

TESTING THE HANDBOOK ON NON-PROFIT INSTITUTIONS IN THE SYSTEM OF NATIONAL ACCOUNTS

Question 1

Does the definition of a non-profit institution given in paragraph 2.15 of Chapter 2 of the Handbook work for your country? What problems did you encounter in applying it?

Answer

Conceptually we can confirm that the definition of a non-profit institution (NPI) is clear and well defined. Unfortunately, the question, of whether the institution can be treated as an NPI is never asked specifically in any type of survey currently conducted by Statistics South Africa.

In discussions held between the South African Reserve Bank, Dr Sokolowski from Johns Hopkins University and officials of Statistics South Africa, it appeared that there may be some indirect ways to identify NPIs that could meet the criteria. Examples are the sampling frame of the Survey of Total Employment and Earnings (STEE), the Value Added Tax (VAT) register and the survey of Average Monthly Earnings (AME). Unfortunately, the STEE excludes certain industries including service industry establishments such as restaurants, educational services, health services, welfare organisations, and religious, cultural, and recreational services. In addition, Statistics South African produced a sampling frame of 5431 institutions that are likely to meet the criteria for the NPIs. A proxy of the turnover and ownership derived from the standard industrial classification (SIC) code system (compatible with the ISIC system) is available. Other problems, however, are

that there are no common identifiers allowing for the linking of different databases, and that organizational surveys do not cover the informal sector.

Question 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.

Answer

Through in-depth discussions with officials of Statistics South Africa on the extra-budgetary institutions, it was possible to identify institutions operating within the functional area of culture as NPIs. The rest of the extra-budgetary institutions appear to be part of general government because they are government organs controlled by specific government departments. The self-help organisations are probably all part of the informal sector, and most co-operatives are relatively small.

Question 3

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

Question 4

Were the clarifications provided in paragraph 3.17 B 3.21 necessary or helpful in your country? Please provide examples of types of organisations that were difficult to classify and how you dealt with them.

Answer to Questions 3 and 4

Except for the ICNPO classification done through the community-based survey project of NPIs in South Africa, carried out under the auspices of the Global Non-profit Project (GNP) there is no direct link from any survey to these classifications. However, inasmuch as the SIC coding can be applied it will be possible to make ICNPO estimates.

Question 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.

Answer

Yes, the concordance between the ICNPO and ISIC is workable. In a few cases (the magnitude unknown) it would not be possible to establish a link, but these exceptions would probably be negligible.

Question 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?

Answer

The latest sample survey on non-profit institutions (NPIs) did not focus on the sectoral classification of NPIs so it is not possible to distinguish clearly what the sectoral

contribution of NPIs is. More research and specific surveys would probably be the only way to extend the sectoral classification of NPIs as requested in Table 3.5 of the draft Handbook.

Question 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.

Answer

Although most of the variables selected for the "short form" are highly appropriate, some of them will be rather difficult to assess.

- Consumption of fixed capital at replacement value, as used in the national accounts, is normally a derived number calculated from the flow of new investment and the lifetime of assets. Given the status of the current information system on NPIs in South Africa it will be difficult to provide meaningful information about this aggregate.
- The number of entities, members, and memberships will depend on the accuracy of a business register for NPIs. There is no single, all-inclusive register for NPIs in South Africa and only for certain areas are registers available on an ad hoc basis. In addition, as NPIs tend to come and go it is rather difficult to keep track of the latest developments. Consequently, the reliability of these variables will, at least in the short and medium term, be subject to major revisions.
- Physical measures of capacity and output. As this criterion can be difficult or sometimes impossible to apply, depending on the type of NPIs, we suggest that the Handbook should provide for a flexible option.

- Share of NPIs in total capacity and output. It is not clear why the share of value added by NPIs is not asked as an alternative variable.

Question 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?

Answer

We suggest that the SNA basis should be the reference level for the compilation of the accounts, while "With Volunteer Labour and With Volunteer Labour and Output Valued by Expenses" should be advanced options depending on the availability of data resources. The current data sources do not fully support the completion of the tables for South Africa, according to the "advanced" concepts. However, if the suggested changes to a number of questionnaires were made, it might be possible to meet these criteria.

Question 9

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

Answer

Yes, they do make sense.

Question 10

Guidelines for valuing volunteer work are provided in paragraph 4.26. 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?

Answer

Yes, the method will be feasible in our country. Currently, unpaid work is not part of Statistics South Africa's survey results. Because of the substantial difference between the average wage structures per industry, it would be more appropriate to use the industry average wage rather than an economy-wide average for valuing the volunteer labour associated with a specific industry. We presume that the average wage per industry was used to estimate the value of volunteer work for the community-based survey of the GNP.

Question 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.

Question 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?

Question 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?

Question 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.

Question 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.

Question 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?

Answer to questions 11 to 16

Given the development of South Africa's national accounts and the latest phases of revising the questionnaires capturing economic and socio-economic data by Statistics South Africa, it is not currently possible to complete any of the tables to a reasonable standard.

Because the compilation of the full set of Integrated Economic Accounts (IEA), per institutional sector and for the total economy, is still in a development phase in South Africa, there is unfortunately a lack of experience and sufficient data for the compilation

of the IEA. Consequently, it is not possible to make meaningful comments on the completion of the information for the compilation of the satellite accounts, as requested.

In general, the structures of all the tables are clear and theoretically the completion of these tables should be no problem, given the details of the source data available. However, from a South African viewpoint, it would probably be better to begin gradually with a consolidated account of the NPI sector on an SNA basis - particularly without the details of volunteer labour and output valued by expenses.

Question 17

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

Question 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?

Answer to question 17 and 18

See Annexure 1: A summary on data availability by Dr Sokolowski.

Question 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?

Answer

Unfortunately the NPIs were never explicitly covered by the data-collection systems used in compiling the national accounts. In theory they were included in census surveys and implicitly treated as part of the household sector. On account of insufficient indicators in the past, it was not practical to record separately the activities of the household sector and non-profit institutions serving households. Likewise, labour force surveys and administrative records did not capture relevant details for NPIs.

Question 20

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

Answer

See answer to Question 19.

Question 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?

Answer

As we were unable to complete the full set of accounts, we were not sure how much time should be reserved for such an exercise.

Question 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?

Answer

The preliminary estimates for certain subcomponents of the IEA for NPIs were derived from information obtained from the results of the sample surveys in some communities, as compiled by the representatives of the Global Non-profit Information System Project in South Africa. However, compliance with the standards set by the Handbook would require a number of additional steps. Some of these measurements could comprise adjustments to questionnaires to identify and capture the activities of NPIs in more detail, an updated business register, additional human resources to deal in particular with the compilation of NPIs statistics, ministerial approval of the new initiatives and additional financial resources. As we mentioned previously, the compilation of the institutional sector accounts according to the 1993 SNA is currently in a development phase. Consequently, the time and resources required for the incorporation of a comprehensive set of satellite accounts, could only be assessed meaningfully after we have addressed the compilation of the IEA for the South African economy.

Question 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?

Answer

Our suggestion is that for the time being the focus should remain on the development of estimates at current prices, to allow time to develop and establish the necessary infrastructure for data capturing and compilation of satellite accounts for the NPIs at current prices. However, if the relevant IEA for a country are already compiled at constant prices, it would probably be easy to do the same for the NPI account. Derived deflators for an institutional sector might be a solution to constructing relevant data series for NPIs at constant prices.

Question 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?

Answer

In principle South Africa has developed institutional sector accounts for the household sector, the general government sector and the corporate sector. Income and expenditure accounts for these institutional sectors are available on an annual basis from 1946 and on a quarterly basis from 1960 onwards. However, the data captured in these accounts are currently not comprehensive enough to comply with the recommendations of the 1993 SNA to compile the IEAs for the five institutional sectors. The national accounts division of the South African Reserve Bank is currently engaged

in a project to compile IEAs for four institutional sectors, namely the household sector (including NPISH), the government sector, the financial and the non-financial corporate sector. As a result of these developments, it will only be possible to assess the details for the incorporation of data on NPIs into our program, after the completion of this project.

Question 25

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

Answer

Although we have not been in a position to implement the system extensively, the concept of separating NPI activities from the main set of institutional sector accounts, has definitely broadened our view of and insights into the development of institutional sector accounts.

Question 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?

Question 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?

Answer to questions 26 and 27

On account of a lack of practical experience it is rather difficult to give a clear answer to these two questions. We have, however, no doubt in our minds that there would be an improved understanding of the relationship among the different sectors of the economy.

In addition, a more refined picture of the corporate sector, the government sector, and particularly the household sector should become available once the NPIs have been clearly identified and treated separately in the context of the IEA.

Against the background of the socio-economic developments in South Africa, we feel confident that there will be a growing need for an understanding of and interest in the activities of NPIs, which could be well served through the compilation of NPI satellite accounts.

Annexure 1: Data availability current and future, South Africa.

Data Availability Current and Future
South Africa
 3/14/2001

VAT register contains a listing of 523,322 businesses (plus 296,435 individuals) - the total of 819757 entities registered for VAT (turnover R300,000 or more annually). Variables include: Enterprise Number (not included in other databases), Ownership Type, Name, Life Cycle, SIC code, and Turnover. The register serves as a sampling frame for STEE survey. Variable Ownership Type allows selection of entities that are likely to fall within the scope of CNP definition of the nonprofit sector. The ownership types included in this category include association not for gain, club, and welfare organization. The register includes the following institutional sectors: Nonprofit organizations (N=5,431), Households (N=281,600), Financial corporations (N=7,467), General Government (N=1,272), and Non-financial corporations (N=343,932)- the total of 639,701 entities (N=180,056 apparently unallocated to any sector?).

PRODDER (Programme for Development Research) register contains approximately 7,000 development organizations (including national and provincial government departments, parastatals, research institutions, diplomatic missions, NGOs, CBOs and international funding agencies) voluntarily registered under the ___[NGO] Act. The information included in the database contains Name of organization, Contact detail, Contact people, and Keywords according to the activities of organizations. Since registration is voluntary, not all NGOs or types of NGOs choose to register. The relationship between Prodder and VAT register is unclear, Joe DeBeer is currently working to determine it. However, this database can add at least 2,000 new entities to VAT register. (more info <http://www.hsrc.ac.za/prodder.html>)

Survey of Total Employment and Earnings (STEE) is a quarterly sample survey of businesses. The sample (N=?) is drawn from the VAT register. It collects data on paid employment and salaries and wages. Its companion, the **Survey of Average Monthly Earnings (AME)** collects more detailed employment information that includes full-time and part-time employees, number of hours worked, overtime, etc. Neither survey distinguishes nonprofit entities, but if a link between the survey samples and sampling frame (VAT register) can be established (Joe DeBeer is currently working on it), it will be possible to identify nonprofit entities in the sample, if any. However, given that probability of a nonprofit entity being selected to the sample is about 1%, finding any nonprofits there is unlikely. The situation is further complicated by the fact that certain industries are excluded from STEE, these include most service industry establishments (such as restaurants, educational services, health services, welfare organizations, religion, and cultural and recreational services). Thus, chances of collecting any meaningful data on the nonprofit sector from STEE is probably nil.

The total employment for 2000 estimated from STEE is only 4.7 million. By comparison, employment estimations based on a population survey is about 10.4 million. The reason

for the discrepancy is the exclusion of the above listed industries and the informal sector employment.

October Household Survey (1999) (OHS) is a population (household) survey that captures paid employment in the formal and informal sector, but does not capture unpaid employment (volunteering) nor does it allow to distinguish paid employment for nonprofit entities. The total employment (including agriculture) estimated by this survey is 10.4 million, of which 1.9 million is in the informal sector.

This survey is being phased out and replaced by the Labor Force Survey 2001.

Labor Force Survey 2001 is a population (household) survey to be implemented starting year 2001. Unlike its predecessor, OHS, this instrument asks for unpaid family work and includes a question about the institutional sector of the employer (including the nonprofit sector). However, the instrument apparently does not include any questions about hours worked - which is a drawback vis a vis OHS. Changes of the questionnaire have been suggested that include: (i) adding items capturing the amount of unpaid community work (in addition to unpaid family work), (ii) refining the item pertaining to the nonprofit status of the employer (distinguishing between community-serving and interest-group-serving nonprofits), and (iii) capturing the number of hours worked (paid and unpaid). The survey also contains a list of items pertaining to working conditions. If implemented as suggested, this instrument will collect detailed information on volunteering, paid employment in the nonprofit sector, and nonprofit-for-profit comparisons.

Survey of Economically Significant Enterprises (general questionnaire and questionnaires targeting complex organizations) is to be implemented in the near future (2001 or 2002). It collects information on total employment and total salaries and wages. It also asks for ownership form in a manner similar to VAT register. That allows separating nonprofit, defined as “club, welfare organization, and association not for gain” and “cooperative society.” The survey targets 600,000 registered businesses, including services and agriculture. The initial plans call for targeting approximately 20,000 largest firms (based mainly on their turnover), but eventually all firms will be covered. When fully implemented, this instrument has the potential of delivering near-census quality basic data on establishments, including significant portion of the nonprofit sector (not sure about unions, professional associations, political parties, and business leagues).

2001 Census to be implemented in 2001 captures information about people doing unpaid family work, but does not ask for unpaid community work, amount of that work, as well as does not allow separating paid employment for nonprofit entities. Changes in the questionnaire (see memorandum to Annette Myburgh) have been suggested to allow measuring nonprofit sector activities. If implemented as suggested, this instrument will capture the broad ramification of nonprofit paid employment as a share of total employment, and will also capture unpaid community work. It will be an invaluable tool for assessing the capacity of the nonprofit sector, and to separate nonprofit sector from

the household sector.

Financial Statistics of Extrabudgetary Accounts and Funds by functional classification lists expenditures (including salaries and wages) of units not included in normal budget totals and not operating through normal budgetary procedures. Such units may include entities falling within the CNP definition of the nonprofit sector. An examination of these entities by an expert (Jan Botha) revealed that entities operating within the functional area of culture do qualify as nonprofit, but all others do not (they are government instrumentalities). These qualifying entities had total operating (current) expenditures of R364 million, and wages and salaries of R230 million (labor constituting about 63% of current expenditures).

These entities can be classified as NPISH. Gov't serving nonprofits could not be identified in this set.

This information can supplement the survey data collected by CNP, which did not target extrabudgetary entities.

Johns Hopkins (CNP) Community Survey - targeted nonprofit organizations, mainly in the informal sector. The survey methodology used geographic sampling. Certain types of communities were sampled and then surveyed to identify all organizations that operated or were resident in that community. All were interviewed. The resident organizations served as the basis for projecting national estimates. The projections include ca. 100,000 entities employing 436,000 FTE workers, 364,000 FTE volunteers, and R12.4 billion current expenditures by functional classification (ICNPO).