

Methodological Practice and Practical Methodology: Fifteen Years in Nonprofit Statistics

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The Hungarian Central Statistical Office has been carrying out annual surveys on the nonprofit sector since 1993. A method of data collection and processing has been developed for the last 15 years. The study presents not only the methodology, but its function in the practice describing the features of the Hungarian civil sphere. This process is performed by different statistical indicators referring to 2006 and in time series. The data on the size, composition, finance and human resources of the sector can show a satisfying picture to foreign experts having interest in Hungarian nonprofit research.

KEYWORDS:

Nonprofit sector.

Analysis of structure.

Financing.

“The significance of social associations has recently increased. The activity of associations has impacts on nearly every aspect of social life today. Millions of people are linked with one another in these organisations. Their operations are based on huge annual incomes amounting to millions. Such associations exercise a significant influence on the development of social life, as well as on the direction and substance of this development as they mobilise the moral purposes and material resources within society. Therefore associational life deserves great attention in national-political considerations, and the government endeavours to regulate associational work in line with the growing public interest in these affairs are entirely justified” (*Dobrovits* [1936]). These thoughts written by *Sándor Dobrovits* in the introduction to his work entitled “Associations of Budapest” in 1936 are also relevant to the current Hungarian nonprofit sector. After 18 years of changes in the political system, we can say that a three-sectored economy has been developed in Hungary. In this system the civil society operates sometimes in cooperation, sometimes in competition with the state and the for-profit spheres. The Hungarian nonprofit sector has experienced a long and difficult development and has recently been transformed into a widely recognised and lauded actor within the country.

1. The history of the nonprofit sector in Hungary after the Second World War

The communist regime that took over Hungary in 1947 and lasted more than 40 years halted the development of the voluntary sector, destroying and vilifying civil society. The government banned most of the voluntary associations. What remained of the voluntary sector was nationalized and brought under state control. The right of association was denied, and there was also no way to set up a foundation. On paper, the communist regime had the loftiest declarations concerning the right of association. However, in practice, any application of such declarations and written laws would have been inconceivable.

The 1956 Revolution revealed that the communist governments had been able to dissolve most of the voluntary organisations, but they could not completely eradicate citizens’ autonomy, solidarity and private initiatives. The failed revolution was followed by a tacit compromise: a more flexible version of state-socialism was devel-

oped. Gradual reforms were introduced in the economy, more freedom was granted to people in their private life. Reforms, gradual changes, realization of the poor performance of state delivery systems, all led to a more tolerant government attitude towards civic initiatives. From the 1980s this change speeded up, and after the mid-1980s it became obvious that the crisis of the system was so fundamental that any fine-tuning would have been useless. There was a need for a major overhaul.

This gradual process of reforms explains the fact that the rehabilitation of civil society was long underway before the final collapse of the communist system in Hungary. One of these steps was the “rehabilitation” of foundations: the legal provisions pertaining to them reappeared in the Civil Code in 1987. By the time the breakdown of the Soviet Bloc had made fundamental political changes feasible in 1989, civil society organisations were numerous, developed and widespread enough to become important actors of the systemic change. Since then, they have developed together with other institutions of the economy and society, trying to find appropriate answers to the challenges created by the process of transition.

As the Parliament passed the Law on Association in 1989, and thus the legal guarantees of the freedom of association became enacted, associational life in Hungary took off both qualitatively and quantitatively. Organisations were mushrooming, their number tripled during the 1990s, and from almost nothing, a foundational sector of nearly 20 000 was born. New legal forms were created such as public foundations, public benefit companies, public law associations, voluntary mutual insurance funds, and these organisations became day to day actors within a wide range of different fields.

At the same time the Hungarian Central Statistical Office recognized the socio-economic significance of this movement and started the regular statistical observation of foundations and associations in order to track the development of the non-profit sector. This process is still going on, nevertheless, it is worth mentioning that this work had some antecedents.

2. The history of the associational statistics

The first plan for a nationwide census of associations emerged in 1848 in the program of the National Statistical Office led by *Elek Fényes*. However, the first relevant report was issued only in 1862 by the Statistical Committee of the Hungarian Academy of Sciences (*Hunfalvy* [1862b]). It was not actually the result of a survey, but only a report based on different official data (*Domokos* [1968] p. 221.) in which the organisations were sorted by counties and five activity fields, and the

names of organisations in addition to those of their presidents and members were included.

The first really nationwide data collection took place in 1878. This census was started by a law accepted in 1874, which stated that “in call of the statistical office, private institutes, associations, and companies dealing with public purposes are obliged to send directly the office their operating data necessary in order to measure year by year the public state of the countries of the Hungarian Crown”. In the end, data was gathered by municipalities, but this action did not prove easy since – as *Károly Keleti* wrote in the introduction of the quite ample publication containing the results – “there were so many mistakes and deficiencies in the presented data that the number of letters of admonition posted to the associations and companies amounted to 3048” (*Vargha* [1880]). Despite this, it succeeded in collecting rather detailed data on 4000 organisations including not only the purpose, the year of establishment and the membership of associations, but also the financial background such as membership fee, income, expenditure, assets (*Reisz* [1988]). As far as the field of activity was concerned, the organisations were classified in 16 groups and 76 subgroups (*Bocz* [1992] p. 843.). The importance of this analysis was enhanced by the fact that similar data collection did not occur during the period of the Austro-Hungarian Monarchy, although it would have been a basic survey serving as a starting point to the further deep and exhaustive statistical observations according to the original intention.

The next such comprehensive census of associations resembling that of 1878 was carried out after 54 years, when the Hungarian Central Statistical Office measured the number of associations, their membership and financial situation. As the questionnaire asked information on the year of establishment, it made it possible to estimate the number of organisations in the preceding decades (*Sebestény* [2003]).

Then another long pause came that lasted until 1970, when a survey on voluntary associations was conducted, which was repeated in 1982 and in 1989. The associational surveys taken place during that period, represented a prominent chapter in the history of the Hungarian statistics.

3. The emergence of the Hungarian nonprofit statistics

The economic transformation after the fall of the regime brought about the adoption of the economic information system of the developed countries. This was the way in which the internal as well as external observers managed to compare the performance of the accession countries. The adoption of the statistical standards of the SNA (System of National Accounts) and its European version, the ESA (European

System of Accounts) was a part of this development. When calculating the economic performance, the SNA and the ESA categorise the economic units into five institutional sectors, which are: the non-financial corporations sector, the financial corporations sector, the general government sector, the households sector and the nonprofit institutions serving households (NPISH). During the socialist era there was no need for individual recording of the latter category, partly due to its negligible economic significance.

After the fall of the socialist regime, the first publication of the Hungarian Central Statistical Office (HCSO) dealing with nonprofit organisations was published under the title “Social Organisations in Hungary in 1991” (*KSH* [1993]). This short overview failed to provide adequately precise data on the nonprofit sector, it only managed to draw the readers’ attention to lack of available information. As a result of this neither comprehensive nor representative data collection, it became clear that no records system suitable for even showing the exact number of such organisations existed. It was due to the fact that the official records system kept at the courts was not helpful in monitoring the cessation of organisations. This justified the establishment of a new, specialised section within the HCSO. The section established in 1992 was given the task of collecting wide-scope data on nonprofit organisations operating in Hungary. The primary aim of the data collection was to assess, in co-operation with the Department of National Accounts, the contribution of the nonprofit sector to the national economy.

Another reason why the information collection started again was the fact that the socio-economic changes led to decreasing public trust in the governmental sector’s problem-solving ability and the concurrent growing importance of nonprofit organisations. Nevertheless, there was little empirical knowledge about the number, economic strength and economic characteristics of nonprofit organisations or the structures of their activities. In the developed countries the academic examination of the nonprofit sector had started in the 1970s and 1980s, although, the first large-scale international comparative study using a uniform system of definitions and approaches only took place in the early 1990s.¹

When laying the foundations of the nonprofit statistics, the HCSO had a presupposition, namely that the relatively small share of the nonprofit sector (0.5-0.7 percent) within the GDP was going to grow in the future. Projections indicated that during the development of Central-European countries a nonprofit sector similar in size and structure to that of the developed world would emerge. Besides monitoring this process, the records made it possible to get a picture of unfolding social movements.

¹ This was the Johns Hopkins University Comparative Nonprofit Sector Project conducted by *Lester Salamon* and his research team in which Hungary also participated. The survey was repeated in 1995, when the necessary information referring to Hungary was already presented on the basis of data published by the HCSO (*Salamon–Anheier* [1995], [1999]; *Salamon et al.* [1999], *Salamon–Sokolowski–List* [2003]; *Sebestény* [2001]).

The knowledge emerging from data collection helped civil advocacy, governmental organisations, as well as researchers dealing with the nonprofit sector. We are convinced that this continuous statistical activity played a significant and stimulating role in forming the state “civic” policy appeared in this period, which targeted the development of, and cooperation with the third sector. The following crucial laws were the legal outcomes of this process:

- 1997: 1 percent of the personal income tax can be given to nonprofit organisations selected by taxpayers;
- 1998: Nonprofit organisations serving public interest can apply for the public benefit and special public benefit status; the public benefit status becomes a condition for preferential tax treatment;
- 2004: Institutionalisation of public support to civil society organisations by the creation of the National Civil Fund;
- 2005: Legal regulation of tax-free allowances to volunteers; the legal form of public benefit companies is substituted by that of nonprofit companies; limitation of the individual donors’ tax preferences (*Kuti* [2008] p. 13.).

The annual statistical observation of the third sector became such an important and indispensable part of mapping the social conditions of the country that it appears as a separate element of the new governmental civil strategy. As far as the future of this survey is concerned, the present practice can be both a basis and a starting point for making regular nonprofit satellite accounts in order to meet international recommendations.

4. Definitions and concepts

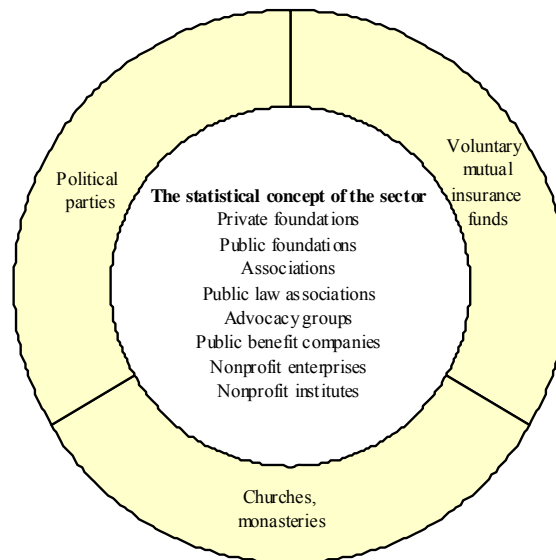
The data available in connection with the nonprofit sector are confusingly diverse. Data users often complain, justly, about discrepancies of information coming from various sources. Sometimes the differences are large, therefore it seems to be necessary to start our review by clarifying the definitions and the content issues.

In today’s Hungarian practice, there are three different definitions used for the nonprofit sector (*Balogh–Mészáros–Sebestény* [2003]). Among these definitions the legal definition is the broadest. According to this, all non profit oriented organisations (foundations, public foundations, public law associations, public benefit companies, nonprofit enterprises, voluntary mutual insurance funds, and social organisa-

tions falling under the scope of the association law), which at the same time do not belong to the government sector, are regarded as part of the nonprofit sector, if they are registered as legal entities.

The statistical definition is somewhat stricter and more pragmatic, and it is actually based on the criteria (the prohibition of distributing the profit; organisational independence from the governmental sector; institutionalised status /independent legal entity/; public service nature; some elements of volunteerism and the exclusion of a party-like operation) established in international practice. Although it is not as broad as the legal definition (see Figure 1), it is similar in logic since it uses the organisational forms described in the Civil Code as its starting point. According to this definition, the following organisations do not fall under the category of the nonprofit sector: voluntary mutual insurance funds (since the nonprofit-distribution constraint does not prevail in their case), political parties (as their mission is to acquire public and governmental powers), and churches or monasteries² (whereas the regulation that defines the operational framework for secular nonprofit organisations does not apply to them).

Figure 1. The relation of the legal (broader) and statistical (narrower) concepts of the nonprofit sector



² In international practice, it is strongly debated whether churches can be regarded as part of the nonprofit sector. In Hungary, the HCSO and the historical churches drew up an agreement in 1993 according to which churches, denominations, and monasteries do not fall under the scope of the statistical observation of the nonprofit category, while church foundations and religious associations do.

The SNA definition is based on completely different principles. When compiling national accounts, from organisations falling into the category of the statistical definition (inner circle of Figure 1) those ones have to be regarded as part of the nonprofit sector serving households, which conduct income-gaining activities only to a limited extent and list private donations as their dominant source of financing. The organisations that primarily live off of state support are part of the government sector, while the nonprofit service providers relying mainly on income from fees and the employers' advocacy groups have to be included in the corporate sector. At the same time, for example, from the organisations being in the outer circle of Figure 1 that do not comply with the statistical definition but satisfy the description of the legal one, political parties, churches, and also monasteries are included in the nonprofit sector serving households in the system of national accounts. However, the economic performance of voluntary mutual insurance funds is included in the financial corporations sector.

5. The description of the types of nonprofit organisations

Not all of the nonprofit types described so far are subject to our statistical observation, and the main forms, which are included, are outlined in the following, using *Éva Kuti's* definitions ([2008] pp. 17–18.). There are two basic legal forms (voluntary associations, private foundations) of classical civil society organisations under Hungarian law. Two other kinds of organisations (public law associations, public law foundations) are intended to offer an institutional framework for government related nonprofit activities. The legal forms of nonprofit service provision are changing right now, public benefit companies are disappearing, while nonprofit companies and social cooperatives have been being developed.

Voluntary associations are autonomous membership organisations formed voluntarily for a purpose agreed upon by their members and stated in their articles of association. They must have registered members who organise to pursue actively the associations' aims. Although membership organisations are not necessarily called voluntary associations and special laws and government decrees may specify rules for some of them, the basic legal regulation of voluntary associations applies to all such organisations, including societies, clubs, self-help groups, federations, trade unions, mass organisations, social organisations, etc. These organisations can be formed around common interests, intentions, concerns, hobbies, personal problems, age, residence, profession, occupation, or support for particular institutions, ideas, and actions.

Public law associations are self-governing membership organisations, which can only be created by the Parliament through passing a specific law on their establishment. The Hungarian Academy of Sciences, the Chamber of Commerce and the chambers of some professions (such as doctors, lawyers, architects, etc.) have been transformed into public law associations since the creation of this legal form. Although the legal regulation of voluntary associations generally applies to public law associations, the government may vest additional authority over their members in this kind of associations (for instance official registration, quality control, the issue of licences, etc.).

Professional associations are incorporated cooperative associations founded by their members having legal personalities in order to improve the efficiency of their financial management, coordinate their economic activities, and represent their professional interests. A professional association shall not aim for profit; its members shall sustain unlimited joint and several liability for any liabilities exceeding its assets.

Foundations are organisations with endowments established to pursue durable public purposes. Their founders can be either private persons or organisations with legal personalities. Unlike associations, foundations do not have members. They are managed by a board. Their founders are not allowed to have a significant influence on the decisions of this board. Private foundations can take several different forms including operating foundations (for example foundations operating schools, nursing homes, health and cultural institutions; providing social services; publishing books and journals; managing local radio and television stations, etc.); grant seeking foundations exclusively supporting public institutions such as libraries, theatres, museums, schools, universities, hospitals, research institutes that established them or pursuing particular aims and projects (creation of monuments, organisation of festivals, or development of art collections); grant-making foundations that support either projects or organisations; and corporate foundations mostly supporting present or former employees of the companies.

Public law foundations are foundations established to take over some government tasks (for instance education, health care, public safety, etc.), which are defined in law as government responsibilities. Their founders can only be the Parliament, the Government and the municipalities. (These organisations can establish only this kind of foundations; they are not allowed to create private foundations at all.) The public law foundations are kept financially accountable by the State Audit Office. The founders can initiate the dissolution of a public law foundation if they think its function can be more efficiently fulfilled by another type of organisation. The property of the dissolved public law foundation reverts to its founder. Apart from these special provisions, the basic legal regulation of private foundations applies to public law foundations as well.

The public benefit companies and their successors, the nonprofit companies are private firms, which generally produce public goods thus they can get the public benefit status. Their occasional profit cannot be distributed among their owners, managers or employees, it must be used to pursue their public purposes. Apart from the non-distribution constraint, the basic economic regulation of ordinary private firms applies to them. This legal form best fits the nonprofit service providers, which cannot reasonably be organised as either foundations or voluntary associations. In some sense, the type of the newly emerging social cooperatives is already an intermediate legal form, halfway between the nonprofit and the for-profit sector. The importance of their membership, their public purposes and their eligibility for the public benefit or even special public benefit status link social cooperatives to the voluntary sector, while the disappearing non-distribution constraint is a point of similarity with the private for-profit corporations.³

6. Methodology

This chapter serves for giving a comprehensive account of different sources providing fundamental information on nonprofit organisations, and the description of the methodology how to produce a nation-wide database containing figures on organisational characteristics.

6.1. Different registers

The differences in the definitions themselves would be enough to steer the assessments concerning the size of the nonprofit sector in different directions. Another reason for the differences may lie in the fact that the data on the number of nonprofit organisations are available from several registers that are actually independent of each other. These registers differ in aims, content, operational principles and maintenance rules.

With the exception of public benefit companies, every nonprofit organisation that fulfils the legal definition's requirements, and that has been registered as an independent legal entity and has not been officially dissolved is included in the court register available for the public on the webpage of the Supreme Court (<http://www.birosag.hu/engine.aspx?page=tarsszervsearch>). Since a large number of

³ At present, social cooperatives are not subjects to the nonprofit statistical observation.

dissolved associations and foundations that have lost their assets in many cases fail to legally confirm their cessation (for example their general assembly does not make a decision on the resolution of cessation) or to report it, this register contains several organisations that have in fact not been in operation for a long time. Therefore the number of organisations in the register by far exceeds the actual number of organisations.

The HCSO's database is supposed to solve this problem. It contains all the organisations' names, addresses, and the description of their activities, the data of their official representatives and their court registration number. The register is regularly updated via the help of an annually distributed questionnaire and by the usage of the data available from the court register of newly registered organisations. We also record reports on cessation or closure of operation. In order to check the validity of basic details, the questionnaires contain several control questions such as questions on availability and activity, which are to be confirmed by the data providers. As a source of information we do not only accept the official documents on cessation of operation but also if the affected party, or a person/ institution in connection with them provide information on cessation of the organisation. In this case we consider an organisation dissolved if it had long been connected to a wound-up institution (for example to a political mass organisation or to a state construction company or to an agricultural co-operative from before the change of the socialist regime) and after the winding up of those institutions they themselves disappeared with no trace left.

In order to update the register, we try to seize all opportunities we can. As we maintain continuous relations with the players of the sector, we can have access to special registers, too. Such ones are the registers kept at ministerial departments, containing information about supported organisations; the list of organisations gained 1 percent tax designation run by the Hungarian Tax and Financial Control Administration; the National Civil Fund's register about applicant organisations; the data on the member organisations of umbrella organisations; and the registers of local governments on nonprofit organisations that are operating in the area and in connection with the local governments. If necessary, we ask the individual organisations to provide or correct themselves the missing or incorrect data.

The register of the Hungarian Central Statistical Office updated in the foregoing way contains a smaller number of organisations than the court register. Therefore it is also closer to the real value. In order to illustrate the differences, here are the numbers of organisations for 2007 present in the different registers: the court register counts over 80 thousand, while the HCSO register only 60 thousand organisations. It is then implicitly assumed that the court register gives a picture of not only the actually operating but also the already dissolved organisations. In the publications using the HCSO database – such as the annually published volumes of the series entitled “Nonprofit Organisations in Hungary” (*Nagy–Sebestény–Szabó* [2007, 2008]) and

the studies summarising the results of the supplementary data collection focusing on different subfields of the nonprofit sector every year – we only include the data of organisations which fulfil the descriptions of the statistical definition and about the cessation or suspension of the operation of which we did not receive any indication from any source.

Here we need to mention the fact that the nonprofit organisations in the register are classified according to the codes of activity groups. This categorisation is called NCNPO (National Classification of Nonprofit Organisations) and applied by adapting the internationally used classification system (International Classification of Nonprofit Organisations – ICNPO) developed by the Johns Hopkins Comparative Nonprofit Sector Project. NCNPO is in parts more detailed and tailored to Hungarian special characteristics. It enables us to group the organisations according to their main activity into 18 main groups, 62 groups and nearly 200 subgroups by using the information provided in the process of their registration and statistical surveys. This system, on the one hand, enables the easier processing of data that allows detailed and international comparisons. On the other hand, it permits a search covering several groups of activities, as well as other selection criteria (such as youth organisations, and organisations dealing with the disadvantaged).

6.2. The phases of data processing

In order to get an insight into the actual activities, economic importance and financial characteristics of the sector, the first comprehensive statistical data collection was conducted – as an experiment – in 1993 on the year of 1992. Based on the experiences, both the structure of the distributed questionnaires and the method of data processing were changed significantly in 1994. At present, we still use the procedure of *data collection*, which was introduced then and which remained, apart from minor modifications and supplementations, almost the same. The questionnaire – besides the register type of information – requests data in connection with the establishment of the organisation, its members and employees, its activities, the organisation's revenues and expenditures, the grants offered, and the major financial balance sheet items.

During the *data recording process* we send questionnaires by post to all nonprofit organisations on our mailing list. Besides, the questionnaire is available on the webpage of our office and can be sent back through e-mail, too.

Data processing takes place in two phases. First we check and correct the respondent organisations' data then we form a comprehensive database. During the *correction phase* we have to face the methodological problem of how to deal with the questionnaires if the revenue and expenditure tables are empty. Although the number of these respondents is not large compared to all of the respondents, we have

no information about whether these organisations really do not have any revenues in the given year or they simply did not answer the question. Since the majority of this group comprises organisations that may possibly not have any revenues and due to their size this “withheld” amount cannot be significant, we interpret the missing amount as zero.

During *data correction* the high proportion of “other revenues” – the rate of which was initially approximately 10 percent in the 1990s – poses many problems, it can distort the picture on the revenue side to a great extent. In order to avoid this difficulty, specification of “other revenues” is asked in the questionnaire, and based on the answers we ourselves can perform the classification and identify the financial sources in retrospect.

We also come across some obstacles when we estimate the number of members of associations and advocacy groups. These organisations are supposed to have members but they do not always have precise records concerning their membership. Thus, during the data correction phase, we compute the number of members of those that do not provide us with precise membership information by taking the mean average figures of data providing organisations of similar kind and size. Another typical problem is that organisations usually overestimate the number of their members, so the data we are supplied with tend to show an “exaggerated” image. Thus, we have to undertake the task of correcting the extraordinary data, too.

Regarding the number of employees, there are three questions in the questionnaire: we ask for the number of employees working in main job full time/ main job part-time/ non-main job. On the basis of this, we calculate the full-time equivalent employment (FTE), which was introduced by the Johns Hopkins Comparative Nonprofit Sector Project and is commonly used in the international nonprofit literature. We get this figure by adding the number of employees working in their full-time main job to the half of the employees employed in part-time main job and the one-tenth of the employees in non-main job. This indicator shows how many employees in full-time main job would be equivalent to the number of people employed by the organisations in various ways.

To estimate how many full time paid employees’ work is equivalent to the volunteers’ performance, similar methods are used. By multiplying this index with the annual mean wages paid to the recorded main job employees in the nonprofit sector, we get the estimated wage savings, namely the rate to which the not paid wages increase the organisations’ financial resources.

Before calculating the statistical indicators characterising the entire sector, there is a need to *make the database comprehensive*. The starting point for this is the information available in the computer register of nonprofit organisations, even of those that are non-respondent organisations. For the purpose of making the data comprehensive, initially, we used the system of multipliers connected to the respondent or-

organisations, but later we developed a hot-deck imputation method, the so-called donor-finder program. The principle of this latter one is that the missing statistical data of all non-respondent organisations that have major characteristics known from the register are taken from another respondent organisation that is similar in terms of its major characteristics.

In the donor-finder program the organisations are first classified into groups according to their legal forms, activities and the location of their seats. Within all the activities we differentiate between foundations, associations, public benefit companies/nonprofit enterprises and institutions operating in the capital, county seats, other towns or villages. When separating the activities, we use the most detailed grouping possible, we do not only differentiate between main groups but in many cases also between subgroups, or we make a distinction between the categories of NCNPO. A detailed classification like this is necessary because it greatly influences the size and income structure of an organisation. (For instance, the cultural foundations operating in the capital use much greater financial resources and receive a larger amount of state support than an average village fire fighting association. Public benefit companies, unlike other organisations, mainly perform business activities and they usually have a relatively large capital. Student sports organisations with their comparatively high number of members, operating beside educational institutions, or technical sports clubs require large capital and thus stand out from among sports associations.)

When forming the groups, we assume that the average size of the non-respondent organisations with the same organisational structure and like activities, operating in a closely similar type of community is the same as that of the respondents. The differences may largely be defined by the various social, economic and demographic characteristics of geographical areas and settlements. Starting from this point, for each non-respondent organisation we attempt to find a nearest located corresponding respondent organisation (a donor) with the same group-forming descriptions, the characteristic conditions of the seat of which are most similar to those of the non-respondent organisation.

Thus, the composed database contains not only the records of respondent organisations but also those of non-respondents. In these so-called “fictitious” records, besides the basic data of organisations present in the register, all the missing information “borrowed” from the representative organisation is available. The number of potentially representative (respondent) organisations is generally double of the non-respondent ones; about fifty percent of them do not represent any other organisation, and the decisive majority of those that do represent only one organisation. The foregoing methodology used for collecting data on the period 1993–2007⁴ enables us to

⁴ Except 2001 and 2002, when as an experiment, sample surveys were carried out embracing only about one third of the sector.

prepare more detailed analyses reflecting reality in a more reliable way both at the regional and county level.

The results of the data collection covering the entire nonprofit sector are published regularly. In the annual publications ample table material is available for further analyses, and the information collected in a more or less unchanged structure provides an opportunity for presenting the various indexes broken down to timelines. In the following part, we give an outline of the key changes taken place in the sector between 1993 and 2006⁵ together with the tendencies we can infer from them.

7. The characteristics of the sector

Not only the size and composition but also the activity structure of the nonprofit sector has fundamentally changed since 1989. Its structure has become nearly balanced and its functions have gradually strengthened. In order to map this development, we present the changes of the most important indicators in the following section.

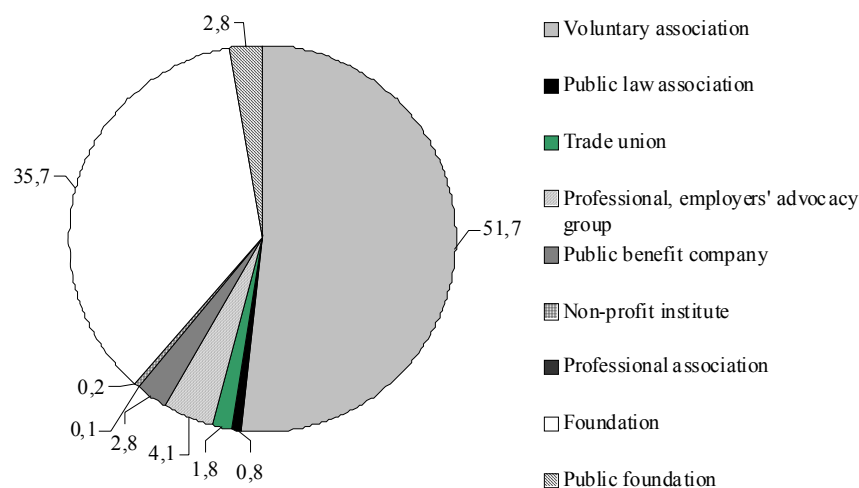
7. 1. The growth and structure of the nonprofit sector

A 1989 statistical survey found about 8 500 voluntary associations (*KSH* [1990]). The number of foundations was about 400 in the same year. At that time the Hungarian third sector was much smaller than that of developed countries. After 1989 the nonprofit organisations (NPOs) mushroomed, their social importance and economic strength soared. Starting from an absolute dominance of membership organisations, by now, only half of the NPOs are voluntary associations and roughly 36 percent are foundations. The share of advocacy organisations is only about 7 percent. The state-controlled public foundations and public benefit companies altogether account for only around 6 percent of the sector.

In the case of membership organisations, the establishment rush lasted until about 1995, which was followed by a period of stagnation and then the last 5 years of the examined period saw a slow increase. From 1990 to 1994 a large number of private foundations were established too, even if their endowments were usually very small. Then this growth slowed down.

⁵ Data referring to 2007 are still under processing, so the latest available information is from 2006.

Figure 2. The composition of the nonprofit sector by organisation type, 2006



During the years, the activity structure of NPOs has also changed gradually. Those engaged in health care, education and research, economic development and social care are characterised by a dynamic and rapid growth throughout the whole period. A slowing growth is visible in the fields of culture, environment, sports and recreation, international relations, and nonprofit federations. However, the number of economic and professional advocacy organisations and voluntary fire brigades decreased.

It is essential to mention that the composition of the sphere of foundations and associations differ fundamentally as far as the activities are concerned. The fields, which were definitely underdeveloped in Hungary compared to the developed, democratic countries, represented much higher shares in the foundations sector than among voluntary associations. The most striking difference was the relatively low share of Hungarian voluntary organisations in welfare services, which are/were the most important fields of voluntary activities in developed countries. It could be explained by the state monopoly of education, social and health care under state socialism. While voluntary organisations as service providers were tolerated in culture and even promoted in sports, recreation and emergency prevention, they were not allowed to establish schools or hospitals.

Recently the structure has become more balanced. The largest number of civil organisations is engaged in sports and recreation, traditionally in the form of voluntary associations. Many nonprofit associations can be classified within arts and culture, too. The field of education and health is characterised by the dominance of founda-

tions. The smallest groups of the Hungarian nonprofit sector are the politics, multi-purpose grant-making and nonprofit unions.

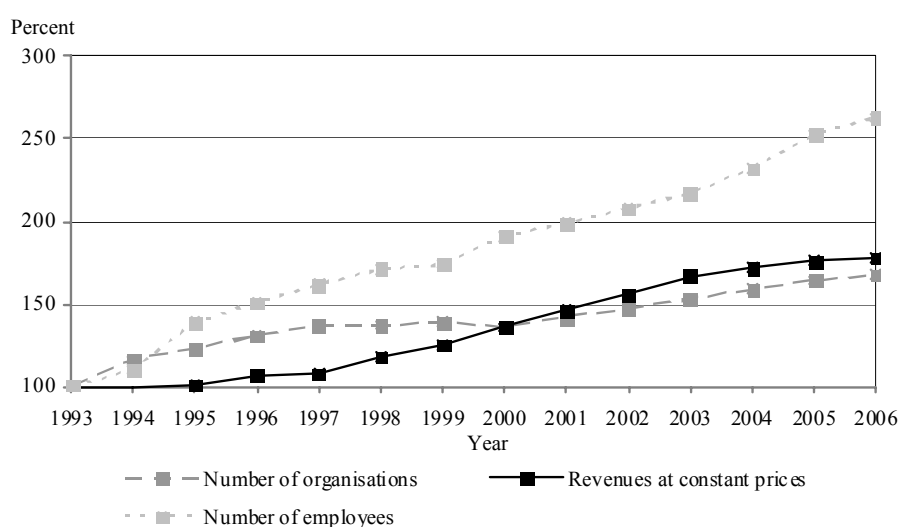
7.2. The features that characterise the sector's financing

In the entire period of time examined, the two most important indexes that reflect the development of the sector are the number of nonprofit organisations and the real value of revenues. Between 1993 and 2006 the previous one increased by 68 percent, the latter by 78 percent, but their growth curves showed major differences.

Until 1997, the number of organisations grew steadily (partly due to the establishment rush mentioned previously), after that it stagnated, then fell. From 2000 their number started to increase again.

The revenues at constant prices within the first years described a slight decrease, and then a very slow increase took place followed by a more dynamic rise only after 1997. This rate of progress has lessened since 2003.

Figure 3. The development of the nonprofit sector, 1993–2006



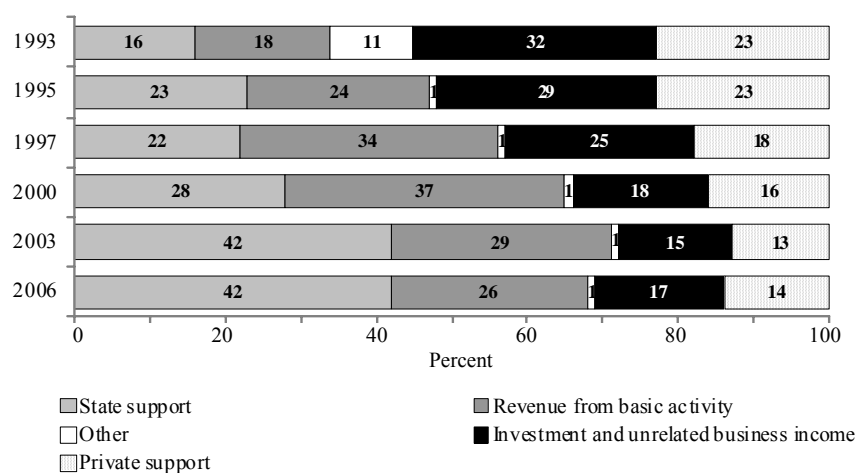
The revenue of the nonprofit sector was about HUF 896 billion (EUR 3 584 000) in 2006. (See Table 9 of Appendix.) This sum came from four major sources. In 1993, nearly 55 percent of the total revenues derived from investment, unrelated business and private donations. (See Figure 4.) By 2006 the former ratio had changed, around 68 percent of the total income came from revenues from the basic activity and state support.

The rate of state support after a long period of virtual stagnation began to increase from 1999 and reached 42 percent. The first impetus was given to increase its degree when the forms of public foundations and public benefit companies were introduced in 1994. Together with the increasing state subsidies, the sector's roles in the redistribution and in the provision of welfare services strengthened. According to the aim of their establishment carried out within a few years, public foundations play a major role in financial support, while public benefit companies realise a large share of investments. Nowadays the number and the role of these types of nonprofit organisations are continuously decreasing, but they still managed the 47 percent of the money flowing into the sector in 2006.

Two different financing schemes have been developed, the 1 percent system⁶ and the National Civil Fund to ensure that a large number of civil organisations have access to support from the central budget. Since 1997, the number of civil organisations supported from 1 percent of the budget has doubled. The National Civil Fund established in 2004 receives the same amount of money from the government budget as the taxpayers offered in the previous year.

Between 1993 and 2006, the rate of revenues from the basic activity grew from 18.4 percent to 26.3 percent. This indicates that the effort of NPOs to get revenues from basic activities has been quite successful and they are able to satisfy the demands of their members and clients more and more.

Figure 4. The distribution of the revenues of nonprofit organisations by source, 1993–2006



⁶ The "1 percent" law adopted in 1996 and valid from 1997 permits that taxpayers transfer 1 percent of their personal income tax to a nonprofit organisation of their choice. In 2006, 27 426 organisations received 1 percent designated funds from tax payers totalling to the amount of HUF 8.2 billion (EUR 33 000 000).

The share of private donations was about 14 percent in 2006. This low rate⁷ shows that the fund raising activities of nonprofit organisations are not too successful. Therefore civil organisations should try to collect more donations and build good relations with their potential donors.

The unrelated business income and investments are less significant, but they still amount to one sixth of the earned income.

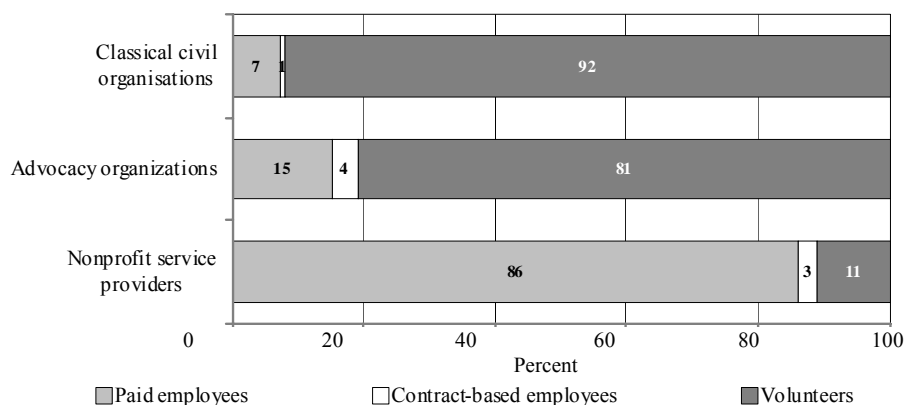
Studying the territorial distribution of the revenues of the nonprofit sector it can be stated that the major part of revenues is still concentrated in Budapest. (See Tables 4 and 8 of Appendix.) Although its extent decreased somewhat compared to that of 1993 when 28.2 percent of the nonprofit organisations operated in the capital (where one-fourth of the population lives) and 71.1 percent of the total revenue was channelled there. The same two ratios in the year of 2006 were “only” 23.8 and 59.8 percent, which can be still considered a bit high.

A further problem arises from the fact that in the sector there is an extremely large proportion of organisations with small revenue. In 2006, four fifths of the organisations had annual revenues less than HUF 5 million.

7.3. The employees, volunteers and members of nonprofit organisations

More than half a million people were active in the Hungarian nonprofit sector in 2006. In the last 15 years the number of paid employees grew steadily (see Figure 3), but nowadays only 75 000 people work full-time, though this is almost double the figure of that recorded in 1993.

Figure 5. The composition of human resources by organisation type, 2006



⁷ Which is considered quite high in international comparison.

In 2006, only about 15 percent of the nonprofit organisations could afford to employ paid staff, because a low income is typical of the majority of the nonprofit sector. A cost efficient solution is also widespread: in order to avoid certain taxation and social security fees several organisations establish contracts for assignments with independent sub-contractors. Two-thirds of the paid employees worked at organisations, which are located in the capital or in county towns. Since only a very few organisations have well-trained and well-paid employees, the need for professionalisation is an important challenge for them.

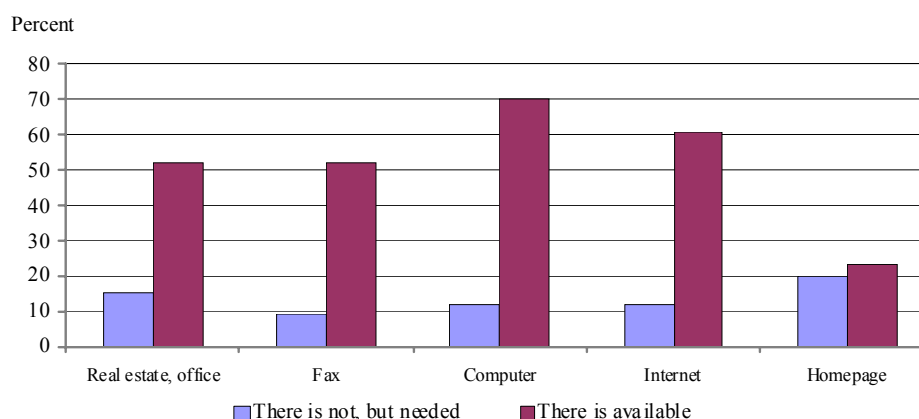
Volunteers play an important role especially in the life of small organisations and in smaller settlements, and they serve as the main form of individual support for these organisations. The number of volunteers was 438 000 in 2006. The nearly 50 million working hours that they provided is equivalent to approximately 24 thousand full-time employees. The value of voluntary work exceeded HUF 42 billion. More than 94 percent of the volunteers were active in associations and foundations, making voluntary input very important for the classical civil organisations.

The number of members in nonprofit organisations generally decreased in the examined period of time. Despite this fact, associations register over 3.7 million members, while the number of advocacy group members exceeds 1 million.

7.4. The infrastructure of the nonprofit sector

In 2006, more than half of the nonprofit sector was in possession of some kind of real estate or office. One third of the organisations did not claim to need an office. Around 30 000 NPOs occupied real estates, the largest proportion of them used the buildings/offices for free, around 20 percent rented their offices, and only 13 percent were owners.

Figure 6. The infrastructure of the nonprofit sector, 2006



In relation to the access of nonprofit organisations to communication and information technology, we examined which of the four basic tools (fax, computer, internet, homepage) were available for them. Computer availability is assured in some way for 70 percent of the sector. Most organisations can access the internet, though a significant number, around one eighth of them have no such access. More than one fifth of the organisations in the sector have their own homepage, and a further 20 percent would like to appear on websites. However, every fourth civil organisation stated that they were not able to get any kind of communication facilities.

*

During the observed period of one and a half decades, the service provider function of the nonprofit sector gradually strengthened and the organisations took over a widening range of public tasks, which belonged traditionally to the state. As a consequence of these changes, the increasing direct and indirect governmental supports to NPOs have been playing an increasingly important role in financing these public benefit activities. Summing it up, we declare that the Hungarian nonprofit sector is on the way towards the Western European type of modern civil society.

Appendix

Table A 1

The number of nonprofit organisations between 1862 and 2006

Year	Foundations	Membership organisations	Total
1862*	..	319	..
1878**	..	1 917	..
1932	..	14 365	..
1970	–	8 886	8 886
1982	–	6 570	6 570
1989	400	8 396	8 796
1990	1 865	14 080	15 945
1991	6 182	17 869	24 051
1992	9 703	20 660	30 363
1993	11 884	22 778	34 662
1994 ***	14 216	25 943	40 159
1995	15 650	27 133	42 783
1996	17 109	28 207	45 316
1997	18 603	28 762	47 365
1998	19 225	28 159	47 384
1999	19 754	28 417	48 171
2000	19 700	27 444	47 144
2003	21 216	31 806	53 022
2004	21 817	33 380	55 197
2005	22 255	34 439	56 694
2006	22 464	35 778	58 242

* The number of associations operated within the present country borders. In total 579 associations were in operation within the country borders at that time.

** The number of associations operated within the present country borders. In total 3995 associations were in operation within the country borders at that time.

*** Since 1994, the number of foundations has included public foundations and in the number of corporate nonprofit organisations public bodies and public benefit companies have also been included.

Note. 8514 associations were found in total during the association registration process for the year 1989 conducted by the HCSO in 1990 (*KSH* [1990]). This data is close to the registered number of organisations. The difference probably derives from the fact that during the statistical data collection, procedure questionnaires also arrived from organisations that were not independent legal entities, and therefore they were not included in the computer records.

Sources: *Hunfalvy* [1862a], [1862b]; *Vargha* [1880]; *Dobrovits* [1935 pp. 26-27]; *KSH* [1972], [1984]; for the period 1989–2006 HCSO database.

Table A 2

The percentage distribution of nonprofit organisations by organisation form, 1993–2006
(percent)

Organisation form	1993.	1995.	1997.	2000.	2003.	2006.
	year					
Foundation	34.3	35.5	37.5	39.3	37.3	35.7
Public foundation	–	1.1	1.8	2.5	2.7	2.8
Voluntary association	53.0	53.3	52.3	47.6	49.9	51.7
Public law association	–	0.6	1.0	1.0	0.9	0.8
Trade union	5.6	4.8	3.5	2.7	2.2	1.8
Employers' advocacy group	2.1	4.2	2.7	4.9	4.6	4.1
Public benefit company	–	0.4	1.1	1.9	2.3	2.8
Nonprofit institute	–	0.1	0.1	0.1	0.1	0.1
Professional association	–	–	–	–	–	0.2
Other, unknown	5.0	–	–	–	–	–
<i>Total</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>

Table A 3

The percentage distribution of nonprofit organisations by organisation type, 1993–2006
(percent)

Organisation type	1993.	1995.	1997.	2000.	2003.	2006.
	year					
Classical civil organisation	87.3	88.8	89.8	86.9	87.2	87.3
Advocacy organisation	7.7	9.6	7.2	8.6	7.7	7.0
Other nonprofit organisation	5.0	1.6	3.0	4.5	5.1	5.7
<i>Total</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>

Table A 4

The percentage distribution of nonprofit organisations by community type, 1993–2006
(percent)

Community type	1993.	1995.	1997.	2000.	2003.	2006.
	year					
Capital	28.2	27.4	26.6	26.1	25.4	23.8
County seats	22.4	23.1	23.3	22.4	22.4	22.1
Other towns	22.5	23.6	23.9	26.1	27.1	28.9
Villages	26.9	25.9	26.2	25.4	25.1	25.2
<i>Total</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>

Table A 5

The percentage distribution of nonprofit organisations by field of activity, 1993–2006
(percent)

Field of activity	1993.	1995.	1997.	2000.	2003.	2006.
	year					
Culture	10.2	10.1	9.8	10.5	10.8	11.2
Religion	1.5	2.3	2.5	2.7	2.7	2.5
Sports	21.8	16.6	15.1	13.7	13.2	12.3
Recreation and hobby	12.7	16.5	16.8	15.4	15.9	16.9
Education	9.6	10.8	12.4	14.6	14.3	13.9
Research	2.1	2.1	2.2	2.2	2.2	2.0
Health care	3.7	4.1	4.4	4.5	4.6	4.7
Social services	8.0	7.4	8.2	8.8	8.6	8.8
Emergency and relief	3.6	2.7	2.3	1.9	1.6	1.5
Environmental protection	2.1	2.1	2.1	2.2	2.4	2.4
Community development	3.1	3.5	4.1	5.1	5.7	6.2
Economic development	1.8	1.3	1.5	1.9	1.9	2.2
Protection of rights	1.5	1.2	1.2	1.2	1.3	1.4
Protection of public safety	2.2	2.5	2.8	3.0	3.2	3.4
Multipurpose grant-making	1.1	1.6	1.5	1.5	1.5	1.3
International relations	1.5	1.4	1.4	1.4	1.4	1.4
Professional economic advocacy	12.1	12.7	10.8	8.7	7.8	7.0
Politics	0.9	1.1	0.9	0.7	0.9	0.9
Other, unknown	0.5	–	–	–	–	–
<i>Total</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>

Table A 6

Revenues of nonprofit organisations by organisation form, 1993–2006
(HUF million)

Organisation form	1993.	1995.	1997.	2000.	2003.	2006.
	year					
Foundation	52 938.2	63 750.6	86 380.0	133 311.2	157 269.4	202 879.0
Public foundation	–	15 371.1	31 198.6	54 367.5	77 495.4	85 009.5
Voluntary association	42 969.7	65 023.4	89 905.0	104 716.6	149 780.4	169 011.6
Public law association	–	6 431.1	11 407.6	15 540.4	16 394.1	21 196.1
Trade union	6 669.4	9 088.2	7 093.8	8 679.3	10 787.5	13 163.6
Employers' advocacy group	7 319.5	10 959.3	7 521.2	46 635.5	72 711.8	53 383.9
Public benefit company	–	8 045.7	46 728.1	125 721.9	235 815.3	336 543.4
Nonprofit institute	–	3 246.9	4 127.9	6 535.6	10 799.7	7 572.4
Professional association	–	–	–	–	–	7 484.6
Other, unknown	8 578.6	–	–	–	–	–
<i>Total</i>	<i>118 475.4</i>	<i>181 916.3</i>	<i>284 362.2</i>	<i>495 508.0</i>	<i>731 053.6</i>	<i>896 244.1</i>

Table A 7

The percentage distribution of the revenues of nonprofit organisations by organisation form, 1993–2006
(percent)

Organisation form	1993.	1995.	1997.	2000.	2003.	2006.
	year					
Foundation	44.7	35.1	30.4	26.9	21.5	22.6
Public foundation	–	8.4	11.0	11.0	10.6	9.5
Voluntary association	36.3	35.8	31.6	21.1	20.5	18.9
Public law association	–	3.5	4.0	3.1	2.2	2.4
Trade union	5.6	5.0	2.5	1.8	1.5	1.5
Employers' advocacy group	6.2	6.0	2.6	9.4	9.9	6.0
Public benefit company	–	4.4	16.4	25.4	32.3	37.5
Nonprofit institute	–	1.8	1.5	1.3	1.5	0.8
Professional association	–	–	–	–	–	0.8
Other, unknown	7.2	–	–	–	–	–
<i>Total</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>

Table A 8

The percentage distribution of the revenues of nonprofit organisations by community type, 1993–2006
(percent)

Community type	1993.	1995.	1997.	2000.	2003.	2006.
	year					
Capital	71.1	65.5	61.8	62.8	61.3	59.8
County seats	13.9	18.3	22.2	19.4	18.3	16.2
Other towns	9.5	9.2	9.8	11.4	13.2	17.2
Villages	5.5	7.0	6.2	6.4	7.2	6.8
<i>Total</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>

Table A 9

Revenues of nonprofit organisations by source, 1993–2006
(HUF million)

Source of revenue	1993.	1995.	1997.	2000.	2003.	2006.
	year					
State support	19 440.6	40 911.4	63 329.3	140 917.4	308 964.0	378 353.7
Private support	26 764.6	42 492.6	51 942.3	79 993.0	95 117.6	126 466.2
Revenue from basic activity	21 730.6	44 275.3	95 490.1	183 105.5	210 740.9	235 820.0
Investment and unrelated business income	37 945.7	52 097.6	69 922.1	87 558.4	110 590.0	147 331.6
Other	12 593.9	2 139.4	3 678.4	3 933.7	5 641.1	8 272.6
<i>Total</i>	<i>118 475.4</i>	<i>181 916.3</i>	<i>284 362.2</i>	<i>495 508.0</i>	<i>731 053.6</i>	<i>896 244.1</i>

Table A 10

The number of the employees of nonprofit organisations, 1993–2006

Employee	1993.	1995.	1997.	2000.	2003.	2006.
	year					
Main job – full time	30 234	41 289	47 709	56 004	63 302	75 413
Main job – part time	1 564	3 363	5 770	10 100	12 765	20 035
Non-main job	16 327	25 037	22 344	14 676	11 204	4 212
<i>Total</i>	<i>48 125</i>	<i>69 689</i>	<i>75 823</i>	<i>80 780</i>	<i>87 271</i>	<i>99 660</i>
Within this FTE employees	32 649	45 475	52 828	62 522	70 805	85 852

The authors' other relevant tables are accessible from the HCSO's homepage: www.ksh.hu/statszemle.

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