The New Zealand Non-profit Sector in Comparative Perspective

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ISBN 978-0-478-32301-6 (Online)
ISBN 978-0-478-32302-3 (Print)

Suggested form of citation:
Jackie Sanders, Mike O'Brien, Margaret Tennant, S. Wojciech Sokolowski and Lester M. Salamon. *The New Zealand Non-profit Sector in Comparative Perspective.* Office for the Community and Voluntary Sector, 2008.

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Preface

The research reported in this paper is one more important step in both understanding and making more visible the role of non-profit organisations in Aotearoa New Zealand. This volume focuses on the overall shape of non-profit organisations in this country – especially their economic contribution – in international comparison. It has potentially significant public policy implications for the future of non-profit organisations in this country.

It finds its place as a part of an international comparative non-profit research programme, initiated by the Center for Civil Society Studies at Johns Hopkins University. Our participation in this collaborative international programme is the result of the vision, over many years, of a small handful of individuals in this country's non-profit sector, in private philanthropy, and in government. It is fitting that this vision has been brought to life in a collaborative enterprise which has drawn together the passion, the financing and the intellectual capital of academia, community researchers, the non-profit sector, private philanthropy and government agencies.

The research itself draws heavily on this country's first *Non-profit Institutions Satellite Account: 2004* produced by Statistics New Zealand in August 2007. This in turn builds on Statistics New Zealand's earlier report on *Counting Non-profit Institutions in New Zealand: 2005* (2007) and a 2006 Johns Hopkins University publication *Defining the Nonprofit Sector: New Zealand*. It has been a privilege for the Committee to advise Statistics New Zealand on the production of the Non-profit Institutions Satellite Account, as well as managing New Zealand's participation in the Johns Hopkins University study.

Alongside this work we are publishing a more detailed history of non-profit organisations in Aotearoa New Zealand. A collated bibliography of research on non-profit organisations in this country and a working paper on the impact of public policy on non-profit organisations will follow. We hope others will draw on the valuable material generated by this project to further expand our understanding of this most important sector of society.

Appreciation must go to the team at Johns Hopkins University, especially Lester Salamon and Wojciech Sokolowski for their international leadership, and to each of the members of the Committee for the Study of the New Zealand Non-profit Sector, who guided the evolution of this project as well as providing important first-hand data and perspectives. The project would not have been possible without the financial, practical and moral support of the Tindall Foundation, the Combined Community Trusts, the Office for the Community and Voluntary Sector (Ministry of Social Development), and Statistics New Zealand. In particular, I would like to express my admiration and thanks for the dedication, insight and hard work of the Massey University research team who brought this project to life – Jackie Sanders, Mike O'Brien and Margaret Tennant.

Garth Nowland-Foreman
Chair, Committee for the Study of the New Zealand Non-profit Sector

Chapter 1
Introduction

Aotearoa New Zealand has a strong non-profit sector, with rich historical traditions, and it is evolving and growing in importance in Aotearoa New Zealand society. At least three major social forces have shaped the non-profit sector in contemporary Aotearoa New Zealand.

The first of these is the indigenous Māori population, which developed its own forms of social organisation based on whānau (family), hapū (sub-tribe) and iwi (tribe). Māori kin-based associational forms have remained significant, and they inform contemporary service, governance and membership organisations.

The second force is the legal, political and social inheritances that followed from the signing of the Treaty of Waitangi between the British Crown and Māori in 1840,[1] and the subsequent settlement of the country by Europeans of predominantly Anglo-Celtic descent. The British influence gave birth to today's institutional forms familiar to Western audiences, among them charitable societies, clubs, lodges, temperance societies, and craft unions.

The third force is the welfare state, which was embedded in the 1938 Social Security Act and further elaborated in subsequent decades. The development of the welfare state fostered a close collaboration between key non-profit organisations and government and led to an infusion of public resources that has substantially strengthened the sector while requiring increasing accountability from it.

As a result of these influences, Aotearoa New Zealand has a robust non-profit sector that, in addition to providing human services, is broadly engaged in what have been referred to as the *expressive* activities of culture, recreation, civic activism and advocacy activities. This pronounced expressive dimension makes the Aotearoa New Zealand non-profit sector unique among English-speaking countries.

These findings emerge from a research project carried out by a team of Aotearoa New Zealand researchers[2] working in co-operation with the Johns Hopkins Comparative Nonprofit Sector Project and Statistics New Zealand. The work has been co-ordinated by the Ministry of Social Development in partnership with the Committee for the Study of the New Zealand Non-profit Sector.[3] This research project sought to measure Aotearoa New Zealand non-profit sector organisations quantitatively, following the methodological guidelines spelled out in the United Nations *Handbook on Non-profit Institutions in the System of National Accounts*, to compare these findings to those from other countries surveyed by the Johns Hopkins University study, and to put this set of institutions into historical and political context. The result is the first comprehensive empirical overview of the non-profit sector in Aotearoa New Zealand that systematically compares Aotearoa New Zealand to other countries.

This report provides a brief summary of the results of this work. The discussion falls into five chapters beyond this Introduction. Chapter 2 provides detail on the project's objectives, the approach to gathering and analysing data and the way in which non-profit organisations have been defined for the purposes of this project. Chapter 3 summarises the major empirical findings about the scope and scale of Aotearoa New Zealand non-profit organisations and compares these findings to those on the 40 other countries on which comparable data are now available. Chapter 4 briefly examines the key historical factors that shaped the development of non-profit organisations in Aotearoa New Zealand. Chapter 5 discusses the key issues confronting the sector in the contemporary period, particularly in terms of the impact of government policy. Finally, Chapter 6 draws some conclusions from the findings presented here and outlines their implications for public policy, non-profit organisations, and research.

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[1] A treaty signed at Waitangi on 6 February 1840 (and in other parts of the country subsequently), by representatives of the British Crown and various Māori chiefs, established a British governor in Aotearoa New Zealand, recognised Māori ownership of their lands and other properties, and gave Māori the rights of British subjects. Although the Treaty is generally considered the founding document of Aotearoa New Zealand as a nation; the English and Māori language versions of the Treaty differ significantly, so the British and the Māori interpretations of the Treaty also differ.

[2] The qualitative research in Aotearoa New Zealand has been undertaken by Dr Jackie Sanders, Associate Professor Mike O'Brien and Professor Margaret Tennant, faculty at Massey University.

[3] For a full list of project partners, see the acknowledgements page at the beginning of this report.

Chapter 2
Definition and approach

The Johns Hopkins Comparative Nonprofit Sector Project, of which the work examined here is a part, aims to bring non-profit organisations into better empirical and conceptual focus worldwide. To date, the project has operated in 41 countries in Europe, Asia, North America, Latin America, the Middle East, Africa and Australia.[4] A complete list of countries included in the Johns Hopkins University study can be found in Appendix C.[5] To date Aotearoa New Zealand is the only Pacific nation to have participated in this project.

Objectives

From the outset, this project has sought to accomplish five principal objectives:

- First, to *document* the scope, structure, financing, and role of the non-profit sector

- Second, to *explain* why this sector varies in size, composition, character, and role from place to place and identify the factors that seem to encourage or retard its development, including differences in history, legal arrangements, religious backgrounds, cultures, socioeconomic structures, and patterns of government policy

- Third, to *evaluate* the impact these organisations have and the contributions they make, as well as the drawbacks they entail

- Fourth, to *improve awareness* of this set of institutions by disseminating the results of the work

- Fifth, to *build local capacity* to carry on the work in the future.

Approach

To pursue these objectives, the project has utilised an approach that is:

- *Comparative*, covering countries at different levels of development and with a wide range of religious, cultural, and political traditions. This comparative approach was a central feature of the project's methodology.

- *Systematic*, utilising a common definition of the entities to be included and a common classification system for differentiating among them.

- *Collaborative*, relying extensively on local analysts to root project definitions and analysis in local knowledge and ensure the local experience to carry the work forward in the future. In Aotearoa New Zealand the work was carried out by staff from Statistics New Zealand and the Ministry of Social Development, and an academic team based at Massey University.[6]

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[4] For a summary of the results of the first phase of project work, focusing on eight countries, see: Lester M. Salamon and Helmut K. Anheier (1994) *The Emerging Sector: An Overview*, Baltimore, MD: Johns Hopkins Institute for Policy Studies, republished in 1996 as *The Emerging Non-profit Sector*, Vol. 1 in the Johns Hopkins Nonprofit Sector Series Manchester, UK: Manchester University Press. More detailed results are available in a series of books published in the Johns Hopkins Nonprofit Sector Series by Manchester University Press. Results of the second phase of project work, covering 22 countries, can be found in: Lester M. Salamon, Helmut K. Anheier, Regina List, S. Wojciech Sokolowski, Stefan Toepler, and Associates (1999) *Global Civil Society: Dimensions of the Non-profit Sector*, Baltimore, MD: Johns Hopkins Center for Civil Society Studies, and Lester M. Salamon, S. Wojciech Sokolowski, and Associates (2004) *Global Civil Society: Dimensions of the Non-profit Sector*, Vol. 2, Bloomfield, CT: Kumarian Press. For a complete list of the products of the Johns Hopkins Comparative Nonprofit Sector Project, please contact the Center for Civil Society Studies as noted via the website: www.jhu.edu/ccss.

[5] Countries are listed in Appendix C by country clusters.

[6] For a full list of project personnel in Aotearoa New Zealand, see the acknowledgements page at the beginning of this report.

- *Consultative*, involving the active participation of local non-profit personnel, government leaders, the press, and the business community in order to further ensure that the work in each country is responsive to the particular conditions of the country and that the results could be understood and disseminated locally. In Aotearoa New Zealand, the project had the support of a particularly strong and engaged Committee made up of sector leaders, government officials, and leading academics.[7]

- *Empirical,* employing a set of empirical measures of the overall level of effort that non-profit organisations mobilise in each country, the distribution of this effort among various activities, and the sources of support for this activity.

Defining non-profit organisations

Given the comparative and empirical nature of this inquiry, the task of developing a coherent definition of the entities of interest took on special importance and therefore deserves special comment. This is particularly true given the somewhat contested nature of the central concepts defining the non-profit, or civil society, sector around the world.[8]

The Johns Hopkins University study adopted a bottom-up, inductive approach, building up the definition from the experiences of the broad range of countries embraced within the project. In particular, Johns Hopkins University first solicited from the project's country-based research teams, or "Local Associates," a roadmap of the kinds of entities that would reasonably be included in the non-profit or civil society sector in their respective countries. These roadmaps were then compared to each other to identify where they overlapped and the core characteristics of the entities that fell into this overlapping area. Finally, the "grey areas" that existed on the fringes of this core set of characteristics were noted and a process was created for Local Associates to determine how to treat entities that occupied these grey areas.

Out of this process emerged a consensus on five structural-operational features that defined the entities at the centre of concern. For the purpose of this project, therefore, the non-profit sector is defined as being composed of entities that are:

- *Organised*, ie they have some structure and regularity to their operations, whether or not they are formally constituted or legally registered. This definition embraces informal, ie non-registered, groups as well as formally registered ones.

- *Private*, ie they are not part of the apparatus of the state, even though they may receive substantial support from governmental sources.

- *Not profit-distributing*, ie they are not primarily commercial in purpose and do not distribute profits to a set of directors, stockholders, or managers. Non-profit organisations can generate surpluses in the course of their operations, but any such surpluses must be reinvested in the objectives of the organisation. This criterion serves as a proxy for the "public purpose" criterion used in some definitions of non-profit, but it does so without having to specify in advance and for all countries what valid "public purposes" are.

- *Self-governing*, ie they have their own mechanisms for internal governance, are able to cease operations on their own authority, and are fundamentally in control of their own affairs.

- *Non-compulsory*, ie membership or participation in them is not legally required or otherwise a condition of citizenship.

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[7]   For a list of the members of the Committee for the Study of the New Zealand Non-profit Sector, see the acknowledgements page at the beginning of this report.

[8]   For a full discussion of the challenges of defining civil society and non-profit organisations and of the steps taken to formulate the definition used in this project, see: Lester M. Salamon and Helmut Anheier (Eds) (1996) *Defining the Non-profit Sector*, Manchester, UK: Manchester University Press.

Applicability to Aotearoa New Zealand

The "structural-operational" definition has been tested in every country included in the Johns Hopkins University study to determine whether it is sufficiently broad to encompass the great variety of organisations commonly considered to be part of the non-profit sector, yet sufficiently sharp to distinguish these institutions from those in the other two major sectors – business and government.

Aotearoa New Zealand offered some specific challenges to the structural-operational definition due to the significant and distinctive presence of the substantial Māori community, and the distinctive organisational forms it has developed to provide stewardship for the affairs of iwi (tribes). Māori share a strong commitment to the extended family, where "community service" is often seen as an extension of everyday family responsibilities as opposed to a separate non-profit or voluntary activity. Consequently, the condition of voluntary or non-compulsory participation or membership stipulated by the structural-operational definition may be too restrictive in Aotearoa New Zealand if interpreted too literally, as it could place important Māori organisational forms out of scope of the non-profit sector on grounds that involvement in them is a responsibility of being a part of the Māori community. What is more, the notion of a separate "sector" and "sector organisations" may not fit with the Māori experience.

However, some notion of social obligation is involved in voluntary action for virtually all people. These obligations may receive different forms of cultural expression in different societies, but they share one thing in common – they encourage individuals to act for the greater good without employing coercion and formal sanctions for non-compliance. These obligations may be especially strong in Māori culture. In view of this, the project team concluded that Māori organisational forms met the intention of the criteria stipulated by the structural-operational definition. Consequently, these organisations have been included in the scope of this study.

International Classification of Non-profit Organisations

As a further aid to depicting the entities embraced within the project definition, the Johns Hopkins University study formulated a classification scheme for differentiating these entities according to their primary activity. For this purpose, the project introduced the International Classification of Non-profit Organisations (ICNPO), formulated on the basis of the International Standard Industrial Classification (ISIC), but incorporating more detailed categories in the areas relevant for non-profit activities. The ICNPO identifies 12 categories of non-profit organisation activity. Each of these categories in turn is further divided into subcategories.

The New Zealand Standard Classification of Non-profit Organisations (NZSCNPO), which classifies non-profit organisations in Aotearoa New Zealand, slightly adapts the ICNPO. The main modification is the inclusion of a new subgroup of *tangata whenua* governance organisations,[9] which is included under the category "Development and housing" for purposes of international comparisons (see Appendix A for further details). The full listing of NZSCNPO categories and subcategories is at Appendix B.

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[9] It is important to note that this new category does not include all Māori non-profit organisations. Māori non-profit organisations are included in the category that best represents their primary activity, for example marae health centres are included under "Health", and Māori business associations under "Business and professional associations", etc. The "Tangata whenua governance" category only includes iwi and other organisations, such as marae committees with a wide mandate for governing a people.

Service and expressive functions

Within the Johns Hopkins University study a distinction has been made between the role of non-profit organisations in providing tangible services, and wider functions such as advocacy, community building, connecting individuals, providing a home for 'social movements', and acting as vehicles for a variety of other sentiments and impulses. To simplify descriptions of these roles, it has become convenient to group the 12 ICNPO (and now NZSCNPO) categories into two broad general categories:

- *service* functions, which involve the delivery of direct services such as education, health, housing and community development, social services and the like

- *expressive* functions, which involve activities that provide avenues for the expression of cultural, religious, professional or policy values and interests. Included here are civic and advocacy; arts, culture, and recreation; environmental protection; and business, labour, religious, and professional representation.

Salamon, Sokolowski and List (2003: 20–2) acknowledge that the distinction between *expressive* and *service* functions is far from perfect and many organisations are engaged in both. Nevertheless, the distinction can help highlight the different roles that non-profit organisations can play.

Country clusters

To make sense of the data on the 41 countries covered by their work, the Johns Hopkins University researchers identified certain clusters of countries that shared some basic features in the overall structure of their non-profit sectors. These features included the relative size of the sector, volunteer participation, revenue and structure. Other factors taken into account in forming these clusters included the countries' levels of development, their social and political histories, and their regions. These clusters made it possible to make richer comparisons among countries than were possible through simple comparisons of each country to the 41-country averages.

Altogether, eight "country-clusters" were identified among the 41 countries included in the study (see Appendix C). As will become clear, New Zealand bears closest resemblance to the Anglo-Saxon cluster, though it has similarities to elements of the Nordic pattern.

Data sources and methodology

The core data in this report were assembled primarily by Statistics New Zealand, using methods outlined in the United Nations *Handbook on Non-profit Institutions in the System of National Accounts* (henceforth UN *NPI Handbook*). These data were published in *Non-profit Institutions Satellite Account: 2004* (Statistics New Zealand 2007a) and *Counting Non-profit Institutions: 2005* (Statistics New Zealand 2007b), which provides further details on data assembly methodology.

The UN *NPI Handbook* drew heavily on the experience of the Johns Hopkins Comparative Nonprofit Sector Project, which is the source of the data on the other countries used for comparative purposes here. This project specified a common set of target data items, offered guidance on likely sources of such data, and then relied on Local Associates to formulate detailed strategies for generating the needed information in each country utilising official economic statistics (eg employment surveys, business surveys, or administrative records) and supplementary surveys of non-profit organisations and volunteering as needed. Johns Hopkins University staff worked closely with staff of Statistics New Zealand to ensure consistency between the national accounts data assembled by Statistics New Zealand and the data assembled through the core Johns Hopkins University study. Nevertheless, some differences remain that explain certain aspects of the comparisons featured in the body of this report. These are covered in Appendix A, along with brief details of the sources and methods used to compile these data.

Important notes about the data

Other features of the analysis should be borne in mind in interpreting the comparative findings presented here.

Given the generally labour-intensive character of non-profit organisations, we use the size of the non-profit workforce as a critical indicator of the level of activity of these organisations. However, the workforce extends well beyond the paid staff to include volunteers. The non-profit workforce is thus a combination of the paid workers and volunteers. Due to variations in country size, the workforce of the non-profit sector is measured as a percent of each country's economically active population. Conceptually, this represents the non-profit sector's share of a country's total available labour pool (ie all those available for work, whether currently employed or not).

Workforce data for non-profit organisations – on both paid staff and volunteers – are expressed in full-time equivalent terms to make them comparable among countries and organisations. Thus, a non-profit organisation that employs 20 half-time workers would have the same number of full-time equivalent workers (ie 10) as an organisation that employs 10 people full-time. Similarly, a non-profit organisation that employs 10 full-time paid workers would have the same "workforce" as an organisation that engages 50 volunteers who work one day a week, or one-fifth time, each. It should be noted however, that in Figure 1, the conversion to full-time equivalents for all other industries is done on the basis that two part-time workers (part-time being defined as working less than 30 hours per week) are equivalent to one full-time worker.

Although data were collected on different countries at different time periods between 1995 and 2004, attempts have been made to minimise the consequences of the different base years. This is achieved by focusing on the *relative* size of the non-profit sector in a country rather than the *absolute* size, since the relative size will be more stable for the period under examination. Thus, for example, we measure workforce as a percent of the economically active population, and revenues as a percent of gross domestic product (GDP).

Both religious and secular organisations were included within the study's definition of the non-profit sector, and an effort was made in most countries to capture the activity of both *religious worship organisations* (eg churches, mosques, synagogues, choirs, and religious study groups) and *religiously affiliated service organisations* (eg schools, hospitals, and homeless shelters operated by religious worship organisations). Generally, where a distinction between these two was possible, the affiliated service organisations were assigned to the relevant service field in which they chiefly operate (eg health, education, and social services). The organisations primarily engaged in religious worship, by contrast, were assigned to the special category of "Religious organisations" (ICNPO group 10). Data on religion were not available in the following countries: Colombia, Egypt, India, Morocco, Peru, and Spain.

Unless otherwise noted, average figures reported here (such as those for country clusters) are unweighted averages in which the values of all countries are counted equally, regardless of the size of the country or of its non-profit sector.

Throughout this report *monetary values* for Aotearoa New Zealand are denoted in both the New Zealand currency and in US dollars at the exchange rate in effect as of the date for which data are reported, which was 2004.[10] Monetary values for other countries are expressed in US dollars in order to facilitate comparisons.

The number of countries covered varies somewhat by data availability. Total workforce data are available on 41 countries; however, data on the distribution of the workforce by field were not available in two countries: Egypt and Morocco. Revenue data were not available for Egypt, India, and Morocco.

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[10]   The exchange rate used to convert between New Zealand and United States dollars was 1 USD = 1.626 NZD.

The System of National Accounts groups government grants together with private philanthropy, and government contracts together with market sales, in computing non-profit revenue sources. This has the effect of significantly obscuring the overall scale of government support to non-profit institutions, a topic of important policy concern. Statistics New Zealand utilised this approach in its Non-profit Institutions Satellite Account, due to a lack of information on sales transactions. The UN *NPI Handbook*, however, calls on countries to treat non-profit revenue from government differently by pulling all government support together regardless of whether it takes the form of a grant, a contract, or a voucher. In order to make the New Zealand revenue data more comparable to that generated by Johns Hopkins University in other countries, efforts have been made to identify and aggregate government funding across all sources in New Zealand. Still, the total amount of government funding identified in Aotearoa New Zealand is likely to be a lower-bound estimate. In particular, not all contracts or fees from (government) District Health Boards to non-profit organisations may have been identified. These unidentified payments are therefore included as part of "fee income" for analysis in this report. In this respect, the total revenue of non-profit organisations in Aotearoa New Zealand is likely to remain the same, but the share coming from government would be an underestimate, and the share coming from other sales and fees would be overestimated.

Chapter 3
Dimensions of Aotearoa New Zealand's non-profit sector

The discussion below outlines the key features of the Aotearoa New Zealand non-profit sector and compares and contrasts it with the other countries covered by the Johns Hopkins Comparative Nonprofit Sector Project.

A significant economic force

Data assembled on Aotearoa New Zealand for this project demonstrates that non-profit organisations are a significant economic force:

A $9.8 billion industry. The non-profit sector in Aotearoa New Zealand had operating expenditures for the year ended March 2004 of NZ$6.5 billion (US$4.0 billion at the then prevailing exchange rate).[11] In addition, it mobilised volunteer work that represented an additional $3.3 billion of labour. The total expenditures represented by the paid and volunteer effort of non-profit institutions thus totalled NZ$9.8 billion.

After excluding the sector's "intermediate consumption", ie its purchases from other sectors of the economy, this translated into a net "value added"[12] to the country's GDP of NZ$7.0 billion, (US$4.3 billion) or 4.9 percent of GDP, as reported in Table 1. Of this total, NZ$3.6 billion represents the cash value added of the non-profit institutions and NZ$3.3 billion represents the value added by volunteer work.

A significant employer. The total non-profit sector workforce numbers over 200,000 full-time equivalent paid staff and volunteers, which represents 9.6 percent of the economically active population,[13] as Table 1 also shows.

A sector that has a larger workforce than many industries. The non-profit sector in Aotearoa New Zealand thus engages a larger workforce than many of the nation's industries. As Figure 1 shows, non-profit sector organisations employ more people than the construction, transportation, and utilities industries combined, and more than 90 percent of the amount employed in the manufacturing sector.

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[11] The operating expenditure figure noted here is total operating expenditures. It does not include donations paid, as these are considered to be transfers, not expenses.

[12] "Value added" and "operating expenditures" are two different measures of the economic scale of a set of institutions. Unfortunately, neither is ideal for assessing the relative economic importance of non-profit institutions. Value added represents the net contribution that a set of institutions makes to the GDP after deducting its "intermediate consumption", ie the cost of the goods or services it acquires from other sectors and uses in its own production. The problem is that the only value included in this computation the proceeds of the sales of goods or services. This ignores the portion of the output of non-profit organisations that is supported by gifts and grants and not sales. On the other hand, operating expenditures include payments for intermediate outputs of other sectors (eg office supplies, medical equipment, vehicles, rent). Value added thus underestimates the contribution of non-profit organisations by not counting output paid by grants and gifts, whereas expenditures overestimate that contribution by counting intermediate consumption. We report both figures to provide a sense of the relative scale of these two measures.

[13] EAP data for all countries covered by this project come from International Labour Organization, http://laborsta.ilo.org/.

TABLE 1 Non-profit organisations in Aotearoa New Zealand: Selected indicators

Variable	Amount	
Expenditures		
Non-profit institutions	NZ$6.5b (US$4.0b)	
Volunteers	NZ$3.3b (US$2.0b)	
Total	**NZ$9.8b (US$6.1b)**	
Economic value added		**% GDP***
Non-profit institutions	NZ$3.6b (US$2.2b)	2.6%
Volunteers	NZ$3.3b (US$2.0b)	2.3%
Total**	**NZ$7.0b (US$4.3b)**	**4.9%**
Employment (FTE)***		**% EAP***
Paid staff	66,806	3.2%
Volunteers	133,799	6.4%
Total	**200,605**	**9.6%**

Sources: GDP, Non-profit institution employment, volunteers and finances – Statistics New Zealand; Economically active population – International Labour Organization.

*   Economic value added measured as percent of GDP. Employment measured as percent of economically active population (EAP).

**   Totals may not add due to rounding.

*** FTE = full-time equivalent.

FIGURE 1 Employment in non-profit institutions vs. selected industries in New Zealand, 2004
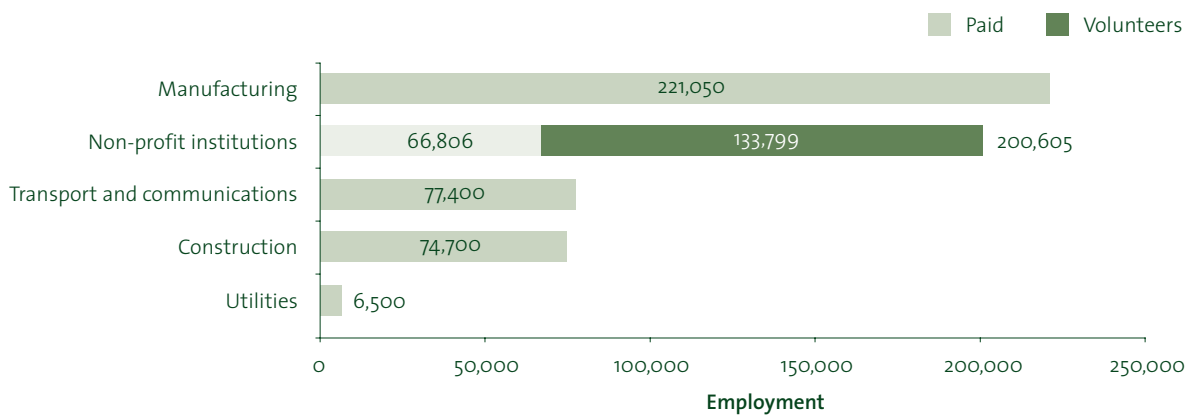
Sources: Industry data sourced from the March 2004 quarter Quarterly Employment Survey; NPI data sourced from the Statistics NZ Business Frame (October 2005), the 1998/9 Time-Use Survey and the Quarterly Employment Survey.

Extensive volunteer input. Especially notable is the sizable volunteer workforce that Aotearoa New Zealand non-profit sector organisations help to mobilise. Overall, the volunteer effort translates into nearly 134,000 full-time equivalent workers in Aotearoa New Zealand, which represents 6.4 percent of the total economically active population (Table 1). Put differently, volunteers comprise two-thirds of the non-profit sector workforce in the country. The actual number of people volunteering is significantly higher than this, of course, since most volunteers do not work full time. According to Statistics New Zealand estimates, over 1 million people, or 31 percent of the population 12 years and over, were engaged in some kind of volunteer work for a non-profit organisation in Aotearoa New Zealand in 2004. Volunteers fill approximately 1.7 million positions; 46 percent of volunteers do so for more than one organisation.

Comparison to other countries

Proportionally, the seventh largest non-profit sector workforce in the world. As Table 2 shows, as a share of the economically active population, the non-profit sector workforce – paid staff and volunteers – in the countries for which data are available varies from a high of 15.9 percent in the Netherlands to a low of 0.7 percent in Romania, with a 41-country average of 5.6 percent.[14] The Aotearoa New Zealand figure, at 9.6 percent, is among the highest, putting the country ahead of United States and Australia in the relative size of its non-profit organisation workforce. It also puts Aotearoa New Zealand ahead of the averages for the two country clusters that it most closely resembles – the Anglo-Saxon and Nordic clusters, as Figure 2 shows.[15]

TABLE 2 Non-profit workforce as percent of economically active population, by country

	% of EAP	Year		% of EAP	Year
Netherlands	15.9%	2002	Korea, Republic of	4.2%	2003
Canada	12.3%	2002	Portugal	4.2%	2002
Israel	11.4%	2002	Mexico	4.2%	2003
Belgium	11.0%	1995	South Africa	3.4%	1998
United Kingdom	11.0%	1995	Brazil	3.3%	2002
Ireland	10.9%	1995	Egypt	3.2%	1999
New Zealand	**9.6%**	**2004**	Uganda	2.4%	1998
Japan	9.6%	2004	Colombia	2.3%	1995
Sweden	9.6%	2002	Kenya	2.1%	2000
France	9.0%	2002	Peru	2.1%	1995
United States	8.9%	2004	Hungary	2.0%	2003
Denmark	8.8%	2004	Tanzania	1.9%	2000
Austria	7.8%	2005	Philippines	1.9%	1997
Australia	7.6%	2000	Czech Republic	1.7%	2004
Norway	7.3%	2004	India	1.5%	2000
Germany	6.8%	1995	Morocco	1.5%	1999
Argentina	5.9%	1995	Slovakia	1.0%	1996
Finland	5.7%	1996	Pakistan	1.0%	2000
Chile	5.0%	2004	Poland	0.9%	1997
Spain	4.3%	1995	Romania	0.7%	1995
Italy	4.3%	1999	**41-country average**	**5.6%**	

[14] These figures include data on religious worship organisations for most countries. The countries where data on these organisations were not available are: Colombia, Egypt, India, Morocco, Peru, and Spain.

[15] See Appendix C for country clusters.

FIGURE 2 Non-profit organisational workforce as a percent of economically active population, New Zealand vs. country groups
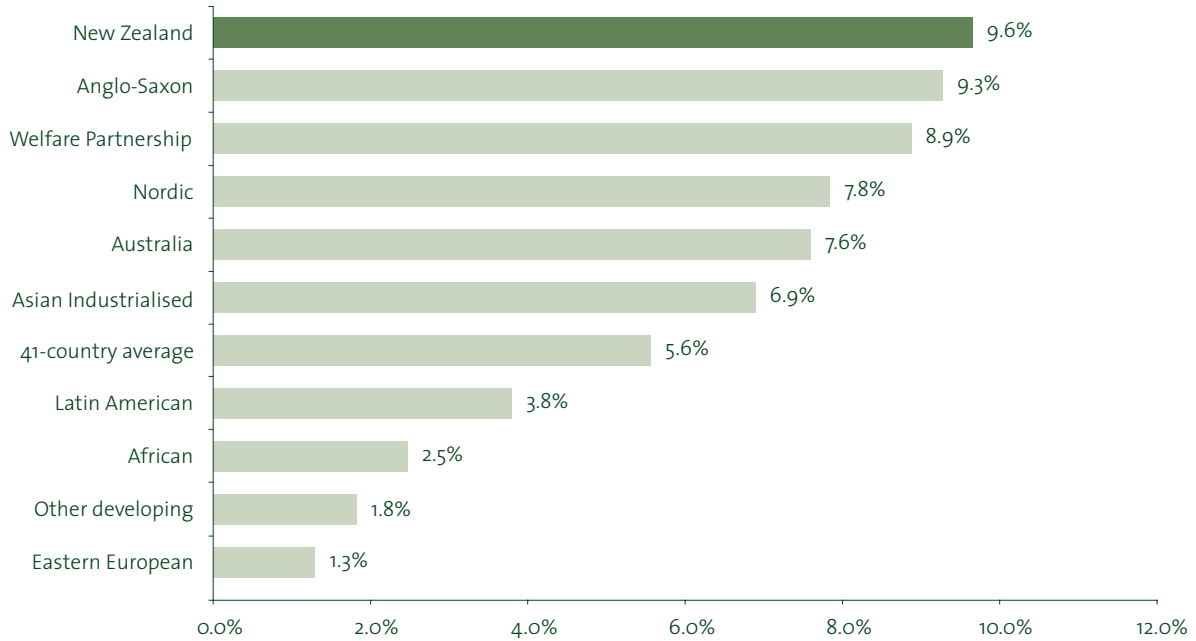
Source: EAP data for all countries in this project come from International Labour Organization.

Volunteer participation unusually high. At 67 percent, the volunteer share of the non-profit workforce in New Zealand easily outdistances the 48 percent for the Anglo-Saxon country cluster, not to mention the 41-country average of 42 percent (see Figure 3). In fact, 90 percent of New Zealand non-profit organisations employ no paid staff, and so rely on volunteers to function.

FIGURE 3 Volunteers as a share of non-profit workforce, New Zealand vs. country groups
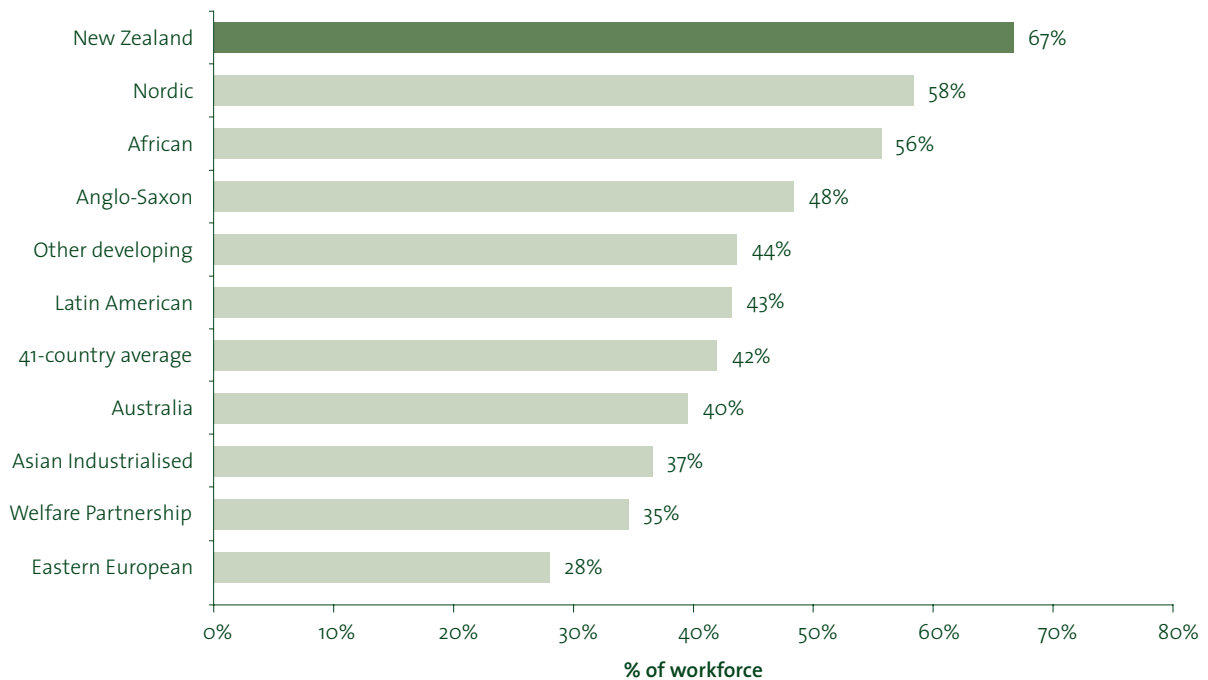
A diverse sector

Like their counterparts elsewhere, Aotearoa New Zealand non-profit organisations perform a wide array of functions, from the provision of health, education, and social services to the promotion of culture and civic action. At the same time, Aotearoa New Zealand non-profit organisations have a number of distinctive features that set them apart from those in other English-speaking countries as well as internationally.

As noted in Chapter 2, to examine the composition of non-profit organisations in different countries the Johns Hopkins University study first sorted organisations among 12 fields based on their major activity (eg health, education, social services). It then grouped these 12 major fields into two broad groupings – *service* functions and *expressive* functions. The service functions include education and research, health services, social services, and community development and housing. The expressive functions include culture, sports and recreation, environmental protection, civic and advocacy activities, activities of labour unions, professional associations and business leagues, and religious worship. In the case of Aotearoa New Zealand, while paid staff can be readily attributed to different fields, limitations of the data made it impossible to provide as fine-grained a differentiation of volunteer workers among fields, especially in the expressive functions. Accordingly, volunteers working in religion, civic and advocacy, environmental protection, and business, professional, and labour organisations were grouped together as working in various *membership* organisations. In addition, the volunteering data treat volunteers in Māori organisations as a separately identified group. Despite these limitations of the data, a number of important comparative observations are possible.

Strong presence of expressive organisations. As shown in Table 3, expressive activities engage 49 percent of the non-profit workforce in Aotearoa New Zealand.[16] By comparison, these expressive functions account for only 37 percent of the non-profit workforce on average in the 39 countries for which data are available. The expressive share of non-profit activity in Aotearoa New Zealand also exceeds the average for the country cluster with which Aotearoa New Zealand is most closely associated – the Anglo-Saxon cluster (39 percent). Only the Nordic cluster exceeds it.

Composition of expressive fields different in Aotearoa New Zealand than elsewhere. This relatively high non-profit involvement in expressive functions in Aotearoa New Zealand is due, for the most part, to a significant presence of cultural, recreational and sporting associations, which engage 25 percent of the non-profit workforce in Aotearoa New Zealand, much larger than the Anglo-Saxon or the 39-country averages (18 and 17 percent, respectively). Also distinctive is the presence of Māori civic organisations. Other membership associations, by contrast, account for 20 percent of the total workforce, which is comparable to 39-country and Anglo-Saxon averages (21 percent each). The historical reasons for these patterns are elaborated on in Chapter 4.

A less pronounced non-profit role in health and education. Overall, service functions account for a smaller share of non-profit activity in Aotearoa New Zealand than is the case internationally, even including a portion of the sizable Māori volunteer activity that takes the form of service functions. One major reason for this is the considerably smaller role of non-profit organisations in the health field in Aotearoa New Zealand (8 percent of total non-profit employment versus the 39-country average of 12 percent and the Anglo-Saxon cluster average of 16 percent). The educational share of non-profit activities in New Zealand, at 16 percent, is also smaller than either the full 39-country average (21 percent) or the Anglo-Saxon cluster average (18 percent). These findings reflect the fact that Aotearoa New Zealand adopted more direct, universal public provision rather than just financing of key services in the health and education fields.[17] This differs markedly from the Welfare Partnership model, where non-profit organisations developed a much more substantial role in the delivery of these health and education services, even though the state increased its role in the financing of them.

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[16]   Included in this total is half of the volunteer activity that takes place in and through organisations. This is an estimate since although it is known that a portion of the substantial Māori volunteering takes the form of civic activity, data limitations make it impossible to determine exactly what portion. Accordingly, for the purpose of international comparison we have identified the volunteering that takes place in and through Māori organisations separately, but divided it equally between service and expressive functions. This seemed a more reasonable approach than allocating all of this volunteer activity to an "Other" category that is neither service nor expressive. Therefore, it has been given its own category (see Table 4 below), within the service and expressive groups.

[17]   As noted in Chapter 2, it is possible that the data underestimate non-profit revenue from government, especially in the health sector, but irrespective of this, the point remains regarding the relatively strong role for the state in health services in this country developed as a part of the welfare state from the 1938 Social Security Act.

TABLE 3   Composition of non-profit workforce, New Zealand vs. country groups

	New Zealand	39 countries	Australia	Welfare Partnership	Anglo-Saxon	Nordic
Service role						
Education and research	16%	21%	19%	19%	18%	13%
Health	8%	12%	12%	18%	16%	5%
Social services	16%	19%	26%	24%	16%	17%
Development and housing	7%	8%	5%	4%	6%	5%
Māori-based*	3%					
Service role total	**50%**	**60%**	**61%**	**66%**	**56%**	**40%**
Expressive role						
Culture and recreation	25%	17%	21%	16%	18%	35%
Membership associations**	20%	21%	16%	14%	21%	22%
Māori-based*	3%					
Expressive role total	**49%**	**37%**	**37%**	**30%**	**39%**	**57%**
Other						
Philanthropy	0%	1%	0%	1%	1%	0%
International activities	0%	1%	0%	1%	1%	1%
Not elsewhere classified***	2%	0%	1%	2%	3%	2%
Other total	**2%**	**2%**	**2%**	**4%**	**5%**	**3%**
Grand total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

	Latin American	Asian Industrialised	Eastern European	African	Other developing
Service role					
Education and research	28%	19%	22%	10%	40%
Health	9%	24%	6%	9%	8%
Social services	17%	19%	18%	21%	15%
Development and housing	9%	7%	6%	17%	9%
Māori-based*					
Service role total	**62%**	**68%**	**53%**	**57%**	**72%**
Expressive role					
Culture and recreation	10%	5%	26%	13%	7%
Membership associations**	27%	23%	18%	18%	18%
Māori-based*					
Expressive role total	**37%**	**29%**	**43%**	**31%**	**26%**
Other					
Philanthropy	1%	1%	2%	2%	0%
International activities	0%	0%	1%	1%	0%
Not elsewhere classified***	1%	1%	1%	8%	2%
Other total	**2%**	**3%**	**4%**	**12%**	**2%**
Grand total	**100%**	**100%**	**100%**	**100%**	**100%**

Due to rounding, all values smaller than 0.5% are shown as 0%.

*   Volunteering only.

**   This group includes the following ICNPO groups: Environment, Civic and advocacy, Religious congregations, and Professional associations.

***   For international comparison, volunteering in New Zealand Māori-based organisations (see Table 4 below) has been merged with other Not elsewhere classified workforce.

Paid staff and volunteers distributed differently. As is the case in many other countries, the distribution of the paid staff and volunteers of the non-profit workforce in Aotearoa New Zealand are quite different. As shown in Table 4, two-thirds of the paid staff are concentrated in service activities (67 percent), whereas only 31 percent are engaged in expressive activities. By contrast, the majority of volunteer effort (57 percent) is concentrated in expressive activities, with just 41 percent in service activities. Especially notable, as expected, is the relatively high proportion of the volunteer workforce (29 percent) engaged in culture and recreation activities, most likely many of them in sports. This is quite similar to the Nordic pattern of non-profit activity. Among paid staff, the field engaging the highest proportion of workers is social services (30 percent) and this may be reflective of a significant growth of non-profit provision of social services beginning in the 1970s and continuing with the state sector reforms of the 1980s.[18]

TABLE 4 Distribution of paid staff and volunteers, by field, New Zealand 2004

	Paid staff	Volunteers
Service role		
Education and research	19%	15%
Health*	14%	4%
Social services*	30%	8%
Development and housing	4%	8%
Māori-based	**	5%
Service role total	**67%**	**41%**
Expressive role		
Culture and recreation	16%	29%
Membership organisations	15%	23%
Of which:		
Environment	1%	**
Civic and advocacy	2%	**
Religious congregations	9%	**
Professional associations	3%	**
Māori-based	**	5%
Expressive role total	**31%**	**57%**
Other		
Philanthropy	1%	**
International activities	1%	**
Not elsewhere classified	1%	2%
Other total	**2%**	**2%**
Grand total	**100%**	**100%**

*   Source: Volunteering data from NPISA Table 7.04. Due to the way in which the data were collected, some social services volunteering may be counted within the "Health" volunteering data.

**   Not available.

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18   Due to data limitations, some social service volunteering may also be included in the health group and vice versa. However, these two groups combined account only for 12.6 percent of total volunteer input.

Revenue

Non-profit organisations receive their support in various forms and from various sources. For the purpose of cross-national comparison, these revenue streams have been grouped by their major source: government, private philanthropy and private fees for services.[19] The results are quite interesting.

Fees the most important revenue source. Even with most government contract payments excluded, market sales, membership dues and investment income combined constitute the largest single source of support for Aotearoa New Zealand non-profit organisations, accounting for about 55 percent of all revenues (see Figure 4). This reflects the fact that the fields that typically receive the bulk of government support, health and education, comprise a rather small share of the non-profit sector in Aotearoa New Zealand since these services are provided predominantly through public institutions in this country. However, it also needs to be noted that a small number of large non-profit organisations derive a significant proportion of their incomes from fees, which may overstate the role that fees play for many smaller organisations. Furthermore, as noted earlier, the level of government support is considered a conservative estimate due to the difficulty of identifying all government contract payments, so actual market fees may make up less than 55 percent of revenues.

FIGURE 4   Non-profit revenue structure, New Zealand, 2004

Government, 25%

Philanthropy, 20%

Fees, 55%

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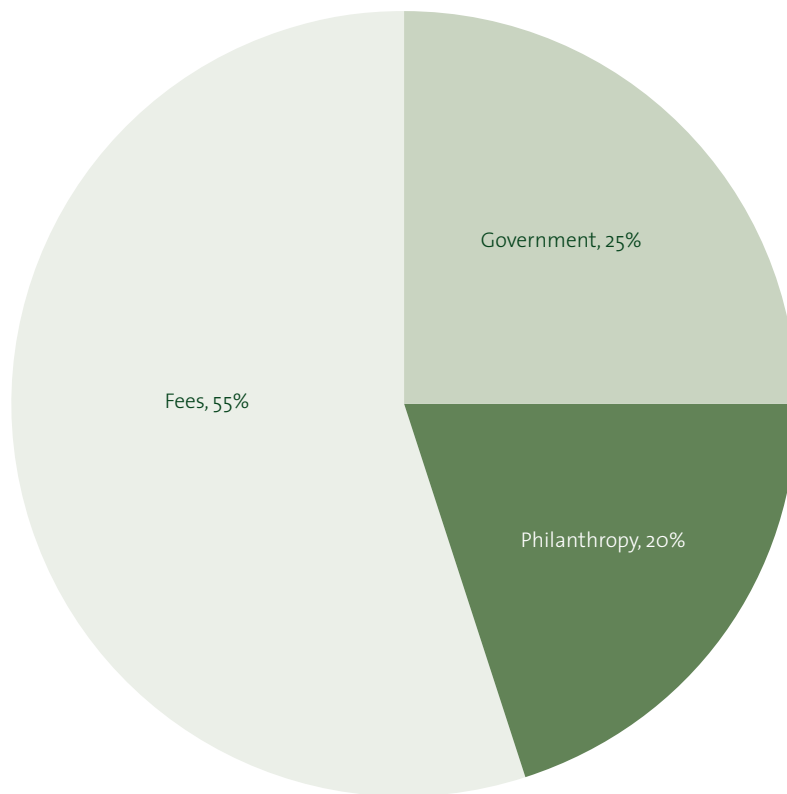
[19]   As noted in Chapter 2, the Non-profit Institutions Satellite Account published by Statistics New Zealand followed Systems of National Accounts conventions in grouping government contracts with fee income and grouping government grants with philanthropic contributions. For the purposes of our analysis here, government contract payments and government grants have been separated from private fees and private contributions, respectively, so that they can be reported separately.

TABLE 5   Non-profit revenue structure by source, New Zealand, 2004

Source		NZ$ million	%
Government (25%)	Government grants	759	10%
	Government contracts*	1,241	15%
Fees (55%)	Sales and other income	3,596	45%
	Investment income	478	6%
	Memberships and subscriptions	330	4%
	From insurance claims	23	0%
Philanthropy (20%)	From households	850	11%
	From businesses	216	3%
	From other non-profit institutions	543	7%
Total**		**8,036**	**100%**

*   This is a derived figure. Total funding from government (grants plus contracts) is conservatively estimated to be NZ$1.97 billion for the year ending March 2004, and subtracting government grants from this gives a conservative estimate of government contracts. Any unidentified income from government is contained within 'Fees – sales and other income'.

**   Figures do not sum to totals due to rounding.

Moderate government support. Government grants and contracts are the second largest source of support. A conservative estimate of 25 percent of total Aotearoa New Zealand non-profit cash revenue comes from government.[20] As noted above, this figure could be higher. It is suspected that some payments, mostly to health non-profit organisations, have not been attributed as government contracts, and therefore would have been classified as fees for this analysis.

Sizeable philanthropic support. Philanthropic giving from households, corporations, and foundations amounted to NZ$1.6 billion (US$990 million) in 2004. Just over half of this (NZ$850 million) comprises donations and bequests from individuals. While sizable in total, philanthropy still represents the smallest of the three major divisions of revenue sources for Aotearoa New Zealand non-profit organisations.

Distinctive revenue structure. This revenue structure of the Aotearoa New Zealand non-profit sector differs noticeably from that in the other highly industrialised country clusters on which data are available, as Figure 5 shows. With the above data limitations in mind, the level of **government support** to non-profit organisations in New Zealand, at 25 percent of total revenue, is lower than the Anglo-Saxon country average (36 percent) and the Nordic average (35 percent).

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20   Lottery grants are included under government revenue because the administering body is a government agency, while community, gaming and energy trust funding are included under philanthropic revenue.

FIGURE 5 Non-profit revenue structure, New Zealand vs. country groups

	Government	Philanthropy	Fees
Welfare Partnership	54%	10%	36%
Eastern European	42%	19%	39%
38-country average	36%	15%	50%
Anglo-Saxon	36%	14%	50%
Nordic	35%	8%	57%
Asian Industrialised	34%	10%	56%
Australia	32%	10%	58%
New Zealand	25%	20%	55%
African	20%	25%	55%
Latin American	19%	14%	67%
Other developing	16%	24%	61%
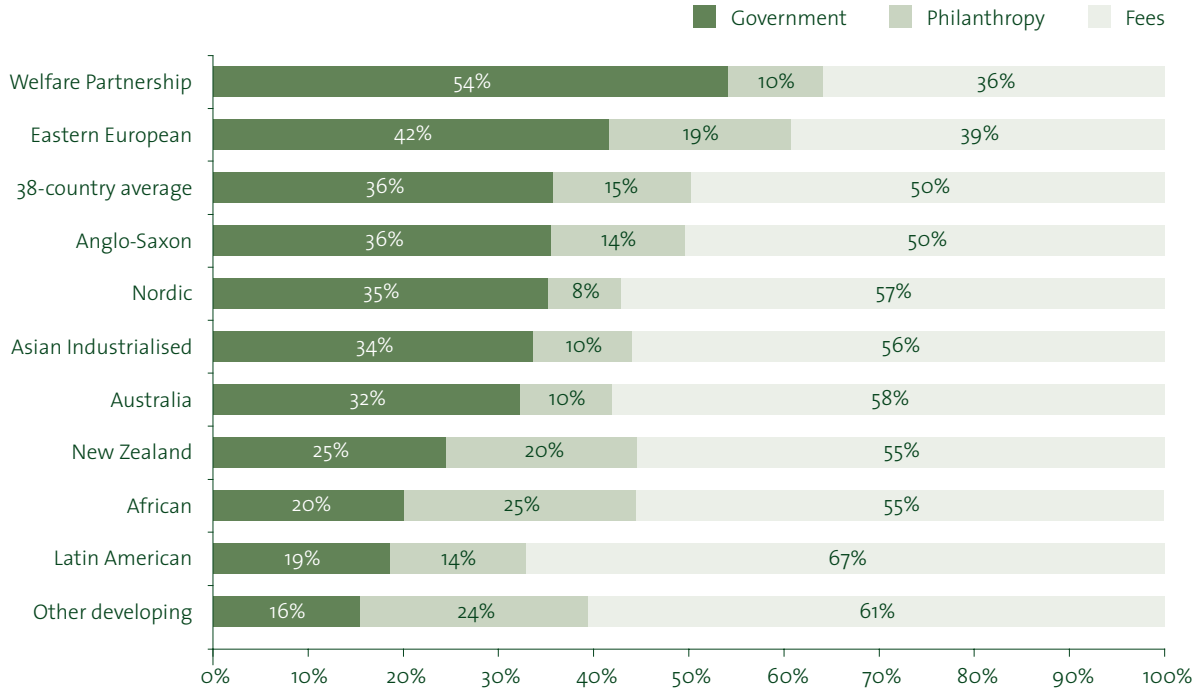
The share of non-profit revenue coming from **private philanthropy** in New Zealand, at 20 percent, is significantly above the averages in all the highly industrialised country clusters listed above, but also above the 38-country average of 15 percent.[21] In fact, as shown in Table 5, in only a handful of less industrialised countries (Pakistan, Slovakia, South Africa, Romania and Uganda) does the share of non-profit revenue coming from philanthropy exceed that in New Zealand. Reflecting this, philanthropy constitutes a relatively large 1.1 percent of the GDP in New Zealand, roughly on a par with other countries in the Anglo-Saxon cluster, but well ahead of the overall average, as shown in Figure 6.

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[21] Data on revenue sources were not available for Egypt, India, and Morocco.

TABLE 6 Revenue structure, by country

	From government	From private philanthropy	From private fees, dues, and investments	Year
Argentina	17%	19%	64%	1995
Australia	32%	10%	58%	2000
Austria	50%	16%	34%	2005
Belgium	76%	5%	19%	1995
Brazil	6%	10%	85%	2002
Canada	49%	13%	39%	2002
Chile	45%	19%	35%	2004
Colombia	15%	15%	70%	1995
Czech Republic	65%	18%	17%	2004
Denmark	40%	7%	53%	2004
Finland	36%	7%	57%	1996
France	63%	10%	28%	2002
Germany	65%	3%	32%	1995
Hungary	52%	12%	36%	2003
India	36%	13%	51%	2000
Ireland	74%	10%	15%	1995
Israel	48%	14%	38%	2002
Italy	36%	3%	61%	1999
Japan	38%	1%	61%	2004
Kenya	5%	15%	80%	2000
Korea, Republic of	29%	20%	51%	2003
Mexico	11%	11%	78%	2003
Netherlands	63%	5%	32%	2002
New Zealand	**25%**	**20%**	**55%**	**2004**
Norway	36%	7%	57%	2004
Pakistan	6%	44%	50%	2000
Peru	18%	12%	70%	1995
Philippines	4%	15%	81%	1997
Poland	24%	15%	60%	1997
Portugal	40%	12%	48%	2002
Romania	45%	26%	28%	1995
Slovakia	22%	24%	54%	1996
South Africa	42%	25%	33%	1998
Spain	32%	19%	49%	1995
Sweden	29%	9%	62%	1992
Tanzania	27%	20%	53%	2000
Uganda	7%	38%	55%	1998
United Kingdom	45%	11%	43%	1995
United States	40%	15%	45%	2004
39-country average	**36%**	**15%**	**50%**	

FIGURE 6   Private philanthropy as percent of GDP, New Zealand vs. country groups
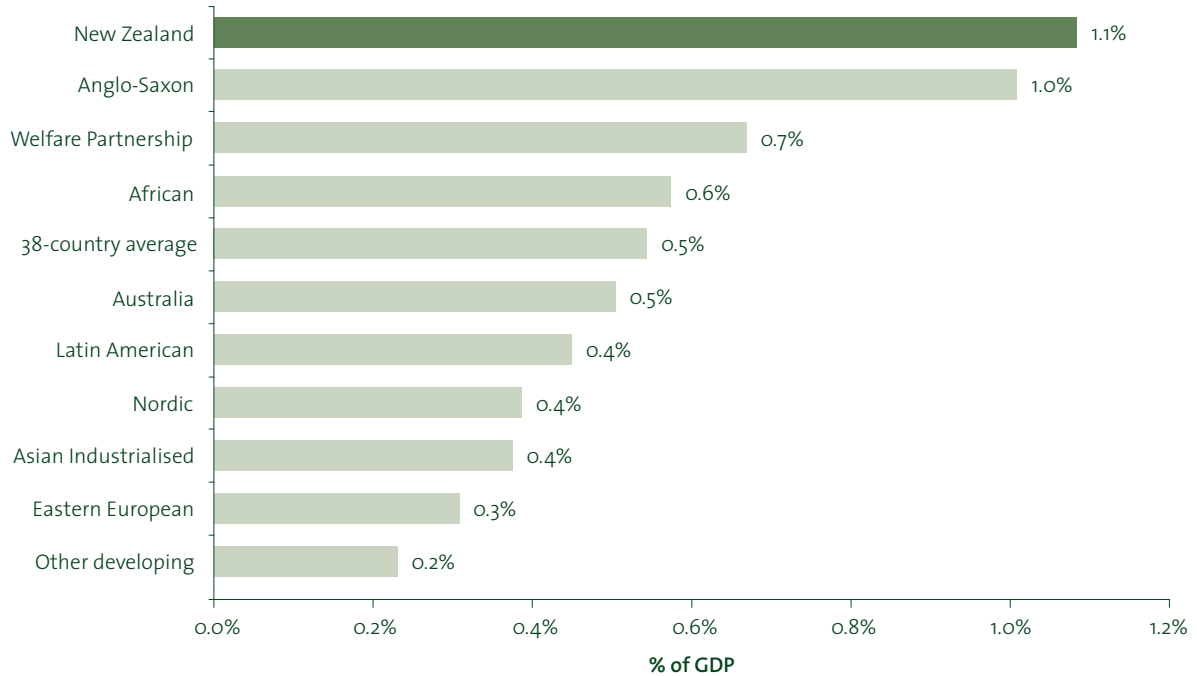
Source: GDP figures for all countries in this project come from the United Nations Statistical Division.

However, included in these figures for private philanthropy in Aotearoa New Zealand is $65 million in funding from community trusts and energy trusts – statutory bodies established to manage assets from the privatised community savings banks or utilities – and $260 million from gaming machine trusts (which are obliged under statute to distribute minimum shares of turnover in grants to charities and other specified non-profit organisations). These entities make the structure of Aotearoa New Zealand philanthropy distinctive. Without them philanthropic revenues reduce to $1,284 million (or 0.9% of GDP).

Finally, Aotearoa New Zealand comes close to other nations studied in the Asia/Pacific region (eg Australia, Japan, and Korea) in the share of its non-profit revenue deriving from **market sales and fees.**

Summary

New Zealand's non-profit organisations represent a significant economic presence in addition to their social and political importance. This set of organisations engages a workforce that exceeds the country's construction and transport industries combined, and rivals that in all of manufacturing. Especially striking is the sizable volunteer workforce that these organisations mobilise. Measured as a share of the country's economically active population, this workforce places the Aotearoa New Zealand non-profit sector as the seventh largest among the 41 countries on which comparable data are available.

In addition to its size and its extensive volunteer component, the Aotearoa New Zealand non-profit sector also stands out from its counterparts elsewhere by virtue of its extensive expressive focus and its revenue structure. Expressive functions, which include culture, sports and recreation, environmental protection, civic activism, labour unions and professional associations, and religious worship, absorb about half of the non-profit sector workforce – paid staff and volunteers combined – well above the figure in all but the Nordic cluster. Similarly, New Zealand non-profit organisations receive more of their income from philanthropy and less from government than is the case in most other countries, although this may be due to conservative estimates of government funding and some unique bodies being included in the philanthropic field in this country.

Due to its unique characteristics, the New Zealand non-profit sector shares traits with several cross-national patterns of non-profit activity identified in the Johns Hopkins University study. While it shares features with other Anglo-Saxon cluster countries, such as the size of its workforce and its reliance on philanthropy, its relatively large fee income makes it akin to all but the Welfare Partnership cluster countries. Finally, the large scale of volunteer input and the salience of expressive activities among Aotearoa New Zealand's non-profit organisations make it resemble the pattern found most commonly in the Nordic cluster countries Denmark, Finland, Norway, and Sweden, although in Aotearoa New Zealand this result is also a product of the presence and contribution of a sizable indigenous population.

How did this distinctive pattern come about? In the next chapter we look to the history of the Aotearoa New Zealand non-profit sector for clues.

Chapter 4
Explaining the shape of Aotearoa New Zealand's non-profit sector[22]

The fairly large size and unusual structure of the Aotearoa New Zealand non-profit sector is hardly an accident. Rather it can be traced to the historical evolution of this sector, and particularly to three factors: first, the ongoing vitality of the indigenous Māori population and associated emergence of a bicultural society; second, the legal, social and political consequences of a predominantly British settlement from the mid-nineteenth century; and third, the post-1938 elaboration of the welfare state.

This particular version of the welfare state saw the active involvement of government in the delivery of services, especially in health and in education, but also encouraged partnership between the public and the non-profit sectors. Two key periods in the expansion of the sector in Aotearoa New Zealand were from the 1880s through to the First World War, when population numbers became sufficient to support an increasingly complex sector, and from the late 1960s, when, as happened in other western countries, new identities and sub-identities generated new associational forms, and non-profit organisations became as much markers of difference as forces for social integration.

By international standards the role of the indigenous Māori population is distinctive. Traditional Māori associational forms depend upon family ties and tribal affinity and on concepts of the self which are inextricable from the collective and participation in community (Office for the Community and Voluntary Sector 2007a: 11–13). Although they became a numerical minority in the population from the 1850s, Māori have remained an identifiable group and a political force, sometimes in contestation with, sometimes engaging with the predominantly British settler society and its descendants. This identity has remained despite considerable intermarriage with non-Māori over the late twentieth century. While Māori kin-based associational forms have remained significant, and showed renewed potency over the late twentieth century, Māori have also participated in the organisations of wider society, bringing distinctive perspectives to them, while borrowing from some of their structural forms. Although more apparent in some periods of the country's history than others, this interface has been highly significant. It has resulted in distinctive forms of organisation which do not readily fit internationally recognised non-profit sector categories, necessitating a new category in the ICNPO, that of "tangata whenua governance organisations" which have a mandate to provide stewardship of the affairs of iwi (tribes), hapū (sub-tribes) and marae.[23] These bodies are not part of local government, and do not fit into other field-specific categories focusing on health, education and sport, for example, but they are major forces in contemporary society.

Once Aotearoa New Zealand became a colony of Great Britain in 1840, there were social, legal and political consequences for the development of Anglo-settler paradigms of the non-profit sector. Aotearoa New Zealand was a relatively late addition to the Anglo-settler world, and the "associational revolution" which had started in Britain and Europe in the late eighteenth century was in full swing when Europeans, mostly British, started to migrate to the colony in significant numbers. The settlers arrived in Aotearoa New Zealand well acquainted with voluntary associations of various kinds, but local circumstances then gave a particular twist to the associational mix as it emerged in the new colony. For example, sporting culture was more highly developed in nineteenth than in eighteenth-century Britain, and in Aotearoa New Zealand it faced fewer obstacles to its establishment than it

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[22]   This section draws heavily on a special analysis of the history of the Aotearoa New Zealand non-profit sector prepared by Professor Tennant, Associate Professor O'Brien and Dr Sanders.

[23]   *Tangata whenua* literally translates as "people of the land" and refers to the indigenous people of Aotearoa New Zealand. Although often translated as "meeting place", a *marae* embodies the notion of ancestral location and the people associated with it (who may be widely dispersed).

had in puritan New England, in particular (Ryan 2003: 19–20). On the other hand, there was also a vast network of charities in Britain by the mid-nineteenth century, but the individualism and the reluctance of an immigrant society to recognise structural, as opposed to personal, causes of failure, meant that "other"-directed charities got off to a slow start in the colony (Tennant 2007: 59). The state assumed responsibility for hospital services and for education from an early stage in the colony's history, with the establishment of four state hospitals for the destitute in 1846, and a national system of free, compulsory and secular primary school education from 1877. If recent national statistics show a marked weighting towards non-profit institutions which may be characterised as expressive (in the areas of sport, recreation and culture), rather than service-oriented (Statistics New Zealand 2007a: 14), this is a relationship grounded in history.

Following from the British link, Aotearoa New Zealand drew on English common law precedent in providing a facilitative legal environment for the non-profit sector. Historically, government regulation of the sector was relatively light-handed despite early state financial aid to parts of the sector. The first and long-standing pieces of legislation were intended to simplify the titles of land held in trust for charitable purposes, to facilitate the receipt of government subsidies, and in the case of the 1908 Incorporated Societies Act, to protect the funds and property of non-profit organisations. It was relatively easy to obtain the privileged tax status associated with charitable entities and the few laws governing non-profit organisations were loosely enforced. This situation prevailed until very recently, when a range of wider employment, health and safety and goods and services legislation started to weigh heavily upon the sector (although not specifically targeting it). The 2005 Charities Act established a Charities Commission to register charities and gave it an educational and support role as well as a monitoring one. Tax exemptions for individual donors to charities, first introduced in a very modest way in 1962, were made more generous in 2007, but Aotearoa New Zealand has lagged behind other Western countries in this respect.

The Māori and settler populations of the nineteenth century and their descendants subsequently formed two pillars of the Aotearoa New Zealand non-profit sector that is, one indigenous pillar and one non-indigenous Anglo-settler pillar. Over the nineteenth century, Māori developed new institutions that drew upon settler political and organisational forms while remaining distinctively Māori and connected by family ties and tribal affinities. These included such pan-tribal movements as the Kingitanga or King movement, formed in the late 1850s, Paremata Maori or the Maori Parliament, established in 1882, and the Young Maori Party, which grew out of the Te Aute College Students' Association, formed in 1892 (Durie 2005: 16). The first two were formed as "parallel and equal authorities to the settler parliament," aiming for some degree of constitutional autonomy for Māori (Cheyne, O'Brien & Belgrave 2005: 29). This tendency of constructive borrowing and translation of forms to meet Māori ends has continued to the twenty-first century.

The rapid growth of the Aotearoa New Zealand population throughout the second half of the nineteenth century, together with advances in communication and transportation, also fostered the emergence of numerous voluntary associations formed by the European settlers. These included not only charitable and welfare organisations, but also political associations. These developments fostered the formation of national political parties, beginning with the Liberal Party in 1887, the farmer-dominated Reform Party in 1909, and the Labour Party in 1916 (Richardson 1992, Dalziel 1993).

Another organisational form that rapidly developed in the late nineteenth and early twentieth centuries was the labour union. The number of unions rose from 50 in 1888 to 200 in 1890, with a possible twenty-fold increase in membership (Roth 1973: 10). By 1913, Aotearoa New Zealand was among the most unionised countries in the world, and some 15,000 of its 70,000 unionists had an affiliation with the radical Federation of Labour (Belich 2001: 145; Olssen 1988: 107, 217). Unions, partnering with the Labour Party, remained a significant organisational force within Aotearoa New Zealand society until 1991, when the Employment Contracts Act restricted union access to workplaces and encouraged workers to negotiate individual employment contracts. Since the repeal of the Employment Contracts Act in 2000, union membership has begun to rise again, but it has yet to approach pre-1991 figures, and membership density has stabilised at around 21–22 percent of all wage and salary earners, compared with 43 percent in 1991 (Feinberg-Danieli and Lafferty 2006). From the time of the Industrial Conciliation and Arbitration Act (1894), the Labour Government's introduction of compulsory unionism (1936) to the Employment Contracts Act, government action has influenced the strength of the union movement.

Organising around gender was another factor promoting growth of the non-profit sector in Aotearoa New Zealand. The first women's organisation to gain national prominence cemented its position through leadership of the women's suffrage campaign. The Women's Christian Temperance Union (WCTU) was introduced to Aotearoa New Zealand by an American temperance missionary in 1885, advocating women's suffrage as the means to temperance ends (Dalziel 1993: 55). Various non-temperance franchise leagues were also formed, and they assisted the WCTU to organise massive national petitions in support of women's franchise (Grimshaw 1987: 117–8). Largely as a result of such activity, Aotearoa New Zealand became the first nation state to enfranchise women in September 1893.

Nationally organised recreational and sporting associations emerged from the late 19th century. Among the men, the most popular were rugby clubs, attracting some 40,000 members, and horseracing clubs (over 23,000 members). Among women, the most popular were tennis clubs (over 8,000 female members), followed by golf, hockey and croquet (*New Zealand Official Year Book* 1925: 762). Māori sporting bodies similarly emerged in this period, at first with marae competitions and then with a spate of national associations such as the Maori Tennis Association in 1926, the Maori Golf Association in 1931, and the Maori League Board of Control in 1934 (Palmer 2006: 264). In subsequent decades, sport in Aotearoa New Zealand has followed international trends, becoming increasingly professionalised at national level, and in the upper echelons of management. However, the nineteenth century's informal sporting inheritance remains in the broad mass of amateur involvement at local level and in youth activities.

After the passing of the 1938 Social Security Act by New Zealand's first Labour Government, the non-profit sector was strongly influenced by the emerging contours of the welfare state. Building upon a trajectory established in the previous century, under the welfare state hospital services were provided for free through public hospitals, and a number of other medical services became free as a matter of citizen entitlement. General practitioner services, although privately provided, were at first totally subsidised by government. Primary and secondary education were also free in state schools and higher education was mostly provided through public universities. Fees were charged to those attending the country's four university colleges, though from 1937 students passing (or accredited with) the national university entrance examination gained free tuition for four years. While some government supports to these areas were later undermined, the early commitment to state-delivered health services and to a state education system from primary to tertiary level helps explain why these components of the non-profit sector in Aotearoa New Zealand are small by international standards.

The elaboration of the welfare state was initially reinforced by World War II regulations and by a strong post-war faith in centralised planning. At the same time, there was still space for non-profit activity and for partnership between key agencies and government in specialised fields – Aotearoa New Zealand shows how a strong state and a flourishing non-profit sector can co-exist and complement each other (Tennant 2007: 217–8). The relatively small size of Aotearoa New Zealand intensified the influence of government departments, but also gave an intimacy and informality to their dealings with non-profit organisations, especially within the social service sector. Consequently, many organisations gained, and retained, government financial support. This included both direct grants and grants via the national lottery, which came under the direction of the Department of Internal Affairs. For example, from 1950 the Department of Health provided subsidies to religious and welfare organisations willing to provide residential care for the elderly, a deliberate attempt to reduce public sector involvement in this area. Funding from the Department of Justice rejuvenated welfare organisations, such as Marriage Guidance and Prisoners' Aid and Rehabilitation, in the late 1950s and 1960s, mandating them to experiment and undertake new activities on the government's behalf. By the 1960s government departments giving assistance to welfare organisations usually required the different branches to federate, so that they could deal with a single agency at national level (Tennant 2004: 51–2). Government therefore influenced the internal dynamics of such organisations even prior to the contracting arrangements which became more prevalent in the 1990s.

While service-oriented organisations flourished in the 1950s and 1960s, Aotearoa New Zealand, like other Western countries, saw the emergence of a new generation of organisations linked with specific social causes in the 1970s. These competed for the allegiance of potential "joiners", especially those in the younger age groups. Prominent among the new causes were environmentalism, feminism, and Māori sovereignty.

Over the twentieth century, Māori had participated in wider organisations such as the Country Women's Institutes and the mainstream churches, increasingly claiming a distinctive voice on the basis of their collective Māori identity. However, separate Māori organisations emulating organisational forms of European origin also increased in number over the twentieth century. As the Māori population became more urbanised, these associations became the key to the adjustment to urban life. Examples include sports and culture clubs, family and tribal organisations, benevolent societies, and welfare bodies such as the pan-tribal Maori Women's Welfare League (formed in 1951) (Walker 1992: 503).

Heavily promoted by the Department of Maori Affairs and its welfare officers, the League was another example of state sponsorship and support to the sector, and the League has since become a highly significant body both in the landscape of Māori organisations and in the non-profit sector more broadly.

In the 1970s a new generation of educated young Māori radicals formed protest and civil rights groups (eg Nga Tamatoa), which focused on issues such as Māori language and land rights under the Treaty of Waitangi. In the 1980s biculturalism became an official part of government policy and an acknowledgement of biculturalism and "Treaty principles" an expectation of bodies interacting with government. The first Kōhanga Reo, or pre-school Māori language nests, opened in 1982 with assistance from a government seeding grant; they provided a successful model for later Māori service providers (Rei and Hamon 1993: 40–2).

That period also saw the formation of civil rights and advocacy organisations by other interest groups, such as the feminist movement, disabled persons, and senior citizens. The Vietnam War protest movement of course pre-dates this. The range of organisations generated by the feminist movement was considerable; some eventually faded, but others, like Women's Refuge, have survived to become major service providers under contract to government. Disabled persons claimed their own voice through organisations such as the Disabled Persons' Assembly (formed in 1983, with strong links to Disabled Peoples International). Senior citizens formed Grey Power in 1985 in reaction to policy changes which undermined the state superannuation scheme, showing that even the elderly, formerly regarded as a relatively quiescent group, were becoming politically active on their own account.

In the 1980s, more than ever before, ethnicity became a force in shaping the non-profit sector in Aotearoa New Zealand. Longstanding policies which favoured British migrants were overturned in favour of a more diversified immigration stream. There had been other significant ethnic presences in Aotearoa New Zealand ever since Chinese miners joined the gold rushes of the 1860s, sparking an anti-Asian backlash from the dominant population. Although Chinese and later migrants of Asian origin did form their own support and cultural groups, they remained small in number and generally maintained a low profile.

Aotearoa New Zealand's legal annexation and administrative oversight of the Cook Islands, Niue, Tokelau and Western Samoa led to Aotearoa New Zealand becoming the preferred migration destination for many Pacific peoples from the 1940s–1960s. Their numbers subsequently came to include significant numbers of Tongan and Fijian people (Tamasese, Waldegrave and King 2000: 26–7, Phillips 2006: 40). Like the indigenous Māori of Aotearoa New Zealand, growing populations of Pacific peoples formed communal organisations often based on cultural groupings, often backed by church ministers, in order to support one another in a new context. Examples of the community projects of the time include PIC Newton and the Pacific Islands Resource Centre, both located in central Auckland, in the early 1970s.

The opening up of immigration from the 1980s then brought in a new generation of Chinese and other Asian migrants and even newer migrant communities from the Middle East and African countries, including refugees from places such as Somalia, Zimbabwe and Ethiopia. As well as forming their own non-profit organisations, this generation of "new settlers" also created umbrella organisations, such as the New Zealand Federation of Ethnic Councils, formed in 1989 to represent collective interests. Ethnic organisations were characterised by a new cultural assertiveness, and became markers of difference as much as bodies assisting integration into the mainstream culture. Biculturalism as an official policy was challenged by this new "superdiversity", and existing non-profit organisations had to respond to its challenge.

However, an even greater challenge came in the late 1980s and 1990s. A major reshaping of the economy and challenges to state welfare were features of many Western democracies over the late 1980s and 1990s, but in Aotearoa New Zealand, a centralised political system, limited constitutional checks on the executive and a first-past-the-post electoral system,[24] enabled these developments to be taken further, more quickly. A massive restructuring of the public service undermined relationships with existing organisations, removing many officials with knowledge of the non-profit sector. The basis of government funding to the sector was already moving from direct grants to contractual arrangements whereby organisations undertook to supply specific services on behalf of government (Nowland-Foreman 1997). However, from the late 1980s purchase-of-service contracts became the dominant mechanism for government funding of the non-profit sector, most of these contracts being renewable, short-term, partial and the result, in many cases, of hard bargaining on the part of state agencies. While the contracting process has been under review, in order to be more amenable to the organisations concerned, the long-term implications of this intense period of change are still unfolding.

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[24] The voting system was changed in 1996, the introduction of a "mixed member proportional" system resulting in more power to a new generation of minor parties in the New Zealand Parliament.

Chapter 5
Contemporary issues confronting the non-profit sector

The Aotearoa New Zealand non-profit sector is a rich and diverse reservoir of energy and resources that touches all aspects of citizens' lives. It has developed a unique flavour drawing on the country's history, the development of state welfare provision and its uniquely Māori traditions and principles.

The influences of Māori cultural values and practices have played an important role, shaping not only the sector itself but also the ways in which the non-profit sector intersects with the household, public and private sectors. The non-profit sector overlaps with the household sector, and public and private sector institutions and activities in complex ways. It is often difficult to define where non-profit activity becomes private, familial/household activity on the one hand, and where it intersects with public sector and for-profit activity on the other.

Discussions about the non-profit sector also need to reflect the impact of Pacific peoples' cultural and social practices and values, and indigenous Pacific patterns of social relationships as well as the Western approaches to associational life. Citing Krishnan (1994), Tamasese, Waldegrave and King (2000: 26) identify that the relationship between the Aotearoa New Zealand government and Pacific peoples extends back into the nineteenth century and has been described in terms of a "Polynesian Empire".

The close relationship between the non-profit and state sectors is a particular feature of the Aotearoa New Zealand environment. The central issues that confront the non-profit sector thus touch upon this relationship both directly and indirectly. The key imperatives that shape many organisations across the full spectrum of non-profit activity are equity, access, fairness, autonomy and engagement/participation. This means that issues that sector organisations often grapple with frequently reference these key imperatives.

During this study, a range of organisations and individuals who were either part of or had a strong interest in the non-profit sector were invited to identify key issues that confront the contemporary sector. The following discussion provides a brief overview of these key issues.

The Treaty of Waitangi and the Crown–Māori relationship are issues of considerable importance to the non-profit sector, as they are in society more generally. The Treaty is a fundamental part of the constitutional framework for Aotearoa New Zealand and for the purposes of the relationships and activities reviewed here, its bicultural basis constitutes the framework for many aspects of the sector's work.

While there are extensive debates, and in some instances considerable uncertainty, about how to effectively put the Treaty's bicultural requirements into practice, acting on a commitment to the Treaty nevertheless forms a central issue for many non-profit organisations and for their relationships with government. Many individuals interviewed in this project stated that a commitment to the Treaty had shaped their work significantly, some identifying the Treaty, and the learning that it had required within the sector, as one of the most influential aspects of the sector's development in the last several decades. While considerable attention has been given to the best way to progress the tangata whenua-Crown relationship over the past three decades, there remains work to be done in order to achieve a meaningful partnership that meets both parties' expectations. In many ways this set of issues shapes the development of the sector overall.

Independence is a fundamental characteristic of non-profit organisations. It is not surprising, therefore, that protecting the ongoing capacity of non-profit organisations to function as independent entities featured prominently as an issue of concern. Independence allows non-profit organisations to fearlessly advocate for citizens and to openly engage in democratic processes. It also provides an environment within which organisations are able to respond to specifically local needs and to innovate. Advocacy may be weakened directly for those groups funded by government to provide services, because it is often an excluded activity in contractual

arrangements, particularly in the health and social services fields. Independence is thus a particularly prominent issue for non-profit organisations that operate in these areas. A recent statement from the newly established Charities Commission (2007)[25] confirms the traditional position articulated in the Statute of Elizabeth from which Westminster-style democracies draw their definitions of charities: an organisation that has advocacy as its primary purpose is disqualified from registration as a charity, but if the advocacy function is undertaken as part of activities which meet the definition of charitable purpose then registration will be possible. A revisiting of the definition of a charity, including treatment of advocacy functions, may well be warranted, taking into account how other jurisdictions have managed this (see, for example, Hall et al 2005: 29).

Alongside the issue of independence, non-profit organisations also identify the development of a sustainable, healthy, mutually respectful working relationship with government as a key issue of contemporary concern. The experiences of the 1990s and the development of the contracting environment of that period caused stresses in both the extent to which non-profit organisations that received government funding were able to act independently and in the overall quality of the relationship with the state. In the early part of the twenty-first century a more positive and hopeful view of this relationship began to emerge as a result of efforts from both the state and non-profit organisations to learn new ways of working together. Sustaining the momentum created by initiatives such as the Community-Government Sector Working Party and the *Statement of Government Intentions for an Improved Community-Government Relationship* (New Zealand Government 2001)[26] is seen as an important challenge facing both state and non-profit sector organisations. An improved relationship would not mean the absence of tension but does imply good working mechanisms to address these. Recognition of the importance to the country of a strong, independent sector that does more than simply provide goods and services on behalf of the state is seen as an important part of the development of this improved relationship.

The 2000s have seen a number of initiatives from government that have focused on fostering the development of a more positive and constructive working relationship with non-profit organisations across all fields, with recent emphasis on development of collaborative relationships, including partnerships. In some areas, such as health, it has been explicit state policy to encourage the development of new non-profit organisations to facilitate the achievement of key state policy objectives.[27] There appears to be increasing recognition of the value of, and diverse roles played by, non-profit organisations in daily life by political parties across the board. Increased engagement with the policy development process brings challenges for non-profit organisations which may struggle to find the resources to participate fully and effectively. Non-profit resources are thinly spread and new opportunities to participate, while welcome, can divert attention away from core activities. Some suggested that they had become swamped by discussion and consultation exercises engaged in by central and local government and had been drawn into complex bureaucratic processes, sometimes with little to show for their efforts. In this connection, James (2001) noted practical challenges government confronted in being able to engage with the many and diverse organisations that are part of the non-profit sector. He also raised the related issue for governments of knowing when they have consulted with or involved all key groups with a legitimate interest in particular issues.

There are issues that state and non-profit sector organisations face in working together because of the inevitable power imbalance between these two parties. While it may not be realistic to expect that there can be an equal relationship between the state and non-profit organisations, it is possible for the state to manage consultative and policy development processes in ways that provide opportunities for active and meaningful engagement by non-profit organisations. Such approaches invite shared agenda setting at the outset and encourage early and active involvement in processes right through to the implementation of decisions.

[25] Charities Commission (undated) "Advocacy and the Charities Act" http://www.charities.govt.nz/news/fact_sheets/advocacy.htm.

[26] See Community and Voluntary Sector Working Party (2001) and Ministry of Social Development (2001). The *Statement of Government Intentions for an Improved Community-Government Relationship* was signed by the Prime Minister and the Minister for Social Development in 2001.

[27] The development of Primary Health Organisations (PHOs) are one example of this (see Tennant et al 2006:29).

Funding and financial issues have been widely identified as critical issues for all parts of the sector. Indeed these are recognised internationally as key issues confronting non-profit organisations (see for example, Hall et al 2005). A number of funding issues were identified by sector organisations participating in this project and these included: insufficient funding – partial, short-term and project-related; increased competition for resources; linkage of government funding to broad government rather than sector goals; and unpredictable shifts in government priorities and policies. Recent moves to increase multi-year funding, provide for full funding of contracted services, and enable more 'relational' contracting through, for example the Treasury *Guidelines for contracting with non-government organisations for services sought by the Crown* (2003), the Auditor-General's *Principles to underpin management by public entities of funding to non-government organisations* (2006) and the Pathway to Partnership initiative (2008) may help to address some of these concerns with government funding arrangements.

While limitations on funding affects service provision directly, it also has an important indirect impact on the capacity of non-profit organisations to recruit and retain highly skilled and creative personnel. One study estimates that the median base salary in non-profit organisations is 17.6 percent less than that of the overall labour market.[28] Given the better working conditions offered by many government and private sector organisations, the relatively tight labour market, increases in female labour force participation in Aotearoa New Zealand in the 2000s, and the increasing professionalisation in many fields, non-profit organisations face challenges in recruiting and retaining staff, particularly in the areas of policy development, research, and senior management. Many non-profit organisations across all fields contacted as part of this project directly commented upon the challenges of being in direct competition with the private and state sectors for staff, given their significantly reduced capacity to offer benefits to potential employees.

In addition to the challenge of being able to compete for staff with state and private sector organisations, Aotearoa New Zealand is a small country, and this means that the pool of experienced staff overall is small. There are work programmes both within the sector and within government aimed at addressing some of these capability issues. For instance, the government, through such initiatives as the establishment of Office for the Community and Voluntary Sector (OCVS) and various work streams in key agencies such as the Ministry of Social Development, Ministry of Health, Sport and Recreation New Zealand and the Department of Internal Affairs, has directed resources at building workforce capacity and capability with some effect (OCVS 2007b). There are debates about the best way of achieving the goals of enhancing sector capability and capacity. Some have suggested that it is desirable that resources be given directly to sector groups to grow their own capacity because this would encourage the development of a more equal partnership with government. On the other hand, many of the initiatives from government have been managed from within government agencies and involved the provision by state agencies of a range of supports and resources that have undoubtedly brought benefits to the sector. Nowland-Foreman (2006: 11–13) highlights the very different approaches required and outcomes achieved in improving an organisation's capability to better deliver and be accountable for contracted programmes, compared to building robust, independent and sustainable organisations, capable of mobilising people and resources to work on what is important to them. Capacity building by government can have the objective of contributing to the development of stronger provider organisations and it can also seek to contribute to building long-term sustainability of communities and independent community activity.

The contribution that volunteers make to non-profit activity is significant, and issues around recruiting and retaining volunteers are daily concerns for most non-profit organisations. Indeed, many interviewees in this project commented on declining availability of volunteers. While there is not clear evidence of an overall decline in volunteer numbers, demand for volunteers appears to exceed supply for many organisations, which report difficulties in recruiting and retaining sufficient volunteers to meet their needs. It is certainly true that the nature of volunteering and who volunteers is changing, and that changes in the way many non-profit organisations need to operate are making it more difficult for some 'traditional' volunteers to remain (Wilson 2001).

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[28] Strategic Pay (2007) *Not-for-profit sector remuneration survey, May 2007.*

Where there are insufficient volunteers, service delivery, governance and management are affected. It becomes difficult for non-profit organisations to sustain and build their work, and there is greater pressure to use paid professionals to deliver services and programmes.

A growth in professional staff may in itself lead to a reduction in the numbers of volunteers (Wilson 2001), as organisational members come to expect that with the appointment of paid staff their direct, active contribution may not be required. Of course, a growth in the use of professionals also means greater resources are required. There are significant demographic, social and workforce changes at play here. Increasing demands and expectations on non-profit organisations that are likely to continue to exert an influence upon the extent and nature of volunteering include specific demands arising from increased regulatory pressures, tighter accountability requirements from funders, more general pressures from increasing professionalisation and increasing societal expectations of non-profits. However, there are also new opportunities in cause-related volunteering, volunteering for personal or professional development, and short-term and episodic volunteering. The adjustments to new ways of engaging with volunteers may create organisational stresses, but the success of doing so may fundamentally determine how well non-profit organisations can continue to be a vehicle for citizen participation and engagement.

Resource and expertise shortages, important factors across the sector generally, have been suggested to be of particular significance for Māori because of the additional demands arising from maintenance of core cultural components such as marae and maintenance of the Māori language (te reo). This is compounded by the comparatively poor economic position of many Māori. Additional burdens are also experienced resulting from the frequent demands for cultural consultation on a wide range of fronts which draws resources away from internal Māori initiatives. While incorporated societies can have a limited life, iwi continue forever and this means that they have an ongoing need to participate in community, social and political processes in which other non-profit organisations are not required to engage. *Mahi Aroha: Māori Perspectives on Volunteering and Cultural Obligations* (OCVS 2007a) provides a detailed discussion of the dimensions surrounding the demands on Māori arising from and associated with volunteering in an iwi, hapū and whānau context. It is in relatively recent times that attention has been explicitly paid to resourcing and encouraging the development of specific Māori activity in the non-profit sector. Accordingly, many of these organisations are relatively new and this means that resource and capability issues are especially significant.

Chapter 6
Conclusions and implications

Aotearoa New Zealand has not only one of the largest non-profit sectors in the world in proportional terms, but also one of the most distinctive, at least for a country with a significant Anglo-Saxon heritage.

These features can be traced to the coexistence in this country of two populations with distinct cultural identities and heritage, European and Māori, and the nature of the welfare state developed in Aotearoa New Zealand from the 1930s. The welfare state saw significant levels of direct involvement by government in the delivery of services, particularly in the health and education fields, alongside an expansion of government funding of health and social services delivery by non-profit organisations. Retrenchment of direct State provision in a number of areas after the 1980s public sector reforms was a later major influence on the non-profit sector.

While non-profit organisations are widespread in Aotearoa New Zealand, and comprise a significant part of the national economy, government funding appears relatively modest in international comparison (even taking into account some of the difficulties with data), and non-profit organisations have a high level of volunteer engagement. While health, education and social services dominate the economic activity among non-profit organisations, there are many small, all-volunteer organisations, and compared to other countries the expressive non-profit organisations (particularly those involved sport and recreation) are especially strong.

Government support of the non-profit sector has been evolving from discretionary backing of favoured organisations in the 1950s to a more systematic, policy-based approach in recent times. Although the relationship between the state and non-profit organisations in Aotearoa New Zealand has been generally co-operative by international standards, the 1980s and 1990s were a period of tension as the state sought to reconfigure its relationship in general with the sector and its approach to funding the activities of non-profit sector organisations in particular. There was a widely spread perception among non-profit leadership and many commentators that the use of contracts as the predominant method for effecting funding transfers from the state to sector organisations created a number of significant issues for these organisations. These issues included reduction in capacity of funded non-profit organisations to pursue their own agendas independently, funding shortfalls, and administrative burdens. This led to a strain in non-profit–government relations. At the same time, organisations were feeling the impact of increased regulation (even though mostly not targeted at non-profit organisations) and increased social pressures towards 'professionalisation'. Major demographic and workforce changes also seemed to make it harder to recruit traditional volunteers.

Nonetheless, the government developed relationships with a more diverse range of organisations than had been the case previously. In particular, smaller non-profit groups, iwi and other kaupapa Māori services, and organisations governed by and working with Pacific peoples began to establish working and contractual relationships with government. During the late 1990s, reflecting a growing recognition of the community-building and democratisation potential of the sector, government began to recognise the need to place emphasis on ways in which "community–government partnerships … help create social capital and social cohesion" (Ministry of Social Policy 2000: 7). This shift continued into the 2000s, although sometimes contradicted by calls for tighter accountability, which seemed to retreat to a view of non-profit organisations as little more than contracted "little fingers of the state" (Nyland 1993).

Since 2000, the most recent chapter in government–non-profit sector relations in Aotearoa New Zealand has been characterised by an ongoing interest in re-evaluating this relationship and developing it in more open and constructive ways. There is an interest in repairing relationships damaged during the period 1984–2000. There is some evidence of a re-emergence of recognition that non-profit organisations have unique goals, values, and objectives that make them valuable in their own right, in addition to the potential they have to contribute to the achievement of state objectives. At the same time, however, there remains a strong emphasis on funding and support for agencies based on the extent to which they are undertaking work that is consistent with and

supportive of government strategic goals. This is especially the case in the health, social services and sports fields, though this has also occurred with some of the larger and/or nationally organised heritage, arts and culture, and recreation groups.

While the government has clearly signalled its intention to encourage engagement and partnership, and to invest time, energy, and resources in improving the quality of the working relationship, there are constraints on this. Partnership and collaborative models imply an equality of status, if not resources, that may be difficult to achieve in practice where one party is the state. Moreover, some parts of the sector have been concerned that non-profit organisations have become focused more on meeting government goals and less on independently meeting and responding to community needs. While it is desirable that these parties work together to help achieve each other's desired outcomes, current funding and contractual approaches make this difficult to achieve. Therefore, a central challenge for the future is to move away from centrally driven, prescriptive approaches toward negotiated models that aim at achieving more collaborative working relationships while at the same time preserving the independent value of the sector. The greater commercialisation and professionalisation in the sector, and the impact of changing work and employment patterns on volunteering also point to new challenges facing the sector and its relationship with the state.

The profile of indigenous associational life and the role of government, especially with regard to the service (health, education and social services) component of the non-profit sector, are distinctive elements in the history of New Zealand's non-profit sector and continue to shape the non-profit sector today. Aotearoa New Zealand shows that a strong state and a strong non-profit sector can co-exist and provide a rich and varied milieu for associational life in both service and expressive domains. These matters are part of the ongoing story of the non-profit sector.

Appendix A
Methodology

Defining non-profit institutions

Non-profit institutions are defined using the United Nations structural-operational definition. This definition, which was first developed in the Johns Hopkins University study, brings together those entities that meet the following five criteria:

- organised to the extent that they can be separately identified

- not for profit and do not distribute any surplus they may generate to those who own or control them

- institutionally separate from government

- self-governing and in control of their own destiny

- non-compulsory in terms of both membership and members' input.

To be classified as a non-profit institution, an organisation has to meet all five criteria. Statistics New Zealand developed decision trees for each of the criteria which assisted in determining whether an entity was a non-profit institution. These decision trees had some elements which were unique to the Aotearoa New Zealand environment, but could be more generically applied for international use. Further information can be found in *Identifying Non-profit Institutions in New Zealand* (Statistics New Zealand 2006b).

Tangata whenua governance organisations[29]

The main difference between the New Zealand Standard Classification of Non-profit Organisations (NZSCNPO) and the International Classification of Non-profit Organisations (ICNPO), is the inclusion under the category "Development and housing" of a new subgroup of tangata whenua governance organisations. This subgroup covers a rich array of organisations which provide stewardship for the affairs of iwi, hapū, and marae. The roles that these organisations take in relation to the Māori people vary in terms of the origins of their mandates:

- Most have roles that originate in the past, prior to European settlement and which encompass the ongoing governance or stewardship of the iwi in perpetuity.

- Some have statutory responsibilities, such as those resulting from financial settlements based on claims against the Crown.

- Still others may be established at different points by iwi in response to contemporary issues.

What all of these entities share in common is a focus on the ongoing health and vitality of the iwi, the transfer from generation to generation of the essence of the iwi, as well as the care and protection of iwi interests in general and specific matters. For the purposes of the Comparative Nonprofit Sector Project, these organisations were identified and counted separately from other, field-specific Māori centred organisations, such as Māori health providers, iwi social services, or Māori or iwi art, culture, and sporting organisations.

Population of non-profit institutions

Three key sources were used to identify the population of non-profit institutions in New Zealand:

- the Statistics New Zealand Business Frame, which includes all 'economically significant' non-profit institutions[30]

- administrative databases maintained by Inland Revenue, the New Zealand taxation department

- the Companies Office list of incorporated societies and charitable trusts.

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29 Adapted from Tennant et al 2006: 31.

30 To be included on the Business Frame, an enterprise must meet at least one of the following criteria:
   - annual goods and services tax expenses or sales of more than $30,000
   - an employment count greater than zero
   - IR10 income (rent received, interest and dividends and total income) greater than $40,000.

Paid employment in non-profit institutions

Statistics New Zealand reported the head count of employees, which was obtained primarily from administrative databases maintained by Inland Revenue.

However, the Johns Hopkins University study used a full-time equivalent measure of employment both for paid staff and volunteers. This measure converts part-time employees and volunteers into an equivalent number of full-time employees based on the normal number of weekly hours of a full-time job in the country.

For this report, Statistics New Zealand converted their non-profit institution employment count data to full-time equivalents. This was done using paid hours data from the Quarterly Employment Survey. The average weekly hours worked by non-profit institution employees was calculated, and divided by the average weekly hours worked in Aotearoa New Zealand for a full-time job during the same period. This ratio (approximately 0.63) was then multiplied by the total employment count as reported by Statistics New Zealand, to give a full-time equivalent number of employees.

For other industries, as displayed in Figure 1, Statistics New Zealand converted employment count data to full-time equivalent data using a standard assumption that one full-time worker is equivalent to two part-time workers.

Volunteering for non-profit institutions

The data on formal volunteering, ie volunteering in organisations, in Aotearoa New Zealand were assembled by Statistics New Zealand in two different parts. Information on the number of volunteers and the hours they volunteer came from three sources:

- 1998/1999 Time-Use Survey

- 2001 Census of Population and Dwellings

- 2006 Census of Population and Dwellings.

The census data were solely used to adjust the total number of volunteers from the 1998/1999 Time-Use Survey, to the March 2004 year reference period in the *Non-profit Institutions Satellite Account: 2004*. Information on the value of volunteers was derived using a replacement cost method, with average hourly wage rate data sourced from the New Zealand Income Survey.

The activity-based data from the Time-Use Survey was assigned to similar paid occupations from the New Zealand Income Survey, and its corresponding wage rate used. The number of hours spent on each formal volunteering activity was multiplied by the wage rate the volunteer would have received for providing an equivalent service in the market, to provide an estimate of the total notional wage bill for formal volunteering.

However, the activity-based classification from the Time-Use Survey, which was used in the collection of the volunteering data, was different from the one used for the employment data (NZSCNPO). While there is some consistency between the two classifications, it is impossible to report them at the same level of detail.[31] Therefore, the Aotearoa New Zealand volunteering data have not been provided at the full ICNPO level in Tables 3 and 4.

Statistics New Zealand reported the number of full-time equivalent volunteer positions in the *Non-profit Institutions Satellite Account: 2004*. This was calculated similarly to the full-time equivalent methodology for paid staff.

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[31]   For further details see Statistics New Zealand (2007) *Non-profit Institution Satellite Account: 2004* (pp35–38).

Estimation of gross domestic product

The Aotearoa New Zealand data include detailed information on the "value added" by non-profit organisations. The value added is synonymous with the gross domestic product (GDP) of a firm or industry. While estimates were made of the value added by non-profit organisations in other countries through the Johns Hopkins University study, these estimates have not been included in the comparative data reported here. Accordingly, the comparisons in this report focus more heavily on the scale of the labour force, both paid and volunteer.

Aotearoa New Zealand value added (GDP) data were mainly sourced from the Annual Enterprise Survey, which provides financial information by industry and sector groups. This includes measures of financial performance and financial position. The Annual Enterprise Survey is the principle data collection vehicle for the Aotearoa New Zealand national accounts.

Government funding to non-profit institutions

The Johns Hopkins University study calculated the shares of non-profit income coming from government, fees, and philanthropy, respectively. Statistics New Zealand, however, used a more standard national accounts approach, which groups government grants with philanthropic transfers and government contract purchases with private market sales.

For the purposes of the international comparisons in this report, Statistics New Zealand developed an estimate of the total government funding from the following sources:

- Statistics New Zealand's Annual Enterprise Survey

- a report commissioned by the Department of Internal Affairs (2008) *A Survey of Government Funding to Non-profit Organisations*

- the limited available data from District Health Boards – regionally operated and government-administered boards – which allocate funding within the health system in New Zealand.

This is thought to yield a conservative estimate of the extent of government support to non-profit organisations in New Zealand. It is likely that the full extent of government contracting for services from health non-profit organisations has not yet been identified.

Calculation of membership dues and subscriptions

Statistics New Zealand used a different treatment for membership dues and subscriptions paid to non-market non-profit institutions from that used in the Johns Hopkins University study. Statistics New Zealand classified these as philanthropic income, however, the Johns Hopkins University study classifies such payments as fee income.

To be consistent with the Johns Hopkins University study, Statistics New Zealand separately identified total membership dues and subscriptions and split them into those paid to market non-profit institutions, and similarly for non-market non-profit institutions. The payments made to non-market non-profit institutions in the form of membership dues and subscriptions (a not insubstantial NZ$297 million) have been taken out of philanthropic funding, and placed in fee income.

The membership and subscription data were largely sourced from the Annual Enterprise Survey, the 2004 Household Expenditure Survey, and trade union data.

Estimation of private philanthropy

Private philanthropy encompasses transfers to non-profit institutions from business enterprises, other non-profit institutions and households. Transfers received from government, usually in the form of grants, are excluded, as are insurance claims made by non-profit institutions. Philanthropic funding from community trusts, energy trusts, gaming trusts and other non-profit institutions specifically established as grant-making foundations and charitable trusts are included within the overall estimates of private philanthropy.

Appendix B
New Zealand Standard Classification of Non-profit Organisations (NZSCNPO)

Group	Subgroup
01 Culture and recreation	01 100 Culture and arts 01 200 Sports 01 300 Other recreation and social clubs 01 999 Culture and recreation support and ancillary services
02 Education and research	02 110 Early childhood education 02 120 Primary and secondary education 02 200 Higher education 02 300 Other education 02 400 Research 02 999 Education and research support and ancillary services
03 Health	03 100 Hospitals and rehabilitation 03 200 Nursing homes 03 300 Mental health and crisis intervention 03 400 Other health services 03 999 Health support and ancillary services
04 Social services	04 100 Social services 04 200 Emergency and relief 04 300 Income support and maintenance 04 999 Social services support and ancillary services
05 Environment	05 100 Environment 05 200 Animal protection 05 999 Environment support and ancillary services
06 Development and housing	06 100 Economic, social and community development 06 120 Tangata whenua governance organisations 06 200 Housing 06 300 Employment and training 06 999 Development and housing support and ancillary services
07 Law, advocacy and politics	07 100 Civic and advocacy organisations 07 200 Law and legal services 07 300 Political organisations 07 999 Law, advocacy and politics support and ancillary services
08 Grant making, fundraising and voluntarism promotion	08 100 Grant making foundations 08 210 Fundraising organisations 08 220 Voluntarism promotion 08 999 Grant making, fundraising and voluntarism promotion support and ancillary services

Group	Subgroup
09 International	09 100 International activities 09 999 International support and ancillary services
10 Religion	10 100 Religious congregations and associations 10 999 Religion support and ancillary services
11 Business and professional associations, unions	11 100 Business associations 11 200 Professional associations 11 300 Labour unions 11 999 Business and professional associations, unions support and ancillary services
99 Not elsewhere classified (residual categories)	99 100 Other 99 444 Don't know 99 555 Refused to answer 99 777 Response unidentifiable 99 888 Response outside scope 99 999 Not stated

Subgroup descriptions and examples

Subgroup	Subgroup description
01 100 Culture and arts	Media and communications, visual arts, architecture and ceramic art, performing arts, historical, literary, heritage and humanistic societies, museums and zoos and aquariums.
01 200 Sports	Provision of amateur sport, training, physical fitness and sport competition services and events.
01 300 Other recreation and social clubs	Provision of recreational facilities and services to individuals and communities. Also includes service clubs, which are membership organisations providing services to members and local communities.
01 999 Culture and recreation support and ancillary services	Non-profit institutions not adequately covered in the activity descriptors above but related in purpose.
02 110 Early childhood education	Organisations with a focus on providing early childhood education (excludes child-minding services).
02 120 Primary and secondary education	School education at primary and secondary levels.
02 200 Higher education	Higher learning, providing academic degrees. Includes business management schools, law and medical schools.
02 300 Other education	Vocational and technical training geared towards gaining employment. Includes adult/continuing education where institutions are engaged in providing education/training in addition to the formal education system.
02 400 Research	Research organisations in the areas of science and technology, social sciences, policy studies or medicine.
02 999 Education and research support and ancillary services	Non-profit institutions not adequately covered in the activity descriptors above but related in purpose.

Subgroup		Subgroup description
03 100	Hospitals and rehabilitation	Hospitals providing in-patient healthcare including physiotherapy and other rehabilitative therapy for those suffering from injury, genetic defect or disease.
03 200	Nursing homes	In-patient convalescent care and residential care, nursing homes for the severely handicapped, hospice services.
03 300	Mental health and crisis intervention	Psychiatric hospitals, outpatient treatment for mentally ill and outpatient services and counsel in acute mental health situations.
03 400	Other health services	Public health promotion and health education, outpatient health treatment, outpatient rehabilitative medical services and emergency medical services.
03 999	Health support and ancillary services	Non-profit institutions not adequately covered in the activity descriptors above but related in purpose.
04 100	Social services	Child welfare, child services and day care, youth services and youth welfare, family services, services for the handicapped and elderly and self-help and other personal social services.
04 200	Emergency and relief	Disaster/emergency prevention and control, temporary shelters and refugee assistance.
04 300	Income support and maintenance	Organisations providing cash assistance, food, clothing, transport and other forms of assistance to people unable to maintain a livelihood.
04 999	Social services support and ancillary services	Non-profit institutions not adequately covered in the activity descriptors above but related in purpose.
05 100	Environment	Organisations that promote pollution abatement and control, natural resources conservation and protection and environmental beautification and open spaces.
05 200	Animal protection	Organisations involved in animal protection and welfare, wildlife preservation and protection and veterinary services.
05 999	Environment support and ancillary services	Non-profit institutions not adequately covered in the activity descriptors above but related in purpose.
06 100	Economic, social and community development	Organisations working towards improving the quality of life within communities, the economic and institutional infrastructure and capacity to improve general public wellbeing.
06 120	Tangata whenua governance organisations	Tangata whenua governance organisations.
06 200	Housing	Organisations involved with development, construction, management, leasing, financing and rehabilitation of housing as well as organisations related with housing assistance.
06 300	Employment and training	Organisations that provide and support job training programmes, vocational counselling and guidance, and promote self-sufficiency and income generation through job training and employment.
06 999	Development and housing support and ancillary services	Non-profit institutions not adequately covered in the activity descriptors above but related in purpose.

Subgroup		Subgroup description
07 100	Civic and advocacy organisations	Advocacy organisations, civil rights, ethnic and civic associations.
07 200	Law and legal services	Legal services, crime prevention and public policy, rehabilitation of offenders, victim support and consumer protection associations
07 300	Political organisations	Activities and services to support the placing of particular candidates into political office.
07 999	Law, advocacy and politics support and ancillary services	Non-profit institutions not adequately covered in the activity descriptors above but related in purpose.
08 100	Grant making foundations	Private grant making foundations.
08 210	Fundraising organisations	Fundraising organisations.
08 220	Voluntarism promotion	Organisations that recruit, train and place volunteers and promote volunteering.
08 999	Grant making, fundraising and voluntarism promotion support and ancillary services	Non-profit Institutions not adequately covered in the activity descriptors above but related in purpose.
09 100	International activities	Exchange/friendship/cultural programmes, development assistance associations, international disaster and relief organisations and international human rights and peace.
09 999	International support and ancillary services	Non-profit institutions not adequately covered in the activity descriptors above but related in purpose.
10 100	Religious congregations and associations	Churches, and similar organisations promoting religious beliefs and administering religious services and rituals.
10 999	Religion support and ancillary services	Non-profit institutions not adequately covered in the activity descriptors above but related in purpose.
11 100	Business associations	Organisations that work to promote, regulate and safeguard interests of branches of business.
11 200	Professional associations	Organisations promoting, regulating and protecting professional interests.
11 300	Labour unions	Organisations that promote, protect and regulate the rights and interests of employees.
11 999	Business and professional associations, unions support and ancillary services	Non-profit institutions not adequately covered in the activity descriptors above but related in purpose.
99 100	Other	Other activities, not generally typical of non-profit institutions or not adequately covered elsewhere, such as agriculture, accommodation not elsewhere classified and retail not elsewhere classified.

Appendix C
Country clusters

In order to understand the various patterns of non-profit development in different countries, the Johns Hopkins University study has grouped countries into "country clusters" for analytical purposes. Countries within a given cluster share similarities in relative non-profit size, volunteer participation, revenue and structure, as well as cultural similarities and sometimes geopolitical proximity. Countries assigned to a particular cluster are rarely identical. But the country clusters nevertheless serve a heuristic purpose in calling attention to some salient similarities in the dimensions of the non-profit sector among countries. For a more detailed discussion, see Chapter 1 of Salamon, Sokolowski, and Associates (2004).

Welfare Partnership

The Welfare Partnership cluster, which consists mostly of Western European countries, is characterised by a large non-profit sector engaged mostly in the delivery of publicly funded human services (about two-thirds of the non-profit sector workforce). The distinctive characteristic of this cluster is a large share of government support – more than half of the total non-profit income on average. It includes: Austria, Belgium, Canada, France, Germany, Ireland, Israel, Italy, Netherlands, Portugal, and Spain.

Anglo-Saxon

The Anglo-Saxon pattern, which includes New Zealand, is also characterised by a large non-profit sector, but the level of government support is considerably smaller (only about a third of total revenue on average), and has larger shares of fee income and private philanthropy. This is a result of markedly lower levels of government social spending than in most Western European countries. It also includes Australia, United Kingdom, and United States of America.

Nordic

The Nordic model is characterised by a high level of volunteer input, well over half of the non-profit sector workforce engaged in a high share of expressive activities. The level of government support is also lower than in Welfare Partnership countries. This pattern is an outcome of welfare policies adopted in these countries, which relies heavily on public funding and public delivery venues. It includes: Denmark, Finland, Norway and Sweden.

Eastern European

The Eastern European model, which includes post-communist countries of Central and Eastern Europe, is characterised by a rather small non-profit sector with even smaller levels of volunteer participation. This is a legacy of the institutional pattern set during the communist era, which relied on the state in the delivery of welfare services and prohibited contracting out these services to the private sector. This, however, is changing as these countries join the European Union. It includes: Czech Republic, Hungary, Poland, Romania and Slovakia.

Asian Industrialised

The Asian Industrialised pattern is characterised by a non-profit workforce somewhat smaller than in Western Europe, engaged mainly in service activities, with a relatively low level of volunteer participation. The level of government support is also relatively low – about a third of the total non-profit sector revenue. This is a legacy of government policies that emphasised rapid industrialisation, while supplying only the bare minimum of social protection and not actively encouraging the development of civil society institutions. It includes: Japan and Republic of Korea.

Latin American

The Latin American model is characterised by a still smaller non-profit workforce, engaged mainly in service activities. The government share of non-profit revenue is also small, only about a fifth of the total income, while fees account for more than two-thirds of that income. This is, again, a legacy of government policies toward civil society institutions, characterised by the lack of support or even suppression (in the past). It includes: Argentina, Brazil, Chile, Colombia, Mexico and Peru.

African

The African pattern is characterised by a rather small civil society workforce, of which volunteers constitute more than a half. This small size of the non-profit sector is a result of the prevalence of kin-based institutions in these societies, and low levels of government support, which on average accounts for only about a fifth of the total non-profit sector income. It includes: Kenya, South Africa, Tanzania and Uganda.

Other developing

Finally, the category "other developing countries" does not form a more or less coherent group, but rather a collection of developing countries on which there is insufficient data available to discern any patterns. It includes: Egypt, India, Morocco, Pakistan and the Philippines.

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