The Social Origins of the Nonprofit Sector: Past, Present and Future

Salamon and Anheier’s social origins theory advanced understanding of cross-national differences in the nonprofit sector by showing that historical events had a strong effect on the present-day size and character of a country’s nonprofit sector, and on its relationship with the state (Anheier & Salamon 2006; Salamon & Anheier 1998; Salamon et al. 1999, 2004). While their historical approach is an important contribution, the theory has limitations: it has never been rigorously tested with historical data; it focuses primarily on Western Europe and North America; and it fails to account for all relevant historical influences, particularly in ignoring the effect of religion. The three papers in this panel begin with Anheier and Salamon’s theory and then test it, critique it, extend it, and apply it to new situations. We hope that these three presentations will encourage a broad discussion of the validity of social origins theory, and we will schedule time not only for questions but for a general discussion at the end of the session.

The first paper, “The Social Origins of the Nonprofit Sector and Charitable Giving,” tests whether social origins theory accurately predicts cross-national variation in individual charitable giving, using a new data set that includes data from 25 countries, including many non-European and developing countries (Wiepking & Handy, forthcoming). It finds that social origins theory poorly predicts individual giving behavior in developed countries, but does explain government policies towards the nonprofit sector in developing countries. The governments of these countries, being aware of the benefits of the nonprofit sector but threatened by the sector’s potentially adversarial role with the state, have taken what Salamon and Anheier term a “corporatist” approach to the nonprofit sector, encouraging its development but trying to keep it under state control.

The second paper, “Swedes support human rights and Austrians donate to environmental protection?”, uses social origins theory, along with economic theories of “crowding out” and popular confidence in government, to predict cross-national variation in charitable giving. It then uses data from the European Social Survey to test hypotheses derived from these theories. It finds that residents of the Nordic social democratic states do give more to human rights and humanitarian aid, and less to social and health causes, just as social origins theory predicts.

The third paper, “The role of the non-profit sector in the past, present, and future of the Nordic welfare state – the case of Finland,” applies social origins theory to a single country, and shows how the present and future of Finland will likely differ from the past. Despite the social democratic history of Finland, which has led the country to have a strong welfare state, current global trends toward the marketization of social welfare services have led Finland to outsource social welfare services to the private sector, nonprofits, and the church.

Taken together, these three papers use the past development of the nonprofit sector in Western Europe and North America to explain the present. The first paper uses this history to predict the future of the nonprofit sector in developing nations, and the third paper shows how global marketization trends may cause the nonprofit sector and welfare state in the Nordic countries to become more similar to the rest of Europe in the future. While the ISTR conference format does not allow for colloquia, we will restrict our presentations to 15 minutes each in order to allow time for a general discussion of social origins theory. It is hoped that this discussion will lead to future scholarship in three areas: more rigorous historical testing of social origins theory; the extension of social origins scholarship to countries outside of Western Europe and North America; and an updating of social origins theory to explain current and predict future developments.

The Social Origins of the Nonprofit Sector and Charitable Giving

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Salamon and Anheier’s social origins theory, along with other theories, uses historical processes to explain cross-national differences in the size and composition of the nonprofit sector. The current paper uses these theories to explain cross-national differences in individual philanthropic behavior, and tests them using giving data from 25 countries. The paper then uses the results to build upon and suggest changes to social origins theory.

Research questions:
1. To what extent does Salamon and Anheier’s social origins theory predict cross-national variation in charitable giving in industrialized welfare states?

2. To what extent can Salamon and Anheier’s social origins theory help predict the current and future of charitable giving in developing countries?

Relation to the literature:
A number of political and economic theories explain cross-national variation in the size and character of the nonprofit sector (Heurlin 2010; James 1987; Smith & Grønbjerg 2006; Weisbrod 1977), and one of the most influential is the social origins theory of Salamon and Anheier (1998; also Anheier & Salamon 2006; Salamon et al. 1999, 2004). Their work explains the nonprofit sector in terms of the outcome of a struggle for power among economic and political classes and the state, drawing upon Moore’s (1966) class-based analysis of political development and Esping-Andersen’s (1990) work on the historical development of the welfare state. Salamon and Anheier divide wealthy countries into “social democratic,” “liberal,” “corporatist,” and “statist” countries, with different histories of class struggle, different sizes of welfare states, and different sizes of the nonprofit sector.

Salamon and Anheier’s theory has received criticism for its failure to include important variables, such as timing of state formation, ethnolinguistic diversity, and religion (Ragin 1998). They have never provided extensive empirical support for the historical claims of the theory, and their theory focuses almost exclusively on the wealthy countries of Western Europe and North America. Later authors have modified Salamon and Anheier’s classification scheme, reducing the number of categories (Siveskind & Selle 2009) needed to explain the nonprofit sector in Europe and North America, and adding categories to explain the nonprofit sector in southern and Eastern Europe (Archimabault 2009).

No prior author has tested whether social origins theory explains variation in charitable giving. Following Salamon and Anheier’s logic, this paper predicts that people living in liberal states will be most likely to donate money to nonprofits, followed by those living in corporatist, social democratic, and statist countries. People in liberal countries will be most likely to give to social welfare charities, as the government does not guarantee citizens’ social welfare. In social democratic countries, where the government takes care of social welfare needs, people will be most likely to give to arts, culture, advocacy, and international charities.

Data and method:
This paper uses data collected as part of the study edited by Pamala Wiepking and Femida Handy, to be published as the Palgrave Research Companion to Global Philanthropy. The data is superior to that used in prior cross-national studies in that it includes a diverse range of countries, including poor countries and countries outside of North America and Western Europe. Using national survey data from each country, this paper compares average rates of individual giving to secular and religious causes, and compares rates of giving to different sectors.

Findings:
Social origins theory would predict that charitable giving would be highest in liberal democracies, particularly to human services charities, while social-democratic countries would have higher donations to expressive, advocacy, and international causes. The data fail to support the first two predictions, as people living in social-democratic countries were most likely to donate to charities in general and to human services charities in particular. As predicted, people in social democratic countries were also more likely to give money to expressive, advocacy, and international causes. While social origins theory is not effective in predicting variation in charitable giving in wealthy countries, it does help explain the development of the nonprofit sector and charitable giving in poorer countries. While many non-democratic states banned or restricted the nonprofit sector in the past (Heurlin 2010), the pressures and influences of globalization (Boli & Thomas 1997) make it difficult for countries to modernize their economy while still outlawing nonprofits. Accordingly, most nondemocratic states have adopted a corporatist approach to the nonprofit sector (Heurlin 2010), attempting to keep the sector under government control.

Relevance to ISTR:
As this paper takes a cross-national comparative approach to the nonprofit sector and civil society development, its topic is directly related to ISTR’s interests and the theme of the conference. It uses social origins theory to answer some of the big questions about the historical development of the nonprofit sector and applies the theory to make predictions about the future of the sector in developing countries.

**Swedes support human rights and Austrians donate to environmental protection?**

**Understanding cross-country differences in private charitable giving**

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Private charitable giving and its role to finance the public good have gained increased attention in recent years. All over the Western world discussions about the scope of the welfare state have emerged, going along with claims for a rise in private responsibility (Harrow & Jung, 2011) and a highly developed culture of philanthropy similar to the U.S. or the U.K. But why are there such huge variations in giving behaviour between nations? Why do 94% of the people in the Netherlands, but only 40% of those living in Germany donate for charitable organizations (Wiepking & Handy, forthcoming)? Why does in Austria only 7% of nonprofit sectors’ income stem from philanthropy, but a much higher share in the U.K. (Salamon & Sokolowski, 2004)? And why are there such obvious variations in the charitable causes people prefer to donate to across countries (see for example European Social Survey, 2002: own calculations; van Leeuwen & Wiepking, 2013)?

Up to now, very little is known with regards to cross-national differences in charitable behaviour. The large majority of academic research on charitable giving has addressed determinates of giving behaviour on the individual level and has focuses on personal resources, values, and socio-economic variables (for an overview see Bekkers & Wiepking, 2011a, 2011b; Wiepking & Bekkers, 2012). In contrast, economic research has given much attention to contextual factors such as tax incentives (see an overview in Borgloh, 2008) and public funding of the non-profit sector. Most of these studies, however, refer to the national context, which is mainly due to the lack of comparable, cross-national datasets. Against this backdrop, this study seeks to provide some explanations for the prevailing differences in charitable behaviour across nations by analysing survey data from 19 European countries. The research questions of the study are: (1) Which contextual factors help to explain cross-country variations in the incidence of giving? (2) Which contextual factors help to explain cross-country variations regarding donors’ preferred charitable causes?

The study refers to three theoretical approaches for explaining differences in giving behaviour and tests several contextual factors against each other. The first approach derives from classical economics and states that public expenditure, particularly government grants, ‘crowd out’ private philanthropy (Brooks, 2004:168). A second strand of theory concerns values, namely the confidence of the population in their governments. Economists argue that lower levels of confidence in the government increase private charitable giving, since people turn to private alternatives and self-responsibility (Brooks, 2004:176). The third approach refers to Salamon and Anheiers’ (1998) configuration of nonprofit regimes. It builds on the categorization of countries according to their welfare system following Esping-Andersen (1990), who classified countries into three different welfare regimes according to their level of de-commodification and social security.

According to the configuration of nonprofit regimes, countries belonging to the social-democratic regime (e.g. Sweden) are characterized by an extensive provision of social services and health care by the state. Thus, there is no need for private donations for these issues, assuming that only a small share of the population donates for these causes. In countries of the liberal regime (e.g. United Kingdom), the welfare system is means-tested and provides only a basic system of social security. In these countries, non-profit organizations active in the field of social services depend on alternative funding. Thus, charitable giving for this cause is expected to be high.

The empirical study uses data from the European Social Survey (ESS). The first wave of the survey (from 2002) includes questions on the incidence of giving to several charitable causes, such as sports clubs, organisations for humanitarian aid, human rights and minorities, organisations for environmental protection, peace or animal rights, religious or church
organizations, organizations for science, and education, and social clubs. In addition, the ESS contains a rich set of individual characteristics as well as contextual information on the country-level. Overall, data from about 40,000 individuals from 19 countries is used in the multi-level analysis.

The findings of this study help to get a deeper understanding for the given variations in charitable giving across (European) countries. The fact that large shares of the population in Sweden and Norway donate to humanitarian aid and human rights, but only a small percentage gives to social and health causes may be traced back to social origins.

The role of the non-profit sector in the past, present, and future of the Nordic welfare state
- the case of Finland

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Welfare is in most societies provided by four actors: the public sector (state, municipalities), the private sector (market), civil society (third sector organizations, NGOs), and the family (e.g., Esping-Andersen, 1990). For decades Finland as well as other Nordic countries in Europe have represented a social democratic model in which the public sector provides most of the welfare services. Also under Salamon and Anheier’s (1998) nonprofit sector classification, the relationship between the public sector and the nonprofit sector in these countries comes closest to the social-democratic model. In this model the nonprofit sector should be strongest in recreational and expressive activities such as sports, culture, religion, advocacy and hobbies rather than welfare. A more service-oriented nonprofit sector should be more typical in ‘liberal’ and corporatist states (Salamon & Sokolowski, 2003). Indeed, the main role of nonprofit organizations in Finnish welfare has been to complement the public sector, to locate unnoticed welfare needs, and to experiment with new working methods. Also, a large proportion of associations focus on sports, culture, or advocacy (Register of Associations, 2013). During the last 20 years productivity and competitiveness have become central concepts and aims in political decision making in Finland – as in many European countries and the European Union. These dominating principles of market economy have weakened the emphasis on reciprocity, solidarity and equality, which have previously been central in the Finnish welfare state model (Saari & Pessi 2011). Welfare services have been increasingly outsourced to the private sector, non-profit sector, and the Church from the public sector. The responsibility for the quality and financing of the services remains at length with the public sector but services are also cut back, and other sectors of the society have been forced to react on the needs, which are no longer met by the public sector (E.g. Grönlund & Hiilamo 2006; Pessi & Grönlund, 2012; Vaarama et al. 2010).

In this paper we will discuss the past and the present situation of the Finnish nonprofit sector in relation to the Nordic welfare model. We will also sketch the possible consequences of current developments towards a new welfare model in Finland.