THE NONPROFIT SECTOR:

A NEW GLOBAL FORCE

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Introduction

The twentieth century has been a time of immense social innovation. Paradoxically, however, one of the social innovations for which the twentieth century may deserve to be best known is still largely hidden from view, obscured by a set of concepts that deny its existence and by statistical systems that consequently fail to take it into account.

That innovation is the nonprofit sector, the plethora of private, nonprofit, and nongovernmental organizations that have emerged in recent decades in virtually every corner of the world to provide citizens with vehicles for the exercise of private initiative in pursuit of public purposes. If representative government was the great social invention of the eighteenth century, and bureaucracy--both public and private--of the nineteenth, it is organized private, voluntary activity, the proliferation of nonprofit organizations, that is the great social innovation of the latter twentieth century.

There is a certain irony in this, of course. At an earlier point in our history, private voluntary activity was regarded as the only legitimate response to social and economic distress. The inherent limitations of such activity led, however, to the growth of reliance on the state to offset the ill-

effects of rapid social and economic change. Although nonprofit organizations hardly disappeared--indeed their role often continued to expand--they certainly moved out of the center of both public and scholarly concern.

Now, however, the inherent limitations of the state, coupled with growing citizen activism, have unleashed a significant surge of private nonprofit activity (Salamon, 1994). Yet so powerful is the prevailing two-sector model of "market" and "state" that has long dominated our images of modern society that it has kept the resulting nonprofit sector largely hidden from view. As a consequence, precious little is known about even the most basic aspects of this sector--its overall scope, size, internal structure, employment, expenditures, or sources of financial and other support--both in this country and, even more so, around the world.

The Johns Hopkins Comparative Nonprofit Sector Project

To remedy this situation, we launched a major cross-national research project in 1991 designed to bring the nonprofit society sector into empirical view for the first time at the international level. More specifically, our project focused on entities that are: (i) *organized*, i.e., possessing some institutional reality; (ii) *private*, i.e., institutionally separate from government; (iii) *non-profit-distributing*, i.e., not returning any profits generated to their owners or directors; (iv) *self-governing*, i.e., equipped to control their own activities; and (v) *voluntary*, i.e., involving some

meaningful degree of voluntary participation, either in the agency's activities or management. For reasons of manageability, we restricted our attention to the subset of all such entities that were also: (a) *nonreligious*, i.e., not primarily engaged in promoting religious worship or religious education; and (b) *nonpolitical*, i.e., not primarily involved in promoting candidates for elected office.

As reflected in Table 1 below, we focused our work on twelve major countries around the world selected to represent different levels of development, different levels of government social spending, and different religious and cultural traditions. In each of these countries, we worked with teams of local researchers, and pursued a common set of research tasks guided by a common definition and methodology.[1]

Table 1. Country Selection

PROJECT SITES					
TYPE	Government Social Welfare Spending				
	LOW		MEDIUM		HIGH
DEVELOPED	Japan (12%) U.S.A. (13%)		U.K. (20%) Germany (23%) Italy (23%)		France (29%)
DEVELOPING	South America	Africa	Middle East	South Asia	S.E. Asia
	Brazil	Ghana	Egypt	India	Thailand
FORMER SOCIALIST BLOC	Hungary				

Major Findings

Five major findings have emerged from this work to date. Taken together, they fundamentally revise common conceptions about the scope, character, role and operations of the voluntary or nonprofit sector at the global level and challenge some of the central theories in the field.

A Major Force

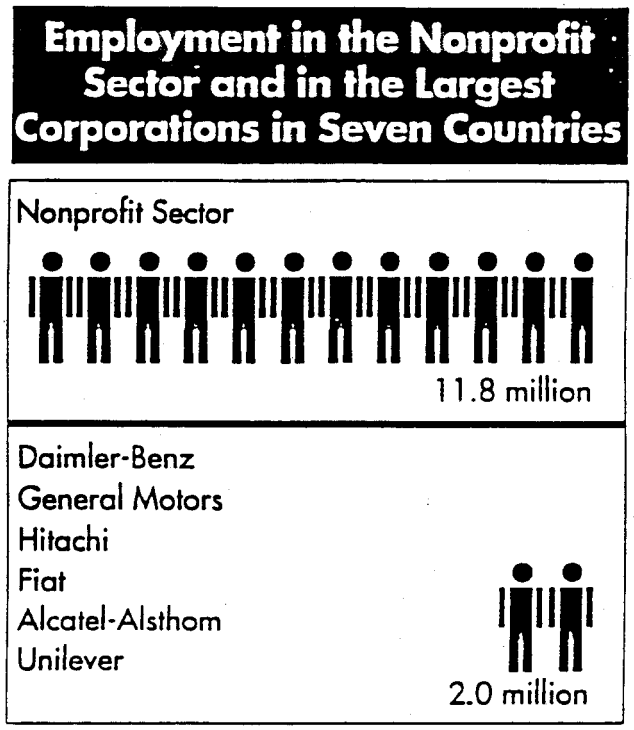
Perhaps the principal finding of this work is the immense scale that the nonprofit sector has attained throughout the world. *Whatever else it represents or does, the nonprofit sector turns out to be a major economic and social force, accounting for a significant share of national employment and an even larger share of recent employment growth.*

Employment. Looking first at employment in the seven major countries for which we collected complete empirical data (the U.S., the U.K., France, Germany, Italy, Hungary, and Japan), the nonprofit sector as of 1990 employed the equivalent of 11.8 million full-time workers. This represents a nonprofit sector employment of close to one out of every 20 workers in these countries and one out of every eight service-sector jobs.

Put somewhat differently, the number of employees in the nonprofit sector in these countries outdistances the combined employment in the largest private firm in these seven countries by a factor of 6:1, as shown in Figure 1. In other words, there are more people employed by nonprofit organizations in Germany than by Daimler-Benz, maker of the Mercedes;

more in the U.S. than are employed by General Motors; and more in Japan than are employed by Hitachi. In addition to this paid employment, moreover, nonprofit organizations in these countries employ the equivalent of 4.7 million full time employees as volunteers. Adding these to the total would boost nonprofit employment by another 50 percent.

Figure 1. Nonprofit Employment Compared to Private Firms



Expenditures. In addition to a sizable employment base, the nonprofit sector also boasts substantial expenditures. In the seven countries for which we were able to assemble complete data(the U.S., the U.K., France, Germany, Italy, Hungary, and Japan), the nonprofit sector, as we have defined it, had operating expenditures in 1990 of $601.6 billion.[2] This is the equivalent of almost 5 percent of the combined gross domestic product of these countries.

Contribution to Employment Growth. Not only is the nonprofit sector in these seven countries an immense economic presence, it has, moreover, also been a growing presence, particularly in recent years. In fact, it has been a more potent source of job growth than most other segments of the economy. In Germany, France, and the U.S., for example, the nonprofit sector, with 6 percent of total employment, accounted for nearly 13 percent of the job growth during the decade of the 1980s. Put somewhat differently, one of every 8 new jobs created in these three countries during the 1980s was created within the nonprofit sector.

Social Impact. Reflecting this, nonprofit organizations deliver major portions of the human and other services available in these countries. For example, nonprofit organizations account for:

- four out of every 10 hospital patient days and virtually all sports facilities in *Germany*;
- one-third of all child day care and 55 percent of all residential care

in *France*;

- over half of all hospital beds and half of all universities in *the United States*;
- over 75 percent of all universities and over 40 percent of all hospital patient days in *Japan*;
- over 20 percent of all primary and elementary education in *the U.K.*; and
- 41 percent of all residential care facilities and 21 percent of all kindergartens in *Italy*.

Beyond this, nonprofit organizations often play a crucial role in policy innovation, policy advocacy, and the representation of minority views. They also constitute an immense network of social connections through which individuals pursue their goals and interests. These connections constitute a buffer zone between state and citizens as well as between the corporate sector and the consumer. The number of voluntary associations in the United States is well over 1 million, and associations in the European countries typically number in the hundred of thousands. What is more, the number of associations has increased substantially in recent years. In France, over 60,000 associations were created in 1990 alone, compared to a formation rate of less than 10-15,000 in the decade of the 1960s. Similarly, in Germany, the number of associations per 100,000 people nearly tripled from 160 in 1960 to 475 in 1990. Finally,

only two years after the over-turn of communist rule, Hungary already boasted over 13,000 associations, at least half of them formed in the preceding 2-3 years. These figures underscore the immense size and complexity of these associational networks, and suggest their actual as well as potential social and political importance in all of the countries we examined.

The Nonprofit sector in the Developing World. Detailed employment and expenditure figures on the nonprofit sector are much more difficult to obtain in the developing countries, but here as well this sector turns out to be more extensive than is generally recognized. In Brazil, we estimate that forty-five thousand nonprofit organizations are functioning in Sao Paolo alone, another 16,000 in Rio de Janeiro, and the number of nongovernmental organizations countrywide is close to 200,000. In Egypt, a survey of nonprofit organizations found some 20,000 such organizations in existence as of the early 1990s. In Thailand, Bangkok alone boasts approximately 2,200 nonprofit organizations, and close to 11,000 have been identified countrywide.

A Widespread Presence

If the nonprofit sector is a far more significant presence than is widely recognized, it is, however, hardly a uniform presence. Rather, its scale relative to other parts of the economy and society varies from place to place. Interestingly, these variations do not seem to correspond to what

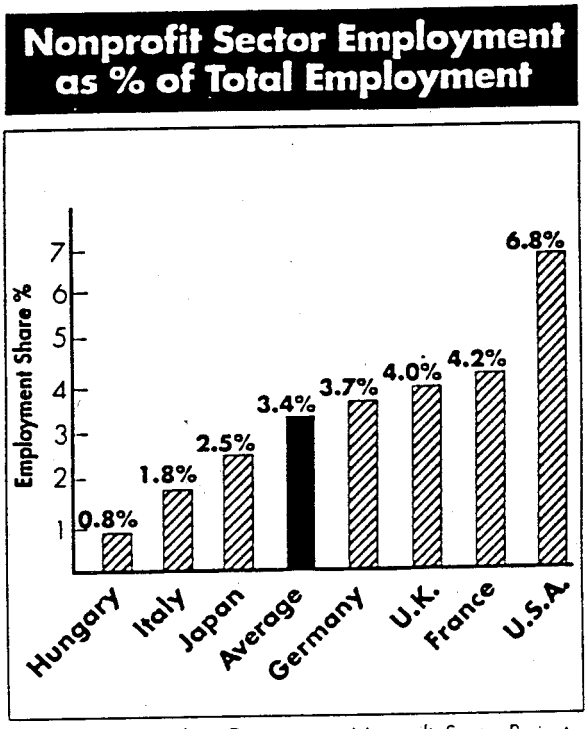
some of the leading theories in the field would lead us to expect. Viewing the nonprofit sector as one response to the market's inherent limitations in generating an adequate supply of "collective goods," such theories suggest that nonprofit organizations should be most in evidence where cultural or religious diversity makes it difficult for a population to come to agreement about the level of such public goods that government should provide and where the level of government provision of such collective goods is consequently the smallest (Weisbrod, 1977). This would lead us to expect the nonprofit sector to be considerably more highly developed in Italy than in France (because of France's higher level of government social welfare spending). Both Japan and France could be expected to have fairly small nonprofit sectors, the former because of its high degree of homogeneity and the latter because of its level of social welfare spending. The U.S. and the U.K., by contrast, could be expected to have somewhat larger nonprofit sectors, both because of their greater heterogeneity, and in the case of the United States because of its relatively low level of government social spending.

To what extent do the data we have developed on the scope of the nonprofit sector in our project countries support or refute these expectations?

The answer is, as reflected in Figure 2, not significantly. In the first place, while nonprofit employment as a share of total employment ranges

from a high of 6.8 percent in the United States to a low of 0.8 percent in Hungary, the degree of variation among the major developed countries is considerably less pronounced than might be expected. Except for Italy and Japan, which are at the low end of the range, the remaining countries are all in the range of 4 percent of employment.

Figure 2. Nonprofit Employment Shares by Country



Source: Johns Hopkins Comparative Nonprofit Sector Project

This finding is even more apparent when we focus more narrowly on the service sector, in which many nonprofit organizations operate. *Thus, while the nonprofit share of service-sector employment ranges from a low*

of 3 percent in Hungary to a high of 15.4 percent in the United States, it falls within the relatively high range of 9-10 percent in most of the countries covered, including Japan.

In the second place, the variations that do exist do not correspond very well with the conventional theoretical expectations: France, instead of having a relatively smaller nonprofit sector than Germany or the U.K., as we would expect given its high level of government social-welfare spending, has a nonprofit sector that is slightly larger than the U.K.'s and on a par with Germany's. In addition, Japan, which we would expect to have a very limited nonprofit sector in view of its cultural homogeneity and heavy reliance on either government or private business for social welfare protection, turns out to have a nonprofit sector whose share of overall service sector employment is on a par with the Western European countries.

What these findings seem to suggest is that a significant range of organized private activity outside both the market and the state may be a basic need in advanced, democratic societies regardless of other social or historical features. Beyond this, the data raise questions about what might be termed the "conflict theories" of government-nonprofit relations, which posit a fundamental conflict between the state and the nonprofit sector, and predict that the nonprofit sector essentially "fills in" for government, creating an inverse relationship between the two. What the data presented

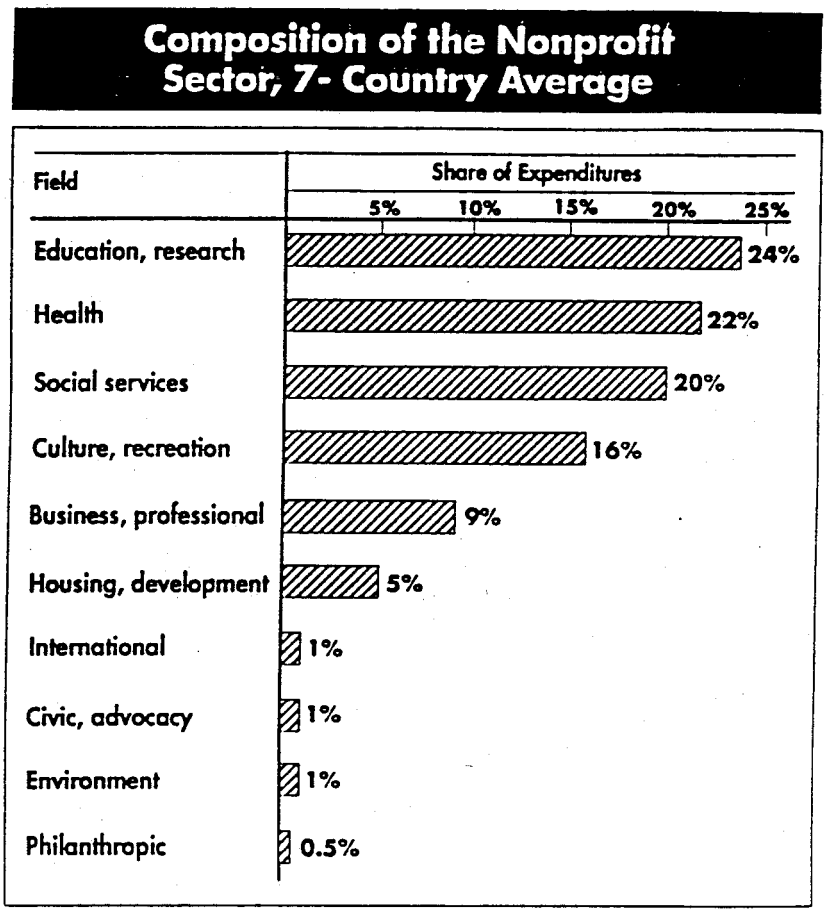
here suggest, by contrast, is the validity of an alternative theory that sees government and the nonprofit sector as potential partners and allies, a perspective that receives even more confirmation from the data on nonprofit finance presented below (see also Salamon, 1995).

A Diverse Sector

Not only does the scale of the nonprofit sector vary from place to place, it also varies from field to field. Diversity is, in fact, one of the distinguishing features of the nonprofit sector, though there is also a common pattern to the diversity.

To explore this, we developed an International Classification of Nonprofit Organizations, or ICNPO, to sort organizations in terms of their principal field of activity (Salamon and Anheier, 1992). The results, as reflected in Figure 3, are intriguing. In the first place, although a considerable range of activity is represented within the nonprofit sector, expenditures are hardly distributed evenly among the various fields. To the contrary, *four fields -- education and research, health, social services, and culture and recreation -- turn out to absorb the lion's share of nonprofit expenditures in each of the seven countries we examined in greatest depth.* Altogether, these four fields account for an average of over 80 percent of total nonprofit spending. By contrast, the other seven fields together contribute an average of only 18 percent of the total, and half of this derives from business and professional associations.[3]

Figure 3. Composition of the Nonprofit Sector, 7-Country Average

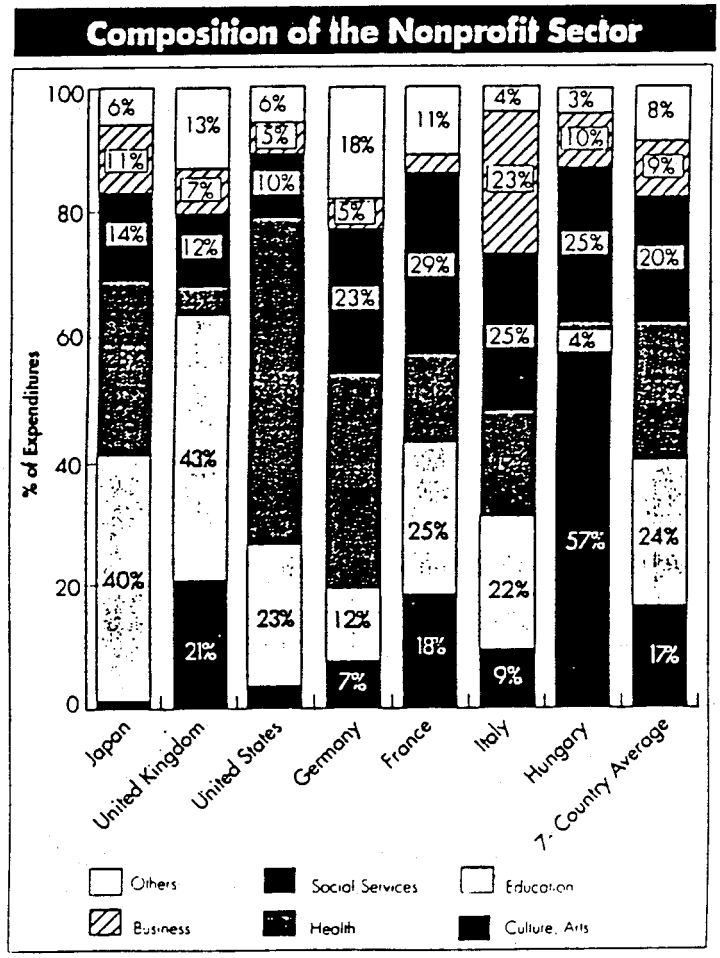


While the same four fields dominate the nonprofit sector in all the countries we examined, the relative importance of these four fields, however, differs widely among the countries. In a sense, the nonprofit sector is a house with many rooms, and the configuration of these rooms can differ widely from country to country even though the external dimensions of the building appear very similar. In fact, a number of different patterns are apparent among these seven countries in terms of the

dominant types of nonprofit organizations. What is more, even where two countries share the same dominant type of nonprofit organization, significant variations can exist in the specific subtypes of organizations that are responsible for this pattern.

As reflected in Figure 4, education organizations in Japan and the U.K. dominate the nonprofit sector in terms of expenditures. Forty-three percent of all nonprofit expenditures in the U.K., and 40 percent of all nonprofit expenditures in Japan, go toward education and research.

Figure 4. Composition of the Nonprofit Sector by Country



As education dominates the nonprofit sectors of Japan and the U.K., health dominates the nonprofit sectors of the United States and Germany. Over half (53 percent) of all nonprofit expenditures in the United States originate in the health field. This reflects the preponderance of nonprofit organizations among American hospitals. In Germany the health proportion of total nonprofit spending is somewhat smaller, but at 35 percent it still represents the largest single component.

A third pattern of nonprofit sector structure is evident in France and Italy, where the social service field dominates nonprofit expenditures; thus almost 30 percent of French nonprofit expenditures and about a quarter of Italian nonprofit expenditures are made by social service agencies. In both of these countries, moreover, nonprofit organizations, far from competing with the state, have benefited from recent shifts in government policy that vested new powers in local government and encouraged local contracting with nonprofit providers.

Finally, a wholly different pattern of nonprofit sector structure is evident in Hungary. There, the overwhelming majority (57 percent) of all nonprofit expenditures are in the culture and recreation component of the sector. One reason for this is that sports and recreation clubs were permitted even during the Communist period, thus giving organizations in this field a head start (Kuti, 1993). Beyond this, efforts were made in the waning years of Communist rule to retain control of the cultural sector by

establishing a number of large government-financed foundations to support cultural activities.

The overall picture of the composition of nonprofit activity presented here does not change substantially when account is taken of the contributions of volunteers. Based on surveys of volunteer activity in four project countries--France, Germany, Italy, and the U.S.-- the four major fields of nonprofit action identified above remain the principal fields even after considering volunteer inputs. At the same time, the inclusion of volunteer effort does have some impact on the results. In particular, the shares of total nonprofit resources devoted to culture and recreation, the environment, and civic and advocacy activity are noticeably higher with volunteer effort included than when we focus on operating expenditures alone.[4] This reflects the involvement of volunteers in sports activity and in a variety of advocacy and community organization activities. In the process, it demonstrates one of the strengths of nonprofit organizations as vehicles of civil society promoting individual self-expression and citizen activism, crucial for a functioning democracy.

The variations in nonprofit scope and structure outlined here, plus others that could be highlighted, reflect a wide array of historical developments and policy choices. What seems clear, however, is that *the nonprofit sector is hardly a peculiarly American phenomenon. It plays vital roles in virtually every country examined.* What is more, the

presence or absence of nonprofit activity does not seem to result simply from gaps left by the state. This "gap-filling" conception of the nonprofit sector turns out not to fit the available evidence in any of the countries we have examined. *While there are cases where the presence of the state has discouraged or displaced nonprofit action, there are far more cases where the opposite has occurred*; state involvement has stimulated nonprofit activity, and nonprofit organizations have facilitated the expansion of state-financed protections.

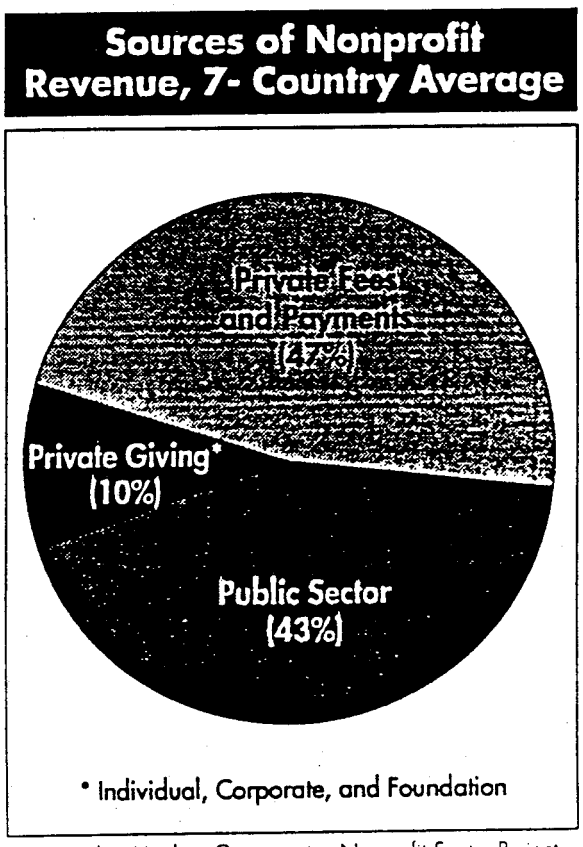
The Limited Philanthropic Base

A fourth key finding about the nonprofit sector that emerges from the work reported here concerns the revenue side of nonprofit operations.

According to conventional wisdom, what sets nonprofit organizations apart from their counterparts in the public and business sectors is their reliance on private charitable giving as the principal source of support. In point of fact, however, our data reveal that private giving is not only not the major source of nonprofit income in our seven countries, it is not even the second most important. Rather, the average share of total nonprofit income originating with private philanthropic giving in the seven countries for which we collected comparable data was only 10 percent, and this includes individual giving, foundation giving, and corporate giving combined. By contrast, *almost half (47 percent) of all nonprofit income in these seven countries comes on average from service fees and sales, and 43 percent*

from government, as shown in Figure 5 below.

Figure 5. Sources of Nonprofit Revenue, 7-Country Average

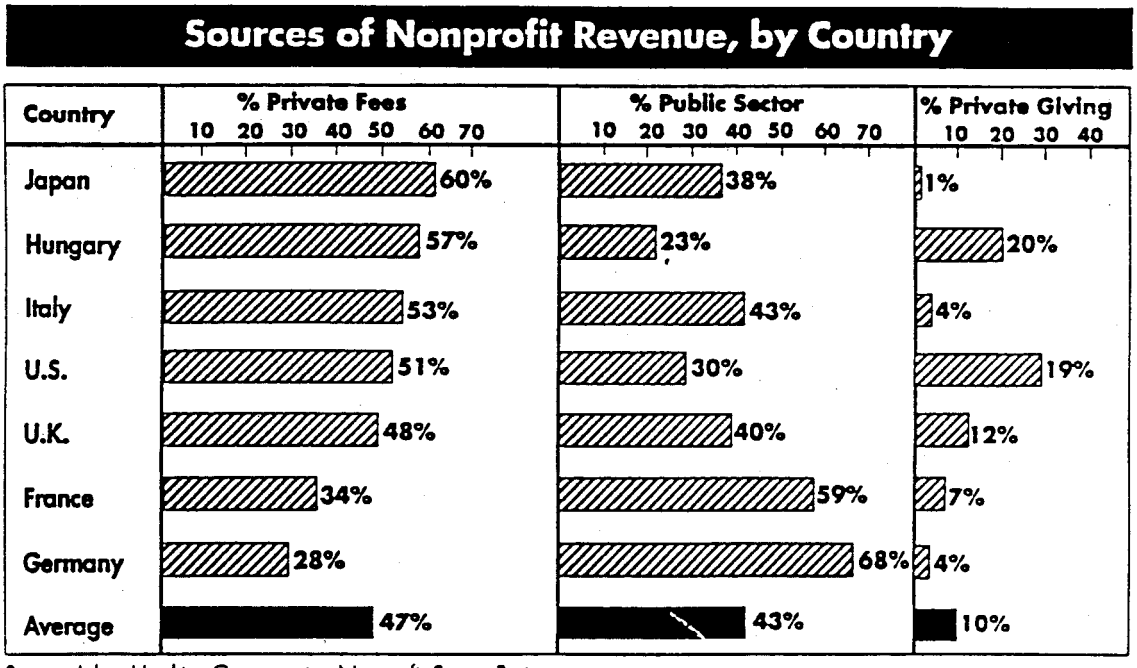


Source: Johns Hopkins Comparative Nonprofit Sector Project

This situation reflects the market context within which the nonprofit sector operates in most of the countries under consideration here, and the growth in demand for the services this sector provides among persons able to pay, either on their own or with public-sector help. Consequently, earned income accounts for 60 percent of total nonprofit income in Japan, 57 percent in Hungary, 53 percent in Italy, and 51 percent in the United

States, as shown in Figure 6. The U.S. figure is perhaps the most surprising in view of the assumptions about the role that private giving is supposed to play in the United States. While private giving represents a larger proportion of nonprofit income in the United States than it does in any other country but one, that proportion is still only 19 percent. By contrast, U.S. nonprofit organizations receive 51 percent of their income from fees and dues and another 30 percent from government. Government is therefore almost twice as significant a source of income even for American nonprofit organizations as is private giving, despite the presence there of numerous large foundations and corporate giving programs.

Figure 6. Sources of Nonprofit Revenue, by Country



Source: Johns Hopkins Comparative Nonprofit Sector Project

In only two countries (France and Germany) does fee income lose its primary position as a source of nonprofit income, but it loses it not to private giving but to the public sector. Thus the public sector accounts for 68 percent of the income of German nonprofit organizations and 59 percent of the income of French nonprofit organizations.

In Germany, this reflects a long-standing commitment to the Catholic doctrine of "subsidiarity," which obliges the public sector to defer to the smallest social unit--the family, the local community, or the voluntary group--in dealing with social problems. The result is an elaborate collaborative relationship between the state and a wide variety of nonprofit organizations in Germany to deal with youth problems, unemployment, care for the elderly, health care, and many others. Cooperation between the State and the nonprofit sector has historically been more limited in France, reflecting a long tradition of state hostility to voluntary associations that was an important heritage of the French Revolution. With the passage of the Decentralization Law of 1982, which assigned new responsibilities to local governments and encouraged them to turn to nonprofit groups to help carry out these responsibilities, a widespread partnership has surfaced between the state and the voluntary sector in France.

Pressing Challenges

If the nonprofit sector has achieved a scale and base of funding that are far more extensive than widely recognized, it nevertheless confronts

crucial challenges in the years ahead. This is the fifth basic finding that emerges from our work. Five such challenges in particular seem most pressing.

Out of the Shadows. At the most fundamental level, the nonprofit sector in much of the world continues to face a significant problem of visibility and public awareness. So dominant has the prevailing two-sector model of social life been in most countries, that the existence, let alone the scale and dimensions, of a definable "third sector" of private nonprofit organizations has been largely overlooked. Even in the United States, where the concept of a not-for-profit sector has at least been recognized for some time, basic information on this sector was nonexistent until the early 1980s. Over the long run, this lack of public awareness cannot help but cause problems for the sector. This is, after all, preeminently the "citizen's sector." As such, it cannot afford to be incomprehensible and invisible to most citizens, or to those who represent them in the public arena.

Fortunately, encouraging signs of change are in evidence (e.g., the Mitterand government's creation in 1981 of the *Délégation á l'Economie Sociale*, an interministerial agency to promote the social economy sector in France; the Japanese government's decision to permit tax deductions for corporate charitable contributions beginning in 1989; the Italian government's passage of Law 266 creating a more formal legal status for the numerous *organizzazioni de volontariato*; and the growing acceptance of

NGOs as legitimate development partners in Ghana). Nevertheless, broader efforts are needed to increase public awareness, to foster research and teaching, and to put the nonprofit sector more firmly on the agendas of citizens and public leaders.

Establishing Legitimacy. A second challenge facing the nonprofit sector is the legal limbo in which nonprofit and voluntary organizations are forced to operate in many parts of the world. Clear legal status for these organizations is too often the exception rather than the rule. While the chartering of nonprofit organizations is reasonably open in the common law countries, many civil law countries erect significant barriers. In Japan, for example, the formation of nonprofit organizations is treated not as a right but as a privilege to be granted or denied by governmental authorities based on their view of the value of the organization *to the government*. That these organizations might have value *to citizens* that justifies their existence regardless of official opinion is not a concept that finds much acknowledgment in the Japanese legal tradition. Similar impediments are evident in Egypt's Law 32 and in the requirements for approval of the Ministry of Social Welfare before nonprofit organizations can be registered in Ghana. In Italy, a similar legal ambiguity has kept most associations from incorporating, creating a vast "informal" nonprofit sector outside the reach of both citizens and the state. Even in France, where legal treatment of nonprofit organizations has become far more favorable in recent decades,

the formation of foundations continues to be constrained and most nonprofit organizations are prevented from acquiring endowments to help guarantee a degree of financial security to their operations.

While it is certainly legitimate for governments to require nonprofits to adhere to reasonable standards of accountability and public service in return for the special tax or other benefits they enjoy, it is also incumbent on them to establish a clear set of legal protections for these organizations to exist.

Beyond the Paradigm of Conflict. In addition to improving the legal environment in which nonprofit organizations operate, broader efforts are also needed to establish a meaningful collaborative relationship between the nonprofit sector and the state. As we have seen, governmental support and encouragement have been crucial to the development of the nonprofit sector almost everywhere, including the United States. While political conservatives may argue that an inherent conflict exists between these two sectors, the record reported here suggests a far different relationship in fact. In Germany since at least the 1950s, the United States in the 1960s, and France and Italy in the 1980s, the public sector has had to turn increasingly to private, nonprofit organizations to deliver the services it has financed.[5]

Cooperation with the state is not, however, a sufficient posture for the nonprofit sector. This is the message that emerges from the recent history of Japan, where nonprofit organizations have been actively enlisted

in the provision of state-financed services, but always on terms defined mostly, indeed almost exclusively, by the state. The upshot is to convert nonprofit organizations into mere "agents" of the state, rather than true "partners" with it. The challenge, therefore, is to fashion cooperation with the state in a way that protects a degree of autonomy for the nonprofit sector and that emphasizes the important interdependence between the two.

Buttressing the Philanthropic Base. Perhaps the most effective way to ensure a reasonable partnership between the voluntary sector and the state is to guarantee that the voluntary sector has alternative sources of support. One such source is earned income from fees or sale of products, though it should be clear from the discussion above that the nonprofit sector has already moved rather far down this road. At least as important, therefore, is the preservation and expansion of a meaningful level of private charitable support. To be sure, private giving often comes with its own "strings" attached. However, balanced against government and earned income, it can help provide a zone of autonomy that is crucial for the health of the sector. The exact level of private funding required for this purpose is, of course, difficult to specify. Clearly, it is unreasonable to expect that private giving will constitute all, or even most, of nonprofit income. Even in the United States, the country credited with having the most supportive laws and traditions for private giving, such support

constitutes only 19 percent of overall nonprofit revenue. At the same time, a level much below 10 percent is probably insufficient to provide the financial "cushion" that a healthy and vital nonprofit sector probably requires.

As it turns out, however, only three of the seven countries we examined in depth--the U.S., the U.K., and Hungary--had levels of private giving that exceeded this "minimum" range, and the Hungarian case is probably an artifact of the smallness of the nonprofit sector and the inclusion of support from quasi-governmental enterprises in the private giving totals. Significantly, moreover, the countries with the lowest levels of private giving also have the least generous tax incentives for such giving. Accordingly, in Japan where private giving constitutes a minuscule 1 percent of nonprofit income, contributions to nonprofit organizations are deductible from taxes only for corporations, and even then only up to certain limits. For individuals, contributions are deductible only for a very narrow range of organizations, the so-called *tokutei koeki zoshin hojin*, or special public-interest-promoting organizations, and of which there are quite few. Similarly, tax deductibility in Italy is limited to only certain classes of nonprofit organizations (e.g., those active in the performing arts or in the preservation of prominent art works) and even then only up to 2 percent of personal income (Barbetta, 1993). French law is somewhat more lenient, however, declared associations are forbidden from owning real

estate or receiving legacies, and charitable contributions to them are deductible only up to 3 percent of taxable income. Although a special class of "public utility associations" exists with the ability to own real estate and other financial assets, access to this classification requires the approval of the *Conseil d'Etat* and a two-year application procedure (Archambault, 1993). The result is to deny nonprofit organizations the kind of long-term support that endowments can provide and limit severely the growth of charitable foundations.

While liberalization of tax incentives will hardly guarantee an upsurge of private charitable contributions, a reasonable case can be made that such liberalization makes sound policy sense if the nonprofit sector is to retain a meaningful degree of independence while cooperating with government in the pursuit of joint objectives. Combined with educational and media campaigns to reinforce the importance of giving and volunteering, such changes can usefully help create an important alternative source of support and help insulate nonprofit organizations from undue state control.

Improving Accountability and Professionalization. Whatever the tax laws or exhortations to contribute, the ability of nonprofit organizations to attract charitable contributions or retain governmental support will depend heavily on their own management capabilities and procedures for accountability. Recent scandals involving the payment of excessive salaries and benefits to nonprofit officials in the United States, mismanagement of

blood supplies in France, misuse of the foundation form to shield business activities from taxation in Hungary, and excessive intimacy between nonprofit organizations and political party patrons in Italy have put an unfortunate cloud over this set of institutions. More generally, significant components of the nonprofit sector continue to operate with the mentality of a "private preserve" rather than a set of publicly responsible institutions. The first full directory of German foundations, published only in 1992, for example, carried a disclaimer intended to discourage readers from using the compiled information for grant-seeking activities, conveying the impression that knowledge about the resources available from foundations is somehow privileged information.[6] Such secrecy simply fuels distrust toward the nonprofit sector and limits the prospects for its further development.

More generally, nonprofit organizations must take steps to improve their managerial effectiveness. Although employees of nonprofit organizations in such countries as Germany and Japan essentially function like civil servants and receive comparable training and compensation, in most other countries salaries are low, benefits limited, and training nonexistent.

While this can have a certain romantic appeal, it may also be short-sighted. As nonprofit organizations move more into the center of societal problem-solving, the pressures on them to become more effective and more "professional" will increase.

While specialized training programs have emerged in the United States, the United Kingdom, and other countries to cope with the resulting need, the training and information challenges facing this sector have only begun to be addressed.

Conclusion

For most of the twentieth century, the dominant *leitmotif* has been the growth of the modern state. From the time that German Chancellor Otto von Bismarck redefined the role of the state to include the protection of worker welfare in the late nineteenth century, political debate in much of the Western world, and increasingly in the non-Western world as well, has focused on the steady expansion of state protections against the social and economic misfortunes that have accompanied the urbanization and industrialization of modern society.

Not surprisingly, given this dominant theme, the possibility that private, voluntary organizations might continue to play a major role in the face of an expanding welfare state has attracted little serious attention except among fringe conservative thinkers longing for a return to the good old days of individual initiative and wholly voluntary effort. In most advanced countries, the nonprofit sector has not only been assumed not to be needed, it is assumed to have passed from the scene.

In fact, however, the rumors about the demise of the nonprofit sector, like those that American humorist Mark Twain heard about his

untimely death, have been greatly exaggerated, to say the least. In point of fact, the nonprofit sector remains a major and growing presence in virtually every country of the world and in the social and economic life of our time. We seem to be in the midst of a "global associational revolution" that, as one of the present authors recently put it, "may well prove to be as significant a development of the latter twentieth century as the rise of the nation-state was of the latter nineteenth century" (Salamon, 1994).

Reflecting deep-seated reactions against continued expansion of the modern state and new enthusiasms on the part of citizens to engage more directly in public problem-solving, the nonprofit sector has emerged as a major new factor of modern social life. What remains to be done is to integrate it more fully into our conception of how modern society works and to come to terms with the important challenges it confronts. Hopefully the findings outlined here will provide a useful start along this route.

Endnotes

1. Lester M. Salamon is director of the Johns Hopkins Institute for Policy Studies and of the Johns Hopkins Comparative Nonprofit Sector Project. He is the author, among other works, of *America's Nonprofit Sector: A Primer* (New York: The Foundation Center, 1992) and *Partners in Public Service: Government and the Nonprofit Sector in the Modern Welfare State* (Baltimore: Johns Hopkins University Press, 1995).

2. Helmut K. Anheier is Associate Professor of Sociology at Rutgers University and Associate Director of the Johns Hopkins Comparative Nonprofit Sector Project. He also edits *Voluntas*, the principal international scholarly journal on the nonprofit sector.

3. For a more complete summary of the methodology and results of this project, see: Salamon and Anheier, 1994, from which this article is partly drawn. For an analysis of the basis for the definition used here, see: Salamon and Anheier, 1992.

4. Operating expenditures are the amounts expended in the course of a year for the operations of an organization. Excluded are the amounts spent for capital items such as buildings and equipment, which typically last for more than a year.

5. This overall pattern may not apply very well to the developing countries, where organizations are not so specialized, and where a broad group of development-oriented nongovernmental organizations, or NGOs, comprise a much larger component of the nonprofit sector than the 7-country averages might suggest. In Egypt, for example, a quarter of all nonprofit organizations we surveyed turned out to fall into this category.

6. The value of volunteer effort was calculated by assigning an imputed value to the hours that volunteers reported devoting to each of the fields of service. The imputed value was calculated using the average wage in the country. With these imputed values included, the share of total nonprofit resources devoted to recreation in the four countries for which we have volunteer data climbs from 11 percent to 20 percent, the civic and advocacy share increases from 1 percent to 3 percent, and the environment share from 1 percent to 2 percent.

7. For a more detailed examination of this pattern, see Salamon, 1981; 1989.

8. See Bundesverband Deutscher Stiftungen, 1991, p. xviii.

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