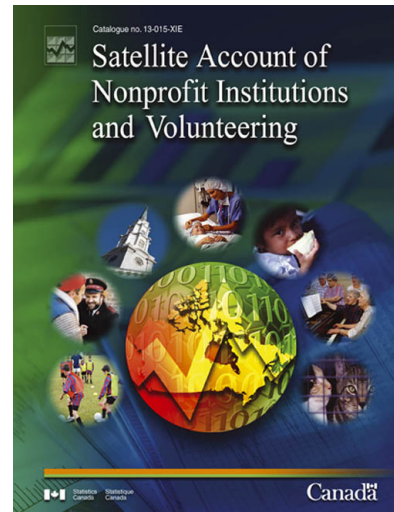




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Satellite Account of Nonprofit Institutions and Volunteering

1997-2001



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Committee members are: Jacquelyn Thayer Scott, Cape Breton University (Co-chair); Karen Wilson, Statistics Canada (Co-chair); Loleen Berdahl, Canada West Foundation; Marie Gauthier, Social Development Canada; Michael Hall, Imagine Canada ; Blaine Langdon, Canada Revenue Agency; Mike McCracken, Informetrica Ltd.; Don McRae, Canadian Heritage; Sheila Regehr, Status of Women Canada; Lester Salamon and Helen Tice, Center 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 Lyttle and Paul Reed, Statistics Canada.

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II. Letter from the co-chairs

We are pleased to present the second edition of the *Satellite Account of Nonprofit Institutions and Volunteering, 1997-2001* which adds two additional reference years to the economic accounts describing the Canadian nonprofit sector. Spanning a five-year time horizon, the theme of this publication is “Trends in the Canadian nonprofit sector”.

Providing first-ever official estimates of the economic contribution of the Canadian nonprofit sector, the enthusiasm with which the first edition of the satellite account was embraced was very gratifying. In a very short period of time, the satellite account has become an essential resource for nonprofit organizations, policymakers at every level of government, academics, and experts worldwide.

The concepts and methods used in the satellite account draw heavily on international standards described in the *Handbook on Non-Profit Institutions* in the *System of National Accounts*. Published by the United Nations in 2003, 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.

Looking back, we have much to be proud of. Looking forward, we have great aspirations for the future. The satellite account opens up a broad spectrum of applications that are only starting to be realized. Serving as a barometer for the economic vitality of the sector, the analytical potential of the satellite account will augment each year as the time series is extended.

We wish to thank the members of the Advisory Committee for their invaluable guidance and support throughout the development of the satellite account and for their input to this second edition.

The satellite account demonstrates Statistics Canada’s ongoing commitment to building a solid knowledge base on the nonprofit sector. We are very excited about the contribution it can make in helping to build the capacity of a sector that is so vital to the economy and the well-being of Canadians.

Yours truly,

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

Jacquelyn Thayer Scott, O.C., Ph.D
Professor, School of Business, and Past President
Cape Breton University
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

The nonprofit sector has been at the centre of increased interest in recent years, both in Canada and internationally. Often referred to interchangeably as “civil society”, the “voluntary”, “third” or “independent” sector, this group of organizations plays a critical role in society, which is perceived to be unique, in many respects, from that of governments or corporations, and central to community engagement and to the building of social capital. Despite its acknowledged importance, the nonprofit sector was, until recently, invisible in most countries' official economic statistics.

Statistics Canada is among the first statistical agencies in the world to have carved out a new sector for nonprofit organizations through the development of the *Satellite Account of Nonprofit Institutions and Volunteering*. In doing so, the satellite account recognizes the nonprofit sector as an important pillar of Canadian society along with the private and public sectors.

The concepts and methods¹ used in the satellite account draw heavily on international standards described in the *Handbook on Non-Profit Institutions in the System of National Accounts*. Published by the United Nations in 2003, 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.

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.²

First publication of the satellite account in 2004 was a milestone in knowledge development on Canada's nonprofit sector. Providing estimates of the economic contribution of the nonprofit sector in Canada, it revealed the size, scope and nature of a key sector that performs a myriad of activities in local communities and engages millions of Canadians who join it as members and donate their time and money in support of its activities. This ground-breaking achievement was the culmination of an extensive research and data integration project to build comprehensive statistics on the sector within the Canadian System of National Accounts (SNA).

The development of the satellite account was funded through the Voluntary Sector Initiative to ensure that information on the size, scope and nature of the sector is now a permanent feature of Canada's official economic statistics. It includes a set of standard economic accounts covering the production, incomes and outlays of the nonprofit sector, mirroring information already available for other sectors in the Canadian economy. Because nonprofit organizations rely heavily on volunteers to undertake their activities, standard measures of economic activity are extended to include a replacement cost value of volunteer work. The satellite account received ongoing funding as an annual program at Statistics Canada.

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 Sections VIII and IV of this report.

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



It is important to note that 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.

With this second edition of the *Satellite Account of Nonprofit Institutions and Volunteering*, two additional reference years for the standard accounts are added, 2000 and 2001, while existing estimates are revised back to 1997. The nonmarket extension, which puts an economic value on volunteer work, is presented for the years 1997 and 2000.

The remainder of this publication is structured as follows: section IV discusses the scope of the Canadian satellite account in the context of the international definition. Analytical findings are presented in Section V which is divided into four sub-sections: the first gives an overview of the sector in economic terms; the second describes its economic activity as measured by GDP; the third provides an overview of the sources and uses of incomes; and the fourth focuses on volunteer activity and its relationship to paid labour. A summary and conclusions are provided in Section VI. Data tables 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; and glossary of main terms used throughout the document. A bibliography and list of the national accounts technical research series are provided at the end.

This report presents analysis for the period 1997-2001, with a focus on 2001. The standard economic accounts and the value of volunteer work are combined to create "extended" measures. These are shown for the two common years, 1997 and 2000. Separate estimates (for both the standard economic accounts and the nonmarket extension) are available for (i) the overall nonprofit sector including hospitals, universities and colleges, and (ii) the core nonprofit sector excluding these groups. Wherever possible, analysis is presented for the nonprofit sector as a whole, and for the core sector. Gross domestic product (GDP), total income and the nonmarket extension are shown by primary area of activity according to the International Classification of Nonprofit Organizations (ICNPO). All estimates are presented in nominal terms.



IV. The scope of the Canadian satellite account

For the Canadian satellite account, a number of organizations classified to the government sector in core 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.³ 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 because they compete for, and receive, charitable donations as well as mobilize significant volunteer resources. They have, therefore, been included despite the fact that they would not be considered to have sufficient autonomy to meet the “institutionally separate from government” and “self-governing” criteria 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 in terms of revenue, and over 40% in terms of GDP. Along with public residential care facilities, universities and colleges⁴, they are separately identifiable in the satellite account.

Separate estimates (for both the standard economic accounts and the nonmarket extension) are available for (i) the overall nonprofit sector including hospitals, universities and colleges, and (ii) the core nonprofit sector excluding these groups. Wherever possible, analysis is presented for the nonprofit sector as a whole, and for the core sector.

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

4. Whether public residential care facilities, universities, and colleges meet the international definition is still a matter of debate.



V. Presentation of results

Canada's nonprofit sector in economic terms, overview

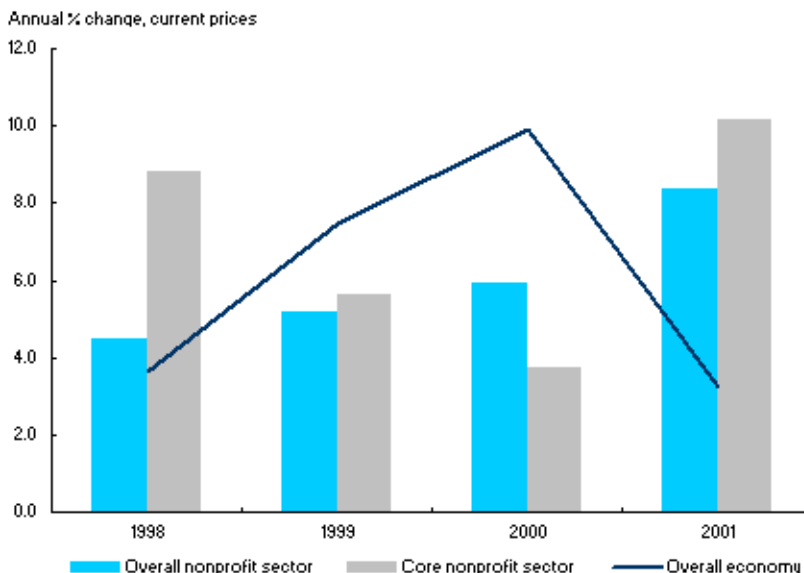
Solid growth of economic activity in the nonprofit sector

Nonprofit organizations⁵ (NPO) play an important role in the Canadian economy. Topping \$70.5 billion, NPO Gross Domestic Product (GDP)⁶ grew rapidly in 2001 (+8.4%), a growth more than twice that of the Canadian economy. Solid growth of the core nonprofit sector⁷ (+10.2%) boosted overall NPO growth by a full percentage point.

Over the 1997-2001 period, economic activity in the core segment of the nonprofit sector outpaced that of hospitals⁸, universities and colleges combined in all years except 2000. GDP for the core nonprofit sector grew faster on average (+7.1%) than the economy as a whole (+6.1%), while that of hospitals, universities and colleges grew at a slower pace (+5.4%).

Figure 1

Growth of gross domestic product



The GDP of the core nonprofit sector amounted to \$25.4 billion in 2001, representing 2.5% of the overall economy. This share increases to 6.8% when hospitals, universities and colleges are included.

5. What are considered nonprofit institutions in the System of National Accounts are commonly referred to as nonprofit organizations in Canada. These two terms are used interchangeably in this publication.

6. GDP measures the productive activity generated as nonprofit organizations undertake their missions in Canadian society. 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. It is also referred to as value added.

7. Throughout this document, the "core nonprofit sector" refers to the total nonprofit sector excluding hospitals, universities and colleges.

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

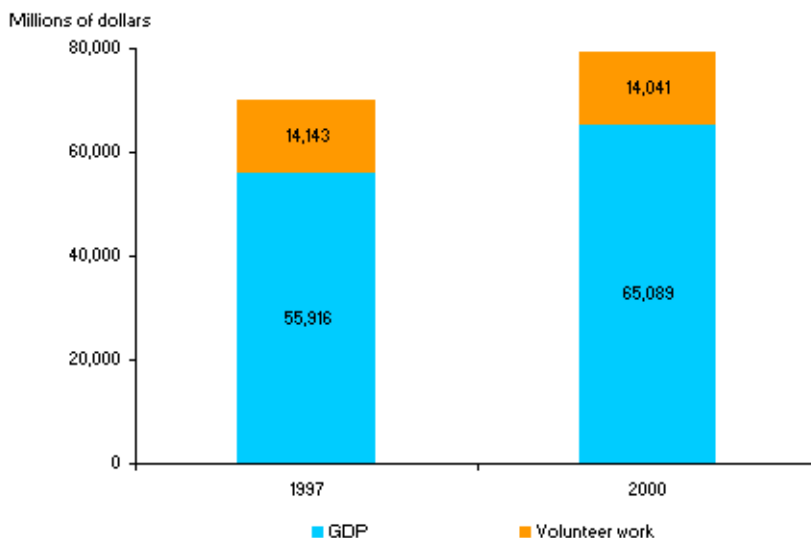


Volunteering a significant part of NPO activity, especially for the core segment

Because NPOs rely heavily on volunteers to undertake their activities, the standard measure of GDP is extended to include 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.⁹

Figure 2

Extended value of gross domestic product: overall nonprofit sector



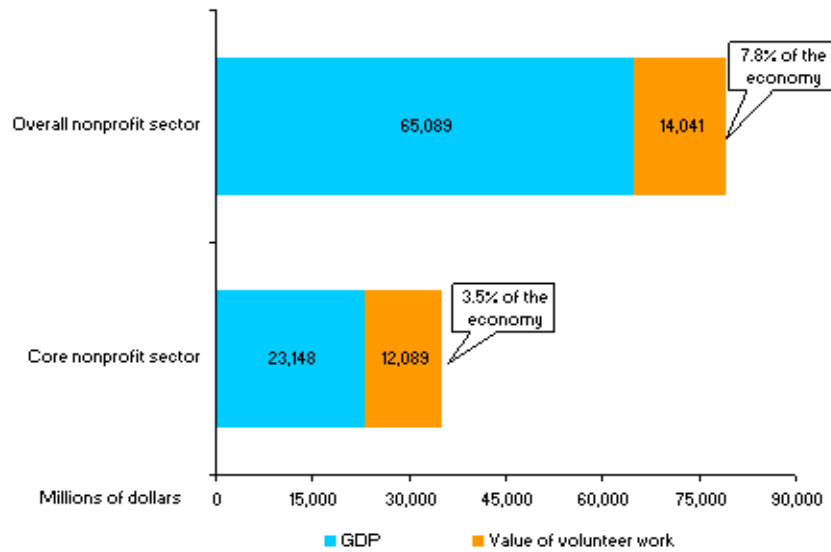
9. Extended measures of the sector's economic contribution, which take into account the value of volunteer work, were estimated for 1997 and 2000, the common years for which both the standard economic accounts and the value of volunteer work are available.



In 2000, NPO GDP was \$65.1 billion, amounting to 6.4% of the economy. When the value of volunteer work is added to this figure, the economic contribution of the nonprofit sector increases to 7.8% of the economy. Volunteer labour services contribute about \$14 billion¹⁰, or nearly 18% of the total extended value of the nonprofit sector's GDP. Between 1997 and 2000, the total extended value of the nonprofit sector's GDP grew by almost 12.9%, less than standard NPO GDP at 16.4%, due to a marginal decline in the overall value of volunteer work.

Core nonprofit organizations mobilized over 86% of the overall volunteer effort in 2000 (\$12.1 billion). The economic contribution of this segment of the nonprofit sector increases from 2.3% to 3.5%, when this value is taken into account. The replacement cost value of volunteer work accounted for 34.3% of its activity.

Figure 3
Extended measure of gross domestic product, 2000



10. These estimates are based on hours volunteered collected on the Canada Survey of Giving, Volunteering and Participating.



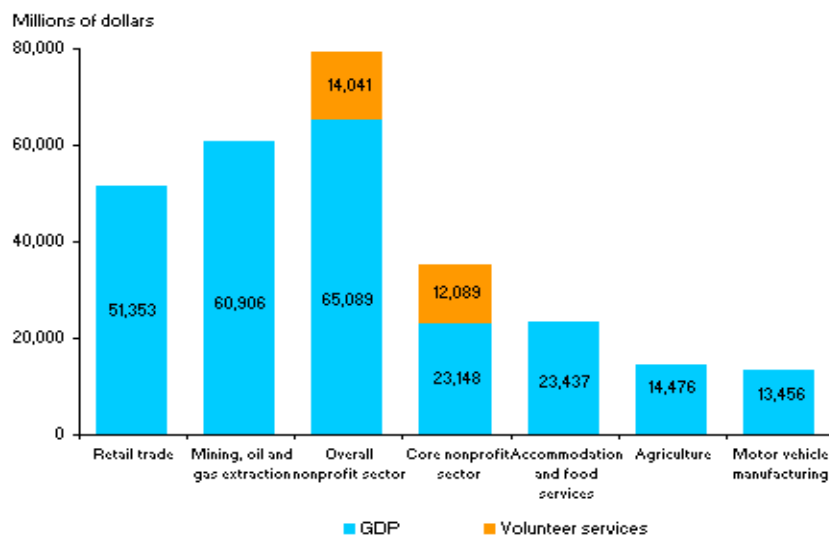
The size of Canada’s nonprofit sector exceeds that of certain key industries

Although the nonprofit sector is not a specific industry¹¹, its NPO GDP can be compared against traditional industries to provide a point of reference.

In 2000, the extended value added (i.e., including volunteering) of NPOs was larger than the mining, oil and gas extraction industry and more than 50% larger than Canada’s entire retail trade industry. The GDP of the overall 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. The extended value added of the core nonprofit sector was larger than that of the motor vehicle manufacturing, agriculture and the accommodation and food services industries.

Figure 4

Gross domestic product: nonprofit sector and selected industries, 2000



11. The nonprofit sector is 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.



Economic activity in the nonprofit sector, 1997-2001

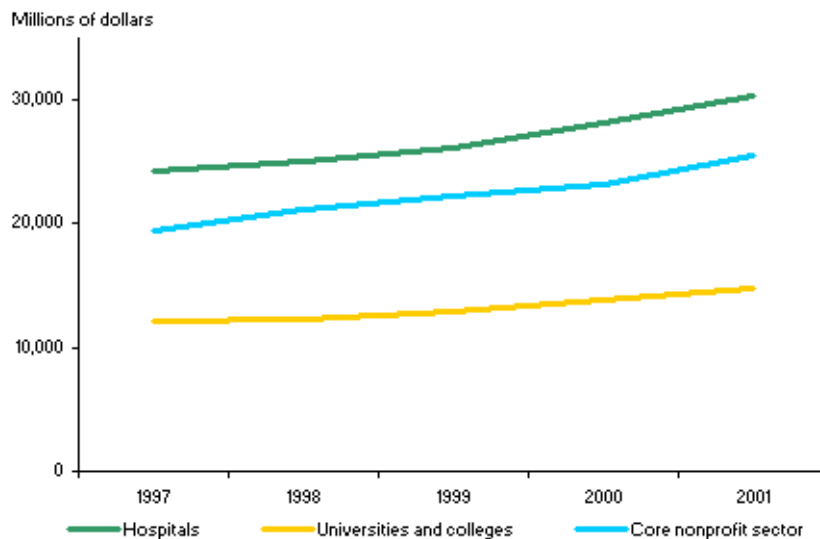
Core nonprofit sector gaining momentum over the 1997-2001 period

The fields of health and education dominate the economic activity GDP of the Canadian nonprofit sector. Hospitals (including residential care facilities), universities and colleges accounted for the lion's share of NPO economic activity in 2001 as their combined GDP reached \$45.0 billion. Of this total, hospitals generated \$30.3 billion, twice that of universities and colleges.

However, with average growth of 7.1% over the period 1997-2001, the GDP of the core nonprofit sector was the fastest growing. The GDP of hospitals (including residential care facilities) and universities and colleges increased by 5.6% and 5.0%, respectively. As a result, their share in total nonprofit sector GDP has progressively declined, from 65.3% in 1997 to 63.8% in 2001.

Figure 5

GDP: hospitals, universities and colleges and core nonprofit sector, 1997-2001



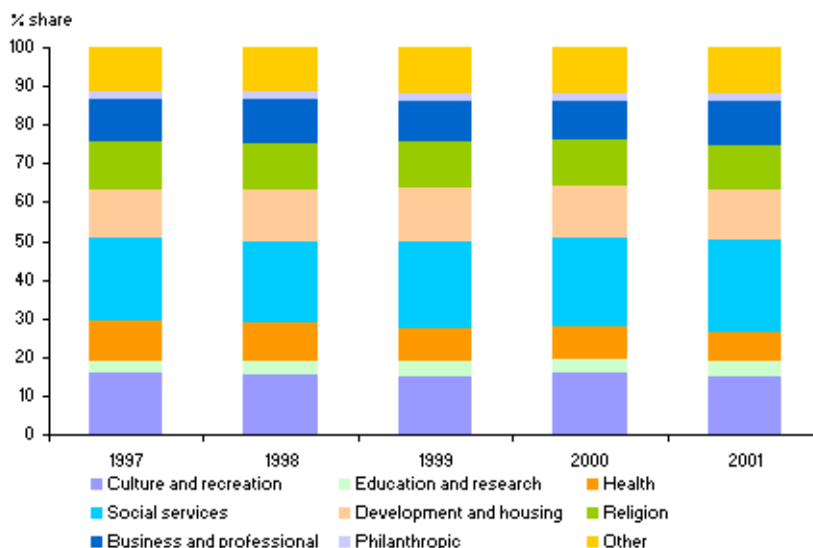
A disparate group of typically smaller nonprofit organizations

The core nonprofit sector, which accounted for 36.2% of nonprofit sector GDP in 2001, typically comprises smaller organizations functioning in a diverse array of fields and playing an increasingly important role in Canadian society.

On the whole, the composition of the core nonprofit sector by field of activity remained stable over the 1997-2001 period. Throughout these five years, the field of social services always led the way, accounting for 23.5% of GDP in 2001. Culture and recreation ranked second (15.1%), with development and housing in third place (12.9%). These were followed by business and professional associations and unions (11.6%), religion (11.4%), and health (7.6%). Together, these six fields of activity accounted for over 82% of the GDP generated by this group.

Figure 6

Distribution of GDP by area of activity: core nonprofit sector



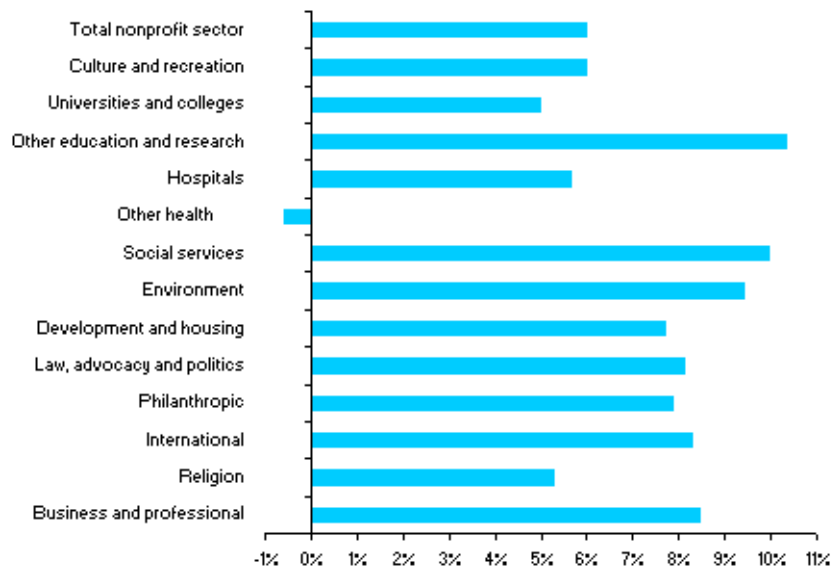
Social services on the rise, health in decline in the core nonprofit sector

With an average growth of almost 10%, the social services group was not only at the head of the NPO pack in terms of level of GDP, it was also the fastest growing field over the 1997-2001 period after education and research. GDP for this group grew by about 50% over this five year period, to reach \$6.0 billion in 2001. Social services organizations engage in the delivery of a multitude of services such as day care, shelters, services for the youth, the elderly, or persons with disabilities.

The increase in social services organizations' share in core nonprofit sector GDP from 21.2% to 23.5% was largely offset by a decrease in the field of health services (other than hospitals), from 10.2% to 7.6%. This group comprises a wide range of health related organizations other than hospitals and residential care facilities and decreased by an average of 0.6% over the period.

Figure 7

Average GDP growth by area of activity: overall nonprofit sector, 1997-2001



Business and professional associations and social services main contributors to growth in 2001

Growing almost three times as fast as the previous year, economic activity in the core nonprofit sector was largely attributable to business and professional associations (+27%), and social services (+13.7%). Together these two fields account for over half of this total NPO growth. Other bright spots included education and research (+11.9%), environment (+9.1%), and philanthropic intermediaries (+9.0%).

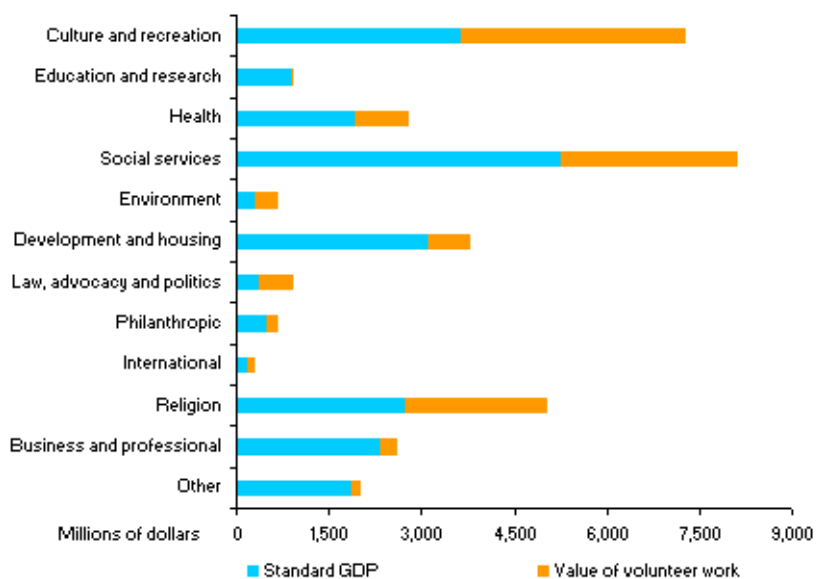


Majority of volunteer work concentrated in three fields of activities in 2000

The core nonprofit sector mobilized over 86% of the total value of volunteer work in 2000, reflecting the key importance of this resource to smaller organizations. The bulk of this volunteering was concentrated in three main activities. Culture and recreation used the most volunteers, with \$3.6 billion worth of volunteer effort in 2000, followed by social services (\$2.9 billion) and religion (\$2.3 billion). These three groups alone accounted for 72.7% of the value of the volunteer work but only half of paid labour compensation. Benefiting from almost one-fifth of total volunteer effort, the ranking of religious organizations in total economic activity climbs from fourth to third place when the value of volunteering is included with GDP.

Figure 8

Extended measure of GDP by primary area of activity: core nonprofit sector, 2000



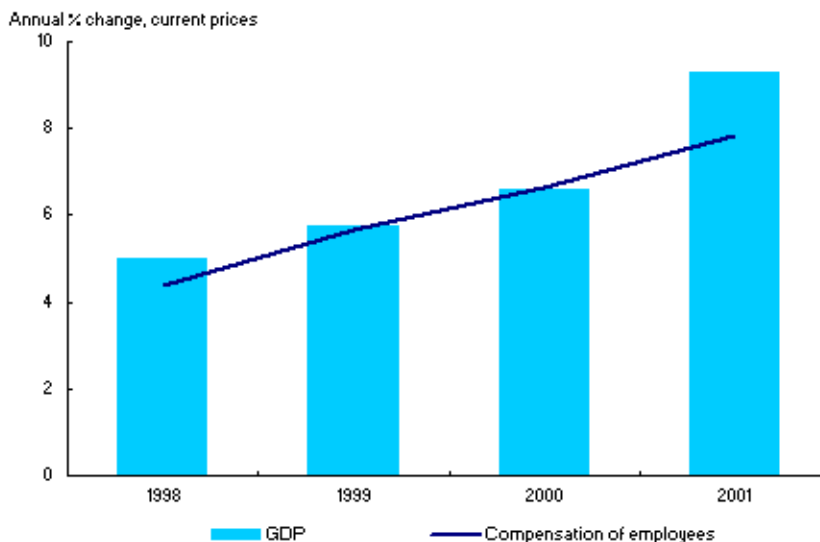
Compensation of employees driving NPO GDP growth

The GDP of the nonprofit sector, or its value added, 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 (compensation of employees), capital consumption allowances (depreciation on capital structures and equipment), other operating surplus and taxes less subsidies on factors of production. Compensation of employees accounts for over 85% of NPO GDP.

NPO paid remuneration accelerated each year between 1997 and 2001. Averaging growth of 7.6% over the period, the total wage bill for the nonprofit core grew faster than that of hospitals, universities and colleges combined (+ 5.5%).

Figure 9

Growth of GDP and compensation of employees: overall nonprofit sector



Over 90% of the GDP of hospitals, universities and colleges¹² consists of wages, salaries and supplementary labour income. The remainder is comprised of capital consumption allowances (over 7%) and taxes less subsidies on production (under 2%).

Paid labour accounts for a smaller proportion of GDP in the core nonprofit sector. This is due to the existence of operating surplus in GDP for organizations which cover the majority of their costs through sales¹³, as well as a higher share of taxes less subsidies on factors of production for this group. 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 but this surplus cannot be distributed to its owners or directors

12. Since these organizations are primarily nonmarket producers and have limited market activity, by convention, their production is valued at cost in the SNA.

13. These organizations are considered to be primarily market producers and their output is valued at market prices in the SNA.



Incomes and outlays of the nonprofit sector, 1997-2001

Revenue growth of core segment takes the lead

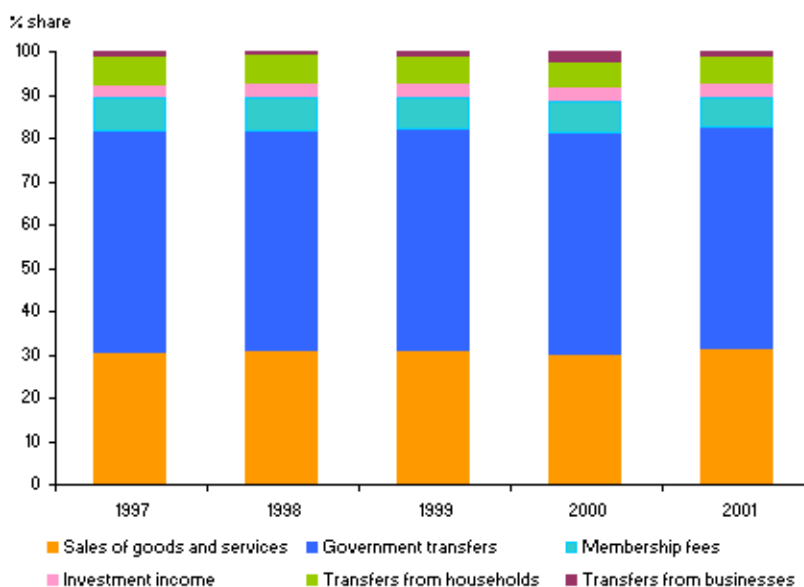
Total revenue for the generally smaller organizations that make up the core nonprofit sector grew by an average of 7.5% over the 1997 to 2001 period, exceeding income growth for overall NPO (+6.6%). This is largely explained by a stronger growth in both sales (+9.1%) and government transfers (+7.5%) for this group of organizations. In 2001, revenue received by this group was up 4.8%, while that of hospitals, universities and colleges increased by 4.5%.

Government transfers number one revenue source for hospitals, universities and colleges

Government transfers were the largest source of revenue for the overall nonprofit sector, accounting for over half of total income throughout the 1997 to 2001 period. Sales of goods and services¹⁴ ranked second, representing a little less than one-third of total revenues. Also contributing was income from a wide range of comparatively smaller sources which make up the remaining less than 20% of revenues for the sector. These are membership fees, transfers from households, investment income and donations from businesses. The contribution of these sources to total revenue was notably stable over the period.

Figure 10

Distribution of income by source: overall nonprofit sector



Hospitals, universities and colleges also represent significant weight in total NPO sector income, typically receiving more than half of total revenue in the form of government funding (accounting for 80% of total government transfers destined to the nonprofit sector). Throughout the 1997 to 2001 period, hospitals never received less than 84% of their income from government (accounting for 60% of total government transfers destined to the nonprofit sector). Universities and colleges were less dependent on public funding, with less than two-thirds of their income in the

14. In accordance with national accounts 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.



form of government transfers and the other third earned as sales (which include tuition fees). Since the responsibility of these entities falls under provincial jurisdiction, it is not surprising that provincial governments provide the lion's share of funding to the overall nonprofit sector (over 93% in all years).¹⁵

Hospitals, universities and colleges received increased income in the form of donations from households and businesses over the period, their share in total donations climbing from 13.4% in 1997 to 16.2% in 2001.

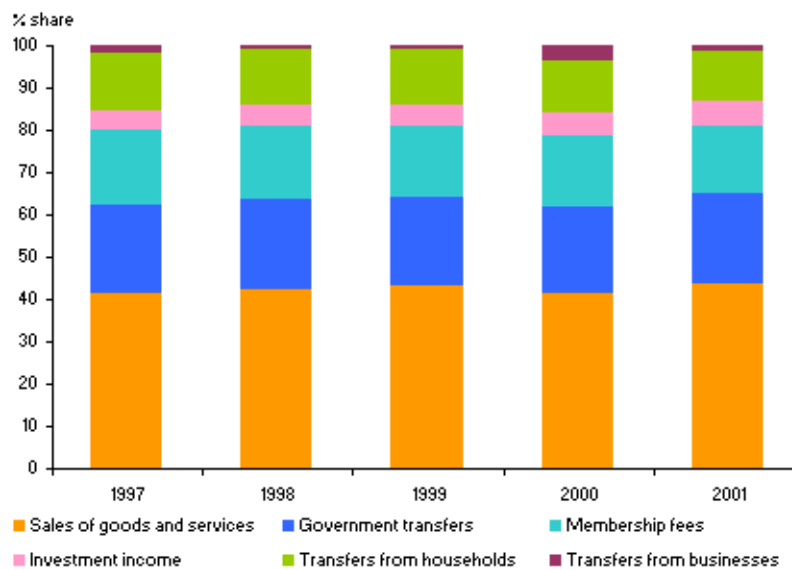
Sales of goods and services top revenue source for core nonprofit sector

This group of organizations is considerably less dependent on government sources, with only about one-fifth of their revenue derived from government transfers over the 1997-2001 period. Sales of goods and services ranked at the top of the list, accounting for over 40% of income. In addition, these generally smaller organizations also derived significant income from membership fees (over 16%) and donations from households (over 12%). Other sources of revenue include investment income (less than 6%) and transfers from businesses (usually less than 2%). In each of the five years, the four largest revenue sources made up over 90% of total revenue for this group.

In 2000, an exceptionally large corporate donation to a foundation resulted in more than doubling the level and the share of transfers from businesses over the previous year.

Figure 11

Distribution of income by source: core nonprofit sector



While the bulk of government funding for this group also came from provincial governments, the contribution of the federal government was greater for this group than for the sector as a whole. The importance of federal funding for this group of organizations was also on the rise over the period. Between 1997 and 2001, the federal share of government transfers to this group increased from 16.9% to 20%, while the provincial share declined (from 82.2% to 77.4%).

15. 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.



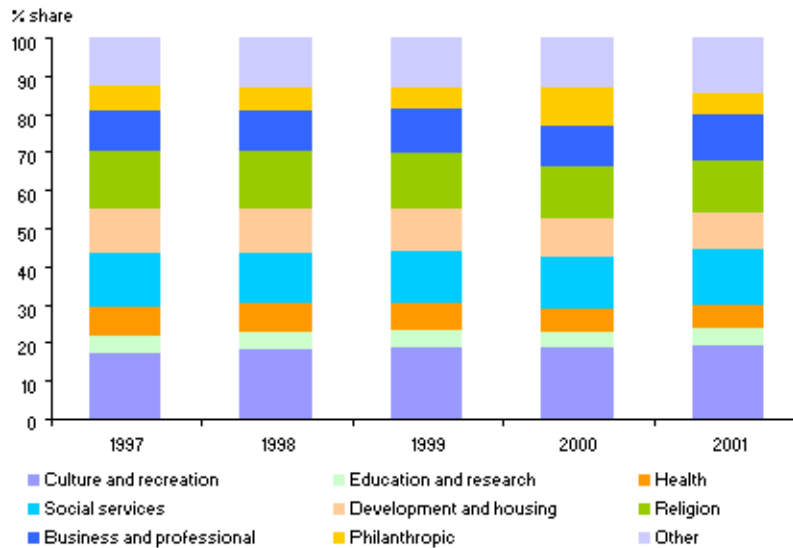
Revenues arise from a broad scope of NPO activities

The fields of health and education account for a significant share (almost 60%) of total sector revenues, the bulk of which flows to hospitals, universities and colleges. The other 40% of revenues span a broad spectrum of activities. The six primary activities — culture and recreation, social services, religion, business and professional associations, development and housing and health — typically accounted for three-quarters of total revenue received by these generally smaller organizations.

A number of differences between the distribution of income and that of GDP for the core nonprofit group are worthy of mention. Social services organizations, which led the group in terms of value added, received a lesser share of total income and ranked only second in terms of revenue. Conversely, the culture and recreation group accounted for a larger share of income than GDP and was the top earner throughout the 1997-2001 period. Throughout the period, the share of philanthropic intermediaries and voluntarism promotion organizations in total income was always at least twice as large as their importance in GDP (less than 3%). This is explained by the fact that these organizations have relatively little productive activity as their role is primarily to collect and distribute funds to other organizations.

Figure 12

Distribution of income by area of activity: core nonprofit sector



Various pockets of income strength over 1997-2001

Over the 1997-2001, total revenues for the core nonprofit sector were up by \$12.9 billion. Four fields of activity contributed over two-thirds of this increase: culture and recreation (\$3.2 billion), business and professional associations (\$2.3 billion), social services (\$2.2 billion) and religion (\$1.1 billion).

Environment, business and professional associations top income growth in 2001

The environment group (+25.4%) was the star performer in terms of income growth in 2001, followed by business and professional association (+21.2%). Organizations in the education and research field also saw their revenues increase strongly (+18.5%), as did the social services group (+13.5%). A significant decline (-40.5%) in the income of philanthropic intermediaries and voluntarism promotion organizations was due to an exceptionally large increase in 2000 resulting from a significant donation.

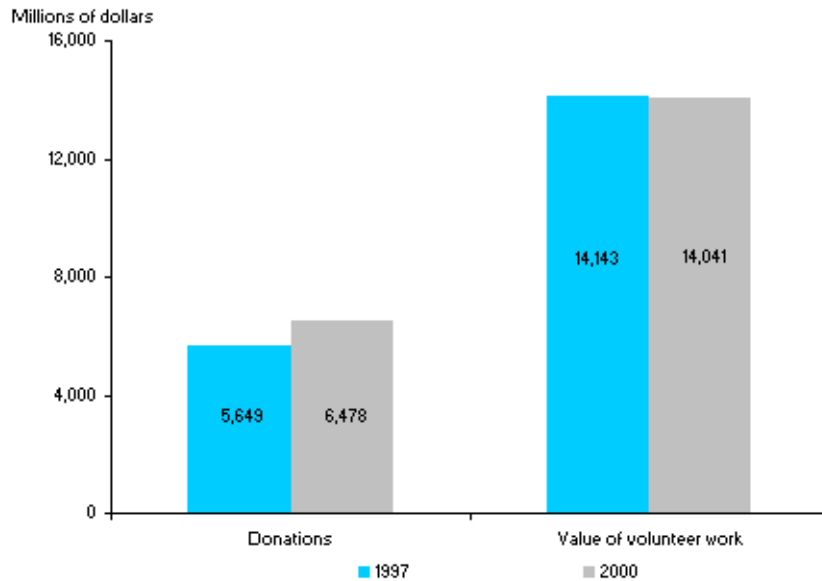


Household donations pale in comparison to the value of volunteer services

Despite a small decline in the value between 1997 and 2000, volunteering continues to represent a considerably larger resource to the nonprofit sector than monetary and in-kind donations from households. While not strictly income, the replacement cost value of volunteering was estimated at \$14.0 billion in other “in-kind” revenue offered to the nonprofit sector in 2000, more than double the \$6.5 billion of donations received from households.

Figure 13

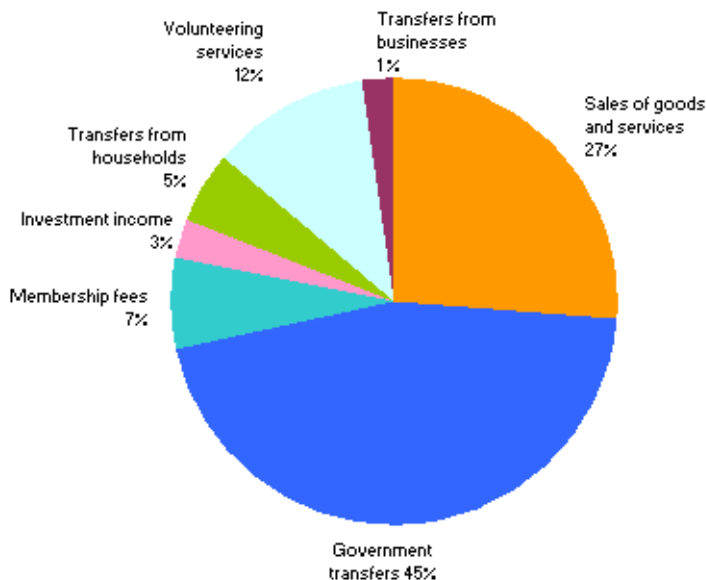
Donations from households and the value of volunteer work: overall nonprofit sector, 1997 and 2000



The labour services that volunteers provide are a significant resource provided as a transfer in-kind from households. Both incomes of the nonprofit sector and GDP 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 overall sector revenue, from 5.3% to almost 17% (shown below as sum of transfers from households and volunteering services)

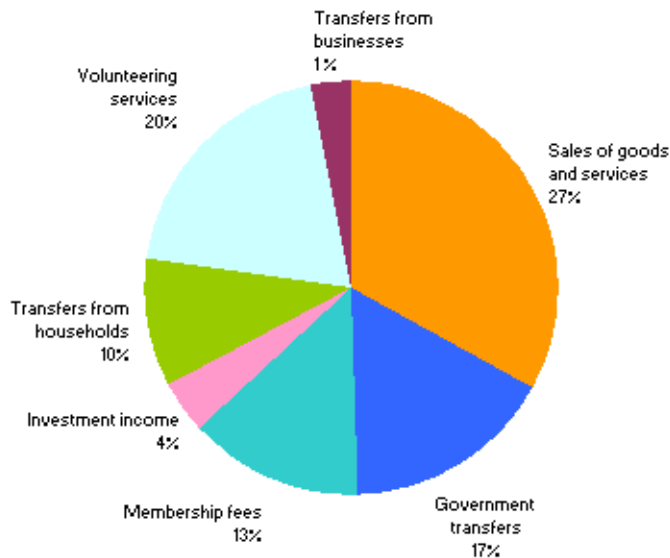


Figure 14
Sources of income, extended with volunteering: overall nonprofit sector, 2000



For the core nonprofit sector, adding the value of volunteer work increases the importance of transfers from households from 10% to almost 30%.

Figure 15
Sources of income, extended with volunteering: core nonprofit sector, 2000



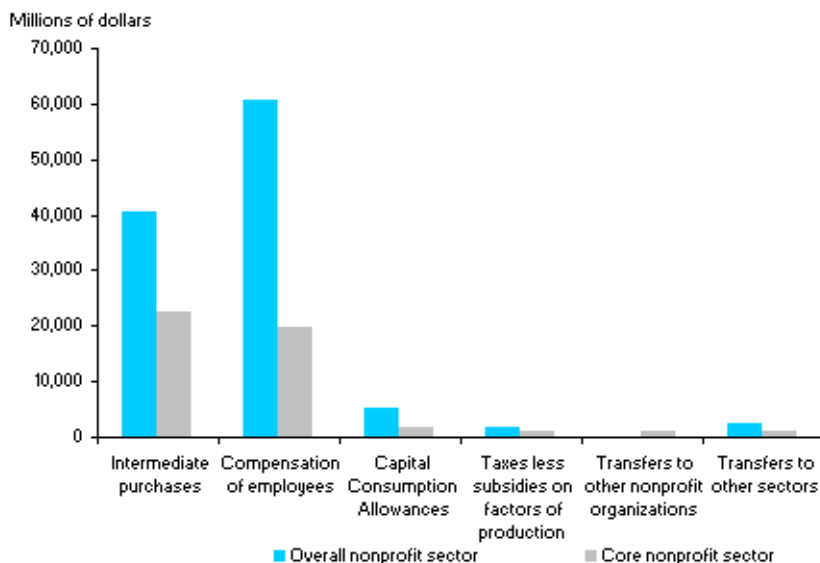
Compensation of employees is largest outlay

In 2001, total NPO outlays increased 8.9%, reaching \$109.6 billion. As much as 98% of these outlays consist of operating expenditures incurred to produce goods and services. The remainder is transfers to other sectors of the economy.

Apart from a few exceptions, the composition of operating expenses remained relatively stable over the 1997-2001 period. Accounting for 56.8% of the total in 2001, compensation of employees was the largest expense, followed by purchases of goods and services used in the production process (intermediate purchases), at 37.8%. The remaining 5% of production expenses were divided between capital consumption allowances (depreciation expense), and taxes less subsidies on factors of production.

Figure 16

Components of current expenditure, 2001

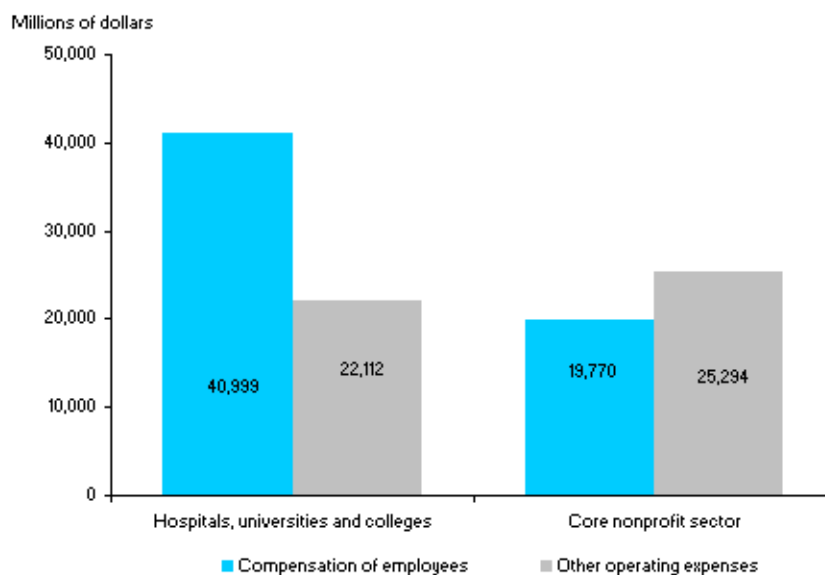


Expenses of hospitals, universities and colleges grew at the same pace (9.1%) as the remainder of the sector. These organizations' labour compensation bill amounted to more than double their expenditure on goods and services. As a result, they spent relatively more on labour services (65.9%) and less on intermediate purchases (29.2%) than the rest of the sector. This could be explained by higher rates of remuneration in these fields of activity.



Figure 17

Compensation of employees and other operating expenses: hospitals, universities and colleges and core nonprofit sector, 2001



By contrast, the core nonprofit organizations spent more on goods and services (49.7%) relative to paid labour compensation (43.9%). It is important to note that given that these organizations benefit from the bulk of the total volunteer effort, including the value of volunteer work in the measure of labour services would yield a significantly different picture for this group.

Nonprofit sector saving concentrated in certain areas

For the nonprofit sector, the difference between income and outlay produced positive saving over the 1997-2001 period, with NPO saving averaging less than 7% of national saving. In 2001, outlays grew twice as fast as incomes, resulting in the lowest NPO saving over the period (\$2.8 billion).

The bulk of the sector's saving comes from specific organization types including nonprofit transportation authorities, health insurance providers, foundations, boards of trade and large business and professional associations. Most of these organizations tend to be serving the needs of business or have significant market activity¹⁶, or are engaged in distributing income to other nonprofit organizations.

Hospitals recorded negative saving in all years except 2000, while universities and colleges had modest positive saving in each of the five years.

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



Volunteer work and paid labour compensation, 1997 and 2000

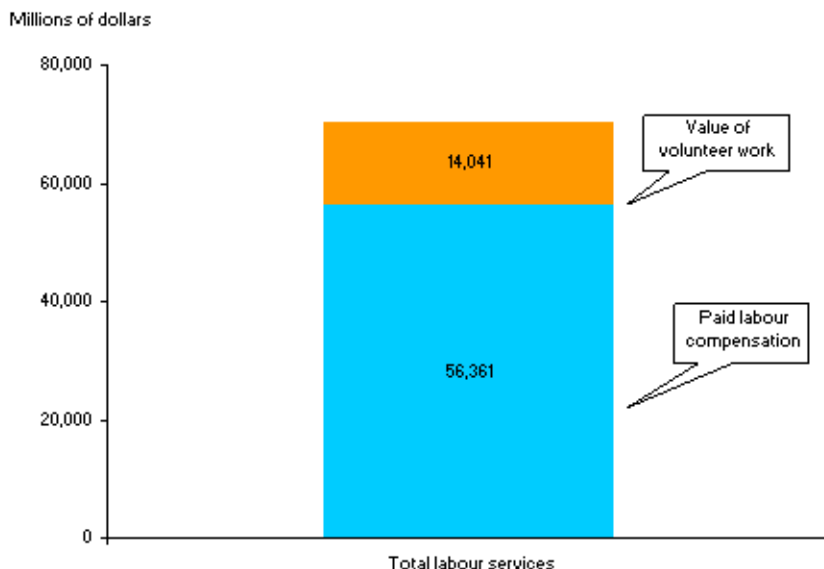
Volunteer work accounts for a significant portion of total labour services

In 2000, NPOs paid \$56.4 billion in compensation of employees and received the equivalent of \$14.0 billion in volunteer work. When paid labour compensation and the replacement cost value of volunteer work are summed, the outcome is an extended value of total labour services. In 2000, the value of volunteer work accounted for 19.9% of the total value of labour resources provided to the overall nonprofit sector, down from 22.8% in 1997. Compared to 1997, the value of paid labour services was 18% higher, while the value of volunteer work edged down. This result may be related to an expanding economy, where, people become more involved in the paid labour market and tend to devote less time to volunteer work. This situation might lead nonprofit organizations to increased reliance on hiring from the paid labour force in order to achieve their missions.

In both 1997 and 2000, organizations in the core nonprofit sector accounted for about one-third of paid labour compensation of NPOs. In 2000, they benefited from over 86% of total volunteer labour services, worth \$12.1 billion, and paid \$18.2 billion in labour compensation. It is therefore not surprising that the share of the value of volunteer work in total labour services is twice as large for this group than for the NPO sector as a whole. Between 1997 and 2000, stronger growth in paid labour (+23.3%) than in the value of volunteer work (+1.8%) for the core nonprofit sector, resulted in a slight decline of this share from 44.6% to 40% between these two years. The overall value of labour resources employed by these generally smaller organizations represented 5.5% of the wage bill for the Canadian economy in 2000, compared with 12.9% for the nonprofit sector as a whole.

Figure 18

Extended value of labour compensation: overall nonprofit sector, 2000



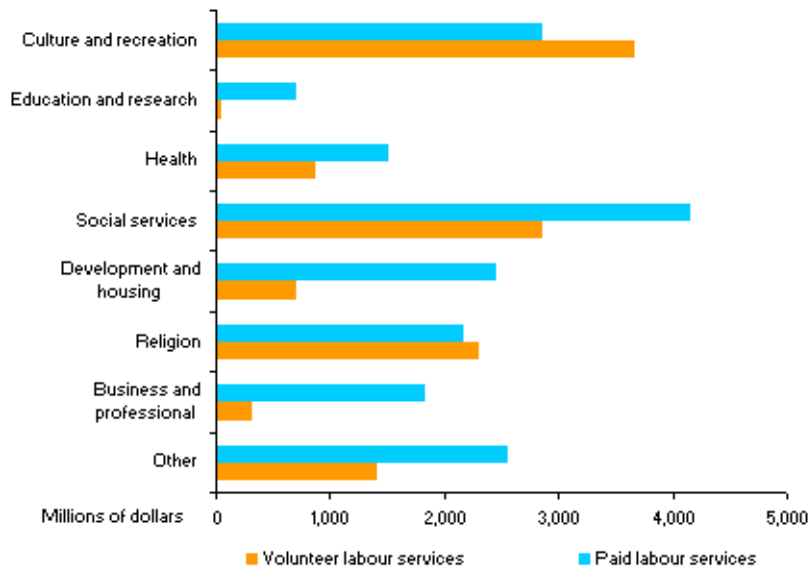
Culture and recreation attracts the most volunteers; health and education the fewest

As in 1997, four fields of activity accounted for the lion's share of the value of volunteer work in 2000. Culture and recreation led the way (\$3.6 billion worth of volunteer effort), followed by social services (\$2.9 billion), religion (\$2.3 billion), and education and research (\$1.5 billion). Together, these four groups accounted for nearly three-quarters of the value of volunteer work but less than 40% of paid labour compensation in 2000.

The field of health, which is essentially dominated by hospitals both in terms of GDP and income, relies heavily on paid labour services as opposed to volunteer effort. Health ranked ahead of all other areas in terms of paid remuneration, followed by education and research. While these two fields account for the bulk (71.7%) of paid labour services in the nonprofit sector, they only benefited from 20.4% of the value of volunteer work. The dominance of paid labour services in health and education reflects the reliance on skilled labour in these two sectors.

Figure 19

Value of volunteer work and paid labour compensation by area of activity, core nonprofit sector, 2000



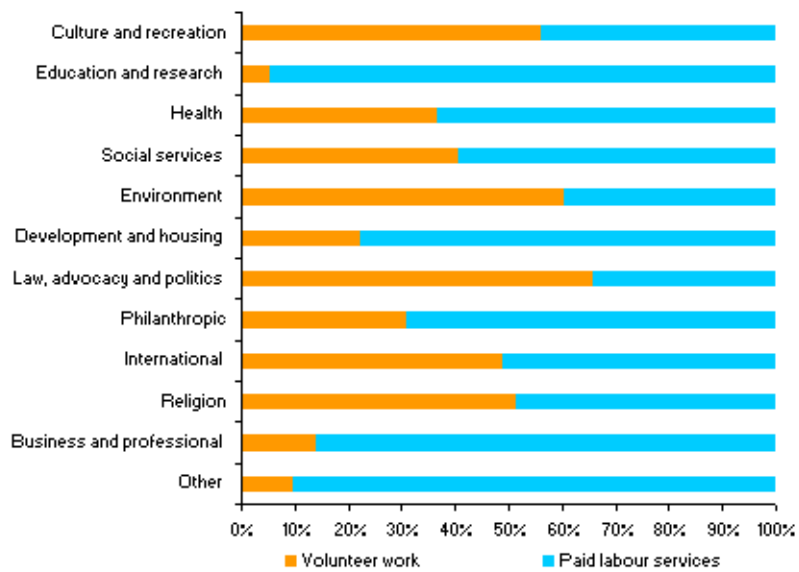
Reliance on volunteers varies widely by type of organization

The use of volunteers relative to paid workers varies considerably across fields of activity. In 2000, the share of volunteer work in the extended value of labour services ranged from 65.9% for law, advocacy and politics to 4.7% for health when hospitals are included. With shares of 14% and 10.4% respectively, business and professional associations and research and education organizations made use of substantially less volunteer effort as opposed to paid labour.

In contrast, organizations primarily engaged in the environment, culture and recreation and religion fields relied more heavily on volunteering, accounting for 60.6%, 56.1% and 51.5% respectively of the total value of labour services.

Figure 20

Volunteer and paid labour shares in extended value of labour services: core nonprofit sector, 2000

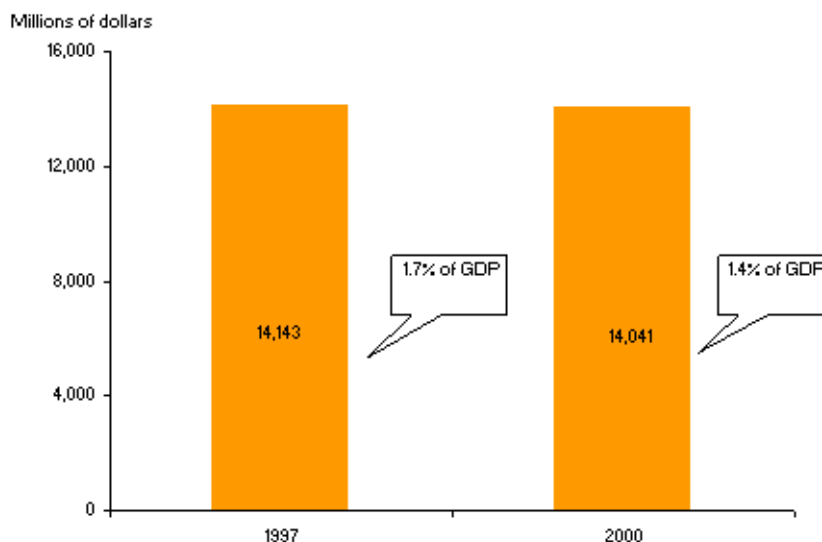


Value of volunteer work declined in 2000

In 2000, the value of volunteer work in the NPO sector amounted to \$14 billion, down marginally from 1997. This is equivalent to 1.4% of Canada's GDP, 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 21

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



Philanthropic intermediaries and education and research organizations experienced the largest decline in the value of volunteer work, down 20% and 17% respectively. The few fields that registered an increase all have small volunteer complements, such as environment, business and professional associations, international, and law advocacy and politics.

In 2000, 6.5 million people, or 26.7% of Canadians, volunteered their time and skills, down 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. In 2000, volunteers contributed 162 hours on average, up from 149 hours in 1997. There were 1.1 billion hours volunteered in 2000, equivalent to 539 thousand full-time jobs (calculated using a 40 hours work week).

Patterns in volunteering can be affected by a shifting of resources from the nonmarket to the market sector, particularly during some episodes of the business cycle. Between 1997 and 2000, Canada's economy advanced at an average of 4.9% per year and the employment rate rose from 58.8% in 1997 to 61.2% in 2000. As people become more involved in the paid labour market, they may have had less time to volunteer.



VI. Summary and conclusions

Nonprofit organizations make a significant contribution to the Canadian economy. The size of both Canada's core and overall nonprofit sector exceeds that of certain key industries irrespective of whether standard measures are extended to include the value of volunteer work.

Economic activity in the nonprofit sector grew solidly over the 1997-2001 period. While the sector is dominated by hospitals, universities and colleges, the core nonprofit sector, which excludes these organizations, gained momentum over the period and, as a result, its share in total NPO GDP increased progressively. Organizations in the core nonprofit sector are generally smaller and span a myriad of fields of activity. Social services in the nonprofit core were on the rise over the period, while health services (other than hospitals) declined.

Between 1997 and 2001, revenue growth of the core segment took the lead. Sales of goods and services rank as the most important revenue source for core nonprofit organizations. These generally smaller organizations also derive significant income from membership fees and donations from households. Culture and recreation, business and professional associations, social services, and religion were pockets of income strength.

The composition of revenue sources was notably stable over the period, but hospitals, universities and colleges received increased income in the form of donations from households and businesses. The federal share of government transfers to the core nonprofit sector rose, while the provincial share declined.

Compensation of employees was the largest expense, particularly for hospitals, universities and colleges. Other organizations spend comparatively more on goods and services used in the production process. Over the 1997-2001, the difference between the nonprofit sector's income and outlay produced positive saving which was concentrated in certain areas.

Volunteering represents a significant part of NPO activity, especially for the core segment. Including volunteering in GDP (to yield an extended measure) increases the value of GDP for the core by over 52%, and that of the overall sector by over 21%. The value of monetary and in-kind donations from households is pale in comparison to the value of volunteer services. Combining the value of volunteer work with these donations triples the importance of household transfers.

At 40%, the share of the value of volunteer work in total labour services is twice as large in the core segment as for the NPO sector as a whole. The use of volunteers relative to paid labour varies considerably by type of organization. The majority of volunteer work is concentrated in three fields of activity: 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.

Serving as a barometer for the economic vitality of the nonprofit sector, the satellite account has become an essential resource for nonprofit organizations, policymakers at every level of government, academics, and experts worldwide. The satellite account opens up a broad spectrum of applications that are only starting to be realized. The analytical potential of the satellite account will augment each year as the time series is extended. The next release in 2006 will span a six-year time horizon, enabling even more meaningful trend analysis.



Table 1. Economic accounts: nonprofit sector¹

CANSIM Table 3880001

	Millions of dollars				
	1997	1998	1999	2000	2001
Production account					
Gross output	83,948	88,996	94,885	102,067	111,019
Intermediate purchases	28,032	30,572	33,444	36,978	40,483
Gross Domestic Product at basic prices	55,916	58,424	61,441	65,089	70,536
Wages, salaries and supplementary labour income	47,915	50,016	52,847	56,361	60,769
Taxes less subsidies on factors of production	1,397	1,529	1,546	1,592	1,740
Capital consumption allowances	3,694	3,860	4,071	4,538	5,183
Other operating surplus	2,910	3,019	2,977	2,598	2,845
Income and outlay account					
Income	87,081	92,216	97,449	107,572	112,366
Sales of goods and services	26,473	28,335	29,862	31,930	35,158
Membership fees	6,808	7,489	7,564	8,213	8,304
Investment income	2,503	2,707	2,970	3,401	3,505
Current transfers from:					
Households and businesses	6,812	7,052	7,268	9,174	8,268
Households	5,649	6,043	6,131	6,478	6,700
Businesses	1,163	1,009	1,137	2,696	1,568
Governments	44,485	46,633	49,786	54,854	57,130
Federal government	2,058	2,586	2,761	3,199	3,489
Provincial governments	42,341	43,948	46,921	51,632	53,340
Local governments	86	99	104	23	301
Outlay	81,867	86,946	92,960	100,608	109,591
Current expenditure on goods and services	80,017	84,913	90,726	98,145	106,994
Current transfers to other sectors	1,850	2,032	2,233	2,463	2,597
Saving (income less outlay)	5,214	5,270	4,489	6,964	2,775

1. Total sector income (outlay) is equal to the sum of incomes (outlays) in tables 2, 3 and 4 less transfers between nonprofit organizations.



Table 2. Economic accounts: hospitals¹

CANSIM Table 3880001

	Millions of dollars				
	1997	1998	1999	2000	2001
Production account					
Gross output	32,586	33,877	35,984	39,040	42,487
Intermediate purchases	8,255	8,894	9,823	10,882	12,219
Gross Domestic Product at basic prices	24,331	24,983	26,161	28,158	30,268
Wages, salaries and supplementary labour income	22,355	22,944	24,045	25,869	27,791
Taxes less subsidies on factors of production	370	379	397	428	457
Capital consumption allowances	1,606	1,660	1,719	1,861	2,020
Income and outlay account					
Income	31,679	32,990	35,004	39,603	40,827
Sales of goods and services	4,689	4,775	4,997	5,367	5,683
Investment income	137	147	128	145	112
Current transfers from:					
Households and businesses	149	214	141	104	144
Other nonprofit organizations	344	390	324	367	502
Governments	26,360	27,464	29,414	33,620	34,386
Provincial governments	26,352	27,446	29,399	33,605	34,371
Local governments	8	18	15	15	15
Outlay	32,198	33,592	35,652	38,609	42,191
Current expenditure on goods and services	31,894	33,246	35,318	38,279	41,850
Current transfers to other sectors	304	346	334	330	341
Saving (income less outlay)	-519	-602	-648	994	-1,364

1. Hospitals include residential care facilities.



Table 3. Economic accounts: universities and colleges

CANSIM Table 3880001

	Millions of dollars				
	1997	1998	1999	2000	2001
Production account					
Gross output	16,514	16,824	17,739	18,996	20,624
Intermediate purchases	4,344	4,511	4,776	5,212	5,855
Gross Domestic Product at basic prices	12,170	12,312	12,963	13,784	14,769
Wages, salaries and supplementary labour income	10,827	10,979	11,565	12,332	13,208
Taxes less subsidies on factors of production	217	211	219	230	241
Capital consumption allowances	1,127	1,122	1,179	1,222	1,320
Income and outlay account					
Income	17,784	17,312	18,818	19,616	21,033
Sales of goods and services	5,849	5,261	5,723	6,293	6,926
Investment income	512	501	552	605	460
Current transfers from:					
Households and businesses	763	708	954	1,086	1,194
Households	282	260	329	369	406
Businesses	481	448	625	717	788
Other nonprofit organizations	698	897	582	518	570
Governments	9,962	9,946	11,008	11,113	11,884
Federal government	679	632	800	1,031	1,313
Provincial governments	9,275	9,306	10,200	10,074	10,563
Local governments	8	8	8	8	8
Outlay	16,954	17,146	18,104	19,467	21,163
Current expenditure on goods and services	16,185	16,391	17,223	18,433	20,080
Current transfers to other sectors	769	755	881	1,034	1,083
Saving (income less outlay)	830	166	715	149	-130



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

CANSIM Table 3880001

	Millions of dollars				
	1997	1998	1999	2000	2001
Production account					
Gross output	34,848	38,295	41,162	44,031	47,908
Intermediate purchases	15,433	17,166	18,845	20,884	22,409
Gross Domestic Product at basic prices	19,414	21,129	22,317	23,148	25,500
Wages, salaries and supplementary labour income	14,733	16,093	17,237	18,160	19,770
Taxes less subsidies on factors of production	810	938	930	934	1,042
Capital consumption allowances	961	1,078	1,173	1,455	1,843
Other operating surplus	2,910	3,019	2,977	2,598	2,845
Income and outlay account					
Income	38,660	43,201	44,533	49,238	51,577
Sales of goods and services	15,935	18,299	19,142	20,270	22,549
Membership fees	6,808	7,489	7,564	8,213	8,304
Investment income	1,854	2,059	2,290	2,651	2,933
Current transfers from:					
Households and businesses	5,900	6,132	6,174	7,984	6,931
Households	5,292	5,677	5,732	6,057	6,222
Businesses	608	455	442	1,927	709
Governments	8,163	9,223	9,364	10,121	10,860
Federal government	1,379	1,954	1,961	2,168	2,176
Provincial governments	6,714	7,196	7,322	7,953	8,406
Local governments	70	73	81	0	278
Outlay	33,757	37,494	40,110	43,417	47,309
Current expenditure on goods and services	31,938	35,276	38,185	41,433	45,064
Current transfers to other nonprofit organizations	1,042	1,287	906	885	1,072
Current transfers to other sectors	777	931	1,019	1,099	1,173
Saving (income less outlay)	4,903	5,707	4,423	5,821	4,269



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

CANSIM Table 3880002

	Millions of dollars				
	1997	1998	1999	2000	2001
Culture and recreation	6,695	7,843	8,308	9,122	9,848
Education and research	18,732	18,406	20,256	21,227	22,988
Health	33,456	35,068	36,912	41,244	42,249
Social services	6,266	6,498	7,062	7,673	8,670
Environment	487	548	568	621	779
Development and housing	4,496	4,988	4,939	4,974	4,831
Law, advocacy and politics	472	525	561	670	629
Philanthropic intermediaries and voluntarism promotion	2,405	2,724	2,545	4,870	2,898
International	833	845	1,011	975	1,039
Religion	5,985	6,531	6,524	6,746	7,058
Business and professional associations, unions	4,110	4,577	5,024	5,248	6,361
Not elsewhere classified	3,145	3,662	3,738	4,201	5,015
Total	87,081	92,216	97,449	107,571	112,366

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

CANSIM Table 3880002

	Millions of dollars				
	1997	1998	1999	2000	2001
Culture and recreation	6,695	7,843	8,308	9,122	9,848
Education and research	1,646	1,990	2,020	2,130	2,525
Health	2,934	3,362	3,130	2,959	2,964
Social services	5,452	5,605	6,165	6,722	7,631
Environment	487	548	568	621	779
Development and housing	4,496	4,988	4,939	4,974	4,831
Law, advocacy and politics	472	525	561	670	629
Philanthropic intermediaries and voluntarism promotion	2,405	2,724	2,545	4,870	2,898
International	833	845	1,011	975	1,039
Religion	5,985	6,531	6,524	6,746	7,058
Business and professional associations, unions	4,110	4,577	5,024	5,248	6,361
Not elsewhere classified	3,145	3,662	3,738	4,201	5,015
Total	38,659	43,200	44,532	49,237	51,576



Table 7. Gross Domestic Product at basic prices of nonprofit sector, by primary area of activity

CANSIM Table 3880002

	Millions of dollars				
	1997	1998	1999	2000	2001
Culture and recreation	3,045	3,270	3,380	3,635	3,838
Education and research	12,840	13,042	13,773	14,672	15,763
Health	25,653	26,322	27,361	29,272	31,321
Social services	4,774	5,169	5,684	6,079	6,883
Environment	237	249	269	311	339
Development and housing	2,463	2,861	3,165	3,113	3,290
Law, advocacy and politics	284	315	343	369	388
Philanthropic intermediaries and voluntarism promotion	409	469	466	505	550
International	141	148	175	178	193
Religion	2,371	2,553	2,595	2,747	2,909
Business and professional associations, unions	2,180	2,329	2,397	2,327	2,956
Not elsewhere classified	1,519	1,698	1,833	1,883	2,108
Total	55,916	58,424	61,441	65,089	70,536

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

CANSIM Table 3880002

	Millions of dollars				
	1997	1998	1999	2000	2001
Culture and recreation	3,045	3,270	3,380	3,635	3,838
Education and research	670	730	809	888	994
Health	1,987	2,048	1,949	1,920	1,939
Social services	4,108	4,460	4,936	5,273	5,997
Environment	237	249	269	311	339
Development and housing	2,463	2,861	3,165	3,113	3,290
Law, advocacy and politics	284	315	343	369	388
Philanthropic intermediaries and voluntarism promotion	409	469	466	505	550
International	141	148	175	178	193
Religion	2,371	2,553	2,595	2,747	2,909
Business and professional associations, unions	2,180	2,329	2,397	2,327	2,956
Not elsewhere classified	1,519	1,698	1,833	1,883	2,108
Total	19,414	21,129	22,317	23,148	25,500



Table 9. Hours volunteered, by primary area of activity

CANSIM Table 3880003

	1997	
	Millions of hours volunteered	Job equivalents ¹
Culture and recreation	282	144,009
Education and research	141	71,804
<i>Of which universities, colleges, primary and secondary education</i>	133	67,999
Health	93	47,368
<i>Of which hospitals and residential care facilities</i>	41	20,722
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
Total	1,112	567,467

	2000	
	Millions of hours volunteered	Job equivalents ¹
Culture and recreation	273	139,484
Education and research	112	57,237
<i>Of which universities, colleges, primary and secondary education</i>	109	55,690
Health	97	49,329
<i>Of which hospitals and residential care facilities</i>	34	17,525
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
Total	1,056	538,907

1. On a full-year full-time basis (49 weeks, 40 hours a week).



Table 10. Replacement cost value of volunteer work and paid labour compensation, by primary area of activity

CANSIM Table 3880004

	Millions of dollars			
	1997			
	Replacement cost value of volunteer work	Paid labour compensation	Total extended value of labour services	Ratio of volunteer work to total (percentage)
Culture and recreation	3,629	2,609	6,238	58.2
Education and research	1,825	11,003	12,828	14.2
<i>Of which universities, colleges, primary and secondary education</i>	1,728	10,494	12,223	14.1
Health	1,221	21,982	23,203	5.3
<i>Of which hospitals and residential care facilities</i>	534	20,474	21,008	2.5
Social services	2,964	4,091	7,055	42.0
Environment	292	203	495	59.0
Development and housing	752	2,111	2,863	26.3
Law, advocacy and politics	447	243	690	64.8
Philanthropic intermediaries and voluntarism promotion	220	350	570	38.6
International	91	121	212	42.9
Religion	2,464	2,032	4,496	54.8
Business and professional associations, unions	136	1,868	2,004	6.8
Not elsewhere classified	101	1,301	1,402	7.2
Total	14,143	47,914	62,057	22.8
	2000			
	Replacement cost value of volunteer work	Paid labour compensation	Total extended value of labour services	Ratio of volunteer work to total (percentage)
Culture and recreation	3,645	2,852	6,497	56.1
Education and research	1,514	13,029	14,543	10.4
<i>Of which universities, colleges, primary and secondary education</i>	1,473	12,332	13,805	10.7
Health	1,345	27,375	28,720	4.7
<i>Of which hospitals and residential care facilities</i>	478	25,869	26,347	1.8
Social services	2,853	4,137	6,990	40.8
Environment	374	244	618	60.6
Development and housing	694	2,442	3,137	22.1
Law, advocacy and politics	558	289	847	65.9
Philanthropic intermediaries and voluntarism promotion	177	396	573	30.9
International	134	139	273	49.0
Religion	2,292	2,155	4,447	51.5
Business and professional associations, unions	297	1,826	2,122	14.0
Not elsewhere classified	157	1,477	1,634	9.6
Total	14,040	56,361	70,401	19.9



VIII. 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).¹⁷ 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 Non-Profit Institutions in the System of National Accounts*.¹⁸ 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.

17. See *System of National Accounts 1993*.

18. See *Handbook on Non-Profit 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.



IX. 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.¹⁹

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.²⁰

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, 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.²¹

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.²² In the latest collection round for the survey conducted in the fall of 2004, new information was 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.

19. 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.

20. The estimate is based on the population of the territories and a national average volunteer rate. It amounts to approximately 3 million hours in 2000.

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

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



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 B provides a full description of the ICNPO classification system.



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.

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 \$1.6 billion (2.3%) in the gross domestic product for the nonprofit sector, and an increase of similar magnitude (\$2.6 billion) in revenues for 2001. 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.²³ 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.

23. 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 Non-Profit 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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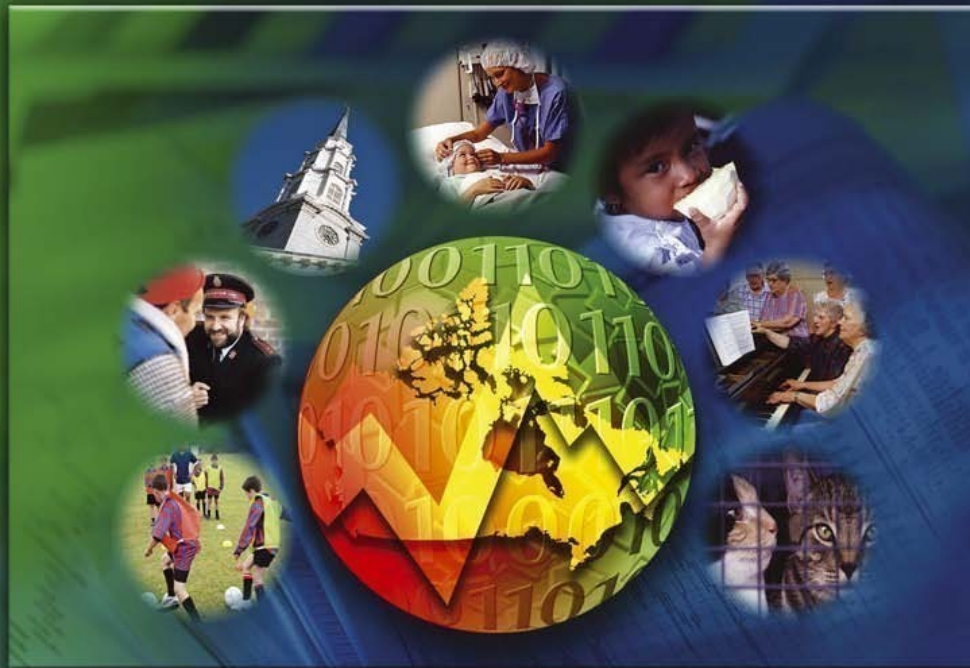


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The *Satellite Account of Nonprofit Institutions and Volunteering* contains new statistics on the economic contribution of the nonprofit sector in Canada. The satellite account is part of the Canadian System of National Accounts and consists of a set 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 2001. 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 second in an ongoing annual series.



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