

Section 2: The nonprofit sector in Australia

The Australian nonprofit sector is a large and diverse sector within the economy and a significant contributor to Australian society. As part of broader civil society¹ the sector makes an important contribution to the social and political sphere.

Mark Lyons, Professor of Social Economy at the University of Technology in Sydney, provides a good overview of the sector and its history in Australia. He broadly defines a 'third sector' of private (nongovernment) organisations that are democratically controlled and made up of volunteer members seeking a benefit for themselves or others. He offers a much narrower definition for community organisations:

... this term usually refers to small *third sector* organisations operating in a limited geographical area. They may include member benefit and public benefit organisations.

(Lyons 2001, pp. 5–9)

The Australian Bureau of Statistics (ABS), a major source of data on the sector and on the use of ICT, uses the term 'nonprofit institutions' in line with the international handbook for statistics in this area (ABS 2002a). After a lengthy discussion of the complexity of defining the sector and its organisations, the handbook arrives at the working definition:

Thus ... we define the nonprofit sector as consisting of (a) organisations; that (b) are not-for-profit and, by law or custom, do not distribute any surplus they may generate to those who own or control them; (c) are institutionally separate from government; (d) are self-governing; and (e) are non-compulsory.

(United Nations 2003, p. 16)

Building on these definitions this paper primarily concentrates on organisations within the sector that broadly correspond to the following characteristics:

A nonprofit organisation is one which is formed to achieve a common goal or benefit, is member or public serving in nature, is based on voluntary membership and is prohibited from collecting or distributing profit.

¹ For a discussion on civil society in Australia see the *Statement from Australian civil society* to the World Summit on the Information Society Geneva 10–12 December 2003 (www.ccnr.net/wsis/).

The nonprofit sector comprises organisations across a number of industries, but nonprofit organisations primarily reside in the areas of health and community services, education and research, other interest groups and culture and leisure. A useful way of understanding differences in the scope and nature of the sector is to broadly characterise nonprofit organisations as either public-serving or member-serving.

Public-serving nonprofit organisations exist primarily to provide a public service and are mainly represented in the fields of health, education, community and other human services.

Member-serving nonprofit organisations primarily exist for the benefit of their members, which may be either individual members or member organisations. The two major member-serving industry categories are leisure, including sport and recreation, and interest organisations, including peak associations, religious organisations, political parties, lobby groups and trade unions, professional associations and business, trade or industry associations (Lyons 1999).

Among the estimated 700 000 nonprofit organisations, there are over 180 000 bodies corporate and numerous local community and sporting associations. There are about 100 000 incorporated associations, 10 000 companies limited by guarantee and 3500 cooperatives active throughout Australia (National Roundtable of Nonprofit Organisations 2003; Lyons 2001).

It is difficult to determine the total size and contribution of the sector. National data sources do not clearly distinguish between for-profit and nonprofit bodies and many, particularly smaller organisations, are incorporated under state-based associations legislation (Woodward 2003). A minority of organisations in the sector, those with paid employees, make the major economic contribution.

2.1 Economic contribution of the nonprofit sector

The nonprofit sector is significant in the Australian economy, particularly the service economy, and the 34 000 nonprofits with paid employees have the greatest direct economic impact. The voluntary element of the sector is also significant but more difficult to quantify. The key economic indicators for measuring the sector's contribution are total income, expenditure, gross value added, number of employees and revenue source (Lyons 2001).

The ABS (2002a) estimates that in 1999–2000 the nonprofit sector contribution to GDP was 4.9 per cent. The following table shows the broad economic contribution of the sector in 1995–96 and 1999–2000.

Table 1: Economic contribution of the nonprofit sector

	Dimensions	Satellite account
	1995–96	1999–2000
Total income \$m	26 591	33 484
Expenditure \$m		
Labour costs	12 883	17 024
Other	12 506	15 766
Total	25 389	32 790
NPI Value added ^(b) \$m	14 049	19 702
Industry gross value added \$m	459 870	577 705
NPI share of industry gross value added %	3.1	3.4 ^(c)
Employment no. of persons	564 250	604 000

(a) Nonprofit public hospitals have been removed from the data reported in Dimensions.

(b) Nonprofit Institutions (NPI) value added in Dimensions only includes compensation of employees. NPI value added in the satellite account also includes consumption of fixed capital (\$1.58 b) and other net taxes on production (\$330 m) and, for market NPIs, net operating surplus.

(c) This increases to 4.9% when the imputed value of volunteering is added.

(ABS 2002a)

The nonprofit sector's share of industry gross value added increased slightly over the period. In 1999–2000, nonprofit organisations provided paid employment for 604 000 Australians, representing 6.8 per cent of the labour force and almost 12 per cent of private employees.

Table 2 shows the breakdown of total gross value across the major industry groups in which the nonprofit sector is represented.

Table 2: Total gross value by industry breakdown

	National accounts \$m	Volunteer services \$m	Total \$m	NPI share ^(b) of industry gross value added %
Education and research	6 208	857	7 065	21.8
Health	2 981	461	3 442	18.3
Social services	3 422	2 754	6 175	
Culture and recreation	4 439	2 162	6 601	12.3
Business and professional associations	583	288	871	13.8
Other interest groups (religious, political, lobbying)	2 069	2 353	4 422	
Total	19 702	8 874	28 576	

(a) Figures are rounded to nearest \$100 million.

(b) The NPI share of industry gross value added indicates the relative size of nonprofit contribution within these Industry groups.

(ABS 2002a)

Table 1 shows that during 1995–96, income for the sector totalled \$26.6 billion compared to \$33.5 billion in 1999–2000. Table 3 shows the revenue source as a percentage of this income.

Table 3: Revenue source as a percentage of income

Revenue source	1995–96 %	1999–2000 %
Sale of goods and services	58	58
Government funding	30	30
Other sources, including gifts (Households)	12 9	12 10

(ABS 2002a)

In 1999–2000 government grants totalled \$10.1 billion, household donations and membership dues \$2.8 billion and corporate donations \$470 million. In terms of sources of revenue there are marked differences between public-serving and member-serving organisations, with the former far more dependent on government funding. In 1995–96, direct government support for public serving organisations amounted to \$7.4 billion, or 49 per cent of their revenue, in contrast with 30 per cent for nonprofits as a whole (Lyons 2001).

The latest available estimate is that the annual voluntary contribution of the nonprofit sector is equivalent to an additional income worth \$8.9 billion. When this is added to other financial data, Australia's nonprofit sector currently contributes \$29.6 billion or 4.7 per cent to Australia's GDP, which is a larger economic contribution than the mining sector (National Roundtable of Nonprofit Organisations 2003).

2.2 Social contribution of the nonprofit sector

Traditional economic theory portrays the nonprofit sector as primarily a provider of services, either to members or to the public. The sector contributes to civil society and the wider community as both a creator and product of social capital (Lyons 2001). The ABS has recently devised measures for gathering information on social capital (ABS 2004a) but no statistics are available as yet. However, it recognises activity through participation in and membership of nonprofit organisations as an important indicator.

In 2000 the ABS surveyed people aged over 18 years on their work and volunteering activities. A volunteer was defined as someone who willingly gives unpaid help, in the form of time, service or skills, through an organisation or group. ABS found the volunteering rate was highest for the community welfare sector, just ahead of sport and recreation (the Olympics and Paralympics were excluded from the survey). The rate was higher outside capital cities.

The number of volunteers grew between 1995 and 2000 from 3.2 million to 4.4 million. The proportion of the population representing volunteers increased from almost a quarter (24 per cent) to almost a third (32 per cent) in that five year period. There were increases across all age groups and for both sexes. The total amount of voluntary work performed also increased: annual hours totalled 511.7 million in 1995 and this rose to 704.1 million in 2000 (ABS 2000).

Social participation as a member of an organisation may be following a different trend. In 1997 an estimated 65 per cent of people aged over 14 years belonged to at least one nonprofit organisation. People who join one organisation tend to be a member of others as well. The social enterprise organisation Our Community estimated in The Community Manifesto that nonprofit organisations in Australia hold 30 million memberships (Our Community 2003).

During 2000, 4.4 million Australians volunteered a total of 704.1 million hours of labour for nonprofit organisations of all sizes. This voluntary contribution was equivalent to an additional income worth \$8.9 billion to the nonprofit sector.

(ABS 2000)

However, there is evidence of falling participation in political parties, unions, church attendance and service clubs like Rotary. Elaine Henry, CEO of The Smith Family, observed: 'With this snapshot of trends in membership of some common networks, you start to get a picture of decline' (Henry 2003). Lyons also raises concerns regarding the vitality of the nonprofit sector in the face of these changes, despite other evidence of its growth worldwide:

There are signs that the third sector is facing a period of transformation and possible decline. ... The membership of many third sector organisations is declining, in some cases in absolute terms, in other cases as a proportion of the population. Examples include mainstream Christian churches, unions, traditional political parties, community service clubs, and traditional youth organisations such as scouts and guides.

(Lyons 2001, pp. 117–8)

In August 2002 some 1 833 700 employees in Australia were registered as members of a trade union in conjunction with their main job, a four per cent decrease from August 2001 (ABS 2002). Membership of religious organisations in Australia has declined from a percentage in the high 90s in the 1890s to 74 per cent in 1996. This decline in formal membership has been quoted in some instances as evidence of declining social capital across Australian society.