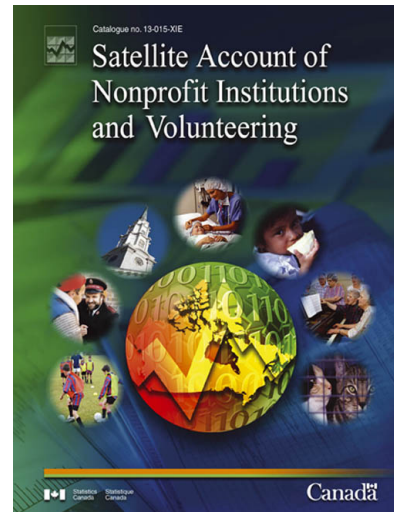




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# Satellite Account of Nonprofit Institutions and Volunteering

1997-1999



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**For more information**

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# Satellite Account of Nonprofit Institutions and Volunteering

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## I. Acknowledgements

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The project team wishes to thank members of the Advisory Committee for the Satellite Account of Nonprofit Institutions and Volunteering for their invaluable guidance and support throughout the development of the satellite account and for their input to this report.

Committee members are: Jacquelyn Thayer Scott, University College of Cape Breton (Co-chair); Karen Wilson, Statistics Canada (Co-chair); Loleen Berdahl, Canada West Foundation; Nona Grandea, Social Development Canada; Michael Hall, Canadian Centre for Philanthropy; Blaine Langdon, Canada Revenue Agency; Mike McCracken, Informetrica Ltd.; Don McRae, Canadian Heritage; Sheila Regehr, Status of Women Canada; Lester Salamon and Helen Tice, Centre for Civil Society Studies, Johns Hopkins University; Ron Saunders, Canadian Policy Research Networks; Katherine Scott, Canadian Council on Social Development; Andrew Sharpe, Centre for the Study of Living Standards; Cynthia Haggar-Guénette, Dave Leblanc, Graham Lytle and Paul Reed, Statistics Canada.

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## II. Letter from the co-chairs

First publication of the *Satellite Account of Nonprofit Institutions and Volunteering* is a milestone in knowledge development on Canada's nonprofit sector. This ground-breaking achievement is the culmination of an extensive research and data integration project to build comprehensive statistics on the sector within the Canadian System of National Accounts. It provides first-ever official estimates of the economic contribution of the nonprofit sector in Canada.

The satellite account was developed as part of the federal government's Voluntary Sector Initiative, to ensure that information on the size, scope and nature of the sector is now a permanent feature of Canadian economic statistics. Along with complementary programs such as the *Canada Survey of Giving, Volunteering and Participating* and the *National Survey of Nonprofit and Voluntary Organizations*, the satellite account addresses important information gaps, and demonstrates Statistics Canada's ongoing commitment to building a solid knowledge base on the voluntary sector.

In the early stages of the satellite account's development, the project team participated, along with 10 other countries, in a project to test and provide feedback on a proposed set of international guidelines for compiling statistics on the nonprofit sector. This project to publish the *Handbook on Nonprofit Institutions in the System of National Accounts* was led by Johns Hopkins University under the auspices of the United Nations. The *Handbook* is now available as a guide for statistical agencies around the world, and Canada is one of the first countries to proceed with its implementation.

Invaluable guidance and input was provided by an Advisory Committee for the satellite account, comprised of members from the sector, federal departments and experts at Statistics Canada. The committee contributed to the account's development by helping to identify the information needs of key data users, sharing expertise on the nature of Canada's nonprofit sector and providing feedback on the substance and interpretation of international guidelines. We are pleased to launch this publication as the first in an ongoing annual series.

Yours truly,

Co-chairs of the Advisory Committee for the Satellite Account of Nonprofit Institutions and Volunteering



Jacquelyn Thayer Scott  
Professor, School of Business  
University College of Cape Breton  
and Deputy Chair,  
Prime Minister's Advisory Council  
on Science and Technology (Canada)



Karen Wilson  
Director General  
System of National Accounts  
Statistics Canada



### III. Introduction

There is a growing interest among social scientists, policy-makers and statisticians, both in Canada and internationally, in the group of institutions known as “nonprofit”, “voluntary”, “civil society” or the “third” or “independent” sector. These organizations play a critical role in society, unique in many respects from that of governments or for-profit firms, and central to community engagement and to the building of social capital. They span a range of diverse groups, including sports and recreation clubs, arts and cultural associations, faith-based organizations, educational institutions, advocacy groups, business associations and service-providers in the fields of health and social services. Despite the acknowledged importance of the nonprofit sector, reliable quantitative information on its size, scope and impact in society has, until very recently, been sorely lacking.

A more complete understanding of the dimensions of the sector is essential for voluntary and nonprofit organizations, to put organizational and other issues into perspective and enable informed analysis and planning. For federal, provincial and municipal policy-makers, increased awareness of the sector’s substantial contribution could lead to improved policy development and implementation. Perhaps most importantly, regular and reliable quantitative information will allow the media and the Canadian public to appreciate the size, complexity and functions of a key sector that performs vital social and cultural roles in local communities and engages millions of Canadians to offer time and money each year in support of its activities.

In June 2000, the Government of Canada launched the Voluntary Sector Initiative (VSI) in partnership with the voluntary sector. The objective of this initiative was to strengthen the capacity of the sector to meet society’s demands and to enhance the relationship between the federal government and the sector. As a component of the VSI, investments were made in research capacity to address important information gaps for policy development vis-à-vis the voluntary sector in Canada. As part of these investments, funding was assured to develop a set of economic statistics on the sector within the Canadian System of National Accounts. The *Satellite Account of Nonprofit Institutions and Volunteering* was to include a set of standard economic accounts for the nonprofit sector, mirroring information already available for other sectors in the Canadian economy. It would also include a nonmarket extension to put an economic value on volunteer activity, an important aspect of the economic contribution of the sector. The satellite account now has ongoing funding as an annual program at Statistics Canada.

The nonprofit sector’s economic contribution is but one dimension of its much larger impact in society, and complementary statistical initiatives were funded to address other aspects of the question. The first was a triennial repeat of the *Canada Survey of Giving, Volunteering and Participating* (CSGVP), a household survey of charitable giving, volunteering and participatory behaviour and, subsequently, the *National Survey of Nonprofit and Voluntary Organizations* (NSNVO), a first-ever survey of organizations, collecting information on the areas in which they work, the populations they serve, the extent to which they provide public benefits, and the financial and human resources they engage. The groundwork for these initiatives was undertaken by the voluntary sector itself, and they respond directly to identified information needs. Together with the satellite account, they advance knowledge development on the Canadian nonprofit sector by unprecedented leaps and bounds.



After the satellite account's development had commenced, the Statistics Canada project team was invited to participate in the development of international guidelines for satellite accounts of nonprofit institutions, now published in the United Nations' *Handbook on Nonprofit Institutions in the System of National Accounts*. The concepts and methods used to compile the Canadian satellite account draw heavily on those outlined in the *Handbook*.<sup>1</sup>

The *Handbook* recommends compiling economic statistics for a broad nonprofit sector, the boundaries of which are defined by structural and operational criteria. This is achieved by identifying nonprofit activity throughout the economic sectors in which nonprofit institutions currently reside. Gaining a clear, quantifiable overview of entities in this broadly-defined nonprofit sector is portrayed as crucial for a variety of reasons: they have been found to be a significant and growing economic force in countries throughout the world; they have a range of distinct features that justify their separate treatment for analytical purposes; and they are increasingly a focus of public policy concern. Since comprehensive statistics have not been compiled separately for nonprofit institutions, there is also a need for improved coverage and more precise specification of these units in national statistical systems.<sup>2</sup>

This first release of the Canadian *Satellite Account of Nonprofit Institutions and Volunteering* includes standard economic accounts covering the production, incomes and outlays of the nonprofit sector for three reference years: 1997, 1998 and 1999. Separate accounts are presented for hospitals (including residential care facilities), universities and colleges, and for the nonprofit sector excluding these groups. Gross domestic product (GDP) and total income are shown by primary area of activity according to the International Classification of Nonprofit Organizations (ICNPO). The nonmarket extension, to put an economic value on volunteer work, is presented for the years 1997 and 2000, also classified according to ICNPO. Estimates are presented in nominal terms.

The remainder of this publication is structured as follows: analytical findings from the satellite account are presented in Section IV which is divided into three sub-sections. The first describes the size and scope of the sector in economic terms, focusing on its productive activity as measured by GDP. The second provides an overview of the sources and uses of incomes and the third focuses on volunteer activity and its relationship to paid labour in the nonprofit sector. Data tables presenting the standard economic accounts and the nonmarket extension follow in Section VII, and Sections VIII and IX lay out the conceptual framework and estimation methodology. Appendices include a description of reconciliation work with the *National Survey of Nonprofit and Voluntary Organizations*, details on the International Classification of Nonprofit Organizations (ICNPO) and a glossary of main terms used throughout the document. A bibliography and list of the national accounts technical research series are provided at the end.

Analysis presented in this report refers to the year 1999, except in cases where estimates from the standard economic accounts and the value of volunteer work are combined to create "extended" measures. These extended measures are shown for the common year, 1997. Wherever possible, analysis is presented for the nonprofit sector as a whole, and for the sector excluding hospitals, universities and colleges, to have a clearer view of the diversity of nonprofit institutions outside of these large groups.

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1. For a more detailed description of concepts, data sources and estimation methods implemented in the Canadian Satellite Account of Nonprofit Institutions and Volunteering, refer to Appendices VIII and IX of this report.

2. See *Handbook on Nonprofit Institutions in the System of National Accounts*, United Nations (2003).



## IV. Presentation of results

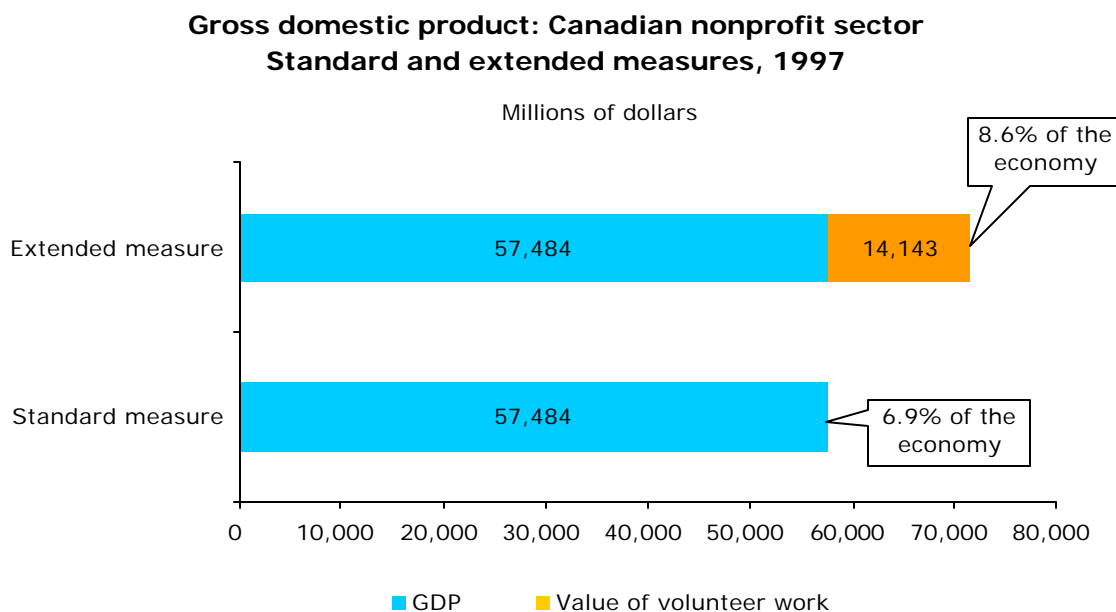
### Canada's nonprofit sector in economic terms

#### Nonprofit organizations play an important role in Canada's economic life

Nonprofit organizations make a vital contribution to the Canadian economy. This can be measured by their gross domestic product (GDP), the value of the productive activity generated as they undertake their missions in Canadian society. According to standard measures, the GDP of the nonprofit sector was estimated at \$61.8 billion in 1999, accounting for 6.8% of the total economy.

Because nonprofit institutions rely heavily on volunteers, GDP is extended to account for a replacement cost value of volunteer work. This represents the cost to replace volunteer effort if the same services were purchased on the paid labour market. This extension for nonmarket volunteer activity can be seen to allow for a more complete valuation of nonprofit sector GDP by more accurately accounting for its true use of productive resources. It is shown for 1997, the common year for which the standard economic accounts and the value of volunteer work are available. In 1997, GDP was \$57.5 billion and accounted for 6.9% of the economy. When the value of volunteer work is added to this figure, the economic contribution of the nonprofit sector increases to 8.6%. Volunteer labour services contribute an additional \$14.1 billion, accounting for nearly 20% of the total extended value of GDP.

Figure 1

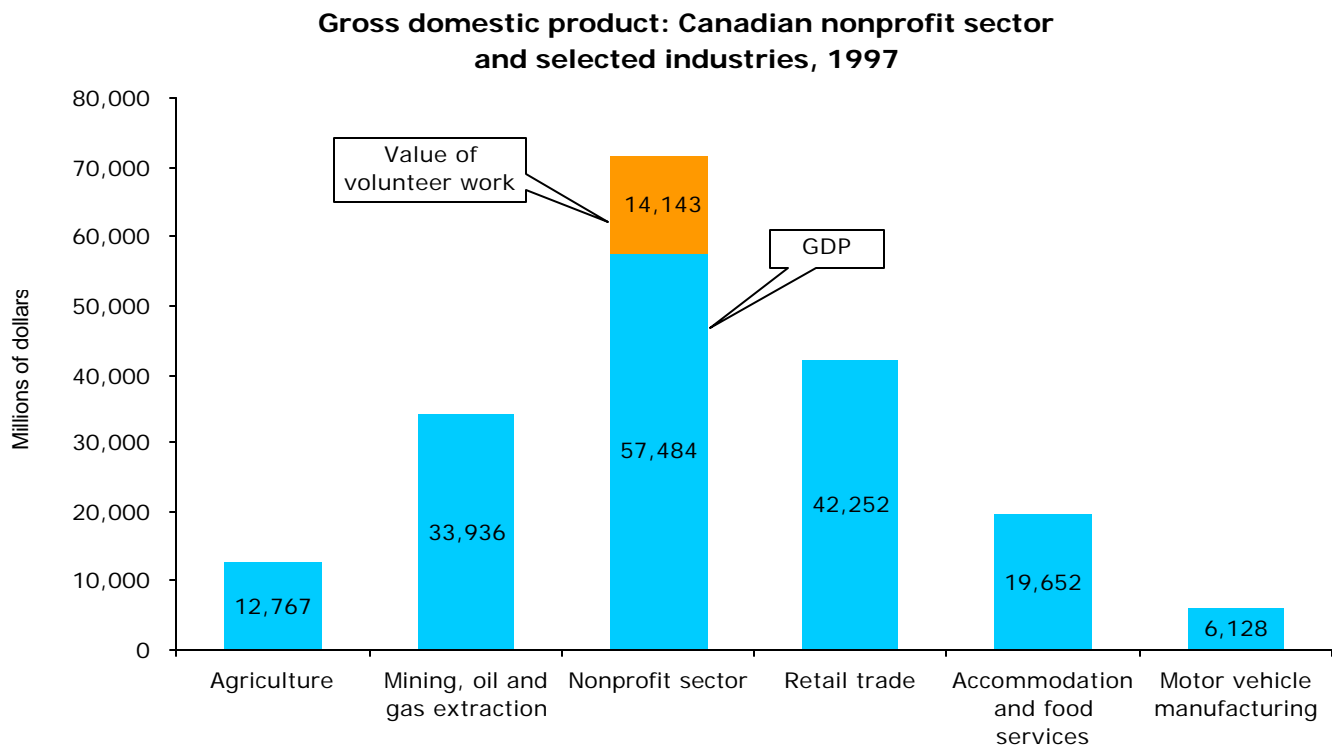


### Canada's nonprofit sector is larger than many major industries

To provide an indication of the scale of economic activity undertaken by nonprofit organizations the GDP of the nonprofit sector can be compared with that of major industries in Canada.<sup>3</sup>

The nonprofit sector's extended GDP is more than eleven times that of the motor vehicle manufacturing industry, over four times larger than agriculture, and over twice the value of the mining, oil and gas extraction industry. It is more than 50% larger than Canada's entire retail trade industry. The GDP of the nonprofit sector exceeds that of these major industries irrespective of whether the contribution of volunteers (the replacement cost value of volunteer work) is included in its valuation.

Figure 2



3. Nonprofit institutions are not an industry, but rather a group of similar institutional units making up a sector. Industries (e.g., manufacturing, construction) are defined on an activity basis, while institutional sectors (e.g., households, businesses, governments), are defined on the basis of their role or motivation in an economic system. Institutional units included in the nonprofit sector span a range of industry groups. While, strictly speaking, sectors and industries are not consistent bases of classification, these comparisons are nonetheless useful as a point of reference.

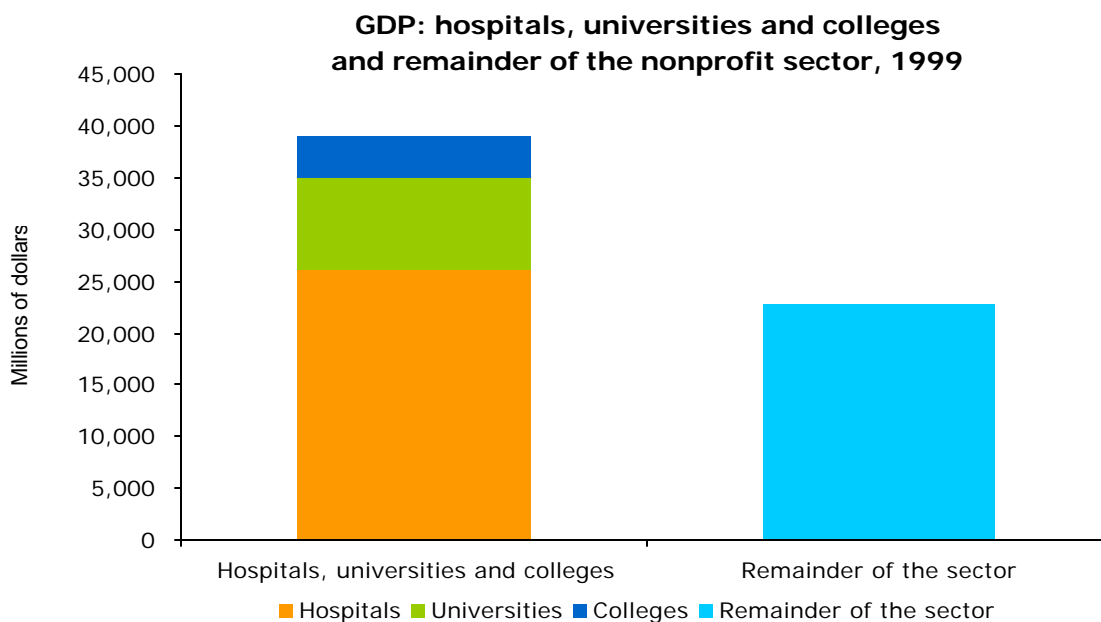




### Hospitals,<sup>4</sup> universities and colleges are the sector's heavyweights

With GDP totalling \$39.0 billion in 1999, hospitals (including residential care facilities), universities and colleges accounted for the lion's share of nonprofit economic activity (63.1%). Hospitals generated twice as much value added (42.3%) as universities and colleges (20.8%).

Figure 3



These primarily large organizations fall essentially into the fields of health and education and, as a result, these fields of activity dominate the GDP of the nonprofit sector in Canada.

### Other organizations span a broad range of activities

To get a clearer view of the diversity of other organizations making up the Canadian nonprofit sector, hospitals, universities and colleges can be excluded. The remainder of the sector is generally (but not exclusively) made up of smaller organizations, functioning in a broad range of fields. This group of organizations accounts for 36.9% of nonprofit sector GDP.

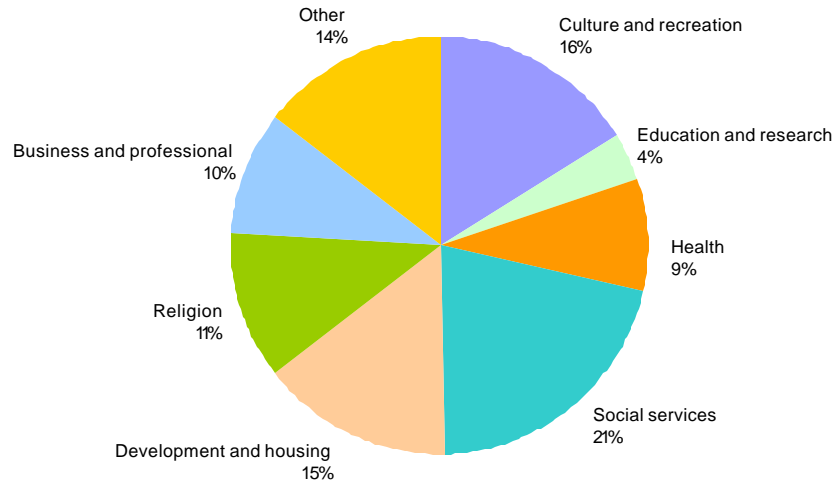
For the sector excluding hospitals, universities and colleges, the field of social services led the way, accounting for over 20% of GDP. Culture and recreation followed at 16.1%, then development and housing (14.9%), religion (11.4%), business and professional associations and unions (9.7%) and health at 8.8%. Together, these six fields of activity accounted for over 80% of the GDP generated by this group.

4. All references to hospitals throughout this document include residential care facilities.



Figure 4

**GDP: nonprofit sector excluding hospitals, universities and colleges, by area of activity, 1999**



### Nonprofit organizations' GDP consists mostly of returns to labour

The GDP of the nonprofit sector measures the output of goods and services produced by nonprofit organizations less the intermediate purchases required to produce this output. It implicitly includes wages, salaries and supplementary labour income, capital consumption allowances (depreciation on capital structures and equipment), other operating surplus and net indirect taxes on factors of production.

Over 91% of the GDP of hospitals, universities and colleges<sup>5</sup> consists of wages, salaries and supplementary labour income. The remainder is comprised of capital consumption allowances (7.3%) and net indirect taxes on factors of production (1.6%).

The importance of labour in GDP decreases to 76.4% for the remaining organizations in the nonprofit sector. This is explained by the existence of operating surplus in GDP for a segment of this group, and a higher share of indirect taxes on factors of production. While one of the key distinguishing characteristics of nonprofit organizations is that they do not exist primarily to generate profits, those with significant market activity can earn operating surplus (profits or losses) in any given year. This surplus must be re-invested in the mission of the organization, and not distributed to its owners or directors.

5. Since these organizations are primarily nonmarket producers and have limited market activity, by convention, their production is valued at cost in the SNA. Other nonprofit organizations cover the majority of their costs through sales. They are considered to be primarily market producers and their output is valued at market prices.



## Sources and uses of incomes in the nonprofit sector

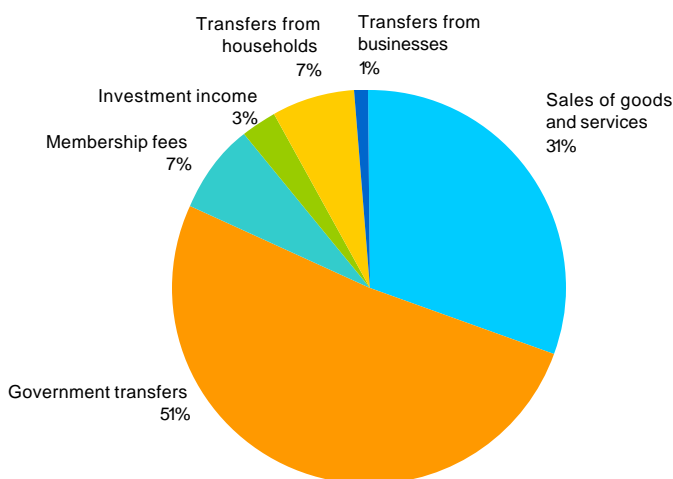
### What are nonprofit organizations' sources of income?<sup>6</sup>

#### Hospitals, universities and colleges rely heavily on government funding

For the nonprofit sector as a whole, government transfers were the most important source of revenue (51.2%), followed by sales of goods and services, at 30.6%. Together these two sources accounted for more than 80% of revenues for the sector. Other revenue sources were comparatively small, with 7.4% of income in the form of membership fees, 6.8% as transfers from households, 2.9% in investment income and 1.2% in donations from businesses.

Figure 5

Sources of income: nonprofit sector, 1999



As is the case for GDP, hospitals, universities and colleges dominate the overall sector in terms of income, receiving more than half of total revenue. Hospitals received 84.0% of their income in the form of government transfers, and 14.3% in the form of sales. Universities and colleges also receive significant government funding (58.5% of total income), but derive considerable income from tuition fees, leading to relatively larger sales, accounting for 30.4% of total income.

More than 80% of all government transfers to the nonprofit sector went to hospitals, universities, and colleges, with almost 60% going to hospitals alone. Since funding of these entities falls under provincial jurisdiction, it is not surprising that government transfers to the nonprofit sector originated almost entirely from the provincial level (94.2%).<sup>7</sup>

6. In accordance with national guidelines, in the components of current income for the satellite account, payments by governments to nonprofit institutions in return for goods and services provided are recorded as sales and not as government transfers. These amounts cannot be separately identified.

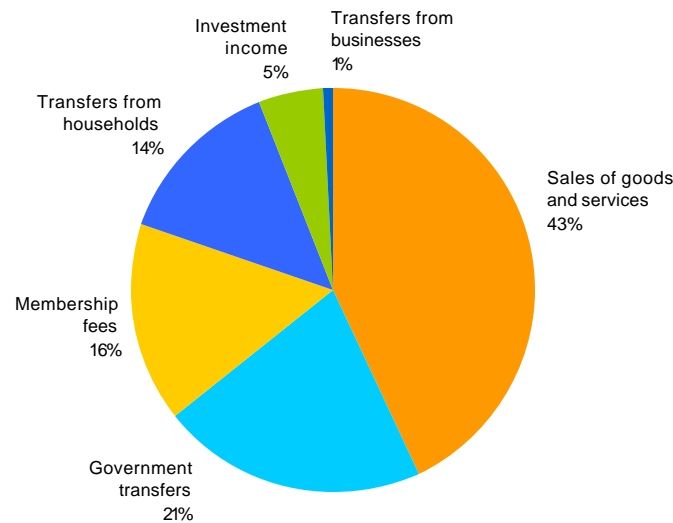


### Other organizations rely less on government transfers, and sales are key source of income

The nonprofit sector excluding hospitals, universities and colleges received a total income of \$44.4 billion. Sales of goods and services are, by far, the most important source of revenue for this group, accounting for 42.9% of total income. This was more than twice the size of government transfers (21.1%). Together these two sources amounted to 64.0% of revenue for this group, compared with 81.8% for the nonprofit sector as a whole.

Figure 6

#### Sources of income: nonprofit sector excluding hospitals, universities and colleges, 1999



While provincial governments are still the largest contributors to government transfers for the group excluding hospitals, universities and colleges (78.2%), the contribution of the federal government was larger for this group than for the sector as a whole (20.9%).

This portion of the sector also derived significant income from membership fees (16.2%) and donations from households (13.9%). Other sources of revenue include investment income (4.9%) and transfers from businesses (1.0%). With 78.9% of their revenue originating from sources other than governments, these organizations were far less dependent on government funding than hospitals, universities and colleges.

The four largest revenue sources—sales of goods and services, government transfers, membership fees and transfers from households—contributed over 90% of total revenue for this group.

7. These transfers are recorded as coming from the end-payer in the Canadian SNA. Federal payments to provincial governments to fund health and education are shown as intergovernmental transfers, not as transfers to hospitals, universities and colleges.

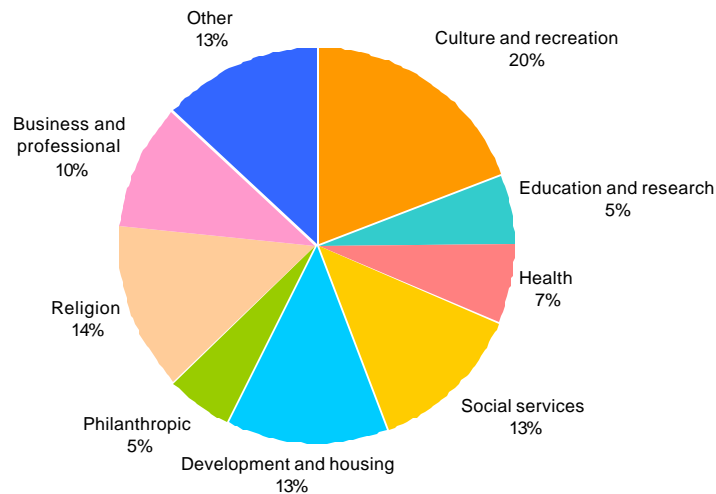


### As is the case for GDP, the revenues of other organizations span a range of fields

While 55% of total sector revenues were received by hospitals, residential care facilities, universities and colleges, the other half of sector revenues span a wide range of areas. The six primary activities that accounted for nearly 82% of GDP — social services, culture and recreation, development and housing, religion, business and professional associations and health — accounted for 76.1% of total income received by these generally smaller organizations.

Figure 7

#### Income: nonprofit sector excluding hospitals, universities and colleges, by area of activity, 1999



While the distribution of income is similar to that of GDP, there are a few notable exceptions where the share of economic activity and that of overall revenue are quite different. One is for organizations involved in culture and recreation. Accounting for a larger share of income than value added, the culture and recreation group was the top earner in the portion of the sector excluding hospitals, universities and colleges, receiving almost 20% of total income and accounting for only 16.1% of GDP. Conversely, social services organizations led the group in terms of GDP (21.0%), but received a lesser share of total income (12.8%).

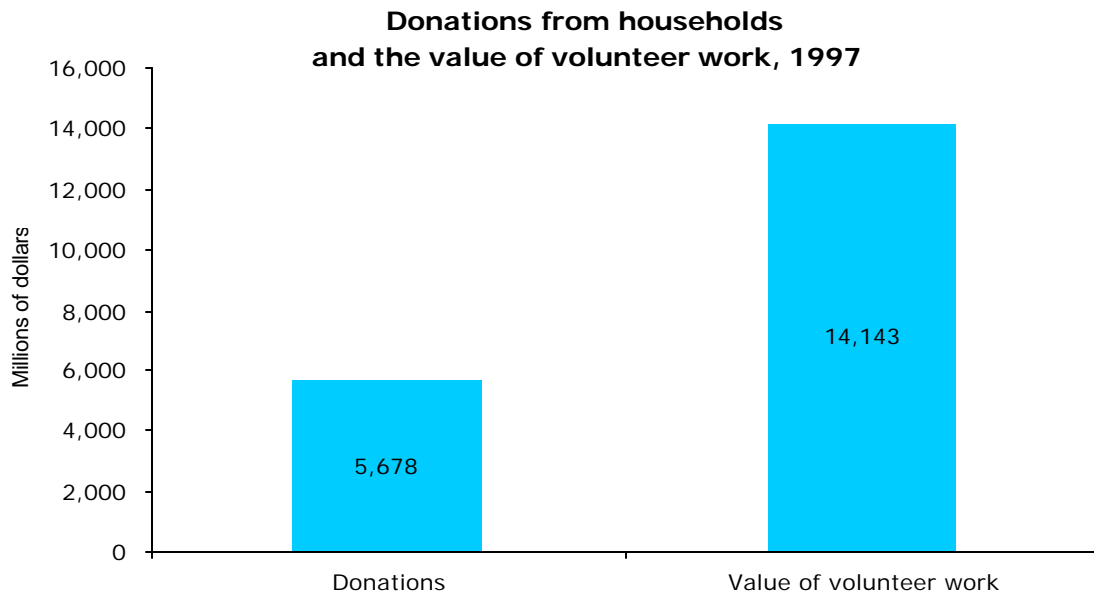
Not surprisingly, the share of philanthropic intermediaries and voluntarism promotion organizations in total income (5.4%) was twice as large as its importance in GDP (2.1%), as these organizations are often engaged in redistributing income to organizations throughout the sector and have relatively less productive activity. Religion also had a higher share of income (14%) than GDP (11.4%).



### Volunteer time is worth more than donations from households

Volunteering is a resource that exceeds, by far, the value of donations from households to the nonprofit sector. While households gave a total of \$5.7 billion in donations, the value of the services contributed by volunteers was more than double this amount, at \$14.1 billion in “in-kind” revenue offered to the nonprofit sector.

Figure 8



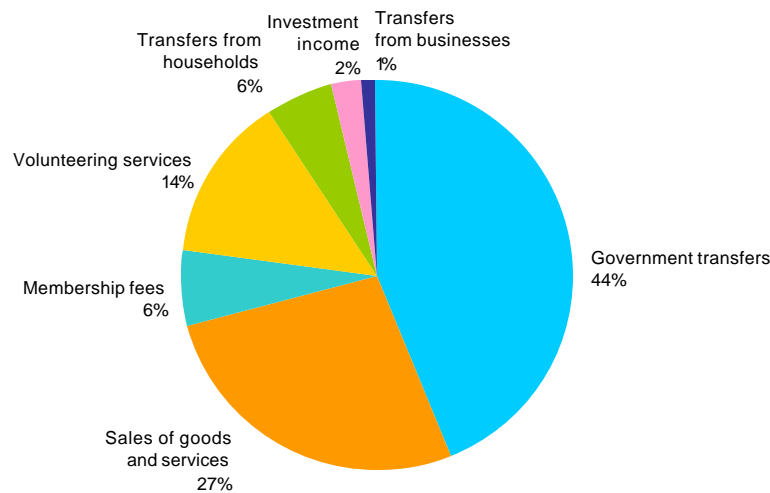
### Including volunteering triples the contribution of households

The labour services that volunteers provide are a significant resource provided as a transfer in-kind from households. As is the case for GDP, incomes of the nonprofit sector can be extended to reflect this additional value. Combining the value of volunteer work with donations from households triples the importance of household transfers in total revenue, from 6.5% to 19.5%.



Figure 9

**Sources of income, extended with volunteering:  
nonprofit sector, 1997**



### How do nonprofit organizations use their income?

#### Remuneration is largest expense, particularly for hospitals, universities and colleges

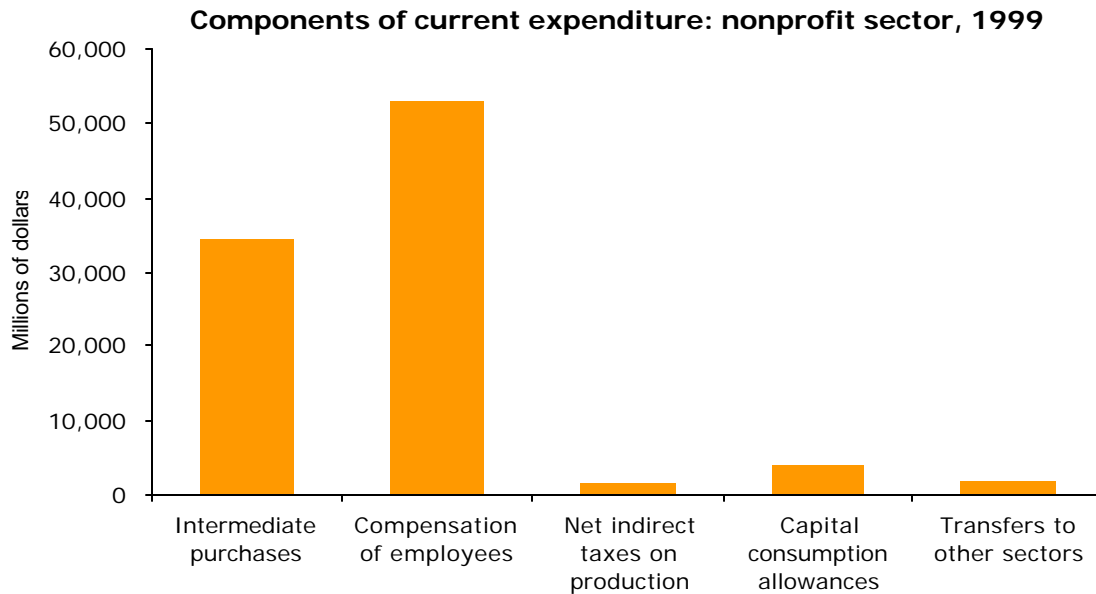
Current expenditure of nonprofit organizations totalled \$95.1 billion, 98% of which were operating expenditures incurred to produce goods and services. The remainder is transfers to other sectors of the economy.

Two expenditure categories accounted for nearly 95% of total operating expenses. Compensation of employees was the largest, accounting for 56.9% of the total. Intermediate purchases, that is, purchases of goods and services used in the production process was the second, at 37.1%. The remaining 6% of production expenses were divided between capital consumption allowances (depreciation expense), and net indirect taxes on factors of production.

Spending of hospitals, universities and colleges on labour compensation was more than double their intermediate purchases of goods and services. As a proportion of total operating expenses, these organizations spent relatively more on labour services (66.3%) and less on intermediate purchases (27.3%) than the rest of the sector. This could be due to higher rates of remuneration in these fields of activity.



Figure 10



Conversely, other organizations spent more on goods and services (50.3%) relative to paid labour compensation (44.1%). This group relies more heavily on volunteers to undertake their activities than hospitals, universities and colleges. If the value of volunteer work were added to paid labour compensation, these relative differences would be reduced, and the total value of labour services would exceed spending on intermediate purchases.

#### Nonprofit sector saving originates from specific areas

On the whole, nonprofit organizations cover their expenses with the incomes they receive, either earned from market activity or received as transfers. The saving of the overall sector was \$3.3 billion in 1999. Expressed as a proportion of income, the saving rate of the nonprofit sector was 3.4%. This compares to a national saving rate of 8.6% in the same year.<sup>8</sup> Nonprofit saving originates primarily with specific organization types such as nonprofit transportation authorities, health insurance providers, boards of trade and large business and professional associations. These organizations tend to be serving the needs of business or have significant market activity.<sup>9</sup>

Other organizations in the sector tend to have low or negative saving. Hospitals recorded negative saving over the period covered by the satellite account, and universities and colleges had modest positive saving rates. Organizations outside these groups which are not primarily market producers also registered negative saving.

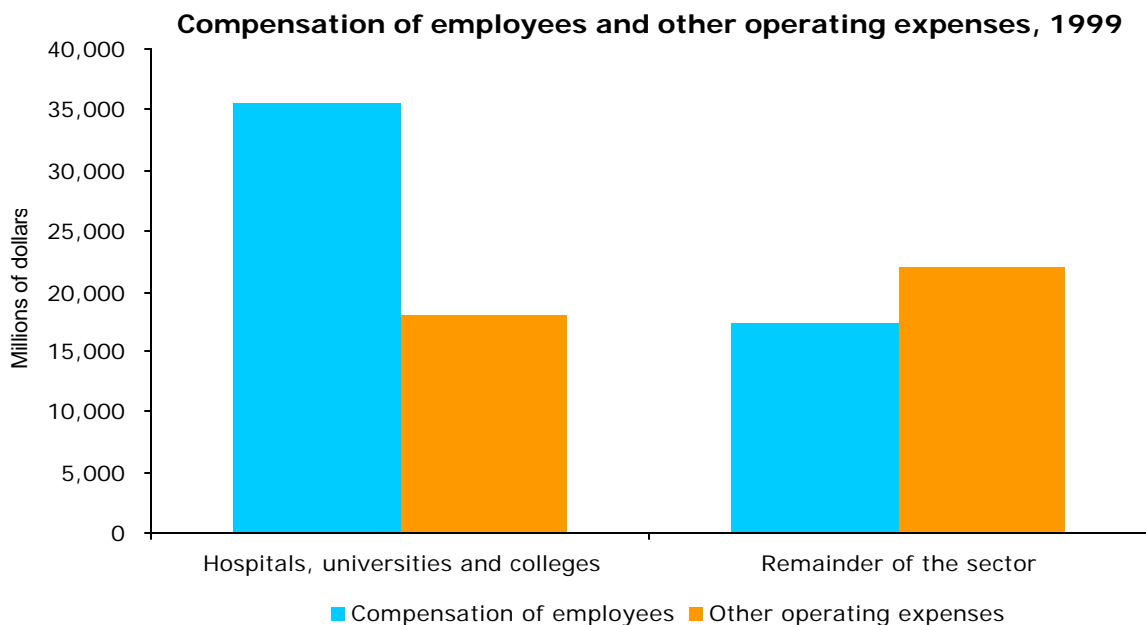
8. Defined as national saving as a proportion of net national income.

9. They are classified to the business sector in the standard accounts of the Canadian SNA.





Figure 11



## Volunteer work and paid labour compensation

### Volunteer work accounts for a quarter of the value of total labour services

When paid labour compensation and the replacement cost value of volunteer work are summed, the result is an extended value of total labour services employed by the nonprofit sector. In 1997, the sector paid \$48.9 billion in labour compensation and benefited from volunteer effort worth \$14.1 billion. The value of volunteer work amounted to roughly one-quarter of the total value of labour services provided to the nonprofit sector. The overall value of labour resources employed by the nonprofit sector represents 13.5% of the wage bill for the Canadian economy.

Figure 12



### Culture and recreation use most volunteers, while health draws heavily on paid labour

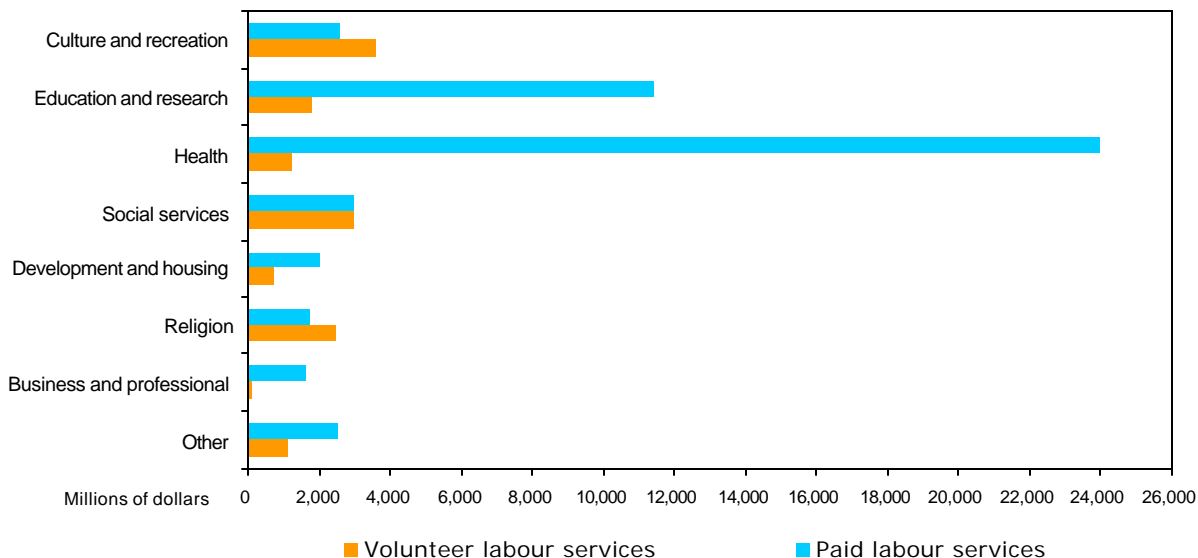
Four areas of activity accounted for most of the value of volunteer work. The culture and recreation field drew on \$3.6 billion worth of volunteer effort in 1997, followed by social services (\$3.0 billion), religion (\$2.5 billion), education and research (\$1.8 billion). These four groups collectively accounted for 77.0% of the value of the volunteer work and 38.3% of paid labour compensation.

The field of health, which is dominated by hospitals, relies heavily on paid labour as opposed to volunteer effort. The wage bill for the health field dwarfs all other areas at \$23.9 billion. Education and research also gets an important amount of paid labour resources, amounting to \$11.4 billion. The health and education fields dominate paid labour services in the nonprofit sector, accounting for nearly three-quarters of the overall value. They account for 21.5% of the value of volunteer work.



Figure 13

**Value of volunteer work and paid labour compensation by area of activity, 1997**



**Wide disparities in the share of volunteer work by field of activity**

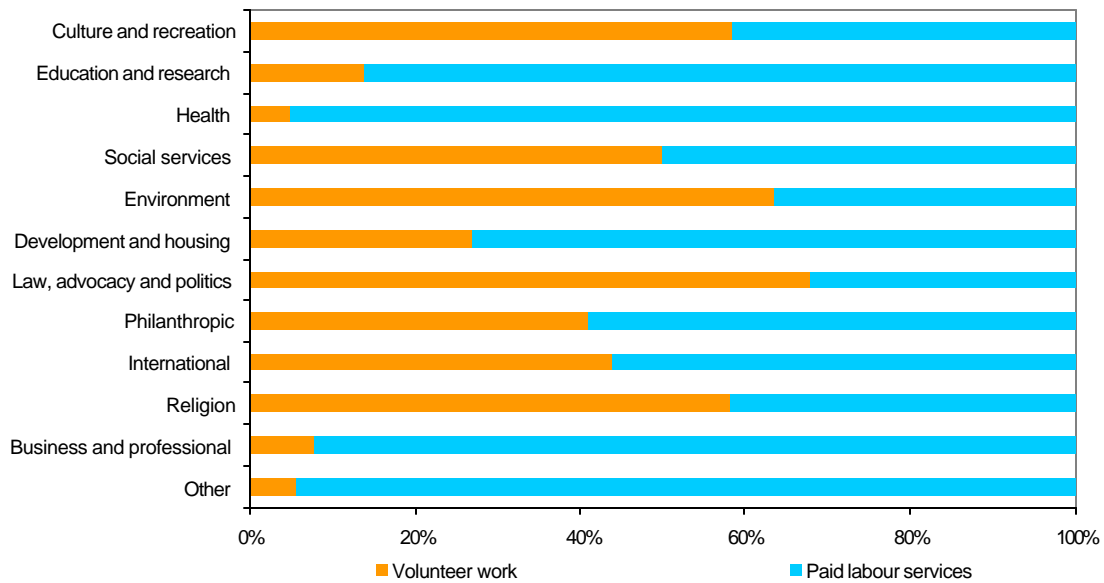
There is a high degree of diversity in terms of the use of volunteers relative to paid labour across fields of activity in the nonprofit sector. The share of volunteer work in the extended value of labour services ranges from 67.9% for law, advocacy and politics to 4.9% in health in 1997.

Organizations in the fields of health, business and professional services, education and research and development and housing make use of substantially more paid labour in relation to volunteer effort. In contrast, organizations primarily engaged in the environment, culture and recreation and religion fields rely more heavily on volunteer effort.



Figure 14

**Volunteer and paid labour shares in extended value of labour services: nonprofit sector, 1997**

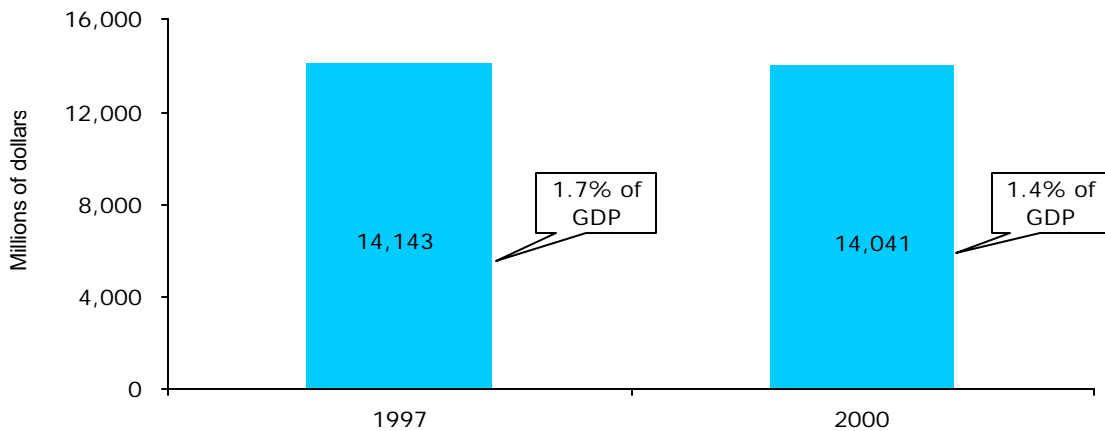


**The value of volunteer work declined between 1997 and 2000**

The value of volunteer work is estimated at \$14.0 billion in 2000, down marginally from the \$14.1 billion estimated in 1997. This amounts to 1.4% of Canada’s GDP, as compared with 1.7% in 1997. The decline in the value of volunteer work was due to a drop in hours volunteered over this period.

Figure 15

**Value of volunteer work as a percentage of GDP for the Canadian economy**



In 2000, 6.5 million people or 26.7% of Canadians volunteered their time and skills, a decline from a volunteer rate of 31% in 1997. Although a million fewer Canadians volunteered, those who did devoted more time, partially mitigating the decline in terms of hours to 5.0%. In 2000, volunteers contributed 162 hours on average, up from 149 hours in 1997. According to the *National Survey of Giving, Volunteering and Participating*, there were 1.1 billion hours volunteered in 2000, equivalent to 539 thousand full-time jobs.

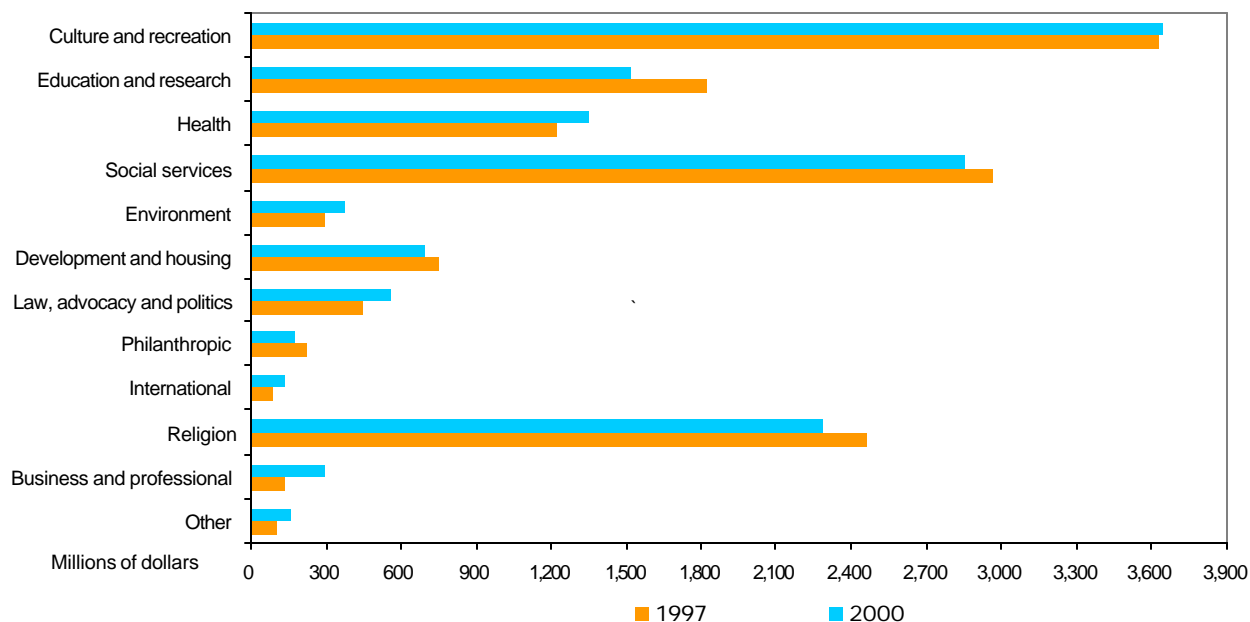
Patterns in volunteering can be affected by a shifting of resources from the nonmarket to the market sector that occurs with economic cycles. Between 1997 and 2000, Canada’s economy advanced an average of 4.9% per year and the employment rate rose from 59% in 1997 to 61.4% in 2000.

**Nearly two-thirds of the value of volunteer work goes to three areas of activity**

In 2000, three areas of activity—culture and recreation, social services and religion—accounted for 62.6% of total value of volunteer work. Accounting for more than a quarter of volunteer labour services in 2000, culture and recreation represents the largest field, followed by social services (20.3%) and religion (16.3%). Health and education are also significant with 9.6% and 10.8% of the total replacement cost value, respectively. Between 1997 and 2000, the education and research group experienced the largest decline in value.

Figure 16

**Value of volunteer work by area of activity**



## V. Summary and conclusions

The *Satellite Account of Nonprofit Institutions and Volunteering* carves out a place for the nonprofit sector in the Canadian System of National Accounts, putting it on an equal footing with other economic sectors. It sheds light on economic dimensions of the sector previously invisible in the existing framework. Satellite account findings have revealed that the nonprofit sector accounts for a significant portion of the Canadian economy, irrespective of whether standard measures are extended to include the value of volunteer work. In terms of GDP and total revenues, the sector is dominated by hospitals, universities and colleges. These organizations rely heavily on government funding, particularly from the provincial level. The economic activity of nonprofit institutions outside these groups spans a diverse range of fields, and they rely more heavily on other sources of revenue, with sales of goods and services being the most important.

Labour compensation accounts for the largest portion of current expenditure of nonprofit institutions, particularly for hospitals, universities and colleges. Other organizations spend comparatively more on goods and services. As a whole, the nonprofit sector registers positive savings, with current income exceeding current expenditure by a non-negligible margin. This saving is not generalized, however, and originates from specific organization-types.

Volunteer work is a significant resource for the nonprofit sector. Including it in GDP, to yield an extended measure, increases its value by 25%. Including it in measures of income increases total revenue by 16.2%. The value of volunteering is more than double the level of donations by households, and households' contribution to extended income triples to nearly 20% when these in-kind gifts are taken into account. Volunteer activity accounts for about one quarter of the total extended value of labour compensation.

The use of volunteers relative to paid labour varies considerably by type of organization. Volunteer activity is concentrated in culture and recreation, religion, and social services, with these three groups accounting for nearly two thirds of the total. Large service providers in health and education rely more heavily on paid labour, as do business associations. The value of volunteer work declined between 1997 and 2000, due to a drop in hours volunteered. While a million fewer Canadians offered volunteer services, those who contributed gave more hours on average, partially mitigating this decline.

While this first release of the *Satellite Account of Nonprofit Institutions and Volunteering* focused on a benchmark picture of the sector in economic terms, the next release in 2005 will span a five-year time horizon, enabling more meaningful trend analysis.<sup>10</sup> It will also include two years of extended measures including the value of volunteer work (1997 and 2000).

While the findings presented in this report are an important starting point in understanding the economic dimensions of the nonprofit sector, potential areas for future development of the satellite account abound. One possibility is the development of capital and financial accounts and balance sheets, to understand capital accumulation and its financing and the structure and evolution of nonprofit sector wealth. Another would be the development of measures of real output for the sector, based on physical indicators specific to areas of

10. In the next annual release in 2005, two additional reference years will be added to the standard economic accounts (2000 and 2001).



nonprofit activity. This might eventually allow for a fuller understanding of changes in productivity. An employment module might also be developed, where estimates of nonprofit employment would be consistent with satellite account estimates. The feasibility of undertaking development in any of these new areas has yet to be examined and it could be initiated only in the context of available resources.

Most importantly, satellite account estimates will continue to be improved and refined as experience in accounting for this newly-revealed sector matures and accumulates. Lessons learned in building the satellite account will also be brought to bear to improve the portrayal of nonprofit institutions throughout the components of core Canadian System of National Accounts.



## VI. Data tables

- Table 1** Economic accounts, nonprofit sector
- Table 2** Economic accounts, hospitals
- Table 3** Economic accounts, universities and colleges
- Table 4** Economic accounts, nonprofit sector excluding hospitals, universities and colleges
- Table 5** Income by primary area of activity, nonprofit sector
- Table 6** Income by primary area of activity, nonprofit sector excluding hospitals, universities and colleges
- Table 7** Gross domestic product at basic prices by primary area of activity, nonprofit sector
- Table 8** Gross domestic product at basic prices by primary area of activity, nonprofit sector excluding hospitals, universities and colleges
- Table 9** Hours volunteered by primary area of activity, 1997
- Table 10** Hours volunteered by primary area of activity, 2000
- Table 11** Replacement cost value of volunteer work by primary area of activity
- Table 12** Replacement cost value of volunteer work and paid labour compensation by primary area of activity, 1997





**Table 1. Economic accounts, nonprofit sector**

	Millions of dollars		
	1997	1998	1999
<b>Production account</b>			
Gross output	86,747	91,567	96,362
Intermediate purchases	29,263	31,882	34,542
Gross domestic product at basic prices	57,484	59,685	61,820
Wages, salaries and supplementary labour income	48,869	50,626	52,997
Taxes less subsidies on factors of production	1,534	1,720	1,659
Capital consumption allowances	4,095	3,922	4,000
Other operating surplus	2,988	3,417	3,165
<b>Income and outlay account</b>			
<b>Income</b>	87,370	91,691	97,333
Sales of goods and services	27,135	28,230	29,796
Membership fees	6,488	7,048	7,193
Investment income	2,421	2,629	2,851
Current transfers from:			
Households	5,678	6,007	6,582
Businesses	1,163	1,144	1,124
Governments	44,485	46,633	49,786
Federal government	2,058	2,586	2,761
Provincial governments	42,341	43,948	46,921
Local governments	86	99	104
<b>Outlay</b>	84,396	88,843	94,052
Current expenditure on goods and services	82,738	87,086	92,133
Current transfers to other sectors	1,658	1,757	1,919
<b>Saving (income less outlay)</b>	2,974	2,848	3,281

Notes: Total sector income is equal to the sum of incomes in tables 2, 3 and 4 less transfers between nonprofit organizations. Figures may not add to total due to rounding.



**Table 2. Economic accounts, hospitals<sup>1</sup>**

	Millions of dollars		
	1997	1998	1999
<b>Production account</b>			
Gross output	32,586	33,877	35,963
Intermediate purchases	8,255	8,894	9,823
Gross domestic product at basic prices	24,331	24,983	26,140
Wages, salaries and supplementary labour income	22,355	22,944	24,024
Taxes less subsidies on factors of production	370	379	397
Capital consumption allowances	1,606	1,660	1,719
<b>Income and outlay account</b>			
<b>Income</b>	31,679	32,990	35,004
Sales of Goods and Services	4,689	4,775	4,997
Investment income	137	147	128
Current transfers from:			
Households and businesses	149	214	141
Other nonprofit organizations	344	390	324
Governments	26,360	27,464	29,414
Provincial governments	26,352	27,446	29,399
Local governments	8	18	15
<b>Outlay</b>	32,198	33,592	35,652
Gross current expenditure on goods and services	31,894	33,246	35,318
Current transfers to other sectors	304	346	334
<b>Saving (income less outlay)</b>	(519)	(602)	(648)

1. Includes residential care facilities

Note: Figures may not add to total due to rounding.



**Table 3. Economic accounts, universities and colleges**

	Millions of dollars		
	1997	1998	1999
<b>Production account</b>			
Gross output	16,514	16,824	17,641
Intermediate purchases	4,344	4,511	4,800
Gross domestic product at basic prices	12,170	12,312	12,842
Wages, salaries and supplementary labour income	10,827	10,979	11,514
Taxes less subsidies on factors of production	217	211	219
Capital consumption allowances	1,127	1,122	1,109
<b>Income and outlay account</b>			
<b>Income</b>	17,784	17,312	18,818
Sales of goods and services	5,849	5,261	5,723
Investment income	512	501	552
Current transfers from:			
Households	282	260	329
Businesses	481	448	625
Other nonprofit organizations	698	897	582
Governments	9,962	9,946	11,008
Federal government	679	632	800
Provincial governments	9,275	9,306	10,200
Local governments	8	8	8
<b>Outlay</b>	16,954	17,146	18,104
Current expenditure on goods and services	16,185	16,391	17,223
Current transfers to other sectors	769	755	881
<b>Saving (income less outlay)</b>	830	166	715

Note: Figures may not add to total due to rounding.



**Table 4. Economic accounts, nonprofit sector excluding hospitals, universities and colleges**

	Millions of dollars		
	1997	1998	1999
<b>Production account</b>			
Gross output	37,647	40,866	42,758
Intermediate purchases	16,664	18,477	19,919
Gross domestic product at basic prices	20,983	22,390	22,838
Wages, salaries and supplementary labour income	15,687	16,703	17,459
Taxes less subsidies on factors of production	947	1,130	1,043
Capital consumption allowances	1,362	1,140	1,172
Other operating surplus	2,988	3,417	3,165
<b>Income and outlay account</b>			
<b>Income</b>			
	38,949	42,676	44,417
Sales of goods and services	16,597	18,194	19,076
Membership fees	6,488	7,048	7,193
Investment income	1,772	1,981	2,171
Current transfers from:			
Households	5,321	5,640	6,183
Businesses	608	590	429
Governments	8,163	9,223	9,364
Federal government	1,379	1,954	1,961
Provincial governments	6,714	7,196	7,322
Local governments	70	73	81
<b>Outlay</b>	35,244	38,105	40,297
Current expenditure on goods and services	34,659	37,449	39,592
Current transfers to other sectors	585	656	704
<b>Saving (income less outlay)</b>	3,705	4,571	4,120

Note: Figures may not add to total due to rounding



**Table 5. Income by primary area of activity, nonprofit sector**

	Millions of dollars		
	1997	1998	1999
Culture and recreation	7,642	8,345	8,521
Education and research	19,182	18,828	20,659
Health	33,242	34,656	36,725
Social services	5,456	5,894	6,580
Environment	402	485	523
Development and housing	4,925	6,081	5,986
Law, advocacy and politics	425	473	514
Philanthropic intermediaries and voluntarism promotion	2,055	1,328	2,369
International	723	931	909
Religion	5,130	5,885	6,082
Business and professional associations, unions	3,786	4,614	4,608
Not elsewhere classified	4,402	4,171	3,857
<b>Total</b>	<b>87,370</b>	<b>91,691</b>	<b>97,333</b>

Note: Figures may not add to total due to rounding.

**Table 6. Income by primary area of activity, nonprofit sector excluding hospitals, universities and colleges**

	Millions of dollars		
	1997	1998	1999
Culture and recreation	7,642	8,345	8,521
Education and research	2,097	2,413	2,422
Health	2,721	2,951	2,944
Social services	4,642	5,000	5,683
Environment	402	485	523
Development and housing	4,925	6,081	5,986
Law, advocacy and politics	425	473	514
Philanthropic intermediaries and voluntarism promotion	2,055	1,328	2,369
International	723	931	909
Religion	5,130	5,885	6,082
Business and professional associations, unions	3,786	4,614	4,608
Not elsewhere classified	4,402	4,171	3,857
<b>Total</b>	<b>38,949</b>	<b>42,676</b>	<b>44,417</b>

Note: Figures may not add to total due to rounding.



**Table 7. Gross domestic product at basic prices by primary area of activity, nonprofit sector**

	Millions of dollars		
	1997	1998	1999
Culture and recreation	3,437	3,667	3,678
Education and research	12,989	13,086	13,687
Health	25,799	26,378	27,406
Social services	4,627	5,036	5,546
Environment	223	247	269
Development and housing	2,747	3,489	3,400
Law, advocacy and politics	282	308	325
Philanthropic intermediaries and voluntarism promotion	420	495	485
International	155	151	176
Religion	2,357	2,492	2,599
Business and professional associations, unions	2,161	2,271	2,222
Not elsewhere classified	2,289	2,066	2,028
<b>Total</b>	<b>57,484</b>	<b>59,685</b>	<b>61,820</b>

Note: Figures may not add to total due to rounding.

**Table 8. Gross domestic product at basic prices by primary area of activity, nonprofit sector excluding hospitals, universities and colleges**

	Millions of dollars		
	1997	1998	1999
Culture and recreation	3,437	3,667	3,678
Education and research	818	773	845
Health	2,133	2,104	2,013
Social services	3,962	4,327	4,798
Environment	223	247	269
Development and housing	2,747	3,489	3,400
Law, advocacy and politics	282	308	325
Philanthropic intermediaries and voluntarism promotion	420	495	485
International	155	151	176
Religion	2,357	2,492	2,599
Business and professional associations, unions	2,161	2,271	2,222
Not elsewhere classified	2,289	2,066	2,028
<b>Total</b>	<b>20,983</b>	<b>22,390</b>	<b>22,838</b>

Note: Figures may not add to total due to rounding.



**Table 9. Hours volunteered by primary area of activity, 1997**

	Millions of hours volunteered	Job equivalents <sup>1</sup>
Culture and recreation	282	144,009
Education and research	141	71,804
Health	93	47,368
Social services	228	116,384
Environment	23	11,874
Development and housing	57	29,200
Law, advocacy and politics	34	17,126
Philanthropic intermediaries and voluntarism promotion	16	8,307
International	7	3,571
Religion	195	99,393
Business and professional associations, unions	11	5,640
Not elsewhere classified	25	12,791
<b>Total</b>	<b>1,112</b>	<b>567,467</b>

1. On a full-year full-time basis (49 weeks, 40 hours a week).  
Note: Figures may not add to total due to rounding.

**Table 10. Hours volunteered by primary area of activity, 2000**

	Millions of hours volunteered	Job equivalents <sup>1</sup>
Culture and recreation	273	139,484
Education and research	112	57,237
Health	97	49,329
Social services	215	109,755
Environment	27	13,925
Development and housing	52	26,281
Law, advocacy and politics	41	20,721
Philanthropic intermediaries and voluntarism promotion	12	6,267
International	10	5,048
Religion	170	86,905
Business and professional associations, unions	22	11,354
Not elsewhere classified	25	12,602
<b>Total</b>	<b>1,056</b>	<b>538,907</b>

1. On a full-year full-time basis (49 weeks, 40 hours a week).  
Note: Figures may not add to total due to rounding.



**Table 11. Replacement cost value of volunteer work by primary area of activity**

	Millions of dollars	
	1997	2000
Culture and recreation	3,629	3,645
Education and research	1,825	1,514
Health	1,221	1,345
Social services	2,964	2,853
Environment	292	374
Development and housing	752	694
Law, advocacy and politics	447	558
Philanthropic intermediaries and voluntarism promotion	220	177
International	91	134
Religion	2,464	2,292
Business and professional associations, unions	136	297
Not elsewhere classified	101	157
<b>Total</b>	<b>14,143</b>	<b>14,041</b>

Note: Figures may not add to total due to rounding.

**Table 12. Replacement cost value of volunteer work and paid labour compensation by primary area of activity, 1997**

	Millions of dollars			
	Replacement cost value of volunteer work	Paid labour compensation	Total extended value of labour services	Ratio of volunteer work to total (%)
Culture and recreation	3,629	2,569	6,199	58.6
Education and research	1,825	11,439	13,264	13.8
Health	1,221	23,950	25,171	4.9
Social services	2,964	2,962	5,926	50.0
Environment	292	167	458	63.6
Development and housing	752	2,054	2,805	26.8
Law, advocacy and politics	447	211	658	68.0
Philanthropic intermediaries and voluntarism promotion	220	314	534	41.2
International	91	116	207	44.0
Religion	2,464	1,762	4,226	58.3
Business and professional associations, unions	136	1,615	1,752	7.8
Not elsewhere classified	101	1,711	1,812	5.6
<b>Total</b>	<b>14,143</b>	<b>48,869</b>	<b>63,012</b>	<b>22.4</b>

Note: Figures may not add to total due to rounding.





## VII. Conceptual framework

### The System of National Accounts

The *Satellite Account of Nonprofit Institutions and Volunteering* is compiled within the framework of the Canadian System of National Accounts (SNA). The SNA is a comprehensive system for integrating economic statistics, ensuring they are exhaustive, consistent and comparable across countries and over time. Probably the most recognizable statistic from the System of National Accounts is the Gross Domestic Product (GDP), which measures the total unduplicated value of goods and services produced in the economy.

The Canadian national accounts have always accounted for the monetary transactions of nonprofit institutions, but they have not been identified explicitly in published statistics. International guidelines for national accounting recommend that data be produced for a limited subset of nonprofit institutions in standard national accounts statistics. This subset is called Nonprofit Institutions Serving Households (NPISH).<sup>11</sup> As is the case in many other countries, this recommendation has not been implemented in Canada, and NPISH are included in the persons and unincorporated business sector in the Canadian national accounts. As per international guidelines, other nonprofit institutions are found in the general government and business sectors, according to their characteristics. As a general rule, NPIs are classified to the government sector if they have significant ties to governments and receive significant government funding. They fall into the business sector if they exist to serve the needs of businesses or if they recover the majority of their costs through market sales.

### Satellite accounts and the central SNA framework

In addition to recommending a standard, multi-purpose framework for compiling economic statistics, SNA guidelines allow for the development of “satellite accounts”. Satellite accounts are separate accounting frameworks which expand the analytical capacity of the national accounts into specific areas of concern, without disrupting or overburdening the central SNA framework. They maintain strong connections with the central framework but allow the flexibility to introduce alternative concepts or classification systems more appropriate to a particular field. Because a strong link to the central framework is maintained, the satellite account estimates are fully comparable to standard economic aggregates, like the GDP.

Work to develop international guidelines for satellite accounts of nonprofit institutions was pioneered by the Center for Civil Society Studies at Johns Hopkins University in close collaboration with the United Nations Statistics Division. These guidelines are now published in the UN *Handbook on Nonprofit Institutions in the System of National Accounts*.<sup>12</sup> Along with 10 other countries and many international experts, Statistics Canada contributed to the development of the *Handbook* through the Global Nonprofit Information System Project. We are among the first countries to undertake its implementation.

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11. See *System of National Accounts 1993*.

12. See *Handbook on Nonprofit Institutions in the System of National Accounts, United Nations (2003)*.



As recommended in the *Handbook*, the Canadian *Satellite Account of Nonprofit Institutions and Volunteering* identifies NPIs across all sectors of the economy. A set of economic accounts is compiled for the nonprofit sector as a whole, as illustrated in the following table:

Type of institutional unit	Sectors in the Canadian SNA			Nonprofit sector
	Corporations and government business enterprises	Governments	Persons and unincorporated businesses	
Corporations	C			
Government units		G		
Households			H	
Nonprofit institutions	$N_1$	$N_2$	$N_3$	$N = \sum N_i$

Since voluntary contributions of time are a critical resource to the nonprofit sector, the standard economic accounts are extended to include an estimate of the economic value of volunteer activity. This extension raises the value of nonprofit economic activity above what would be measured if only monetary transactions were taken into account. Failure to account for the significant labour contribution of volunteers can be seen as an understatement of the true value of nonprofit economic activity.

### Defining the nonprofit sector

The international definition of the nonprofit sector adopted for the Canadian satellite account is based on a number of structural and operational criteria. The sector is composed of units that share the following characteristics. They are:

- 1 *Organizations*: institutionalized to some extent
- 2 *Not-for-profit and nonprofit-distributing*: not existing primarily to generate profits and not returning any profits generated to owners or directors
- 3 *Institutionally separate from government*: not part of the apparatus of government and not exercising government authority in their own right
- 4 *Self-governing*: able to control their activities and not under the effective control of another entity
- 5 *Non-compulsory*: membership and contributions of time and money are not required or enforced by law or otherwise made a condition of citizenship

Because this definition is intended to be transferable across countries with varying political, social and legal structures, it does not restrict the nonprofit sector to the Canadian tax or regulatory framework governing registered charities, nonprofit organizations or tax-exempt corporations. The sector defined in this manner is also broader than the common conception of the charitable or philanthropic sector, encompassing a wide



range of entities from food banks, social advocacy organizations and religious groups to sports clubs, membership organizations, and trade associations. Also included are large service-providers in the fields of health and education, such as hospitals and universities.

### The scope of the Canadian satellite account

When applying the sector definition in practice, the distinction between a nonprofit institution and a government organization can sometimes be difficult to determine. For the Canadian satellite account, a number of organizations classified to the government sector in standard national accounts statistics are considered nonprofit institutions. These include hospitals, residential care facilities, universities and colleges. All other entities classified to general government in the Canadian SNA have been excluded, irrespective of whether they register as charities or are designated as legal nonprofit organizations.<sup>13</sup> This is because these organizations are not considered to have sufficient autonomy to meet the “institutionally separate from government” and “self-governing” criteria of the international definition. An important example is public elementary and secondary schools and school boards, which frequently register as charities but are excluded from the satellite account because they fail to meet these criteria. These organizations are considered to be under the effective control of governments in many respects, for example, in terms of their budgets, curricula and personnel practices.

The inclusion of Canadian hospitals in the nonprofit sector warrants further elaboration. Consultations with stakeholders prior to developing satellite account estimates clearly indicated that hospitals be retained in scope for the sector. They have therefore been included despite the fact that the extent of government involvement in health care delivery may exclude them from a strict interpretation of the international definition. Hospitals are typically large organizations and represent significant financial weight in satellite account estimates, more than one third of the overall nonprofit sector. Along with public residential care facilities, universities and colleges, they are separately identifiable for those who wish to exclude them for a particular application.

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13. For more information on entities classified to the public sector, see *Guide to the Public Sector of Canada*, Statistics Canada (forthcoming)



## VIII. Estimation methodology

The System of National Accounts provides a powerful integrating framework for economic statistics on the nonprofit sector. A wide range of data sources are available on key dimensions of Canadian nonprofit institutions, and these can be combined and integrated in an SNA framework to build satellite account estimates. Confronting multiple data sources in a comprehensive and coherent accounting system strengthens data quality and allows for the full exploitation of all available source data.

The standard economic accounts for the *Satellite Account of Nonprofit Institutions and Volunteering* draw heavily on administrative files (tax data) to build estimates, while alternate sources are used for key segments of the nonprofit sector or for specific variables in the account. The nonmarket extension, to assign a replacement cost value to voluntary labour contributions, is based on two primary sources, the National Survey of Giving, Volunteering and Participating and wage rates derived from the Canadian Census of Population.

### Standard economic accounts

Compiling national accounts statistics on Canadian nonprofit institutions required the development of an extensive infrastructure to integrate multiple administrative files and other sources. In Canada, there is no single comprehensive source of administrative data on nonprofit institutions. Rather they are identifiable on a range of data-files, none of which is exhaustive and each of which, taken individually, has important limitations. These files cover registered charities (the T3010 data file), nonprofit institutions (the T1044 file), tax-exempt corporations (from T2 Corporate Income Tax returns and the Generalized Index of Financial Information), and public sector bodies eligible for rebates under the Goods and Services Tax system (the GST Public Sector Bodies Rebate File).

Administrative files containing individual tax returns are provided in raw, unedited form by the Canadian Revenue Agency. They are processed, edited and imputed at Statistics Canada then merged and unduplicated via a unique identifier (the Business Number, assigned in the Canadian tax system). Industry codes are assigned via Statistics Canada's Business Register and wages and salaries for each employer are obtained from the T4 Statement of Remuneration and Benefits data file. Supplemental NPIs not found on the other administrative files are identified on the T4 file via their industry code according to the North American Industrial Classification System (NAICS).

With this infrastructure in place, the full universe of records is filtered to ensure that certain categories of entities that do not belong in the nonprofit sector are eliminated. Examples of entities that appear on the administrative files due to their legal or tax-exempt status but are out-of-scope according to the international definition include: public elementary and secondary schools and school boards, municipalities and municipal organizations, federal and provincial government entities, first nations government entities, pension funds, government business enterprises and other for-profit entities that may have tax-exempt status.

This universe of nonprofit administrative records and its associated financial information is heavily exploited to build estimates for variables throughout the standard economic accounts. In a number of specific cases, however, either for particular variables or key segments of the nonprofit universe, alternate sources are available. The most significant cases are summarized below. As a general rule, elements of the satellite account not listed here are estimated using the nonprofit tax record universe described above.



### Specific variables

*Transfers (gifts) from households:* the tax-receipted portion of household transfers is built from the point of view of the payer using tax returns of individuals (the T1 data file) while the non-tax receipted portion is based on nonprofit tax filer information.

*Transfers from governments:* built from the point of view of the payer using federal and provincial public accounts information, surveys of municipalities and financial statements of municipal corporations.

*Transfers from corporations:* based on donations recorded on corporate tax returns. It is important to note that only amounts recorded as donations are included and any support to nonprofit institutions recorded as a business expense is excluded as it cannot be separately identified.

### Segments of the nonprofit sector

*Hospitals and residential care facilities:* Comprehensive accounts for hospitals and public residential care facilities are compiled as part of the provincial government health subsector in the Canadian SNA. Census-type financial information on hospitals and residential care facilities is collected by the Canadian Institute for Health Information (CIHI) and Statistics Canada's Health Statistics Division and serves as the basis for these estimates.

*Universities and colleges:* Comprehensive accounts for universities and colleges are compiled as part of the provincial government education subsector in the Canadian SNA. Estimates are based on census-type surveys conducted by Statistics Canada's Centre for Education Statistics.

*Elementary and secondary schools:* Comprehensive financial statistics on private, nonprofit elementary and secondary schools are compiled by Statistics Canada's Centre for Education Statistics.<sup>14</sup>

*Trade unions:* Trade union dues (shown as membership fees) are reported on the T4 Statement of Remuneration and Benefits and this is the basis of satellite account estimates.

*Political parties:* Membership fees and expenditures of political parties are compiled directly from public financial statements of federal and provincial parties.

### Nonmarket extension

For the nonmarket extension of the satellite account, a replacement cost value is assigned to hours volunteered by primary area of activity from the *National Survey of Giving, Volunteering and Participating (NSGVP)*. Since NSGVP estimates do not cover the Yukon, Northwest Territories and Nunavut, an estimate of hours volunteered for the Territories was added to arrive at a national figure.<sup>15</sup>

The wage rate of community and social services occupations, derived from the 1996 Canadian Census of Population, is used in the valuation. Wage rates are indexed for inflation to the appropriate reference year,

14. As mentioned previously, the satellite account excludes public elementary and secondary schools as they are out-of-scope for the nonprofit sector. Only private, nonprofit schools are included in this estimate.

15. The estimate is based on the population of the territories and a national average volunteer rate. It amounts to approximately 3 million



then adjusted to include employer contributions to Employment Insurance and the Canada and Quebec Pension Plans. They are applied by province to account for regional variations.<sup>16</sup>

The wage rate for community and social services occupations was chosen as it is representative of the nature of work undertaken by volunteers and has been used in previous studies of the valuation of households' unpaid work.<sup>17</sup> In the next collection round for the survey slated for the fall of 2004, new information will be collected on hours volunteered by type of activity. This will enable an improved replacement cost valuation of volunteer activity, as specific activities can be matched to corresponding wage rates by occupation, taking into account the range of skills and contributions offered by volunteers. Hours spent volunteering on a board or committee could be assigned a wage rate in a managerial field, for example, while hours spent serving meals could be assigned a server's wage.

It should be noted that NSGVP survey respondents are asked to report volunteering for any group or organization, and at present it is not possible to determine what portion of volunteering may benefit organizations outside the nonprofit sector. Although most volunteering occurs through nonprofit and voluntary organizations, some portion benefits government organizations (e.g., federal parks, police forces, municipal schools). Since it is not possible to differentiate these amounts, all hours volunteered reported on the NSGVP have been included in the nonmarket extension of the satellite account.

#### Classification by primary area of activity

Satellite account estimates for both the standard accounts and the nonmarket extension are classified by primary area of activity according to the International Classification of Nonprofit Organizations (ICNPO). This classification was developed through the Johns Hopkins Comparative Nonprofit Sector Project, when existing industrial classification systems were found to lack sufficient detail to adequately describe the activity of the nonprofit sector. Appendix A provides a full description of the ICNPO classification system.

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16. The Canada average wage rate for reference year 2000 was estimated at 13.35\$ per hour.

17. For further information on the concepts and principles surrounding households unpaid work, see *Household' Unpaid Work: Measurement and Valuation*, Statistics Canada (1995).



## Appendix A: Reconciliation of satellite account estimates with the National Survey of Nonprofit and Voluntary Organizations

It is a frequent practice at Statistics Canada to conduct comparative analysis of complementary information originating from alternate data sources. Such analysis is one of the many measures undertaken as added assurance that high standards of data quality are upheld.

The *National Survey of Nonprofit and Voluntary Organizations* (NSNVO) is a first-ever survey of nonprofit and voluntary organizations in Canada, providing information on key characteristics such as the areas in which they work, the populations they serve, and the financial and human resources they employ. The survey also collects information on challenges facing organizations in their capacity to achieve their missions.

Before the release of satellite account estimates, extensive reconciliation analysis was undertaken to ensure that financial information collected on the NSNVO was consistent with estimates compiled in the *Satellite Account of Nonprofit Institutions and Volunteering*. From the point of view of the NSNVO, this analysis was important in assessing the validity of entities included in the survey sample, and helped ensure that the universe covered by the NSNVO was in conformity with international concepts.

From the point of view of the satellite account, the reconciliation analysis enabled coverage to be supplemented for certain types of organizations not well represented in the data sources used to compile the estimates. Since organizations not covered were generally small, the impact in terms of financial weight was not substantial, amounting to an increase of roughly \$1.4 billion (2.3%) in the gross domestic product for the nonprofit sector, and an increase of similar magnitude (\$2.2 billion) in revenues for 1999. Coverage adjustments were concentrated in ICNPO groups for sports and recreation, business and professional associations, and social services.

Satellite account and NSNVO estimates could not be reconciled entirely, and differences remain between the two datasets. These differences are due to a range of factors, among them, different reference periods, conceptual and methodological differences, and varying classification procedures. Universe and coverage differences also remain in selected areas.<sup>18</sup> As a result of the reconciliation analysis undertaken, however, the broad messages on the size and scope of the nonprofit sector in economic terms coming out of the two programs are largely consistent.

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18. For example, the NSNVO retains certain museums and art galleries in scope which are excluded from satellite account estimates. Satellite account estimates have more comprehensive coverage of hospitals, universities and colleges as they are not limited to those who register as charities or incorporate as nonprofits.



## Appendix B: the International Classification of Nonprofit Organizations (ICNPO)

Nonprofit organizations in the Satellite Account are classified by primary area of activity according to the International Classification of Nonprofit Organizations (ICNPO). It is the classification system recommended in the UN Handbook on Nonprofit Institutions in the System of National Accounts. The ICNPO system groups organizations into 12 major activity groups, including a catch-all 'not elsewhere classified' category. These 12 major activity groups are further divided into 24 subgroups. Satellite Account estimates are published at the major group level. These are briefly described below.

### Group 1: Culture and recreation

*Media and communications.* Production and dissemination of information and communication; includes radio and TV stations; publishing of books, journals, newspapers and newsletters; film production; and libraries.

*Visual arts, architecture, ceramic art.* Production, dissemination and display of visual arts and architecture; includes sculpture, photographic societies, painting, drawing, design centers and architectural associations.

*Performing arts.* Performing arts centers, companies and associations; includes theatre, dance, ballet, opera, orchestras, chorals and music ensembles.

*Historical, literary and humanistic societies.* Promotion and appreciation of the humanities, preservation of historical and cultural artefacts and commemoration of historical events; includes historical societies, poetry and literary societies, language associations, reading promotion, war memorials and commemorative funds and associations.

*Museums.* General and specialized museums covering art, history, sciences, technology and culture.

*Zoos and aquariums.*

*Sports.* Provision of amateur sport, training, physical fitness and sport competition services and events; includes fitness and wellness centers.

*Recreation and social clubs.* Provision of recreational facilities and services to individuals and communities; includes playground associations, country clubs, men's and women's clubs, touring clubs and leisure clubs.

*Service clubs.* Membership organizations providing services to members and local communities, for example Lions, Zonta International, Rotary Club and Kiwanis.

### Group 2: Education and research

*Elementary, primary and secondary education.* Education at elementary, primary and secondary levels; includes pre-school organizations other than day care.

*Higher education.* Higher learning, providing academic degrees; includes universities, business management schools, law schools, medical schools.





*Vocational/technical schools.* Technical and vocational training specifically geared towards gaining employment; includes trade schools, paralegal training and secretarial schools.

*Adult/continuing education.* Institutions engaged in providing education and training in addition to the formal educational system; includes schools of continuing studies, correspondence schools, night schools and sponsored literacy and reading programs.

*Medical research.* Research in the medical field; includes research on specific diseases, disorders, or medical disciplines.

*Science and technology.* Research in the physical and life sciences and engineering and technology.

*Social sciences, policy studies.* Research and analysis in the social sciences and policy area.

### Group 3: Health

*Hospitals.* Primarily inpatient medical care and treatment.

*Rehabilitation.* Inpatient health care and rehabilitative therapy to individuals suffering from physical impairments due to injury, genetic defect, or disease and requiring extensive physiotherapy or similar forms of care.

*Nursing homes.* Inpatient convalescent care, residential care, as well as primary health care services; includes homes for the frail elderly and nursing homes for the severely handicapped.

*Psychiatric hospitals.* Inpatient care and treatment for the mentally ill.

*Mental health treatment.* Outpatient treatment for mentally ill patients; includes community mental health centers and halfway homes.

*Crisis intervention.* Outpatient services and counsel in acute mental health situations; includes suicide prevention and support to victims of assault and abuse.

*Public health and wellness education.* Public health promotion and health education; includes sanitation screening for potential health hazards, first aid training and services and family planning services.

*Health treatment, primarily outpatient.* Organizations that provide primarily outpatient health services e.g., health clinics and vaccination centers.

*Rehabilitative medical services.* Outpatient therapeutic care; includes nature cure centers, yoga clinics and physical therapy centers.

*Emergency medical services.* Services to persons in need of immediate care; includes ambulatory services and paramedical emergency care, shock/trauma programs, lifeline programs and ambulance services.



#### Group 4: Social services

*Child welfare, child services and day care.* Services to children, adoption services, child development centers, foster care; includes infant care centers and nurseries.

*Youth services and youth welfare.* Services to youth; includes delinquency prevention services, teen pregnancy prevention, drop-out prevention, youth centers and clubs and job programs for youth; includes YMCA, YWCA, Boy Scouts, Girl Scouts and Big Brothers/Big Sisters.

*Family services.* Services to families; includes family life/parent education, single parent agencies and services and family violence shelters and services.

*Services for the handicapped.* Services for the handicapped; includes homes, other than nursing homes, transport facilities, recreation and other specialized services.

*Services for the elderly.* Organizations providing geriatric care; includes in-home services, homemaker services, transport facilities, recreation, meal programs and other services geared towards senior citizens. (Does not include residential nursing homes.)

*Self-help and other personal social services.* Programs and services for self-help and personal development; includes support groups, personal counselling and credit counselling/money management services.

*Disaster/emergency prevention and control.* Organizations that work to prevent, predict, control and alleviate the effects of disasters, to educate or otherwise prepare individuals to cope with the effects of disasters, or to provide relief to disaster victims; includes volunteer fire departments, life boat services, etc.

*Temporary shelters.* Organizations providing temporary shelters to the homeless; includes traveller's aid and temporary housing.

*Refugee assistance.* Organizations providing food, clothing, shelter and services to refugees and immigrants.

*Income support and maintenance.* Organizations providing cash assistance and other forms of direct services to persons unable to maintain a livelihood.

*Material assistance.* Organizations providing food, clothing, transport and other forms of assistance; includes food banks and clothing distribution centers.

#### Group 5: Environment

*Pollution abatement and control.* Organizations that promote clean air, clean water, reducing and preventing noise pollution, radiation control, treatment of hazardous wastes and toxic substances, solid waste management and recycling programs.

*Natural resources conservation and protection.* Conservation and preservation of natural resources, including land, water, energy and plant resources for the general use and enjoyment of the public.

*Environmental beautification and open spaces.* Botanical gardens, arboreta, horticultural programs and landscape services; organizations promoting anti-litter campaigns; programs to preserve the parks, green spaces and open spaces in urban or rural areas; and city and highway beautification programs.



*Animal protection and welfare.* Animal protection and welfare services; includes animal shelters and humane societies.

*Wildlife preservation and protection.* Wildlife preservation and protection; includes sanctuaries and refuges.

*Veterinary services.* Animal hospitals and services providing care to farm and household animals and pets.

### **Group 6: Development and housing**

*Community and neighbourhood organizations.* Organizations working towards improving the quality of life within communities or neighbourhoods, e.g., squatters' associations, local development organizations, poor people's cooperatives.

*Economic development.* Programs and services to improve economic infrastructure and capacity; includes building of infrastructure like roads; and financial services such as credit and savings associations, entrepreneurial programs, technical and managerial consulting and rural development assistance.

*Social development.* Organizations working towards improving the institutional infrastructure and capacity to alleviate social problems and to improve general public well being.

*Housing associations.* Development, construction, management, leasing, financing and rehabilitation of housing.

*Housing assistance.* Organizations providing housing search, legal services and related assistance.

*Job training programs.* Organizations providing and supporting apprenticeship programs, internships, on-the-job training and other training programs.

*Vocational counselling and guidance.* Vocational training and guidance, career counselling, testing and related services.

*Vocational rehabilitation and sheltered workshops.* Organizations that promote self-sufficiency and income generation through job training and employment.

### **Group 7: Law, advocacy and politics**

*Advocacy organizations.* Organizations that protect the rights and promote the interests of specific groups of people, e.g., the physically handicapped, the elderly, children and women.

*Civil rights associations.* Organizations that work to protect or preserve individual civil liberties and human rights.

*Ethnic associations.* Organizations that promote the interests of, or provide services to, members belonging to a specific ethnic heritage.

*Civic associations.* Programs and services to encourage and spread civic mindedness.

*Legal services.* Legal services, advice and assistance in dispute resolution and court-related matters.



*Crime prevention and public policy.* Crime prevention to promote safety and precautionary measures among citizens.

*Rehabilitation of offenders.* Programs and services to reintegrate offenders; includes halfway houses, probation and parole programs, prison alternatives.

*Victim support.* Services, counsel and advice to victims of crime.

*Consumer protection associations.* Protection of consumer rights and the improvement of product control and quality.

*Political parties and organizations.* Activities and services to support the placing of particular candidates into political office; includes dissemination of information, public relations and political fundraising.

### **Group 8: Philanthropic intermediaries and voluntarism promotion**

*Grant-making foundations.* Private foundations; including corporate foundations, community foundations and independent public-law foundations.

*Volunteerism promotion and support.* Organizations that recruit, train and place volunteers and promote volunteering.

*Fund-raising organizations.* Federated, collective fundraising organizations; includes lotteries.

### **Group 9: International**

*Exchange/friendship/cultural programs.* Programs and services designed to encourage mutual respect and friendship internationally.

*Development assistance associations.* Programs and projects that promote social and economic development abroad.

*International disaster and relief organizations.* Organizations that collect, channel and provide aid to other countries during times of disaster or emergency.

*International human rights and peace organizations.* Organizations which promote and monitor human rights and peace internationally.

### **Group 10: Religion**

*Congregations.* Churches, synagogues, temples, mosques, shrines, monasteries, seminaries and similar organizations promoting religious beliefs and administering religious services and rituals.

*Associations of congregations.* Associations and auxiliaries of religious congregations and organizations supporting and promoting religious beliefs, services and rituals.



**Group 11: Business and professional associations, unions**

*Business associations.* Organizations that work to promote, regulate and safeguard the interests of special branches of business, e.g., manufacturers' association, farmers' association, bankers' association.

*Professional associations.* Organizations promoting, regulating and protecting professional interests, e.g., bar association, medical association.

*Labour unions.* Organizations that promote, protect and regulate the rights and interests of employees.

**Group 12: [Not elsewhere classified]**

## Appendix C: Glossary of main terms

### Capital consumption allowances

Allowances for the using up of fixed capital in the production process. Also referred to as depreciation expense.

### Current expenditure

Expenses on current production (operating expenses) and current transfers to other sectors.

### Current transfers

Unilateral transfers of income between transactors for which there is no good or service provided in return. Households transfer income to the nonprofit sector in the form of charitable donations, for example. Governments provide transfers of income in the form of grants.

### Gross domestic product

The total unduplicated value of goods and services produced during a given period. For the economy as a whole, GDP refers to all goods and services produced in Canada's economic territory. For the nonprofit sector specifically, it refers to the sector's contribution to Canada's GDP, and is measured as its gross output less its intermediate purchases. Also referred to as value added.

### Gross domestic product at basic prices

The basic price valuation of GDP includes the cost of production factors (labour and capital used in the production process) including net indirect taxes levied on these factors.

### Gross output

The total value of gross production of goods and services by the nonprofit sector, before the deduction of intermediate purchases.

### Employment rate

The number of persons employed expressed as a percentage of the population 15 years of age and over.

### Intermediate purchases

The value of goods and services used as inputs to a production process. The goods or services may be either transformed or used up in production. Excludes fixed assets whose consumption is recorded as capital consumption allowances.

### Investment income

Interest, dividends and other investment income received on assets held by the nonprofit sector.



**Membership fees**

Memberships, dues and association fees received by nonprofit institutions.

**Net indirect taxes on factors of production**

Taxes less subsidies that apply to the employment of labour and ownership or use of land, structures and other assets used for production purposes.

**Operating expenses**

Wages, salaries and supplementary labour income, intermediate purchases, capital consumption allowances and net indirect taxes on factors of production.

**Operating surplus**

The surplus or deficit accruing from market production of nonprofit institutions. Includes capital consumption allowances.

**Other operating surplus**

Operating surplus less capital consumption allowances.

**Replacement cost value of volunteer work**

Hours volunteered valued at replacement cost, that is, the cost of purchasing the same services on the paid labour market.

**Sales of goods and services**

Receipts derived from the sale of goods or the provision of services offered for sale in the course of operations. Receipts from charitable gaming, rental income and sales to government are included in this item.

**Saving**

Current income less current outlay.

**Wages, salaries and supplementary labour income**

Remuneration paid to employees in return for work done. Includes employers' social contributions, such as contributions to Employment Insurance, pension plans, workers' compensation, health and dental insurance schemes and disability insurance. Also referred to as compensation of employees or paid labour compensation.



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The *Satellite Account of Nonprofit Institutions and Volunteering* contains new statistics on the economic contribution of the nonprofit sector in Canada. The satellite account is part of the Canadian System of National Accounts and consists of a set of economic accounts, including the value of productive activity (gross domestic product), sources of income and expenditures of the Canadian nonprofit sector for the period 1997 to 1999. Also included is a nonmarket extension assigning an economic value to volunteer work for the years 1997 and 2000.

This report contains descriptive analysis of the size, scope and nature of Canada's nonprofit sector in economic terms, statistical tables and information on the concepts, data sources and methods used to compile the estimates. It is the first in an ongoing annual series.

