



A Feasibility Study and Preliminary Framework for a Civil Society Satellite Account

Pro Bono Economics & Economic Statistics Centre of Excellence report for the Department for Culture, Media & Sport



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Executive Summary

Civil society organisations and the individuals who work and volunteer for them play a critical role in society, fulfilling many functions from service delivery to community building and campaigning. In doing so, they make a significant contribution to the economy.

Yet when it comes to measuring the economic contribution of different sectors in national accounts, the civil society sector is invisible. Its activity is spread across sectors and industries. This means that the scale and nature of civil society's contribution to the economy is impossible to identify from current government statistics. Perhaps most crucially, one of civil society's most valuable inputs – the time and talent of millions of volunteers each year – isn't counted at all.

A satellite account is a set of data tables linked to, but distinct from, the national accounts. They rearrange concepts and provide supplementary information, bringing out information about sectors that are otherwise not identifiable in national account-level data. In the UK, satellite accounts already exist for tourism, household production and environmental topics. This report was commissioned by the Department for Culture, Media and Sport (DCMS) to investigate the feasibility of creating a satellite account for civil society in the UK.

Sector stakeholders want to see the UK follow the lead of other countries like New Zealand, Canada and Mexico and introduce a civil society satellite account. A satellite account would provide robust, timely data about the size and contribution of the civil society sector, sitting alongside other national account statistics. It would allow comparisons across industries (for example, how many people are employed in the civil society sector compared to the hospitality sector) and reveal the contribution civil society makes within industries (for example, what proportion of organisations in the child day-care sector are part of the civil society sector).

While stakeholders are broadly supportive of a satellite account being developed, agreeing which organisations are in or out of scope of 'civil society' is less straightforward. To solve this problem, a 'modular' approach to building a satellite account should be taken, which would allow the data to be cut to meet the interests and needs of different data users.

Two approaches for building a civil society satellite account in the UK are set out in this report: a 'Do now' approach which relies on existing data, and an 'Intermediate' approach which we recommend should replace the initial version once further analysis has been completed.

The 'Do now' approach is the lighter touch option, using existing identifiers on the Inter-Departmental Business Register, business and employment surveys to find civil society organisations. It would produce data on economic, employment and organisation variables, such as output, pay and organisation numbers, and the data could be cut by Standard Industrial Classification (SIC) code. Annex A of this report sets out initial analysis of the data. This analysis suggests the identifiers would produce a useful first iteration of a civil society satellite account. However, the 'Do now' approach is likely to underestimate civil society and would only be an initial step.

The 'Intermediate' approach is much closer to the approach set out in the UN Handbook 'Satellite Account on Non-profit and Related Institutions and Volunteer Work'. Using the Handbook as a guide for identifying in-scope organisations, the 'Intermediate' approach uses registers (for example, the register of community interest companies) to create a reference list of civil society organisations for inclusion in the satellite account. Annex B provides detailed analysis of how the UN Handbook tests apply in the context of UK charity and company law. The 'spirit' rather than the 'letter' of the UN Handbook guidance would produce a list of in-scope organisations that better reflects the UK context, meet the needs and interests of data users, and result in a more pragmatic approach to building a satellite account. In the 'Intermediate' approach, 'modules' could be produced using SIC codes but could also be produced by organisation type, for example , charities or mutuals.

In both approaches to building a satellite account, volunteering should be included in measures of civil society's economic activity. As volunteering is currently not included in national accounts, this would be a significant step towards recognising the contribution of volunteers to the UK economy. It is recommended that initially formal rather than informal volunteering is captured and that shadow wages are used to estimate the value of volunteers' time and talent.

Further investment in data for civil society should take place too, to complement the approaches to building a satellite account set out above. Social enterprises span the business ('profit') and civil society ('purpose') sectors and take a variety of legal forms. Working with the social enterprise sector, including the membership body Social Enterprise UK, will be key to build a specific social enterprise module for inclusion in the satellite account. In addition, the government should consider commissioning a feasibility study exploring the potential to directly measure the volume of output (rather than estimating output by adjusting costs for inflation) of the civil society sector, for those groups of organisations where this is most feasible. This would improve understanding of growth in the sector over time, and changes in productivity.

Building a civil society satellite account in the UK would be a significant step forward. It would both provide robust, timely data about the economic and employment contribution of civil society, and formally recognise civil society's economic contribution in parity with other industries. The process of building a satellite account is not straightforward, but in this feasibility study, there are two possible routes which would allow a civil society satellite account to be delivered within the next two years, with appropriate funding.

Doing so would not only be a significant step forwards in valuing civil society, but would allow for better policy making, better decisions by funders, and further research into how civil society can be enabled to thrive – having even more of an impact than it already does – on the lives of people across the country.

Recommendations for government¹

1A. Establish a satellite account for civil society in the UK so that its contribution to the economy can be measured and recognised.

1B. Include a measure of the value of volunteering in the satellite account, to ensure more of the economic contribution of the civil society sector is accurately reflected.

¹ Recommendations are grouped and numbered according to the chapter in which they appear.

2A. Produce the civil society satellite account annually, with a short lag after the end of the reference year, so that data remains up-to-date.

2B. Make the civil society satellite account modular, with the ability for users to identify and include or remove different industries or organisation types, such as social enterprises, in order to increase the usefulness of the satellite account for different data users.

2C. Include a range of economic, employment and organisation statistics in the satellite account. As far as possible, the data should be broken down by geography.

3A. Adopt the 'Do now' approach, using existing identifiers on business and employment surveys, to produce a first iteration of a civil society satellite account.

3B. Conduct further research to better understand which organisation types will be caught by these identifiers and which will be missed.

3C. Supplement this approach with additional analysis of social enterprises, working with stakeholders to do so.

3D. Include volunteer time in the 'Do now' iteration of the civil society satellite account, using data from the Community Life Survey and shadow wages to estimate the value of volunteer time.

3E. Include a range of variables in the satellite account, including economic variables like GVA and output, labour market variables like employee numbers, volunteer numbers and hours worked; and organisational variables like organisation numbers.

4A. Build on the 'Do now' civil society satellite account by creating a reference list of in-scope organisations for a UK civil society satellite account and aggregating data from those organisations. This is the 'Intermediate' approach to building a satellite account.

5A. Develop an appropriate deflator for the civil society sector – as a minimum we recommend developing cost-based price indices for different types of civil society output.

5B. Complete a feasibility study to explore measuring volume of outputs for those parts of the civil society sector most amenable to measurement in this way, in line with best practice for public sector outputs.

5C. Consider including additional data in future iterations of the satellite account, particularly more detailed data about volunteering and information about sources of funding.

Introduction

“The public hugely value the importance of civil society. The UK’s large charities are some of the most trusted and highly-regarded brands in the country, while local community groups and voluntary organisations are seen to be essential to improving people’s lives and the places they live.”² -
Stephan Shakespeare, Chief Executive Officer, YouGov

Civil society organisations are unusual. While they share some common features - such as not distributing profit or have limitations on the distribution of profit - they vary widely in terms of legal and economic structure, including how they generate income. While many civil society organisations are charities that derive most of their income from public donations, others generate some or all of their income from trading activities, for example selling goods or tickets, membership models, and/or securing service delivery contracts.

In recent years, there have been growing calls to improve the availability of data about civil society, including to gain a better understanding of its contribution to the UK economy. At present, however, it is not possible to identify its economic impact from the UK’s national accounts.

National accounts are designed to achieve a number of objectives, which include showing the contribution of different industries to the economy. Yet, for all the detail and complexity that goes into creating and maintaining the national accounts, they do not currently enable the analysis of all sectors – including civil society. One solution to this is the creation of satellite accounts. Satellite accounts provide “a framework linked to the central (national or regional) accounts allowing attention to be focused on a certain field or aspect of economic and social life in the context of national accounts.”³

In the UK they already exist for tourism, household production and environmental topics. This study was commissioned by the Department for Culture, Media and Sport (DCMS) to investigate the feasibility of creating a satellite account for civil society in the UK. Being unable to identify civil

² [Unleashing the power of civil society](#), The Law Family Commission on Civil Society, Pro Bono Economics, January 2023

³ https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Satellite_account, accessed 15 December 2022

society within the existing national accounting framework undermines attempts to assess its economic contribution to UK GDP and employment. Moreover, the volume and value of labour provided voluntarily, often facilitated through civil society organisations, is also currently absent from the national accounting framework. The development of a civil society satellite account that accounted for volunteering would provide a clearer view of the volume and value of civil society organisations' economic activity.

The report is structured as follows:

- **Chapter 1** provides a background to national accounts, including a basic introduction to some economic concepts and terminology, and looks at the possibility that a satellite account could offer a solution to the absence of civil society from UK national accounts.
- **Chapter 2** reports feedback from representatives of key stakeholder groups and experts from across the field of civil society. The feedback covers a range of topics including the definition of civil society, which organisations should or should not be included in a satellite account, and capturing the impact of volunteering.
- **Chapter 3** sets out a 'Do now' approach to building a satellite account. It discusses what could be done with the existing data, how volunteering could be included, and what information might be included in a satellite account for civil society.
- **Chapter 4** offers an 'Intermediate' approach to the creation of a satellite account. The UN Handbook on creating a satellite account for the 'third sector' provides a useful guide, but its strict application in the UK context struggles with the complexity of civil society here. Therefore, this report proposes an 'Intermediate' approach which captures the spirit of the Handbook while remaining pragmatic.
- **Chapter 5** sets out areas where enhanced data collection would benefit a civil society satellite account, namely around volunteering, social enterprises, more appropriate deflator data for civil society, and more robust data on civil society outputs.

Two further documents have been produced as part of this feasibility study:

- **Annex A: Analysis of datasets and existing identifiers of civil society** contains a detailed account of analysis carried out for this report on selected official datasets that contain identifiers that could be used to identify organisations and workers in the civil society sector.
- **Annex B Applying the UN Handbook criteria in the UK context** applies the UN Handbook’s “five tests” for identifying in-scope organisations for a ‘non-profit and related institutions satellite account’ to UK company and charity law.

Chapter 1. National accounts and accounting for civil society

Key findings

- The civil society sector is currently invisible in the UK's national accounts. Civil society organisations sit across sectors and industries, and almost none of the value of volunteering is captured in national accounts.
- As such, the economic contribution of civil society is not fully understood, and it is not possible to compare it to other sectors.
- The UN Handbook 'Satellite Account on Non-profit and Related Institutions and Volunteer Work' provides a useful guide for building a satellite account in a way that is consistent with national accounting practices.
- A 'Non-profit and related institutions and volunteer work' satellite account has been established in a number of other countries.
- However, the UN Handbook approach does not capture the economic contribution of 'civil society', which includes a broader range of activity and organisations than a 'Non-profit and related institutions and volunteer work' satellite account.

Recommendations

- 1A. Establish a satellite account for civil society in the UK so that its contribution to the economy can be measured and recognised.
- 1B. Include a measure of the value of volunteering in the satellite account, to ensure more of the economic contribution of the civil society sector is accurately reflected.

Introduction to national accounts

National accounts consist of a very large number of variables, measures, aggregates and tables, compiled to present the production (or output), expenditure, and income activities of a country's economic actors. The purpose of the UK's national accounts is to provide a single overview of all economic activity in the country. By drawing together a range of different data sources including surveys and administrative data, and reconciling any differences between them, the national accounts produce a single,

consistent picture of the economy.⁴ This single picture is internationally comparable, as it is built using an internationally recognised standards framework. One of the most important uses of national accounts is to estimate measures such as Gross Domestic Product (GDP) - a universally recognised measure of the total value added of all goods and services produced by a single country.

Categorisation of economic actors within the accounts

Institutional units

One of the core elements of the framework for national accounts is the conceptualisation, definition, and categorisation of economic actors. All institutional units are economic actors defined as entities with the economic competence to own goods and assets, incur liabilities, and enter into transactions in their own right. These institutional units also have the ability to produce a complete set of accounts – recording their own activity.

Institutional sectors⁵

Institutional units may be grouped into one of five main mutually exclusive 'institutional sectors'⁶:

- non-financial corporations, which may be split into public and private;
- financial corporations;
- government, which may be split into central and local;
- households;
- non-profit institutions serving households (NPISH).

The allocation into these sectors is undertaken by determining five key tests:

- Whether the unit is publicly or privately controlled - i.e. whether it is controlled by government or not;

⁴ In theory, while the same concepts across different data sources should align, there are differences between data sources for various reasons including survey sampling error, survey design, timing, alignment to industries/sectors/nations; hence the Office of National Statistics (ONS) is sometimes required to reconcile any differences.

⁵ The word 'sector' is often used outside of national accounts to mean roughly the same as 'industries' – that is, parts of the economy grouped according to its activities (what it produces). In line with National Accounting terminology, this report uses 'sector' to mean 'institutional sector'.

⁶ There are many more sub-sectors.

- Whether it is a 'market' or 'non-market' producer.⁷ Units may operate in both market and non-market categories;
- Whether it is a non-profit institution (NPI);⁸
- Whether or not it produces financial services;
- Whether or not it is resident in the UK.

For each sector and any further sub-sectors, the System of National Accounts (SNA) allows for the completion of a set of accounts and balance sheets.⁹ Table 1 summarises the relationship between units, sectors and the tests.

Table 1. Sector classification summary¹⁰

	Publicly controlled	Privately controlled
Market	<p>Public non-financial corporations, e.g. BBC World Service, British Council, Civil Aviation Authority, Crown Estate, Meteorological Office</p> <ul style="list-style-type: none"> • Government controlled; • Doesn't principally engage in financial intermediation or auxiliary financial activities; • Provides output at economically significant prices; • Greater than 50% of its costs of production are recouped through sales revenues. 	<p>Private non-financial corporations, includes retailers, manufacturers, utilities, business services (accountancy, law firms), construction companies</p> <ul style="list-style-type: none"> • Not government controlled; • Doesn't principally engage in financial intermediation or auxiliary financial activities; • Provides output at economically significant prices;

⁷ A market producer is one that operates 'on the market', and in doing so charges 'market prices', that is 'economically meaningful prices'. When it is not clear whether a price is 'economically meaningful' or not, the ONS carries out a 'market test' to determine whether the unit operates in the market or not. If a unit recouped more than half of its production costs through sales over a 'sustained period' (defined as three years or more), the unit is considered to be a market producer. It is important to note that financial services activities are considered to be quite different and therefore this 50% market test is not applied. Institutions that may be operating in this sector are judged on the basis of the activities in which they engage.

⁸ It is important to note that just because an institution might be not for profit does not necessarily mean that it is a 'non-market' institution (though it is usually the case that not for profit also means non-market).

⁹ https://en.eustat.eus/estadisticas/tema_519/opt_0/tipo_5/ti_economic-accounts-of-institutional-sectors/temas.html, accessed 15 December 2022

¹⁰ Table 1 excludes the 'households' sector, which does not sit clearly in either the market or non-sector. Households produce market output and a type of non-market output (output for own final use). All sectors can produce 'output for own final use' which is a type of non-market output. But that is a small fraction of total output for most units, so does not materially affect the main sector classification illustrated in Table 1.

	Publicly controlled	Privately controlled
Non-market	<p>Public financial corporations, e.g. Financial Conduct Authority, Financial Ombudsman Service, NatWest Group, West Lothian Municipal Bank</p> <ul style="list-style-type: none"> • Government controlled; • Principally engages in financial intermediation or auxiliary financial activities; • Provides output at economically significant prices. 	<ul style="list-style-type: none"> • Greater than 50% of its costs of production are recouped through sales revenues. <p>Private financial corporations, includes monetary financial institutions, insurance corporations and pension funds and any other financial corporations</p> <ul style="list-style-type: none"> • Not government controlled; • Principally engages in financial intermediation or auxiliary financial activities; • Provides output at economically significant prices.
	<p>General government, e.g. Academy Trusts, Arts Council England, British Film Institute, Companies House, local authorities</p> <ul style="list-style-type: none"> • Government controlled; • Doesn't provide output at economically significant prices; <p>and/or</p> <ul style="list-style-type: none"> • 50% or less of its costs of production are recouped through sales revenues. 	<p>Non-profit institutions serving households (NPISH), includes charities, universities, trade unions</p> <ul style="list-style-type: none"> • Not government controlled; • Doesn't provide output at economically significant prices; <p>and/or</p> <ul style="list-style-type: none"> • 50% or less of its costs of production are recouped through sales revenues.

Industries

In addition to being classified into sectors, all units are also allocated into industries, dependent on the type of economic activity they engage in. Examples of industries include manufacturing, construction, wholesale and retail, or education. Where an organisation engages in more than one type

of activity, the principal activity is used as the basis for classification. The UK Standard Industrial Classification of Economic Activities 2007 (SIC 2007) provides the classification of units by industry within the UK economy.¹¹

Civil society in the national accounts

NPISH is the sector most closely aligned to civil society. Nonetheless, organisations operating within civil society - including charities, social enterprises and other NPIs - are found across different sectors and different industries in the UK's national accounts.

The variety of revenue raising models employed across civil society is one of the key reasons for this spread.¹² Many charities are allocated to the NPISH sector as they are independent of government, do not sell their outputs at economically significant prices, and raise more than half of their income through grants and donations (i.e. not through sales).¹³ But some civil society organisations earn more than half of their income through market transactions, and are thus in the corporations sector.

This means that the value of the NPISH sector alone tends to underestimate the economic contribution of civil society. Research from other countries has found that NPISH captures only around half of the actual contribution to GDP by the broader 'not for profit' sector, while in some cases - notably Canada and Belgium - the non-profit sector has been found to be around five times larger than suggested by national account data based on NPISH alone.¹⁴

'Non-profit and related institutions and volunteer work' satellite accounts

The UK is not unique in having a national accounting framework which does not make civil society visible. As a result, over the past few decades,

¹¹ For more information and to see the full list

<https://www.ons.gov.uk/methodology/classificationsandstandards/ukstandardindustrialclassificationofeconomicactivities/uksic2007>

¹² A Kenley [Taking account: the case for establishing a UK social economy satellite account](#), Pro Bono Economics report for the Law Family Commission on Civil Society, July 2021

¹³ NPISH is also limited in another way. Non-profit organisations not 'serving households' cannot be allocated to NPISH, for example industry trade bodies which clearly serve business, and other advisory bodies which 'serve' government are not allocated to NPISH.

¹⁴ L M Salamon, S W Sokolowski, M A Haddock & H S Tice, [The Global Civil Society and Volunteering. Latest findings from the implementation of the UN Nonprofit Handbook](#), comparative nonprofit sector working paper no.49, John Hopkins University Centre for Civil Societies, March 2013

considerable international effort has gone into devising solutions to these issues through the development and implementation of civil society satellite accounts.

A satellite account is a set of data tables linked to, but distinct from, the national accounts. Satellite accounts operate by rearranging concepts within the national accounts, by providing supplementary information to the data used to compile the national accounts, and/or by introducing relevant new economic concepts into the framework in order to provide a more accurate statistical representation of the economic phenomena in question.¹⁵

The conceptual and practical development of non-profit satellite accounts emanated from work undertaken by the Johns Hopkins Center for Civil Society Studies as part of their Comparative Nonprofit Sector Project (CNP).¹⁶ Working with teams of researchers in several countries, the CNP established a common framework for the creation of a satellite account for non-profit and related institutions and volunteer work. In 2003, the UN ratified the CNP's statistical system into the Handbook on Non-Profit Institutions in the SNA. It also called explicitly on the world's national statistical agencies to create satellite accounts which document and measure the size and scope of the non-profit sector.¹⁷ After further international collaboration and development, the UN Statistics Division published an updated handbook¹⁸ which provided a broader conceptualisation of the non-profit sector from the original – extending it to include 'related institutions' covering organisations such as cooperatives, mutual societies, and social enterprises. It also included some forms of volunteering.

To date several countries globally have created non-profit sector satellite accounts. These include: Australia, Belgium, Brazil, Canada, Czech Republic, France, Israel, Japan, Kyrgyzstan, Mexico, Mozambique, New Zealand, Norway, Portugal, Thailand, and the United States. However, the frequency with which countries update the satellite account is very variable. In

¹⁵ Eurostat, [European system of accounts – ESA 2010](#), Chapter 22 Satellite accounts

¹⁶ L Salamon & H K Anheier, *The Emerging Nonprofit Sector: an overview*, Manchester University Press, 1996

¹⁷ T Einarsson & F Wijkström, [Satellite Account on Nonprofit and Related Institutions and Volunteer Work](#), Nonprofit Policy Forum, February 2019

¹⁸ Department of Economic and Social Affairs, Statistics Division, [Satellite Account on Non-profit and Related Institutions and Volunteer Work](#), United Nations, 2018

Norway, for example, the last time the satellite account was updated is 2018 as there was insufficient data available in 2019 and 2020 and it is now on pause.

In looking at how to approach the building of a satellite account for civil society, this report uses the guidelines set out in the UN Handbook and tests its applicability in the UK.¹⁹

Organisations included in a satellite account

There are a variety of descriptive terms which are deployed to describe civil society in general literature and discourse. These include the 'non-profit' sector, 'voluntary' sector, 'third' sector and 'Voluntary, Community and Social Enterprise (VCSE)' sector. These are closely related but tend to have different interpretations, as discussed in Chapter 2.

In its handbook, the UN groups organisations of interest under two broad headings: NPIs and 'related institutions'.

Non-profit Institutions (NPIs)

An NPI is defined as "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". This definition is consistent with that of an 'institutional unit' in the internationally accepted SNA 2008, used as the basis of national accounting.²⁰

Going further, the UN Handbook adds that NPIs can be distinguished from other types of institutional units by their purpose, which is to provide services of benefit to individuals or society rather than to make profit. Operationally, NPIs are "legal or social entities created for the purpose of producing goods and services but 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."²¹ Examples of NPIs could include charities, such as the Samaritans, Cancer Research UK, NSPCC, religious institutions, community social and activity groups.

¹⁹ Department of Economic and Social Affairs, Statistics Division, [Satellite Account on Non-profit and Related Institutions and Volunteer Work](#), United Nations, 2018

²⁰ European countries follow the European System of Accounts (ESA) 2010, which is an implementation of SNA 2008 into EU law. The two are almost identical.

²¹ Department of Economic and Social Affairs, Statistics Division, [Satellite Account on Non-profit and Related Institutions and Volunteer Work](#), United Nations, 2018 p.10

Related institutions

The latest version of the UN Handbook introduced the idea of 'related institutions' – cooperatives, mutual societies and social enterprises. The key difference between NPIs and related institutions is that the latter may distribute profits. Often, however, they are subject to laws or governance arrangements which place limits on that distribution. Where those limits are quite tight, they limit the potential for those organisations to act as profit-maximising entities and they are more like NPIs than profit-maximising organisations. This renders them suitable for inclusion in a civil society satellite account.²²

Related institutions broadly comprise the following:

- **Co-operatives:** formed by individuals to pursue the economic interests of their members, characterised by democratic control, shared identity and provision of services to members at cost. Cooperatives that totally or significantly limit distribution of profits would fall within the scope of the civil society sector.²³
- **Mutual societies:** are owned by their members, who are focused on improving their economic situation through collective activity and/or reinvesting into the provision of services for members.
- **Social enterprises** (also known as social ventures or community enterprises): organisations that may use market means but primarily to serve social purposes, such as employing and training disadvantaged individuals.²⁴

'Non-profit and related institutions' versus 'civil society'

The UN Handbook provides clear guidance on developing a satellite account for non-profit and related institutions. However, applying the Handbook rules strictly means that some elements of 'civil society' are discounted. This is because 'civil society' as understood in the UK is a slightly broader concept than 'non-profit and related institutions'. It

²² In some jurisdictions, such organisations may even be banned from distributing any profits at all to their members, in which case they effectively become NPIs. Department of Economic and Social Affairs, Statistics Division, [Satellite Account on Non-profit and Related Institutions and Volunteer Work](#), United Nations, 2018 p.11

²³ European Commission, International Monetary Fund, Organisation for Economic Co-operation and Development, United Nations, World Bank, [System of National Accounts 2008](#), p.457

²⁴ European Commission, International Monetary Fund, Organisation for Economic Co-operation and Development, United Nations, World Bank, [System of National Accounts 2008](#), p.458

includes, for example, unincorporated associations like local sports teams. This could limit the usefulness of a satellite account in the UK context given the needs and interests of data users, something which is discussed further in the next chapter. Chapter 4 takes a detailed look at what the UN Handbook means in a UK context and makes practical recommendations about how the spirit of the Handbook could be applied to generate a 'civil society satellite account' for the UK.

The value of volunteering

One of the benefits of a satellite account is that it can include additional factors unique to a particular sector that the national accounts might not capture. Volunteering has the potential to be one of those additional factors.

The International Labour Organisation (ILO) defines volunteering as “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”.²⁵

While not exclusively undertaken within civil society, volunteering is a vital economic aspect of civil society and it is specifically that activity that ought to be captured in the civil society satellite account. This means that volunteering in the public sector, such as for the NHS, should not be included in measures of civil society's economic activity (as it takes place in the government sector).

Formal volunteering is that which is done through organisations, and volunteers account for a significant proportion of civil society's labour force.²⁶ In the UK, it is estimated that between a quarter and a third of people undertake some form of formal volunteering each year. This rises to more than half for informal volunteering,²⁷ activity which is carried out to support friends and neighbours for example and is undertaken without organisations involved.

²⁵ International Labour Organisation, [Manual on the measurement of volunteer work](#), 2011

²⁶ Analysis from Martin and Franklin (2022) showed that volunteering accounted for about half of all hours worked in the NPISH sector (including education) in 1997, falling to around a third by 2019. Excluding education the figures were higher: volunteering accounted for around 80% of all hours worked in 1997, falling to around 60% in 2019.

²⁷ See, [Community Life Survey](#), [Scottish Household Survey](#), [Volunteering \(National Survey for Wales\)](#), [Continuous Household Survey \(Northern Ireland\)](#)

Within GDP calculations, volunteering that produces goods is within the 'production boundary' – the area that determines what gets counted towards total GDP – and so is incorporated. Volunteering that produces services, as most volunteering does, is considered out of scope and not counted towards GDP. This means that an activity based on volunteering services does not appear in the national accounts at all. In addition, an activity that uses a mix of paid inputs and volunteering is valued only by its paid inputs - with volunteering not included as its cost is zero.

Previous attempts to quantify volunteering within the UK have estimated that formal volunteering contributes around two billion hours of labour at a value of around £23 billion per year,²⁸ while informal volunteering adds a further two billion hours which are estimated to be worth around £19 billion.²⁹

The UN Handbook recommends including volunteering work in the civil society satellite account. It offers a very comprehensive approach to measuring volunteering, taking into account factors such as length of time, payment, compulsory nature, beneficiaries and more. A survey module and coding guidelines for measuring volunteer work is set out in Annex 4.1 of the Handbook.³⁰

Conclusions

Civil society organisations are currently invisible within national accounts. A civil society satellite account offers a solution, allowing us to understand the economic contribution of the sector. The UN has published guidance which offers a framework for building a satellite account, which has already been adopted in a number of countries including the USA, Canada, New Zealand and others.

²⁸ ONS, [Changes in the value and division of unpaid volunteering in the UK: 2000 to 2015](#), 2017

²⁹ See ONS <http://www.ons.gov.uk/ons/about-ons/business-transparency/freedom-of-information/what-can-i-request/published-ad-hocdata/econ/august-2014/hhsa-consistent-estimates-of-the-value-of-informal-voluntary-activity-in-2012-13.xls>

³⁰ Department of Economic and Social Affairs, Statistics Division, [Satellite Account on Non-profit and Related Institutions and Volunteer Work](#), United Nations, 2018 p.61

Chapter 2. Civil society stakeholder feedback

Key findings

- There is substantial support from stakeholders for the introduction of a civil society satellite account.
- A range of terms and descriptions can be applied to the sector. While there is no universally accepted approach, there is broad agreement that 'civil society' encompasses more organisations and activities than the 'voluntary' sector.
- It is common for stakeholders to have concerns about the inclusion or exclusion of specific industries or sub-sectors, like universities or social enterprises, as well as organisations that have close connections to government.
- There is clear consensus about the importance of including the value of volunteering in the satellite account.
- Stakeholders are interested in satellite account data breakdowns by geography, industry and organisation size.

Recommendations

- 2A. Produce the civil society satellite account annually, with a short lag after the end of the reference year, so that data remains up-to-date.
- 2B. Make the civil society satellite account modular, with the ability for users to identify and include or remove different industries or organisation types, such as social enterprises, in order to increase the usefulness of the satellite account for different data users.
- 2C. Include a range of economic, employment and organisation statistics in the satellite account. As far as possible, the data should be broken down by geography.

Given the investment needed to build a civil society satellite account, it is important to ensure that civil society sector organisations are supportive of the concept and will make use of the data it produces.

We spoke to key representatives across the civil society sector,³¹ while others provided written feedback for this report. They provided views on the definition of civil society, the case for inclusions and exclusions, volunteering, segmenting and profiling, and the benefits and usage of a satellite account for civil society.

Introducing a satellite account in the UK

There was broad agreement that a satellite account for the UK civil society sector would have a number of benefits, from the creation of a better understanding of the sector's economic activity to the acceleration of more evidence-based policymaking and funder decisions.

Stakeholders discussed the importance of a satellite account affording civil society parity with other industries, recognising its economic as well as its social contribution to the UK. They also discussed the importance of having better economic and employment data about the sector, both to support evidence-based policy work and funding decisions.

In particular, stakeholders hoped that the satellite account would be able to provide regular, timely data about the sector. For example, users of Canada's satellite account data who we spoke with noted that the Canadian satellite account is not produced regularly, meaning it is often out of date, which significantly reduces the impact and usefulness of the data. Stakeholders in the UK hoped that a satellite account would produce regular, consistent data, allowing longitudinal analysis of trends and identification of potential issues. This would allow sector stakeholders and policy makers to more effectively support a strong and thriving civil society sector in the UK.

Defining civil society

Many terms are used to describe what might be referred to as 'civil society', including 'third sector', 'VCSE', 'social sector' and 'voluntary sector'. Some people use the phrases interchangeably, while others emphasise certain aspects and so introduce differences and nuances in meaning. One participant expressed their dismay that 'the sector' had not been able to

³¹ We ran two mini-focus groups each with four participants. We also received four written contributions, held in-depth interviews with relevant stakeholders in New Zealand and Canada, and also met with key representatives from ONS. Any quotations reported reflect the language used by individuals orally or in written communication, which means that terminology can differ.

get behind a consistent terminology, but was hopeful that a satellite account might be a helpful starting point:

“It never ceases to surprise me how bad we are in the sector at just basically describing who we are. I mean, even what we call ourselves, and what our name is. Just trying to have some basic terms of trade and consistent language, and extracting a separate account might help with that.”

In terms of overall characteristics, there was general agreement that organisations working in the civil society sector are independent of government, non-statutory, purpose driven (particularly but not only with a social focus), and non-profit distributing.

Consensus was broadly reached in determining that a ‘voluntary sector’ organisation is one which is led by independent, voluntary governing boards/committees operating for a public purpose and not for private profit, which is focused on social, environmental or public benefit, is organised (having a constitution), is self-governing, non-statutory, and non-profit distributing.

There was also general agreement that the term ‘civil society’ - while similar to ‘voluntary sector’ - encompasses a broader range of organisations than the ‘voluntary sector alone’. Higher education institutions were a key example of this.

The importance of purpose in distinguishing civil society organisations from other sectors came through clearly in the discussions and the written feedback.

“I think the definitions are complex but, for me, it goes back to purpose. If we can be rigorous about purpose, it'll help us to focus in on definitions.”

But not everyone agreed. Some focused on the challenges of measuring purpose.

“I don't think we can do what [name] is talking about in terms of impact. It's very difficult to describe impact as a sector if we can't agree on some sort of definition, or operationalise some sort of definitional boundaries.”

“Almost any organisation is going to say it promotes the public good in some shape or form.”

Other characteristics, such as independence and being not for profit, were seen as less subjective and easier to define and measure. However, there was disagreement about which additional organisations should be included within the broader conception of the ‘civil society sector’. The most significant sources of debate are discussed below.

Participants in both focus groups used the analogy of a jigsaw puzzle to try and visualise a way of constructing the civil society map.

“Charities are a very big jigsaw piece in the middle, and you've got an obvious place to go for the data - which is the regulator. Then the other really big jigsaw piece in the middle is co-ops... We never really talk about co-ops but then co-ops are a bigger part of civil society than charities are, but it's just like we have a different vantage point of looking at this. And then what you have to think about is, what are all the other jigsaw pieces for all the other different bits of civil society. So trade unions, friendly societies, and so on.”

“Discuss some of these edge cases, and maybe not necessarily make decisions, but at least give people the data that they need to make decisions. And some of that is about sort of jigsaw pieces, but it's also about overlap.”

Specific cases for inclusion and exclusion

Stakeholders expressed a range of opinions on the question of which organisations to include and which to exclude in the scope of a civil society satellite account. One stakeholder argued that all registered charities should be included, along with CICs. Another argued that the satellite account should include only those organisations currently included under the definition of voluntary organisations used by the umbrella bodies.

There was a lot of discussion around cases that might technically fit the agreed criteria in the UN Handbook, but inherently did not feel like they constitute a component of civil society.

Education institutions

There was considerable discussion as to whether to include or exclude educational establishments from a civil society satellite account,

particularly universities. According to the UN Handbook guidelines, those educational institutions that meet the relevant criteria should be included. But stakeholders noted that, in Scotland, the size of the university sector is equivalent to that of the 'third sector' and that its inclusion in a satellite account would skew perceptions of the sector. Evidence from international satellite accounts shows that education is often the largest sub-sector in civil society, representing 23% of the civil society workforce on average.³² Another stakeholder questioned the legitimacy of excluding universities on the basis of dominance but suggested that there may be a formal reason to exclude them on the basis of government constraint on their operating structures. It's worth noting that universities have not always been included in NPISH in the UK and, similarly, further education colleges have at times moved in and out of the government sector.

Organisations with strong connections to government

There was also some discussion around the position of organisations that might technically be independent of government, but in reality are not so clearly distant. Organisations such as exam boards were highlighted. In Scotland, 126 charities have been excluded from the Scottish Council of Voluntary Organisation's (SCVO) definition of the voluntary sector due to their lack of independence from government. These include 29 Arms-length External Organisations/Leisure Trusts, e.g. Culture and Sport Glasgow, 7 Non-Departmental Public Bodies, e.g. Historic Environment Scotland, 42 schools, e.g. Edinburgh Merchant Company Education Board, and 48 universities and colleges, e.g. University of Edinburgh. These organisations collectively employ over 88,000 staff and had a combined turnover of over £6 billion in 2021, an economic footprint of almost half of the whole Scottish charity sector (46%).³³ It is, therefore, argued that either these organisations are excluded or that a satellite account allows for them to be filtered out of the results.

Subsidiary arms

Another potentially complex issue raised by stakeholders was subsidiary organisations. These might be charities which have a trading arm or corporate organisations that have a charitable division, such as Lloyds Bank

³² L M Salamon, S W Sokolowski, R List, [Global Civil Society: An Overview](#), The John Hopkins Comparative Nonprofit Sector Project, Figure 6

³³ For full details see [SCVO State of the Sector 2022](#), page 27

and the Lloyds Bank Foundation. One stakeholder made the case that the latter should be included and the former excluded.

Other concerns from stakeholders involved organisations that have some kind of employee ownership, and the challenge of arms-length bodies, particularly when some end up taken back under the direct control of the parent organisation.

The issue of subsidiaries may affect a number of organisations, so we would propose conducting some specific research to help quantify the size of the population affected. However, it may be necessary to draw a distinction between what would be desirable conceptually versus what to do practically regarding subsidiary arms.

Social enterprises

Social enterprises are defined in the government's social enterprise market trends' report as "a range of organisations that have a social mission (social and environmental development goals), receive at least 50 per cent of their annual income from trading and chiefly reinvest (over 50 per cent) of their annual surplus into their social mission... A subset of enterprises within this group have legal forms that restrict the distribution of profits and assets, thus corresponding to a stricter definition of social enterprise."³⁴

In essence, they are "businesses which trade for a social or environmental purpose",³⁵ meaning they span the business sector ('profit') and civil society ('purpose'). Indeed, some participants commented that they are "business at its best" and, as such, many social enterprises consider themselves primarily or entirely part of the business sector, rather than the civil society sector.

A number of participants in the focus groups raised the challenge of social enterprises when building a civil society satellite account, because social enterprises are a particularly complex group of organisations which take a variety of legal forms.³⁶ This is important because, in practical terms, to

³⁴ BEIS and DCMS, [Social Enterprise: Market Trends 2019](#), April 2021

³⁵ Social Enterprise UK

³⁶ SEUK research suggests the main legal forms adopted by social enterprises in the UK are Company Limited by Guarantee (CLG) (28%), Community Interest Companies (CIC) (38%), Company Limited by Shares (CLS) (17%), Community Benefit Societies (BenCom) (6%), IPS (5%), Sole proprietor (2%) and unincorporated associations (1%).

build a satellite account requires 'flags' in datasets that identify organisations for inclusion. One such flag which is particularly useful is the legal form an organisation adopts. While some legal forms taken by social enterprises such as CICs do meet the UN Handbook tests for inclusion because of their in-built restrictions on how profit can be distributed, some – such as companies limited by share - do not. Focus group participants also cited a lack of data about the UK's social enterprises as a challenge for building a satellite account.

Nonetheless, the purpose of the satellite account would be to understand the economic contribution of civil society more broadly than NPISH – particularly to capture the economic contribution of purpose-driven organisations that generate some or all of their income through trading. As such, to exclude social enterprises from a satellite account would be a significant omission. But their inclusion must respect the fact many social enterprises identify in the first place as businesses, rather than part of civil society.

Modular approach

Stakeholder feedback highlighted the challenges to achieving agreement about which organisations should be included in a civil society satellite account and which should be excluded. Given the number of borderline cases, concerns were raised by stakeholders about the length of time it would take to pick it all apart.

"I think there's a real danger that we're going to have a question with so many layers, that we'd spend a year trying to scope it."

It was suggested that some of the issues raised already exist in the national accounts, with the implication that the ONS is already grappling with and finding solutions for questions such as ownership and subsidiaries.

To the extent that any kind of solution was offered by stakeholders, the consensus was for a modular approach where individual components of civil society are identifiable within the satellite account. Taking a modular approach to building the satellite account means taking a broader view of what should be included in the analysis, while allowing different parts of the sector ('modules') to be included or excluded to meet the specific interests and needs of different stakeholders.

The feasibility of building modules is discussed further in chapters 4 and 5. In brief, any approach to building a satellite account would allow the addition or removal of modules identified by Standard Industrial Classification (SIC) code, like universities or child day-care, as long as sample sizes were large enough. Taking the 'Intermediate' approach set out in Chapter 4 would allow the addition and removal of modules determined by organisation type, for example charities, political parties or mutual societies. In this approach, social enterprises that take certain forms (namely, CICs, mutuals and co-operatives) could be added or removed, but this approach would miss social enterprises that take some other forms. Steps for building a more comprehensive social enterprise module are set out in Chapter 5.

Volunteering

There was a clear consensus around the importance and value of volunteering, both in its formal and informal forms, as well as the ability to demonstrate its value. One stakeholder highlighted the significance of volunteering particularly in relation to the public sector.

“If the satellite accounts could show how much people volunteer for the public sector, then they might wake up a bit and realise how important it is and actually do something to help invest in a [volunteer] manager.”

Inclusion could also help to address both public and government perceptions about volunteering by raising the profile of the activity.

“And I would extend that to government's perception of what volunteering is and what it delivers. That is a very, very, very small percentage of the reality of what happens in this country. And therefore, a starting point has to be to increase the baseline knowledge of... what the impact of the existing volunteering is, which in turn, will then unlock some of the other questions.”

However, measuring both the level of volunteering and the value is complex. The Community Life Survey captures some good information on volunteering and could be a useful source for building volunteering into a satellite account. Stakeholders, however, talked about ad hoc volunteering and how volunteering by individuals can be changeable over the course of the year, which is far more difficult to pick up in a survey carried out at a

single point in time. Another difficulty is that a considerable amount of voluntary activity will be accounted for by organisations that may not be formally registered, such as unincorporated local community groups, sports groups, neighbourhood groups, local interest groups and so on.

“It's important to understand that the vast majority of volunteering happens outside registered charities. It happens in community groups, [it] happens in sports clubs, it happens in churches. And so... You can't look at it as a charity thing, because.. we look at it as a charity thing, but... [charities are] definitely not the majority piece of the pie.”

One charity representative noted that the impact an organisation creates by mobilising and engaging volunteers is often much larger than its size or turnover alone would suggest.

“At a charity like mine, if you judge us on turnover and projects, and impact of those projects, we're a small part of civil society. But if you look at it from the point of view of just how many people do we mobilise in communities, through volunteer-led things, and therefore, what's the size of that ecosystem that we were part of, and we manage to be able to interact within civil society, it's much bigger than some aspects of civil society that might have four or five, six times the turnover that we have.”

To summarise, people were positive about the inclusion of volunteering but raised questions about how it would be measured in detail, particularly informal volunteering (beyond the measures that already occur, namely the Community Life Survey).

Segmenting and profiling

When asked about the segmenting of the data, stakeholders were keen to be able to break down the data in a variety of ways:

- **Geography** was widely raised by stakeholders. It was seen as essential to be able to break down the data by UK nations, and desirable to break down data by regions, local authorities and urban vs rural areas. The ability to overlay poverty and IMD indicators was thought to be useful. There was also a desire to be able to see the reach of individual organisations if possible.

- **Industry/activity breakdowns.** Stakeholders wanted to see the data by industry or activity type. SIC codes, such as residential care activities, were mentioned, as was the International Classification of Non-Profit Organisations (INCPO). They also wanted to be able to identify the contribution civil society organisations make to different industries, such as education, health, manufacturing etc.
- **Workforce.** Measures such as size, SME bands, diversity and pay were all mentioned.
- **Income levels and sources.** This was felt to be important to allow an understanding of the financial capability of organisation by size.

There are useful international examples of segmenting satellite account data by geographic region and by industry, as suggested by focus group participants.³⁷ The feasibility of segmenting by different characteristics is explored further in Chapter 3.

Conclusion

There was broad agreement that a satellite account for civil society would be beneficial and of use to organisations working in the sector, from having a better understanding of the sector's economic activity to providing regular, timely data to support evidence-based policy making.

“Civil servants could use, and would have confidence in [a satellite account] because it wasn't produced by NCVO or Social Enterprise UK, or SCF.”

“From my point of view, it would be really useful. A few years ago, we did realise there was a bit of a gap. And the main gap for us was when we were talking to politicians and people, they weren't speaking the same language as other parts of the sector.”

“If you're not measuring it, it's not a thing. And if it is not a thing, then how can you talk about it? And for me that independence of data is really important.”

There was disagreement about which organisations should be included in a 'civil society' satellite account, which was viewed as broader than the

³⁷ See for example Canada's satellite account data: [Statistics Canada search results \(statcan.gc.ca\)](https://www150.statcan.gc.ca/n1/pub/26-669-x/2016001/article/14861-eng.htm). Canada uses the International Classification of Non-Profit Organisations (ICNPO) rather than industry, which is similar to SIC but more relevant for civil society.

'voluntary', 'non-profit' or 'charity' sector. However, stakeholders generally agreed that it makes sense to consider civil society as a jigsaw puzzle made up of a range of sub-sectors, and for this reason there was broad support for taking a modular approach to building a satellite account, meaning different data users could add or remove modules based on their data needs.

Chapter 3. 'Do now' – building a first iteration of the satellite account

Key insights

- An initial cut of the satellite account could be produced with relative speed by using existing identifiers on the Inter-Departmental Business Register (IDBR), business and employment surveys, to find organisations that fall outside NPISH but are likely to be within civil society.
- Identifiers could produce civil society aggregates of variables including but not limited to turnover, Gross Value Added (GVA) and employment numbers.
- Modules could be created using SIC codes.
- Initial analysis of the data suggests that the 'non-profit making body' legal status on the IDBR and various relevant sectors in the Labour Force Survey (LFS) would produce a useful iteration of a civil society satellite account.
- However, it is not clear what proportion of civil society is captured by these identifiers and they are likely to produce an underestimate of civil society's activity. As such, any first cut produced with this data must be understood by all to only be an initial step.

Recommendations

- 3A. Adopt the 'Do now' approach, using existing identifiers on business and employment surveys, to produce a first iteration of a civil society satellite account.
- 3B. Conduct further research to better understand which organisation types will be caught by these identifiers and which will be missed.
- 3C. Supplement this approach with additional analysis of social enterprises, working with stakeholders to do so.
- 3D. Include volunteer time in the 'Do now' iteration of the civil society satellite account, using data from the Community Life Survey and shadow wages to estimate the value of volunteer time.
- 3E. Include a range of variables in the satellite account, including economic variables like GVA and output, labour market variables like employee

numbers, volunteer numbers and hours worked; and organisational variables like organisation numbers.

To meet the need for a civil society satellite account which reflects the data needs of civil society, including the importance of generating regular, timely data about the sector, it is important to understand whether it would be possible to use existing data to build a first iteration of a satellite account and advance the understanding of civil society's contribution to the economy more quickly.

'Do now': what could be delivered using existing data

An initial cut of the satellite account could be produced using existing identifiers on the IDBR, business and employment surveys to find organisations that fall outside NPISH but are likely to be within civil society. Using these identifiers, it would be possible to produce a first iteration of civil society economic and workforce estimates.

Two such identifiers have been used for this analysis:

- Within the IDBR, units are allocated a 'legal status' by HMRC. Legal status of 7 is allocated to 'non-profit making bodies'. Our assumption in what follows is that units with legal status 7 are part of the civil society sector. The legal status identifier is particularly useful as it is assigned to all units on the IDBR, and thus can be determined for all respondents to business surveys run by the ONS, including the Annual Business Survey (ABS) and Annual Survey of Hours and Earnings (ASHE), as well as the IDBR itself.
- Within the LFS, individuals are asked about the sort of organisation they work for. Relevant to this analysis are respondents who report they work for a 'Type of non-private organisation', namely 'A charity, voluntary organisation or trust', 'A university, or other grant funded educational establishment (include opted-out schools)' or 'Other kind of organisation'.

These identifiers could be used to construct bespoke 'civil society' aggregates of many important variables, including turnover, output, Gross Value Added (GVA), number of organisations, number of employees, employment costs, hours worked and total pay. This data could be cut by industry, and it would also be possible to see the civil society contribution

to industry totals (for example, that x% of employment costs in the social work industry are paid by civil society organisations).

This data would allow some elements of the 'modular approach' that stakeholders emphasise the importance of, as it would be possible to use SIC codes to create some modules – such as for 'Universities', 'Child day-care' or 'Religious activities'. These SIC codes could be mapped to the International Classification of Non-Profit Organisation (ICNPO), in a similar way to that which Statistics Canada³⁸ does in their non-profit organisations satellite account. The ICNPO is a classification of activities which is designed for the non-profit sector, providing more detail and relevance to the sector than the industry classification, which covers the whole economy. This is the basis on which other countries present the data in their non-profit sector satellite accounts, and would thus allow easier comparison between results for the UK and other countries.

This approach benefits from being both straightforward and quick to deliver. It also provides a good starting point for building a satellite account that captures more of civil society's economic activity than NPISH alone. For example, category 7 of the legal status variable appears to encompass a broader definition of civil society than NPISH's as legal status 7 enterprises appear in many more industries than NPISH data in the National Accounts, and account for a relatively large fraction of the total economy.

To test the feasibility of using these civil society identifiers as the basis for an initial civil society satellite account, we have analysed micro level data in relevant business and household surveys.³⁹ This analysis has allowed us to assess how useful an approach on this basis could be. For example, we can examine the consistency of estimates across data sources or whether the proposed civil society identifiers generate results that feel broadly correct (for example, looking at the spread of organisations across industries). We conducted a range of analysis of official business and household surveys to arrive at some of the recommendations outlined in this report. Annex A

³⁸ See the mapping between the International Classification of Non-Profit Organisation (ICNPO) and the North American Industry Classification System (NAICS), used by Statistics Canada, in Table 3 on this page: <https://www150.statcan.gc.ca/n1/pub/45-20-0004/2022002/meta-eng.htm>

³⁹ To test the feasibility of using these civil society identifiers as the basis for an initial civil society satellite account, we have analysed micro level data in relevant business and household surveys." Disclaimer: "This paper uses ONS statistical research datasets. Outputs may not exactly reproduce National Statistics aggregates."

describes in some detail the data sources considered, analytical methods used, and results of that analysis. This is necessarily technical information, but forms an important part of the research presented in this report.

To determine feasibility we considered sample sizes, statistical disclosure control, and ability to reliably identify relevant units. To determine quality we considered consistency in the results over time, comparability against other sources, and expert judgement.

Our analysis suggests that the 'Do now' approach is indeed a feasible option for producing an initial iteration of a civil society satellite account. The data sources generally have sufficient sample sizes to produce stable estimates over time, and allow release of data for usable industry groupings, although not for more detailed breakdowns. These sources would broadly support a limited geographic breakdown.⁴⁰ However, it is not immediately clear what proportion of civil society these identifiers capture, and in particular, to what extent these identifiers cross-over with the organisation types set out in [Table 2 of chapter 4]. Indeed, it is unlikely this approach would capture all relevant units and as such would underestimate the economic contribution of civil society, especially those social enterprises which generate profit and are recorded as 'companies' (rather than 'non-profit making bodies'). These are significant drawbacks, and two reasons why a 'Do now' approach can only be a first step. Further research would be useful to understand how the legal status 7 variable is assigned to units, and the extent to which the units identified this way crossover with the organisations set out in Chapter 4.

Nonetheless, the legal status and LFS identifiers are informative. They contain useful information for the construction of a civil society satellite account, and it is recommended that they are used to build a first iteration of such a satellite account. This data could be supplemented with additional data analysis focused specifically on social enterprises, drawing for example from data from Social Enterprise UK (SEUK) and the Small Business Survey (SBS).

Delivering the 'Do now' approach is estimated to cost in the region of £200,000 to £250,000 to develop in year 1, which includes running the first

⁴⁰ Regional breakdowns would likely not be feasible in combination with other breakdowns such as by industry or person characteristic, although country breakdowns may be. Statistical techniques could be used to enable estimates at small geographies, but this would require additional research.

set of estimates, and £100,000 to £150,000 to produce annual updates from year 2 onwards. This is based on the expectation of a small team in a central government department, comprising three staff of different grades, with limited support from more senior staff. After the first year, we have assumed that the more senior members of the team would not be needed full-time.

Box 1: GVA for the civil society sector

GVA refers to the value added to the economy from an organisation's economic activity. It can be added across organisations and industries without double-counting contributions, as purchases from other organisations are subtracted, leaving just the 'value added'.

For market producers – those that sell their goods or services for a meaningful price - GVA is calculated as total output minus the cost of goods and services purchased ('Intermediate' consumption). Total output is made mostly of turnover (sales), but also includes other adjustments. It can be broken down into the following components:

- Compensation of employees (ie wages, salaries and other labour payments);
- Consumption of fixed capital (ie, depreciation of assets, like wearing out the tyres on a delivery van);
- Net operating surplus (ie, profit, the difference between revenue and input costs);
- Taxes less subsidies on production.

For non-market producers – which provide goods and services free of charge – GVA is the same except net operating surplus is assumed to be zero. Output is calculated by the sum of input costs. This means that the calculation of how much 'value' non-market producers add to the economy (their GVA) is necessarily lower than comparable organisations that charge for their output and generate profit.

Intuitively, this feels wrong. Many civil society organisations provide goods and services without charging for them, but it is clear they create value to both the communities they serve and to society more broadly. Moreover, GVA estimates in national statistics also exclude one of civil society's most valuable inputs: volunteers' time.

Yet the challenge of how to capture the ‘true’ value added by civil society is complex and has not yet been solved by the global academic community. However, Martin & Franklin (2022), two of this report’s authors, go some way to address this conceptual gap by building on the current concept of GVA for NPISH. They do this by including a value for volunteer time, by uprating salaries in the non-profit sector to better reflect market wages (since workers in the sector often accept a pay penalty relative to equivalent workers in the market sector), and more fully accounting for the value of capital assets used in production. Their analysis suggests that NPISH accounted for about 4.4% of GVA in 2019, compared with 2.9% before applying the conceptual adjustments they suggest.

The civil society satellite account explored in this paper does not solve the question of how to more meaningfully measure civil society’s GVA. Nor does it go as far as Martin & Franklin by uprating non-profit sector wages or adjusting capital costs, as doing so would generate economic statistics that are not consistent with GDP and the rest of the National Accounts, and would reduce the usefulness of the satellite account. However, it does take one important step towards generating a more accurate estimate of GVA for civil society, by including the value of volunteering as part of civil society’s measured economic activity.

For further discussion, see:

<https://www.escoe.ac.uk/publications/fuller-measures-of-output-input-and-productivity-in-the-non-profit-sector-a-proof-of-concept/>

Volunteering and the ‘Do now’ approach

As noted above, it is vitally important that the civil society satellite account includes the value of volunteer time. This is an important addition to current economic statistics that value the civil society sector.

To estimate the value of volunteer time in the ‘Do now’ approach, the method set out in the paper by Martin and Franklin (2022) can easily be taken.⁴¹ They recommend using a shadow wage – the wage earned by paid employees in the non-profit sector or in the private sector in industries

⁴¹ J Martin and J Franklin Fuller Measures of Output, Input and Productivity in the Non-profit Sector: A Proof of Concept, ESCoE Discussion paper No. 2022-24, October 2022

specialising in the activity undertaken by the volunteer.⁴² This is a fairly standard approach, also used in the ONS household satellite account to value formal volunteering, and uses pay data by occupation from ASHE. This approach is also consistent with the guidance in the UN Handbook.

Which variables should be included in the satellite account?

In reviewing which variables to include in the satellite account, this analysis has considered existing national account data, information in international satellite accounts, the UN Handbook recommendations, and stakeholder feedback.

Economic variables, such as output, value added and employment (paid and unpaid) provide the core of these accounts. A contact from Canada highlighted that the economic and employment impact data were most frequently reported in the print media from their satellite account. A secondary set of economic variables also often present in international examples of civil society satellite accounts include 'Intermediate' consumption, consumption of fixed capital, taxes, subsidies, compensation of employees and gross operating surplus.

Funding sources also appear in a number of accounts. A contact from Canada said this was something they would like to see more of in respect of their own satellite account and was one of the variables UK stakeholders noted would be interesting.

Characteristics of the workforce play a big role in the Canadian data and these could be largely obtained from the LFS.⁴³

Table 2 summarises the recommended measures for inclusion in the satellite account and the datasets these could be sourced from. The column derivation shows how the economic variables relate to each other and provide an outline of the sources. A smaller set of economic variables than that advocated for in the UN Handbook is considered sufficient. These variables reflect the key priorities expressed by stakeholders. The table also omits funding as, while it might be possible to draw in information about

⁴² Take hourly wage of paid employees in particular occupations and apply them to the hours of volunteering. It is important to know that type of volunteering in order to assign an appropriate occupation. There is some data on this in the Community Life Survey. The pay data itself is readily available.

⁴³ The NCVO Almanac covers much of this, however, it only covers a subsection of registered charities in England and Wales.

funding from a range of sources, this would be complicated and resource intensive to gather. It is therefore recommended that for the 'Do now' approach, focus should be on other variables that would be easier to gather in the first instance.

Table 2. Suggested measures to include in the satellite account

Variable	Derivation	Comments	Source
Economic variables			
Output	$a=a_1+a_2+a_3$	Might be estimated first, and then broken down, rather than added up	BSD, ABS
Market output	a_1		ABS
Output for own final use	a_2		ABS, modelling
Other non-market output	a_3		ABS, modelling
Intermediate consumption	b		ABS
GVA	$c=a-b$		Derived
Compensation of employees	d	Related to labour market variables	ABS, LFS, ASHE
Taxes less subsidies on production	e	Likely to be close to zero, could potentially be assumed equal to zero	ABS, modelling
Gross Operating Surplus	$f=c-d-e$		Derived
Consumption of Fixed Capital	g	Derived from capital stocks, based on Gross Fixed Capital Formation	Modelling
Net Operating Surplus	$h=f-g$		Derived
Gross Fixed Capital Formation	i	Likely to be similar to Net Operating Surplus (as funds for investment)	ABS, QCAS
Labour market variables			
Workers	$j=k+l$		Derived
Employees (paid)	k		BSD, LFS, ASHE
(characteristic breakdown)	$k_1, k_2...$		LFS
Volunteers (unpaid)	l		CLS
Average pay	m	Per hour, per year, etc.	LFS, ASHE
Hours worked	$n=n_1+n_2$	Total, and average per worker	Derived
Paid	n_1		LFS, ASHE
Unpaid	n_2		CLS
Organisational variables			
Number of organisations	m		IDBR/BSDB

Additional variables that stakeholders wanted to include but which are likely to be difficult to incorporate or make it too unwieldy in the first instance include data on urban and rural splits, cause areas that different organisations work in, and indirect economic output such as social value.

Conclusion

The 'Do now' option discussed in this chapter offers a relatively speedy and light touch approach to building and maintaining a first edition of a civil society account, which could fairly quickly begin to address the need for regular, timely data about the civil society sector.

The initial analysis of the microdata suggests that the identifiers suggested for use in the 'Do now' approach contain some helpful information for the construction of a civil society satellite account which could be used in a first iteration of such an account. Further research is needed to better understand how closely the identifiers align with the civil society sector and it is expected that it would produce an underestimate. Supplementing the 'Do now' approach with additional data about social enterprises in particular would go some way towards addressing this.

The 'Do now' approach should also include volunteer time in the economic activity of civil society. It is recommended that the shadow wage approach, as set out in Martin and Franklin (2022), is used to value volunteer time.

Chapter 4: 'Intermediate' option – a more accurate civil society satellite account

Key insights:

- Applying the UN Handbook's "five tests" for identifying civil society organisations in the UK context highlights the complexity of the civil society sector and the range of legal forms organisations take.
- The UN Handbook is designed to produce a satellite account for 'non-profit and related institutions and volunteer work', which is a narrower concept than the UK's ambition to create a 'civil society' satellite account. Applying the 'letter' of the Handbook leads to some unintuitive results.
- Taking a pragmatic approach that captures the 'spirit' rather than the 'letter' of the Handbook would reflect the needs of sector and government data users in the UK context, and result in a wider list of in-scope organisations.

Recommendations:

4A. Build on the 'Do now' civil society satellite account by creating a reference list of in-scope organisations for a UK civil society satellite account and aggregating data from those organisations. This is the 'Intermediate' approach to building a satellite account.

It is clear from the stakeholder feedback that a more granular civil society satellite account is needed than would be provided by the 'Do now' approach alone. An 'Intermediate' approach would build a more accurate civil society satellite account for the UK by creating a 'reference list' of civil society organisations and using this to aggregate the relevant data for a satellite account.

Doing so would capture organisations that are missed by the identifiers used in the 'Do now' option. It would also allow different modules to be built in the satellite account: the data could be cut by industry, like 'Universities', and it would allow the modules to be built by organisation type, like 'Mutuals' or 'Charities'. However, this approach would take more resource and more time to deliver than the 'Do now' satellite account. It is

estimated that the 'Intermediate' approach would cost around £350,000-£400,000 to develop in year 1 and £200,000 - £250,000 to maintain from year 2 onwards. Costs are estimated to be around twice the 'Do now' costs. The costs are larger given the need for initial and ongoing data acquisition (of the registers and lists of relevant organisations), and a wider range of skills (including data linkage). The costings are based on two teams in the first year, one carrying out much the same work as the team from the 'Do now' option and another focusing on the data acquisition and linkage. After the first year, we have assumed the teams are combined and consolidated, with reduced management requirements.

Identifying in-scope organisations for a civil society satellite account

As noted above, international examples of non-profit sector satellite accounts - for example those produced in New Zealand, Canada, France and the USA - are broadly based on the methodology set out in the UN Handbook, 'Satellite Account on Non-profit and Related Institutions and Volunteer Work'.⁴⁴ Using the UN Handbook method to construct a satellite account has several benefits. It means the satellite account produces internationally comparable data on the size and contribution of a country's non-profit sector. It also has the benefit of providing a definition by which to assess which organisations fall in and out of scope of a satellite account – the “five tests”.

Box 2: UN Handbook's operational definition of an in-scope unit: the five tests

The UN Handbook offers five tests to help identify what it refers to as a 'third sector institutional unit'. An organisation is included if it is:

- Institutionalised;
- Self-governing, having a separate legal identity from its members or those that control it, and is fully responsible for own economic risks and rewards;
- Completely or significantly limited in its distribution of surplus (profit);
- Private, i.e. not controlled by government;

⁴⁴ UN Department of Economic and Social Affairs, Statistics Division, [Satellite Account on Non-profit and Related Institutions and Volunteer Work](#), 2018

- Non-compulsory, involving some meaningful degree of un-coerced free choice on the part of individuals working for, or participating in, its activities.⁴⁵

However, to produce the most useful data possible, a civil society satellite account in the UK must reflect the data needs of government and the sector. In some cases, these fall beyond the boundaries of the more conservatively defined “non-profit and related institutions” set out in the UN Handbook. For example, it is widely agreed that civil society in the UK context includes social or community activities which are not undertaken within institutions in the strict sense of the word, such as those undertaken by charities or voluntary groups that are not legally incorporated bodies. But these would fall foul of the UN Handbook tests.

A more pragmatic approach to building a civil society satellite account in the UK would follow the ‘spirit’ rather than the ‘letter’ of the Handbook. Taking a broader view of what is in-scope for a satellite account, while allowing modules such as ‘social enterprises’ or ‘credit unions’ to be included or excluded depending on user needs and preferences, would maximise the use and application of the data produced in a civil society satellite account.

Recommendations of in-scope organisations for a UK civil society satellite account

The remainder of this chapter applies the “five tests” to different organisation types in the UK context. It then makes recommendations about which organisations should be considered in-scope for a UK civil society satellite account and where lists of in-scope organisations can be found.

Detailed work to inform this report examined company, charity, and tax laws and regulatory guidance and compared it to the UN Handbook tests.

⁴⁵ The final test of ‘non-compulsion’ is excluded from this analysis, as it was not possible to think of any examples in the UK where this would be applicable. The UN handbook identifies scenarios which would lead to an organisation being out of scope on the basis of failing the non-compulsory test. These include membership by birth of clans or castes or the use of force or threat of force to oblige people to join gangs or militias.

The following section provides a summary of the findings, but the full details of how different organisation types in the UK meet the UN Handbook's "five tests" is available in Annex B.

Table 2. Assessment of organisation type against UN Handbook 'institutional' approach and recommended 'civil society' approach

Type of organisation	In scope by UN Handbook institutional approach	In scope by recommended civil society approach
Unincorporated associations	No	Yes
Charities	Dependent on legal form and relation to government	Dependent on relation to government
Registered political parties	Yes	Yes
Trade unions	Yes	Yes
Employers' associations	Dependent on legal form, relation to government and treatment of profit	Dependent on legal form, relation to government and treatment of profit
Community Amateur Sports Clubs	Dependent on legal form and relation to government	Dependent on relation to government
Professional associations, learned societies and trade bodies	Dependent on legal form, relation to government and treatment of profit	Dependent on legal form, relation to government and treatment of profit
Co-operatives	Dependent on legal form, relation to government and treatment of profit	Dependent on legal form, relation to government and treatment of profit
Mutual societies	Dependent on legal form, relation to government and treatment of profit	Dependent on legal form, relation to government and treatment of profit
Social enterprises	Dependent on legal form, relation to government and treatment of profit	Dependent on legal form, relation to government and treatment of profit

Non-profit institutions

"Legal or social entities created for the purpose of producing goods and services but 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" (2008 SNA, paras. 4.8 and 4.83).

Unincorporated Associations

An unincorporated association is an organisation set up through an agreement between a group of people who come together for a reason

other than to make a profit, such as part of a voluntary group or a sports club.⁴⁶ While unincorporated associations do fulfil a number of the UN criteria for the definition of an in-scope unit, they do not pass the self-governance test. Consequently, applying the UN Handbook criteria to create a civil society satellite account would exclude unincorporated organisations. Yet much of the UK's civil society activity occurs within unincorporated associations. Excluding them from the satellite account because they are not institutions would seem to run counter to the purpose of a civil society satellite account.

In practical terms, however, due to the very nature of unincorporated associations, it would be impossible to identify most of these organisations operating in the UK. There is no list or register of incorporated associations. The UK Civil Society Almanac notes that estimates for the number of these groups vary widely, but there may be anywhere between 200,000 and 600,000 in the UK.⁴⁷

It is therefore recommended that unincorporated organisations that are captured on registers should be included in the satellite account where possible. Supporting documentation for the civil society satellite account should also note that it excludes much of this set of organisations' economic activity due to lack of data.

Charities

The Charities Act 2011 (England and Wales), the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Act (Northern Ireland) 2008 each contain the legal basis by which an organisation can be defined as a charity in the UK. The legislation requires that, in order for an institution or body to acquire charitable status and be a charity in the eyes of the law, it must be established for charitable purposes only and it must operate in the public benefit.

The Charity Commission for England and Wales, the Office of the Scottish Charity Regulator and the Charity Commission of Northern Ireland hold registers of all registered charities. But unregistered charities, unincorporated charitable associations and excepted charities do not have to register with any registration body or regulator.

⁴⁶ www.gov.uk/unincorporated-associations

⁴⁷ O Chan & K Rooney, [Beyond Charities: Looking at wider civil society](#), NCVO, August 2020

Charities – whether they are registered or unregistered – meet all five of the test criteria. But there are some notable exceptions:

- Charities operating as unincorporated charitable associations (as noted above) and charitable trusts would not meet the self-governance test.
- A number of charities are close to government. For example, the Arts Council of England is both a registered charity and an arm's length non-departmental public body of DCMS. Such charities can be identified as sitting in the government sector of national accounts, and would fail the independence from government test.

It is recommended that all charities except those considered to be controlled by government should be considered in scope of a UK civil society satellite account.⁴⁸ Importantly, that includes all charities which fall under the definition of the legislation, rather than the NCVO's definition of a 'general charity'⁴⁹ which is used to provide estimates for the voluntary sector in the UK Civil Society Almanac. That would include universities, private schools, sacramental religious bodies, and housing associations where relevant.

However, it will not be possible to identify all charities within the UK economy. This is predominantly because there is a large population of unincorporated, unregistered and/or excepted charities that do not have to register with any registration body or regulator.

To overcome this in part, some of these organisations could be identified through internal HMRC data relating to organisations that have been granted charitable tax reliefs. But this will not be exhaustive.

Additionally, charities that have been classified as exempt from registration with the Charity Commission of England and Wales will be registered with an alternative primary regulator which holds lists of in-scope organisations.

⁴⁸ The language of 'control by government' is used in national accounting to help define organisations within the NPISH sector, such as charities, trade unions, religious organisations and political parties. As well as independence from government, such organisations are characterised by the provision of goods or services that are either free or provided at below market value and/or mainly derive their income from grants and donations.

⁴⁹ www.ncvo.org.uk/news-and-insights/news-index/uk-civil-society-almanac-2022/about/definitions/#/

Registered political parties

Political parties are membership organisations, but in contrast to charities, there is no legal definition of what makes an organisation a political party. The Political Parties, Elections and Referendums Act 2000, however, establishes the requirement that only registered political parties are eligible to stand in elections in the UK.⁵⁰

Registered political parties that meet all the tests and should therefore be included in a satellite account. As the Electoral Commission holds a register of all registered political parties, this would be the primary route to accessing the relevant data.

Trade unions

Trade unions are membership organisations that hold a unique function and legal status in UK law, as organisations which consist wholly or mainly of workers whose principal purpose is to regulate the relations between workers and employers or employers' associations.

Trade unions have a 'quasi-corporate' status in law, so their status as self-governing is a potential grey area. However, they do possess some of the properties of incorporated organisations and meet the other criteria. As such, it is recommended that trade unions are deemed in-scope of the civil society satellite account. The Certification Officer holds the official list of recognised trade unions, and would be the starting point for the data needed.

Employers' associations

Employers' associations are essentially mirror-image organisations of trade unions, in that they consist of employers, and their principal purpose is to regulate relations between those employers and workers. However, the picture for employers' associations is more complicated than that for trade unions, as they have scope for both greater variance in legal structures (and therefore treatment of profits) and in their relationship to government.

As there are only 37 employer associations in the UK, it is recommended that they should be looked at case-by-case to assess whether they meet the five tests. This could be done by:

⁵⁰ See Political Parties, Elections and Referendums Act 2000: [Part 2, Section 22 \(1\)\(a\) & \(c\)](#)

- First, excluding any controlled by government. Some government bodies, such as local councils, have formed employers' associations in order to regulate relations with their employees; these should be considered out of scope.
- Second, identifying what legal form they are operating under and including any that have legal forms which place restrictions on profit distribution.
- Third, any that operate under a legal form that doesn't restrict profit distribution should be examined to see if profit distribution is prohibited in their articles of association and/or whether the organisation's activities meet those outlined in Group 9 of the VAT Act 1994.

As with unions, a list of employer associations is maintained by the Certification Officer which provides a starting point for the data.

Community amateur sports clubs (CASCs)

A CASC is a distinct type of organisational status that can be awarded to sports clubs meeting certain criteria, which makes organisations eligible for certain tax reliefs and benefits⁵¹ but excludes the organisation from being recognised as a charity.⁵²

Most CASCs meet all five of the test criteria, but those that are unincorporated do not. It is likely that many CASCs operate as unincorporated associations.⁵³

The UN handbook would consider unincorporated CASCs out of scope. However, for the same reasons as other unincorporated organisations identified above, it is recommended that they should be considered in scope of a civil society satellite account unless they are controlled by government.

HMRC publishes a public register of all CASCs, which would allow identification of these organisations.

⁵¹ See HMRC guidance: [Community Amateur Sports Clubs: detailed guidance notes](#)

⁵² See Charities Act 2011: [Part 1, Chapter 1, Section 6](#)

⁵³ See HMRC guidance: [How to incorporate an existing CASC into a company](#)

Other professional associations, learned societies, trade bodies

Group 9 of the VAT Act 1994 identifies a number of organisations which the tax system classifies as non-profit. These include professional associations such as Institute of Charity Fundraising Managers, learned societies such as the Royal Astronomical Society, and trade bodies, like the Confederation of British Industry.

Many of these organisations operate under one of the 'non-profit' legal forms identified above, such as a charity, and therefore can be identified via the registration bodies we have already identified.

However, it is also likely that some of these organisations are incorporated as companies (and therefore registered at Companies House) and consequently may not be identifiable on those lists. Any organisations treated as a non-profit for VAT purposes by HMRC should be considered in scope, providing they do not fail the government test.

HMRC maintains a public list of approved professional organisations and learned societies which should be included, and may have internal data on further organisations treated as non-profits within the tax system.

Related institutions

“May generally distribute profits to their members. Often, however, they also operate under laws or governance stipulations that place limits on such distribution in order to achieve the social mission of preserving the organisations for the benefit of their members. Where those limits are “significant”, they render the units unsuitable for ordinary profit-seeking investments and clarify their status as primarily public-purpose entities similar to NPI.”

As explained in Chapter 1, the UN Handbook identifies three types of related institutions: co-operatives, mutual societies, and social enterprises.

Co-operatives

Co-operatives are conceptually defined as:

“an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.”⁵⁴

⁵⁴ See www.ica.coop/en/cooperatives/cooperative-identity

However, there is no definition in UK law of what makes an organisation a co-operative, nor are co-operatives recognised as a specific legal structure in the UK. An organisation could 'self-identify' as a co-operative while operating under one of a number of legal structures.

For a company to register with the word 'co-operative' in its name, Companies House must be satisfied that it is a genuine co-operative. It determines this by examination of an organisation's articles of association to ensure that it meets a number of conditions, one of which is that:

"Profits should be distributed equally amongst the members' or at least in proportion to the extent each member has participated in the business."⁵⁵

A co-operative could also take the legal form of a co-operative society, which is a type of mutual society (see below). Both of these forms of co-operatives should be considered in-scope of the satellite account.

However, including only organisations which follow Companies House's naming convention and co-operative societies would not create an exhaustive list of all co-operatives.

It is recommended that these two sources are used as a starting point. This could then be supplemented with modelling, based on a study assessing a random sample of businesses to assess what proportion are operating as a co-operative but are not identifiable as such.

Mutual societies

As with a co-operative, a mutual society is not a legal structure recognised in UK law. Instead, it is an umbrella term for a variety of conceptually similar incorporated legal structures. These organisations are conceptually similar in that they are owned and democratically controlled by their members and usually aim to benefit their members or the community.⁵⁶ They include organisations like building societies, credit unions and community benefit societies among others.

Mutual societies incorporated as co-operative societies and community benefit societies meet the criteria for inclusion in the civil society satellite

⁵⁵ See www.gov.uk/government/publications/incorporation-and-names/annex-a-sensitive-words-and-expressions-or-words-that-could-imply-a-connection-with-government#co-operative

⁵⁶ See <https://www.fca.org.uk/firms/our-responsibilities-mutual-societies>

account on the basis that legislation explicitly places restrictions on their distribution of profits.

However, for those mutuals incorporated as building societies, credit unions and friendly societies, it has not been possible to identify any definitive restrictions on the distribution of profit in the relevant legislation. It is therefore recommended that further guidance is sought from a financial legal expert.

Nonetheless, these organisation types are generally considered part of civil society in the UK – for example, they are included in NCVO's list of civil society organisations.⁵⁷ It is therefore recommended that they are included in a satellite account, but they should be available as modules to include or exclude to meet different users' needs. In addition, if after further review they fail the UN Handbook tests, this fact should be made clear in accompanying documentation to the satellite account.

The Financial Conduct Authority holds the definitive register of mutual societies.

Social enterprises

The term 'social enterprise' describes the purpose of a business, not its legal structure. As noted above, a social enterprise has primarily social objectives and its surpluses are principally reinvested for that purpose in the organisation or in the community, rather than being driven by the need to maximise profit for shareholders and owners.

However, the UN Handbook distinguishes them from other types of related institutions by the fact that they operate without the democratic control constraint or the restriction on the distribution of profits based on capital invested which defines co-operatives and mutual societies.⁵⁸

Social enterprises are therefore defined with the UN handbook as:

“Units that may not distribute more than 50 per cent of profit; must apply a capital [asset] lock to retained earnings; may be owned and governed by individual entrepreneurs; and may include in their

⁵⁷ See for example, '[Beyond Charities: Looking at wider civil society](#)', NCVO, 2020

⁵⁸ See Satellite Account on Non-profit and Related Institutions and Volunteer Work: [Page 27, Paras 3.31 and 3.32](#)

profit distribution some distribution on the basis of capital invested."⁵⁹

As a social enterprise is conceptually rather than legally defined, it could take one of a number of legal structures. As a consequence, it could be registered with one of a number of bodies depending on the legal structure it operated under. In practice, this means that, while all social enterprises will be in-scope of a satellite account, identifying which organisations operating in the UK economy meet the definition of a social enterprise is exceptionally difficult. Ultimately, this could only be achieved by examining the articles of association of all companies to identify those which had the requisite limitation on profit distribution and an asset lock.

The one exception to this is those companies that are incorporated as Community Interest Companies (CICs), which are covered below.

Therefore, it is recommended that social enterprises are included in the satellite account, ensuring this data is identifiable as a 'module' that can be viewed separately and included or excluded depending on data user needs. To capture the wider population of social enterprises, the social enterprise module methodology proposed in Chapter 5 of this report should be adopted.

CICs

A CIC is a type of company that uses its profits and assets for the public good. It is a legal form commonly adopted by social enterprises. They are permitted to make and distribute profit, but that distribution is limited by law. CICs must also have an asset lock which sets legal limits on how they can dispose of their assets.

CICs are registered with Companies House but the decision on whether to incorporate a company as a CIC is made by the CIC Regulator.⁶⁰

All CICs that are independent of government should be considered in scope and included in the satellite account.

⁵⁹ See Satellite Account on Non-profit and Related Institutions and Volunteer Work: [Page 28, Paras 3.33 \(c\) 3.32](#)

⁶⁰ See Companies (Audit, Investigations and Community Enterprise) Act 2004: [Part 2, Section 36](#)

Building a reference list

A number of legal bodies hold lists of individual organisations which would fall into the scope of a civil society satellite account. They possess various pieces of information about them, including identifiers such as VAT number, company registration number, PAYE, names and addresses etc. These files can be matched against other datasets such as the IDBR, LFS and ABS, referenced above, to build a picture of their economic activity.

Table 3 lists all the relevant registers (where they exist) and the estimated number of organisations currently registered (where known). The table provides a complete picture of what would be included in a civil society satellite account under the 'Intermediate' approach. If a unit appeared on more than one register, it would be necessary to decide which of the two categories it is assigned to. It is recommended that some rules are set to determine this, for example that a unit that is on both the charity and CIC registers is consistently assigned to the list of CICs.

A version of this work has already been started by an academic team at Birmingham University under the supervision of Professor John Mohan.⁶¹ The project, funded by the Economic and Social Research Council, would make it far easier for government, or any other organisation, to tackle the creation of a civil society satellite account.

By merging the organisation registers, a reference list such as that described above could be deposited with the Secure Research Service. If that file included high quality identifiers, then this could be used to identify relevant units on government business surveys. Without such identifiers, then name and address matching could be used to identify many relevant units with reasonable probability. The government could carry out linkage if provided with the relevant list or register to do so. To preserve the anonymity of business data, the reporting unit references could not be seen alongside the name, address or public identifiers.

Once the reference list has been compiled, it would need to be cross-referenced against the list of units in the [public sector classification guide](#). Any organisation found within the public sector classification guide has been deemed to be controlled by government and allocated to the general

⁶¹ The short title for the project is '[Improving access to and use of organisational-level data on the third sector and civil society](#)' and it is running from 01.10.22-31.03.25.

government sector of the national accounts. As such it should be excluded from the final reference list.

Table 3. List of all registers/data sources for identifying organisations in-scope of a civil society satellite account

Organisation type	Registrar/data source	Estimated number	Recommended approach
Registered charity	Register of the Office of the Scottish Charity Regulator	25,417	Full register
Registered charity	Register of the Charity Commission of Northern Ireland	7,047	Full register
Registered charity	Register of the Charity Commission of England and Wales	18,3663	Full register
Exempt Charity Higher education institutions and their 'connected institutions'	The OfS Register of English higher education providers	267	Filter by Exempt charity status
Exempt Charity Academy Trusts (England only)	Open academies, free schools, studio schools and UTCs gov.uk	2,439	Full register
Exempt Charity Further education corporations (England and Wales) and Sixth-form corporations (England only)	Find school performance data gov.uk	245	Filtered by school status 'open', minor group 'college', school type 'further education' + 'sixth form centres'
	List of exempt charities further education corporations gov.wales	10	Full register
Exempt Charity 'The governing body of any foundation, voluntary or foundation special school'	Find school performance data gov.uk	4,823	(Filtered by school status 'open', school type 'foundation school' + 'foundation special school' + 'voluntary aided school' + 'voluntary controlled school')

Organisation type	Registrar/data source	Estimated number	Recommended approach
	Address list of schools in Wales gov.wales	237	(Maintained tab, filtered by Governance 'foundation + 'voluntary controlled' + 'voluntary aided')
Exempt Charity	Charities Act, Schedule 3, Paras 12-25	15	Full list
Exempt Charity	Regulator of Social Housing: Registered Providers of Social Housing	758	Filtered by Designation 'non-profit', Corporate form 'Registered society'
'Any registered society (within the meaning of the Co-operative and Community Benefit Societies Act 2014) if the society is also a non-profit registered provider of social housing'	Welsh Government: Registered social landlords	35	Full list
Unregistered charity, unincorporated charitable association or Excepted charity	Internal HMRC data on organisations granted charitable tax reliefs	Unknown	Excluding those already identified as registered or exempt
Registered political party	Electoral Commission - List of registered parties	374	Full register
Trade unions	Certification Officer - Official list of trade unions and their annual returns	125	Full register
Employers' Associations	Certification Officer - Employers' associations: current list and schedule	37	Only include those that are incorporated as a non-profit legal structure or have restriction on profit distribution within articles of association or undertake activities identified in Group 9 of the VAT act 1994
Community Amateur Sports club	List of community amateur sports clubs	7,668	Full register

Organisation type	Registrar/data source	Estimated number	Recommended approach
	(CASC) registered with HMRC		
Professional associations, learned societies and trade bodies	HMRC - Approved professional organisations and learned societies (list 3)	2,991	Full register
	HMRC internal data identifying organisations recognised as non-profits in Group 9 of the VAT act 1994	Unknown	All organisations
Companies with 'co-operative' in name	Companies House	1,147	Search by company names that contain 'co-operative'
Mutual societies	FCA – Mutuals Public Register	9,999	Exclude deregistered
Community interest companies	Companies House	29,213	Search by company sub-type 'Community interest company'

Conclusion

Applying the UN Handbook's "five tests" shows that, even when there are clear rules to follow, the picture of which organisations are in-scope for a satellite account is not clear cut. It is difficult to identify types of organisations where a categorical in- or-out-of scope judgement can be made.

Moreover, applying the UN Handbook methodology strictly in the UK context generates some unintuitive results when it comes to determining what is in and out of scope of a satellite account. This would limit the scope of a civil society satellite account, to the extent that the usefulness of the satellite account data would be compromised. In part, this reflects the specifics of UK legal structures. More importantly, however, the UN Handbook approach is specifically focused on developing a satellite account for "non-profit and related institutions". As explored in Chapter 2,

the concept of 'civil society' is generally a broader one than other terms (like the 'voluntary' or 'non-profit' sector).

Applying the 'spirit' of the UN Handbook tests would be a practical approach for the UK to take to produce a civil society satellite account. Applying the spirit if not the letter of the UN Handbook reduces the international comparability of the data, but doing so would produce a more useful set of data in the UK context, given the interests and needs of both policymakers and the sector.

Producing data modules cut by industry or organisation type would mean different stakeholders could build a picture of the sector that addresses their particular needs or interests. This is particularly important for organisation types where different stakeholders have different views about whether they are part of the civil society sector, as discussed in Chapter 2. The 'Intermediate' approach to building a satellite account would allow a wider range of modules to be produced.

Chapter 5. Investing in new data for civil society

Key insights

- Using the UN Handbook survey module on volunteering would produce much more detailed data about both formal and informal volunteering.
- The Small Business Survey provides a good starting point for building a social enterprise module to the civil society satellite account, but further work is needed to produce data that both includes large social enterprises and avoids double counting across other civil society organisation types.
- To understand 'real' growth in output and GVA for the civil society sector, it's important to account for price changes over time – a process known as 'deflation'.

Recommendations

- 5A. Develop an appropriate deflator for the civil society sector – as a minimum we recommend developing cost-based price indices for different types of civil society output.
- 5B. Complete a feasibility study to explore measuring volume of outputs for those parts of the civil society sector most amenable to measurement in this way, in line with best practice for public sector outputs.
- 5C. Consider including additional data in future iterations of the satellite account, particularly more detailed data about volunteering and information about sources of funding.

The 'Do now' and 'Intermediate' options for building a satellite account are both proposals to aggregate existing data about civil society. However, there would be real benefits, for the sector and government alike, from investment in collecting new data about civil society. This chapter sets out a range of options for investment in new civil society data. The most important of these is better measurement of sector outputs. This would not only improve the quality of the satellite account, but would be extremely valuable in its own right by enabling a far deeper understanding of what civil society produces and its value, over time.

Measuring the value of volunteering

As set out above, the civil society satellite account should include the value of volunteer time and the starting point for this should be based on the approach set out in Martin and Franklin (2022), applying shadow wages to formal volunteering hours data collected in the Community Life Survey. This approach is consistent with the recommendations in the UN Handbook and, at the very least, this approach should be adopted in any iteration of the satellite account.

Looking forward, it would be possible and desirable to collect more detailed data about the nature of both formal and informal volunteer work, to allow more accurate estimates to be made of the economic contribution made by volunteers – and therefore the usefulness of the satellite account.

The UN Handbook includes a survey module on volunteering that could be adopted if the government was interested in collecting more detailed data about volunteering in the UK. Annex 4.1 of the Handbook sets out a full survey module.⁶²

Measuring the economic contribution of social enterprises

One of the hardest types of organisations to identify for a civil society satellite account are social enterprises. There is no comprehensive list or register of social enterprises as there is for mutual societies or community interest companies. Social enterprises cut across multiple industry codes, so cannot be identified in this way as universities can. And they cut across legal forms, so cannot be reliably identified by anything in the tax or legal systems.

The most straightforward way to account for social enterprises in the satellite account would be to assume they are captured under category 7 of the legal status variable in the IDBR ('non-profit organisations'). However, in practice, it seems unlikely that they would be fully accounted for there and such an approach is likely to miss a large number of relevant units (and their associated economic variables). Social enterprises are likely to often

⁶² Department of Economic and Social Affairs, Statistics Division, [Satellite Account on Non-profit and Related Institutions and Volunteer Work](#), United Nations, 2018 p.61

appear in category 1 ('Company') of the legal status variable, but there is no feasible way to identify them from data on the IDBR alone.

The only reliable way to identify whether an organisation is a social enterprise is to ask it either to self-identify itself as a social enterprise, or to answer a series of questions to determine whether it meets a set of rules that qualify it as one. Doing this for all organisations in the UK would clearly be too onerous, so the next best option would be to run a sample survey and estimate the prevalence in the economy.

The only survey that is known to do this in the UK is the Small Business Survey (SBS), run by the Department for Business, Energy and Industry Strategy.⁶³ The SBS, which runs annually, has a module which runs every other year asking a series of questions to identify social enterprises. The SBS covers SMEs, which account for over 99% of all enterprises in the UK but only around half of all employment and turnover in the economy. It has a sample size of about 10,000 per year and excludes the public sector.

Using the SBS, it would be possible to estimate what fraction of each industry's employment and turnover is due to social enterprises. These proportions could then be applied to known totals of industry employment and turnover from ONS published statistics, and then aggregated to form an estimate for the social enterprise sector. This would not capture any social enterprises with more than 250 employees, but there are relatively few large organisations in the UK (about 8,000 in the private sector), and so large social enterprises could perhaps be identified manually and added on. This would generate good quality data about social enterprises, but in terms of a civil society satellite account this approach would create overlap with other components of the account, and thus double-counting. For instance, in the 'Do now' approach, some social enterprises might also be recorded in the 'non-profit making body' category (category 7) of the legal status variable on the IDBR. If so, then it would not be possible to simply add together the 'legal status 7' organisations and the 'social enterprise' estimates to get to an overall estimate of the UK's civil society sector. Similarly, if the civil society satellite account was built using organisational registers (the 'Intermediate' approach), if some social enterprises were also

⁶³ Now the Department for Business and Trade

registered charities for example, then these two totals could not be added without double-counting.

Linking the SBS to the BSD would allow one to compare social enterprises (as identified by the SBS) with other markers, and thus mitigate this issue. It would be possible to calculate, for each industry, what proportion of units were social enterprises, what proportion were charities, and what proportion were both social enterprises and charities. This would enable adjustment, and thus eliminate double counting. This could be repeated for any group of relevant organisations so long as that group could be identified on the IDBR following a linkage of the relevant register or list to the IDBR.

Table 4 gives a toy example. In Industry A, 5% of industry employment is from social enterprises and 2% is from registered charities. A crude estimate compiled by simply summing these together would estimate that 7% of the industry's employment was in civil society. But in fact, 1% of that employment is in social enterprises which are also registered charities, which are thus double-counted. Adjusting for that, only 6% of industry employment is in civil society. Multiplying this adjusted share by some known industry employment total gives an estimate of civil society employment in that industry.

This is repeated in Industry B (which has social enterprises but no registered charities, and so there is no overlap) and Industry C (which has more employment in registered charities than in social enterprises, but there is still an overlap to account for). In these instances, civil society employment in the economy is simply the sum across industry.

Table 4 Toy example of adjusting estimates for overlap with social enterprises

	Row	Industry A	Industry B	Industry C	Total
Proportion of industry employment from units which are social enterprises (SBS)	(a)	5%	10%	2%	
Proportion of industry employment from units which are registered charities (Charities Register + IDBR)	(b)	2%	0%	4%	
Crude estimate (sum)	(c)=(a)+(b)	7%	10%	6%	
Overlap (proportion of industry employment from units which are both registered charities and social enterprises)	(d)	1%	0%	1%	
Adjusted estimate	(e)=(c)-(d)	6%	10%	5%	
Known industry employment (ONS)	(f)	1,000	1,000	1,000	
Civil society estimate	(g)=(f)*(e)	60	100	50	210

There are some drawbacks to this approach. Firstly, the SBS only covers SMEs, and thus a different method would be required to identify large social enterprises. Second, the SBS has a relatively small sample size and only asks the social enterprise questions every other year, meaning estimates of social enterprise proportions of industry aggregates would likely be imprecise, and need to be estimated for intervening years. Third, there would be challenges around overlapping typologies – for example in the event of social enterprises that are also registered charities – which would make it difficult to produce modular estimates of a civil society satellite account, and might require some rules about which typing dominates others.

Whichever approach is taken, the government should work closely with sector stakeholders, including the recently established Social Enterprise UK

(SEUK) Knowledge Centre, to generate this additional data about the UK's population of social enterprises.

Measuring civil society's output: enabling estimates of real change over time

Producing meaningful estimates of growth in the sector over time requires some method to account for inflation. For instance, if the measure of GVA of the civil society sector increased 20% over 10 years, it would be unclear if that was due simply to a rise in prices or if it was also affected by a change in volumes (i.e. the quantity delivered). To understand the 'real' growth in output and GVA over time, and for analysis of productivity growth, it is important to control for price changes over time so as to produce estimates on a 'real terms' basis (also known as 'volume terms', or 'in constant prices').

The typical method used to account for price changes over time in economic statistics is through the use of price indices. These track the change in price of an item or group of items. This can be used to adjust a series that is measured in current prices (prices of the period which the data relate to) to create a 'constant price' series. This is a process known as 'deflation', with the use of a price index known as a 'deflator'.

Measuring the prices of services is more difficult than measuring the prices of goods. This is particularly pertinent as most of the civil society sector's output is services. Not only that, but there are often no observable prices in the civil society sector – that is, the output is given to consumers free at the point of use (although of course costs money to deliver). This makes the measurement of suitable price indices difficult.

There are broadly three options:

1. Use price indices of equivalent (or similar) market sector services;
2. Estimate price indices based on the costs of delivering services;
3. Measure the volumes directly.

Martin and Franklin (2022) use the first option to estimate NPISH output and productivity growth, applying output price indices of relevant industries to NPISH GVA in those industries. This assumes that the price changes of an industry in aggregate are appropriate for all sectors within that industry. For instance, if the price index for output in the legal industry

is measured based on market sector legal services, then that price index would be applied to legal services in the civil society sector. The main advantage of this approach is that it is immediately feasible, since there are published price indices for output in all industries. The main disadvantage is that there is no guarantee that the existing price indices are suitable for use in the civil society sector. Martin and Franklin argue that the deflators in the industries relevant for NPISH are predominantly of low quality (based on Eurostat quality rating for price indices).

The second option is used to deflate GVA for large parts of the public sector, as well as other activities where a price is difficult to define such as research and development. This approach is relatively straightforward if enough is known about the composition of the costs of the relevant activity, including labour costs and the breakdown of goods and services purchased. Suitable price indices for each input can be identified and combined together with suitable weights to form a composite cost index. Under the assumption of no change in profit margins or productivity, then the cost index is suitable as a price index. In the civil society sector, it is probably reasonable to assume there are no changes in profit margins (which will be zero or low at all times) but changes in productivity are less clear. This approach will likely yield more accurate results than the first approach but is more demanding on the data.

The third approach is to measure the volume of activity directly. This is the favoured approach for the measurement of public sector output and productivity. Deflating GVA using a price index is only done to produce a volume index, so where it is possible to observe the volume directly, that cuts out a step and improves accuracy and transparency of the method. This approach is done for example in the measurement of education output in the UK National Accounts, where the volume of services delivered is based on the number of pupils in schools, adjusted for attendance rates. In specialist public service productivity statistics published by ONS, additional adjustments are made for changes in the quality of education services which are proxied by exam results and student well-being measures. This approach follows the principles of the Atkinson Review (2005) – a seminal review of the measurement of government output, conducted by British Economist Sir Tony Atkinson in 2005.

It is important that the measures are good conceptual matches for the target outcome, and that the data are not chosen solely on the basis of availability. This approach is likely to yield the highest quality estimates but is the most resource intensive. Developing the measures of government output used in the UK National Accounts and in public service productivity statistics published by the ONS took many years of development work as part of the UK Centre for Measuring Government Activity (UK CeMGA) between 2005 and 2009, and further work is ongoing at ONS.

Developing and maintaining these measures is challenging, and often the necessary data does not exist, rendering it impossible. The civil society sector is large and disparate, with no centralisation or standardisation of data collection. As such, collecting new data about civil society's outputs would be challenging but incredibly valuable, not only for the purposes of developing better quality deflators, but as a standalone source of information about civil society's activity. This sort of data would enable a better understanding of productivity changes over time in the sector as well as the role of civil society in supporting key policy priorities across issues as diverse as mental health, social care, skills, employment and education.

As a minimum, it is recommended that cost-based price indices are developed for different types of civil society output. Cost-based price indices would require the identification or collection of reasonably detailed breakdowns of the costs incurred by relevant organisations in the sector. This could be explored using existing official surveys such as the ABS, based on the identification of relevant organisations in the survey sample. As described elsewhere in this report, the identification of relevant organisations is feasible but not straightforward. Other data sources and expert judgement could also be used.

It is also recommended that direct volume measures for some types of civil society output are explored where this is likely to be most feasible. This could start as feasibility studies focused on specific, narrowly-defined activities, such as social care provision, mental health support, homelessness charities or sports clubs. Such activities would need to be narrowly defined in order to identify consistent data covering the whole of the sector. For instance, if the activity of sports clubs were measured by the number of participants, then it might be preferable to separate this into

different sports and different age groups, since each sport-age activity might have a different effective 'price'. Such research would be resource intensive and require detailed sector knowledge.

Further options for future work

The aim of a civil society satellite account is to go beyond NPISH and capture the full economic contribution of civil society.

The approaches set out in this paper address two elements of that gap. First, they capture incorporated non-profit organisations that sit outside NPISH, which are large enough to be captured on the IDBR. Second, they include the value of formal volunteering as part of civil society's economic activity.

However, there are still elements of civil society's economic activity that will be missed by these approaches. This includes the set of organisations that contribute to GDP but are not captured on the IDBR – either because they are too small to do so (for example, a very small registered charity), or because they are unincorporated associations (for example, a local book group). Their economic activity is captured in national accounts (for example, members of a local book group buy biscuits for their meeting – the purchase of those biscuits contributes to GDP and is counted within household consumption). This group of organisations is very difficult to identify and including them in a civil society satellite account would require additional work, whether using existing data to make estimates or - more significantly - to collect new data about the organisations and their activity.

There is also a range of civil society activity which sits outside the national accounts boundary and is not counted when a country's GDP is calculated. The clearest example here is informal volunteering which is not captured anywhere in national accounts. This feels conceptually different to formal volunteering which more closely mirrors the experience of paid employment. While formal volunteering is also not currently part of national accounts estimates, it isn't a significant conceptual leap to count and value it in the same way as paid work. Nonetheless, adding informal volunteering to the satellite account would capture an important element of civil society's activity. The UN Handbook volunteer survey module covers both formal and informal volunteering.

Finally, stakeholders have shown an interest in variables that cannot be assessed from the IDBR. Further data collection, analysis or modelling would be needed to include these in a satellite account. The most important of these is data on sources of organisations' funding.

Conclusion

The 'Do now' and 'Intermediate' approaches set out in earlier chapters are methods for capturing civil society organisations that sit outside NPISH in national accounts. Building on these, a range of wider data collection, modelling and analysis would further strengthen the civil society satellite account.

In particular, neither the 'Do now' nor the 'Intermediate' approach will capture all social enterprises and thus adding supplementary data to build a social enterprise module in the satellite account is important. Looking forward, collecting more detailed data about volunteering - both formal and informal - would enable a more accurate estimate of the contribution of volunteer time and talent. Finally, deflators for the civil society sector should be developed so that the satellite account can produce meaningful estimates of growth over time.

Conclusion

Currently, the economic contribution of civil society is invisible in national accounts. This makes it very hard to describe the scale or nature of that contribution, to track trends, or to spot potential challenges. It also means civil society is rarely considered in parity with other industries. Perhaps most importantly, the time and talent contributed by the UK's millions of volunteers isn't captured anywhere in national accounts at present.

A civil society satellite account would address these challenges. By aggregating economic and employment statistics for the civil society sector, linked to the national accounts, the economic contribution of civil society and volunteers would be presented in parity with other industries. Meanwhile, policymakers, sector stakeholders and academics would be armed with better quality, more timely data about the state of the sector by which to make decisions.

Deciding what is in and out of scope of a civil society satellite account is not straightforward, particularly as there is not a universally agreed definition of 'civil society'. Different stakeholders have different needs and interests. To address this, a 'modular' approach to building a civil society satellite account should be taken, which would mean that the data could be produced with or without certain industries or organisation types, depending on user needs.

Producing a satellite account is not straightforward, but in this feasibility study two complementary approaches for doing so have been set out. The first uses existing identifiers in government datasets to identify civil society organisations. The second aggregates registers of civil society organisations, reflecting guidance set out in the UN Handbook 'Satellite Account on Non-Profit and Related Institutions and Volunteer Work' for identifying in-scope organisations. The second approach would produce a more accurate and detailed picture of civil society, but require more resource to deliver. However, both approaches are believed to be deliverable within two years.



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