



MASARYKOVA UNIVERZITA
EKONOMICKO-SPRÁVNÍ FAKULTA

The NON-PROFIT SECTOR

ESF MU: BPV_APEC
Public Economics

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Object of this lesson

- Students know what is the Non-Profit Sector
- Students know some basic theory about the sector
- Students know that the sector is not similar in international way

Structure of this lesson

- Welfare Triangle
- Some Basic Theory
 - Government Failure
 - Contract Failure Theory
 - Welfare State Theory
 - Interdependence Theory

- Social Origins Theory
- The Johns Hopkins Comparative Nonprofit Sector Project (international survey)
- (The Non-Profit Sector in your homeland)

Discussion

- What do you think the Non-Profit Sector is?



The Ford Foundation



Boy Scout of America



Sport associations



Unions



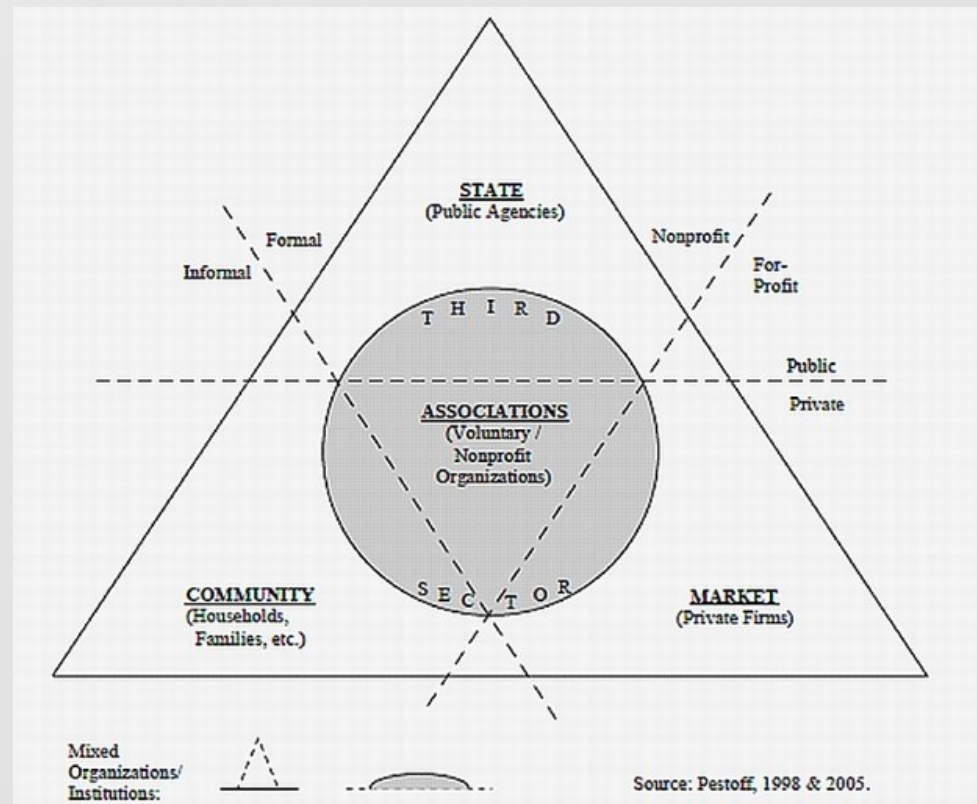
Salvation Army



Greenpeace

Welfare Triangle

- Theoretical instrument designed by Victor Pestoff (1995)
- Triangle divide the national economy into 4 sectors:
 - State
 - Market
 - Community (households)
 - Third sector
- Criteria:
 - Formal x Informal
 - Non-Profit x For-Profit
 - Public x Private
- Problem of:
 - mixed organizations



Some Basic Theory I. - why?

- Government Failure Theory (or also Market Failure Theory)
- exists type of good that is not possible to provide by market
 - PUBLIC GOOD
- this type of good is provided by public sector
- public sector can not to satisfy whole demand
 - orientation to a MEDIAN VOTER
- the rest of not satisfied demand is served by NON-PROFIT SECTOR
 - what can be a reason of MARKET FAILURE ?
 - can you tell me some example of PUBLIC GOOD ?

Some Basic Theory II. - why?

- Contract Failure Theory (or also Informational Asymmetry Theory)
- consumers do not have a valid and suitable information for decision making process
 - consumers do not believe for profit subjects
 - consumers believe subjects making things not for profit
- demand is served by NON-PROFIT SECTOR
 - what can be a reason of INFORMATIONAL ASSYMMETRY ?
 - can you tell me some examples ?
 - how can for profit subject improve its credibility ?

Some Basic Theory III. - why?

- Welfare State Theory
- NON-PROFIT SECTOR was a historical „problem solver“
- market has become a better in problem solving over time
- public sector has made the same
- the role of NON-PROFIT SECTOR is minority now

Some Basic Theory IV. - why?

■ Interdependence Theory

- there is an important connection between sectors
 - PUBLIC AND NON-PROFIT SECTOR
- NON-PROFIT SECTOR is better in identifying the problem
- public sector is better in solving and especially in paying
- reasons of NON-PROFIT SECTORs failure
 - philanthropic insufficiency (not enough sources, free riders problem)
 - philanthropic paternalism (client is not in the decision making role)
 - philanthropic amateurism (workforce is not enough professional)
 - philanthropic particularism (not enough for satisfy whole demand)

Some Basic Theory V. - how looks like?

- Social Origins Theory
- looking on sector in a different (international) way
 - take into account historical approach and macro-level theory
- through these aspects:
 - promotion of public sector
 - economic size of NON-PROFIT SECTOR
- emphasize these models of NON-PROFIT SECTOR
 - 1: Liberal model (low promotion, high size)
 - 2: Social democratic model (high promotion, low size)
 - 3: Corporatist model (high promotion, high size)
 - 4: Statist model (low promotion, low size)
- (1: US, UK; 2: Italy, Sweden, Finland; 3: Germany, France; 4: Japan)

International Survey I.

■ The Johns Hopkins Comparative Nonprofit Sector Project

- systematic effort to analyze the scope, structure, financing, and role of the private nonprofit sector
- realized in cross-section of countries around the world (35 countries)

- | | | |
|----------------------|---------------------|-------------------|
| ■ Argentina | ■ Ireland | ■ The Philippines |
| ■ Australia | ■ Israel | ■ Poland |
| ■ Austria | ■ Italy | ■ Romania |
| ■ Belgium | ■ Japan | ■ Slovakia |
| ■ Brazil | ■ Kenya | ■ South Africa |
| ■ Columbia | ■ Republic of Korea | ■ Spain |
| ■ The Czech Republic | ■ Mexico | ■ Sweden |
| ■ Egypt | ■ Morocco | ■ Tanzania |
| ■ Finland | ■ The Netherlands | ■ Uganda |
| ■ France | ■ Norway | ■ United Kingdom |
| ■ Germany | ■ Pakistan | ■ United States |
| ■ Hungary | ■ Peru | |

International Survey II.

- for purpose of the project are important (structural/operational):
 - **Organizations**, i.e., they have an institutional presence and structure;
 - **Private**, i.e., they are institutionally separate from the state;
 - **Not profit distributing**, i.e., they do not return profits to their managers or to a set of „owners“,
 - **Self-governing**, i.e. they are fundamentally in control of their own affairs;
 - **Voluntary**, i.e., membership in them is not legally required and they attract some level of voluntary contribution of time or money.

- that are active in the field of:
 - culture
 - education and research
 - health
 - social services
 - environment
 - development
 - civic and advocacy
 - philanthropy
 - international
 - religious congregations
 - business and professionals, unions
 - other

Findings I. NON-PROFIT SECTOR: A CONSIDERABLE ECONOMIC FORCE

- the civil society sector (the Non-profit sector) turns out to be a **considerable economic force**, accounting for a significant share of national expenditures and employment. More specifically, in just the 35 countries for which they have collected information:
 - **A \$1.3 trillion industry.** The civil society sector had aggregate expenditures of US \$1.3 trillion as of the late 1990s. This represents 5.1 percent of the combined gross domestic product (GDP) of these countries.
 - **The world's seventh largest economy.** To put these figures into context, if the civil society sector in these countries were a separate national economy, its expenditures would make it the seventh largest economy in the world, ahead of Italy, Brazil, Russia, Spain, and Canada and just behind France and the U.K.
 - **A major employer.** The civil society sector in these 35 countries is also a major employer, with a total workforce of 39.5 million full-time equivalent workers including religious congregations.

Findings I. NON-PROFIT SECTOR: A CONSIDERABLE ECONOMIC FORCE

\$1.3 trillion in expenditures
 – 5.1 percent of combined GDP

39.5 million FTE workforce, including 21.8 million paid workers and 12.6 million FTE volunteers
 – 4.4 percent of economically active population
 – 46 percent of public sector employment
 – 10 times the employment in the utilities and textile industries in these countries

190 million people volunteering
 – 221 volunteers per 1,000 adult population

Country	GDP (trillion \$)
U.S.	\$7.2
Japan	5.1
China	2.8
Germany	2.2
U.K.	1.4
France	1.3
Civil society sector expenditures (35 countries)	1.3
Italy	1.1
Brazil	0.7
Russia	0.7
Spain	0.6
Canada	0.5

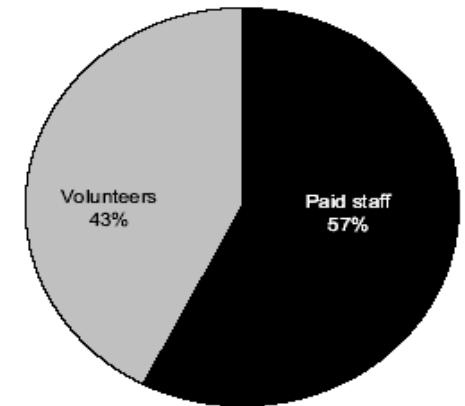
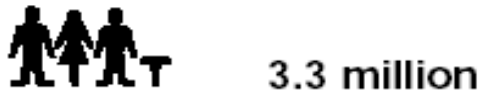
Source: Johns Hopkins
 Comparative Nonprofit Sector Project

Findings I. NON-PROFIT SECTOR: A CONSIDERABLE ECONOMIC FORCE

Nonprofits



Largest private corporation



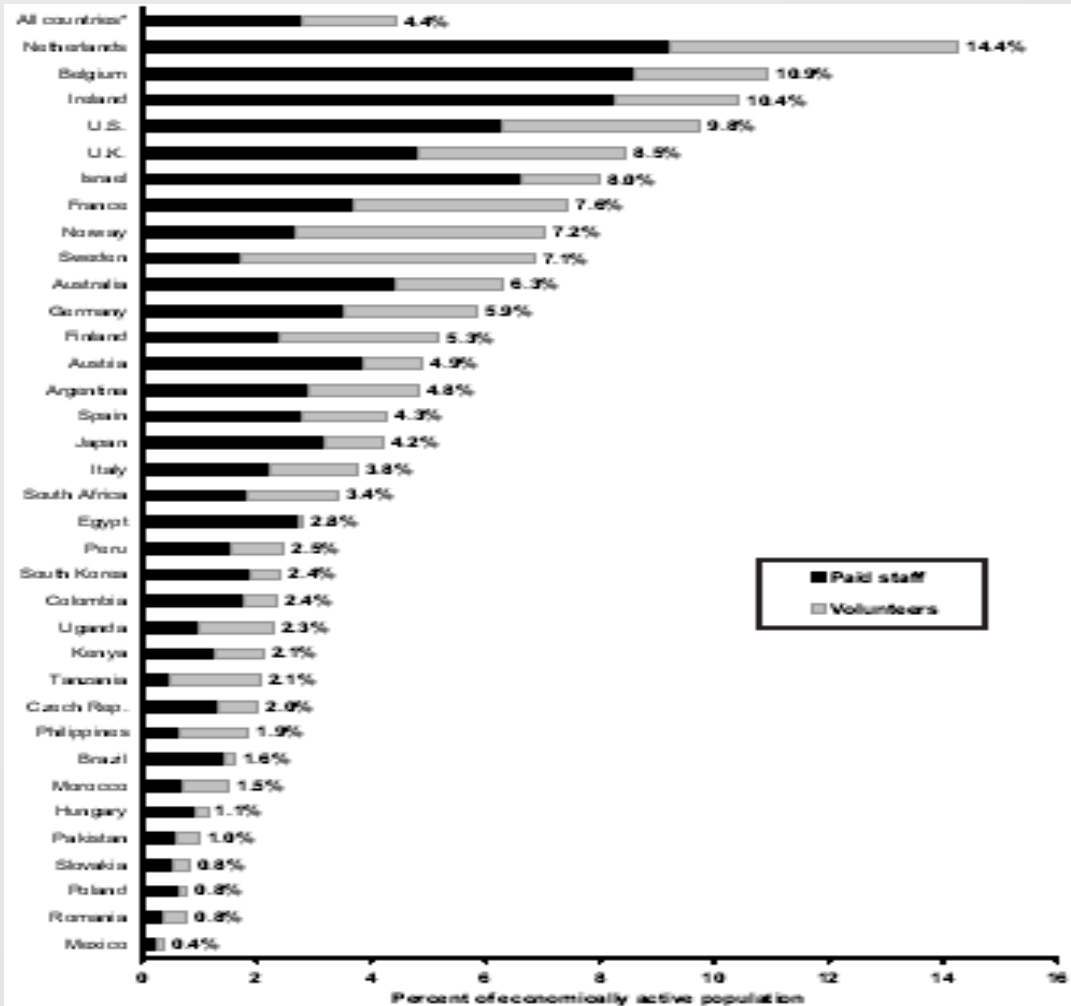
n = 39.5 million

Source: Johns Hopkins Comparative Nonprofit Sector Project (26 countries, 35 countries)

Findings II. NON-PROFIT SECTOR: DIFERENCE IN THE SCALE

- countries vary greatly in the **overall scale of their civil society workforce**:
 - the sector workforce (volunteer and paid) varies from a high of 14 percent of the economically active population in the Netherlands to a low of 0.4 percent in Mexico
 - civil society sector is relatively larger in the more developed countries. In fact, the civil society organization workforce is there proportionally more than three times larger than that in the developing countries (7.4 percent vs. 1.9 percent)
 - ! it does not mean the absence of helping relationships in these countries !
 - to the contrary, many of these countries (developing) have strong traditions of familial, clan, or village networks that perform many of the same functions as civil society institutions

Findings II. NON-PROFIT SECTOR: DIFERENCE IN THE SCALE



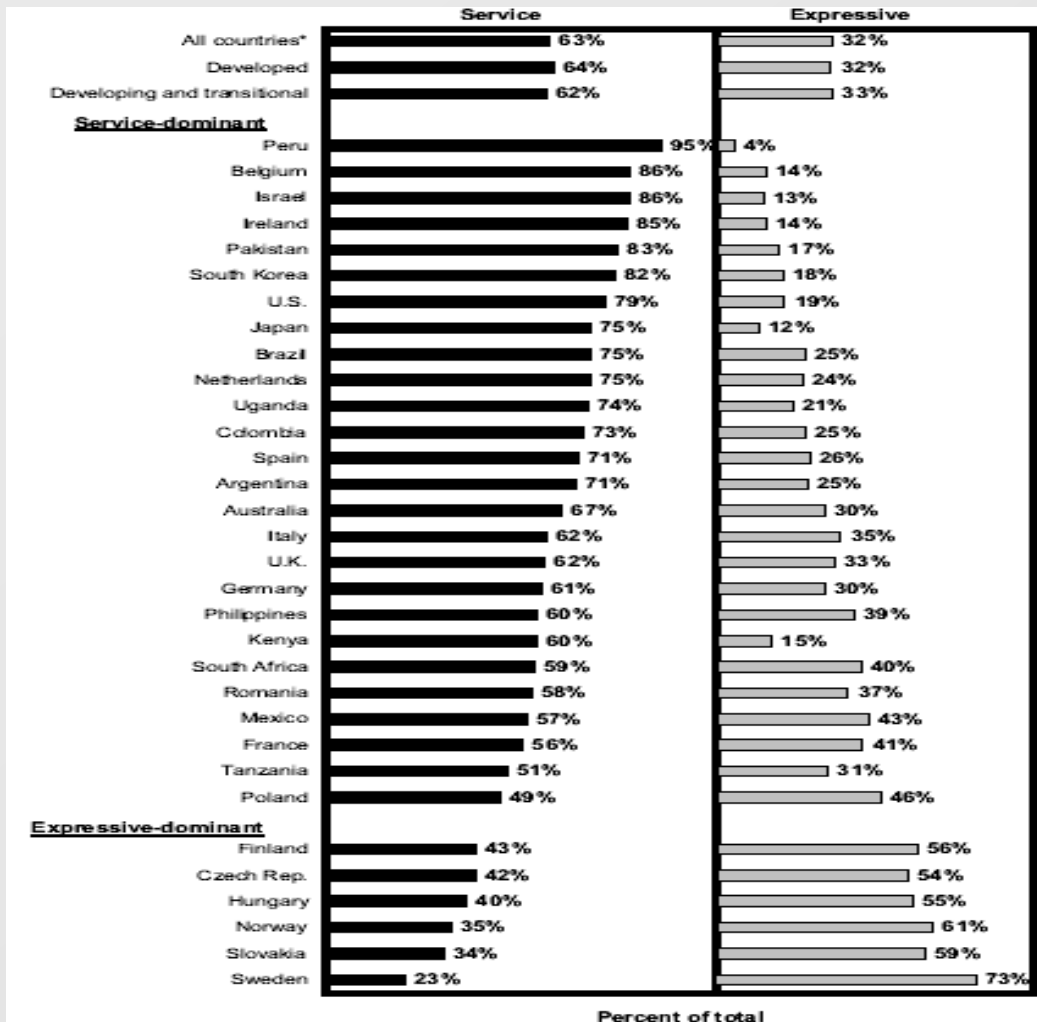
PAID STAFF X VOLUNTEERS

Source: Johns Hopkins Comparative Nonprofit Sector Project (35 countries)

Findings III. NON-PROFIT SECTOR: NOT ONLY A SERVICE PROVIDER

- functions of non-profit organizations:
 - Service: education, health, housing, economic, development promotion...
 - Expressive: expression of cultural, religious, policy values, interests, beliefs...
- service functions dominate in scale. An average of over **60 percent** of the total paid and volunteer full-time equivalent workforce of the civil society sector work for organizations **primarily engaged in service functions**
 - among the service activities of the civil society sector, education and social services clearly absorb the largest share
- different situation relates to the Nordic countries (Finland, Norway, Sweden) and to the countries of Central and Eastern Europe (the Czech Republic, Hungary, Slovakia, Poland)
 - in both groups of countries the state assumed a dominant position in both the financing and delivery of social welfare services, leaving less room for private, civil society organizations

Findings III. NON-PROFIT SECTOR: NOT ONLY A SERVICE PROVIDER



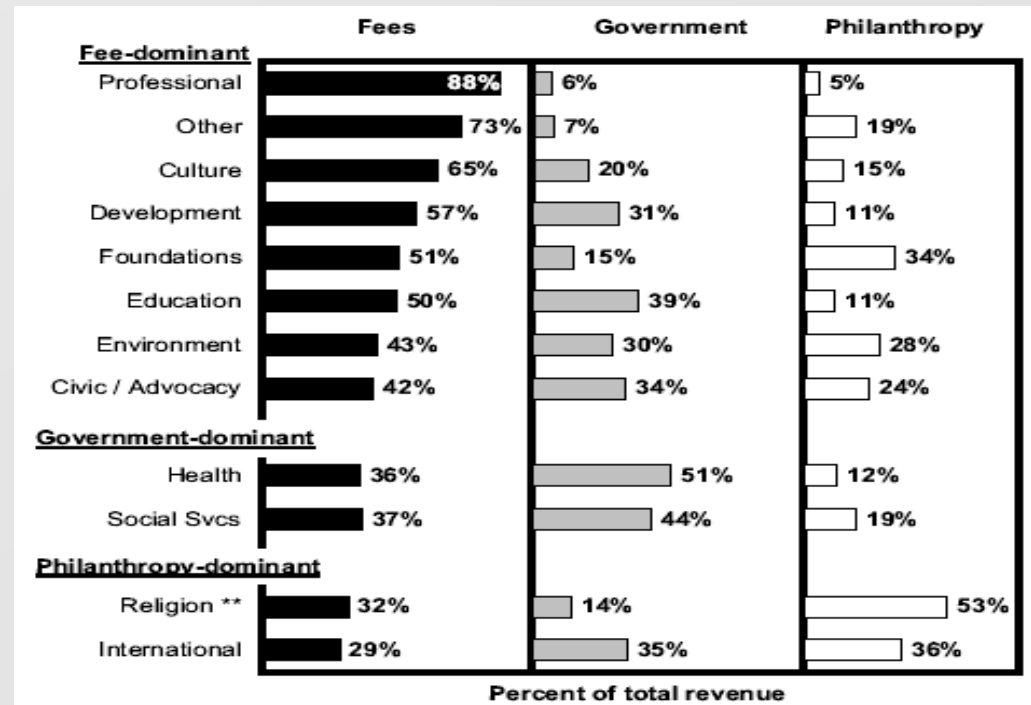
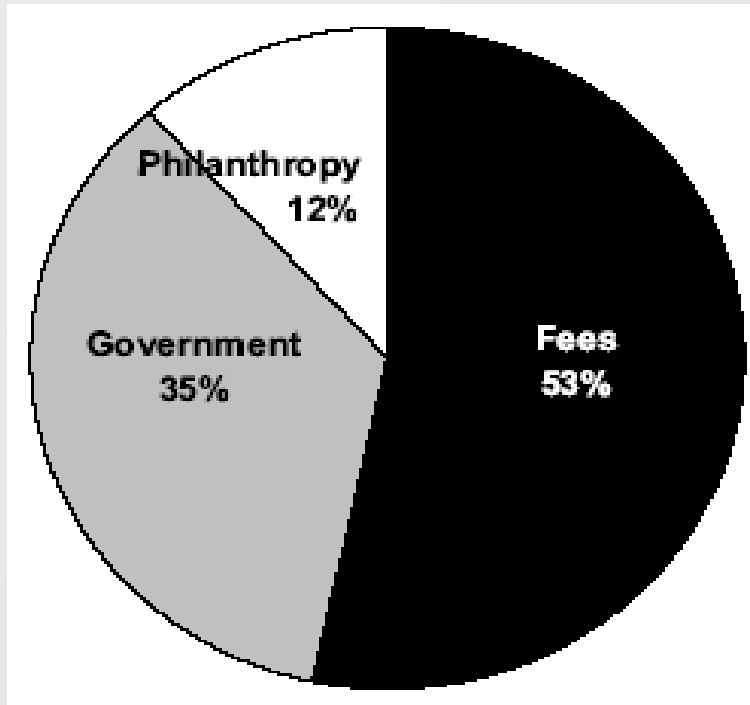
SERVICE X EXPRESSIVE

Source: Johns Hopkins Comparative Nonprofit Sector Project (35 countries)

Findings IV. NON-PROFIT SECTOR: FEES AS A SOURCE OF REVENUE

- over half of civil society organization income comes, on average, from fees and charges for the services that these organizations provide and the related commercial income they receive from investments and other commercial sources
- an average of 35 percent of all civil society organization revenue comes from public sector sources, either through grants and contracts or reimbursement payments made by governmental agencies or quasi-nongovernmental organizations such as publicly financed social security and health agencies
- private giving from all sources (individuals, foundations, and corporations) accounts for a much smaller 12 percent of total civil society organization revenue

Findings IV. NON-PROFIT SECTOR: FEES AS A SOURCE OF REVENUE



Source: Johns Hopkins Comparative Nonprofit Sector Project (35 countries)

Findings V. NON-PROFIT SECTOR: "COMMON" REGIONAL FEATURES

- it is possible to find a common regional features (scope, structure, financing, role of the non-profit sector) between similar countries
 - between developed countries we can find this regions:
 - Anglo-Saxon (Australia, United Kingdom, United States)
 - Nordic Welfare States (Finland, Norway, Sweden)
 - European-Style Welfare Partnerships (Austria, Belgium, France, Germany, Ireland, Israel, Italy, Netherlands, Spain)
 - Asian Industrialized (Japan, South Korea)
 - between developing and transitional countries we can find this regions:
 - Latin America (Argentina, Brazil, Colombia, Mexico, Peru)
 - Africa (Kenya, South Africa, Tanzania, Uganda)
 - Central and Eastern Europe (Czech Republic, Hungary, Poland, Romania, Slovakia)
 - Other Developing (Egypt, Morocco, Pakistan, Philippines)

Non-profit sector in your homeland?

- Do you know some global non-profit organizations?
- What do you know about the non-profit sector in your homeland?
- What scope do you expect the non-profit sector of your homeland have?
- How many people does work in the non-profit sector of your homeland?
- Are you active in the non-profit sector?
- Have you ever give on the non-profit sector?

In the Czech Republic:

118,375 subjects,

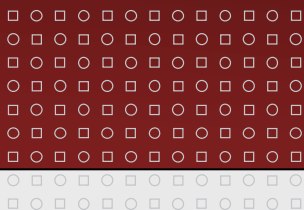
1.96% GDP,

2.04% workforce (102,224 full-time equivalent),

25,965 volunteers (full-time equivalent)

Literature (not important to study :-)

- English:
- **The Johns Hopkins Comparative Nonprofit Sector Project.** Available: <http://ccss.jhu.edu/research-projects/comparative-nonprofit-sector>
- Czech:
- HYÁNEK, Vladimír. *Neziskové organizace: teorie a mýty*. Vyd. 1. Brno: Masarykova univerzita. 2011. 132 s. ISBN 978-80-2105651-0
- REKTOŘÍK, Jaroslav. *Organizace neziskového sektoru : základy ekonomiky, teorie a řízení*. Vyd. 3. Praha Ekoress, 2010, 188 s. ISBN 9788086929545.



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The Centre for Nonprofit Sector Research



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