



# The Role of the Not-for-Profit Sector

**AER Committee on**

**“ Social Cohesion, Social Affairs and Public Health ”**

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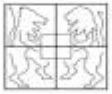
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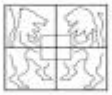
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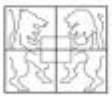
# I Introduction

- Not-for-profit sector – large and heterogeneous collection of organizations.
- Charitable foundations to sports clubs and soup kitchens.
- We know little about them, especially in Europe.
- According to the European Commission it operates “in what amounts, at least in strategic terms, to a policy vacuum”.



# Overview of the Not-for-Profit Sector

- What is the not-for-profit sector?
- How is it financed?
- Why is it Important?



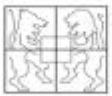
# What is the Not-for-Profit Sector?

- Not households, businesses, persons or the state.
- Private, philanthropic or operate otherwise on a non-commercial basis.
- Johns Hopkins/ UN Statistics: Features include (1) Formality; (2) Private; (3) Non-profit distribution; (4) Self-governing; (5) Voluntary.



# How is it Funded?

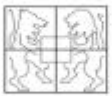
<b>Table 1: Sources of funding of non-profit organizations</b>			
<b>(per cent of total)</b>			
	<u>Developed</u> <u>countries</u>	<u>Developing and</u> <u>Transition countries</u>	<u>All 32 countries</u>
<b>Total Financial Resources</b>			
Fees	<b>45</b>	62	53
Government	<b>48</b>	22	35
Philanthropy	<b>7</b>	<u>16</u>	<u>12</u>
<i>Total</i>	100	100	100
<b>Total Organizational Support</b>			
(including volunteers)			
Fees	<b>34</b>	51	42
Government	<b>37</b>	17	27
Philanthropy	<b>29</b>	<u>32</u>	<u>30</u>
<i>Total *</i>	100	100	100
* Subtotals do not add to 100 due to rounding.			
Source: Johns Hopkins Comparative Nonprofit Sector Project			



# Why is it important?

## (1) It is big.

- Operating expenditures in 37 countries average more than 5% of GDP.
- \$1.6 trillion (2002 US dollars); about the same as UK GDP.
- Paid employment is 4.7% of the workforce in developed countries.
- Volunteers add another 2.7% on a full-time equivalent basis.



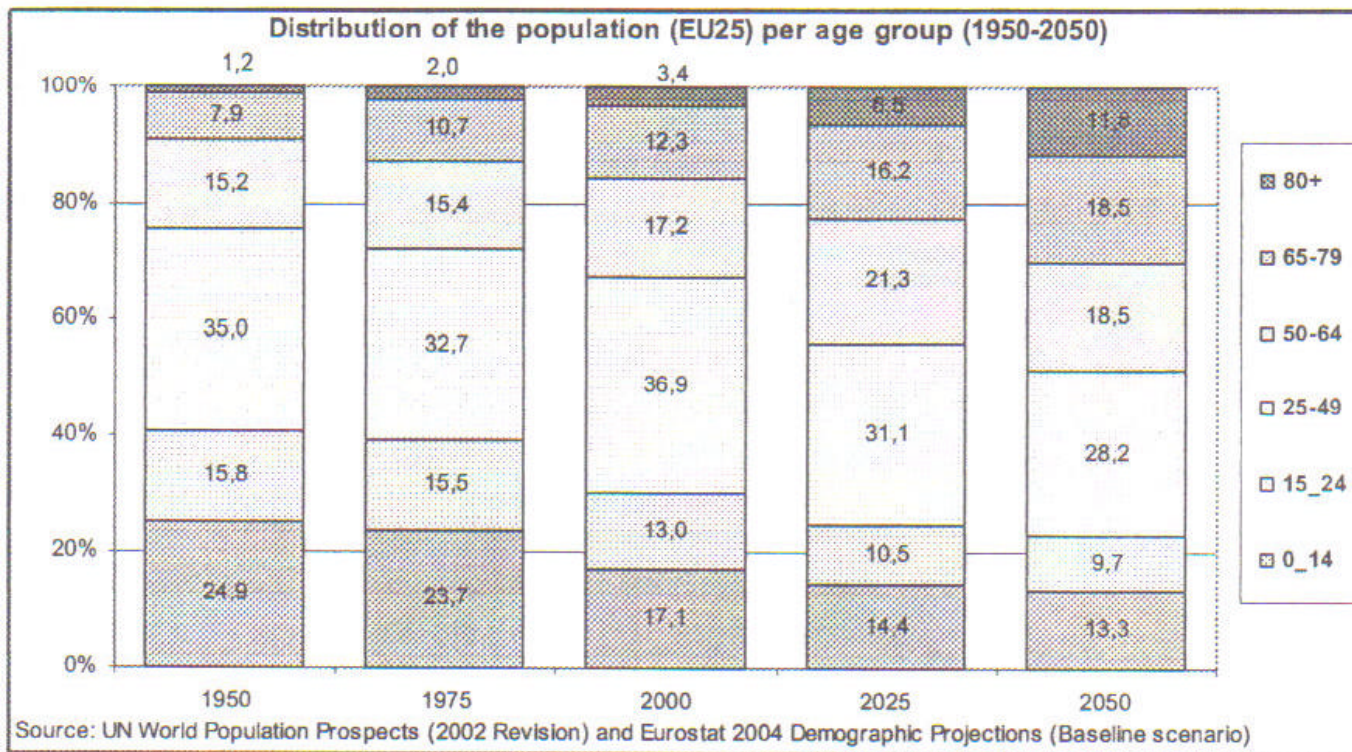
## (2) It fills important gaps between state and market.

- Delivers social services
- Addresses neglected problems
- Performs advocacy role, calls attention to new issues
- Infrastructure for artistic, religious, cultural, recreational, political and humanitarian activities.



# 3) As European ageing proceeds...

GRAPH 4: THE AGEING OF THE EUROPEAN POPULATION



Source: Commission of the European Communities, "Confronting demographic change: a new solidarity between generations" [COM(2005)94 final].





# ...budget pressures may increase these gaps.

- OECD Study
- Without change, pension spending to rise by 6% of GDP in EU by 2050.
- Savings in other areas mixed but many will require political courage.

Table 2: Projected changes in age-related public spending, 2000-2050  
(per cent of GDP)

	Old age pension with existing generosity	Other [1]	Total
Austria	7.6	-5.3	2.3
Belgium	4.7	0.5	5.2
Czech Republic	8.2	-1.3	6.9
Denmark	2.7	3	5.7
Finland	5.2	3.3	8.5
France [2]	7.6	..	..
Germany	6.4	..	..
Hungary	2.9	-1.3	1.6
Italy	10.1	..	..
Netherlands	3.8	6.1	9.9
Poland	7.3	-9.9	-2.6
Spain	8.6	..	..
Sweden	3.9	-0.7	3.2
United Kingdom	1.7	-1.5	0.2
Average of above EU countries	<b>5.8</b>	..	<b>4.1</b>
Average of 21 OECD countries [3]	<b>5.2</b>	..	<b>5.5</b>

[1] Assumed changes in pension generosity; changes in employment performance; medical and long term care costs; education expenses; family allowances.

[2] 2040

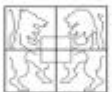
[3] 14 EU countries (above plus Australia, Canada, Japan, Korea New Zealand, Norway, United States)

Source: Dang, Thai Than; P. Antolin; and H. Oxley. "Fiscal Implications of Ageing: Projections of Age-related Spending; OECD Economics Department Working Paper 305, Paris, 2001.



## (4) Mobilizing older volunteers can add to potential output.

- The ageing challenge is not just budgetary.
- It is also to mobilize real resources
- Older retirees have time, skills and competences to contribute if mobilized.



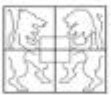
- First priority is to sustain gainful employment of 55+ age group.

**Table 3: Employment rates, 2004**  
(employment as a percentage of population)

	Age Group		
	15-24	25-54	55-64
EU 19 [1]	37.5	76.9	<b>40.4</b>
o/w Germany	41.9	79.5	39.2
France	29.5	79.2	37.1
Italy	27.2	72.1	30.5
Sweden	42.8	82.9	69.5
United Kingdom	60.1	80.7	56.2
United States	53	79	59.9
Japan	40	78.6	63

[1] EU15 plus Poland, Hungary, Czech and Slovak Republics

Source: OECD Employment Outlook, 2005



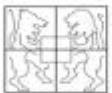
- Potential from volunteering alone is significant.
- Could add as much as 3-5% to the effective active workforce

**Table 4 Potential Impact of Retiree Volunteering on the Effective Active EU Population**

*Paid employment plus volunteers measured in FTEs*  
(millions)

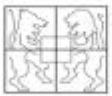
	2000	2025	2050
<u>Case 1: No volunteers over 80.</u>			
No change in volunteering behavior	199	191	161
Widespread volunteering of 1 day per week by 55-79 age group	...	198	168
<i>Impact of higher volunteering (per cent)</i>		<b>3.3</b>	<b>4.1</b>
<u>Case 2: No age limit on volunteers</u>			
No change in volunteering behavior	199	192	162
Widespread volunteering of 1 day per week by 55-79 age group		200	171
<i>Impact of higher volunteering (per cent)</i>		<b>4.1</b>	<b>5.6</b>

NOTE: "Widespread" volunteering implies a participation rate at average rates for Sweden and the UK, where volunteering rates are among the highest in the EU.  
Source: Author's calculations, available on request.



## (5) Volunteering is good for health and well-being.

- Involves physical exercise, purposeful activity, and social interaction.
- Emerging literature in medical and gerontology fields.
- Elderly and socially excluded benefit most.



# III How can we take advantage of the sector's potential?

- Mobilize private resources
- Activities where the sector's contribution could be high
- What can be done at national and EU levels?...
- ...and at regional and local levels?
- A word of caution



## Mobilize private resources

- *Fees, subscriptions and trading income* – perhaps limited
- *Philanthropy* – gifts, donations, volunteering -- has potential in many countries
- *Public-private partnerships* – experimental but worth exploring

## Private Philanthropy Across the World

Each of the three lists below provides a different perspective on philanthropic giving patterns in the countries studied by the Johns Hopkins Comparative Nonprofit Sector Project. The first column includes all private philanthropy (giving + volunteering), the second covers only the value of volunteering, and the third covers only giving (cash and other property gifts).

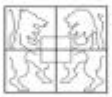
**Volunteering and giving as a share of GDP by country, including gifts to religious worship organizations where available, ca. 1995-2002**

Country	All private philanthropy	Country	Volunteering	Country	Giving
The Netherlands	4.95%	The Netherlands	4.70%	United States	1.85%
Sweden *	4.41%	Sweden *	4.03%	Israel	1.34%
United States	3.94%	Tanzania	3.30%	Canada	1.17%
Tanzania	3.78%	Norway	3.18%	Argentina	1.09%
United Kingdom	3.70%	France	2.98%	Spain *	0.87%
Norway	3.42%	United Kingdom	2.97%	Ireland	0.85%
France	3.21%	Germany	2.49%	United Kingdom	0.84%
Germany	2.56%	United States	2.18%	Uganda	0.65%
Finland	2.43%	Finland	2.12%	Hungary	0.63%
Canada	2.40%	Belgium	1.59%	Tanzania	0.61%
Israel	2.37%	Australia	1.51%	Kenya	0.57%
Argentina	2.36%	Argentina	1.30%	Portugal	0.53%
Spain *	2.10%	Canada	1.26%	Australia	0.51%
Ireland	2.02%	Spain *	1.25%	The Netherlands	0.49%
Belgium	2.01%	Ireland	1.20%	South Africa	0.47%
Australia	1.99%	Israel	1.05%	Belgium	0.46%
South Africa	1.29%	The Philippines	0.95%	Slovakia	0.41%
The Philippines	1.18%	South Africa	0.83%	Sweden *	0.40%
Uganda	1.12%	Italy	0.80%	Finland	0.36%
Kenya	1.05%	Korea, Rep. of	0.78%	Norway	0.35%
Portugal	1.05%	Austria	0.61%	France	0.32%
Korea, Rep. of	0.96%	Japan	0.61%	Colombia *	0.32%
Italy	0.91%	Portugal	0.53%	Brazil	0.29%
Japan	0.82%	Kenya	0.49%	Poland	0.28%
Austria	0.78%	Uganda	0.48%	Czech Republic	0.27%
Hungary	0.74%	Romania	0.45%	Peru *	0.26%
Czech Republic	0.70%	Czech Republic	0.43%	The Philippines	0.23%
Colombia *	0.60%	India *	0.31%	Pakistan	0.23%
Romania	0.55%	Colombia *	0.28%	Japan	0.22%
Brazil	0.50%	Brazil	0.21%	Korea, Rep. of	0.18%
Slovakia	0.45%	Pakistan	0.13%	Austria	0.17%
India *	0.39%	Hungary	0.12%	Germany	0.13%
Poland	0.39%	Poland	0.11%	Italy	0.11%
Pakistan	0.36%	Mexico *	0.08%	Romania	0.10%
Peru *	0.33%	Peru *	0.06%	India *	0.09%
Mexico	0.12%	Slovakia	0.04%	Mexico *	0.04%

\* Data on volunteering/giving to religious worship organizations not available.

NOTE: The data are presented as a percent of the GDP for the base year, which varies by country.





# Activities where the sector's contribution could be high

- Countries will have different attitudes about where activity by not-for profit organizations is appropriate.
- Concrete examples illustrate some possibilities.
- Consider France.



Table 6

**The contribution of non-profit organizations to the economy  
FRANCE, 2002**

<u>Activity Group</u>	<u>Employment</u> (‘000s, end-year)	<u>Value added</u> (EUR billion)	<u>Gross production</u> (EUR billion)
Arts, sport and culture	163.9	5.2	8.0
<b>Teaching and research</b>	<b>194.2</b>	<b>6.4</b>	<b>9.2</b>
<b>Health</b>	<b>151.8</b>	<b>6.5</b>	<b>8.3</b>
<b>Social services</b>	<b>746.9</b>	<b>20.5</b>	<b>26.4</b>
Economic activities	124.0	4.8	6.4
Advocacy	54.4	1.9	2.6
<b>Total Non-profit sector</b>	<b>1 435.3</b>	<b>45.5</b> <b>(2.9% of GDP)</b>	<b>60.8</b>

Source: Philippe Kaminski: Les associations en France et leur contribution au PIB  
INSEE, Paris, February 2006.



<u>Activity sub-group</u>	<u>Employment</u> (‘000s at end-year)	<u>Value added</u> (EUR billion)	<u>Gross production</u> (EUR billion)
Teaching, primary and secondary	89.3	2.6 (5.7% of total)	3.6
<i>Teaching, higher level</i>	<i>14.8</i>	<i>0.6 (1.2% of total)</i>	<i>0.8</i>
Other teaching	76.2	2.5 (5.5% of total)	3.7
<i>Research</i>	<i>13.9</i>	<i>0.8 (1.7% of total)</i>	<i>1.1</i>
<b><i>Total high level teaching and research</i></b>	<b><i>28.7</i></b>	<b><i>1.3 (2.9% of total)</i></b>	<b><i>1.9</i></b>

Source; Philippe Kaminski: Les associations en France et leur contribution au PIB  
INSEE, Paris, February 2006.

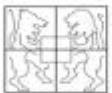


**Table 8 Shanghai Jiao Tong Ranking of Top World Universities**

<u>World rank</u>	<u>Institution</u>	<u>Endowment, 30 June 2004</u> (\$ per student)
1	Harvard	1.1 million
2	Stanford	750 000
3	Cambridge (UK)	
4	California, Berkeley	
5	Mass. Inst of Tech.	575 000
6	Cal. Inst of Tech.	
7	Princeton	1.45 million
8	Oxford (UK)	
9	Columbia	250 000
10	Chicago	300 000
11	Yale	1.1 million
12	Cornell	175 000
13	California, San Diego	
14	Tokyo (Japan)	
15	Pennsylvania	200 000

Source: Institute of Higher Education, Shanghai Jiao Tong University, 2004.

Williams College Alumni Relations and Development, 2005.



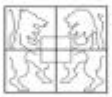
# What can be done at national and EU levels? ...

- Favorable tax treatment
- Inheritances, estates and succession
- Facilitate cross-border philanthropy and activities
- Identify and address barriers to mobilizing volunteers and employment of retirees with a “voluntary element”



## ... and at regional and local levels?

- Community based philanthropic mechanisms
- Simplify regulatory arrangements and administration
- Develop training for management of volunteers
- Leverage resources through partnerships



# A word of caution: avoid uncritical cheerleading

- Social enterprises, charities and non-profits are attractive to skeptics of both the state and profit-driven business.
- Not-for--profits do not face electoral or market tests.
- Insist on mechanisms to ensure legitimacy, accountability and effectiveness of resource use.