup>a</sup> 05.2 <sup>a</sup> 08.2 <sup>a</sup> 09.2 <sup>a</sup>	Other education services, n.e.c. Services, n.e.c.. R&D health R&D education R&D social protection R&D environmental protection R&D services, n.e.c
8 200	Other philanthropic intermediaries and voluntarism promotion	09.1 <sup>a</sup>	Services, n.e.c..
<b>Group 9</b>	<b>International</b>		
9 100	International activities	09.1 <sup>a</sup>	Services, n.e.c.
<b>Group 10</b>	<b>Religion</b>		
10 100	Religious congregations and associations	06.0	Religion
<b>Group 11</b>	<b>Business and professional associations, unions</b>		
11 100	Business associations	09.1 <sup>a</sup>	Services, n.e.c.
11 200	Professional associations	07.3	Services of professional organizations
11 300	Unions	07.2	Services of labour organizations
<b>Group 12</b>	<b>Not elsewhere classified</b>		
12 100	Not elsewhere classified	09.1 <sup>a</sup>	Services, n.e.c..

<sup>a</sup> Part of the group.

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## CHAPTER 4

### **Key variables and tables of the NPI satellite account**

#### **A. Introduction**

4.1 Chapters 2 and 3 above have defined the non-profit sector and the categories to be used in classifying it, building, wherever possible, on definitions and classifications used in the 1993 SNA. The present chapter identifies the variables needed to portray the non-profit sector in empirical terms and relates them to the set of entries—transactions, other flows and stocks—that the 1993 SNA uses to depict the accounting record of the economy. In addition, it suggests ways of extending the basic SNA accounting structure to examine the social and economic impact of the NPI sector. Chapter 5 below offers suggestions for implementing the satellite account by identifying information on NPIs embedded in existing source data and new data-collection activities with respect to NPIs that may be needed.

4.2 As noted earlier, the SNA system is well suited for organizing economic information on NPIs—production, revenues, outlays, assets and their accumulation—in a way that is comparable with similar information for other sectors of the economy. However, there are three challenges with using the SNA framework for NPIs that need to be addressed in the satellite system. They are (a) the unavailability of sufficient data on NPIs to fill the complex demands of the full SNA data set; (b) the lack of fit between some SNA conventions and the particular characteristics of NPIs, such as their use of volunteer inputs and the extensive non-market output of so-called “market NPIs”; and (c) the need to look beyond monetary values to other indicators of NPI impact and performance.

4.3 In view of those challenges, we have adopted a three-pronged strategy for the NPI satellite account. We first specify a *fully elaborated* satellite account structure for the non-profit sector within the SNA. Next, recognizing that for other analytic and policy-related purposes it may be useful to extend the data coverage of the satellite account system beyond monetary representations of economic activity alone, we identify a range of other social and economic indicators to be covered in a set of *extensions* to the fully elaborated satellite account. Finally, we specify a fall-back *short form* focused on only the most essential or readily available variables and relationships that can be used until the full elaboration becomes possible.

4.4 Section B below identifies the core variables to be included in the NPI satellite account full elaboration, discusses the “extensions” that are being contemplated and notes the subset of variables that constitute the short form; section C describes the tables in which the variables are to be presented; section D describes the implementation strategy and process; and section E presents an alternative approach for estimating one of the new monetary variables included in the NPI satellite account and reviews the accounting entries involved for another of those variables. The full tables of the NPI satellite account (I through VI) are set out in annex A2.

## B. Key variables for the analysis of NPIs

4.5 The key variables in the fully elaborated satellite account, the extensions and the short form are summarized in table T4.1. Those variables are of four types. One type of variable consists of the core monetary variables of the 1993 SNA, which are to be provided, in principle, for each institutional unit in the NPI sector and each institutional unit in the other SNA sectors. A second type of variable consists of the additional monetary variables of analytic use specific to NPIs, including detail on government transactions with NPIs, the non-market output of market NPIs and volunteer labour. The third type of variable consists of the core quantitative social and economic indicators of NPI structure, capacity and output. The fourth type of variable consists of additional quantitative and qualitative measures that extend the analytical range of the NPI satellite account. The extensions in the last two groups further elaborate the structure of the NPI sector, its output and capacity, the users and clients of its services, and its performance and impact by including data on the characteristics of households/individuals as consumers of NPI services, as members of and/or volunteers in non-profit organizations and as employees of NPIs. The content of each group is discussed below, and a brief definition targeted to NPIs is given for each variable. More complete definitions of the SNA variables are contained in annex A4.

**Table T4.1**  
**Key variables and measures for NPIs**

Variable	Fully elaborated satellite account	Extensions	Short form	Comments
<i>Core monetary variables</i>				
Market output [P.11] <sup>a</sup>	X		X	Revenue from sales, fees, charges etc.
<i>Of which:</i> Third-party payments from government	X		X	
Output for own final use [P.12]	X		X	
Other non-market output [P.13]	X		X	Operating expenses, total
Imputed value of non-market output of market NPIs	X		X	
Compensation of employees [D.1]	X		X	Link to employment, labour input, labour force characteristics
<i>Of which:</i> Wages and salaries [D.11]	X			
<i>Of which:</i> Employers' social contributions [D.12]	X			
Imputed value of volunteer employment at average wage	X			
Intermediate consumption [P.2]	X		X	
Consumption of fixed capital [K.1]	X		X	
Taxes on production (net) [D.2, D.3]	X		X	Taxes on production net of subsidies on production
Property income [D.4]	X		X	Property income received and paid
<i>Of which:</i> Interest [D.41]	X			
<i>Of which:</i> Distributed income of corporations [D.42]	X			

<sup>a</sup>Where applicable, the variable's designation in the SNA Classification of Transactions and Other Flows and Classification of Assets is given in brackets

**Table T4.1 (continued)**

Variable	Fully elaborated satellite account	Extensions	Short form	Comments
<i>Of which:</i> Rent [D.45]	X			
Other current transfers [D.7]	X		X	Transfers received and made Link to giving, members/membership.
<i>Of which:</i> Private philanthropy	X		X	
<i>Of which:</i> Government grants and transfers	X		X	
<i>Of which:</i> Foreign grants and transfers	X		X	
Capital transfers [D9]	X		X	Transfers received and made Link to giving, members/membership.
<i>Of which:</i> Private philanthropy	X		X	
<i>Of which:</i> Government grants and transfers	X		X	
<i>Of which:</i> Foreign grants and transfers	X		X	
Final consumption expenditure [P.3]	X		X	
Social transfers in kind [D.63]	X		X	
Actual final consumption [P.4]	X		X	
Gross capital formation [P.5]	X		X	Acquisition of non-financial assets
Acquisitions less disposals of nonproduced nonfinancial assets [K.2]	X		X	
Net acquisition of financial assets [F]	X		X	Acquisition of financial assets and incurrence of liabilities
Net incurrence of liabilities [F]	X		X	
Other changes in volume of assets [K.3–K.10, K.12]	X			
Holding gains [K.11]	X			
Balance sheet items:				Non-financial assets have link to capacity measures
Nonfinancial assets [AN]	X			
Financial assets [AF]	X			
Liabilities [AF]	X			
<i>Addendum:</i> Population	X		X	
<i>Addendum:</i> Labour input	X		X	
<b>Structure variables</b>				
Entities, number	X	X	X	
Paid employment, number and FTE	X	X	X	Link to compensation of employees
Volunteer employment, number and FTE	X	X		Link to volunteer employment in core
Members, number	X	X		Link to transfers received
Memberships, number	X	X		
Giving	X	X		Link to transfers received
<b>Output and capacity variables</b>				
Physical measures of capacity and output	X	X		Link to monetary measures of output and non-financial assets, NPIs
Share of NPIs in total capacity and output	X	X		Link to monetary measures of output and non-financial assets, NPIs and other sectors

**Table T4.1 (continued)**

Variable	Fully elaborated satellite account	Extensions	Short form	Comments
<i>Clients and users variables</i>				
Client and user profiles, NPIs and other sectors		X		
Involvement of users, clients, members, NPIs and other sectors		X		
Satisfaction of users, clients, members, NPIs and other sectors		X		
<i>Impact and performance variables</i>				
Efficiency, NPIs and other sectors		X		Link to monetary measures of output, productivity, and non-financial assets, NPIs and other sectors
Equity—redistributional aspects		X		Link to household income
Equity—social inclusion		X		

(i) Core monetary variables of the 1993 SNA

4.6 Most of the variables of interest in the NPI satellite account are those of the 1993 SNA. Although some detail is suppressed, the major building blocks of the integrated economic accounts are all key variables in the NPI satellite account. The definitions of those variables below thus draw on standard SNA usage, with elaborations, where necessary, to call attention to features that are especially relevant to NPIs.

4.7 **Market output** consists of goods and services produced during the accounting period that are sold at prices that are economically significant or are otherwise disposed of on the market. It is measured by revenue from sales, fees, charges etc., including third-party payments. Included here, for example, are university tuition receipts and admissions fees for performances by arts organizations.

4.8 **Output for own final use** consists of goods or services that are retained for final consumption or gross fixed capital formation by the same unit, such as construction of a new facility by the NPI's own staff or volunteers.

4.9 **Other non-market output** consists of goods and services that are supplied free, or at prices that are not economically significant, to other institutional units. It is measured by operating expenses, which are the sum of intermediate consumption, compensation of employees, taxes on production (less subsidies) and consumption of fixed capital. It is total output for the so-called "non-market NPIs" in the government and NPISH sectors of the 1993 SNA. (The 1993 SNA does not generally define non-market output for market producers;<sup>1</sup>

<sup>1</sup> The exception relates to expenditures for social service delivery by former state-owned enterprises in transition economies.



however, the NPI satellite account allows for such non-market output for market NPIs, as detailed more extensively below.)

4.10 **Compensation of employees** is the total remuneration, in cash or in kind, payable by an enterprise to an employee in return for work done by the latter during the accounting period. It is an indicator of the labour cost of NPI output, and it also measures the NPI contribution to household income. Compensation consists of **wages and salaries** in cash and in kind—wages and salaries payable at regular intervals, allowances for working overtime, holiday pay, ad hoc bonuses etc., and commissions, gratuities and tips—and **employers' social contributions**—payments by employers that are intended to secure for their employees the entitlement to social benefits in the event of certain adverse circumstances (e.g., sickness, accidents, redundancy, retirement).

4.11 **Intermediate consumption** is the value of goods and services consumed as inputs by a process of production—office supplies, travel expenses, legal services etc.

4.12 **Consumption of fixed capital** represents the reduction in the value of the fixed assets used in production during the accounting period resulting from physical deterioration, normal obsolescence or normal accidental damage. In concept, it is similar to the depreciation charges recorded in business or NPI accounts, but it is given the name “consumption of fixed capital” because it is valued in current prices rather than the historical costs used in commercial accounts.

4.13 **Taxes on production (net)** is taxes (less subsidies) that enterprises incur as a result of engaging in production. They may be payable on land, fixed assets or labour employed in the production process or on certain activities or transactions. NPIs are often exempt from many of those taxes.

4.14 **Property income** is the income receivable by the owner of a financial asset or a tangible non-produced asset in return for providing funds to or placing assets at the disposal of another institutional unit. Receipts of property income, such as dividends and interest, represent the return on endowment that the NPI can use to finance its current activities. NPIs may also be payers of property income to those who have lent them funds. Three major types of property income are distinguished: **interest**, the amount that the debtor becomes liable to pay to the creditor over a given period of time without reducing the amount of principal outstanding, under the terms of the financial instrument agreed between them; **distributed income of corporations**, dividends plus withdrawals from income or quasi-corporations; and **rent**, the sum of amounts paid to landowners by tenants for the use of the land and payments made to the owners of the subsoil assets for the right to extract the subsoil deposits over a specified period.

4.15 **Transfers** are transactions in which one institutional unit provides goods, services, assets or labour to another unit without receiving from the latter any good, service or asset in return as counterpart. Those donations are a common source of revenue for NPIs, and NPIs often provide such transfers to other units. **Other current transfers** are transfers that directly affect the level of disposable income, and may therefore be presumed to influence the consumption of goods or services. **Capital transfers** are transactions, either in cash or in kind, in which the ownership of an asset (other than cash and inventories) is transferred from one institutional unit to another.

For both current and capital transfers, detail is provided on the source or recipient of the transfer—private philanthropy, government grants and transfers, and foreign grants and transfers.

4.16 **Final consumption expenditure** consists of goods and services used up by individual households, non-market NPIs or government to satisfy their individual or collective needs or wants (by SNA convention, corporations and market NPIs do not have final consumption: their consumption is used to produce goods and services consumed by other units, and it is therefore considered to be intermediate consumption.) The final consumption expenditure of NPIs and of government units consists of their non-market output, which equals their operating expenses less any market receipts they may have.

4.17 **Social transfers in kind** consist of individual goods and services provided as transfers in kind to individual households by government units and non-market NPIs, whether purchased on the market or produced by them as non-market output.

4.18 **Actual final consumption** is final consumption expenditure plus social transfers in kind receivable less social transfers in kind payable. Thus, the actual final consumption of households includes goods and services provided to them by government and NPIs in addition to the goods and services that they purchase for themselves. And the actual final consumption of NPIs is zero, reflecting the fact that the entire purpose of their activity is not their own benefit but the benefit of the individuals and households whom they serve.

4.19 **Gross capital formation** is acquisitions less disposals of fixed assets (such as structures and equipment), changes in inventories and acquisition less disposals of precious metals, art objects and other valuables. Examples of such assets for NPIs include clinic or school buildings, office equipment and pieces of sculpture or other works of art.

4.20 **Acquisitions less disposals of non-produced non-financial assets** is acquisitions less disposals of natural assets over which ownership rights are enforced and of intellectual property and other intangible assets that are constructs of society evidenced by legal or accounting actions. Examples of such assets for NPIs include the land, flora and fauna of nature preserves and patents resulting from university research.

4.21 **Net acquisitions of financial assets** is acquisitions of assets that are financial claims on other units, such as bank deposits, securities or accounts receivable.

4.22 **Net incurrence of liabilities** is incurrence of obligations to other units in the form of financial claims, such as mortgages, debt securities or accounts payable.

4.23 **Other changes in volume of assets** are changes in assets, liabilities and net worth that do not result from transactions between institutional units and that represent changes in the volume or quantity of the asset held rather than changes in its price. Examples include discovery and depletion of natural assets, destruction of assets in major disasters, uncompensated seizures and the creation of intangible assets.

4.24 **Holding gains** are changes in the value of an asset (or a liability) as the result of a change in its price.

4.25 **Balance sheet items** are stock positions in financial assets and liabilities and non-financial assets, such as hospital buildings and equipment, museum collections, intellectual property and securities portfolios.

(ii) Additional monetary variables specific to NPIs

4.26 In addition to the standard SNA variables, the particular characteristics of NPIs make it highly desirable to include additional variables or additional detail in the NPI satellite account. Thus, for example, the non-governmental character of non-profits makes it especially important to have an accurate picture of all revenues flowing to them from government, regardless of the form they take. It is also important to include the non-market output of so-called market NPIs, which is not currently captured. Finally, there is a need to include volunteer inputs as part of the labour force of NPIs, and correspondingly part of the revenue base and output of the sector.

4.27 *Detail on government payments.* The NPI satellite account asks for detail on transactions between NPIs and general government that is normally not presented in SNA tables. That detail permits the derivation of a broad measure of NPI revenue from public sector payments. It consists of grants and contracts in support of specific organizational activities or services; statutory transfers mandated by law in support of an organization's general mission or activities; and vouchers and other third-party payments, i.e., indirect government payments to households for reimbursement to another organization for services rendered to individuals. Such a measure conforms well to NPIs' own perceptions of their funding sources. In addition, it is analytically useful because it captures all the channels by which government conducts policy.

4.28 *Non-market output of market NPIs.* The 1993 SNA values the output of market producers by their sales revenue, which creates a problem in valuing the output of what the 1993 SNA considers to be market NPIs—those that cover the preponderance of their operating expenses from market sales. Although the market output of such NPIs is counted, any non-market output they produce is not counted under SNA conventions. Yet such non-market output can be significant because such NPIs also produce output supported by charitable contributions or other transfers that do not show up in sales revenue.

4.29 To cope with that problem, the NPI satellite account recommends valuing the output of market NPIs that cover part of their costs by charitable contributions and other donations in the same way that the SNA values the output of non-market NPIs—i.e., on an operating expense basis. That means that the expenses associated with the non-market output of market NPIs must be added in to the measures of NPI output. Where cost exceeds sales, the difference between cost and sales is taken to be the measure of non-market output. However, where sales exceed cost, non-market output is assumed to be zero. This is a practical alternative to the ideal way to value the non-market output of market producers—i.e., defining separate market and non-market producing units and allocating costs separately to the market and non-market output of the respective units.<sup>2</sup> That treatment is analogous to that recommended in the 1993 SNA for expenditures by enterprises in transition economies on behalf of employees (see 1993 SNA, paras. 19.30-19.35).

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<sup>2</sup> See section E below for a fuller elaboration of this approach.

4.30 Implementing the extension of the production boundary requires no data beyond those contained in the 1993 SNA.<sup>3</sup> Output is simply defined to be measured by costs for all NPIs where cost exceeds sales, whatever the sector to which the SNA would assign them. Only market NPIs in the corporations sectors will be affected, but the additional output will require entries for the corporations sectors and for the household sector. In the case of market NPIs serving households, gross domestic product (GDP) is affected: the additional output becomes household final consumption expenditure, and a transfer of equivalent amount from NPI corporations to households will be required to balance the accounts of both sectors. In the case of market NPIs serving business, GDP is unchanged: the additional output is intermediate consumption by the sponsoring businesses.

4.31 *Volunteer labour.* The third modification required by the special characteristics of non-profit institutions concerns the treatment of volunteer labour. As noted in paragraph 4.1 above, the 1993 SNA does not count most volunteer effort. However, volunteer labour constitutes a significant input to many if not most non-profit organizations. In many such organizations, the voluntary contribution of time exceeds in value the voluntary contribution of money. Although people volunteer for other organizations, such as government agencies and even businesses, most voluntary work takes place in non-profit organizations.<sup>4</sup>

4.32 Because volunteer labour is so critical to the output of the NPIs that employ it and to their ability to produce the level and quality of services that they provide, it is important to capture that activity in the NPI satellite account. Doing so will give a more complete picture of services actually produced and consumed in the economy and in particular fields. The inclusion of volunteer labour input also permits more accurate comparisons of input structure and cost structure between NPI producers and those in other sectors.

4.33 Implementing that extension of the production boundary to include the imputed value of volunteer work requires additional information beyond that regularly collected and used for SNA purposes. More specifically, information is needed both on the number of hours volunteered and on the wage at which to value those hours.

4.34 Information on the amount of volunteer time contributed to NPIs can be secured from household surveys or from surveys of NPIs themselves. Additional detail on such surveys, and samples of survey instruments, can be found in chapter 5 and in annexes A5 and A7 below. The definition of what constitutes “volunteer work” is given in paragraph 4.45 below, and a discussion of the appropriate wage is given in paragraph 4.39 below.

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<sup>3</sup> It should be noted that care must be taken to ensure that revenues are correctly allocated between market sales and charitable contributions and other transfers. For example, dues to non-profit membership organizations serving households may include some component that is really a payment for a service—a subscription to the organization’s magazine, for example. That portion should be classified as market output, not as a transfer payment.

<sup>4</sup> The voluntary labour services described here are those provided by individuals and households in their personal capacity; corporations may make in-kind donations to NPIs—legal or accounting services, for example—but the labour services embodied in that donation are not included in the volunteer labour captured in that variable. The treatment of such corporate donations is as follows: for the donor, the value of the services is part of market output offset by a transfer to the NPI recipient in the secondary distribution of income account; for the recipient NPI, the donated service is part of intermediate consumption that is paid for by the transfer from the corporation.

4.35 The additional output is non-market output and is therefore valued by expenses. It also becomes part of final consumption expenditure of non-market NPIs. Household income is increased by the additional imputed compensation of employees, but the increase is offset by an equivalent transfer payment to the NPIs that incurred the additional “expense” of that compensation.<sup>5</sup>

4.36 The two extensions of the SNA production boundary discussed above, plus the additional detail on government payments that will be possible with additional data sources, yield the additional variables in the full elaboration of the satellite account described below.

4.37 **Third-party payments** are government payments to an organization as reimbursement for services rendered to individuals. Examples include vouchers and insurance reimbursements.

4.38 **Imputed value of the non-market output of market NPIs** is a measure of the portion of the output of market NPIs not captured by market sales. As noted earlier, that non-market output is measured by the difference between operating expenses and sales, where such expenses exceed sales (where sales cover or exceed such costs, non-market output is zero).

4.39 **Imputed value of volunteer employment** is a measure of the cost of the volunteer labour used by NPIs as well as a measure of the value of the donation—a transfer payment—by the household providing the labour services. The estimation procedure recommended is valuing volunteer time by the average gross wage for the community, welfare and social service occupation category as a proxy for the wages paid in the actual occupations in which the volunteers are engaged.<sup>6</sup> A definition of voluntary work is given in paragraph 4.45 below.

### (iii) Core quantitative social and economic indicators of NPI structure, output and capacity

4.40 To put the financial dimensions of the NPI sector into better perspective, the satellite account adds a number of additional measures of NPI scale and operations. Those additional variables include those described below.

4.41 **Addendum: Population** is “the annual average number of persons present in the economic territory of a country. . . .by convention, economic territory includes embassies, military bases and ships and aircraft abroad...”(see 1993 SNA, para. 17.24).

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<sup>5</sup> NPIs serving business are de facto non-market producers because their costs are covered by dues from the business members who created them. Their output is valued at cost, and it is part of intermediate consumption for the sponsoring businesses. The treatment of volunteer labour is as follows: in the production account for the NPI, compensation, value added and output are increased by the amount of the imputed compensation; in the production account of the sponsoring organizations, intermediate consumption is increased and value added decreased by the amount of the imputation; in the allocation of primary income account of households, compensation of employees is increased by the amount of the imputation, but that is offset in the secondary distribution of income account by a transfer of equivalent amount to the sponsoring organization whose intermediate consumption outlays were increased. Thus, recorded saving for all three units is unaffected by the imputation for volunteer labour.

<sup>6</sup> The basis for the recommended estimation procedure is discussed further in chapter 5 below; see also annex A7, Anheier et al., 2001 and other international developments in the measurement of unpaid work and in time use statistics, as reported at <http://www.un.org/Depts/unsd/timeuse>.

4.42 **Addendum: Labour input** is measured by total hours worked, the aggregate number of hours actually worked during the year in employee and self-employment jobs (see 1993 SNA, paras. 17.11-17.12). Although that typically refers to work for compensation, it is also possible to define a measure of volunteer labour input on those same terms.

4.43 **Number of NPI entities** is an actual count of the number of non-profit organizations, classified in the full elaboration and in the short form by ICNPO field, activity and function. That variable is a measure of associational activity and an indicator of social capital.<sup>7</sup> In the extensions, it is to be classified also by size groupings of employment, volunteers or members; by type of organization and by age of the entity.

4.44 **Paid employment (number and FTE)**<sup>8</sup> covers all persons—both employees and self-employed—engaged in some productive activity that falls within the production boundary of the system. (Employees are all persons who, by agreement, work for another resident institutional unit and receive a remuneration in cash or in kind; self-employed workers are persons who are the sole or joint owners of the unincorporated enterprises in which they work.) Full-time equivalent (FTE) employment is the number of full-time equivalent jobs, defined as total hours worked divided by average annual hours worked in full-time jobs. Employment, classified in the full elaboration and in the short form by ICNPO field (or ISIC, Rev. 3 industry), is a measure of paid labour input. In the full elaboration, it also is to be classified by occupation, age and gender. In the extensions, it is to be classified also by full-time, part-time and average hours worked; by skill level, by gender, by age categories and by average wage. The concept of employment used in the NPI satellite account is consistent with that of the International Labour Organization (ILO) as specified in the resolution concerning statistics of the economically active population, employment, unemployment and underemployment adopted by the thirteenth International Conference of Labour Statisticians.

4.45 **Volunteer employment (number and FTE)**, classified in the full elaboration by ICNPO field (or ISIC, Rev. 3 industry), is the number of people performing voluntary work, which is defined as “work without monetary pay or legal obligation provided for persons living outside the volunteer’s own household” (see annex A7). Volunteer employment is a measure of unpaid labour input. In the full elaboration, it is to be classified by occupation, age and gender. In the extensions, it is also to be classified by educational standard, by skill level, by gender, by age categories, by average replacement wage and by the ratio of paid to unpaid work. The definition of voluntary work—and, implicitly, of the volunteers engaged in it—is uncompensated hours that are spent in the following categories of the United Nations Trial International Classification for Time-Use Statistics (United Nations, 2000):

- 61. Community organized construction and repairs: buildings, roads, dams, wells etc.
- 62. Community organized work: cooking for collective celebrations etc.

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<sup>7</sup> See World Bank (1997).

<sup>8</sup> Full-time equivalent employment (FTE) is a measure of labour input considered inferior to total hours worked in the 1993 SNA (para. 17.14); however, it is recommended that FTE employment also appear in the national accounts to facilitate comparison with countries that can only estimate FTE employment and to make allowance for variations in the full-time annual hours of a job group over time (see 1993 SNA, para. 17.16).

63. Volunteering with/for an organization (which does not involve working directly for individuals).
64. Volunteer work through organizations extended directly to individuals and groups.

4.46 **Members and membership (number)**, classified in the full elaboration by ICNPO field, are measures of associational activity and indicators of social capital. A member is one that belongs to an organization; data on number of members can be obtained from organizations. A membership is the state of being a member; a single individual may hold multiple memberships. Data on number of memberships are more typically obtained from individuals, who may be members of more than one organization. Memberships are to be classified by occupation, age and gender. In the extensions, they also are to be classified by skill level of the member's job, by gender, by age categories of members, by income categories and by membership dues.

4.47 **Giving** is a voluntary contribution of money that is unrelated to the purchase of goods and services for the use of the giver. The indicators of giving measure participation in private philanthropy by individuals or households. In the full elaboration, individual or household giving is to be classified by the occupation, age and gender of the key household member responsible for the giving. In the extensions, such giving is also to be classified by income class.

4.48 **Physical measures of output and capacity**, classified by ICNPO field, are field-specific measures that correspond to the quantity dimension of NPI output or holdings of assets used in its production. Examples include number of attendees/visitors to cultural institutions; enrolment in educational institutions; patient days in hospitals; number of residents in residential care facilities for juveniles; and acreage under environmental protection. For further discussion, see chapter 6 below.

4.49 **Share data**, classified by ICNPO field, are field-specific measures of the share of non-profits in the field's measures of total output or total capacity specified above.

#### (iv) Additional quantitative and qualitative extensions of the NPI satellite account

4.50 In addition to the variables identified above, the NPI satellite account seeks to shed light as well on a number of additional features that relate to the performance of NPIs. Full specification of those variables will be provided in subsequent editions of the present *Handbook*, but the target variables include the following:

- **Client and user profiles**, including number of clients/users classified by age, income, disability etc.
- **Involvement of users, clients, members.**
- **Satisfaction of users, clients, members and other stake-holders.**
- **Efficiency (input/output measures)**, classified by activity and function.
- **Equity**, which measures the distribution of benefits and costs of NPI activity among income, ethnic, gender, racial and related groups.

## C. NPI satellite account tables

### (i) Overview

4.51 The SNA integrated economic accounts for NPISH (and other sectors) provide the basis for the tables in the NPI satellite account, which are set out in annex A2. As discussed in paragraph 4.75 below, three elaborations are envisioned: a fully elaborated satellite account, an extended satellite account and a short form. Only the first and third elaborations are described in the present chapter; most of the second elaboration will be developed based on experience in implementing and using the other forms of the satellite account.

4.52 In the full elaboration, the data items included cover the transactions, other flows and stocks of the integrated economic accounts, from the production account through the balance sheets. Although there is particular emphasis on output, final consumption expenditure, compensation of employees, property income, transfer payments, gross capital formation and consumption of fixed capital, the satellite account also covers holdings and acquisition of, as well as volume and price changes in, such items as buildings and structures; entertainment, literary or artistic originals; antiques and other art objects; currency and deposits; and securities. In the extensions, those core monetary data are supplemented with data in physical units on such variables as employment, volunteers, NPI entities, members, memberships, output and capacity. In the short form, the data items included cover a slightly abbreviated set of items in the accounts through the financial account, plus a subset of the data items in physical units.

4.53 In order to accommodate the revaluations within the SNA production boundary discussed above, many of the tables and variables in the satellite account are shown in three versions:

- (a) SNA basis. This version uses standard SNA conventions for all variables;
- (b) With non-market output of market NPIs. This version adds to the SNA basis an estimate of the non-market output of market NPIs in the SNA corporations sectors. That adjustment is necessary in view of the fact that market NPIs, unlike other market producers, typically also have substantial non-market output that is not captured in their market receipts. Without some adjustment, the value of that non-market output can therefore be missed. To correct for that, the non-market output of market NPIs is valued by operating expenses and the additional value of output added into the accounts;
- (c) With non-market output of market NPIs and volunteer labour. This version makes a further adjustment and adds the imputed value of volunteer labour in addition to an estimate of the non-market production of market NPIs. Thus, it adds to the paid employment of NPIs the imputed value of volunteer labour contributed to NPIs. As noted above, such labour is an important component of the operation of many NPIs. It represents both a contribution to NPI production and a source of NPI revenue. The estimation procedure recommended for that labour input is to value it at the average gross wage for the community, welfare and social service occupation category as a proxy for the wages paid in the actual occupations in which the volunteers are engaged.



## (ii) General structure of the NPI satellite account tables

4.54 The NPI satellite account consists of six tables, most with multiple parts, which are set out in annex A2. The first two tables present the aggregate NPI sector, first in aggregate form (table I) and then classified by major activity according to ICNPO (table II). The next two tables break the NPIs down in each of the existing SNA sector accounts to which they are assigned under SNA usage, recording the NPI component of each sector, the non-NPI component and the total, first in aggregate form (table III) and then, for selected variables, by activity or purpose (table IV); they may thus function as worksheets for the compilation of the aggregate NPI sector tables. Table V records various additional indicators of NPI structure and output. Finally, table VI summarizes some of the major variables presented elsewhere in the satellite account in a form more accessible to the general user.

### Table I

4.55 Table I contains the basic data of the aggregate NPI sector. It covers all NPIs meeting the basic definition offered above, regardless of the institutional sector to which they are assigned by SNA sectoring rules. Part A of table I follows the form of the SNA institutional sector accounts; part B adds additional variables, showing the number of employees and compensation for both paid employees and volunteers. Data are presented for all three variants noted in paragraph 4.53 above: the SNA basis, the SNA basis with non-market NPI output of market NPIs, and the SNA basis with non-market NPI output of market NPIs and with an imputation for the value of volunteer labour.

### Table II

4.56 Table II, which has four parts, presents the aggregate NPI sector presented in Table I disaggregated by type of NPI, using ICNPO as presented in table T3.3 and annex A1. Where appropriate, variables are shown in the three variants identified in paragraph 4.53 above: the SNA basis, the SNA basis with non-market NPI output of market NPIs, and the SNA basis with both non-market NPI output of market NPIs and volunteer labour valued at the average wage for community work.

4.57 Table II.1 focuses on the composition of expenses, by type of non-profit. Operating expenses are separately identified and detailed, aggregates are shown for both transfers paid and property income paid. Three variants are shown for the following variables: compensation of employees, other expenses and the aggregates of which they are a part.

4.58 Table II.2 focuses on the composition of revenue, by type of non-profit. Revenue is detailed by sector of origin and by type of transaction in order to permit the derivation of aggregate receipts from public sector payments, whatever their nature. Thus, third-party payments from government can be classified as a government source of revenue for NPIs rather than a simple market fee. Although national accounts convention has those payments going from government to the households that then purchase the service, following the money directly allows for a more straightforward examination of the relationship of public policy and household consumption patterns. The three variants described in paragraph 4.53 above are shown for the

following variables: revenue from private philanthropy, revenue from other sources and the aggregates of which they are a part.

4.59 Table II.3 focuses on the composition of transfer payments received and made, by type of non-profit. Both the SNA and imputed volunteer labour variants are shown for transfers received from households, both gross and net (the third variant is the same as the second for those variables).

4.60 Table II.4 presents paid and volunteer employment and compensation, classified by type of non-profit.

4.61 Table II.5 presents asset accumulation and position, classified by type of non-profit.

### **Table III**

4.62 Table III, which has three parts, records the data items reported in table I, part A, for each of the SNA sectors to which NPIs are assigned in the 1993 SNA (non-financial corporations, financial corporations, general government, households and NPISH), with the NPI and non-NPI components of each sector recorded separately.<sup>9</sup> Table III is shown in all three variants described in paragraph 4.53 above. Thus:

- Table III.1 presents data on the SNA basis.
- Table III.2 presents data on the SNA basis with non-market output of market NPIs.
- Table III.3 presents data on the SNA basis with both non-market output of market NPIs and volunteer labour valued at the average wage for community work.

Table III can thus be used as a worksheet to go from existing SNA data to the target aggregate NPI account.

### **Table IV**

4.63 Table IV, which has five parts, breaks down the data contained in table III by activity or purpose, as appropriate, for a subset of critical variables: output, value added, employment and final consumption expenditure. For the first three of those variables, disaggregation is by industry or activity (using ISIC, Rev. 3); for final consumption expenditure, the disaggregation is by purpose.<sup>10</sup> Where appropriate, variables are shown in the three variants identified in paragraph 4.53 above. Further details are described below.

4.64 Table IV.1 presents output, value added and employment, by industry, sector and type of institution on the SNA basis.

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<sup>9</sup> These tables, derived from the SNA's integrated economic accounts (IEA) for institutional units and sectors, thus relate the data for NPIs to comparable data for other sectors in the economy.

<sup>10</sup> The first three of these tables are derived from the SNA Cross-Classification by Industries and Institutional Sectors of Production Account Items (CCIS), which provides industry detail by sector for the production accounts of IEA.

4.65 Table IV.2 presents output, value added and employment, by industry, sector and type of institution, on the SNA basis but with non-market output of market NPIs.

4.66 Table IV.3 presents output, value added and employment, by industry, sector and type of institution, on the SNA basis with both non-market output of market NPIs and volunteer labour valued at the average wage for community work.

4.67 Table IV.4 presents final consumption expenditure by sector, by type of institution and by purpose. Because the purpose classifications for government and NPIs differ, that variable must be recorded on separate tables—table IV.4.a for final consumption expenditure by general government and table IV.4.b for final consumption expenditure of NPIs and other components of final individual consumption. Table IV.4.a is shown on the SNA basis and with volunteer labour. Table IV.4.b accounts for all components of the actual final consumption of households, first on the SNA basis and then with the additional consumption resulting from the two revaluations shown in the last two columns.

4.68 Of particular interest is table IV.4.b, which shows the derivation of the “actual final consumption” of households and the contribution of NPIs to that consumption. It is an elaboration of the pair of accounts in table I, “Redistribution of income in kind account” and “Use of adjusted disposable income account”, which record in-kind transfers to households from government and NPISH, including that part of government and NPISH final consumption expenditure that can be associated with individuals. Table IV.4.b identifies the transfers not only from NPISH but also from NPIs within the general government sector, and in addition the non-market output of market NPIs and the non-market output produced by volunteer labour.<sup>11</sup>

## **Table V**

4.69 Table V, which has four parts, presents indicators of NPI structure, capacity and output. It also builds some links to other statistical systems covering labour force and other population characteristics.

4.70 Table V.1 records the number of non-profit entities, members and memberships (classified by ICNPO), which are indicators of the structure of the NPI sector.

4.71 Table V.2 records the number of paid employees, volunteers and members of non-profit entities (classified by occupation, gender and age), which are indicators of the socio-economic characteristics of the individuals involved in the NPI sector.

4.72 Table V.3 reports charitable giving to non-profit organizations from individuals or households by occupation, gender and age of the head of household.

4.73 Table V.4 presents examples of indicators of capacity and output in selected fields—defined by ICNPO—both for NPIs and for the economy as a whole.

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<sup>11</sup> It should be noted that the present *Handbook* follows SNA practice and considers all final consumption expenditure of non-market NPIs outside the general government sector to be individual in nature; attempts to define collective consumption for such units are likely to be controversial and they are left to future research.

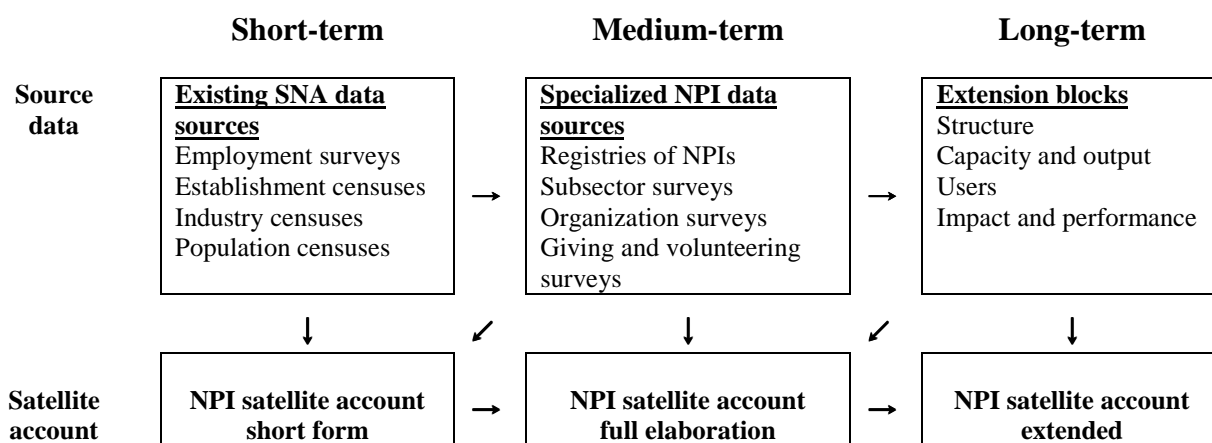
## Table VI

4.74 Table VI summarizes key dimensions of the aggregate sector, using variables presented elsewhere in the satellite account, and presented in a form more accessible to non-profit specialists.

### D. NPI satellite account process

4.75 In view of the challenges enumerated in paragraph 4.2 above, the present *Handbook* proposes a three-pronged strategy for implementation of the NPI satellite account. The first step is to tap existing sources of data to compile a *short form*, containing the most essential and readily accessible variables. The second step is reach out to additional data sources, including new surveys, to compile a *fully elaborated* satellite account for the non-profit sector within the 1993 SNA. Finally, the third step is to extend the analysis beyond the current SNA structure to capture additional information about the structure, output and capacity, clients and users, and impact and performance of the non-profit sector. Some of the structure and capacity and output measures can be included within the second stage of the work, but others will extend beyond that. Figure F4.1 depicts the resulting structure of work contemplated in the NPI satellite account process.

**Figure F4.1**  
**Schematic representation of the NPI satellite account process**



4.76 The process illustrated in figure F4.1 has three phases, each of which is dependent on the availability of appropriate source data. In the short term, existing source data can be used to implement the short form and give an indication of the scale of the NPI sector and the relationship of the full NPI sector to NPISH. In the medium term, during the general implementation of the SNA institutional sector accounts, additional NPI-specific data sources can be developed and the full elaboration of the NPI satellite account implemented. Finally, future extensions of the NPI satellite account would link the core monetary values of the 1993 SNA to quantitative and qualitative indicators of the sector's structure, output, capacity, clients, impact and performance.

4.77 As suggested above, countries that already compile the institutional sector accounts of the 1993 SNA may find it useful to begin implementation of the NPI satellite account with table III and also to complete table IV. Countries that have not yet fully implemented institutional sector accounts may nonetheless be able to complete most or all of table IV. Table T4.2 indicates which tables or parts thereof are included in the full elaboration and which in the short form of the NPI satellite account.

**Table T4.2**  
**Tables of the NPI satellite account<sup>a</sup> in the full elaboration and in the short form<sup>a</sup>**

<b>Table number</b>	<b>Full elaboration content</b>	<b>Short form content</b>
I Part A	Accounts I through IV.3, all items Variants 1, 2 and 3	Accounts I through III.2 (less detail on compensation, property income) Variants 1 and 2 only
I Part B	All items	All items
II.1	Variants 1, 2 and 3	Variants 1 and 2 only
II.2	Variants 1, 2 and 3	Variants 1 and 2 only
II.3	Variants 1, 2 and 3	Variant 1 only
II.4	All items	All items
II.5	All items	—
III.1	Accounts I through IV.3, all items	Accounts I through III.2 (less detail on compensation, property income)
III.2	Accounts I through IV.3, all items	Accounts I through III.2 (less detail on compensation, property income)
III.3	Accounts I through IV.3, all items	—
IV.1	All items	All items
IV.2	All items	All items
IV.3	All items	—
IV.4a	Variants 1 and 3	Variant 1 only
IV.4b	Variants 1, 2 and 3	Variants 1 and 2 only
V.1	All items	Column 1 only
V.2	All items	—
V.3	All items	—
V.4	All items	—
VI	All items	All items except columns 18, 20, 21

<sup>a</sup> For the tables, see annex A2.

## **E. Accounting treatment for new monetary variables**

### **(i) Treatment of non-market services provided by market producers in the 1993 SNA**

4.78 As noted above, NPI market producer units may provide non-market output to other institutional units. If sales alone are used to measure output of such a producer unit, as is done with other market producers, the output and value added of the unit may be underestimated in the framework of the 1993 SNA. In order to treat it properly, the non-market output and its associated inputs should be separated from those of the market output. The non-separation is in fact a violation of SNA principles.

4.79 The present *Handbook* recommends a simplified procedure for capturing that non-market output of market NPIs. The procedure is to estimate such non-market output in the same way that the 1993 SNA estimates the value of the output of other non-market NPIs, i.e., by the costs that NPIs incur in producing that output. Thus, where cost exceeds sales, the difference between cost and sales is taken to be the measure of non-market output. Where sales exceed cost, however, non-market output is assumed to be zero. That is a practical alternative to the ideal way to value the non-market output of market producers—i.e., defining separate market and non-market producing units and allocating costs separately to the market and non-market output of the respective units.

4.80 Although the recommended approach works quite well in the case of market NPIs whose costs exceed sales, it can produce an underestimate of non-profit output in cases where sales exceed costs. While the satellite account does not ask statistical agencies to make an adjustment in this situation, some agencies may choose to do so. The purpose of the present section is to explain how and under what circumstances such an adjustment might be made.

4.81 For the purposes of the present discussion, we assume that the inputs used in producing the non-market output—including consumption of fixed capital—are known through administrative records (which can be collected through surveys) and that the non-market output is provided free. Table T4.3 considers the case of a market NPI for which costs exceed sales and in which the NPI satellite account would add the difference between costs and sales to the output of the organization in order to provide a more accurate picture of NPI output. Columns 1 and 2 of table T4.3 report the actual components of the market and non-market output of the NPI. Column 3 shows how existing SNA usage would report the output of the market NPI: it would essentially ignore the non-market output and value the total output at the value of the sales revenue of the organization. Column 4 shows how the NPI satellite account would report the output of the market NPI: it adds the difference between the organization's total costs ( $20+50+7=77$ ) and its sales (60) to the market output to yield a total output of 77. Column 5 shows how the ideal or separation method would report the output of the market NPI: it would add the individual components of costs for the market and non-market output of the NPI together to estimate the total value of the output. As indicated, the results of those two methods are identical in this case.

**Table T4.3**  
**Production account of a market NPI, with sales less than total costs**

	Market output (1)	Non-market output (2)	Aggregated data		
			SNA basis, w/out non-market output (3)	<i>Handbook</i> basis, w/non-market output estimated by simplified method (4)	Ideal basis, w/non-market output estimated by separation method (5)
Intermediate consumption	15	5	20	20	20
Value added	45	12	40	57	57
Compensation of employees	40	10	50	50	50
Other taxes on production	0	0	0	0	0
Consumption of fixed capital	5	2	7	7	7
Net operating surplus	0	0	-17	0	0
Adjustment for cost in excess of sales	n.a.	n.a.	n.a.	17	n.a.
Output	60	17	60	77	77

4.82 A different outcome obtains for market NPIs in which sales exceed total cost of production. In the present *Handbook*, no adjustment is made for such non-market output of market NPIs even if such non-market output is produced. For illustration, table T4.4 presents the results for such a market NPI. As indicated, the NPI is assumed to generate sales revenue of 80 rather than the 60 in the example in table T4.3. Its sales revenue thus more than covers its costs of production.

4.83 In the example, the SNA treatment and the suggested NPI satellite account treatment yield identical results: the output of the NPI would be recorded as 80 in both cases. However, a different result would obtain if the separation method described above were to be used. Here the costs of the separate market and non-market components of the NPI's production would be added together, which would yield a higher estimate of both value added and output of the NPI because the costs associated with the non-market output would no longer be buried. In other words, as the example shows, if the output of market NPIs is measured only by sales then the value added of NPIs as a whole is underestimated.

4.84 The method can be easily extended to cover the case when the non-market output is sold at economically insignificant prices. In that case, the revenues received for the non-market output should be subtracted from sales that are used to measure market output.

**Table T4.4**  
**Production account of a market NPI, with sales greater than total costs**

	Market output (1)	Non-market output (2)	Aggregated data		
			SNA basis, w/out non-market output (3)	<i>Handbook</i> basis, w/non-market output estimated by simplified method (4)	Ideal basis, w/non-market output estimated by separation method (5)
Intermediate consumption	15	5	20	20	20
Value added	65	12	60	60	77
Compensation of employees	40	10	50	50	50
Other taxes on production	0	0	0	0	0
Consumption of fixed capital	5	2	7	7	7
Net operating surplus	20	0	3	3	20
Adjustment for cost in excess of sales	n.a.	n.a.	n.a.	n.a.	n.a.
Output	80	17	80	80	97

4.85 This treatment—the separation method—is analogous to that recommended in the 1993 SNA for expenditures by enterprises in transition economies on behalf of employees (see 1993 SNA, paras. 19.30-19.35). State-controlled enterprises in planned economies frequently provided health, education and recreational services to employees. They served as “agents” of government to carry out social policy, and the expenditures became part of actual final consumption of households. To preserve the distinction between who benefits from the consumption and who finances it as countries make the transition from planned to market economy, the 1993 SNA recommends that, for the duration of the transition, enterprises undertaking significant amounts of social expenditure on behalf of their employees should be treated as two institutional units—a corporation engaged in market production and a “quasi-NPISH” concerned with the provision of social services to employees. That is comparable to the approach suggested here for market NPIs: they can be considered as two institutional units—one producing for the market and the other concerned with the provision of various services to those in need for free or reduced cost.

4.86 Because it is difficult to identify and separately cost the non-market output of producers whose sales more than cover costs, it is recommended that in such cases the separation method be applied only when there is clear evidence of non-market production—e.g., the use of volunteer labour or the provision of social services that it is deemed important not to treat as compensation in kind.

4.87 When the separation method is used, the non-market output and corresponding cost to be separated should not cover those of ancillary units, as defined in the 1993 SNA. Thus:



- Non-market services produced for own use within the same institutional (NPI) unit, such as management, accounting, legal, advisory or maintenance services, should be treated as ancillary services and are therefore outside the production boundary.
- Non-market services produced mainly for own use within the same family of institutional units should also not be separated out, since they are considered as ancillary units in the 1993 SNA.
- Non-market goods, such as electricity and other intermediate goods produced by an establishment and consumed within an NPI institutional unit, are also not treated as output since the electricity producing unit is considered to be an ancillary unit in the SNA sense.
- Non-market goods and services that are not of an intermediate nature and that are not sold, however, are treated as output and should be separated. They are assumed to be consumed by the same NPI institutional unit.

(ii) The treatment of imputed volunteer labour inputs for market NPIs serving business

4.88 The language of the 1993 SNA, paragraph 4.59, implies that NPIs serving business are de facto non-market producers because their costs are covered by dues from the business members who created them. Their output is valued at cost and is part of intermediate consumption for the sponsoring businesses. The treatment of volunteer labour is as follows: in the production account for the NPI, compensation, value added and output are increased by the amount of the imputed compensation; in the production account of the sponsoring organization, intermediate consumption is increased and value added decreased by the amount of the imputation; in the allocation of primary income account of households, compensation of employees is increased by the amount of the imputation, but that is offset in the secondary distribution of income account by a transfer of equivalent amount to the sponsoring organization whose intermediate consumption outlays were increased. Thus recorded saving for all three units is unaffected by the imputation for volunteer labour. For example:

Trade association		Sponsoring corporations		Households	
U	R	U	R	U	R
Intermediate consumption 50 Compensation 30	Output 80	Intermediate consumption 80 Value added 220	Output 300		Compensation 30
Intermediate consumption 50 Compensation 30 <i>Imputed Compensation 10</i>	<i>Output 90</i>	<i>Intermediate consumption 90 Value added 210</i>	Output 300 <i>Transfer 10</i>	<i>Transfer 10</i>	Compensation 30 <i>Imputed Compensation 10</i>

(iii) The treatment of imputed volunteer labour inputs for a non-market NPI

4.89 In the following example, household income is increased by the imputed compensation but reduced by an equivalent transfer to the university (the university's output is increased by the amount of the imputation, but the increase in final consumption expenditure is offset by the transfer received from households; again, recorded saving is unaffected by the imputation):

University		Households	
U	R	U	R
Intermediate consumption 50 Compensation 30	Output 80		Compensation 30
Final consumption expenditure 80			
Intermediate consumption 50 Compensation 30 <i>Imputed compensation</i> 20	<i>Output</i> 100	<i>Transfer</i> 20	Compensation 30 <i>Imputed compensation</i> 20
<i>Final consumption expenditure</i> 100	<i>Transfer</i> 20		

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## **CHAPTER 5**

### **Implementing the NPI satellite account: data sources**

#### **A. Overview**

5.1 Data for national accounts come from many and diverse sources. The national accountant's art lies in integrating those data into a coherent picture of the economy. Some of the data used in national accounts are collected for statistical purposes and are designed to meet specific statistical standards. Other data used in the national accounts are by-products of some administrative function (such as tax collection) and are used as a cost-effective way of obtaining data when statistical resources are limited, even though they are shaped in part by the needs of the function that created them. Improving the coverage of NPIs in the SNA will require improvements in the coverage of NPIs in both statistical and administrative data, and thus implementing the NPI satellite account implies several major tasks.

5.2 The first task is to locate or build a statistical register of NPIs, which should contain such items as the organization's name and address; the identification number to be used to link it to enterprise/establishment data sets and registers; industry, purpose, institutional and other classification information; income, assets or other size measures; and other indicators of legal status etc. As described in section B below, such registers may be derived from administrative records or from NPI flags in existing business registers; often, however, they must be developed from scratch from a variety of sources, such as those described in paragraphs 5.6 to 5.10 below. Indeed, it may be necessary to supplement business registers with special NPI registries (Nascia, Nurra and Riccardini, 1998) so that samples can be drawn that include an adequate representation of NPIs.

5.3 A second task is to use the NPI register to add a NPI flag, if one is not there already, to units in the business register or any other list that provides the sampling frame for statistical surveys of enterprises and establishments. The NPI register can also be used to identify and classify NPIs in administrative data that were not used in the construction of the NPI register. Once that task is completed, many of the entries in the first, third and fourth tables in the satellite account can be completed from existing data, and an assessment of the need for further data-collection efforts can be made.

5.4 A third task is to investigate the use of new data on NPIs or data specific to the fields in which they are common. Some of those data sets may already exist but may not have been incorporated yet into regular national accounts compilation. In other cases, however, it may be necessary to carry out additional data collections.

5.5 A fourth task, but one likely to be deferred until work on the extensions is undertaken, is to link households to the NPIs by which they are employed, by which they are served as customers or with which they have other relationships, which will enable NPI employees to be classified by skill and occupation, and NPI clients to be classified by demographic characteristics or social class, in both cases with detail by type of NPI. That linkage facilitates the analysis of the impact of NPIs on various groups of households, and may be made at the microdata level in

principle, for example by using such administrative records as linked employer identification numbers (EINs) and social security numbers (SSNs) from tax files. A more realistic strategy, however, is to identify NPIs in existing matched datasets, such as those reported in Mocan and Tekin (2000) and Abowd, Lane and Prevost (2001), and, if need be, to enrich future samples to improve the capture of information on NPIs. Such linkages may already be included in country statistical programmes, as described in van Tongeren's discussion of the human resource accounts of the Republic of Korea (van Tongeren, 1996), for example. If they are not included, however, such work is to be considered part of the extended form of the NPI satellite account.

5.6 Section B below expands on the first three of those tasks, which will need to be carried out in implementing both the short form and the full elaboration of the NPI satellite account as described in chapter 4 above. Section C takes up three important estimation problems that need to be addressed for NPIs: calculating the value of volunteer labour inputs, capturing international flows of philanthropy and capturing small or informal NPIs.

## **B. Compilation of data on NPIs**

### **(i) Building an NPI statistical register**

5.7 The first step in improving the availability and quality of data on non-profit institutions is to identify, classify and catalogue them in a systematic and comprehensive way. Such catalogues or registers can then be used in a variety of data-collection efforts. Nonprofits may already be included in standard business registers, although they may not be separately identified as such. Umbrella groups and other associations of NPIs may have membership lists. Government ministries responsible for fields in which NPIs are active may also have lists of NPI service providers or membership organizations.

5.8 In the United States, for example, the Internal Revenue Service (IRS) maintains the IRS business master file, a registry of all businesses, both tax-paying and non-tax-paying, which is used by statistical agencies in deriving sampling frames for business surveys. In addition, organizations wishing to claim exemption from income tax apply for that status to IRS and to the charity regulators of the states in which they operate.<sup>1</sup> The list of all entities to which such approval has been granted or is pending is an extract of the IRS business master file. That extract, the exempt organizations master file, is updated monthly and provides a sampling frame for incorporating NPIs in statistical collection activities. It also provides a set of respondent identification numbers that can be used to identify NPIs in existing data sets used for national accounts. Members of the register are identified by their EIN, an identifier used in a wide range of data-collection activities.

5.9 Other countries have similar registries and lists. In France, the *Système de répertoire des entreprises et des établissements* (SIRENE) is the main register file on enterprises and establishments, automatically updated through administrative operations; it includes (and identifies) mutuals, cooperatives and associations that employ labour, pay the value added tax, receive subsidies or otherwise exhibit economic activity. In Australia, the business register is a

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<sup>1</sup> Additional standards must be met in order for contributions to those organizations to be tax deductible to the donor.

central register of employing businesses that contains information on the institutional sector of organizations, including a non-profit flag. In Belgium, the national register of legal entities identifies “associations sans but lucratif” and several other categories of NPIs.

5.10 In other cases, such comprehensive registries do not exist or are incomplete and must be created from scratch or supplemented. For example, in Hungary the Central Statistical Office established a register of non-profit institutions for its surveys of those entities on the basis of information obtained from the Courts of Law, with which non-profits are required to register. In other countries, there may be several such registries if jurisdiction over NPIs is shared among several official entities.

5.11 Other problems that will need to be addressed include monitoring attrition in such registries once they are established and the capture of small organizations that have employment below the cut-off for the registries and the statistical surveys that use them as the sampling frame.

#### (ii) Finding NPIs in existing data sources and collection activities

5.12 Once the business register (or other frame or list) contains identifiers and classifiers for NPIs, existing source data can be retabulated to yield data on the NPI component, some or all of which may previously have been hidden, which has the advantage of making the data on NPIs easily comparable with that for other sectors in such general purpose and multisector instruments as economic surveys, censuses and employer-based labour market surveys.

5.13 For example, in the United States, since 1982 the census of service industries (a component of the quinquennial economic censuses) has included a question on tax-exempt status and special questions for those so identifying. Data on tax-exempt establishments derived from those questions are published, by industry, and form the basis for estimates of non-profit production in those industries in the United States national income and product accounts (NIPAs). NIPA estimates of wages and salaries, however, are based on data on employment and payrolls collected by the United States Bureau of Labor Statistics, which does not ask about tax status. Thus, the NIPA estimates of compensation of employees paid by NPIs are derived by using the tax-exempt share of payrolls in the census data, by industry, to estimate the NPI share of Bureau of Labor Statistics payrolls.

5.14 Another approach to estimating non-profit payrolls from the Bureau of Labor Statistics data can be found in the work of Salamon (1997b) on the Bureau’s ES-202 programme, the source of the NIPA estimates of wages and salaries. In that study, special registries of NPIs were used to identify NPIs in the ES-202 database for one state. Work is currently under way to extend that approach to other states in the United States.

5.15 Other examples from general purpose and economy-wide or industry-wide statistical programmes include surveys of particular service industries conducted by the Australian Bureau of Statistics and its population survey on volunteering. One possible extension of that approach is to try to embed data collection on volunteering in the developing programmes of time-use statistics; Israel provides an example of such an approach.

5.16 In France, the availability of legal form information in the business register permitted the estimation of the non-profit component of employment and compensation of employees from workplace censuses, general reports on social contributions and the annual survey of enterprises.

### (iii) Developing new data sources on NPIs

5.17 *Data sources outside normal economy-wide statistical compilations:* In addition to the regular data sources used for national accounts, other data sources may be available to shed light on important facets of NPI operations, either for the sector as a whole or for significant groups of organizations. Such data have the disadvantage of lack of comparability with data for other sectors, and statistical discrepancies and inconsistencies thus become more likely. Nevertheless, such data are useful and are widely used to supplement economy-wide statistical sources for other sectors and for particular fields, and thus they have an obvious role in the NPI satellite account.

5.18 There may exist *administrative records*, either about NPIs or about particular activities or fields in which NPIs are prominent, that can be used to provide data on NPIs. Examples include the form 990 information returns that United States NPIs file with the Internal Revenue Service and other financial statements that NPIs may be required to supply to regulatory authorities or donors. A similar system exists in the Philippines, and a mapping of that tax return into the variables of the present *Handbook* is included in annex A5. Other examples include data from the Ministry of Social Affairs in France on retirement homes, health-care facilities etc., and data on hospitals and education from the appropriate ministries in a number of countries.

5.19 *Associations* of particular groups of NPIs may provide compilations of data about their members, which have the same disadvantages as administrative records. Examples include the tabulations of foundation grants by the United States Foundation Center and survey data on hospital operation that the American Hospital Association collects from its members. In Belgium, umbrella groups have data on larger NPIs with paid employees.

5.20 There may be data in *general social science archives* that can be brought to bear. Annex A5 below has a guide to such data, and such information has been used in the work of the Johns Hopkins Comparative Non-Profit Sector Project on volunteering in the Netherlands, for example.

5.21 *New data-collection instruments for NPIs:* In the absence of other data, new information may have to be collected. Both Israel and Hungary, for example, have conducted *surveys of non-profit institutions*, which are used both in national accounts preparation and in private studies of the non-profit sector, such as those of the Johns Hopkins CNP Project. (Gidron and Katz, 1998; Israel, 1998; Kuti, 1996; Salamon et al., 1999 and OECD, 1998).

5.22 Annex A5 contains two survey instruments that proved useful in the Johns Hopkins CNP Project effort. The first is a household survey of giving and volunteering. A number of countries have conducted such a survey, and it can be grafted on to an omnibus survey, such as a population or labour force survey, or more specialized instruments, such as marketing surveys or general public opinion surveys. That was done, for example, in the Australian non-profit data project survey of individual giving, which used the quarterly population monitor survey of the

Australian Bureau of Statistics. Such surveys have been conducted for the Johns Hopkins CNP Project in France, Hungary, Argentina, Brazil and Israel, among other countries.

5.23 The second survey reproduced in annex A5 below is the organizational survey module, which can be used to collect information on NPIs when country statistical programmes have no convenient vehicle for estimating the size and scope of the entire NPI sector or its particular components. A similar instrument was used for the Johns Hopkins CNP Project and other work in Belgium.

#### (iv) Integration of new and existing data sources on NPIs

5.24 National accounts compilation is an iterative and judgmental process. A large volume of wide-ranging and disparate data sources are brought together, confronted, using SNA rules and conventions, and reconciled to provide a coherent macroeconomic picture of the economy. In addition, because the 1993 SNA records the accounts of both parties to a transaction, in many cases missing data elements for one party can be inferred from data provided by the other party to the transaction. In the United States national income and product accounts, for example, estimates of household consumption expenditures are based on retail sales and other output measures reported by producers, rather than on direct reports by households on their expenditures.

5.25 Production and generation of income accounts have been compiled for a number of years from agricultural censuses, business surveys, economic censuses and labour force surveys. To the extent that NPIs have been captured—though perhaps hidden—in the underlying data collections, the task for the satellite account is to identify the NPI components and to bring the data together. To the extent that NPIs have been excluded, however, new data-collection efforts need to be made and the results integrated. As suggested in chapter 4 above, table IV of the NPI satellite account (see annex A2 below), with its focus on output, value added, employment and final consumption, can probably be compiled from existing data sources once NPIs are identifiable.

5.26 Institutional sector accounts are not so common, and for many countries data from government budgets, business accounts, financial system statements etc. are being reconciled for the first time in the preparation of accounts showing property income, transfers, consumption and saving. In particular, where data on NPIs have been combined with those of other units in the corporations, government and household sectors, there may never have been a need to develop data on transfers between NPIs and those other units.

5.27 The transaction accounts of the integrated economic accounts provide a useful framework for the process of dealing with that situation while new sources are sought. For example, government reports on the details of its grants and other transfers can be used to characterize the aggregate receipts of such income reported by NPIs. Donor reports of giving by individuals, corporations, government and non-residents can be aggregated and compared with NPIs' reports of donations received to identify discrepancies.

5.28 In addition, NPI-specific data, such as tabulations of financial statements or broad surveys of particular industries, will need to be reconciled with other source data used in the

national accounts. For example, the wages and salaries reported on NPI financial statements may differ from the estimates of NPI payrolls derived from general wage and employment surveys.

## C. Special topics

### (i) Calculating the value of volunteer labour inputs

5.29 To capture the value of volunteer labour inputs as suggested in chapter 4 above, two bodies of information are needed: first, information on the number of volunteer hours; and second, information on the wage at which to value those hours. By “volunteer hours” is meant those hours that are spent in the following categories of the United Nations Trial International Classification for Time-Use Statistics (ICATUS) (United Nations, 2000):

61. Community organized construction and repairs: buildings, roads, dams, wells etc.
62. Community organized work: cooking for collective celebrations etc.
63. Volunteering with/for an organization (which does not involve working directly for individuals).
64. Volunteer work through organizations extended directly to individuals and groups.

Not included is assistance provided to one’s direct family.

5.30 *Number of hours volunteered.* Some countries gather data on volunteer activity as part of special inquiries in their population census or time-use surveys. Where that is not done, two alternative approaches are possible: first, to include questions on volunteering on special household sample surveys, along with questions about charitable giving (see annex A5 below for sample survey instruments and annex A7 below for a more detailed discussion); and second, to include questions on volunteers on surveys of non-profit organizations. Either way, the two key items are the number of volunteers in the sample and the number of hours volunteered per volunteer. The proportionate share of volunteers is then extrapolated to the whole adult population to obtain the total number of volunteers, which in turn is multiplied by the average number of hours volunteered.

5.31 *The shadow wage.* Calculating the monetary value or shadow wage of volunteers is the next step. Two general methods for doing that are identified in the literature—opportunity cost and market or replacement cost.<sup>2</sup> Opportunity cost values volunteer time at what the time is worth to the volunteer in some alternative pursuit. Replacement cost values the time at what it would cost the non-profit organization to replace it with paid labour.

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<sup>2</sup> Valuation of unpaid work has been carried out by many countries, mainly with the purpose of investigating and illustrating the work provided within households. Only a few studies concentrate on volunteering, although some include volunteer activities. Most studies are based on time-use surveys. Schmid et al. (1999) summarizes the recent experiences of different countries. Replacement costs are used in most countries. Some also calculate the opportunity cost, while others use various methods and wage concepts; hence results are hardly comparable (Schmid et al. 1999). Some studies consider various wage concepts and illustrate differences in the results. For instance, both methods—the specialist and the generalist approach—are applied to value unpaid work (e.g., Franz, 1996). See also Landefeld and McCulla (2000).



5.32 Although theoretically desirable for some purposes, the opportunity cost approach is not often used. It makes considerable statistical demands, and it also has the unfortunate property that the value of a given activity—an hour of housecleaning, for example—is dependent on the earning potential of the one performing it—i.e., the cleaning performed by an investment banker is more valuable than that performed by a file clerk.

5.33 The recommended procedure for the NPI satellite account is, therefore, a form of the replacement cost approach that ideally uses as the shadow wage for volunteers the average gross wage for the occupational activities in which the volunteers are involved, taking account of known large discrepancies in the skill levels of paid employees and volunteers. Since that requires more detail on the activities in which volunteers engage than is likely to be available in most countries, however, the *Handbook* recommends a fall-back approach that assigns to volunteer hours the average gross wage for the community, welfare and social service occupation category. The logic of that approach is that the work of volunteers is more likely to resemble that occupational category, and the wage rate for that category is typically toward the low end of the income scale but not at the very bottom. That conservative estimate of the value of volunteer labour seems appropriate given the current availability of data on the work actually performed by volunteers.

#### (ii) Capturing international flows of philanthropy

5.34 In the NPI satellite account, international flows of philanthropy are to be found in the SNA item D.7 (Other current transfers) and D.9 (Capital transfers). The satellite account asks for additional detail—by both donors and recipients—on private transfers, government grants and transfers, and transfers to which non-residents are party.

5.35 International transfers to which an NPI is a party are in principle captured in the compilation of the balance of payments accounts, which in turn form the external accounts of the 1993 SNA. Thus, likely sources of information on international philanthropy are a country's balance of payments accounts and the databases that are used in their compilation, such as special balance of payments surveys on other private transfers and counter-party data. If NPI coverage in those databases is lacking, then steps to improve it will be beneficial to balance of payments statistics as well as to the NPI satellite account.

5.36 Although in theory those flows are captured in the balance of payments compilations, in practice there may be some gaps in coverage. The IMF *Balance of Payments Yearbook* for 1997 reported a global discrepancy on current transfers of \$46 billion in excess payments and a global discrepancy of \$20 billion in excess receipts in the sum of both current and capital transfers (IMF and OECD, 1998). In an effort to improve matters, IMF conducted, with some success, an exploratory effort on using OECD Development Assistance Committee (DAC) statistics on grants disbursements to improve the estimates of current and capital transfers (IMF and OECD, 1998).

5.37 DAC statistics are collected annually from its members—22 donor countries and the European Commission. The data cover loans and grants, other official flows, private market

transactions and assistance from non-governmental organizations.<sup>3</sup> A study of cross-border philanthropy in four countries by Anheier and List (1999/2000) used data from NPI reports, other sources on giving, and in some cases data underlying countries' DAC submissions.

5.38 Identifying NPIs that are likely to be involved in international philanthropic transfers as either donors or recipients can improve the coverage of such transactions in the balance of payments as well as providing information on such activity for the NPI satellite account. Therefore, special efforts should be made to track and take account of:

- Local branches of foreign NPIs.
- Local organizations that are likely to receive international grants.
- Non-resident NPIs registered to receive donations in the country.<sup>4</sup>
- NPIs classified in ICNPO group 9 (International).

5.39 For example, in the United States, a large private database of grantmakers and grants has been used to update the sampling frame for the balance of payments data collection on other private transfers and to assess the accuracy of data capture in those surveys.

### (iii) Capturing small and/or informal NPIs

5.40 Many NPIs have little or no paid employment, and they are often not formally registered, both of which characteristics make it likely that they will fall between the cracks of routine data-collection efforts. General purpose economic censuses and surveys frequently exclude establishments below a certain size, and the lack of registration means that those entities are not covered by administrative records.

5.41 The various efforts to provide data on the informal sector may not be of much assistance here. Those labour force surveys, mixed household and enterprise surveys and other vehicles are described in Hussmanns and Mehran, 1999 and Verma, 1999. The unincorporated businesses covered are not institutional units since they lack accounts separate from those of their households. Moreover, the point of their economic activity is distinctly commercial in nature and designed to provide a living for the household.

5.42 A promising source of information on volunteer labour in informal organizations is the time-use survey. Indeed, ICATUS has a major group 6 (Community services and help to other households) that contains several categories of volunteering and participation in meetings of associations and other organizations. Such data can only give estimates of all voluntary work, not time donated to small and/or informal organizations. Combined with direct reports on

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<sup>3</sup> Some of the flows recorded as coming from private voluntary organizations may in fact be government grants that are passed through those organizations; although it would be desirable to track such arrangements, it may not be practical to do so.

<sup>4</sup> This phenomenon may not be common, but it is real. Until recently, for example, tabulations of NPI information returns filed with the United States Internal Revenue Service have included those of foreign foundations and other charities that are organized abroad but that receive certain degrees of support from United States citizens or corporations (such organizations may or may not choose to distribute grants within the United States). In 1999, those "international" organizations filed 1,122 of the 675,940 information returns filed by tax-exempt organizations. See United States Internal Revenue Service, "Number of returns filed, by state, fiscal year 1999," in *1999 IRS Data Book*. Publication No. 55B, which is available as item 99DB04NR.XLS at <http://www.irs.ustreas.gov/taxstats/article/0,,id=97176,00.html>.

volunteers from organizational surveys, however, such information may permit that component of the sector to be covered.<sup>5</sup>

5.43 Details of the Belgian experience with a pilot study of “associations sans but lucratif”, which included non-employers as well as those with paid employees, proved the feasibility of collecting data on small organizations, including those with no employment, even though only registered NPIs are covered.<sup>6</sup> On the other hand, response rates are often low in surveys of NPIs with few paid employees, so additional and/or more extensive surveys may not yield substantial improvements in data.<sup>7</sup>

5.44 In its most recent work in Africa and Asia, the Johns Hopkins CNP Project recommended a strategy for developing a picture of informal NPIs that utilizes a snowball survey technique with geographic areas as initial units of observation. That approach requires that a country can be divided into a number of more or less identifiable types of regions so that a cross-section of such regions can be drawn.

5.45 More particularly, in South Africa, the Johns Hopkins CNP Project research team used the following approach to develop its sampling frame:

- The team made use of a market research company’s geographical information system that identified 10 different types of neighbourhoods in the country sharing similar socio-economic characteristics (e.g., income level, employment, population mobility or settlement type). A total of 4,251 neighbourhoods were identified using that system, each of them allocated to one of the 10 types.
- The research team then selected a sample of 40 of those neighbourhoods, using a stratified random sampling approach. In particular, from two to seven neighbourhoods were selected from each of the 10 types of neighborhoods identified in the sample frame.

5.46 A snowball technique was then used to develop a listing of all non-profit organizations in those 40 neighbourhoods, which entailed the following steps:

- Compilation of an initial listing of non-profit agencies in the target areas with the aid of official registries, directories and contacts with knowledgeable individuals working in the neighborhoods.
- Systematic survey of all identified organizations, seeking information about the organization’s own parameters and also about any other organizations in the same neighborhood doing similar work.
- Addition of the new organizations to the list of respondents.
- Systematic survey of the added organizations to determine their own parameters and names of additional organizations in the neighborhood doing similar work.
- Repeat of the above process until no more agencies are detected.

5.47 The technique identified 1,395 organizations in the sample neighbourhoods, which were subsequently divided into two groups: those based and active in the given neighborhood (755 entities) and those active in that neighborhood but based elsewhere (690 entities). Only the

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<sup>5</sup> See country test reports at <http://www.jhu.edu/~gnisp/testgroup.html>, report of Australia.

<sup>6</sup> Ibid., report of Belgium, especially appendix 4.

<sup>7</sup> Ibid., report of Sweden.

“active and based” organizations were surveyed in detail. Organizations active in the neighborhood but based elsewhere were excluded to avoid the possibility of double-counting when the sample was extrapolated to the full population.

5.48 The results from the sample of 755 active and based entities were then used to extrapolate from the sample to the full population of agencies, using the known relationship between the 40 surveyed neighborhoods and the population of all 4,251 known neighbourhoods. Obviously, the larger the number of surveyed neighbourhoods, the more reliable the estimates.

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## CHAPTER 6

# Measuring NPI output

### A. Introduction

6.1 Important as the summary measures of the value of non-profit output developed in previous chapters might be, they are only an approximation for what is ultimately of interest: the actual impact or effect that those organizations have. Ideally, we want to know what non-profit organizations contribute to the health, education, welfare, sense of satisfaction and general well-being of the population. The output measures for NPIs suggested in the present chapter are an initial step towards that ideal.

6.2 For market producers, the prices that people are willing to pay for the products of various industries provide a reasonable indication of the value that they derive from the goods or services they acquire, though even here important distortions can arise because of inflationary effects that can boost the price of goods or services artificially without any change in either quantity or quality. For non-market producers, such as many non-profit institutions, however, the task of assessing the value of the outputs is even harder. Here, prices are generally not available to provide a clue to value.

6.3 To measure the contribution of the non-profit sector, therefore, more direct measures of outputs are desirable. Such measures can take the form of physical measures that relate not to the value but the actual quantity of the goods and services that those organizations produce, and to the share of the total quantity of such goods and services in an economy accounted for by those producers. Such physical output measures provide important information in situations where prices are either absent or inefficient in representing the value of production.

6.4 Developing such physical output measures is far from simple, however. For one thing, it must be done on a field-by-field basis since outputs vary so widely among fields. In addition, the output of most fields can be measured in many different ways. For example, the output of a symphony can be measured in terms of number of performances, number of attendees, age or other characteristics of attendees or level of satisfaction of attendees.

6.5 A decade ago, Zvi Griliches observed that “in many service sectors it is not exactly clear what is being transacted, what is the output, and what services correspond to the payments made to their providers” (Griliches, 1992). Such difficulties are particularly severe precisely in those fields where non-profit organizations predominate, such as humanitarian assistance, advocacy and religion. But it also concerns such fields as education, research and development, health and recreation, where NPIs operate next to market producers and government entities.

6.6 To deal with those difficulties, the *Handbook* utilizes an approach that is consistent with the one articulated recently by Baily and Zitzewitz, (2001), which states that “In selecting output measures the goal has been to find metrics that are intuitive and understandable to non-economists...and that at least are acceptable to economists. Where possible, we have had a

strong preference for physical output measures in goods-producing sectors...And we have used similar tangible output measures for services”.

6.7 More specifically, the authors of the *Handbook* searched for output measures that represent flows of services attributable to activities under the control of NPIs and other producing units; in addition, they sought measures that can be defined in sufficient detail to capture quality differences in the bundle of services provided.<sup>1</sup> The indicators chosen are observable at the level of the individual organization, and they can be collected for non-profit, for-profit and government producers engaged in the same activity.

6.8 Fortunately, some significant work has recently been done to identify such output measures in many of the industries in which non-profit organizations are active. Much of that work has been done within the framework of national accounts, including work on the specification of outputs and prices in selected industries.<sup>2</sup> Another body of literature concerns performance measurement and accountability in both the public sector and the non-profit sector.<sup>3</sup> Finally, other indicators were developed as part of the Johns Hopkins Comparative Non-Profit Sector Project. All three bodies of work are referred to below in an attempt to identify an initial set of indicators that could be used to specify the output of NPIs as part of the satellite account system. The *Handbook* also suggests other sources of potential indicators that its authors have not yet explored.

6.9 This is still a relatively new field of inquiry, which primarily reflects the experience of developed countries. Therefore, the *Handbook* treats the list provided below as suggestive and tentative at this stage, and invites its users to suggest revisions, as appropriate, and to add other indicators as necessary. Because the outputs of NPIs are so complex, the lists of indicators suggested should not be presumed to represent the full range of output. In the text tables set out below, the recommended minimum set of indicators is shown in italics.

6.10 It should also be noted that although there has been experimental work in using such indicators to measure the volume of non-market output, the *Handbook* does not recommend departing for the time being from the methods for computing constant-price measures described in the 1993 SNA.

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<sup>1</sup> For example, theatre tickets differ with respect to location, time of performance etc.; membership organizations may have several classes of memberships with different privileges; in the case of libraries, museums, zoos etc., the breadth and depth of collections may be quality indicators.

<sup>2</sup> See work reported in Triplett and Bosworth (2000), as well as a number of recent papers presented at annual OECD national accounts meetings.

<sup>3</sup> See OECD (1999a and b). An earlier example is the large-scale effort to measure productivity in the production of public-sector goods and services in Sweden reported in Murray (1992). Performance measurement for non-profit institutions is treated in Morley, Vinson and Hatry (2001) and Morley, Bryant and Hatry (2001); the latter also includes public sector performance measurement.

## B. Physical indicators for specific fields

### Group 1

#### Culture and recreation

6.11 The ICNPO group Culture and recreation is extremely diverse, covering everything from the high culture of opera and art museums through amateur sports to social clubs. The indicators of choice, therefore, vary by subfield.

<b>Group 1. Culture and recreation</b>			
<b>Field</b>	<b>Subfield</b>	<b>Target measure</b>	<b>Source</b>
<i>1 100 Culture and arts</i>	<i>General</i>	<ul style="list-style-type: none"> <li>• <i>Number of tickets [by type]</i></li> </ul>	<i>Eurostat (2001)</i>
	Performing arts	<ul style="list-style-type: none"> <li>• Number of attendees</li> </ul>	Johns Hopkins CNP Project (1997-1999)
	Museums	<ul style="list-style-type: none"> <li>• Number of visitors</li> <li>• Number of items in the collection</li> </ul>	Johns Hopkins CNP Project (1997-1999) Anheier and Toepler (1998)
	Zoos and aquariums	<ul style="list-style-type: none"> <li>• Attendance</li> <li>• Number of specimens</li> <li>• Number of species</li> </ul>	Cain and Merritt (1998)
	<i>Libraries</i>	<ul style="list-style-type: none"> <li>• <i>Circulation</i></li> <li>• Usage</li> <li>• <i>Collections by type</i></li> <li>• Number of volumes in libraries</li> <li>• Collections by type</li> <li>• <i>Number of users/visits</i></li> <li>• Number of visitors</li> <li>• Users</li> <li>• Service points</li> <li>• Acquisitions</li> <li>• Employment by level of training</li> </ul>	<i>Eurostat (2001)</i> UNESCO (1999) <i>Eurostat (2001)</i> Johns Hopkins CNP Project (1997-1999) UNESCO (1999) <i>Eurostat (2001)</i> Niemi (1998) UNESCO (1999) UNESCO (1999) UNESCO (1999) UNESCO (1999)
	Newspapers	<ul style="list-style-type: none"> <li>• Number and circulation</li> </ul>	UNESCO (1999)
	Book production	<ul style="list-style-type: none"> <li>• Book production</li> </ul>	UNESCO (1999)
	<i>1 200 Sports</i>	<i>Sports clubs</i>	<ul style="list-style-type: none"> <li>• <i>Number of members</i></li> </ul>
<i>1 300 Other recreation and social clubs</i>	<i>Other recreation and social clubs</i>	<ul style="list-style-type: none"> <li>• <i>Number of memberships [by type]</i></li> </ul>	<i>Eurostat (2001)</i>

6.12 A number of indicators have been developed for cultural activities. For performing arts, museums etc., a useful indicator of output for performances and exhibits is ticket sales by type of ticket (Eurostat, 2001; Johns Hopkins CNP Project, 1997-1999). Other activities of museums and of zoos and aquariums include the maintenance and conservation of collections, preservation of species etc.; number of items in the collection, by type, is an indicator of such activity (Anheier and Toepler, 1998; Cain and Merritt, 1998). For libraries, useful indicators are circulation, numbers of volumes in the collection (by type) and patronage. The United Nations Educational, Scientific and Cultural Organization (UNESCO) also publishes indicators for a number of dimensions of cultural activity.



6.13 For sports and social clubs, the suggested indicators are numbers of members; since output is measured by administrative expenses, an increase in the membership over which those costs are spread would be recorded as an increase in productivity. Detail should be provided by type of membership in order to account for different sets of services provided at each level of membership.

## Group 2

### Education and research

6.14 Conceptually, the output of education should be the quantity of teaching received, quality-adjusted, by level of education,<sup>4</sup> (Eurostat, 2001) which can be approximated by pupil hours, by level, with number of pupils moving up as a quality adjustment. In addition, UNESCO has an extensive set of education indicators, classified by ISCED and with detail by gender.

6.15 A study of the education industry in the Netherlands experimented with a number of indicators in an effort to improve on existing indices based on a cost-weighted sum of inputs (Konijn and Kleima, 2000). Although it is recognized that in principle the output of education should be defined as “the amount of knowledge transferred”, in practice such indicators as numbers of pupils or numbers of graduated pupils are used to calculate volume indices by level of education; those indices are combined into a composite index weighted by cost shares. The specification using number of pupils, number of graduates and number of pupils moving up seems to give the best result.

6.16 For research, indicators frequently cited include number of patents, number of publications, number of citations and number of research and development personnel (Eurostat, 2001; Powell and Owen-Smith, 1998; OECD, 1994). OECD compiles extensive statistics on research and development based on the Frascati Manual, the OECD manual for the measurement of resources devoted to research and experimental development (OECD, 1994).

## Group 3

### Health

6.17 Health care shares with other service industries the basic conceptual difficulties of price and volume measurement, reflecting such fundamental problems as the definition of output, the appropriate choice of the unit of output to be measured and the monitoring of quality changes. Problems exist for both market and non-market production—for example, use of input price indicators as proxies for output, use of crude output indicators (physician’s visits, bed days) and inadequate capture of technological and therapeutical advances.

6.18 The approach recommended by OECD (OECD, 2000b, chap. 6) is to use as the unit of output the bundle of services that constitutes the treatment of an episode of illness.<sup>5</sup> Such

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<sup>4</sup> Peter Hill’s definition is similar: “...additional skill or knowledge imparted in a pupil directly as a result of the instruction provided by a teacher” (see Hill, 1977). He also notes that pupils provide some input to the production process.

<sup>5</sup> Obviously, the ability to use the technique depends on the availability of case-based reporting systems linking patient data with cost estimates. Such systems should include information on the nature of the patient’s disease or impairment; the severity of cases; the patient’s age and gender; the commonly performed interventions, resources

<b>Group 2. Education and research</b>			
<b>Field</b>	<b>Subfield</b>	<b>Target measure</b>	<b>Source</b>
2 100 <i>Primary and secondary education</i>	<i>General</i>	<ul style="list-style-type: none"> <li>• <i>Pupil hours, [by percentage moving up]</i></li> <li>• Number of pupils, [number of graduates, number of pupils moving up]</li> <li>• Full-time-equivalent enrollment</li> <li>• Enrollment</li> </ul>	<i>Eurostat (2001)</i> Konijn and Kleima (2000); Hadar et al. (1998) Australian Bureau of Statistics (1999) Johns Hopkins CNP Project (1997-1999)
	<i>Primary</i>	<ul style="list-style-type: none"> <li>• Pupils enrolled by grade and gender</li> <li>• Pupils enrolled by age and gender</li> <li>• Repeaters by grade and gender</li> <li>• New entrants by gender</li> </ul>	UNESCO (1999)
	<i>Secondary</i>	<ul style="list-style-type: none"> <li>• Pupils enrolled by programme orientation and gender</li> <li>• Pupils enrolled by grade (General education)</li> <li>• Pupils enrolled by age and gender</li> <li>• Repeaters by grade and gender (General education)</li> </ul>	UNESCO (1999)
2 200 <i>Higher education</i>	<i>General</i>	<ul style="list-style-type: none"> <li>• <i>Student-hours, [by percentage moving up]</i></li> <li>• Number of degrees awarded</li> <li>• Number of students, by grade and course</li> <li>• Number of graduates, by course</li> <li>• Enrollment</li> <li>• Number of postgraduate degrees awarded</li> <li>• Number of graduates</li> <li>• Students enrolled by gender</li> <li>• Students enrolled by ISCED level</li> <li>• Students enrolled by field of study</li> <li>• Graduates by gender</li> <li>• Graduates by ISCED level</li> </ul>	<i>Eurostat (2001)</i> Niemi (1998) Australian Bureau of Statistics (1998) Hadar et al. (1998) Johns Hopkins CNP Project (1997-1999) Johns Hopkins CNP Project (1997-1999) Konijn and Kleima (2000) UNESCO (1999)
2 300 <i>Other education</i>	<i>General</i>	<ul style="list-style-type: none"> <li>• <i>Number of graduates</i></li> </ul>	<i>Konijn and Kleima (2000)</i>
	<i>Vocational</i>	<ul style="list-style-type: none"> <li>• Number of course hours</li> </ul>	Australian Bureau of Statistics (1999)
2 400 <i>Research</i>	<i>General</i>	<ul style="list-style-type: none"> <li>• <i>Number of citations, number of publications</i></li> <li>• <i>Number of patents applied for/issued</i></li> </ul>	<i>Powell and Owen-Smith (1998)</i> <i>Eurostat (2001)</i> <i>OECD (1994 and 2000a), Eurostat (2001)</i>

and technology used; and the help needed for the activities of daily living (ADL-type categorization) (OECD, 2000b, paras. 6.15 and 6.20).

Diagnosis-related groups have been used as indicators of non-market output of hospital in-patient care, although there are problems posed by changes in case mix and shifts in the treatment of particular types of treatment from one provider industry to another. OECD recommends such a cost-weighted case mix approach for hospitals, providers of nursing and residential care, providers of ambulatory health care, and provision and administration of public health programmes.

<b>Group 3. Health</b>			
<b>Field</b>	<b>Subfield</b>	<b>Target measure</b>	<b>Source</b>
3 100 <i>Hospitals and rehabilitation</i>	<i>General</i>	<ul style="list-style-type: none"> <li>• Number of complete treatments (diagnosis-related groups (DRGs))</li> <li>• Number of patient separations by DRG</li> <li>• Number of in-patients</li> <li>• Patient days</li> </ul>	<i>Eurostat (2001)</i>  OECD (2000b) Australian Bureau of Statistics (1998) Collesi (1999) Johns Hopkins CNP Project (1997-1999) Hadar et al. (1998)
3 200 <i>Nursing homes</i>	<i>General</i>	<ul style="list-style-type: none"> <li>• Occupant days [by level of care]</li> <li>• Bed days</li> </ul>	<i>Eurostat (2001)</i>  Australian Bureau of Statistics (OECD, 1999a)
	<i>Elderly</i>	<ul style="list-style-type: none"> <li>• Residents in nursing homes for the frail elderly<sup>6</sup></li> </ul>	Johns Hopkins CNP Project (1997-1999)
	<i>Disabled</i>	<ul style="list-style-type: none"> <li>• Day care places for the handicapped (disabled)</li> </ul>	Johns Hopkins CNP Project (1997-1999)
3 300 <i>Mental health and crisis intervention</i>	<i>General</i>	<ul style="list-style-type: none"> <li>• Patient days</li> </ul>	<i>Australian Bureau of Statistics (1998)</i>
3 400 <i>Other health services</i>	<i>General</i>	<ul style="list-style-type: none"> <li>• Medical practice—number of consultations by type of treatment</li> <li>• Medical specialists—number of initial visits</li> </ul>	<i>Eurostat (2001)</i>
	<i>Dental services</i>	<ul style="list-style-type: none"> <li>• Dental practice—number of consultations</li> </ul>	<i>Eurostat (2001)</i>
	<i>Outpatient services</i>	<ul style="list-style-type: none"> <li>• Number of vaccinations</li> </ul>	OECD
	<i>Ophthalmic services</i>	<ul style="list-style-type: none"> <li>• Number of eye tests given</li> </ul>	Baxter (2000)
	<i>Pharmaceutical services</i>	<ul style="list-style-type: none"> <li>• Number of prescriptions dispensed</li> </ul>	Baxter (2000)
	<i>Emergency medical services</i>	<ul style="list-style-type: none"> <li>• Number of ambulance call-outs</li> </ul>	Australian Bureau of Statistics (1999)
	<i>Public health services</i>	<ul style="list-style-type: none"> <li>• Litres of blood collected</li> </ul>	Johns Hopkins CNP Project (1997-1999)

6.19 That approach to the measurement of health-care pricing and output has been used by statistical agencies in a number of countries, including the Australian Bureau of Statistics (1997,

<sup>6</sup> A recent study concluded that a diagnosis of frailty requires at least three of the following symptoms: unintentional weight loss of at least 10 pounds in a year; weakness (grip strength); self-reported exhaustion; slow walking speed; and low physical activity level. See Fried et al. (2001)

1998, 1999 and 2000) and Statistics New Zealand (1998), and in work reported in Triplett and Bosworth (2000).<sup>7</sup>

## Group 4

### Social services

6.20 Social services cover a broad range of activities, including such ongoing services as adult and child day care, residential and non-residential services for the handicapped, and community-based social services. Recognizing that the package of services actually delivered to the consumer of social care is often as complex as the package of medical services in a diagnosis-related group, the Personal Social Services Research Unit at the University of Kent at Canterbury has defined some standard service packages and estimated unit costs for them (Netten and Curtis 2000). Those outputs include allowances for type of case, health problems and functional

Group 4. Social services			
Field	Subfield	Target measure	Source
4 100 Social services	General	<ul style="list-style-type: none"> <li>Occupant-days by type of institution, quality adjusted</li> <li>Number of persons receiving care, by level of care</li> </ul>	Eurostat (2001) Eurostat (2001)
	Residential care for elderly	<ul style="list-style-type: none"> <li>Number of permanent resident-weeks, number of short-term resident-weeks</li> <li>Residents in residential care facilities for the elderly other than nursing homes</li> <li>Hours of elder-care provided</li> <li>Elderly day care: number of sessions (morning, afternoon, evening)</li> </ul>	Netten and Curtis (2000) Johns Hopkins CNP Project (1997-1999) Murray (1992) Netten and Curtis (2000)
	Child day care	<ul style="list-style-type: none"> <li>Number of sessions (morning, afternoon, evening)</li> <li>Number of hours of child care, by age. [Staff-child ratios, by age and staff-class-hours indices of number of children as indicators of quality]</li> <li>Number of preschool children in day care</li> </ul>	Netten and Curtis (2000) Mukerjee and Witte (1992) Johns Hopkins CNP Project (1997-1999)
	Residential care for juveniles	<ul style="list-style-type: none"> <li>Resident weeks</li> <li>Residents in residential care facilities for juveniles</li> </ul>	Netten and Curtis (2000) Johns Hopkins CNP Project (1997-1999)
4 200 Emergency and relief	General	<ul style="list-style-type: none"> <li>Number (and percentage) of clients placed in a shelter</li> <li>Number (and percentage) of clients reducing the number of nights spent on the street by 50 per cent</li> </ul>	Morley, Vinson and Hatry (2001)
4 300 Income support and maintenance	General	<ul style="list-style-type: none"> <li>Number of recipients of benefits</li> </ul>	Murray (1992)

<sup>7</sup> In addition, there is evidence from empirical studies of hospitals that private NPIs differ in objective function and pricing behaviour both from for-profit firms and from government-controlled producers (Dugan, 2000; Eldenberg et al., 2001; Mukerjee and Witte, 1992; Mocan and Tekin, 2000).

abilities, as well as other patient and treatment characteristics found to be associated with similar levels of resource requirements.

6.21 There also has been work on developing quality standards for accreditation, and there has been considerable interest in performance evaluation as governments, other funders and constituents have sought measures of results and service quality from service providers. It is often difficult to avoid combining outcomes with outputs, and indeed it has been argued that both qualitative and quantitative measures are needed for a fair evaluation of complex programmes, such as a school-based integrated health and human services program (Lee, 1999). Morley, Vinson and Hatry (2001) present a number of case studies that measure client condition after service provision or client satisfaction with services provided.

6.22 In a study of child day-care that focused on quality adjustment and explicitly compared non-profit and for-profit providers, Mukerjee and Witte (1992) used number of hours of child care, by age level, as an output measure; quality indicators included (a) staff-child ratios, by age of child, and (b) the ratio of number of staff class hours to an age-weighted index of numbers of children. The latter captures actual contact time and recognizes that the time requirements decrease with the child's age.

## Group 5 Environment

6.23 This ICNPO group covers a diverse group of organizational missions. For many of those organizations, memberships, stratified by type, are the recommended indicator, since the organizations provide advocacy for environmental causes and give voice to environmental concerns. For others, indicators of environmental elements protected or resources conserved are also appropriate.

<b>Group 5. Environment</b>			
<b>Field</b>	<b>Subfield</b>	<b>Target measure</b>	<b>Source</b>
5 100 <i>Environment</i>	<i>General</i>	<ul style="list-style-type: none"> <li>• <i>Number of members in environmental, ecological associations</i></li> <li>• Number of kilograms of material recovered and recycled</li> <li>• Areas under protection in square km, typically parkland, preservation areas, refuges etc.</li> </ul>	<i>Johns Hopkins CNP Project (1997-1999)</i> <i>Eurostat (2001)</i> Morley, Vinson and Hatry (2001) Johns Hopkins CNP Project (1997-1999)
	Arboreta	<ul style="list-style-type: none"> <li>• Number of specimens and number of species</li> </ul>	Based on Cain and Merritt (1998)
5 200 <i>Animal protection</i>	<i>General</i>	<ul style="list-style-type: none"> <li>• <i>Number of members in animal rights associations</i></li> </ul>	<i>Johns Hopkins CNP Project (1997-1999)</i> <i>Eurostat (2001)</i>
	Wildlife refuges	<ul style="list-style-type: none"> <li>• Number of specimens and number of species</li> </ul>	Based on Cain and Merritt (1998)

## Group 6

### Development and housing

6.24 This ICNPO group contains organizations promoting economic and social development; housing associations and organizations providing housing assistance; and job training programmes and organizations providing vocational guidance, vocational rehabilitation and sheltered workshops. For those that are membership organizations, memberships by type are an appropriate output indicator.

6.25 For those that provide services to clients, process indicators—number of clients, number of loans etc.—with some quality-related detail are recommended.

<b>Group 6. Development and housing</b>			
<b>Field</b>	<b>Subfield</b>	<b>Target measure</b>	<b>Source</b>
6 100 <i>Economic, social and community development</i>	<i>General</i>	<ul style="list-style-type: none"> <li>• <i>Number of members in community organizations, by type</i></li> <li>• <i>Number and amount of credit for microenterprises</i></li> <li>• <i>Kilometers of road or units of other physical infrastructure constructed</i></li> </ul>	<i>Eurostat (2001)</i>  <i>Johns Hopkins CNP Project (1997-1999)</i> <i>Murray (1992)</i>
6 200 <i>Housing</i>	<i>General</i>	<ul style="list-style-type: none"> <li>• <i>Number of dwelling units constructed or rehabilitated</i></li> <li>• <i>Number of occupants</i></li> </ul>	<i>Johns Hopkins CNP Project (1997-1999)</i> <i>Murray (1992)</i> <i>Johns Hopkins CNP Project (1997-1999)</i>
6 300 <i>Employment and training</i>	<i>General</i>	<ul style="list-style-type: none"> <li>• <i>Number of job applicants processed</i></li> </ul>	<i>Murray (1992)</i>
	<i>Job training</i>	<ul style="list-style-type: none"> <li>• <i>Hours of attendance at job training</i></li> <li>• <i>Trainees in adult training programmes and continuing education programmes</i></li> <li>• <i>Numbers of clients placed in competitive jobs in the community</i></li> </ul>	<i>Murray (1992)</i>  <i>Johns Hopkins CNP Project (1997-1999)</i>  <i>Morley, Vinson and Hatry (2001)</i>
	<i>Sheltered workshops</i>	<ul style="list-style-type: none"> <li>• <i>Client hours worked</i></li> <li>• <i>Number of clients stabilized with minimal support in the workplace</i></li> </ul>	<i>Netten and Curtis (2000)</i> <i>Morley, Vinson and Hatry (2001)</i>

## Group 7

### Law, advocacy and politics

6.26 The activities covered in this ICNPO group are varied and include both service-providing and member-serving NPIs. Indicators for the latter, which include most of both political parties and civic and advocacy organizations, are number of memberships, adjusted for differences in the set of services associated with different classes of memberships.

6.27 The service-providing NPIs are primarily in the subgroup Law and legal services, and include providers of legal services, rehabilitation services to offenders, victim support and consumer protection services. The suggested indicators are process measures, with detail by type of case or offender as a measure of difficulty or resource use.

<b>Group 7. Law, advocacy and politics</b>			
<b>Field</b>	<b>Subfield</b>	<b>Target measure</b>	<b>Source</b>
7 100 <i>Civic and advocacy organizations</i>	<i>General</i>	<ul style="list-style-type: none"> <li>• <i>Number of members</i></li> </ul>	<i>Johns Hopkins CNP Project (1997-1999)</i> <i>Eurostat (2001)</i>
7 200 <i>Law and legal services</i>	Legal services	<ul style="list-style-type: none"> <li>• Number of pro bono legal clients served, by type of case</li> </ul>	Based on Baxter (2000)
	Rehabilitation	<ul style="list-style-type: none"> <li>• Number of offenders in rehabilitation programmes, by type of crime</li> </ul>	Based on Baxter (2000)
7 300 <i>Political organizations</i>	<i>General</i>	<ul style="list-style-type: none"> <li>• <i>Number of memberships by type</i></li> </ul>	<i>Johns Hopkins CNP Project (1997-1999)</i> <i>Eurostat (2001)</i>

## Group 8

### Philanthropic intermediaries and voluntarism promotion

6.28 Anheier and Toepler, 1998, and Anheier, 2000, describe the activities of foundations as akin to financial intermediation, albeit accompanied by enabling innovation, taking social risks, and facilitating social change and pluralism. Therefore, financial intermediation services can provide a model for output measures relevant to the organizations in this ICNPO group.

<b>Group 8. Philanthropic intermediaries and voluntarism promotion</b>			
<b>Field</b>	<b>Subfield</b>	<b>Target measure</b>	<b>Source</b>
8 100 <i>Grant-making foundations</i>	<i>General</i>	<ul style="list-style-type: none"> <li>• <i>Number of grants made</i></li> <li>• Number of proposals processed</li> </ul>	<i>Based on Moulton and Seskin (1999) and Murray (1992)</i> Based on Moulton and Seskin (1999) and Murray (1992)
8 200 <i>Other philanthropic intermediaries and voluntarism promotion</i>	<i>General</i>	<ul style="list-style-type: none"> <li>• <i>Number of volunteers recruited/trained /placed</i></li> <li>• Number of pledges received</li> <li>• Number of contributors</li> </ul>	<i>Based on Moulton and Seskin (1999) and Murray (1992)</i> Based on Moulton and Seskin (1999) and Murray (1992) Based on Moulton and Seskin (1999) and Murray (1992)

6.29 Recent work on measuring the output of banking services has focused on the processes, measuring output volume by a various indices of bank activity—transactions (checks cleared, ATM transactions, electronic funds transfers), loans outstanding by type (Moulton and Seskin, 1999). The work on output of government departments reported in Murray (1992) also used

process indicators in a number of instances. The suggested indicators given below also are process indicators, by analogy.

6.30 The Independent Sector measures project is a potential source of indicators as yet unexplored.

## Group 9 International

6.31 Included in this ICNPO group are exchange/friendship/cultural programmes, development assistance associations, international disaster and relief organizations, and international human rights and peace organizations.

6.32 The indicators below are similarly varied, and are intended to be suggestive of the kinds of measures that might be used.

<b>Group 9. International</b>			
<b>Field</b>	<b>Subfield</b>	<b>Target measure</b>	<b>Source</b>
9 100 International activities	Exchange programmes	<ul style="list-style-type: none"> <li>Number of exchange students placed</li> </ul>	Johns Hopkins CNP Project (1997-1999)
	Disaster and relief organizations	<ul style="list-style-type: none"> <li>Volume of food aid delivered internationally</li> <li>Volume of medical supplies and emergency supplies delivered</li> </ul>	Johns Hopkins CNP Project (1997-1999)
	Human rights	<ul style="list-style-type: none"> <li>Number of cases of violations investigated</li> </ul>	Johns Hopkins CNP Project (1997-1999)

## Group 10 Religion

6.33 This ICNPO group is concerned with the worship activities of religious organizations. The recommended indicator is membership, although counts of religious rites and rituals may also be available. For example, in a study of potential efficiency gains from reallocating priests among Catholic parishes in the United States, Zaleski and Zech (1997) use the sum of five sacraments as a rough proxy for the sacramental activities of a diocese.<sup>8</sup>

<b>Group 10. Religion</b>			
<b>Field</b>	<b>Subfield</b>	<b>Target measure</b>	<b>Source</b>
10 100 Religious congregations and associations	General	<ul style="list-style-type: none"> <li>Number of memberships</li> <li>Number of Roman Catholic sacraments performed.</li> </ul>	Johns Hopkins CNP Project (1997-1999) Eurostat (2001) Zaleski and Zech (1999)

<sup>8</sup> Five sacraments were used in the indicator of sacramental activities: baptism, confirmation, first communion, marriage and funerals.



6.34 Both Saxon-Harrold et al. (2001) and Zaleski and Zech (1997) cite as church outputs education and social/human services, in addition to religious/sacramental services. The first two are covered by other ICNPO groups already discussed. However, in looking at NPI providers of health, education and social services, it may be desirable to distinguish religious NPIs from other NPIs, as was done in the study of hospital governance by Eldenburg et al. (2001).

## Group 11

### Business and professional associations, unions

6.35 All of the NPIs in this ICNPO group are membership organizations, and number of memberships is the recommended indicator, with detail by class of membership, if any, to capture the different bundles of services provided for each class of member.

6.36 In those three classes, it is desirable (although probably quite costly) to obtain more refined measures of the services actually provided—dissemination of information; representation before government agencies; public relations; establishment and supervisions of standards of practice (professional associations); conventions and meetings; labour negotiations (business associations, labour unions); etc. Some of those services are similar to those provided to business by for-profit firms, but efforts to specify and price them have not been particularly successful (Triplett and Bosworth, 2000).

<b>Group 11. Business and professional associations, unions</b>			
<b>Field</b>	<b>Subfield</b>	<b>Target measure</b>	<b>Source</b>
11 100 <i>Business associations</i>	<i>General</i>	• <i>Number of memberships by type</i>	<i>Johns Hopkins CNP Project (1997-1999) Eurostat (2001)</i>
11 200 <i>Professional associations</i>	<i>General</i>	• <i>Number of memberships by type</i>	<i>Johns Hopkins CNP Project (1997-1999) Eurostat (2001)</i>
11 300 <i>Labour unions</i>	<i>General</i>	• <i>Number of memberships by type</i>	<i>Johns Hopkins CNP Project (1997-1999) Eurostat (2001)</i>

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