

The Identification of the Nonprofit Sector in the German Statistical Business Register

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1. Introduction

This paper presents the project “civil society in figures”, which was conducted between April 2009 and April 2011 and aimed to identify the nonprofit sector in the German statistical business register (BR) and its macroeconomic importance for the reporting year 2007. The project was initiated and financed by the Bertelsmann Foundation, the Fritz Thyssen Foundation and the Stifterverband für die Deutsche Wissenschaft and was carried out by the Federal Statistical Office of Germany and the Centre for Social Investment at the University of Heidelberg (CSI). Within the Federal Statistical Office the project was carried out in cooperation between the national accounts and the business register department.

The social importance of nonprofit institutions – such as sports clubs, charities, welfare organisations or parental initiatives – for society is undisputed. The German nonprofit sector has not only grown rapidly in recent years, the growth has also been attended by an increasing interest of politics, science and civil society. Meanwhile the economic importance of the nonprofit sector was not known until recently. The last figures for Germany have been published by the Johns Hopkins Comparative Nonprofit Sector Project (CNP) in 1995. Moreover, the data of the CNP was mostly obtained by an extrapolation of the data collected in 1987. The CNP was a collaborative effort by scholars in over twenty countries to understand and analyse the nonprofit sector and to undertake a cross-national comparison in thirteen different countries. The results for Germany were as follows: 3.9 percent of the country’s gross domestic product was produced by the nonprofit sector. And with 4.9 percent of total employment, the economic weight of the German nonprofit sector was close to that of the transport and communications industry, and slightly larger than the economic weight of the chemical and printing industries combined (cp. Anheier/Seibel 2001: 76 et seq.).

The aim of the project “civil society in figures” was to fill the data gap and to deliver figures – number of enterprises and employees as well as its gross value – about the economic significance of the nonprofit sector in Germany. Furthermore the project was supposed to be a basis for a survey of nonprofit organisations and in the long run for continuous monitoring. The results will also be used to improve the institutional sector classification in the business register according to the European System of Accounts (ESA95).

2. Theoretical approach

The definition of the nonprofit sector in this project was based on the United Nations’ (2003) “Handbook on Non-Profit Institutions in the System of National Accounts”, whose methods for the

nonprofit sector are internationally applicable and have been established and practiced in many other countries.

According to the definition of the UN Handbook, units of the nonprofit sector are:

- *Organisations*, that is institutionalised to some extent;
- *Private*, that is institutionally separate from government;
- *Non-profit-distributing*, that is not returning profits generated to their owners or directors;
- *Self-governing*, that is able to control their own activities;
- *Voluntary*, that is non-compulsory and involving some meaningful degree of voluntary participation.

3. The implementation

The basis of this feasibility study was the German statistical business register that covers about 3.6 million economically active enterprises, which have at least 17,500 euros consolidated turnover and/or at least one employee subject to social insurance. Variables as name, address, legal form, economic activity, etc. exist for all these companies, but until recently there has been no identification mark that indicated whether a unit belonged to the nonprofit sector or not.

Obviously there is a difference between the above mentioned characteristics of nonprofit institutions according to the UN Handbook and the existing units of the BR, since the BR does not contain units which do not have employees subject to social insurance, but are based on voluntary work for example, or units which have a turnover that is lower than 17,500 euros. As a result, units such as smaller associations, citizens' groups, support groups, etc. are not covered by the BR and are therefore not included in the results. Those units probably constitute a significant part of the nonprofit sector, but are economically speaking rather insignificant for this sector.

The allocation of the BR units to the appropriate sectors was done automatically as far as possible. Only the units that could not be allocated clearly by the automatic algorithm, were examined concerning the further procedure and then allocated individually if necessary. The aim of the project was to create a new variable "nonprofit" in the BR, which contains the two values 2 (nonprofit) and 0 (not nonprofit; in the following also described as for-profit).

3.1 The automatic allocation

The implementation of the theoretical approach was mainly done by an automatic algorithm that assigned units to the nonprofit or for-profit sector, using already existing and for this purpose created variables, where the last ones were derived from already existing variables. The remaining quantity that could not be allocated automatically was researched individually at a later date.

To automatically identify the enterprises in the BR as nonprofit- or for-profit-institutions, the following steps were conducted:

1. By using regular expressions in the statistical software SAS, the names of the enterprises in the BR were searched for a lot of different terms as "Red Cross" or any other name of welfare organisations, "nonprofit" in general, "registered associations" and "churches" – all kinds of terms that were indicators for the nonprofit sector.

2. All legal forms (abbr.: LF) were divided into typical (LF=2), potential (LF=1) and untypical (LF=0) for the nonprofit sector. Typical for the nonprofit sector is the legal form “religious communities that are regulated by public law”. Enterprises with the legal forms “private limited company” and “public limited company” potentially belong to the nonprofit sector. Within these legal forms are enterprises that are nonprofit as well as enterprises that are not nonprofit. The existing coding of the variable legal form did not meet the requirements of the project’s purposes completely. Although enterprises are legally obliged to carry their legal form in the enterprise name, they do not have to carry “nonprofit” in their names. That means that nonprofit companies could only be identified by checking the name of the enterprise for terms that refer to nonprofit activities. There are two more legal forms that are potentially nonprofit, because they consist of a mix of legal forms as non-incorporated and registered associations and all kinds of foundations. All other legal forms, as limited commercial partnerships for example, are untypical for the nonprofit sector.

3. Analogous to the legal form, the economic activity (abbr.: EA) was divided into typical (EA=2), potential (EA=1) and untypical (EA=0) for the nonprofit sector. The variable economic activity in the BR is based on the classification NACE Rev. 2. Typical economic activities of the nonprofit sector can be found in the sectors human health and social work activities (e.g. hospitals, retirement homes), education (e.g. kindergartens, schools and universities) or arts, entertainment and recreation (e.g. theatres, sports clubs, museums). An economic activity that potentially belongs to the nonprofit sector is “accommodation” for example. While youth hostels are typical for the nonprofit sector and hotels are untypical for the nonprofit sector, enterprises with the economic activity “holiday resorts” might belong to the nonprofit or for-profit sector, depending on the provider of the institution. An untypical economic activity for the nonprofit sector is the manufacture of electrical equipment and electricity supply for example.

4. After that, several “positive lists” – that consisted of units which belong to the nonprofit sector – as well as “negative lists” – that included all units which definitely do not belong to the nonprofit sector – were integrated. Positive and negative lists were created of data from official statistics, for example the hospital statistics and the statistic of universities, of units that were separated from the BR by name such as foundations and of lists that were found on the internet. If necessary, a scientist of the CSI assigned the units either to the nonprofit or the for-profit sector. Partially it was also necessary to find out the identification number of the units in the BR, before the list could be used for the purposes of this project.

5. With the last step, the new, but preliminary, variable “nonprofit sector” (NPS) was generated by using the previously created variables. Analogous to the variables LF (legal form) and EA (economic activity), the variable “nonprofit sector” got three values, to which the enterprises of the business register were allocated: definitely nonprofit (NPS=2), maybe nonprofit (NPS=1) and definitely not nonprofit (NPS=0).

The preliminary variable NPS was based on the following conditions (see figure 1):

1. If an enterprise is a public unit or if it is identified in one of the negative lists, then it does not belong to the nonprofit sector and gets the value NPS=0.
2. If an enterprise is identified in one of the positive lists or if it belongs to the variables “nonprofit”, “religious community”, “registered association” or “welfare organisation”, then it belongs to the nonprofit sector and gets the value NPS=2.
3. If LF=0 and EA=0, then the enterprise does not belong to the nonprofit sector and gets the value NPS=0.

4. If LF=2 and EA=2, then the company belongs to the nonprofit sector and gets the value NPS=2.
5. All other enterprises potentially belong to the nonprofit sector and get the value NPS=1.

Figure 1: Matrix of the Nonprofit Sector divided by legal form and economic activity



Economic activity	Legal form		
	Untypical	Potential	Typical
Untypical	Definitely Not Nonprofit (NPS=0)	Maybe Nonprofit (NPS=1)	Maybe Nonprofit (NPS=1)
Potential	Maybe Nonprofit (NPS=1)	Maybe Nonprofit (NPS=1)	Maybe Nonprofit (NPS=1)
Typical	Maybe Nonprofit (NPS=1)	Maybe Nonprofit (NPS=1)	Definitely Nonprofit (NPS=2)

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3.2 The non-automatic allocation

After the first, automatic allocation, approximately 70% of all enterprises of the BR could be identified as nonprofit or rather for-profit units. 30% of the enterprises could not be allocated clearly and were defined as maybe nonprofit (NPS=1).

To examine this group of objects (NPS=1), it was splitted into 13 subgroups, which were divided by the variables EA, LF (both with the values typical, potential and untypical for the nonprofit sector) and also the detailed legal forms of LF=1 (potentially nonprofit) such as private limited companies and the legal forms that consist of a mix of legal forms as registered associations, etc.

After that, samples of 500 units for each of these subgroups were examined. By that method another 70% of the 30% that potentially belong to the nonprofit sector could definitely be excluded from the nonprofit sector. Those units were mainly private and public limited companies with an economic activity that was untypically or potentially nonprofit. Another 25% of the enterprises that potentially belong to the nonprofit sector were found out to have a slightly bigger amount of nonprofit organisations and were therefore further examined by a sample of approximately 11,000 units. This sample was used to extrapolate the findings to all units in the subgroups for purposes of the national accounts. The remaining

5% were found out to be mainly nonprofit, so that the approximately 51,000 enterprises of the according subgroups were examined completely. In total, approximately 62,000 enterprises were researched individually.

The accomplished research of the 62,000 enterprises was mainly done via internet and was meant to examine the units concerning their benefit to the public, their state control as well as their potential relationship to parent enterprises. Whereas benefit to the public and a missing for-profit orientation are indicators for a classification as nonprofit, is a more than 50% control by the state an indicator for a enterprise that is not nonprofit. If an enterprise has an economic activity that is typical for the nonprofit sector and a legal form that is potential for the nonprofit sector and the parental enterprise belongs to the nonprofit sector, then the subsidiary enterprise will be allocated to the nonprofit sector as well.

From the 51,000 enterprises of the subgroups that were researched completely, 35% of the enterprises and 36% of the employees subject to social insurance could be allocated to the nonprofit sector. From the 11,000 enterprises that were used for extrapolation, only 1.1% of the enterprises but at least 5.5% of the employees subject to social insurance could be allocated to the nonprofit sector.

3.3 Final allocation

After the non-automatic allocation was done, the findings were added to the first, automatic allocation of the enterprises by giving the findings of the internet research priority over the automatic allocation and by including general findings – such as the fact that all units with LF=0 and EA=0 or EA=1 do not belong to the nonprofit sector – into the algorithm. As a result, some allocations were changed from nonprofit to for-profit and the other way around.

After all units in the BR were definitely identified as nonprofit or for-profit, the status of a parent enterprise was – under certain circumstances – passed on to the subsidiary enterprise. In this regard, the BR also provided the necessary information about enterprise groups. By this step, the allocation of the enterprises was further improved. The rules for inheritance were as follows:

1. If the parent enterprise is allocated to the nonprofit sector, but its subsidiary enterprise is not, and the subsidiary has a typical economic activity for the nonprofit sector and is not a public enterprise, then the subsidiary is allocated to the nonprofit sector as well.
2. If the parent enterprise is a public enterprise and the subsidiary enterprise was not labelled as a public enterprise yet, then the subsidiary will be allocated to the for-profit sector and labelled as public enterprise.

These rules were first applied from all majority shareholders to their direct subsidiaries. After that, it was taken into account that an enterprise could be a subsidiary of a parent enterprise but that it could also be a parent enterprise itself. Whenever the status of a subsidiary changed, its relationship to the direct subsidiary was examined again and possibly – if one of the two above mentioned rules applied – changed.

In the end, all enterprises of the BR (reporting year 2007) got the label nonprofit (NPS=2) or for-profit (NPS=0). 80% of all enterprises of the nonprofit sector were allocated automatically, 20% of the enterprises were allocated individually via the internet research.

4. Résumé

The goals of the project “civil society in figures”,

- the identification of the nonprofit enterprises in the BR,
- the determination of the numbers of employees subject to social insurance and
- the calculation of the national accounts’ gross domestic product

were successfully accomplished.

The BR with its information regarding name, address, economic activity, legal form, employees subject to social insurance, enterprise groups, etc. proved itself an important statistical basis for the identification of economically active units of the nonprofit sector. Besides, data from official statistics could be linked with the BR and thus used extensively.

However, it has to be taken into account that the BR does not cover unpaid, voluntary work, which is relatively important for the nonprofit sector. It is neither involved in the number of employees nor in the calculation of the gross domestic product. For this reason, the focus of the project was on the economic importance of the nonprofit sector and not on its importance for society.

Nevertheless, the project “civil society in figures” filled a data gap and attracted notice to politics and the science. The cooperation between the three initiators, the official statistics and the science made an important contribution to the results.

In order to use the findings for continuous monitoring, the next step will be to apply the automatic algorithm for the reporting year 2008 and to explore how many enterprises need to be allocated manually.

Final results will probably be presented on the ISI congress and were not presented in this paper due to the still outstanding publication of the results on 29th June 2011.

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