

# National Accounts



Satellite Accounts

Statistics of the non-profit sector for South Africa, 2010 to 2014

Discussion document: D0407.2

February 2017

THE SOUTH AFRICA I KNOW, THE HOME I UNDERSTAND

Statistics of the non-profit sector for South Africa,  
2010 to 2014

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2010 to 2014

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## Abbreviations and acronyms

CBO	Community-based organisation
CCIS	Cross-classification of Institutional Sectors
CIPC	Companies and Intellectual Property Commission
DSD	Department of Social Development
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 Organization
ISIC	International Standard Industrial Classification
NGO	Non-governmental organisation
NPC	Non-profit company
NPI	Non-profit institution
NPISH	Non-profit institution serving households
NPO	Non-profit organisation
OECD	Organisation for Economic Co-operation and Development
QLFS	Quarterly Labour Force Survey
SANPIC	South African Non-profit Institution Classification
SASQAF	South African Statistical Quality Assessment Framework
SIC	Standard Industrial Classification
SNA	System of National Accounts
SOP	Standard Operating Procedure
Stats SA	Statistics South Africa
SU-tables	Supply and Use Tables
The dti	Department of Trade and Industry
UN	United Nations
UNV	United Nations Volunteer
VAS	Voluntary Activity Survey



## Preface

The aim of this discussion document is to provide an overview of the financial and non-financial statistics of the non-profit sector for South Africa for the reference years 2010 to 2014.

The 2008 System of National Accounts (2008 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 have 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 limited<sup>1</sup>.

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

## Chapter 1: Introduction

The 2008 System of National Accounts (2008 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 2008 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 economy<sup>2</sup>.

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 topics<sup>3</sup>. 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 2008 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 statistics<sup>4</sup>.

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 on three areas:

- 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 function<sup>5</sup>.

Some of these elements are not explained in detail in the central framework of the 2008 SNA.

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<sup>2</sup> Source: System of National Accounts

<sup>3</sup> Source: System of National Accounts

<sup>4</sup> Source: Statistics Canada, Satellite Account of Non-profit Institutions and Volunteering, 2006–2007

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

### 1.1: Definition of non-profit institutions in the 2008 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 be<sup>6</sup>.

### 1.3: Definition of non-profit institutions reviewed and adopted by South Africa

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

'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 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 Department of Social Development (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'<sup>7</sup>.

The NPISA inter-institutional working group reviewed the structural-operational definition of the NPI. During the financial year 2012/2013, the NPISA inter-institutional working group agreed that the following structural-operational definition will be used for the purpose of the compilation of the NPISA for South Africa:

An NPI should be a *legal entity* created by process of law whose existence is recognised independently of the persons, corporations, or government units that establish, finance, control or manage it.

An NPI should be *not-for-profit*. An NPI is an organisation that does not exist primarily to generate profit, either directly or indirectly, and is 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 citizenship<sup>8</sup>.

There are certain types of organisations that are likely to occupy a grey area between the non-profit sector and either the corporate or government sectors. Some of those entities will properly belong

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

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

<sup>8</sup> Source: *Handbook on Non-Profit Institutions in the System of National Accounts*

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 corporate 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 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 corporations. 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 NPIs.

#### 1.4: Definition of volunteer worker

The International Labour Organization (ILO) defines voluntary work as all persons of working age who, during short reference periods, 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 is interpreted as 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 (e.g. for out-of-pocket expenses or to cover living expenses incurred for the activity), or in kind (e.g. meals, transportation, symbolic gifts);
- Non-compulsory is interpreted as work carried out without civil, legal or administrative requirement, and that is different from the fulfilment of social responsibilities of a communal, cultural or religious nature; and
- Production for others refers to work performed:
  - For organisations that are producing market and non-market units (i.e. organisation-based volunteering) including 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 the households of related family members (i.e. direct volunteering).

The definition of volunteer work excludes the following:

- Community service and work by prisoners ordered by a court or similar authority, and compulsory military or alternative civilian services;
- Unpaid work required as part of education or training programmes (i.e. unpaid trainees); and
- Work for others performed during the working time associated with employment, or during paid time off from an employee job granted by the employer.

#### 1.5: South African non-profit institutions classification

Classifications of NPIs make it possible to group and subdivide organisations that share certain common characteristics yet differ along certain other dimensions, thus making it possible to draw meaningful comparisons and contrasts among them<sup>9</sup>.

The South African non-profit institutions classification (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.

SANPIC serves as a systematic basis for the classification of data on NPIs, obtained from, 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. The structure of the SANPIC comprises 11 main groups, 51 subgroups and 105 unit groups. More detailed information about the SANPIC manual can be found in the discussion document number D0407.2 'The statistics of the non-profit sector for South Africa, 2011' on the Stats SA website [www.statssa.gov.za](http://www.statssa.gov.za).

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<sup>9</sup> Source: *Handbook on NPIs in the SNA*

## Chapter 2: 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 years 2010 to 2014.

Based on the existing data, the following financial and non-financial information for the year 2010 to 2014 could be compiled:

- Types of NPI 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);
- Total employment by volunteer workers; and
- Final consumption expenditure of the NPIs controlled by government.

### 2.1: Types of non-profit institution 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 organisation 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 objectives<sup>10</sup>.

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. A 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)<sup>11</sup>.

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 making profits and losses). Changes in its membership or in its board of directors do not affect its continuing existence. An NPC does not have 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.

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<sup>10</sup> Source: Nyapotsa Attorneys

<sup>11</sup> Source: 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 South African Non-profit Institutions Classification (SANPIC).

Table 1 shows the types of NPIs by legal entity from 2010 to 2014. NPIs can be registered as either 'voluntary associations', 'NPCs' or 'non-profit trusts'. The number of registered NPIs increased from 70 315 in 2010 to 120 227 in 2014. From 2010 to 2014, the majority of NPIs were registered as 'voluntary associations', followed by 'NPCs' and 'non-profit trusts'. In 2014 there were 114 103 'voluntary associations' (by far the majority), 3 865 'NPCs' and 2 259 'non-profit trusts'.



Table 1: Types of non-profit institution by legal entity and objective, 2010 to 2014 (number)

Objective	Types of NPI 2010			Types of NPI 2011			Types of NPI 2012		
	Voluntary association	Non-profit company	Non-profit trust	Voluntary association	Non-profit company	Non-profit trust	Voluntary association	Non-profit company	Non-profit trust
Culture and recreation	3 371	145	103	3 974	151	111	4 732	165	121
Education	5 616	312	318	6 099	329	332	6 592	346	342
Health	7 849	173	115	8 741	187	119	9 692	197	122
Social services	24 913	323	222	29 536	345	232	35 350	357	242
Environment	727	64	67	841	67	72	997	72	77
Development and housing	14 748	529	236	16 505	600	264	18 652	655	303
Law, advocacy and politics	1 445	82	37	1 660	84	41	1 916	91	43
Philanthropic intermediaries and voluntarism promotion	316	81	468	364	85	500	406	91	532
International	42	4	2	48	4	2	55	5	2
Religion	7 257	261	142	8 651	280	151	10 219	298	159
Business and professional associations, unions	305	36	6	371	44	9	490	53	10
<b>Sub-total</b>	<b>66 589</b>	<b>2 010</b>	<b>1 716</b>	<b>76 790</b>	<b>2 176</b>	<b>1 833</b>	<b>89 101</b>	<b>2 330</b>	<b>1 953</b>
<b>Totals</b>	<b>70 315</b>			<b>80 799</b>			<b>93 384</b>		

Source: Department of Social Development, 2010 to 2014

Table 1: Types of non-profit institution by legal entity and objective, 2010 to 2014 (number) (concluded)

Objective	Types of NPI 2013			Types of NPI 2014		
	Voluntary association	Non-profit company	Non-profit trust	Voluntary association	Non-profit company	Non-profit trust
Culture and recreation	5 260	180	126	6 395	300	138
Education	7 259	392	352	8 295	472	369
Health	10 231	218	125	11 045	257	136
Social services	39 305	423	251	46 431	830	285
Environment	1 080	73	84	1 259	95	93
Development and housing	19 895	729	322	23 216	1 120	395
Law, advocacy and politics	2 080	99	46	2 497	133	56
Philanthropic intermediaries and voluntarism promotion	448	100	540	518	118	586
International	57	5	3	62	7	4
Religion	11 288	325	167	13 578	450	186
Business and professional associations, unions	594	58	11	807	83	11
<b>Sub-total</b>	<b>97 497</b>	<b>2 602</b>	<b>2 027</b>	<b>114 103</b>	<b>3 865</b>	<b>2 259</b>
<b>Totals</b>		<b>102 126</b>		<b>120 227</b>		

Source: Department of Social Development, 2010 to 2014

Table 2 shows types of NPI by legal entity and objective for the reference years 2010 to 2014. Registered NPIs are grouped by 11 objectives according to SANPIC. During 2010 to 2014, the majority of the registered 'voluntary association' NPIs were classified as 'social services' (37,4%, 38,5%, 39,7%, 40,3% and 40,7% respectively), followed by 'development and housing' (22,1%, 21,5%, 20,9%, 20,4% and 20,3% respectively) and 'religion' (10,9%, 11,3%, 11,5%, 11,6% and 11,9% respectively). This is in contrast to the registered 'non-profit trust' NPIs where the majority of NPIs were classified as 'philanthropic intermediaries and voluntarism' (27,3%, 27,3%, 27,2%, 26,6% and 25,9% respectively), followed by 'education' (18,5%, 18,1%, 17,5%, 17,4% and 16,3% respectively), 'development and housing' (13,8%, 14,4%, 15,5%, 15,9% and 17,5% respectively) and 'social services' (12,9%, 12,7%, 12,4%, 12,4% and 12,6% respectively).

Table 2: Types of non-profit institution by legal entity and objective, 2010 to 2014 (%)

Objective	Types of NPI 2010			Types of NPI 2011			Types of NPI 2013		
	Voluntary association	Non-profit company	Non-profit trust	Voluntary association	Non-profit company	Non-profit trust	Voluntary association	Non-profit company	Non-profit trust
Culture and recreation	5,1	7,2	6,0	5,2	6,9	6,1	5,3	7,1	6,2
Education	8,4	15,5	18,5	7,9	15,1	18,1	7,4	14,8	17,5
Health	11,8	8,6	6,7	11,4	8,6	6,5	10,9	8,5	6,2
Social services	37,4	16,1	12,9	38,5	15,9	12,7	39,7	15,3	12,4
Environment	1,1	3,2	3,9	1,1	3,1	3,9	1,1	3,1	3,9
Development and housing	22,1	26,3	13,8	21,5	27,6	14,4	20,9	28,1	15,5
Law, advocacy and politics	2,2	4,1	2,2	2,2	3,9	2,2	2,2	3,9	2,2
Philanthropic intermediaries and voluntarism promotion	0,5	4,0	27,3	0,5	3,9	27,3	0,5	3,9	27,2
International	0,1	0,2	0,1	0,1	0,2	0,1	0,1	0,2	0,1
Religion	10,9	13,0	8,3	11,3	12,9	8,2	11,5	12,8	8,1
Business and professional associations, unions	0,5	1,8	0,3	0,5	2,0	0,5	0,5	2,3	0,5
<b>Total</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>

Source: Department of Social Development, 2010 to 2014

Table 2: Types of non-profit institution by legal entity and objective, 2014 to 2016 (%) (concluded)

Objective	Types of NPI 2013			Types of NPI 2014		
	Voluntary association	Non-profit company	Non-profit trust	Voluntary association	Non-profit company	Non-profit trust
Culture and recreation	5,4	6,9	6,2	5,6	7,8	6,1
Education	7,4	15,1	17,4	7,3	12,2	16,3
Health	10,5	8,4	6,2	9,7	6,6	6,0
Social services	40,3	16,3	12,4	40,7	21,5	12,6
Environment	1,1	2,8	4,1	1,1	2,5	4,1
Development and housing	20,4	28,0	15,9	20,3	29,0	17,5
Law, advocacy and politics	2,1	3,8	2,3	2,2	3,4	2,5
Philanthropic intermediaries and voluntarism promotion	0,5	3,8	26,6	0,5	3,1	25,9
International	0,1	0,2	0,1	0,1	0,2	0,2
Religion	11,6	12,5	8,2	11,9	11,6	8,2
Business and professional associations, unions	0,6	2,2	0,5	0,7	2,1	0,5
<b>Total</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>

Source: Department of Social Development, 2010 to 2014

## 2.2: 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 corporate 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 corporate 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 societies<sup>12</sup>.

The production and generation of income accounts can be developed either by 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 GDP for the entire economy and the calculation of value added for various industries or institutional sectors. 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.

Tables 3 to 7 show the cross-classification of production account items by institutional sector for the reference years 2010 to 2014. From the year 2010 to 2014, the 'non-financial corporations' institutional sector was the highest contributor to the total economy, while 'NPISH' was the lowest contributor to the total economy.

**Table 3: Cross-classification of production account items by institutional sector, 2010**  
(R million)

<b>Production account</b>	<b>Financial corporations</b>	<b>Non-financial corporations</b>	<b>General government</b>	<b>Households</b>	<b>NPISH</b>
Output	173 748	3 836 215	656 118	762 523	32 971
Less Intermediate consumption	56 757	2 378 087	228 016	290 636	13 219
Gross value added	116 991	1 458 128	428 102	471 887	19 751
Less Compensation of employees	54 055	694 234	363 046	108 214	15 158
Less Other taxes on production	1 569	23 462	4 256	15 794	0
Less Other subsidies	-907	-7 407	-83	-1 393	0
Gross operating surplus	62 274	747 839	60 883	349 272	4 593

Source: Statistics South Africa – Supply and use tables, 2010

<sup>12</sup> Source: Statistics South Africa – Supply and use tables, 2012

Table 4: Cross-classification of production account items by institutional sector, 2011  
(R million)

<b>Production account</b>	<b>Financial corporations</b>	<b>Non-financial corporations</b>	<b>General government</b>	<b>Households</b>	<b>NPISH</b>
Output	189 421	4 168 958	713 004	831 663	35 784
Less Intermediate consumption	58 678	2 582 374	239 488	319 493	14 397
Gross value added	130 743	1 586 584	473 516	512 169	21 388
Less Compensation of employees	60 078	759 377	405 086	118 034	16 802
Less Other taxes on production	1 940	26 921	4 815	17 330	0
Less Other subsidies	-719	-4 630	-49	-918	0
Gross operating surplus	69 444	804 916	63 664	377 723	4 586

Source: Statistics South Africa – Supply and use tables, 2011

Table 5: Cross-classification of production account items by institutional sector, 2012  
(R million)

<b>Production account</b>	<b>Financial corporations</b>	<b>Non-financial corporations</b>	<b>General government</b>	<b>Households</b>	<b>NPISH</b>
Output	211 713	4 520 382	782 428	901 362	38 010
Less Intermediate consumption	66 263	2 818 230	272 205	348 618	15 700
Gross value added	145 450	1 702 152	510 223	552 744	22 311
Less Compensation of employees	65 776	829 818	438 917	127 239	18 213
Less Other taxes on production	2 276	30 444	5 405	19 125	0
Less Other subsidies	-1 017	-7 061	-110	-1 315	0
Gross operating surplus	78 415	848 951	66 011	407 695	4 098

Source: Statistics South Africa – Supply and use tables, 2012

Table 6: Cross-classification of production account items by institutional sector, 2013  
(R million)

<b>Production account</b>	<b>Financial corporations</b>	<b>Non-financial corporations</b>	<b>General government</b>	<b>Households</b>	<b>NPISH</b>
Output	224 375	4 904 619	866 311	971 739	40 229
Less Intermediate consumption	72 206	3 044 673	305 774	376 792	16 869
Gross value added	152 169	1 859 947	560 537	594 947	23 360
Less Compensation of employees	72 016	913 843	481 330	138 514	19 415
Less Other taxes on production	2 324	33 074	5 944	21 626	0
Less Other subsidies	-480	-8 200	0	-1 407	0
Gross operating surplus	78 309	921 231	73 263	436 214	3 945

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

Table 7: Cross-classification of production account items by institutional sector, 2014  
(R million)

Production account	Financial corporations	Non-financial corporations	General government	Households	NPISH
Output	243 213	5 237 421	936 097	1 047 375	42 606
Less Intermediate consumption	81 991	3 242 917	336 981	406 760	17 747
Gross value added	161 222	1 994 504	599 117	640 615	24 859
Less Compensation of employees	79 935	991 050	513 381	149 715	20 314
Less Other taxes on production	2 641	37 982	6 840	24 994	0
Less Other subsidies	-513	-6 908	-193	-1 218	0
Gross operating surplus	79 159	972 378	79 090	467 125	4 545

Source: Statistics South Africa – Supply and use tables, 2014

### 2.3: 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:

- government subsidies;
- local donations; and
- membership subscriptions.

Government subsidies 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 on the accounting practices of the individual NPI.

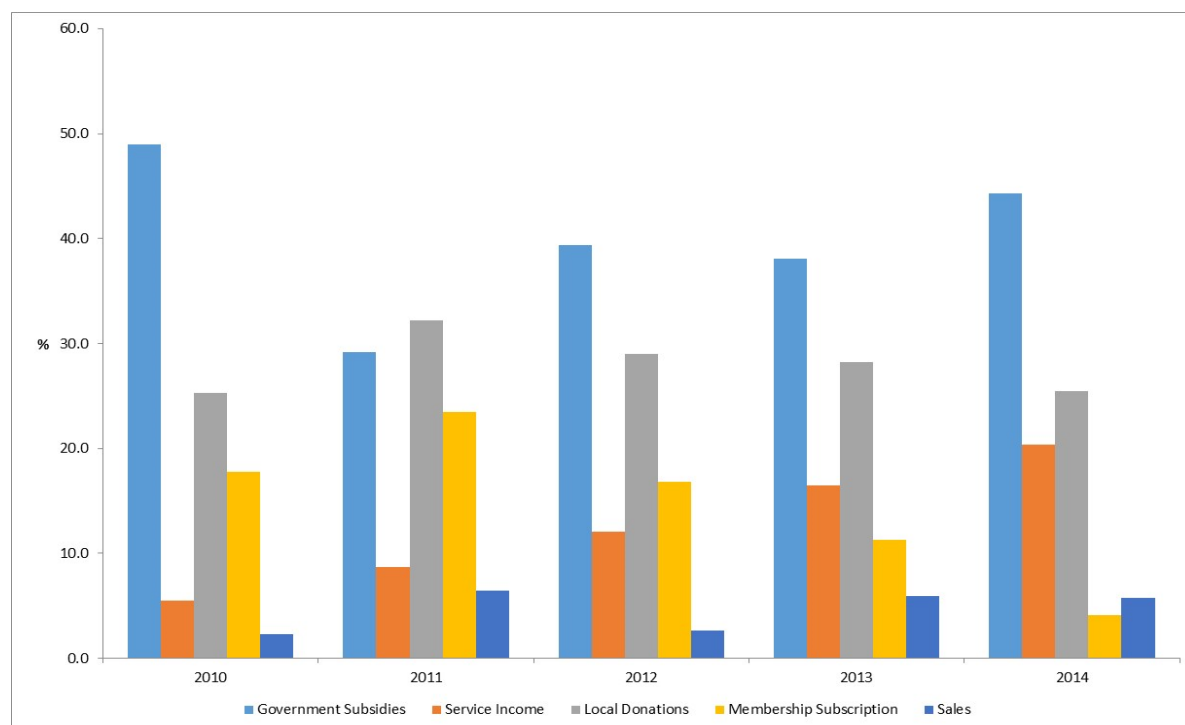
Local donations are the second largest provider of income for NPIs. A number of central and provincial governments make grants to NPIs directly. However, other government transfers such as subsidies and a number of health contracts could be classified as either grants or contract sales. Local government 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 and 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 shows the percentage of total income of South African NPIs for the years 2010 to 2014. From 2010 to 2014, 'government subsidies' was the highest contributor to the total income of South African NPIs except in 2011. In 2010, 2012, 2013 and 2014, 'government subsidies' contributed 49,0%, 39,4%, 38,1% and 44,3% respectively, and this was followed by 'local donations' (25,3%, 29,0%, 28,2% and 25,4% respectively). In 2011, 'local donations' were the highest contributor to the total income of South African NPIs (32,2%), followed by 'government subsidies' (29,2%) and 'membership subscription' (23,5%). From 2010 to 2012, the smallest contributors to the total income of South African NPIs were income from 'sales' (2,3%, 6,5% and 2,6% respectively) and 'service income' (5,5%, 8,7% and 12,1% respectively). In 2014, 'membership subscription' (4,1%) was the smallest contributor to the total income of South African NPIs, followed by income from 'sales' (5,7%).

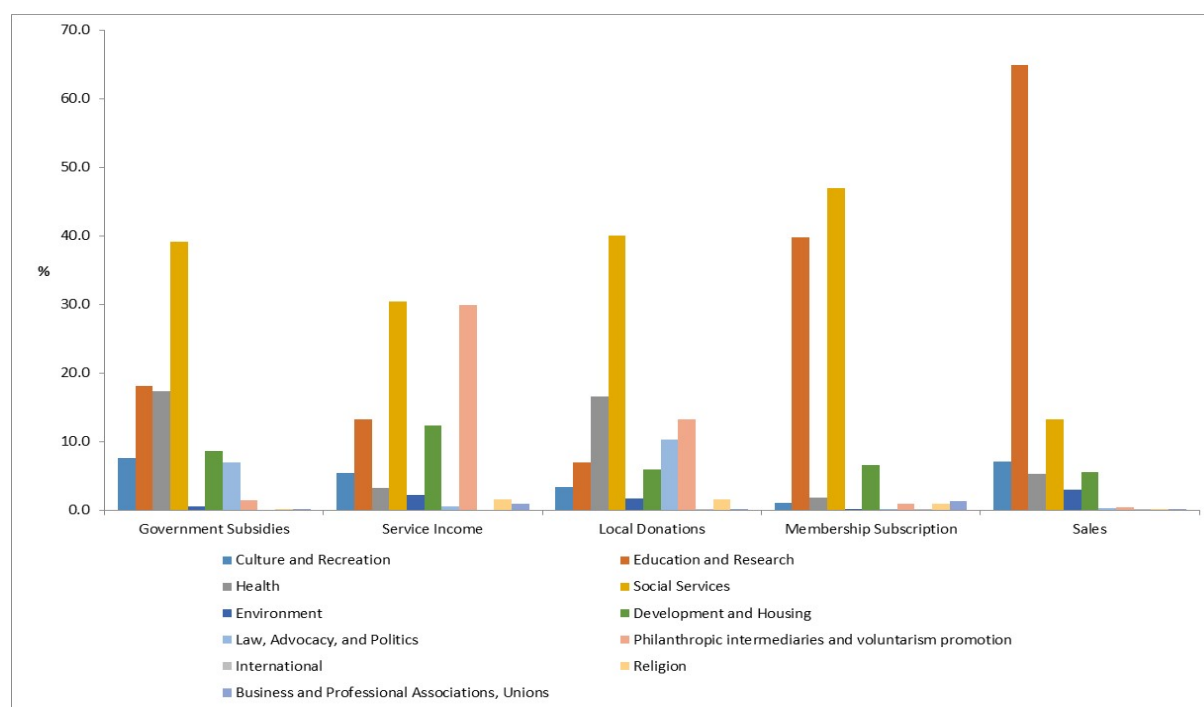
Figure 1: Percentage of total income of South African non-profit institutions, 2010 to 2014



Source: Department of Social Development, 2010 to 2014

Figure 2 shows the categories of income by type of NPI in 2010. The majority of income in the form of 'government subsidies' was received by 'social services' NPIs (39,1%), followed by 'education' (18,1%) and 'health' (17,3%). The largest portion of income in the form of 'local donations' was received by 'social services' NPIs (40,1%), followed by 'health' (16,6%), 'philanthropic intermediaries and voluntarism' (13,2%), and 'law, advocacy and politics' (10,3%). The majority of income in the form of 'membership subscriptions' was received by 'social services' (47,0%) and 'education' (39,8%) NPIs.

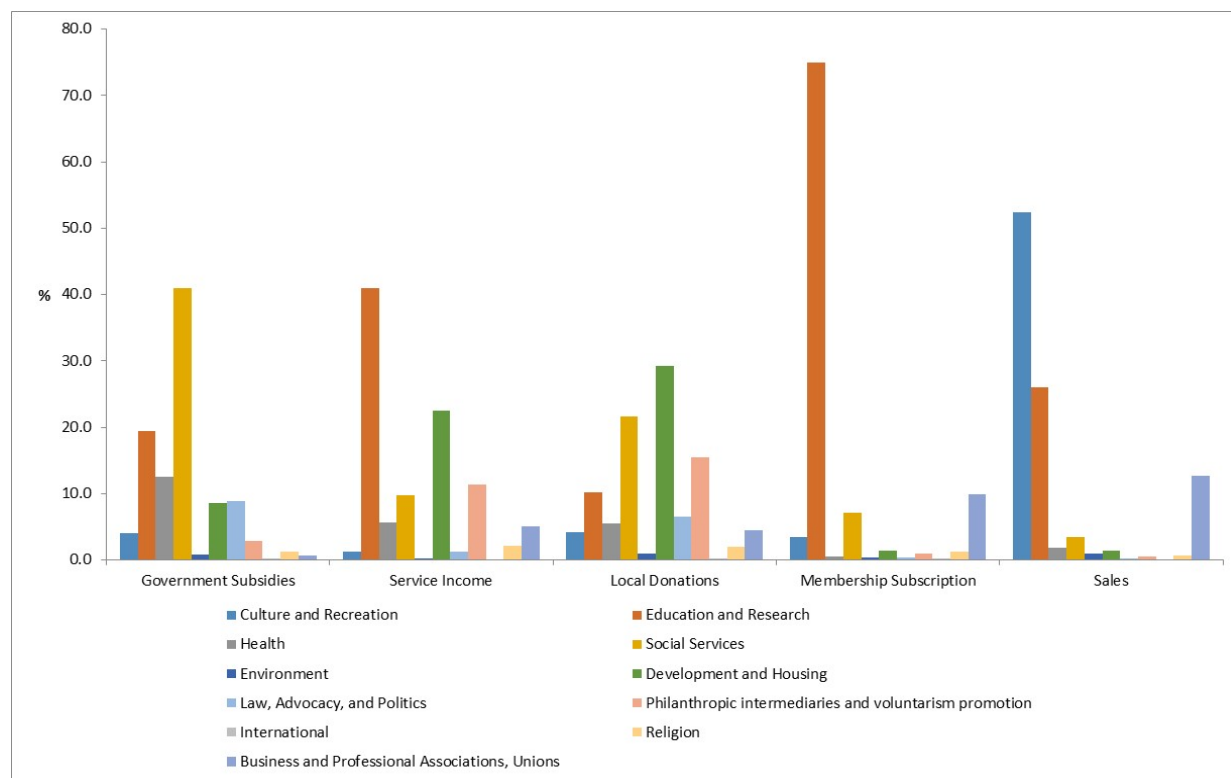
Figure 2: Categories of income by type of non-profit institution, 2010



Source: Department of Social Development, 2010

Figure 3 shows the categories of income by type of NPI in 2011. The majority of income in the form of 'government subsidies' was received by 'social services' NPIs (40,9%), followed by 'education' (19,5%) and 'health' (12,3%). The largest portion of income in the form of 'local donations' was received by 'development and housing' NPIs (29,2%), followed by 'social services' (21,6%) and 'philanthropic intermediaries and voluntarism' (15,4%). The majority of income in the form of 'service income' was received by 'education' NPIs (41,0%), followed by 'development and housing' (22,5%) and 'philanthropic intermediaries and voluntarism' (11,4%).

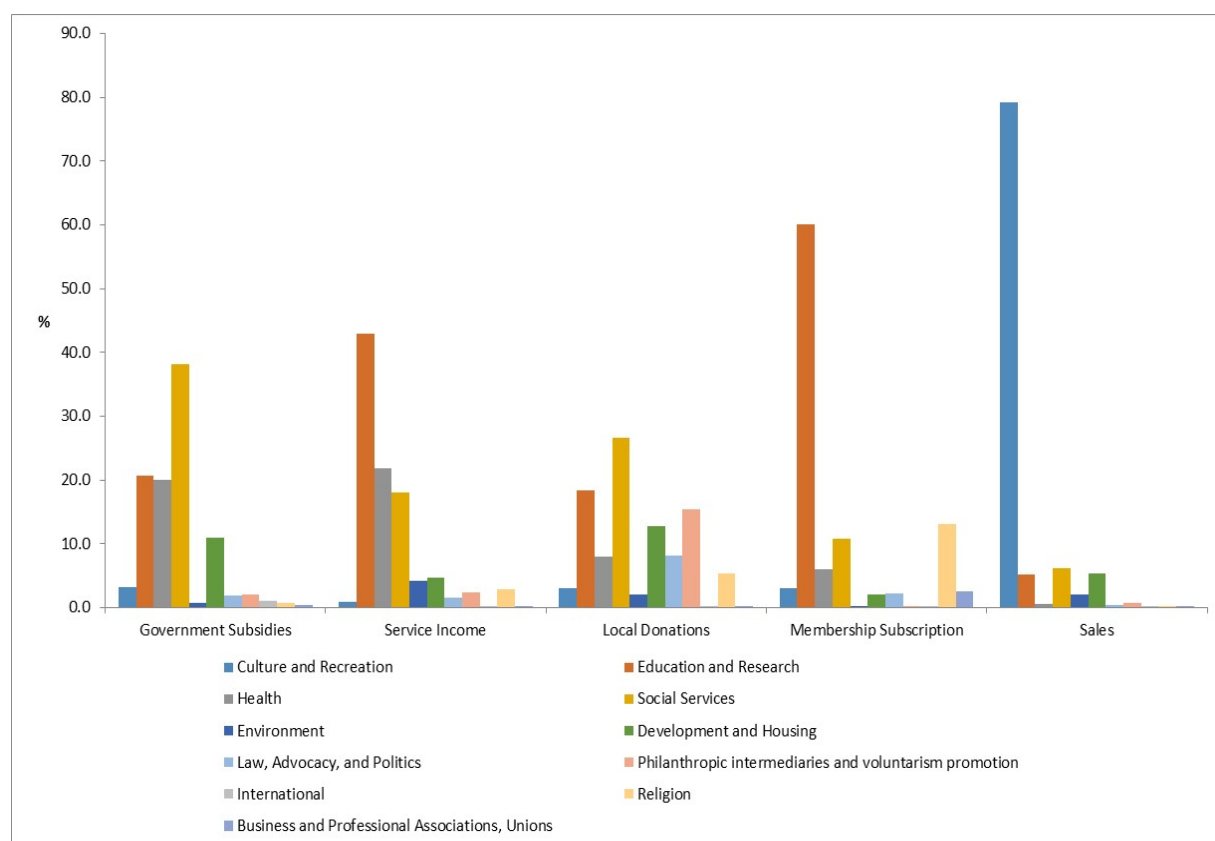
Figure 3: Categories of income by type of non-profit institution, 2011



Source: Department of Social Development, 2011

Figure 4 shows the categories of income by type of NPI in 2012. The majority of income in the form of 'government subsidies' was received by 'social services' NPIs (38,2%), followed by 'education' (20,6%) and 'health' (20,1%). The largest portion of income in the form of 'local donations' was received by 'social services' NPIs (28,3%), followed by 'philanthropic intermediaries and voluntarism' (14,5%) and 'development and housing' (13,9%). The majority of income in the form of 'membership subscriptions' was received by 'education' (61,8%) and 'social services' (20,2%) NPIs.

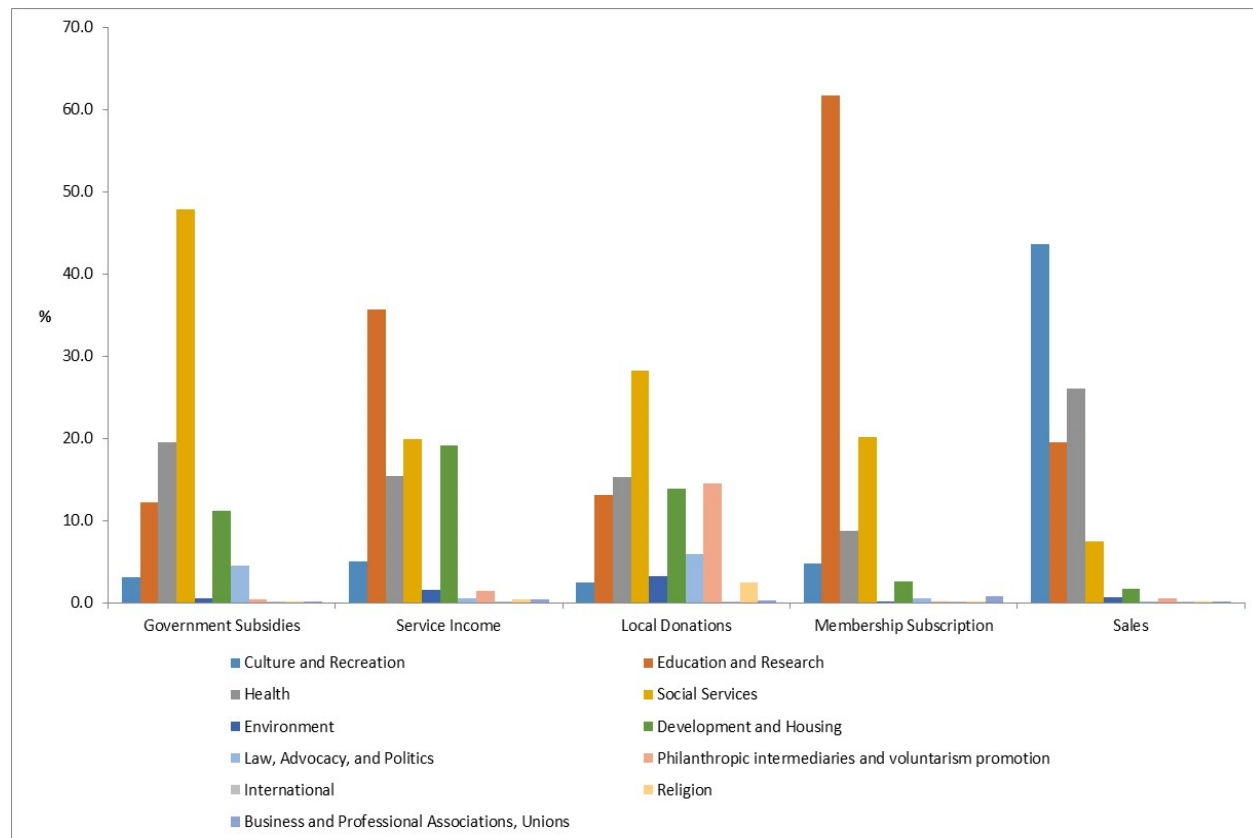
Figure 4: Categories of income by type of non-profit institution, 2012



Source: Department of Social Development, 2012

Figure 5 shows the categories of income by type of NPI in 2013. The majority of income in the form of 'government subsidies' was received by 'social services' NPIs (47,9%), followed by 'health' (19,6%) and 'education' (12,2%). The largest portion of income in the form of 'service income' was received by 'education' NPIs (35,8%), followed by 'social services' (20,0%), 'development and housing' (19,2%) and 'health' (15,4%). The majority of income in the form of 'sales' was received by 'culture and recreation' NPIs (43,6%), followed by 'health' (26,1%) and 'education' (19,6%).

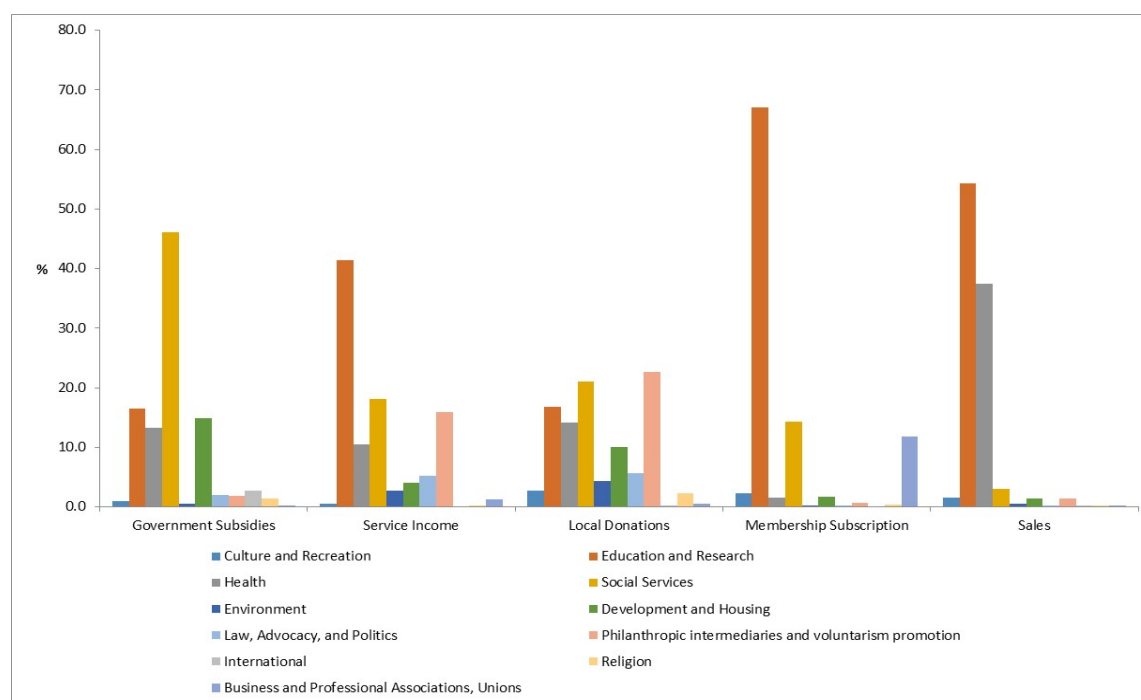
Figure 5: Categories of income by type of non-profit institution, 2013



Source: Department of Social Development, 2013

Figure 6 shows the categories of income by type of NPI in 2014. The majority of income in the form of 'government subsidies' was received by 'social services' NPIs (46,1%), followed by 'education' (16,5%), 'development and housing' (14,9%) and 'health' (13,3%). The largest portion of income in the form of 'local donations' was received by 'philanthropic intermediaries and voluntarism' NPIs (22,6%), followed by 'social services' (21,0%), 'education' (16,8%) and 'health' (14,1%). The majority of income in the form of 'membership subscriptions' was received by 'education' NPIs (67,0%), followed by 'social services' (14,3%) and 'religion' (11,7%).

Figure 6: Categories of income by type of non-profit institution, 2014



Source: Department of Social Development, 2014

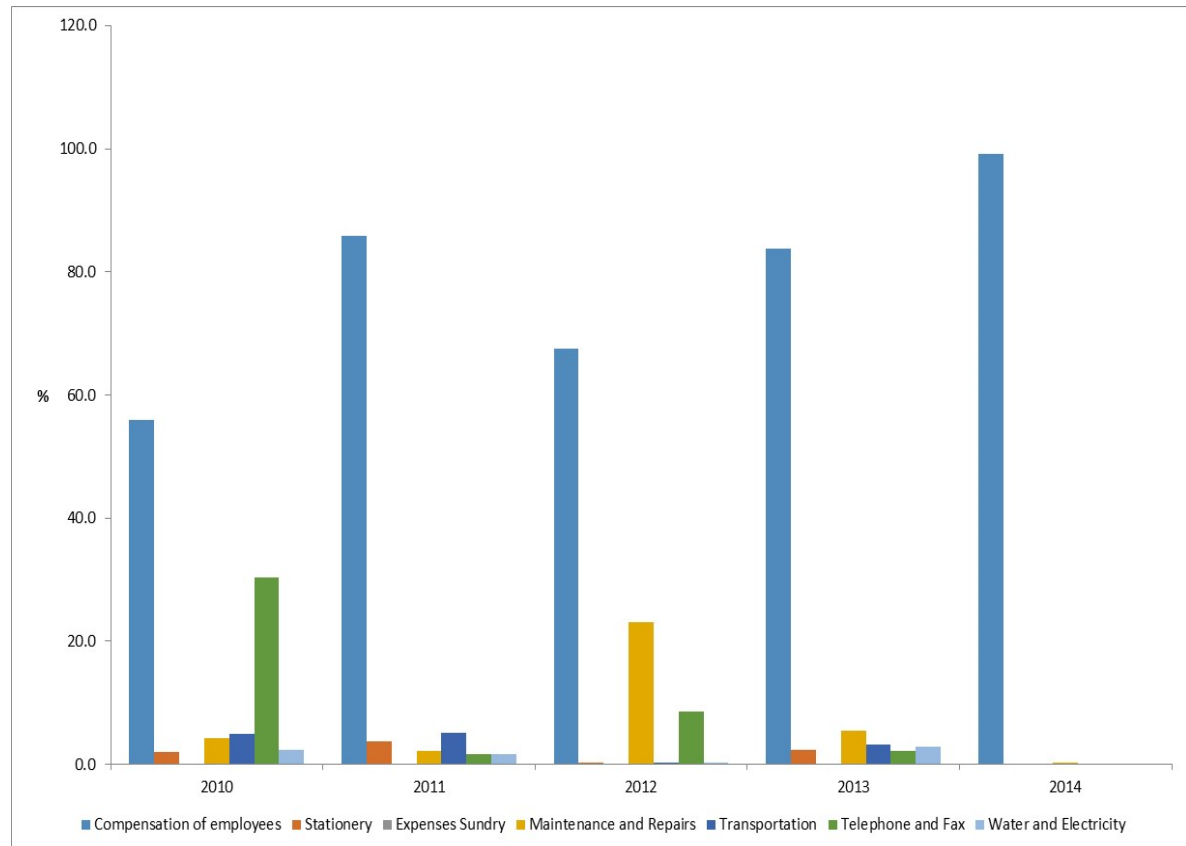
## 2.4: Expenditure of South African non-profit institutions

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. The actual final consumption expenditure of households is the sum of general government and individual consumption expenditure of households.

Figure 7 shows the percentage of total expenditure incurred by South African NPIs for the years 2010 to 2014. From 2010 to 2014 the highest expenditure incurred by South African NPIs was 'compensation of employees'. In 2014, the highest expenditure incurred by South African NPIs was 'compensation of employees' (83,8%), followed by 'maintenance and repairs' (5,4%) and 'telephone and faxes' (3,3%).

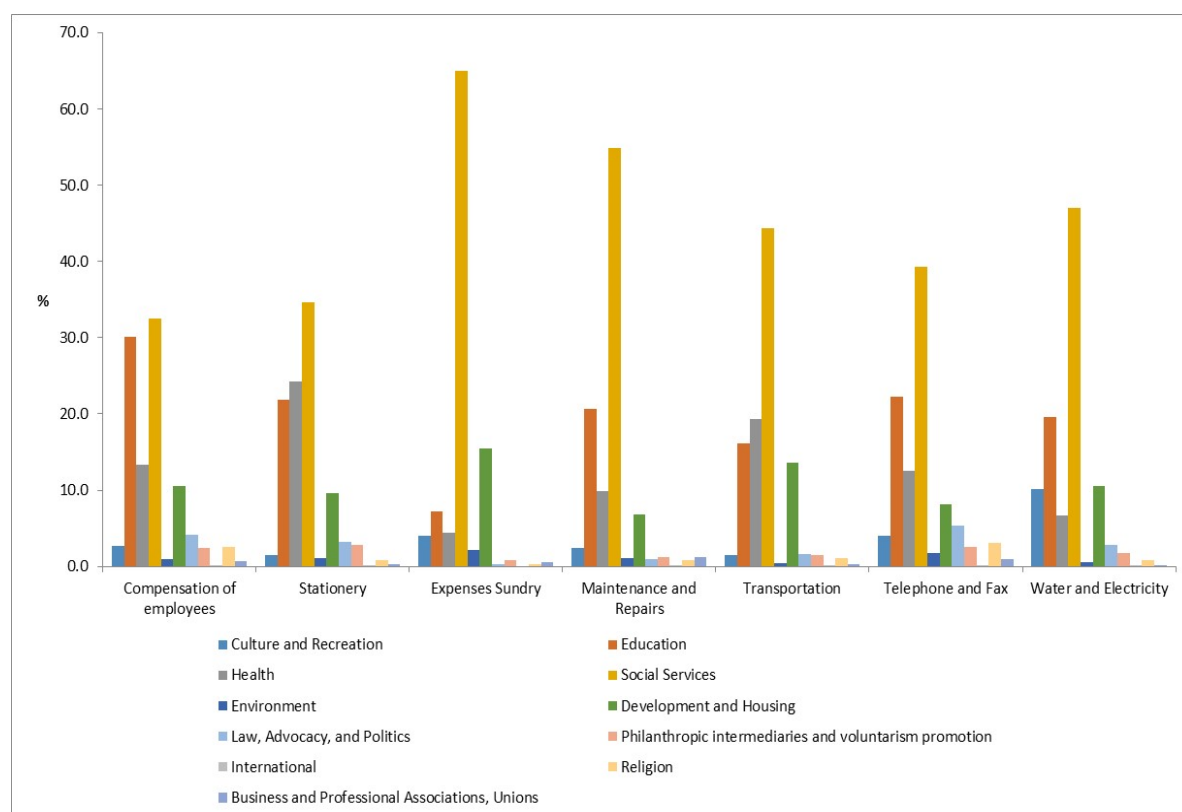
Figure 7: Percentage of total expenditure of South African non-profit institutions, 2010 to 2014



Source: Department of Social Development, 2010 to 2014

Figure 8 shows the categories of expenditure by type of NPI in 2010. In the category 'compensation of employees', 32,5% of expenditure came from 'social services' NPIs, followed by 'education' (30,1%), 'health' (13,3%) and 'development and housing' (10,5%). In the category 'transportation', 44,3% of expenditure came from 'social services' NPIs, followed by 'health' (19,4%), 'education' (16,2%) and 'development and housing' (13,6%). In the category 'water and electricity', 47,0% of expenditure came from 'social services' NPIs, followed by 'education' (19,7%), 'development and housing' (10,6%) and 'culture and recreation' (10,2%).

Figure 8: Categories of expenditure by type of non-profit institution, 2010

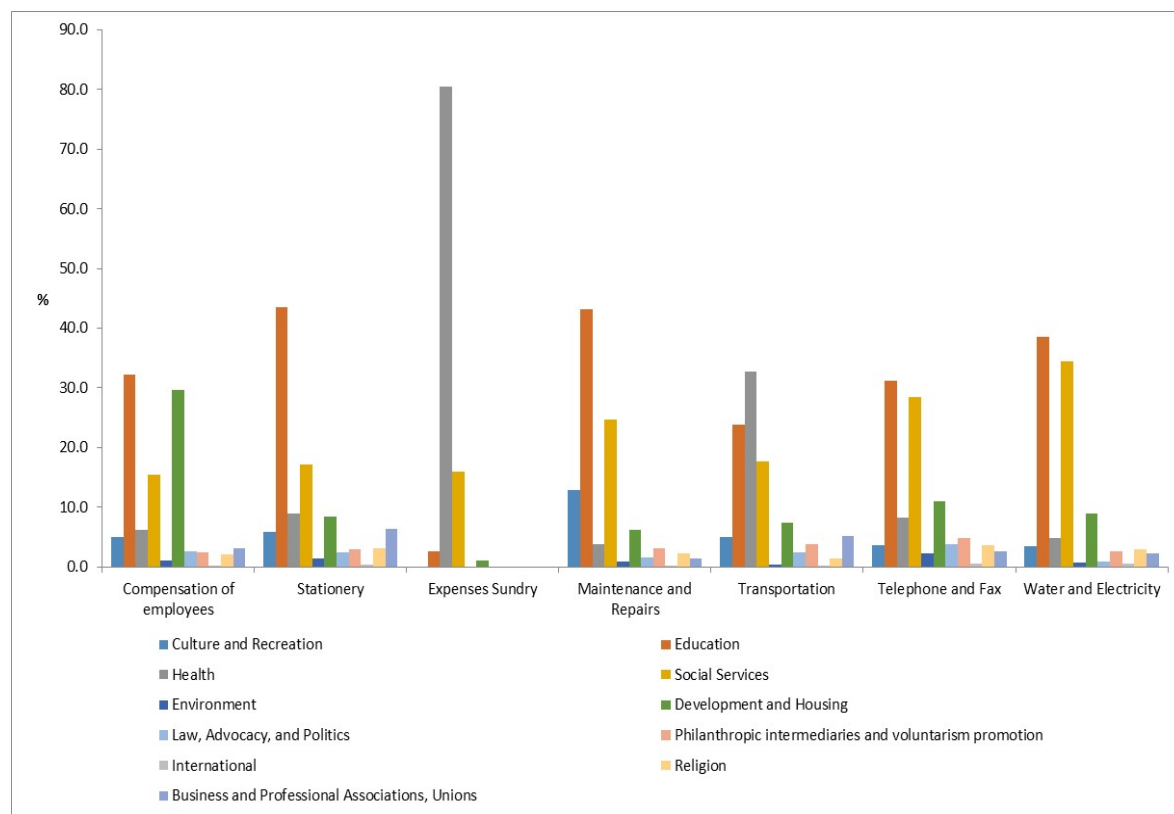


Source: Department of Social Development, 2010



Figure 9 shows the categories of expenditure by type of NPI in 2011. In the category 'compensation of employees', 32,2% of expenditure came from 'education' NPIs, followed by 'development and housing' (29,7%) and 'social services' (15,5%). In the category 'transportation', 32,7% of expenditure came from 'health' NPIs, followed by 'education' (23,9%) and 'social services' (17,7%). In the category 'stationery', 43,4% of expenditure came from 'education' NPIs, followed by 'social services' (17,1%), 'health' (8,8%) and 'development and housing' (8,4%).

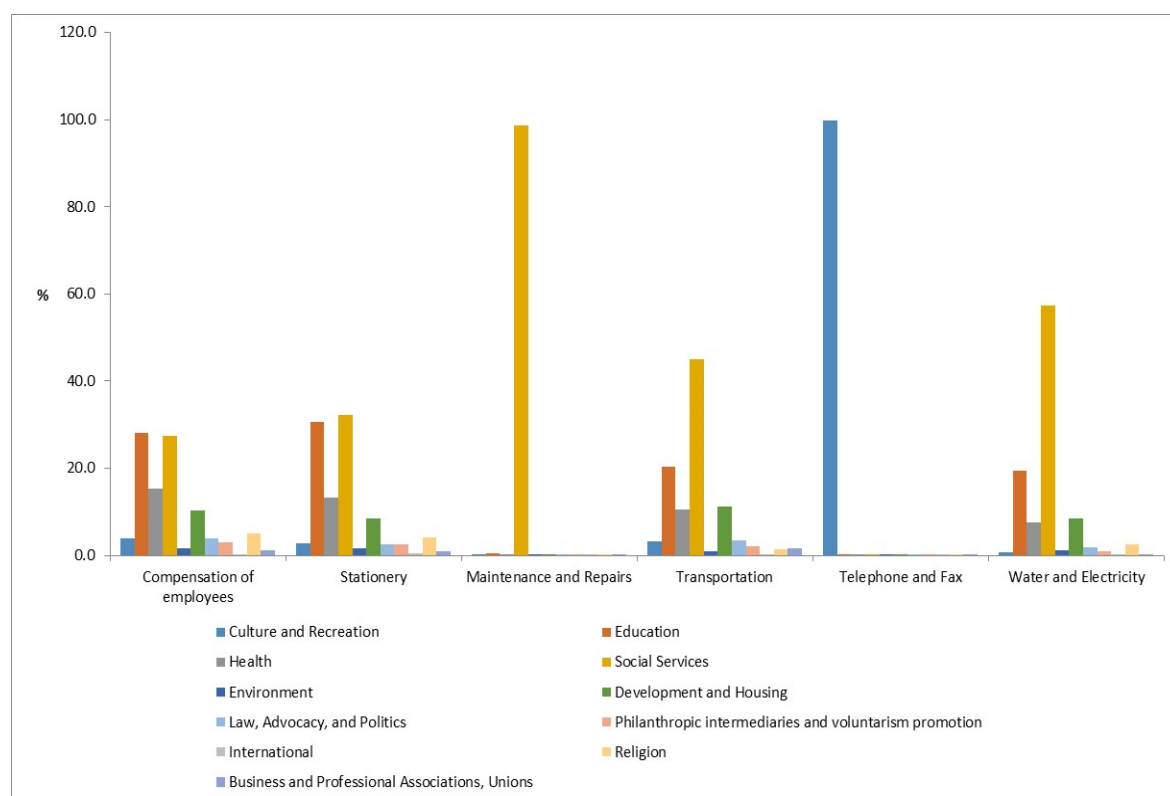
Figure 9: Categories of expenditure by type of non-profit institution, 2011



Source: Department of Social Development, 2011

Figure 10 shows the categories of expenditure by type of NPI in 2012. In the category 'compensation of employees', 28,0% of expenditure came from 'education' NPIs, followed by 'social services' (27,5%), 'health' (15,4%) and 'development and housing' (10,3%). In the category 'transportation', 45,0% of expenditure came from 'social services' NPIs, followed by 'education' (20,2%), 'development and housing' (11,1%) and 'health' (10,5%). In the category 'stationery', 32,3% of expenditure came from 'social services' NPIs, followed by 'education' (30,7%), 'health' (8,3%) and 'development and housing' (8,0%).

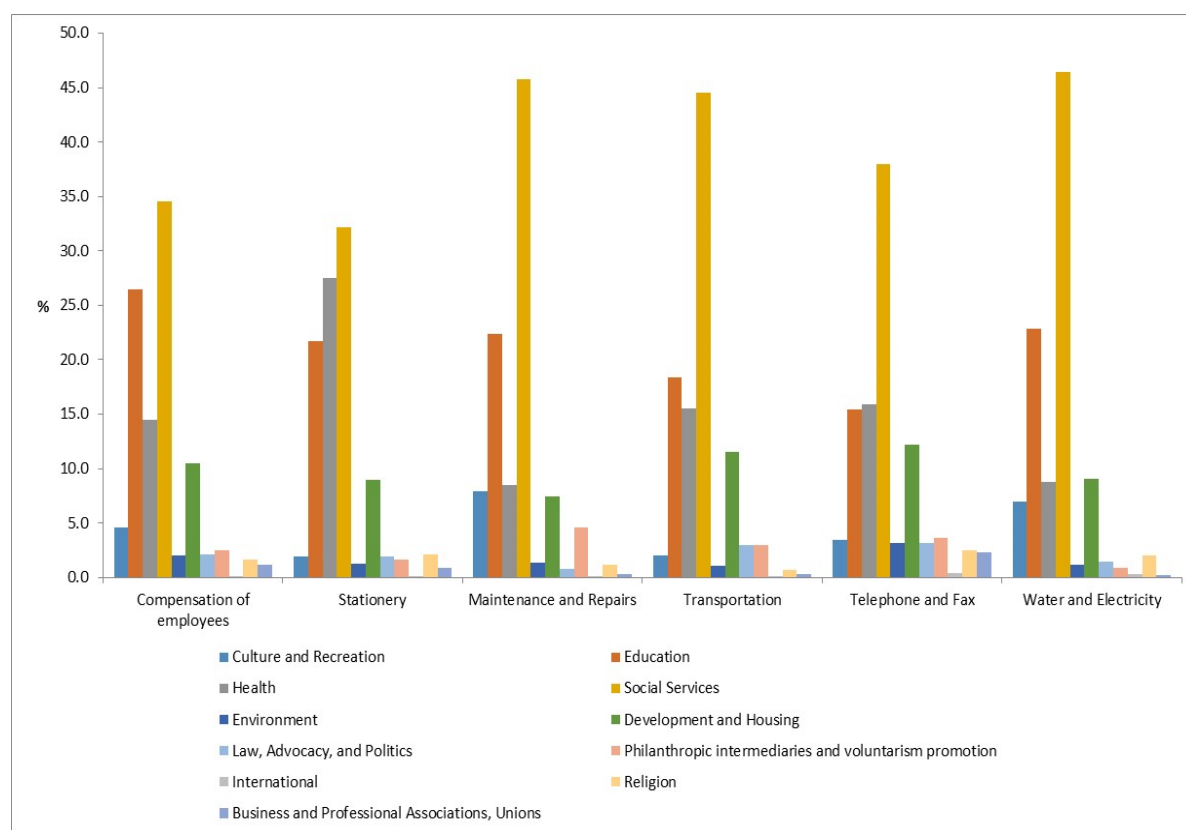
Figure 10: Categories of expenditure by type of non-profit institution, 2012



Source: Department of Social Development, 2012

Figure 11 shows the categories of expenditure by type of NPI in 2013. In the category 'compensation of employees', 34,5% of expenditure came from 'social services' NPIs, followed by 'education' (26,4%), 'health' (14,5%) and 'development and housing' (10,5%). In the category 'maintenance and repairs', 45,8% of expenditure came from 'social services' NPIs, followed by 'education' (22,3%), 'health' (14,0%) and 'culture and recreation' (7,9%). In the category 'water and electricity', 46,4% of expenditure came from 'social services' NPIs, followed by 'education' (22,9%), 'development and housing' (9,1%) and 'health' (8,8%).

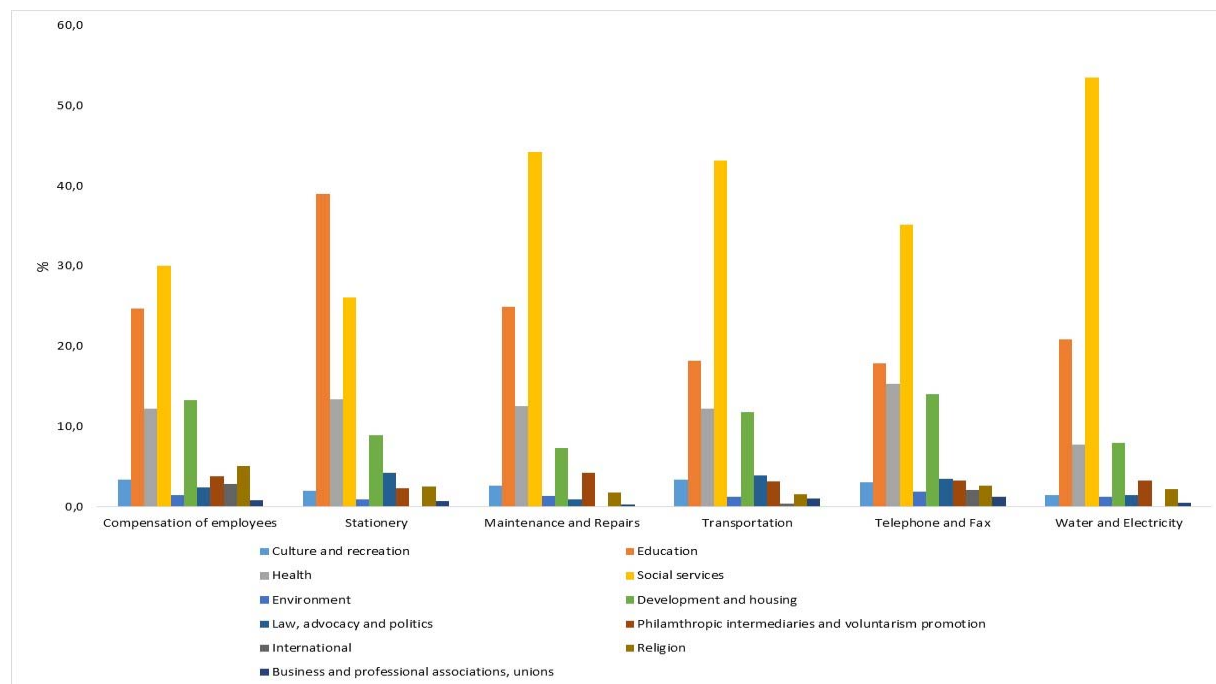
Figure 11: Categories of expenditure by type of non-profit institution, 2013



Source: Department of Social Development, 2013

Figure 12 shows the categories of expenditure by type of NPI in 2014. In the category 'stationery', 39,0% of expenditure came from 'education' NPIs, followed by 'social services' (26,1%), 'health' (13,4%) and 'development and housing' (8,9%). In the category 'compensation of employees', 30,0% of expenditure came from 'social services' NPIs, followed by 'education' (24,8%), 'development and housing' (13,3%) and 'health' (12,2%). In the category 'telephone and faxes', 35,2% of expenditure came from 'social services' NPIs, followed by 'education' (17,9%), 'health' (15,3%), and 'development and housing' (14,1%).

Figure 12: Categories of expenditure by type of non-profit institution, 2014



Source: Department of Social Development, 2014

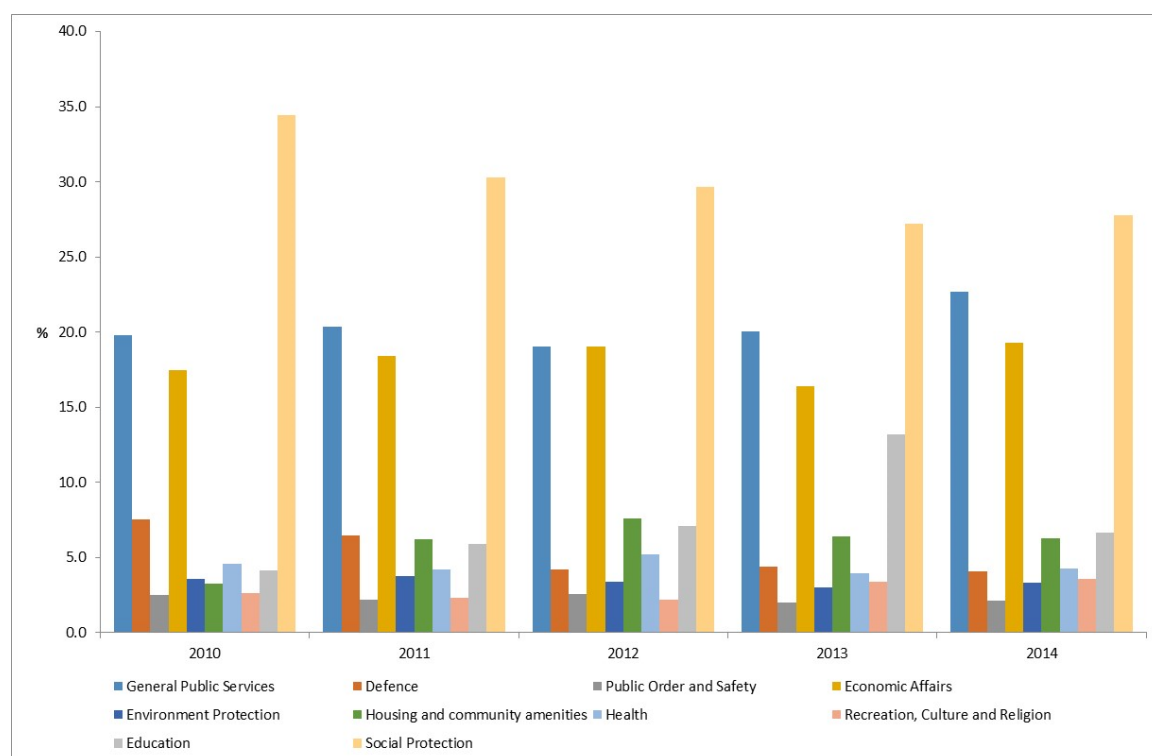
## 2.5: Final consumption expenditure of non-profit institutions controlled by government

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 funds. Extra-budgetary accounts and funds keep their accounts on an accrual basis, i.e. receipts and payments are recorded in the period to which transactions relate. The final consumption expenditure of NPIs controlled by government is classified according to 10 functional classifications, namely general public services; defence; public order and safety; economic affairs; environmental protection; housing and community amenities; health; recreation, culture and religion; education; and social protection. The functional classification is classification of expenditure according to the purpose for which transactions are undertaken. It is generally used to measure the allocation of resources by government in order to promote various services and objectives rendered to the community<sup>13</sup>.

<sup>13</sup> The extra-budgetary accounts are non-profit institutions controlled by government, 2011/2012

Figure 13 shows the breakdown of the functional classification of final consumption expenditure of NPIs controlled by government from 2010 to 2014. From 2010 to 2014, 'social protection' (34,5%, 30,3%, 29,7%, 27,8% and 29,2% respectively) accounted for the largest share of the total final consumption expenditure of NPIs controlled by government, followed by 'general public services' (19,8%, 20,3%, 19,0%, 20,0% and 22,7% respectively) and 'economic affairs' (17,5%, 18,4%, 19,4%, 16,4% and 19,3% respectively).

Figure 13: Functional classification of final consumption expenditure of South African non-profit institutions controlled by government, 2010 to 2014



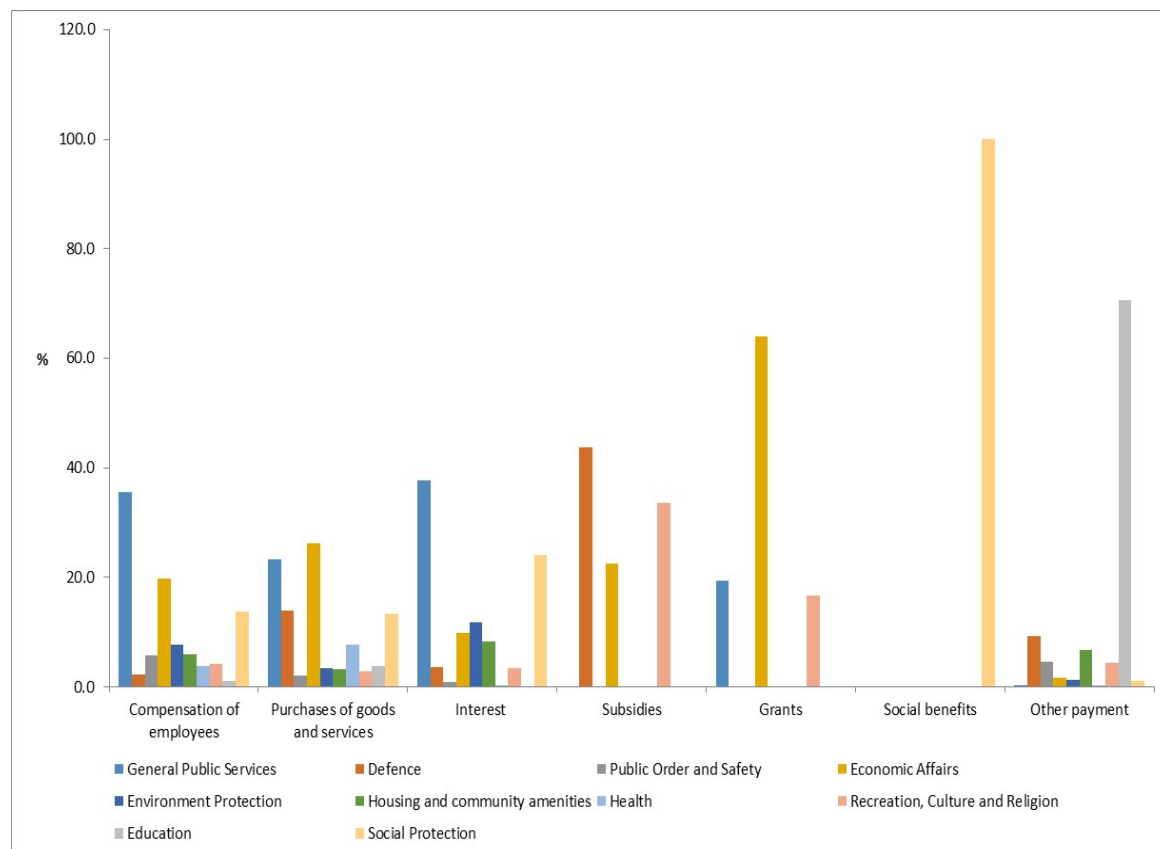
Source: Statistics South Africa – Financial statistics of extra-budgetary accounts and funds, 2010 to 2014

The final consumption expenditure of NPIs controlled by government is further broken down by the economic classification of final consumption expenditure, which measures the nature and economic effect of government operations on the economy of the country. There are seven main economically classified cash payments for operating activities categories, namely: compensation of employees; purchases of goods and services; interest; subsidies; grants; social benefits; and other payments. Compensation of employees is the total remuneration, in cash or in kind, payable to a government employee in return for work done during the accounting period, except work connected with own account capital formation. 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 (surrender of donor funds to foreign donors, injuries and damages, 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, etc)<sup>14</sup>.

<sup>14</sup> Source: Statistics South Africa – Financial statistics of consolidated general government, 2004/2005

Figure 14 shows the categories of final consumption expenditure by type of NPI controlled by government in 2010. In the category 'compensation of employees', 35,5% of final consumption expenditure came from 'general public services' NPIs, followed by 'economic affairs' (19,8%) and 'social protection' (13,7%). In the category 'subsidies', 43,8% of final consumption expenditure came from 'defence' NPIs, followed by 'recreation, culture and religion' (33,7%) and 'economic affairs' (22,5%). In the category 'purchases of goods and services', 26,2% of final consumption expenditure came from 'economic affairs' NPIs, followed by 'general public services' (23,4%), 'defence' (14,0%) and 'social protection' (13,3%).

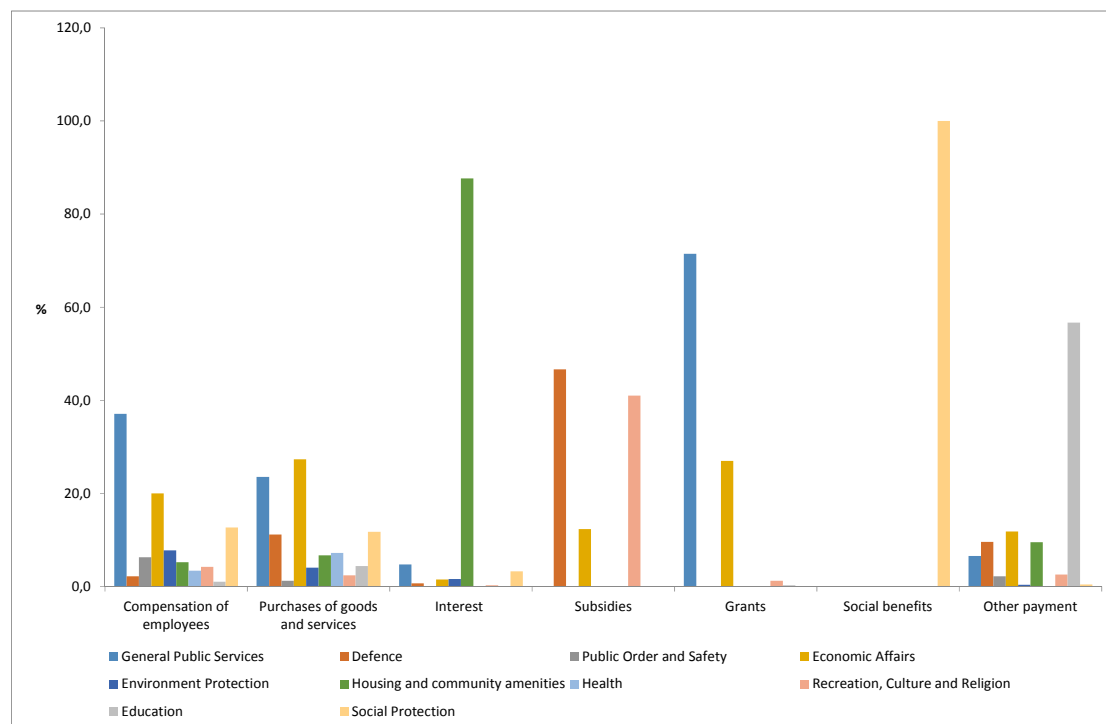
Figure 14: Categories of final consumption expenditure by type of non-profit institution controlled by government, 2010



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

Figure 15 shows the categories of final consumption expenditure by type of NPI controlled by government in 2011. In the category 'compensation of employees', 37,1% of final consumption expenditure came from 'general public services' NPIs, followed by 'economic affairs' (20,0%) and 'social protection' (12,7%). In the category 'subsidies', 46,7% of final consumption expenditure came from 'defence' NPIs, followed by 'recreation, culture and religion' (41,0%) and 'economic affairs' (12,3%). In the category 'purchases of goods and services', 27,3% of final consumption expenditure came from 'economic affairs' NPIs, followed by 'general public services' (23,6%), 'social protection' (11,8%) and 'defence' (11,2%).

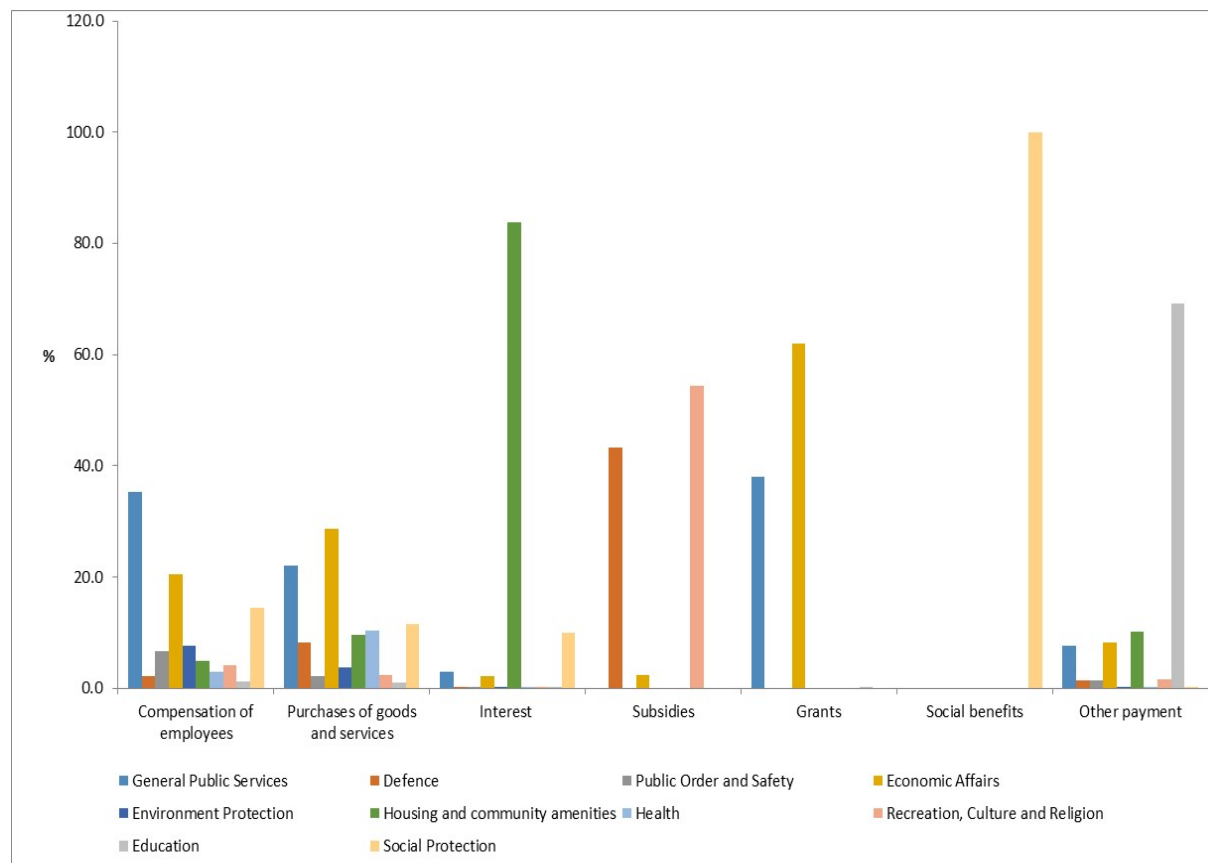
Figure 15: Categories of final consumption expenditure by type of non-profit institution controlled by government, 2011



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

Figure 16 shows the categories of final consumption expenditure by type of NPI controlled by government in 2012. In the category 'compensation of employees', 35,3% of final consumption expenditure came from 'general public services' NPIs, followed by 'economic affairs' (20,5%) and 'social protection' (14,5%). In the category 'interest', 83,8% of final consumption expenditure came from 'housing and community amenities' NPIs, followed by 'social protection' (9,9%). In the category 'purchases of goods and services', 28,7% of final consumption expenditure came from 'economic affairs' NPIs, followed by 'general public services' (22,1%), 'social protection' (11,6%) and 'health' (10,4%).

Figure 16: Categories of final consumption expenditure by type of non-profit institution controlled by government, 2012

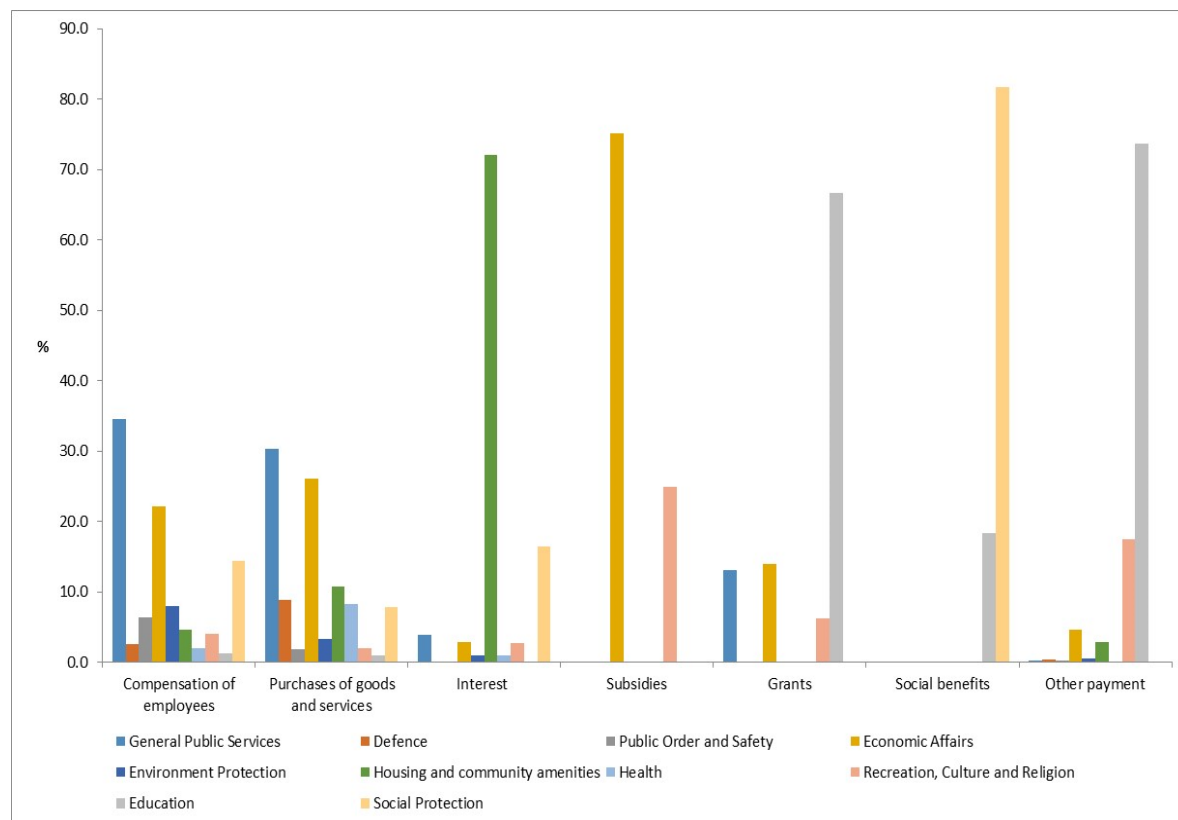


Source: Statistics South Africa – Financial statistics of extra-budgetary accounts and funds, 2012/2013



Figure 17 shows the categories of final consumption expenditure by type of NPI controlled by government in 2013. In the category 'purchases of goods and services', 30,3% of final consumption expenditure came from 'general public services' NPIs, followed by 'economic affairs' (26,1%) and 'housing and community amenities' (10,8%). In the category 'grants', 66,6% of final consumption expenditure came from 'education' NPIs, followed by 'economic affairs' (14,0%) and 'general public services' (13,1%). In the category 'compensation of employees', 34,6% of final consumption expenditure came from 'general public services' NPIs, followed by 'economic affairs' (22,1%) and 'social protection' (14,4%).

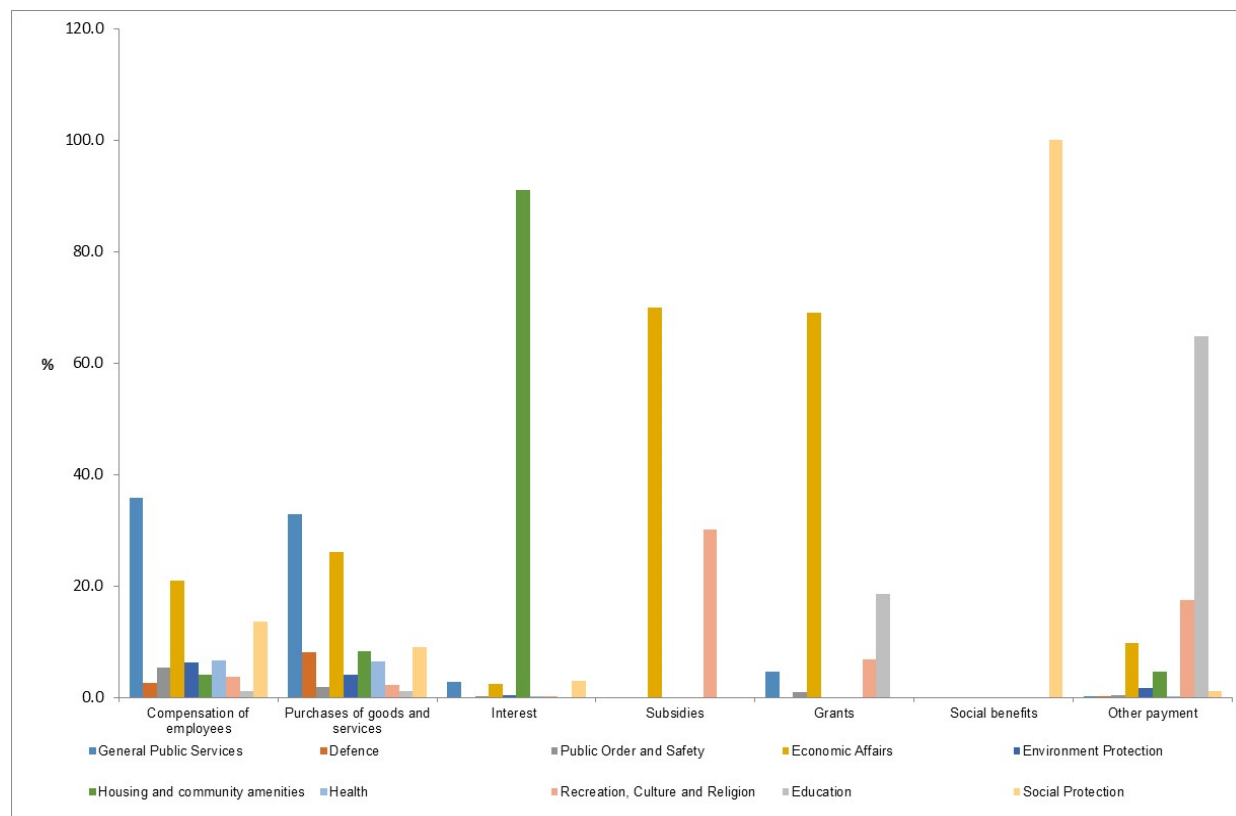
Figure 17: Categories of final consumption expenditure by type of non-profit institution controlled by government, 2013



Source: Statistics South Africa – Financial statistics of extra-budgetary accounts and funds, 2013/2014

Figure 18 shows the categories of final consumption expenditure by type of NPI controlled by government in 2014. In the category 'compensation of employees', 35,8% of final consumption expenditure came from 'general public services' NPIs, followed by 'economic affairs' (20,9%) and 'social protection' (13,6%). In the category 'grants', 69,1% of final consumption expenditure came from 'economic affairs' NPIs, followed by 'education' (18,6%) and 'recreation, culture and religion' (6,9%). In the category 'purchases of goods and services', 32,9% of final consumption expenditure came from 'general public services' NPIs, followed by 'economic affairs' (26,1%) and 'social protection' (9,0%).

Figure 18: Categories of final consumption expenditure by type of non-profit institution controlled by government, 2014



Source: Statistics South Africa – Financial statistics of extra-budgetary accounts and funds, 2013/2014

## 2.6: Employment in the non-profit institution sector

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

The unpaid volunteer work of household members in NPIs is to be taken as a household providing labour to other institutions. An NPI does not compensate a volunteer worker. This undervalues both the output of the NPI and the contribution of household members to production within the SNA production boundary<sup>15</sup>.

<sup>15</sup> Source: 2008 System of National Accounts

### 2.6.1 Number of volunteer workers

Volunteer work provides important employment training and a pathway into the labour force. It also offers services not easily provided by paid workers, such as mentoring. Volunteer work is a major component of unpaid labour that may be easier to capture since it can be differentiated from household activity, and much of it takes place through institutions that are considered to be well within the production boundary of the economy (i.e. NPIs)<sup>16</sup>.

The information of volunteer workers is collected from the Voluntary Activity Survey (VAS). VAS is a household-based sample survey that collects data on the volunteer activities of individuals aged 15 years and older who live in South Africa. This information is gathered from respondents who are members of households living in dwellings that have been selected to take part in Stats SA's Quarterly Labour Force Survey (QLFS). VAS covers unpaid non-compulsory work; that is, the time individuals give without pay to activities performed either through an organisation or directly for others outside their own household in the four weeks preceding the survey interview<sup>17</sup>.

Table 8 shows that the number of volunteer workers increased from 1,3 million in 2010 to 2,2 million persons in 2014. Of the total number of volunteer workers in 2014, 65,4% indicated that they volunteered on their own (direct volunteering) and 27,5% indicated that they volunteered through an organisation, while the remaining 7,0% volunteered both directly as individuals and through organisations<sup>18</sup>. The number of volunteer workers who 'volunteer through the organisation' declined from 37,5% in 2010 to 27,6% in 2014. The number of those who 'volunteer directly' increased from 52,7% in 2010 to 65,4% in 2014. In both 2010 and 2014, the majority of volunteer workers indicated that they performed only one activity (89,2% and 91,4% respectively).

Table 8: Distribution of volunteers by type of volunteering and number of volunteer activities, 2010 and 2014 (000 and %)

Type of volunteering	2010		2014	
	No. of volunteers	2010 %	No. of volunteers	2014 %
Organisation-based volunteering only	491	37,5	607	27,6
Direct volunteering only	689	52,7	1 443	65,4
Both (organisation-based and direct volunteering)	128	9,8	155	7,0
<b>Total</b>	<b>1 308</b>	<b>100,0</b>	<b>2 205</b>	<b>100,0</b>
<b>Number of volunteer activities</b>				
One	1 167	89,2	2 016	91,4
Two	112	8,6	164	7,5
Three	29	2,2	25	1,1
<b>Total</b>	<b>1 308</b>	<b>100,0</b>	<b>2 205</b>	<b>100,0</b>

Source: Statistics South Africa – Voluntary Activity Survey, 2015

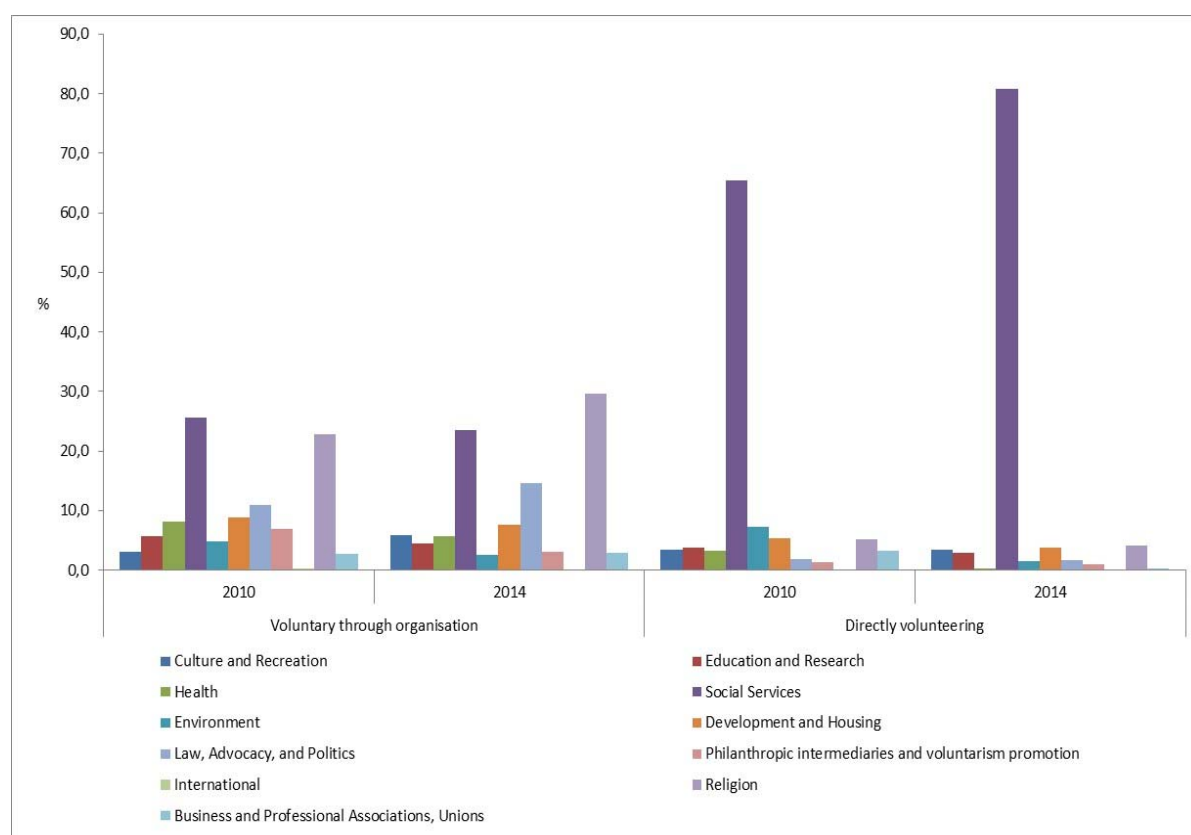
<sup>16</sup> Source: Manual on the measurement of volunteer work

<sup>17</sup> Source: Statistics South Africa – Voluntary Activity Survey, 2015

<sup>18</sup> Source: Statistics South Africa – Voluntary Activity Survey, 2015

Figure 19 shows the percentage of total volunteer workers by type of volunteer activity performed in 2010 and 2014. 'Social services' was the highest volunteer activity performed by both volunteer workers who volunteered directly and those who volunteered through an organisation in both years. In 2010 and 2014, of the total number of volunteer workers who 'volunteered through an organisation', 'social services' was the most volunteered activity performed (25,6% and 23,6% respectively), followed by 'religion' (22,8% and 29,6% respectively), 'law, advocacy and politics' (11,0% and 14,7% respectively) and 'development and housing' (8,9% and 7,7% respectively). 'Caring for the elderly' was the foremost task performed by those who volunteered for an activity under 'social services', while 'combating crime' was the key task performed by those who volunteered for an activity under 'law, advocacy and politics'. In the 'social services' activity, the number of persons who 'volunteered directly' as individuals increased from 65,2% in 2010 to 80,8% in 2014. 'Helping at funerals' and 'caring for children' were the most performed tasks by those who volunteered as individuals for activities under the 'social services' activity.

Figure 19: Percentage of total volunteer workers by type of activity, 2010 and 2014



Source: Statistics South Africa – Voluntary Activity Survey, 2010 and 2014

### 2.6.2 Volunteer rate and full-time equivalents

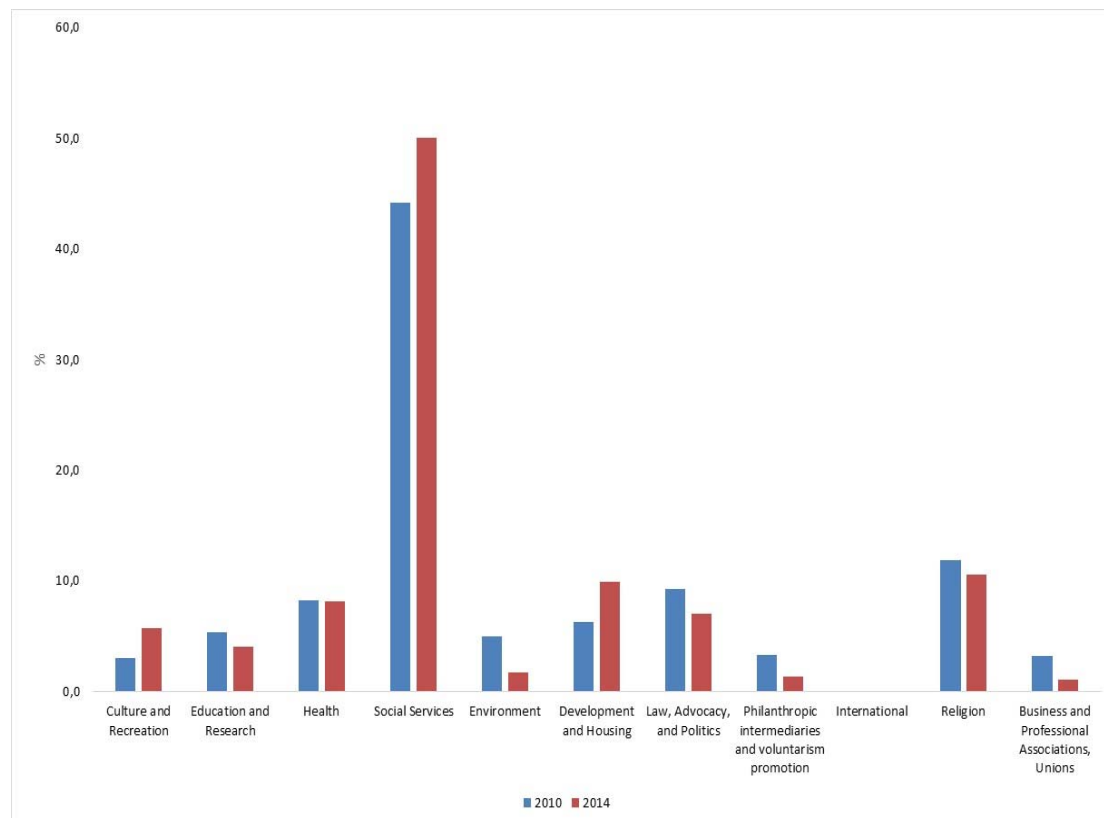
The volunteer rate is a convenient expression of the extent to which the country's population engages in volunteer activities. It is calculated by dividing the number of identified volunteers by the population aged 15 years and older.

In 2014, 2,2 million volunteer workers contributed approximately 610 478 000 hours over the 12-month period of 2014 compared with 1,3 million volunteers workers who contributed 419 241 000 hours in 2010. Assuming a 40-hour week in both 2010 and 2014, this is equivalent to 201 558 and 293 499, respectively, persons working full time. In 2014, more hours were spent through direct volunteering only (371,7 million) and fewer hours were spent on both organisation-

based and direct volunteering. This is in contrast to 2010, when more hours were spent volunteering through an organisation.

Figure 20 illustrates the percentage of total hours volunteered by type of activity in 2010 and 2014. In both 2010 and 2014, the majority of the total hours volunteered were spent performing 'social services' and 'religion' activities. In 2014, the majority of the total hours volunteered were spent performing 'social services' activities (50,1%), followed by 'religion' (10,6%), 'development and housing' (10,0%), 'health' (8,1%) and 'law, advocacy and politics' (7,0%).

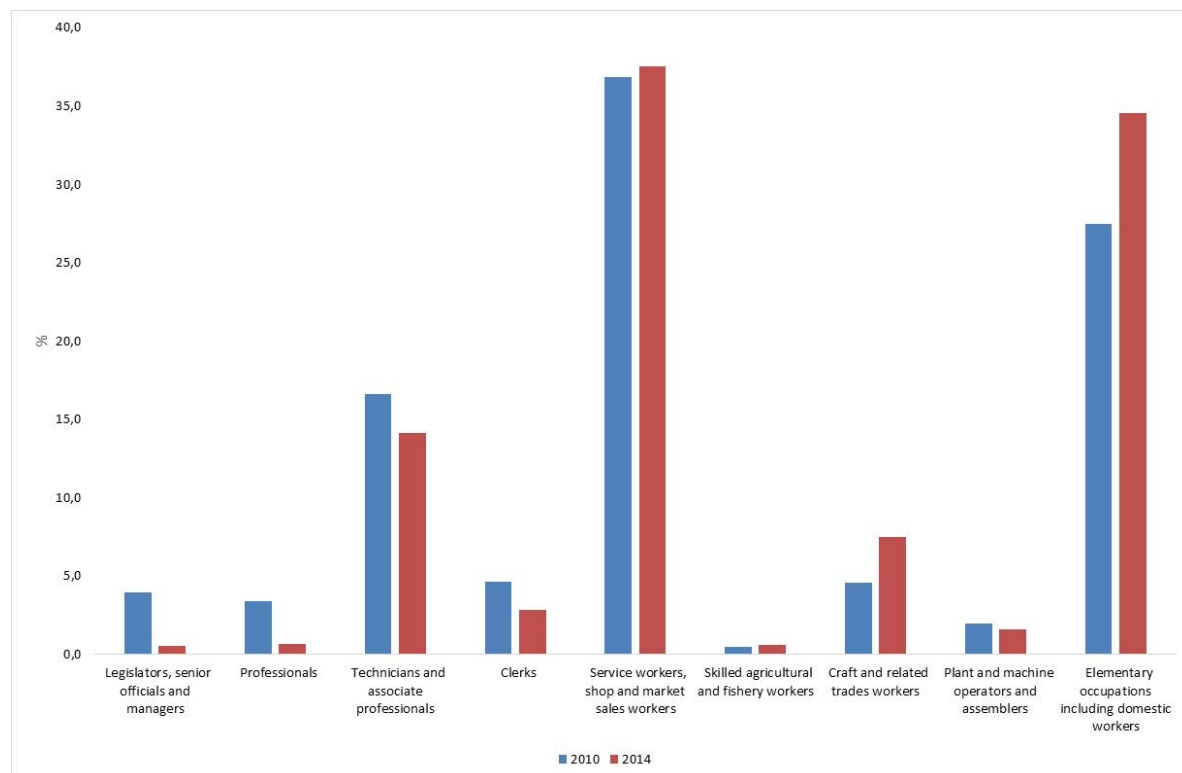
Figure 20: Percentage of total hours volunteered by type of activity, 2010 and 2014



Source: Statistics South Africa – Voluntary Activity Survey, 2011 and 2015

Figure 21 shows the percentage of total hours volunteered by occupational group in 2010 and 2014. In both years, the majority of the total volunteered hours were devoted by ‘service workers, shop and market sales workers’, ‘elementary occupations including domestic workers’ and ‘technicians and associate professionals’. In 2014, the lowest contributors to the total volunteered hours were ‘legislators, senior officials and managers’, ‘professionals’ and ‘skilled agricultural and fishery workers’ (0,6% in each case). This is in contrast to 2010, when the occupational group that contributed the lowest to the total hours volunteered was ‘skilled agricultural and fishery workers’ (0,5%), followed by ‘plant and machine operators and assemblers’ (1,9%), and ‘professionals’ (3,5%).

Figure 21: Percentage of total hours volunteered by occupational group, 2010 and 2014



Source: Statistics South Africa – Voluntary Activity Survey, 2011 and 2015

### 2.6.3 Treatment of volunteer labour

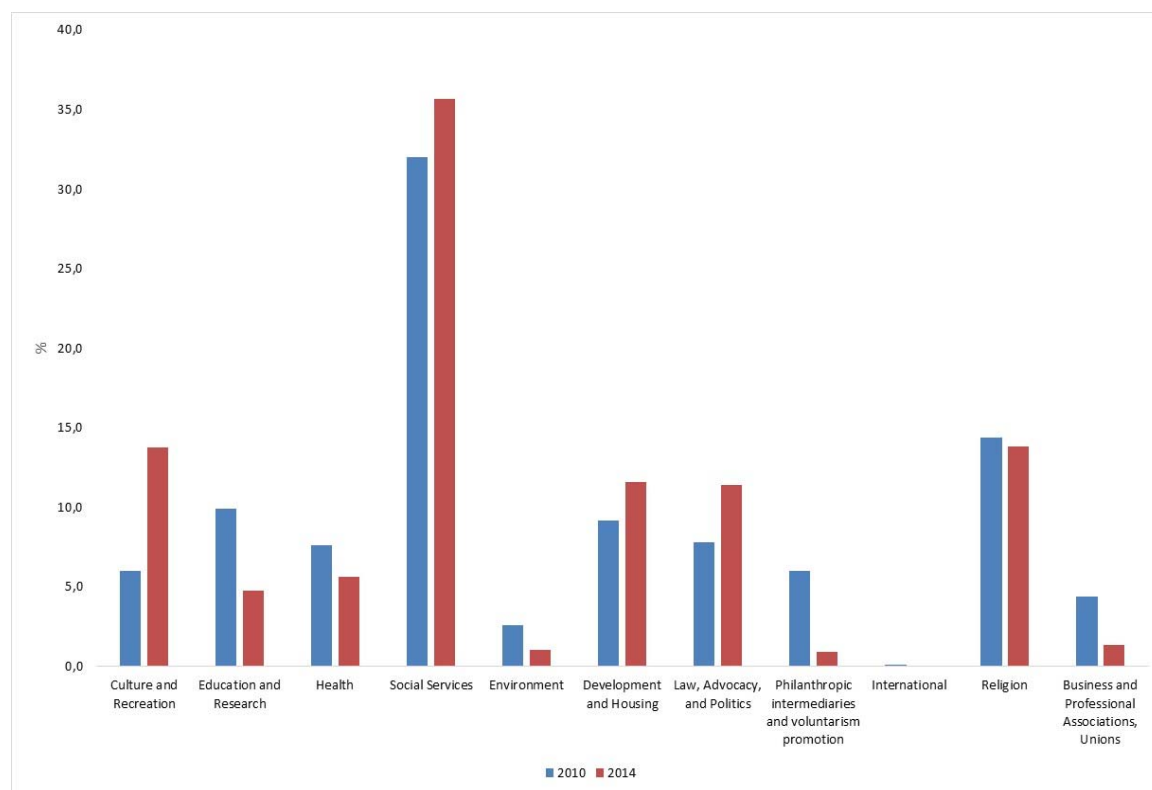
There are two methods of estimating the economic value of volunteer and unpaid work, namely opportunity cost and replacement cost.

The 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. For example, if a social worker volunteers as a teacher assisting in a basic adult education programme in the community, the work will be valued at the rate he or she would receive as a social worker, not as a teacher.

Replacement cost estimates the value by assigning to the hours of volunteer work what it would have cost to hire someone to do work that the volunteer had been doing for no pay. For example, if a social worker volunteers as a teacher assisting in a basic adult education programme in the community, the work will be valued at the rate at which a teacher is paid. South Africa uses this method to estimate the economic value of volunteer work. This method is also recommended by the *Handbook on NPIs in the SNA*.

If the volunteer work that was done by volunteer workers had been compensated work, it would have cost approximately R8,3 billion in 2010 and R9,9 billion in 2014 to perform the work. Figure 22 shows the percentage of the total value of volunteer work by type of activity for the years 2010 and 2014. When using the replacement cost method, 'social services' and 'religion' activities were the highest earners in both 2010 and 2014. In 2014, 'social services' was the highest-earning activity (35,7%), followed by 'religion' (13,8%), 'culture and research' (13,7%), 'development and housing' (11,6%) and 'law, advocacy and politics' (11,4%).

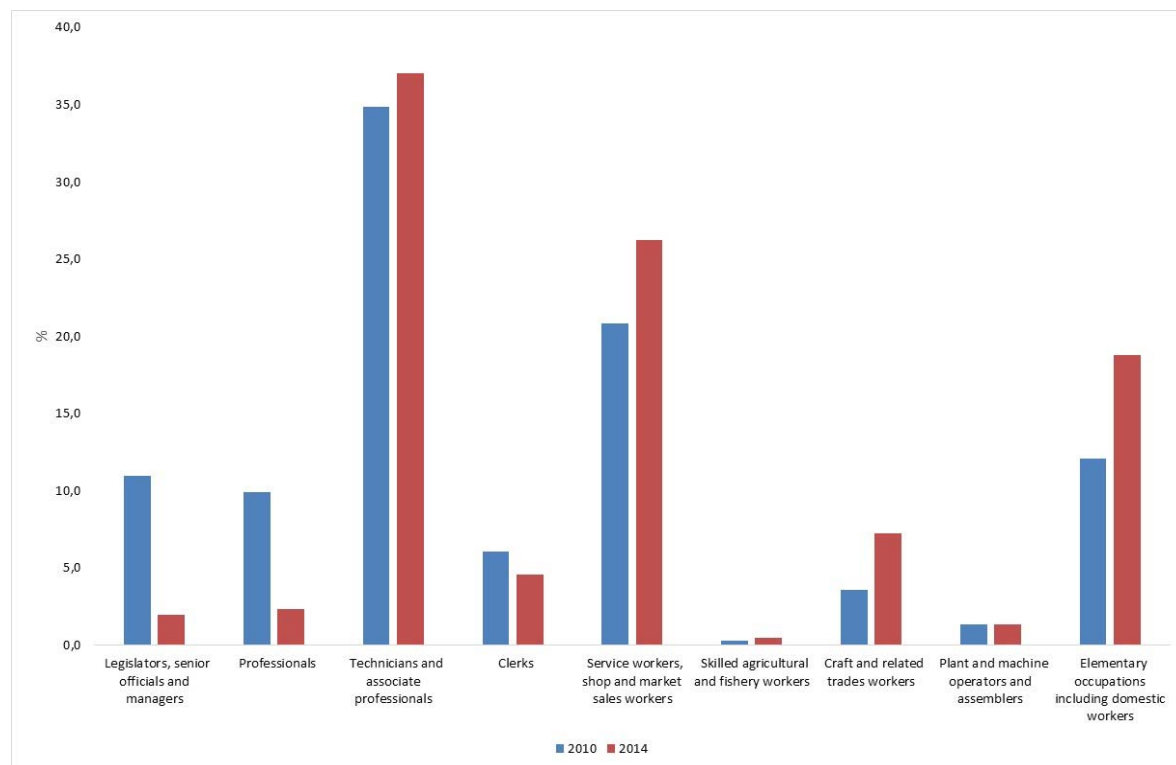
Figure 22: Percentage of total value of volunteer work by type of activity, 2010 and 2014



Source: Statistics South Africa – Voluntary Activity Survey, 2011 and 2015

Figure 23 illustrates the value of volunteer work by occupational group. In both years, the majority of the value of volunteering was contributed by ‘technicians and associate professionals’, followed by ‘service workers, shop and market sales workers’ and ‘elementary occupations including domestic workers’. In 2014, ‘technicians and associate professionals’ contributed 37,1% of the total value of volunteering, followed by ‘service workers, shop and market sales workers’ (26,2%) and ‘elementary occupations including domestic workers’ (18,8%). The lowest contributors to the total value of volunteering in both years were ‘skilled agricultural and fishery workers’ and ‘plant and machine operators and assemblers’.

Figure 23: Percentage of total value of volunteer work by occupational group, 2010 and 2014



Source: Statistics South Africa – Voluntary Activity Survey, 2011 and 2015



### Chapter 3: Conclusion

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.

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.

The largest number of South African NPIs were registered as voluntary associations, with almost 40,0% of these organisations classified as social service NPIs. The South African NPIs derived most of their income from government subsidies, local donations 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 service 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.

Volunteer labour constitutes a significant input for most NPIs. More than 2,2 million individuals volunteered approximately 610 million hours in 2014. In South Africa, almost two thirds of the volunteer labour was volunteered directly as individuals. Although people volunteer for other organisations such as government agencies and businesses, most voluntary work in South Africa takes place in the NPI sector. Volunteer labour is critical to the output of the NPIs and to their ability to produce the level and quality of services that they provide. The measurement of volunteering gives a more complete picture of services actually produced and consumed in the NPI sector and in the economy as a whole. The inclusion of volunteer labour input also permits more accurate comparisons of input structure and cost structure between NPI producers and those in other sectors.

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](mailto:MembreyM@statssa.gov.za) by 29 May 2017.

## Glossary

Accrual basis of recording	Transactions are recorded when economic ownership changes hands for goods, nonproduced nonfinancial assets and financial assets and liabilities, when services are provided, and for distributive transactions when the related claims arise.
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.
Grants	Grants are non-compulsory current or capital transfers from one government unit to another government unit or an international organisation. Current grants are those made for purposes of current expense and are not linked to or conditional on the acquisition of an asset by the recipient. Capital grants involve the acquisition of assets by the recipient.
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 it 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.
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.
Social benefits	Social benefits are transfers in cash or in kind to protect the entire population or specific segment of it against certain social risks.
Subsidies	Subsidies are current unrequited payments that government units pay to enterprises on the basis of levels of their production activities or the quantities or values of the goods and services that they produce, sell, export or import. Subsidies may be designed to influence levels of production, prices at which outputs are sold, or the remuneration of the enterprises.
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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