

National Accounts



Satellite Accounts

Statistics of the non-profit sector for South Africa, 2011

Discussion document: D0407.2

March 2014



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Abbreviations and acronyms

BSF	Business Sampling Frame
CBO	Community-based organisation
CCIS	Cross Classification of Institutional Sectors
CIPC	Companies and Intellectual Property Commission
DDG	Deputy Director-General
DSD	Department of Social Development
EMF	Executive Managers' Forum
Exco	Executive Committee
FBOs	Faith-based Organisations
GDP	Gross domestic product
GVA	Gross value added
ICNPO	International Classification of Non-profit Organisations
IEA	Integrated Economic Accounts
IES	Income and Expenditure Survey
IMF	International Monetary Fund
ILO	International Labour Organisation
ISIC	International Standard Industrial Classification
NGO	Non-governmental Organisation
NPC	Non-profit Company
NPI	Non-profit Institution
NPISA	Non-profit Institutions Satellite Account
NPISH	Non-profit institutions serving households
NPO	Non-profit Organisation
OECD	Organisation for Economic Co-operation and Development
ROW	Rest of the world
SAC	Standard Approval Committee
SG	Statistician-General
SANPIC	South African Non-profit Institutions Classification
SASQAF	South African Statistical Quality Assessment Framework
SARB	South African Reserve Bank
SIC	Standard Industrial Classification
SNA	System of National Accounts
Stats SA	Statistics South Africa
SU-tables	Supply and Use Tables
The dti	Department of Trade and Industry
TUS	Time Use Survey
UN	United Nations
UNV	United Nations Volunteer

Preface

The aim of this discussion document is to provide an overview of the current financial and non-financial statistics of the non-profit sector for South Africa for the reference year 2011, and to provide progress for the development of the South African non-profit institutions satellite account (NPISA).

The System of National Accounts (SNA) defines NPIs as "legal or social entities created for the purpose of producing goods and services whose status does not permit them to be a source of income, profit or other financial gain for the units that establish, control or finance them. In practice, their productive activities are bound to generate either surpluses or deficits but any surpluses they happen to make cannot be appropriated by other institutional units. The articles of association by which they are established are drawn up in such a way that the institutional units which control or manage them are not entitled to a share in any profits or other income which they receive".

This definition contains some ambiguities with respect to the borders between NPIs and both corporations and government. So the working definition of an NPI consists of units that are:

- Organisations;
- Not-for-profit and non-profit distributing;
- Institutionally separate from government;
- Self-governing; and
- Non-compulsory.

There has been increasing interest in recent years, internationally, in the set of entities or institutions known variously as 'non-profit', 'voluntary' or 'non-government' organisations. In order to differentiate them from corporations and government institutional units, these entities are referred to as NPIs in the national accounts. The scale and number of such organisations has been increasing and they have taken on expanded roles as governments seek to provide social and other services in more flexible, cost-effective ways. At the same time, economic statistics covering NPIs have been quite limited¹.

¹ Source: Australian National Accounts: Non-profit institutions satellite account, 1999–2000

Chapter 1: Introduction

The System of National Accounts (SNA) is a set of international guidelines for the development of economic accounts and for reporting such statistics to international organisations in a manner comparable across countries. The SNA provides an integrated framework of concepts, definitions, accounting rules, classifications and accounts and tables, all designed to organise in an analytically useful way, the transactions, other flows and stocks that make up the accounting record of the economy².

The SNA guidelines suggest the expansion of the SNA through the development of satellite accounts and more targeted handbooks in order to offer additional instructions and provide specific approaches and technical advice to national accountants, statisticians and other users of national accounts data on specialised topics³. A satellite account is a term developed by the United Nations (UN), the World Bank, the International Monetary Fund (IMF), and the Organisation for Economic Co-operation and Development (OECD) to expand the SNA in order to measure the employment and size of economic sectors not defined as industries in the national accounts.

Non-profit institutions (NPIs) play an important role in national economies and policy. Their measurement in the SNA and the explicit reporting of the NPI figures are important functions to improve economic statistics and provide policy, business, and civic leaders with information that will help them to make decisions.

NPIs have been at the centre of a growing effort to document and study their role in recent years, internationally. Often referred to interchangeably as 'civil society', the 'voluntary', 'third' or 'independent' sector, this group of organisations plays a critical role in society, separate from that of governments or corporations, and is central to community engagement and the building of social capital. NPIs have now gained prominence in many countries' official economic statistics⁴.

The *Handbook on Non-Profit Institutions in the System of National Accounts* is one in a series of handbooks dealing with various components of the SNA. The emphasis of the *Handbook* is reflected in three ways:

- The definition of an NPI is detailed, which makes it possible to identify it within a certain group of activities;
- The valuation of volunteer labour, which is significant in the activities of NPIs; and
- The introduction of the detailed classification of NPIs by function⁵.

None of these elements is available in the concepts and classifications of the central framework of the SNA.

² Source: SNA

³ Source: SNA

⁴Source: Statistics Canada, *Satellite Account of Non-profit Institutions and Volunteering, 2006–2007*

⁵Source: *Handbook on Non-Profit Institutions in the System of National Accounts*

1.1: Definition of non-profit institutions in the System of National Accounts

NPIs are separately identified as institutional units. That is, they are capable in their own right of owning assets, incurring liabilities, and engaging in economic activities and in transactions with other entities.

NPIs may be created by households, corporations, or government, but the motive leading to their creation varies. For example, NPIs may be created to provide services for the benefit of the households or corporations who control or finance them; or they may be created for charitable, philanthropic or welfare reasons to provide goods or services to other persons in need; or they may be intended to provide health or education services for a fee, but not-for-profit; or they may be intended to promote the interests of pressure groups in business or politics; etc. Although they may provide services to groups of persons or institutional units, by convention they are deemed to produce only individual services and not collective services.

1.2: Definition of non-profit institutions in the Handbook on Non-Profit Institutions in the System of National Accounts

For the purpose of the satellite account on NPIs, the *Handbook* defines NPIs 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.

This definition contains some ambiguities with respect to the borders between NPIs and both corporations and government. So the working definition of the non-profit sector consists of units that are defined as follows:

- *Organisation* means that the entity has an institutional reality. Institutional reality can be signified by some degree of internal organisational structure, persistence of goals, structure, and activities, meaningful organisational boundaries, or legal charter of incorporation. Most NPIs are legal entities created by process of law whose existence is recognised independently of the persons, corporations or government units that establish, finance, control or manage them. Those entities can take the legal form of voluntary associations, non-profit companies or trusts;
- *Not-for-profit and non-profit distributing*: NPIs are organisations that do not exist primarily to generate profit, either directly or indirectly, and that are not primarily guided by commercial goals and considerations. NPIs may accumulate a surplus in a given year, but any such surplus must be ploughed back into the basic mission of the agency and not distributed to the organisation's owners, members, founders or governing board;
- *Institutionally separate from government*: NPIs are not part of the apparatus of government and do not exercise governmental authority in their own right. An NPI may receive significant financial support from government and it may have public officials on its board; however, it has sufficient discretion with regard to the management of both its production and its use of funds that its operating and financing activities cannot be fully integrated with government finance in practice;
- *Self-governing*: An NPI is able to control its own activities and is not under the effective control of any other entity. This means that the NPI is in charge of its own destiny, i.e. it can dissolve itself, set and change its by-laws and alter its mission or internal structure without having to secure permission from any other authority; and
- *Non-compulsory*: membership and contributions of time and money are not required or enforced by law or otherwise made a condition of citizenship.

This definition is illustrated by examples and applied to organisations which are on the borderline of an NPI, or either a corporation, government or a household unit (cooperatives, mutuals, self-help groups, social ventures, rehabilitation centres, universities, hospitals, indigenous or territorial groups, etc.).

Because NPI status is determined by legal, structural and operational characteristics rather than by production or revenue characteristics, the NPI cannot be defined as an aggregate over a particular set of International Standard Industrial Classification (ISIC) classes. Even though NPIs are concentrated in such service activities as education, human health and social work, in principle NPIs may be found anywhere in the International Classification of Non-profit Organisations (ICNPO) structure. Furthermore, not all units in a particular ICNPO class will necessarily be an NPI even though the majority may be⁶.

⁶ Source: *Handbook on Non-Profit Institutions in the System of National Accounts*

Chapter 2: Progress on the development of the non-profit institutions satellite account for South Africa

This chapter provides progress for the development of the non-profit institutions satellite account (NPISA) for South Africa.

2.1: Establishment of the non-profit institutions satellite account inter-institutional committee

During the financial year 2010/2011, an inter-institutional working group for the development of the NPISA in South Africa was established by Statistics South Africa (Stats SA). The main purpose of the establishment of the working group was to ensure the successful development of the NPISA for South Africa as well as sharing information and data that involve NPIs. The institutions that play pivotal roles to ensure the successful compilation of the NPISA for South Africa are:

1. Statistics South Africa (Stats SA);
2. Department of Social Development (DSD);
3. Social Survey Africa; and
4. South African Reserve Bank (SARB).

Stats SA will aim to compile and publish the official NPISA for South Africa, while the DSD and SARB are data providers. Social Survey Africa's role is to share information and experience regarding the NPI environment for South Africa.

Stats SA has signed a memorandum of agreement with the SARB and DSD whereby these institutions commit themselves to sharing information and working together for the development of the projects initiated by these institutions. A memorandum of agreement between Stats SA and Social Survey Africa was signed in the financial year 2012/2013 whereby both institutions committed themselves to share information and the development of an NPISA for South Africa.

The inter-institutional working group meets at least once a quarter, with the aim of driving the various processes required for the development of an NPISA in South Africa.

2.2: Definitions adopted and reviewed

This sub-section will discuss the definitions used in South Africa as reviewed and adopted by the NPISA inter-institutional working group.

2.2.1: Definition of non-profit institutions

'NPI' is an associated term for civil society organisations that range from faith- and community-based organisations, charities (welfare) and traditional organisations like social and sports clubs, to a host of other development and social forms of organisations working tirelessly within the social fabric of society. These organisations are commonly referred to as non-governmental organisations (NGOs), community-based organisations (CBOs) and faith-based organisations (FBOs).

In the late 1990s, the DSD established a technical team to work on the definition of an NPI for South Africa. The definition adopted was included in the Non-profit Organisations (NPO) Act, 1997 (Act No. 71 of 1997). The definition is as follows: 'NPI is a trust, company or other association of persons established for a public purpose, and the income and property of which are not distributable to its members or office-bearers, except as reasonable compensation for services rendered'⁷.

The NPISA inter-institutional working group reviewed the structural-operational definition of the NPI. During the financial year 2012/2013, the NPI inter-institutional working group agreed that the

⁷Source: The size and scope of the non-profit sector in South Africa

following structural-operational definition will be used for the purpose of the compilation of the NPISA for South Africa:

NPIs should be *legal entities* created by process of law whose existence is recognised independently of the persons, corporations, or government units that establish, finance, control or manage them.

An NPI should be *not-for-profit*. NPIs are organisations that do not exist primarily to generate profit, either directly or indirectly and are not primarily guided by commercial goals and considerations. The NPI may accumulate a surplus, but any such surplus must be ploughed back into the basic mission of the NPI and *not distributed to its members or owners*.

An NPI should also be *self-governing*. An NPI is able to control its own activities and is not under the effective control of any other entity. An NPI should be institutionally *separate from government*. This means that an NPI is not part of the apparatus of government and does not exercise governmental authority in its own right. The NPI may receive significant financial support from government and it may have public officials on its board; however, it has sufficient discretion with regard to the management of both its production and its use of funds that its operating and financing activities cannot be fully integrated with government finances in practice.

An NPI should be *non-compulsory*. An NPI's membership and contributions of time and money are not required or enforced by law or otherwise made a condition of citizenship⁸.

There are certain types of organisations that are likely to occupy a grey area between the non-profit sector and either the corporation or government sectors. Some of those entities will properly belong within the non-profit sector for the purpose of a satellite account, while others will not. The *Handbook* illustrates the following guidelines to be applied to those types of organisations:

- *Cooperatives* are autonomous associations of persons who voluntarily cooperate for their mutual social, economic and cultural benefit. A cooperative includes non-profit communities and businesses that are owned and managed by the people who use its services and/or by the people who work there. The basic principles of cooperatives include:
 - Democratic control – that is, one person, one vote;
 - Shared identity – that is, members are both owners and customers; and
 - Orientation – to provide services to members 'at cost'.

If the Articles of Association of a cooperative prevents it from distributing its profit, it will be treated as an NPI, and if it can distribute its profit to its members, it will not be treated as an NPI;

- *Mutual societies* include organisations such as mutual savings banks, savings and loan associations, mutual insurance companies, and sickness and burial funds. Mutual societies like cooperatives are organised by individuals seeking to improve their economic situation through collective activity. They differ from cooperatives, however, in that they are mechanisms for sharing risk, either personal or property, through periodic contributions to a common fund. Normally the depositors in mutual societies formally control their operations. Because mutual societies operate in a commercial sphere, they fall in the financial corporation sector. Only if their Articles of Association prevent them from distributing profits to their owners, are they treated as NPIs;
- *Self-help groups* are similar to both cooperatives and mutual societies in that individuals join to accomplish goals of mutual support that would be unattainable on an individual level. They differ from the above-mentioned in that they are not principally engaged in commercial activities. Therefore, self-help groups are treated as membership organisations and included within the non-profit sector;
- *Social ventures* are enterprises organised for the purpose of employing, training or otherwise assisting disadvantaged individuals (for example the handicapped, released prisoners, recovering addicts, or other long-term unemployed persons) through the operation of a

⁸Source: Handbook on NPI in the SNA

business. This enterprise is considered an NPI unless it generates and distributes its surplus to the owners;

- *Quasi-non-governmental organisations* are designed to function at arm's length from government departments, thus avoiding direct political control. To the extent that they are truly self-governing entities, they are appropriately considered part of the non-profit sector, even if they exercise the limited authority delegated to them by government agencies;
- *Universities and hospitals*, like other institutions, can be NPIs, public institutions or for-profit cooperations. Differentiating NPIs from public institutions is especially difficult since both may receive significant amounts of government support, either directly or indirectly, and even public institutions may have a significant degree of autonomy. The key, therefore, is whether the institution is clearly self-governing and not part of the government's administrative system. Educational or health institutions that are NPIs will have their own self-perpetuating boards that can determine all facets of organisational operations, without approval by government officials, and that can cease their operations without the approval of government authorities;
- *Indigenous or territorial groups* are organised around either cultural or ethnic groupings or a particular geographic area, mainly with the purpose of improving the welfare of their members. The difficulty arises when such groups essentially operate as local governments, often making and enforcing their own laws. When that is the case, the group would not meet the institutionally separate from government criterion and would fall outside the boundaries of the NPI.

2.2.2: Definition of volunteer activities

The inter-institutional working group met to review the definition of volunteer activity. The old definition of volunteer activity is "an activity willingly performed for little or no payment, to provide assistance or promote a cause, either through an organisation or directly for someone outside one's own household or immediate family".

Immediate family is intended to embrace close relatives, those for whom a person would normally feel a sense of familial obligation. Caring for one's parents and grandparents would thus likely not be considered "volunteer work".

Immediate family members refer to:

- Parents (including spouse's parents);
- Grandparents (including spouse's grandparents);
- Siblings (brothers and sisters) (including spouse's siblings); and
- Children (biological and adopted).

The suggested definition of volunteer activity by the inter-institutional working group is "an activity willingly performed for little or no payment, to provide assistance or promote a cause, either through an organisation or by someone outside one's own household⁹".

The definition includes volunteer work for:

- Immediate family member residing outside one's own household; and
- Foster children of the age of 18 years and younger.

This definition has not yet been finalised.

⁹ Household is a group of people who live together and provide themselves jointly with food and/or other essentials for living, or a single person who lives alone

The International Labour Organisation (ILO) also reviewed the definition of volunteer activity. The new definition of volunteer activity is all those of working age who, during a short reference period, performed any unpaid, non-compulsory activity to produce goods or provide services for others, where:

- Any activity refers to work for at least one hour;
- Unpaid means the absence of remuneration in cash or in kind for work done or hours worked, nevertheless, volunteer workers may receive some small form of support or stipend in cash, when below one third of local market wages (for example, out-of-pocket expenses or to cover living expenses incurred for the activity) or in kind (for example, meals, transportation, symbolic gifts);
- Non-compulsory, meaning work carried out without civil, legal or administrative requirement, that is different from the fulfilment of social responsibilities of a communal, cultural or religious nature; and
- Production for others refers to work performed:
 - Through or for an organisation comprising market and non-market units (i.e. organisation based volunteering) including through or for self-help, mutual aid or community-based groups of which the volunteer is a member; and
 - For households other than the household of the volunteer worker or of related family members (i.e. direct volunteering).

The definition excludes volunteer work for:

- Community services and work by prisoners ordered by a court or similar authority, compulsory military or alternative civilian service; and
- Unpaid work required as part of education or training programmes (i.e. unpaid trainees).

2.3: The South African non-profit institutions classification

During the financial year 2010/2011, Stats SA started with the process of adapting the International Classification of Non-profit Organisations (ICNPO) to the South African NPI environment. Consultations with different stakeholders of the NPIs (as well as the NPISA inter-institutional working group) were done and some recommendations were made during the consultation process. It was recommended to develop the South African Non-profit Institution Classification (SANPIC) which is based on the ICNPO.

The SANPIC was developed because the level of detail available in the South African Standard Industrial Classification (SIC) was not sufficient to differentiate important types of NPIs. The SANPIC is a classification system used for NPIs, that is, for organisations that are not-for-profit and by law or custom, do not distribute any surplus they may generate to those who own or control them, are institutionally separate from government, are self-governing, and are non-compulsory.

The ICNPO has 12 major groups and 30 subgroups, while SANPIC has 11 major groups, 51 subgroups and 105 unit groups. Even if the ICNPO shows the diversity of NPI activities, it does not capture all South African-specific forms of NPIs. The NPISA inter-institutional working group identified new forms of NPIs, borderline cases and grey areas when using the ICNPO. For example, the HIV/Aids pandemic and human rights activities which are of great importance in the South African NPI context might be classified under several areas such as health, education or social services when using the ICNPO classification system. It was difficult to identify the vast range of activities in this area, and it is for this reason that SANPIC was developed to create the unit groups and their descriptions.

Like the ICNPO, SANPIC closely aligns the NPI with the system of national accounts. This is accomplished by using categories more oriented to the production model than to the market demand model. However, SANPIC is still a mix of production and market demand systems, when compared with the South African SIC. Another difference is that SANPIC uses establishments as its unit of organisation rather than organisations. This means that multiple sub-units and sites of larger organisations are each given their own code and counted by themselves, rather than being counted as one organisation. Thus SANPIC minimises the use of multipurpose codes that are used in other

systems, when an organisation has several purposes or activities that could be placed in different classifications.

SANPIC serves as a systematic basis for the classification of data on NPIs, obtained by, inter alia, NPIs that are registered with the Department of Social Development (DSD) as voluntary associations and trusts as well as NPIs that are registered with the Companies and Intellectual Property Commission (CIPC) as non-profit companies (NPCs) according to the Companies Act of 2008.

2.3.1: Main features of the South African non-profit institutions classification system

The main features of the SANPIC are as follows:

- **Covered entities:** SANPIC covers all entities identified as NPIs. These are voluntary associations, non-profit trusts and NPCs;
- **Unit of analysis:** The unit of analysis for NPIs in the satellite accounts should be identical to SNA practice for other types of organisations. Thus, the institutional unit will be the unit of analysis in the *Handbook* for all variables in the full sequence of the integrated economic accounts, and the establishment will be the unit of analysis for variables in the shortened sequence of accounts for industries. Large proportions of South African NPIs are small informal organisations which do not necessarily have a constitution that determines what the larger function of the organisation is. Therefore SANPIC uses the enterprise as the unit of analysis since enterprises are frequently made up of many establishments, each of which may be engaged in a slightly different type of economic activity;
- **Focus on objectives of the NPI:** As far as the basis of classification is concerned, SANPIC uses the objective of the NPI as the key to classification. Units are thus differentiated according to the types of services or goods they produce (e.g. health, education, social services, etc.);
- **Basic structure of SANPIC:** The SANPIC system classifies the NPIs into 11 major groups, and a catch-all or 'not elsewhere classified' and research are included as subgroups under each major group. The 11 major groups are divided into 51 subgroups, each of which is further subdivided into 105 unit groups;
- **Modular approach:** SANPIC makes it possible to group and regroup organisations in order to shed light on components and dimensions of the NPI that might be important for national or comparative purposes; and
- **Boundaries and other implementation issues:** In applying SANPIC, several types of organisations often proved difficult to classify, but the majority of the sectors are classified according to their objectives.

2.3.1.1: Unit of classification of the South African non-profit institutions classification

The SANPIC uses the objectives of the NPIs as the key to unit classification because the majority of the NPIs in South Africa are small and informal. Some NPIs do have different economic activities that are not related to one another. The ICNPO uses the economic activity of the unit as the key to classification. Units are differentiated according to the types of services or goods they have produced, for example, health, education, social services, etc. However, when considering what economic activities or functions are performed by NPIs, it is a fairly esoteric concept and difficult to determine, particularly in relation to South African NPIs when considering that a large proportion of the NPIs are small informal organisations, where the majority do not necessarily have a clearly written constitution.

2.3.1.2: The structure of the South African non-profit institutions classification

SANPIC identifies 11 major groups, 52 subgroups and 105 unit groups. Unlike the ICNPO, the term 'research' was added as a subgroup under every major group. 'Not elsewhere classified' was

not included as the major group but included under each major group as a subgroup to assist with the updating of the SANPIC in the future.

The structure of the SANPIC comprises the following levels:

- Group
- Subgroup
- Unit group

Groups:

- Denoted by a one-digit code
- The broadest level of the classification
- There are 11 groups

Subgroups:

- Denoted by a two-digit code
- Subdivisions of the groups
- There are 51 subgroups

Unit-groups:

- Denoted by a three-digit code
- Subdivisions of the subgroups
- There are 105 unit groups

Descriptions:

- Further description of subgroups and unit groups

2.3.1.3: Approval of the South African non-profit institutions classification

SANPIC has gone through different stages of approval. It was approved by the following Stats SA structures and officials:

- NPISA inter-institutional working group;
- Executive Manager of Survey Standards;
- Deputy Director-General (DDG) of Methodology and Standards;
- Standard Approval Committee (SAC);
- Executive Managers' Forum (EMF); and
- Executive Committee (Exco).

The SANPIC manual still has to be approved by the Statistician-General (SG) before it can be implemented as an official standard.

2.4: Testing of the administrative data

The Non-profit Organisations (NPO) Directorate within the DSD registers organisations under the NPO Act, 1997 (Act No.71 of 1997). The primary purpose of this Act is to encourage and support organisations in a wide range of work they do by:

- Creating an enabling environment for NPIs to flourish; and
- Setting and maintaining adequate standards of governance, accountability and transparency¹⁰.

¹⁰Source: www.dsd.gov.za

To register an NPI is free of charge. It would take about two months to process the entire registration. Immediately upon receipt of the application, an acknowledgement letter is sent to the organisation; thereafter, a registration certificate follows if the application meets the requirements of the NPO Act.

Before an organisation can register with the DSD, they are required to have a written constitution. The constitution should indicate what the organisation does, how it will be structured and how it will be run. It does not cost the organisation anything to register as an NPI at the DSD. The registration is also voluntary.

The DSD has records of all the registered NPIs (NGOs and CBOs), and they are required to submit their latest annual financial statements to the DSD, which include a balance sheet and income and expenditure reports. The NPIs are also requested to indicate how they raised their funds during a specified period of time.

2.4.1: South African Statistical Quality Assessment Framework data quality assessment

The South African Statistical Quality Assessment Framework (SASQAF) is a framework for assessment of quality of statistics intended for public consumption in South Africa. The main purpose of SASQAF is to provide data quality criteria and clear procedures for designation of data as official statistics as prescribed by the Statistics Act (Act No. 6 of 1999). SASQAF provides lists of indicators, and the levels of satisfaction against which to judge the quality of a given dataset. It thus identifies and describes what needs to be done; it does not identify or describe how it should be done. SASQAF can also be utilised by producers of statistics to self-evaluate the quality of their data and it provides procedure of quality declarations to guide users of their data. SASQAF as a framework is in line with the United Nations Fundamental Principles of Official Statistics, which means that there is a broad coherence with international best practice¹¹.

The staff from DSD and Stats SA attended SASQAF training in the 2013/2014 financial year. The data quality assessment of the DSD administrative data source will take place in the 2014/2015 financial year.

2.4.2: Testing of administrative data by the South African Reserve Bank

The South African Reserve Bank (SARB) compiles the full sequence of accounts for the South African economy, representing four institutional sectors, namely financial corporations, non-financial corporations, general government, and households. The household sector comprises households as consumers, unincorporated businesses and non-profit institutions serving households (NPISH). Creating a separate NPISH sector will provide an understanding of the economic contribution of NPIs to the production of goods and services in South Africa, and its value added to the living standards of consumers points to the importance of NPIs within the South African economy.

During the 2013/2014 financial year, the NPISA inter-institutional committee requested the SARB to test the DSD administrative data to compile the NPISH sector. The SARB is currently testing the administrative data.

¹¹Source: Stats SA – SASQAF manual

Chapter 3: Unpaid work

An NPI has two types of workers, namely paid and unpaid volunteer workers. Many NPIs rely heavily on the work of unpaid volunteers. They need these unpaid volunteers because, in most cases, even paying minimum wages is prohibitive because their operating budget is low. The organisations often express their thanks to volunteers in terms of a monetary and non-monetary payment.

The SNA refers to unpaid work as non-economic and this is relegated outside the SNA production boundary. Non-SNA unpaid work, often referred to as work that falls "outside the SNA production boundary", consists of household maintenance, cleaning, washing, cooking, shopping, providing care for infants and children (active and passive care), care for the permanently ill or temporarily sick (as well as for older relatives and the disabled), and all volunteer work for community services. Unpaid work contributes to society but not to the economy.

Table 1 shows the relationship between paid and unpaid work in the production boundary. The work that is unpaid is at times performed with a view to produce for the market and it is considered production work by SNA. At times this work is destined for the market or for own use by the household. For example, an intern or apprentice works without any compensation in a corporation, quasi-corporation and general government and other similar institutions, or a household member works in a household, unincorporated enterprise producing goods for sale or for own consumption and services for sale without any compensation.

Unpaid volunteer work of household members in NPIs is taken as a household providing labour to other institutions. Since an NPI does not compensate a volunteer worker, the value of such work is not taken into account and is referred to as non-SNA production work. This undervalues both the output of the NPI and the contribution of household members to production within the SNA production boundary¹².

Table 1: Overlap of paid and unpaid work in the production boundary

Production boundary	Market	Non-market
SNA production work	Paid work and unpaid work, e.g. interns, students, fetching wood and water	Unpaid work for the household
Non-SNA production work		Unpaid work, e.g. care work, volunteer work, household maintenance, etc.

Source: International Labour Organisation

The unpaid worker provides care when the activity is devoted to those who cannot care for themselves due to their age (too young or too old to care for oneself) or due to a temporary or permanent ailment/disability, i.e. feeding a child, bathing a sick person, cleaning the room of an elderly person, etc. Yet, to feed a child, one must prepare the food. Furthermore, unpaid work that provides a sanitary and healthy environment for everyone in the family irrespective of age and health status, that transforms raw ingredients to consumable cooked food, and provides for clean and ironed clothing for all members of the household is not considered care. Unpaid care work obscures the fact that the daily social reproduction of all members of our society and the generational reproduction and upbringing of children is achieved through unpaid care work¹³.

The bulk of unpaid work is undertaken by women. Women not only perform many hours of unpaid work within the household but also hours of unpaid work on-the-job that lies outside their formal job requirements. These activities include cleaning, informal caregiving, serving other individuals, and maintaining interpersonal relations. Despite the obvious benefits and value of such activities to

¹²Source: SNA

¹³Source: ILO

employers, co-workers, and workplaces more broadly, they still remain largely invisible. There is a tendency among policymakers, employers, and analysts to define paid work as time and effort spent directly in the production of goods and services for the market. Yet the definition of time and effort spent directly in production is both inadequate and vague¹⁴.

3.1: Measurement of unpaid work

The approach that can be used to estimate the value of unpaid work is the time use survey (TUS). The TUS collects information on labour inputs, for example, hours spent on cooking or washing clothes rather than on output, for example, the number of meals prepared or loads of clothes washed.

Unlike data from other surveys, TUS data can be specific and comprehensive in revealing the details of a person's daily life. Time use statistics can paint a picture of how various activities are interrelated in the lives of the general population because of the way TUS data are collected. Such activities include paid work, unpaid work, volunteer work, domestic work, leisure and personal activities. From the TUS data one can determine what activities are performed, how they are performed and how long it takes to perform such activities¹⁵.

In 2010, Stats SA conducted the second round of TUS (the first one was conducted in 2000). The main aim of this survey was to provide information on the division of both paid and unpaid labour between women and men and other groupings of interest. TUS samples cover the non-institutional population aged 10 years and above excluding those living in workers' hostels – thus representing an estimated 39,9 million people. It also sheds light on the productive and leisure activities of household members, and provides information about less well-understood productive activities such as subsistence work, casual work and work in the informal sector.¹⁶

SNA production includes fetching of wood and collection of water, among both women and men. Table 2 shows the geography types by type of production boundary and gender. In 2010, males (97,0%) in rural formal areas were most likely to spend time on SNA production (fetching wood and water collection). The majority of females in tribal areas (92,1%) spent time on non-SNA production (caring for persons in the household or cooking meals). Both males and females who were married or living together as husband and wife recorded a higher rate for SNA production than those in other marital status categories. Males and females who were never married recorded the lowest participation rates for SNA production compared with those in other marital status categories. The majority of the population who were never married were children¹⁷.

Table 2: Geography type by production boundary and gender (%)

Geography type	SNA production			Non-SNA production		
	Male	Female	Total	Male	Female	Total
Urban formal	70,9	29,1	100,0	22,1	77,9	100,0
Urban informal	78,6	21,4	100,0	23,5	76,5	100,0
Tribal areas	71,6	28,4	100,0	7,9	92,1	100,0
Rural formal	97,0	3,0	100,0	0,0	100,0	100,0
Total	72,5	27,5	100,0	15,9	84,1	100,0

Source: Statistics South Africa – Time Use Survey, 2013

¹⁴Source: Forrest, 1998

¹⁵Source: Stats SA

¹⁶Source: Stats SA

¹⁷Source: Stats SA

Table 3 shows the activities undertaken in the household for the upkeep and management of the household, including cooking, cleaning and shopping, care of persons in the household, including children, older people and those with disabilities, community services activities by gender, and time spent in doing these activities. Both men and women performed these activities, but the household maintenance and person care activities in the household were mainly done by women. Fixing or making improvements in the household was mainly done by men and less so by women. Both men and women indicated that they performed activities of travel related to community services. More women than men performed activities relating to community organised construction, but women spent less time doing community organised construction than men.

Table 3: Activity by gender and time spent

Activity	Male		Female	
	Number (000)	Time (min)	Number (000)	Time (min)
Preparing food & drink	7 735	65	15 600	99
Cleaning and upkeep of dwelling	8 271	65	13 829	76
Care of textiles	2 624	65	5 746	84
Shopping for personal & household goods	2 013	72	2 361	80
Accessing government services	58	42	112	46
Waiting to access government services	68	113	149	122
Household management	137	49	151	44
D-I-Y home improvement	610	141	203	135
Pet care	357	38	414	35
Travel related to household maintenance	2 385	53	2 711	55
Household maintenance	173	61	214	53
Chopping wood not for cooking	3 199	24	4 606	25
Physical care of children: spontaneous	582	68	4 872	95
Physical care of children: prompted	65	27	380	38
Teaching of household children: spontaneous	58	60	172	58
Teaching of household children: prompted	3	15	10	35
Accompanying children: spontaneous	114	38	322	42
Accompanying children: prompted	53	26	62	41
Physical care of non-children members	109	72	170	99
Accompany adults	35	37	49	56
Supervising those needing care: spontaneous	98	108	207	65
Supervising those needing care: prompted	9	26	29	28
Travel related care	330	46	706	50
Care of household members: n.e.c.*	32	52	122	48
Community organised construction	97	90	117	65
Cleaning of classrooms	42	52	55	49
Community organised work	56	51	101	108
Organisational volunteering	45	79	51	90
Participation in meetings	191	119	200	121
Involvement in civic responsibility	34	48	31	56
Caring for non-household children: spontaneous	15	121	112	103
Caring for non-household children: prompted	1	30	6	47
Caring for non-household adults	21	151	32	138
Other informal help to other households	127	171	71	165
Travel related to community services	225	59	228	58
Community services n.e.c.*	29	234	20	170

* n.e.c. – not elsewhere classified

Source: Statistics South Africa – Time Use Survey, 2013

3.2: Valuation of unpaid work

Valuation of unpaid work can be divided into two approaches, namely the output-based and input-based methods. Both approaches imply the existence of comparable goods and services available on the market. Whereas output-based methods value the results of the production process, income-based methods refer mainly to the labour force spent for the volunteer activities. The input-based method implies that wage rates would remain unchanged if the volunteer entered the labour market. Volunteers represent a remarkable workforce, especially within certain fields¹⁸.

3.2.1: Output-based valuations

Output-based methods refer to the results of the production process, namely to the goods and services produced by the private household or the NPI, and values them with the market price of equivalent market products. For example, number of meals prepared by households, many clothes washed by households, household member taking care of children or elderly, etc., to calculate output-based methods, compute the value by multiplying activity performed (e.g number of meals prepared) by the market price.

The wage value for every unit of output is the contract value of labour in the market. The value of output as priced in the market could also be used. Where contract work is practised in the economy, the value of contract work should exclude all the input used in producing the output. There are two methods that could be used in applying the output approach in valuation, namely the direct approach and indirect approach methods. When using the direct approach, the value of unpaid work is the value of payment to the contract worker per piece of output, excluding all production. The value of unpaid work in the indirect approach is the residual of the market value of output when all the non-labour costs are deducted¹⁹.

Table 4 shows the value of unpaid work done by households using the direct and indirect output approaches. For example, a household member has washed and ironed 20 items of clothing. The indirect approach shows that the value of unpaid work is higher as it implicitly includes the operating surplus of the producer for the market.

Table 4: Valuation of unpaid work in the output approach

Output approach	Price in market	Materials, supplies and other costs	Imputed value of unpaid work
Direct: Labour	R0,20	Provided by owner	$R0,20 * 20 = R4,00$
Indirect: Output (clothes)	R0,50	R5,00 for all non-labour costs by contract worker or owner	$R0,50 * 20 - R5,00 = R10,00 - R5,00 = R5,00$

Source: International Labour Organisation – Time use data and valuation of unpaid work

3.2.2: Input-based valuations

Input-based methods determine the value of the labour factor by imputing a fictive wage to the working time invested in voluntary work. This approach uses the replacement and opportunity cost to value wage rate²⁰.

¹⁸Source: *Handbook on Non-Profit Institutions in the System of National Accounts*

¹⁹Source: ILO

²⁰Source: *Handbook on Non-Profit Institutions in the System of National Accounts*

3.2.2.1: Valuation of volunteer time at replacement cost

The replacement cost approach refers to the costs that would arise if the work done voluntarily were to be bought on the labour market. The approach implies that volunteers could be replaced by wage earners. Hence, volunteers and wage earners are perfect substitutes in terms of skills and productivity, which can be seen critically. Paid and unpaid work may take place in different environments, such as market oriented and domestic work. Applying the same set of prices for valuation might not be appropriate. However, these critical issues of valuation of unpaid work seem to be less challenging for volunteering than for housework, since the activities carried out by volunteers are closer to the labour market²¹. For example, the voluntary activity of a person working as an educator can be evaluated by considering the wage rate of a professional teacher.

3.2.2.2: Valuation of volunteer time at opportunity cost

The opportunity cost refers to the wage unpaid workers would earn in the market if they decided to give up the voluntary work and take up a job. The approach is based on the assumption that individuals can choose freely between paid and unpaid work. Determining the opportunity cost for persons participating in the labour market is relatively simple, since their actual wage rate can be applied. Imputing a monetary value to unpaid work of people who are not employed is more challenging because their potential wage has to be estimated²². An opportunity cost has some limitations because the valuation of the same activity is differently valued depending on who performs it. For example, the value of cooking is higher if the volunteer is a university graduate rather than a person who only finished primary school.

²¹Source: *Handbook on Non-Profit Institutions in the System of National Accounts*

²²Source: *Handbook on Non-Profit Institutions in the System of National Accounts*

Chapter 4: Financial and non-financial indicators of non-profit institutions in South Africa

This section will discuss the financial and non-financial statistics of the non-profit sector in South Africa for the reference year 2011.

Based on the existing data, the following financial and non-financial information for the year 2011 could be compiled:

- Types of NPIs by legal entity;
- Cross-classification of institutional sectors (CCIS);
- Total income and its components (membership subscription, donations, grants, government subsidies);
- Total expenditure and its components (compensation of employees, donations, telephone and faxes, utilities); and
- Final consumption expenditure of the NPIs controlled by government.

4.1: Types of non-profit institutions by legal entity

In South Africa, the NPIs are divided into three types of legal entity, namely voluntary associations, non-profit companies (NPCs), and non-profit trusts.

Voluntary associations are traditionally informal types of organisations that are rooted in the communities they serve. They are mostly small community-based organisations (CBOs) that do not need to own or manage substantial amounts of money or valuable property and equipment in order to carry out their activities. The income and property of the voluntary association are used to promote its objectives and it will not distribute profits to its members or office-bearers, except as reasonable payment for their work. The members and office-bearers of the voluntary association have no personal right to the property of the voluntary association. This principle applies not only during the lifetime of the organisation but also when it closes down ('dissolution' in legal language). In case of dissolution of the voluntary association, its property will be given to an organisation with similar objectives²³.

Non-profit trusts are registered in terms of the Trust Property Control Act, and the Master of the High Court is responsible for the registration of trusts. The non-profit trust exists when the founder of the trust has handed over, or is bound to hand over, to another trustee or trustees control of property (including money) which, or the proceeds of which, is to be administered for the benefit of some person or for some impersonal object or purpose. A non-profit trust is flexible in that it can be used to serve an indefinite variety of purposes. For example, non-profit trusts may be created whereby the trustees are obliged to use the property entrusted to them for a specified, limited purpose and only in certain clearly defined circumstances (for example, for the education of a minor until he or she becomes an adult). However, non-profit trusts may also be created whereby the trustees have a wide discretion to use the trust property for a general purpose (for example, for the provision of health care services to disadvantaged persons)²⁴.

The Companies and Intellectual Property Commission (CIPC) is responsible for the incorporation of non-profit companies (NPCs). An NPC exists in law as a separate entity, distinct from its members or officers or any third party. It is capable of owning assets and liabilities (and its profits and losses). The changes in its membership or in its board of directors do not affect its continuing existence. The NPC does not have a share capital, which means that it cannot issue shares or pay dividends to its members; instead it is "*limited by guarantee*", which means that its members undertake to pay a purely nominal amount (usually only a few rand) in the event of the NPC failing or being placed in liquidation.

²³Source: Nyapotsa Attorneys

²⁴Source: Nyapotsa Attorneys

The NPO Act therefore provides a much needed registration facility for all these types of NPIs, thus creating a central depository of all registered NPIs that is accessible to the public. The NPIs were further classified into 11 NPI categories (which are informed by the founding document's mission and objectives of the NPI), according to the International Classification of Non-profit Organisations (ICNPO).

Table 5 shows the types of NPIs by legal entity. The NPIs can be registered as voluntary associations, NPCs or non-profit trusts. In 2011, there were 87 617 NPIs registered with the DSD. The majority of registered NPIs are voluntary associations (83 471) whereas NPCs constituted 2 261 and non-profit trusts made up 1 885 of the total registered NPIs.

Table 5: Types of non-profit institutions by legal entity and objectives, 2011 (number)

Objective	Type of NPIs		
	Voluntary association	Non-profit company	Non-profit trust
Culture and recreation	4 231	158	88
Education	6 472	344	342
Health	8 106	164	112
Social services	33 386	351	235
Environment	936	70	78
Development and housing	17 998	644	294
Law, advocacy and politics	1 817	92	42
Philanthropic intermediaries and voluntarism promotion	391	89	528
International	52	5	2
Religion	9 640	295	154
Business and professional associations, unions	442	49	10
Total	83 471	2 261	1 885

Source: Department of Social Development, 2013

Table 6 shows types of NPIs by legal entity and objectives. Registered NPIs are grouped by 11 objectives according to SANPIC. 40,0% of the voluntary association NPIs are classified as social services, followed by development and housing (21,6%) and religion (11,5%). This is in contrast to the non-profit trust NPIs where the majority of NPIs were classified as philanthropic intermediaries and voluntarism (28,0%), followed by education (18,1%), development and housing (15,6%) and social services (12,5%).

Table 6: Types of non-profit institutions by legal entity and objectives, 2011 (%)

Objective	Type of NPIs		
	Voluntary association	Non-profit company	Non-profit trust
Culture and recreation	5,1	7,0	4,7
Education	7,8	15,2	18,1
Health	9,7	7,3	5,9
Social services	40,0	15,5	12,6
Environment	1,1	3,1	4,1
Development and housing	21,5	28,5	15,6
Law, advocacy and politics	2,2	4,1	2,2
Philanthropic intermediaries and voluntarism promotion	0,5	3,9	28,0
International	0,1	0,2	0,1
Religion	11,5	13,0	8,2
Business and professional associations, unions	0,5	2,2	0,5
Total	100,0	100,0	100,0

Source: Department of Social Development, 2013

4.2: Cross-classification of institutional sectors

Institutional units are aggregated into institutional sectors. Institutional sectors are classified on the basis of their principal functions, behaviour and objectives. Institutional sectors comprise the following:

- Financial corporations;
- Non-financial corporations;
- General government;
- Households; and
- Non-profit institutions serving households (NPISHs).

The financial corporation sector consists of all resident corporations engaged in financial intermediation or in auxiliary financial activities which are closely related to financial intermediation. The non-financial corporation sector includes corporations principally engaged in the production of market goods and non-financial services.

The general government sector consists mainly of government units financed and controlled by government, e.g. the different levels of government. The household sector includes unincorporated business enterprises owned and controlled by households, whether market producers or producing for own final use, i.e. sole proprietors and partnerships. The NPISH includes legal social entities that

provide goods and services to their members or to households without price or at prices that are not economically significant, e.g. aid organisations and religious societies²⁵.

The production and generation of income accounts can be developed by either estimating their underlying variables according to a classification of economic activity or by a classification according to type of ownership (institutional sector).

The production accounts emphasise the concept of value added or gross domestic product (GDP) as one of the main balancing items in the SNA. The SNA recommends the calculation of the GDP for the entire economy and the calculation of the value added for various industries or institutional sectors. The GDP is essentially a production measure as it is obtained through the sum of the gross value added (GVA) of all resident institutional units, in their capacities as producers, plus the values of any taxes, less subsidies, on production or imports not already included in the values of the outputs and value added by producers. Table 7 shows the cross-classification of production account items by institutional sector. The non-financial corporation institutional sector was the largest contributor to the total economy, while NPISH was the smallest contributor.

Table 7: Cross-classification of production account items by institutional sector, 2011 (R million)

Production account	Financial corporations	Non-financial corporations	General government	Households	NPISH
Output	397 475	3 845 734	836 845	794 371	34 525
Intermediate consumption	162 325	2 388 176	372 680	335 629	15 107
Gross value added	235 150	2 635 033	464 165	458 742	19 418
Compensation of employees	115 731	693 708	401 771	106 582	16 802
Other taxes on production	3 359	23 687	4 737	18 398	-
Other subsidies	(110)	(5 728)	(2 130)	(1 517)	-
Gross operating surplus	116 170	745 891	59 787	335 279	2 616

Source: Statistics South Africa – Supply and use tables, 2013

4.3: Income of South African non-profit institutions

Voluntary work is the most significant contributor to NPIs in South Africa, while many in-kind goods and personal resources are donated to NPIs. The value of free time donated to NPIs may be more than the size of cash donations from households, and represents a very significant component of NPI income. NPIs are expressions of voluntary actions, and in addition involve a substantial percentage of volunteer contributions. The majority of the income of South African NPIs is derived from three core sources:

- Local donations;
- Government subsidies; and
- Membership subscriptions.

Local donations are the largest provider of transfer income to NPIs in the form of either donations or sponsorships, which may be in cash or in kind. The extent to which the in-kind transfers are captured in the NPISA donations figure will depend upon the accounting practices of the individual NPI.

Government subsidies are the second largest provider of income for NPIs. A number of central and provincial governments make grants to NPIs directly. However, other government transfers such as subsidies and a number of health contracts could be classified as either grants or contract sales.

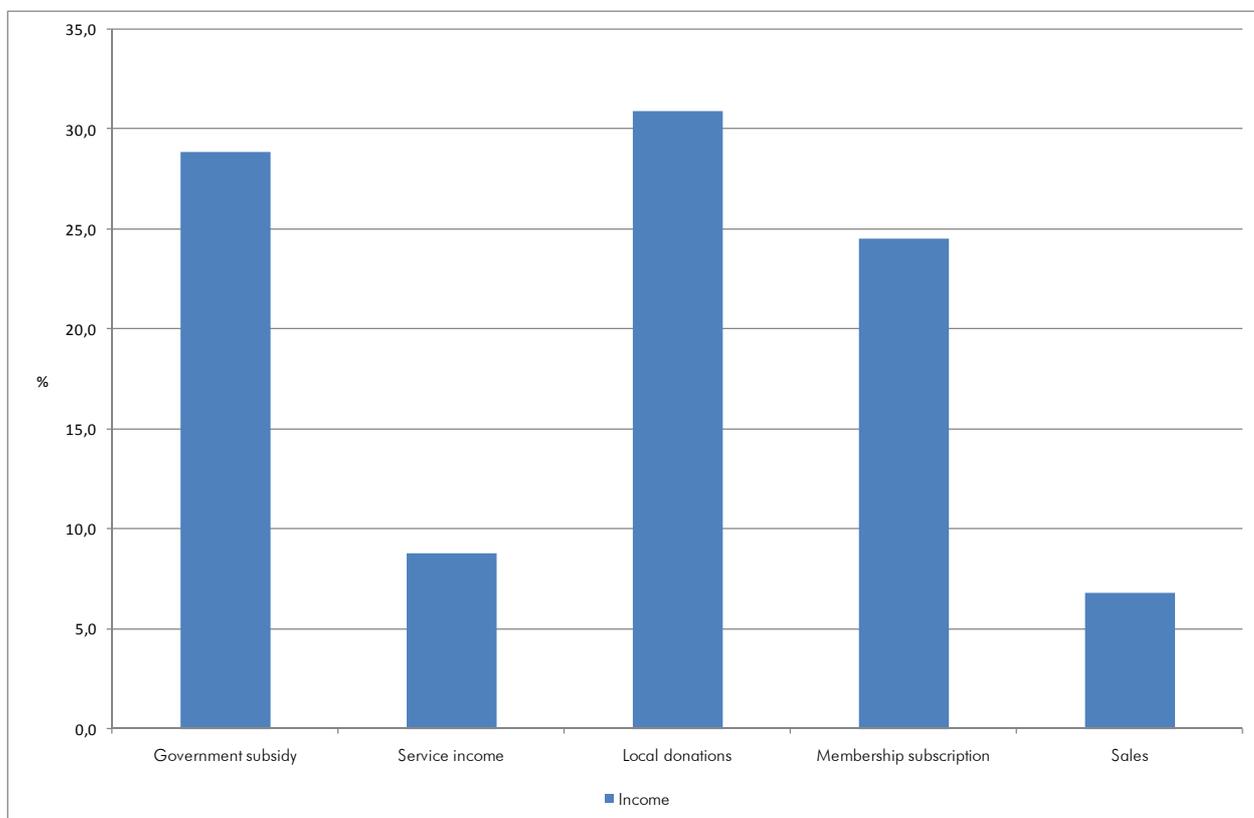
²⁵ Source: Statistics South Africa – Supply and use tables, 2005

Local government also makes a number of grants to NPIs, funded from both their own sources and from central government.

Membership subscriptions are also a major contributor to the transfer of income to NPIs in South Africa. Households make monetary donations in a variety of settings – from street appeals to collection plates at churches, to bequests. In addition, their participation in institutions may include a contribution via a subscription or membership fee, both of which are considered transfers because the actual service that members may receive from the NPI is unlikely to bear a strong relationship to the amount paid.

Figure 1 indicates that 30,9% of the total income of South African NPIs in 2011 was sourced from local donations, followed by government subsidies (28,9%), and membership subscription (24,6%). The smallest contributor to the total income of South African NPIs was sales income (6,8%) and service income (8,8%).

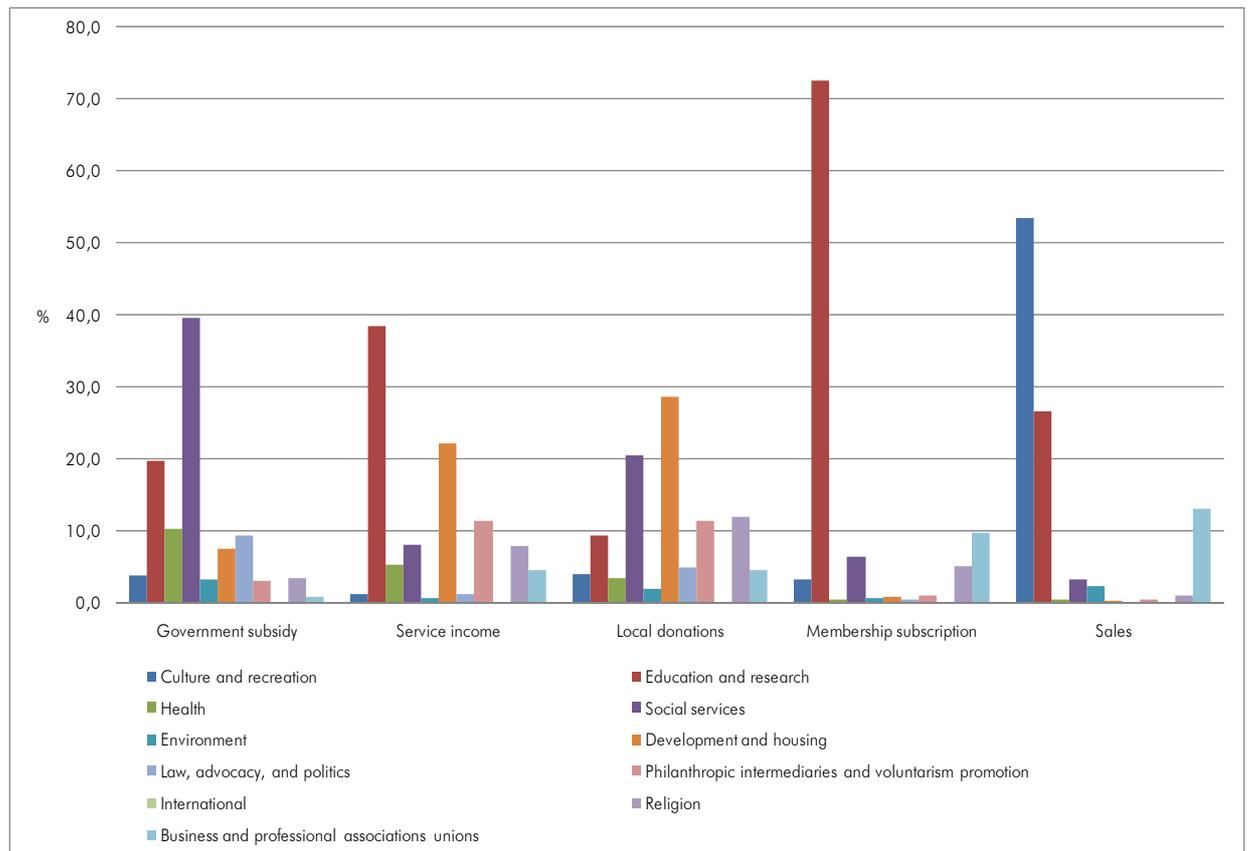
Figure 1: Income of South African non-profit institutions, 2011



Source: Department of Social Development, 2013

Figure 2 shows the category of income by type of NPI in 2011. The majority of income in the form of government subsidies was received by social services NPIs (39,6%), followed by education NPIs (19,7%) and health NPIs (10,2%). A large portion of income in the form of local donations was received by development and housing NPIs (28,6%), followed by social services NPIs (20,5%), religion NPIs (11,9%) and philanthropic intermediaries and voluntarism promotion NPIs (11,3%). The majority of income in the form of membership subscription was received by education NPIs and research NPIs (72,5%), followed business and professional association unions NPIs (9,7%) and social services NPIs (6,4%).

Figure 2: Category of income by type of non-profit institution, 2011



Source: Department of Social Development, 2013

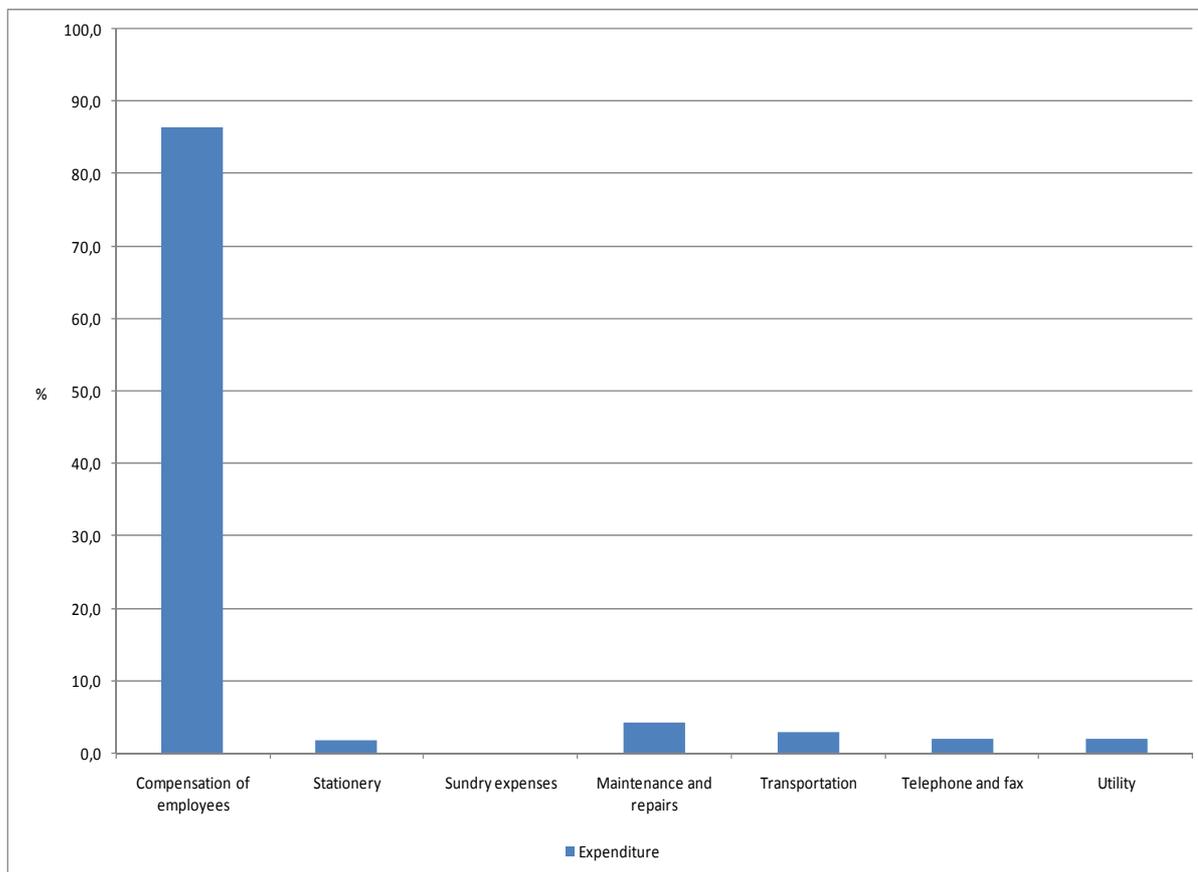
4.4: Expenditure of South African non-profit institutions

Most NPIs have to rely on government grants and donations from fundraising because NPIs usually serve sections of the community that could not afford to pay the full cost of the service. NPIs do not usually choose their target groups according to who can pay for the service, but according to who needs the service most.

NPIs and general government often provide goods and services to households for their individual consumption free of charge or at reduced prices. Examples are health services provided by government or reimbursed by a social security fund, education services, the part of service provided by public museums, concert halls that are not financed by entrance fees, aid for social housing, etc. By adding the general government and individual consumption expenditure to household final consumption expenditure, one receives the actual final consumption of households.

Figure 3 shows the expenditure incurred by South African NPIs for the year 2011. The highest expenditure incurred by South African NPIs was compensation of employees (86,6%), followed by maintenance and repairs (4,4%), transportation costs (3,0%) and utilities (2,2%).

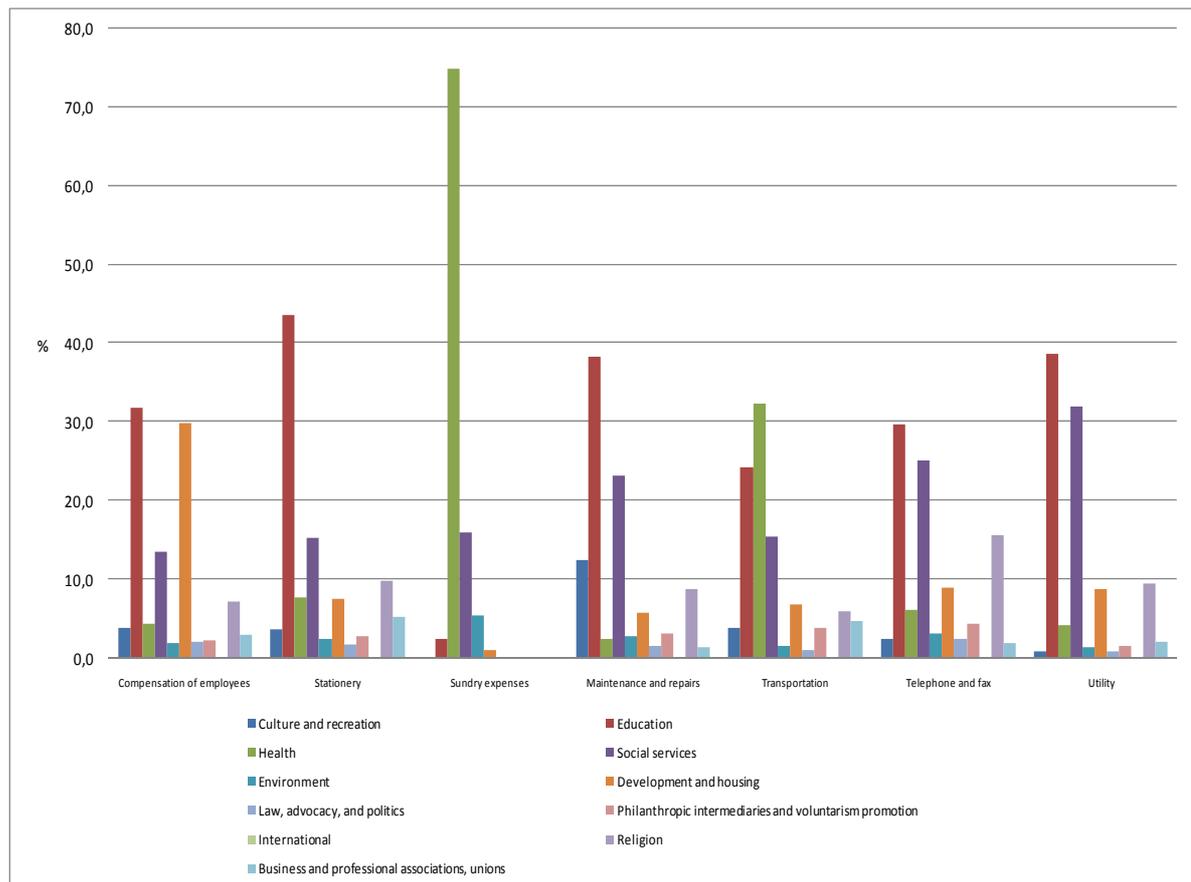
Figure 3: Expenditure of South African non-profit institutions, 2011



Source: Department of Social Development, 2013

Figure 4 illustrates the category of expenditure by type of NPI in 2011. Of the category of expenditure (compensation of employees), 31,8% came from education NPIs, followed by development and housing NPIs (29,9%) and social service NPIs (13,6%). Of the category of expenditure (sundry expenses), 74,9% came from health NPIs, followed by social services NPIs (15,9%) and environment NPIs (5,5%). Of the category of expenditure (utility), 38,7% came from education NPIs, followed by social services NPIs (31,9%) and religion NPIs (9,4%).

Figure 4: Category of expenditure by type of non-profit institution, 2011



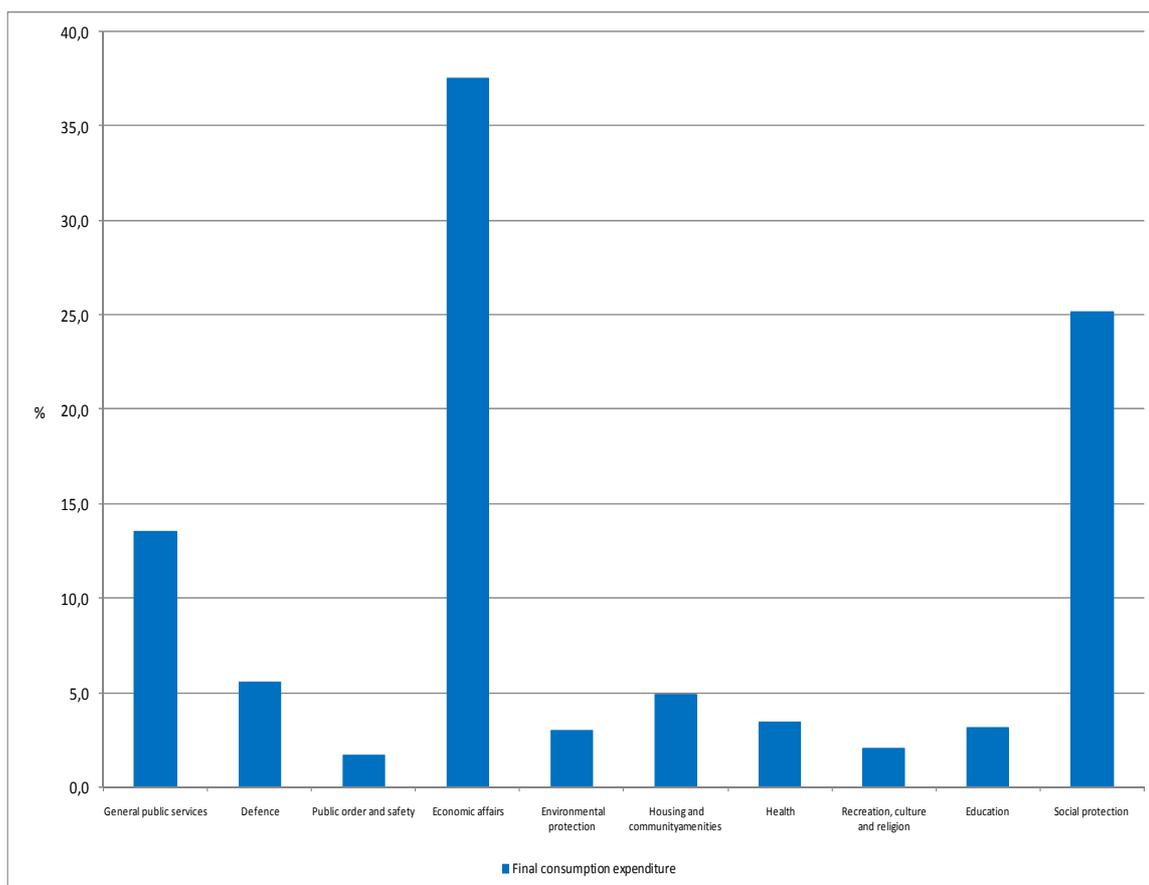
Source: Department of Social Development, 2013

4.5: Final consumption expenditure of non-profit institutions controlled by government

The general government sector in South Africa comprises national, provincial and local governments, including national and provincial extra-budgetary accounts and funds, higher education institutions and the non-trading services of municipalities. This section will focus on the national and provincial extra-budgetary accounts and funds²⁶. Economic classification of final consumption expenditure is a measure of the nature and economic effect of government operations on the economy of the country. Six main economically classified cash payments for operating activities categories are identified. These are purchases of goods and services; interest; subsidies; grants; social benefits; and other payments²⁷. Extra-budgetary accounts keep their accounts on an accrual basis, i.e. the payments are recorded in the period to which the transactions relate, and surplus, deficits, assets and liabilities resulting from these transactions are carried over to the next fiscal year.

Figure 5 shows the breakdown of final consumption expenditure of NPIs controlled by government in 2011. Economic affairs (37,5%) accounted for the largest share of the total final consumption expenditure of NPIs controlled by government, followed by social protection (25, 1%) and general public services (13,5%).

Figure 5: Final consumption expenditure of South African non-profit institutions controlled by government, 2011



Source: Statistics South Africa – Financial statistics of extra-budgetary accounts and funds, 2013

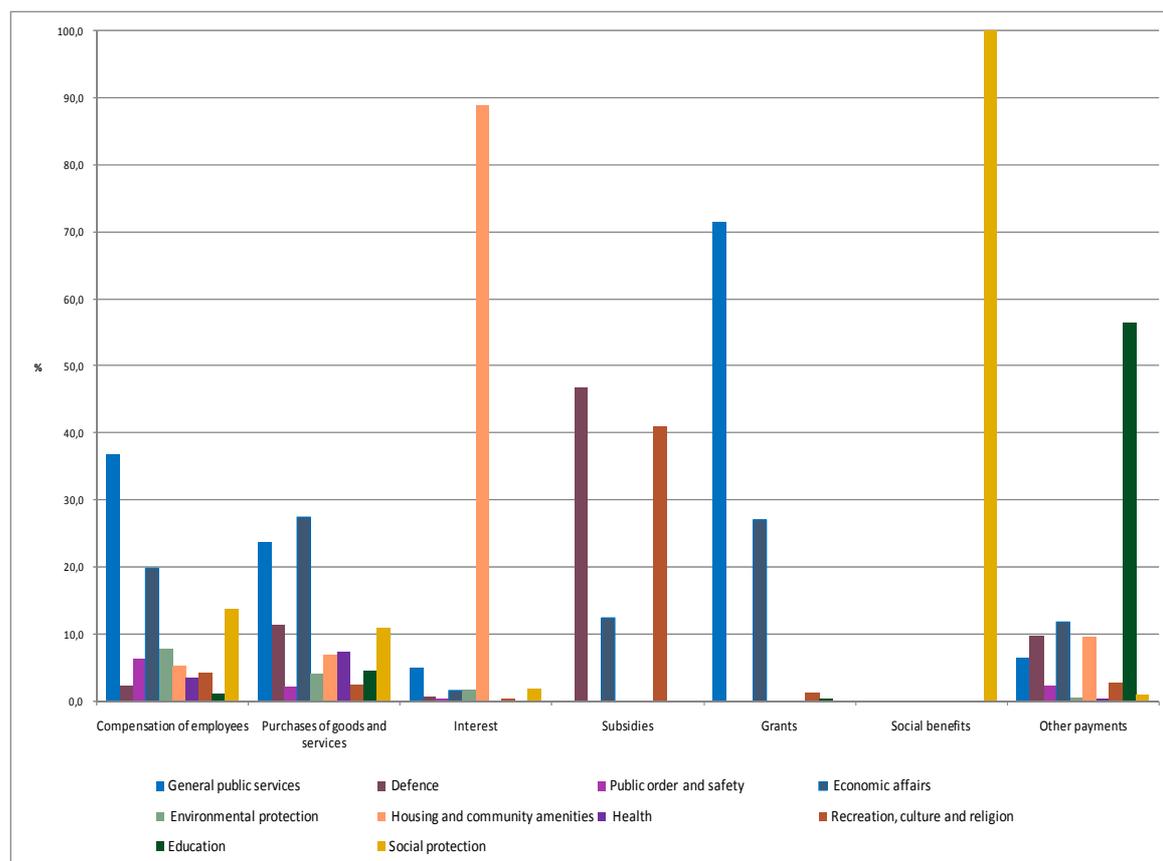
²⁶ The extra-budgetary accounts are non-profit institutions controlled by government.

²⁷ Source: Statistics South Africa – Financial statistics of extra-budgetary accounts and funds, 2011/2012

Purchases of goods and services include the total value of goods and services purchased by the NPI government sector for use in a production process or acquired for resale. Interest includes interest payments mainly to residents. Subsidies include cash payments to non-financial public corporations, financial public corporations, non-financial private enterprises and financial private enterprises. Grants are capital or current cash payments to foreign governments and international organisations. Social benefits include cash payments for social security benefits, social assistance benefits and employer social benefits. Other payments include property expenses other than interest (mainly rent), and miscellaneous other current and capital cash payments (non-profit institutions serving households, surrender of donor funds to foreign donors, injuries and damages, households, non-life insurance premiums, purchases of goods and services for distribution to households, exchange rate losses, and capital payments to public corporations and private enterprises)²⁸.

Figure 6 shows the category of final consumption expenditure by type of NPI controlled by government in 2011. Of the category of final consumption expenditure (compensation of employees), 36,7% came from general public services, followed by economic affairs (19,8%) and social protection (13,6%) NPIs. Of the category of final consumption expenditure (subsidies), 46,5% came from defence, followed by recreation, culture and religion (41,0%) and economic affairs (12,5%) NPIs. Of the category of final consumption expenditure (interest), 88,9% came from housing and community amenities, followed by general public services (4,8%) and social protection (1,9%) NPIs.

Figure 6: Category of final consumption expenditure by type of non-profit institution controlled by government, 2011



Source: Statistics South Africa – Financial statistics of extra-budgetary accounts and funds, 2012

²⁸Source: Statistics South Africa – Financial statistics of extra-budgetary accounts and funds, 2011/2012

Chapter 5: Conclusion

The development of the NPISA for South Africa will be very useful because it will provide a means by which the economic aspects of NPIs can be drawn out and analysed separately within the structure of the main accounts. One major feature of an NPISA is to set it within the context of the whole economy, so that an NPI's contribution to major national accounting aggregates can be determined. The NPISA will also reveal the contribution of volunteer work to the total employment and economic growth.

The inter-institutional working group was formed in the 2010/2011 financial year, and meets at least once a quarter. The main purpose for the formation of the inter-institutional working group was to drive the various processes required for the development of an NPISA in South Africa. The inter-institutional working group has reviewed the structural-operational definition of the NPI for the purpose of the development of an NPISA for South Africa, and also played a major role in the development of the SANPIC. They are currently in the process of reviewing the definition of volunteer activity.

SANPIC is based on the ICNPO classification system for NPIs. The main advantage of the SANPIC is that it details certain 'catch all' categories or 'other service activities' categories in the SIC in ways that capture more precisely the activities of NPIs. SANPIC is classified according to economic objectives that allow organisations involved in similar economic activities or serving a similar purpose to be grouped together. This provides a basis for meaningful international comparative analysis.

Unpaid SNA and non-SNA work accounts for the survival and well-being of the majority of the population. In fact, the contribution of unpaid work is fairly comparable with that of the economic work insofar as securing basic needs is concerned. Though unpaid work is not exchanged in the market, it is not free. It has a cost, as it uses human capital plus other capital like space, equipment, facilities, etc. Unpaid work is also not unlimited. Therefore, unpaid work is an economic good and it needs to be valued.

NPIs make a significant contribution to the economic and social well-being of South Africans. NPIs include cultural and sports clubs, social service NPIs, schools, hospitals and clinics, churches, environmental NPIs, trade unions, political parties, non-governmental organisations (NGOs), fund-raising organisations, charitable trusts, etc.

A large number of South African NPIs are registered as voluntary associations, whereby more than 40,0% of these organisations are classified as social service NPIs. The South African NPIs derived most of their income from local donations, government subsidies and membership subscriptions. While transfers from households remain the area of the core segment, they obtain significant income from membership subscriptions. Government provides income to NPIs through grants (which are classified as subsidies). Income in the social services and education NPIs grew faster than income in the other NPI groups. South African NPIs spent most of their income on the compensation of employees.

Stats SA values your feedback on this discussion document. If you have any comments and/or suggestions, please contact Membrey Mogapi at MembreyM@statssa.gov.za by 31 June 2014.

Glossary

Compensation of employees	Compensation of employees is defined as the total remuneration, in cash or in kind, payable by an employer to an employee in return for work done by the latter during the accounting period. It is recorded on a gross basis, i.e. before any deduction for income taxes, pensions, unemployment insurance and other social insurance schemes. It also includes other forms of compensation, namely commissions, tips, bonuses, directors' fees and allowances such as those for holidays and sick leave, as well as military pay and allowances. It excludes employers' social contributions.
Employees	Employees are the people employed by the business/organisation who received pay (in salaries, wages, commission, piece rates or payments in kind) for any part of the reference period (excluding independent contractors).
Employment	Employment refers to the number of persons employed in the labour force framework. It includes persons at work, even if only for one hour during the reference period, and also persons temporarily absent from work.
Gross domestic product	GDP is a measure of the total value of production of all resident institutional units in the economic territory of a country in a specific period.
Full-time equivalent	FTE employment is the number of full-time equivalent jobs, defined as total hours worked divided by average annual hours worked in full-time jobs.
Household	Group of people who live together and provide themselves jointly with food and/or other essentials for living, or a single person who lives alone.
Institutional unit	An institutional unit is an economic entity that is capable, in its own right, of owning assets, incurring liabilities and engaging in economic activities and in transactions with other entities.
Non-profit institution	An NPI is a trust, company or other association of persons established for a public purpose and the income and the property of which are not distributable to its members or office-bearers except as reasonable compensation for services rendered.
Non-profit institutions engaged in market production	NPIs which charge fees determined by their costs of production and which are sufficiently high to have a significant influence on the demand for their services. Any surpluses that such institutions make must be retained within those institutions as their status as NPIs prevents them from distributing them to others.

Non-profit institutions engaged in non-market production	NPIs that are incapable of providing financial gain to the units which control or manage them, and which must rely principally on funds other than receipts from sales to cover their costs of production or other activities.
Number of hours volunteered	Number of hours volunteered refers to the duration in hours of each activity that the respondent identifies as having been performed during the reference period.
Opportunity cost	Opportunity cost method estimates the value by assigning to the hours of volunteer work the average wage that the volunteer would have earned if that volunteer had worked at his or her regular job for those same hours.
Production boundary	The production of all goods or services that are supplied to units other than their producers, or intended to be so supplied, including the production of goods or services used up in the process of producing such goods or services.
Replacement cost	Replacement cost method estimates the value by assigning to the hours of volunteer work what it would have cost to hire someone to do the work that the volunteer was doing for no pay.
Volunteer activity	Volunteer activity refers to unpaid non-compulsory work; that is, time individuals give without pay to activities performed either through an organisation or directly for others outside their own household.
Volunteer labour	An individual who provides services to an NPO and its service, administration or fundraising programmes, without remuneration. However, out-of-pocket expenses are often reimbursed by the NPO, and in some cases an honorarium is offered to the volunteer.
Volunteer rate	Volunteer rate represents the percentage of the population that reports engaging in any in-scope volunteer activity during the reference period. It is computed by dividing the number of volunteers identified through the volunteering module by the population (15 years and older) of the country.

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