



## **Report Pilot testing the Handbook on Nonprofit Institutions in the system of national accounts**

### **General introduction**

There are in principle two different methods to compile a non-profit sector, both with advantages and disadvantages.

The first method is to examine all sources which are available and which describe a part of the non-profit sector. Disadvantages of this method are:

- Changes as a result of the integration process in the supply and use matrices or input-output tables are not taken into account.
- To characterize the imputed value for the non-response
- The sources don't use macro-economic definitions
- In most countries, the sources don't describe the whole economy.

The consequence is that the estimates of the non-profit sector are less comparable with national account figures.

The second method has the integrated national accounts as starting point. The advantages of this method are the opposite of the disadvantages of the first method that is mentioned. The pity of it is that also this method has some disadvantages. These disadvantages are:

- Non-financial information that is available in the source is not a part of the national accounts compiling process; so not all the information in the source is distributed to the national account specialist but only the financial information. Therefore the information isn't available in a sort of central database.
- The changes as a result of the integration process must be attributed to the non-profit units or to the profit units.
- To split the information of each survey into a part which belong to the non-profit sector and a part, which not belong to the non-profit sector.

In my opinion a combination of the two methods is for some reasons preferable. At Statistics Netherlands it's very hard to change information streams for a project like the non-profit sector. It takes time and a lot of work to reach an ideal situation.

In our pilot we use the second method, in contrast with the comparative project which is be done by the social and cultural planning office in the Johns Hopkins Comparative Nonprofit Sector Project.

In principle all the activities of the supply and use matrices are examined and we selected the activities with non-profit institutions. In some cases all units in the whole activity are non-profit, for example the religious organizations. In other cases the activity must be divided into a non-

profit part and another part, for example the research institutions. This division is based on distribution codes, which in most cases are available before the start of the pilot. In these cases the cross-classification between supply and use matrices and the sector accounts is based on the same distribution. This distribution codes are based on different sources, sometime we use information of a survey, sometimes the codes is based on information about number of units and/or number of employees.

In some cases the distribution codes for a split up by sector doesn't give enough information. A further split up over non-profit and another part must be made.

In this pilot we only used information that is available at the national accounts division of Statistics Netherlands. The consequence of this is that we in this pilot didn't fill the tables with questions about non-financial information. In the future we must make progress collecting also non-financial information out of the surveys that are done by Statistics Netherlands.

On the other hand we invest time to make it easier to combine the information which is in principle available in the national account division but which is available at different places. The result of this is that it will be far easier to fill the tables for another years in the future.

We need also more time to split the sector financial institutions into a part that belong to the non-profit sector and the rest. For the results this is not a real problem because in this sector non-profits can hardly be found. As a result of the decision that pension funds and privately organized social insurance organizations not form a part of the nonprofit sector, the results give only a small underestimate of the total. Only employer's organizations of the financial institutions are not taken into account (see also question 1).

## **Answers to the questions**

*1. Does the definition of a nonprofit institution given in paragraph 2.15 of Chapter 2 of the Handbook work for your country? What problems did you encounter in applying it?*

The definition in itself is clear. In practice we have some problems mainly with two groups of borderline cases. In an earlier stage Peter van der Neut wrote a document with some cases. The first group has to do with the criterion voluntary, the second with private vs. public.

Voluntary or not.

How strictly must we use this criterion? In a very strictly use, the pension funds and the privately organized social insurance institutions in the Netherlands would be a part of the non-profit sector. If we use this criterion less strictly, where we can put the new boarder. Is the number of volunteers an important criterion or is the voluntary buy of the product of the institution more important. Borderline cases, outside the earlier mentioned pension funds and privately organized social insurance institutions are for example: State lottery (legal form is a non profit institution), other lotteries which donate the profit for the biggest part to philanthropic intermediaries. Another example is the professional training organizations, mainly financed by the employers and the government. No voluntary workers are working for these organizations but nobody is forced to buy a lot or follow training.

In this pilot, the pension funds and the privately organized social insurance institutions are not taken into account. Lotteries and foundations for professional training form a part of the non-profit sector.

## Public vs. private

A second group of borderline cases we can find between the government and the non-profit institutions. Peter van der Neut wrote earlier about the works councils and other borderline cases in the Netherlands. We have decided to put into the non-profit sector: Universities and sheltered workshops (for the handicapped) that are independent legal institutions. Sheltered workshops that are a part of the government, with no legal status, are not taken as a part of the non-profit sector.

The examples that are given in paragraph 2.18 - I agree with one exception. In my opinion also the State Church, which is supported by obligatory taxes, forms a part of the non-profit sector. I have the following reasons for this opinion:

- A practical one: In the ESA all the churches, which are financed but not controlled by the government forms a part of the non-profit institutions serving households. It would be strange if a unit that is a part of this sector weren't a non-profit.
- In practice, a lot of volunteers work for a State Church
- The government pays a lot of non-profits and the biggest part of the income of the government is taxes. In the case of the state church the only difference is that a part of the tax is "characterized" as a special tax. In the Netherlands a lot of broadcasting organizations are non-profit organizations. In the past they were paid by a special payment by each owner of a TV or radio. Last year the financing of these institutions is changed. At this moment, the broadcasting organizations get money from the government and the special payment is incorporated in the income tax. A situation that is nearly the same as the state churches because the income tax in this year is raised by a marked %. I think that also these broadcasting organizations form a part of the non-profit sector and I think that a marked part of the income tax can't be a real criterion.

*2. Were the examples of "borderline" cases provided in paragraph 2.19 helpful to you in making decisions on such cases in your country? Did you identify other borderline cases? Please provide examples of "borderline" cases that emerged in your country and how you dealt with them.*

Yes, the examples were helpful to decide in what sector we must place the commercial cooperatives and mutuals. Also the decisions about the *quanquos* can be made easier. In the Netherlands we have a lot of *quanquos*. These *quanquos* have a lot of different legal forms like association, foundation, a public legal form, and also corporation. In spite of the examples, in many (but less in comparison with no examples) cases it's still hard to decide that a unit is a non-profit or not. In the Netherlands we have a corporation that is responsible for the payments of student grants. In the national accounts this corporation is a part of the government, it's fully paid by the government and also controlled by the government, but the legal form is a corporation.

Institutions which we doesn't characterized as a non-profit institutions are:

- Works Councils and National Economic Development Council with a public legal status. These organizations are responsible for the implementation on a decision or a law. The most important task of the NEDC is a consultative one. These institutions can be seen as QUANGO's). Because the majority of it can create rules, we don't see them as non-profits.
- Chambers of Commerce. They form a part of the government and are not legal independent institutions.
- Sheltered workshops. Only if they have a legal form as association or foundation (in a small number of cases company), we put them into the non-profit sector.
- Pension funds and privately organized social insurance institutions

Because the status (outside the legal status) between state-universities is not different from a private university the state-universities forms in our opinion a part of the non-profit sector.

### ***On Chapter 3: Classifying Nonprofit Institutions***

*3. Does the ICNPO classification given in paragraphs 3.7-3.13 of Chapter 3 work for your country? What problems, if any, did you encounter in applying it?*

The ICNPO classification is a functional classification that is used for an activity classification. In most of the cases we don't have problems with this because the function is directly linked to those institutions (activities) that produce certain services. For example, as long as a hospital only produces health care, it's very easy. In some cases we have small problems. A hospital that is also a part of a university that is educating coming doctors produces not only the function health care but also the function education. In this case we put the unit in the activity that is the biggest part of its output.

Only in one case we meet a big problem. This case is the situation of a lot of the philanthropic intermediaries and the grant making foundations. In my opinion these organizations are organizations that collect money by grants or donations, or have a big property and use this money for different purposes. If we look to these organizations with an activity view, they organizations forms a part of ISIC 91, but if we look to these organizations with a functional view, these organizations must split up over a wide range of functions. In this view, no or very less philanthropic intermediaries are left. In the pilot we put all these organizations into group 8 because our source don't give enough information to split up this group of organizations. In your ICNPO classification you asked, especially for this group a very detailed split up. A result of this is a very unbalanced division of the total of the non-profit sector over the different groups. This detail leads also to very hard decisions because a lot of philanthropic intermediaries can belong to more than one ICNPO- (sub) group. An example is the group environment. A big part of the organizations that protect animals do also protect environment (like World Nature Fund). Another example is the group international. A part of the organizations like the Red Cross is as well working abroad as in the country itself.

I think it's better to take the following groups as a whole:

- Group 7 law, advocacy and politics
- Group 8 philanthropic intermediaries and voluntarism promotion
- Group 5 environment

In the Netherlands, but I think also in other countries, we have a lack of information to make estimations for the totals of these groups, so it's very hard to make a further split of this groups. What's more, in most of the countries the groups are very small activities in comparison with social services, education, and health.

*4. Were the clarifications provided in paragraphs 3.17-3.21 necessary or helpful in your country? Please provide examples of types of organizations that were difficult to classify and how you dealt with them.*

The examples made clear the classification of the above-mentioned hospital. I think that the problems are more practical one's than theoretical one's.

5. *Is the concordance between the ICNPO and ISIC, Rev. 3 given in Table 3.3 workable? Please provide specific comments about any subgroups and classes that do not seem to match in practice.*

See questions 3 and 4.

6. *Does the sectoral classification given in paragraph 3.26 of Chapter 3 work for your country? What problems, if any, did you encounter in applying it?*

We don't have problems to divide most of the units into the sectors. Only the sectors nonresident non-profit institutions active in the economic territory of the country and the non-profit institutions organized as mutuals or cooperatives, gives problems by collecting figures.

In practice we don't have information whether a fund-raising institution is an affiliate or not. Our source for this type of institutions doesn't have information like this. Also in a theoretical view I have some problems with this sector. Take the example of the Red Cross. The Dutch part of the Red Cross is a more or less independent organization with a lot of local activities. Of course a part of the money is transferred to the international organization but the connection between the international and the national organization is totally different from a commercial multinational. In my opinion in the Netherlands there are very few non-profit institutions organized as mutuals or cooperatives. An example is (maybe) an organization that keeps the area round some houses clean and which is responsible for some small repairs for a group of houses. There are many of these type institutions but in practice we don't have information about this institutions. In many cases they do not form a part of the business register because the chamber of commerce does not know them. The institutions have no employees and are therefore included in the household sector.

The cooperatives in the Netherlands are nearly all commercial institutions. Especially in the agriculture and insurance companies there are many cooperatives. In this pilot the cooperatives are not put into the non-profit sector.

#### ***On Chapter 4: Key Variables and Tables of the NPI Satellite Account***

7. *Are the variables selected for the "short form" of the satellite account appropriate ones in your opinion? Are there variables you would delete? Are there variables you would add? Please be specific.*

I'm happy with the financial variables on the short form. We can fill in this short form with the exception of the imputed value of volunteer employment. On the other hand, I expect a lot of problems with the extra variables on the full elaboration and the extended form. In special the amount of the holding gain is a very ambitious question. Also the questions about the balance sheet isn't easy. In the ESA for the balance sheet the non-profit institutions serving households may be combined with the balance sheet of the household sector. In most of our surveys of activities with mostly non-profit institutions we only ask for information about income and expenditure. It's very seldom that we ask for information about the balance sheets. A problem with the division of the combined sector households and non-profit institutions serving households is the integration process of the balance sheet. This is a different one in comparison with the integration of the current transactions. Also the adjustments are far bigger than in the accounts.

As I wrote you in a document some weeks ago, I have some problems with the imputed value of volunteer employment, outside the lack of data. In my opinion there is a lack of information in the Handbook about this special subject. Maybe it's possible to write some text about this. Also the valuation at average wage is in my opinion too high (see also question 9).

In this pilot we have more problems with the structure variables. For an explanation see also the general introduction. The number of entities is unknown and I think also irrelevant. In the Netherlands it's very easy to start a non-profit institutions. This results in a lot of very small institutions and lots are not active anymore or are economically not relevant. In special activities, for example the education, in many times institutions are associated to each other. Information about capacity and output is available for a lot of activities but can't be collected within this pilot (see general introduction).

*8. The tables of the satellite account are specified in three versions—SNA Basis, With Volunteer Labor, and With Volunteer Labor and Output Valued by Expenses. Did you find this three-fold distinction workable? Did you encounter any problems with this format or concept?*

And:

*9. Do the table sequence and its description make sense? If not, what do you suggest?*

To calculate the output by expenses isn't a hard job, if all transactions are available. It's only another way to calculate output. The valuation of volunteer labor isn't possible at this moment because we didn't collect and examine the data about this variable. I know that some information is available at Statistics Netherlands and/or Social and Culture Planning Office. This information is used in the comparative project of the SCP. In their calculations they use different sources and besides they made some assumptions. We don't have enough time to examine the method they used and to get an opinion on the resulting figures. I've invested some time in it but at this moment I'm pessimistic that this will lead to yearly figures with the detail the table is asking for.

Outside this practical problem I think it's strange that I can hardly find any text in the Handbook about the treatment of voluntary labor and the output valued by expenses. I can't find arguments why this registration gives a better view on the position of the non-profit institutions in the national accounts. Also never is written down in what kind of analysis we can use these new figures and what are the advantages and the disadvantages of these methods.

In my opinion the valuing of voluntary work must be valued by a reserved method. Besides this we must always realize that the new tables didn't give anymore a view on the national economy. If we really would pay for voluntary work, the economy would be different from the current situation without this type of payments. So, please add some words on these problems. A last question is about the three versions itself. Why one of these combine the valuing of voluntary workers with the output valued by expenses. Maybe it's better to take as a third version the SNA basis with only value the output by expenses.

*10. Guidelines for valuing volunteer work are provided in paragraph 4.23. Is this method feasible in your country? If you are already measuring unpaid work, please describe your methodology. Would it be more appropriate to use an economy-wide or industry average wage for valuing volunteer labor? What difference do you estimate it would make?*

At this moment, as far as I know, we do measure some types of unpaid work, especially in surveys about time spending. So we know something about the time we spent on unpaid house-cleaning. Statistics Netherlands participates in a task force of Eurostat about a household satellite account. In this task force also the unpaid housekeeper is a subject.

I do not agree with the guidelines for valuing volunteer work. I think it's more or less irrelevant which method is chosen. In my opinion both are too high. I think we must realize that the production pro hour by a volunteer is a lot lower than the production pro hour by an educated person with experience to do the work. Besides this, in my opinion a net payment must be taken, otherwise it's by definition not comparable with other variables.

In the task force about the household satellite account, Statistics Netherlands pointed out that the Netherlands didn't support the monetary valuation of non-paid household production. The main reason for this is what I just pointed out. The most important reason to value voluntary work is to compare the results with the "normal" national accounts. A national account including voluntary work is by definition not comparable with the "normal" ones because we can't say anything about changes of behavior of people if voluntary work will really be paid.

*11. Table I of the satellite account presents the Consolidated NPI Sector Account, which records the key variables in the short form for all NPIs that meet the specified definition at the aggregate level. Is the structure of this table understandable? Were you able to complete this table? Which data item or items presented the most difficulty for you? What gaps did you have to leave in this table and why? How complete, in your estimation, is the coverage of the data items you were able to report in this table? Please be specific.*

The table is understandable. As I mentioned earlier, we don't have information about number of people or FTE's involved in voluntary work, so it isn't possible to calculate an imputed value for the voluntary work. The result of this is that we only can fill in the first column of the table, which is already included as the last column in table III.1. We didn't send you only table III.1. I think it's more important now to send you this report and the tables than take more time to fill in this table.

Only for a small group of non-profit institutions (mainly employer's organizations), which belong to the sector financial corporations, we didn't yet make estimates. So the coverage is almost complete.

*12. Table II of the satellite account presents the variables of the Consolidated NPI Sector Account of Table I, disaggregated by type of nonprofit institution, using the ICNPO. Is the structure of this table understandable? Were you able to complete all four parts of this table? What gaps did you have to leave in this table and why?*

Also this table is understandable. Outside the comments I give earlier (question 5) we don't have problems with table II.1. This is mostly the same for table II.2. We only have one serious problem with this table, the specification of the sale of services. As I will point out in question 13 and 14 this information isn't available in a supply and use table. Only a very detailed input-output system can have information about this question.

Table II.3 can only be filled in if very detailed information is available for each transfer payment of a lot of groups of institutions. In our sources we don't have this detail. Also in the near future we will not try to collect this information. I can't see the analytical value of this information. Of course, also in these tables we can't fill in the parts that are related with the voluntary work and output valued by expenses including imputed voluntary work.

In table II.4, we filled in two columns, compensation of employees and fte's. The number of employees is to compile by using the ratio between number of employees and fte's pro activity. We haven't done this compilation at this moment but it's a very easy job.

*13. Table III of the satellite account presents a derivative of the Integrated Economic Accounts disaggregated by sector, but with the NPI and non-NPI components of each sector recorded separately. Is the structure of this table understandable? Were you able to complete all three versions of this table: SNA basis, with volunteer labor, with volunteer labor and output valued by expenses? What problems did you encounter in separating NPIs from non-NPIs in each sector? Was one version more difficult to complete than another?*

The table is understandable. Also in this case we can only fill in the first part of the table, only the SNA basis. For the financial institutions sector we didn't complete our work, so we didn't make a split up into a nonprofit part and another part of this sector. But, as noted in question 11, the nonprofit part of this sector is expected to be rather insignificant.

We have a problem which the classification of the total third party payments by sector. It isn't possible to make this classification in a supply and use system (see also question 14), because in this system no direct relation is available between the producer (or imports) of the goods or services and the final user of these goods or services (or exports). For example, the government buys medicines and distributes these as a social security benefits in kind to the households. The households also buy medicines directly at the pharmacist as a final consumption. We know how many medicines are produced in the Netherlands, how much is exported, and how much is imported. But we don't know how much the producers of medicines in the household sector have exported, have sold to the government, and have sold to the households as a direct final consumption. Also in an input output framework it isn't possible to split the producer into sectors without losing the relationship between producer and final consumer (intermediate consumption, export or final consumption).

Specific commodities could be allocated to specific NPI-groups in the sector Non-financial Corporations, but the remaining third party payments could not be distributed. This should roughly cover the total third party payments for the nonprofit sector as in the NPI-government en the NPISH not many third party payments are expected.

In table III.1 the imputed social contributions and imputed social premiums in the government sector and the non-financial institutions sector are not split up into the non-profit sector part and another part. They are fully attributed to the other part. The balance of this two transactions is zero so it isn't influenced the balancing items as savings.

*14. Table IV of the satellite account breaks down the data in the three versions of Table III by activity or purpose, as appropriate, for a subset of critical variables: output, value added, employment, and final consumption expenditure. Is the structure of this table understandable? Were you able to complete all parts of this table? For which variable(s) or version(s) did you encounter problems, if any? Please explain in detail the nature of the problem and how it was or could be resolved.*

For the tables IV.1-IV.3 I have the same comments as on question 13.

Table IV.4.a is asking for a classification of purpose of final consumption expenditures of the government. In the national accounts we have a functional classification of the government final consumption expenditures. This information is available in our yearly national accounts, so the

first column of this table is filled. The split of these final consumption expenditures of the government into the part that forms a part of the non-profit sector and the other general government is done very roughly by allocating the SBI-groups in the general government sector to COFOG.

Also a part, especially the first column, of table IV.4.b is easy to fill in. We haven't done this because of two reasons. First, in this pilot we did not have enough time to do this. The second reason is more serious. In my opinion it isn't possible to fill in the second column of this table. In a supply and use tables system it isn't possible to give information about the producer of certain goods/services. We know which activity is producing certain goods and how much of it is imported and exported but there is no relationship between each producer (or imports) and the final user of the product (consumption by household or export). Only in the case of an input/output system this relation is available. However, in an input output system no information about the goods/services is available but only the total output of the activity. Moreover the input/output table is mostly based on a lot of assumptions about the relations between producer (or import) and final consumer (or export). In a lot of services like health and social services the relationship is derivable because no or very less services of this type are imported or exported, but in other cases the relationship is very hard to make, especially when trade and transport margins forms a part of this type of output. For a country like the Netherlands with a very open economy, the problems are bigger than a more closed economy.

*15. Table V of the satellite account presents indicators of NPI structure, capacity, and output. It also builds some links to other statistical systems covering labor force and other population characteristics. Is the structure of this table clear? What problems, if any, did you encounter in completing Tables V.1-3? Please be specific. With respect to Table V.4, for which capacity and output measures would it be desirable and feasible to collect and report estimates in the NPI satellite account? (Table V.4 provides some examples of such measures.) Please list the desired capacity and output measures and, where available, provide estimates.*

Table V.1 asks for information about number of entities. Theoretically it must be possible to collect this information because it's a part of the business register. In practice it is more difficult because not all the entities are in the business register. Only the entities that are reported at the Chamber of Commerce are in the business register. In the Netherlands it's very easy to start a foundation or an association. In practice a lot of entities are very small and/or hardly active, if at all. Because of this reasons I think table V.1 wouldn't be informative (see also question 7). Information about the median size and the average age isn't available at all. As I earlier mentioned the surveys in the activities where we can find the non-profits ask (with some small exceptions) only for data about income and expenditures. No information about balance sheet is available. In the business register no information is available about the age of an institution.

The number to members is, in my opinion, more relevant. At Statistics Netherlands, we have some information about this, for example the number of members of unions, the number of members of churches. On the other hand we don't have information about the number of members of philanthropic organizations. About the sport organizations I'm not sure. In the future we will try to collect this information in a systematic way. Till now, we don't have enough time to do this. A more theoretical problem is that only an association does have members. Foundations have only benefactors that are not real members. For philanthropic organizations this isn't a real problem because they generally know the number of benefactors. In the area of education, hospitals, museums, and so on this will meet more problems. In practice there are mostly special

institutions that are associated with the institution itself (friends of..., association of parents of a school's pupils and so on). Because a lot of these institutions are very small in economic terms it will be very hard to collect this information. In the near future it is impossible to do this in the Netherlands.

At last I have a question about the two last columns. I don't see the difference between members and memberships. Can you give an explanation?

Also table V.2-V.4 is asking for mostly non-financial information. As I described in the general introduction, in this pilot it wasn't possible to collect this type of information. Table V.2 and V.3 asked another type of information in comparison with table V.1 and V.4. This information must be based on surveys of persons. For a lot of reasons (selective non-response, different definitions and so on) the macro-results of this sort of surveys are very different from results from surveys at the institutions itself. So it's very risky to use information of this type of surveys for split up the national accounts information or the information of the institutions itself. I think it isn't realistic to ask for this information, especially at this detailed level.

Outside this practical problem, I have some problems with the combination of characteristics of persons with donations and members. As I wrote in a document I sent you a couple of weeks ago, I think it's better to combine a key-person in the household with this type of information. This will lead to a better result.

About the information you asked for in table V.4 I'm more positive. A part of this type of information is available in the different surveys but must split up into the non profit part and the other part. Also in the future we will collect more of this type of information because we need this type of information to make better estimates for the split up of the output into price and volume.

*16. Table VI of the satellite account summarizes key dimensions of the Consolidated NPI Sector using variables presented elsewhere in the satellite account, but presented in a form more accessible to nonprofit specialists. Is the structure of this table understandable? Were you able to complete this table? If not, what items are missing and why?*

Table VI is mostly a combination of information that is a part of the former tables. So, you can find the comments in questions 11-15. Table VI we don't fill in. The information we have can be found in the other tables. I have two comments on this table.

Firstly it isn't possible to put the subsidies, which the institutions get into this table. I think it must be a part of the second column.

The second one is the specification of the transfer payments. It's strange that a table with key figures is asking for information that isn't a part of the most detailed tables. Why the transfers from the rest of the world is split up by governmental payments and private for the first time in this table? Outside this practical argument I have another problem with this split up. In my opinion this split up can't be made in practice if you mean that a governmental transfer is a transfer from the sector general government. In the Netherlands we have some private non-profit institutions that form a part of the general government that receives transfers from the government and uses these transfers for developing aid. The receiver abroad doesn't normally know that this private non-profit in the Netherlands is put in the sector government.

### ***On Chapter 5: Implementing the Satellite Account - Data Sources***

*17. Is the data compilation framework given in Chapter 5 workable for your country? What problems did you encounter in using it?*

I think that chapter 5 is useful for a country that is developing national accounts and a system of surveys. Statistics Netherlands is a big organization (more or less 2000 fte) with an age of 100 years. The survey system, the data streams inside Statistics Netherlands, the business register and so exist already for many years. Changes in business registers and so on can only be introduced for very important reasons, because changes take a lot of work. A satellite account of the non-profit sector isn't important enough. If you are in a situation with nothing it's relative easy to take these advises in the chapter into account. This situation is very different from ours.

*18. Please describe the principal data sources you used to develop your estimates. For example, does the source contain transaction data as well as establishment totals? Is there a registry of NPIs or several registries? How are NPIs treated in the business and establishment registers? How are NPIs treated in the VAT system and other administrative records?*

As I earlier mentioned, the starting point for compiling the non-profit sector are the national accounts. The part of the national accounts where we can find the non-profit institutions is based on different types of sources. The most important are:

A.

Statistics Netherlands conducts surveys of this activity. Mostly the non-profit institutions form a big part of the units that are a part of the survey. As an example: 99% of all the museums have the legal form of a non-profit. Sometimes the survey described all the producers of a special type of service (functional survey), including for example the governmental museums. Sometimes the survey described only the institutional units or local kau's.

In this pilot it isn't possible to characterize each individual unit in the survey as a profit or a non-profit. On the other hand, mostly some information is available. Examples are: number of institution by legal form, number of employees by legal form and so on. Because Statistics Netherlands already made a cross-classification by industry and by sector a part of the distribution codes already are available before the start of the pilot. For example: sports was splitting up into a part that belong to the non-financial corporations (professional sports), the household sector (riding schools and keep-fit schools) and non-profit institutions serving households (non-professional sport organizations). Also this cross-classification is mostly based on split up the aggregate information of a survey by using different types of distribution codes.

B.

Another part of the national accounts is based on information like press-information, information from the annual reports and so on. The estimates of the religious organizations are for example based on a press-information that gives information about the incomes and expenditures of the nine biggest churches in the Netherlands.

C.

If no information is available, estimates are based on the information that is in the business register. This register keeps all institutions that are economic relevant, including information about the number of employees. Calculations for production, intermediate consumption, and compensation of employees are based on this number of employees. Also the split up over the sector (if necessary) is based on this information.

The methods that are mentioned under B and C are used for a relative small part of the economy and also a small part of the non-profit sector.

VAT-register can't be used because the production of the non-profit institutions is mostly exempted from VAT. This exemption isn't given to an individual institution but is given to all institutions that produced a special type of service. Also other administrative registers are not usable for collecting information about non-profit institutions.

Most of the surveys about non-profit institutions collect data on income and expenditure. Mostly information about financial transactions and balance sheets isn't asked for.

*19. Were most NPIs already covered by the data collection systems used in your national accounts—e.g., establishment censuses and surveys, labor force surveys, administrative records, etc.? Were they easily identifiable?*

Most non-profit institutions were covered. See also question 18.

*20. Did you find many entities that were previously not covered by the statistical system?*

We didn't find new institutions that we didn't describe in the supply and use tables. However, this pilot forced take a more detailed look at the cross-classification. In some cases, the split up of a sector into a non-profit part and another part isn't done fully. For example, at this moment no non-public cemeteries form a part of the non-profit sector. Further investigations must be done to confirm the correctness of this assumption. These investigations will lead to better figures for the non-profit sector. Parts of this work will we do in the near future. On the other hand, this (maybe) missing part is a very small part of the total economy and non-profit sector.

*21. How much time (person-days) was required to complete the tables to the extent you were able to complete them? Do you consider this a reasonable amount of time for this work?*

We did invest about 100 days in doing the pilot. These 100 days isn't full time used to collect the information and to fill in the tables. Also we make a start with building a system that we can use for compiling the non-profit sector for other years. At this moment it is a lot easier to collect the information that we need for compiling that sector. For this pilot it's a reasonable amount of time, but we have to realize that a trainee does most of the work so it's not part of our "normal" job. If we take into account that the tables are not filled totally and we must invest into further research for filling the tables, I'm afraid it takes to much time to compile a total (including non financial information) non profit sector on a yearly basis.

*22. What are the major gaps in data coverage on NPIs? What additional steps would be needed to collect these missing data on NPIs or fill in data gaps? How much additional time do you estimate would be needed to undertake these additional steps?*

In the national accounts, in practice we don't take most of the non profit institutions into account with 0 working employees. These non-profit institutions are economically not relevant. A special problem is an information gap of NACE 91. Statistics Netherlands has no own survey in this area, so we based our figures on other information. Religious institutions are based on press

information of these institutions. This information does not contain information on all churches. Thereby it gives not a full description of all the financial flows in the churches. Information about unions and employer's organizations is based on some information in annual accounts. Figures about production, intermediate consumption and compensation of employees for the rest of NACE 91 is based on information of the number of the labor force (full time equivalent). We make figures for the supply and use matrices but they are based on a lot of estimates. Small parts of other NACE-groups are not a part of a survey. In that case the figures are based on different type of sources. Most of the NPI in the other NACE's are part of a survey of Statistics Netherlands. In some cases it's a survey once in two or three years (see also question 18).

*23. For this test, we have asked you to develop estimates using current prices—or at least identify the path for doing so. What additional steps would be necessary to report the data in constant prices?*

In theory it isn't a big problem to compile data on a constant price. The method Statistical Netherlands compiled the nonprofit institutions, based on a distribution of the industries over sectors and further distributed over profit, non-profit and government, makes it relative easily to make data on a constant price because we have figures about constant prices for each industry itself. Another question is the usefulness of this information because a big part of the production of the non profit institutions is non-market output and it is very hard to calculate constant prices for this type of output. Most of the countries at this moment (as Statistics Netherlands do) use an input method. In Europe a discussion is going on about the possibility to base the calculations on real output characteristics. I think that we can conclude that data on a constant price between different countries are not comparable.

### **Other Questions**

*24. Before beginning this test, how far along was your country in developing institutional sector accounts—that is, which accounts are compiled for institutional sectors? For what time period do you have institutional sector accounts? How easily could compilation of these data on NPIs be incorporated into your program?*

At this moment Statistics Netherlands compile a full set of sector accounts every year, including most of the accounts of the nonprofit institutions serving households. The financial account and financial balance sheet of this sector are taken together with the household sector. We don't have a full balance sheet because we don't have the non-financial part. Also we take the other changes in volume of assets account together with the revaluation account.

At this moment we have sector accounts over the period 1995-1999. Next summer, I hope we will have finished a time-series over the period 1987-1994 and at the end of the year also the years 1980-1987 will be available.

The question about the incorporation of the NPI into our program isn't an easy one. Statistics Netherlands gets a lot of obligations from EUROSTAT and European regulations. So we're very busy now to compile quarterly sector accounts, national account data in a regional breakdown, homogeneous input-output tables, time-series, non-financial balance sheets and capital goods stock and so on. Outside this regulations Statistics Netherlands works on a lot of other satellite accounts, some "old" like the Social accounting matrices and the NAMEA, other are "new" like a

module on knowledge and research, a health module and a household satellite account. For some other satellite accounts like for example the tourism satellite account we don't have enough capacity to make them.

I'm afraid it isn't possible to create extra capacity for compiling a yearly detailed non-profit sector. For this reason we use the trainee to create a system to make it easier to compile the non-profit sector as far as we filled the tables. I think it's unrealistic to give you the idea that we will expand the non-profit sector with non-financial information in the near future. Even a yearly financial one is uncertain but I hope, because there is some interest of the social and cultural planning office in our figures we made in this pilot, this can be done.

It's a subject that I want to discuss with the head of our national accounts sector (at the meeting in the summer I will know more about this subject).

*25. Did carrying out this work provide new insights for the development of institutional sector accounts?*

No.

*26. Do the tables in the satellite account comparing the NPI sector to the total economy and to other sectors add to your understanding of the "three-sector economy"? Is there interest in producing the NPI satellite account in your country?*

Yes, I'm interested in the three-sector economy. I think it's very useful to split up for example the sector non-financial institutions into a non-profit part and the for-profit part. It gives for example better information about productivity and profits of the different groups in a sector. Also the withdrawal of the government in the economy during the years is information that can be used for analytical purposes. I'm afraid the interest in this account must grow, both inside and outside Statistics Netherlands. As far as I know, outside Statistics Netherlands the Social and Cultural Planning office and the VU (University) in Amsterdam are working with data of the non-profit sector. At this moment also inside Statistics Netherlands very few persons are interested in the project. Maybe this will grow after the finish of the pilot when we make the pilot and it's results more public.

*27. Does identifying the NPI and non-NPI components of the other sectors improve the picture you have of the corporations, government, and household sectors?*

Not really. I am a couple of years responsible for the sector account of the non-financial corporation sector and I was also responsible for development of the non profit institutions serving households. So, before the starting of this project I know more or less the size of the non-profit sector. This was the situation when I became a member of the advisory committee of the John Hopkins Comparative Nonprofit Sector Project. Since that time, I became aware of the different situation in comparison with other countries.

*28. Please provide any other comments or suggestions on the Handbook or tables.*

If we want to complete the full set of tables for the non-profit sector on a yearly basis it's necessary to change a lot at Statistics Netherlands. First, we must change information in the business

register. All non-profit institutions must be characterized on an individual basis and this information must be kept up-to-date. Secondly, this information must be used in the surveys. Also a part of the questionnaires must be changed and a lot of new surveys must start.

In my opinion it's not realistic to expect this change. Of course, Statistics Netherlands is interested in the non-profit sector, but this satellite account isn't important enough to change the system of collecting data and information. In the near future we have as a purpose to make a yearly set of tables of the non profit institutions with only financial information. In fact I can't promise the yearly figures at this moment. Maybe in the long term it's possible to expand the information with non-financial information. Moreover, this information will be largely limited to information that we still collect at this moment. In my opinion it's unrealistic to think that we can change in the short term questionnaires only for the satellite accounts for the non profit sector. In the long term we can keep the interest of the non-profit sector into account. Hopefully it will result into more information of the non-profit sector.

In view of the lot of (new) information that we must send to EUROSTAT in the short term, we don't have enough capacity to develop the satellite account of the non profit sector. In addition we must realize that outside Statistics Netherlands the interest in this type of information is bigger than inside Statistics Netherlands. To participate in the pilot is for a big part a result of personal interest and not a principal choice of Statistics Netherlands.

Maybe one of the other institutions in the Netherlands, interested in the non-profit sector, could do research to the data not included in the national account?

A last comment is that we don't have enough time to compare our figures with the figures of the John Hopkins Comparative Nonprofit Sector Project. This verification is important because this can give us information about errors that we made. This comparison is a part of the work what we will do in the near future.