



University of New England

School of Economics

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Using NSW Non-Profit Social Service Provider Data**

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Taryn Maroney and Brian Dollery

No. 2004-6

Working Paper Series in Economics

ISSN 1442 2980

<http://www.une.edu.au/febl/EconStud/wps.htm>

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Explaining Voluntary Sector Behaviour: an Empirical Test Using NSW Non-Profit Social Service Provider Data

Taryn Maroney and Brian Dollery**

Abstract

Non-profit organizations represent an important institutional avenue for delivering social services in contemporary Australia. Moreover, a voluminous theoretical literature exists on the voluntary sector in advanced countries. However, relatively little effort has thus far been expended on the empirical assessment of the main models of non-profit organizational behaviour. Using 2003 survey data drawn from selected NSW non-profit social service providers, this paper seeks to replicate Lester Salamon's (1992) seminal American empirical investigation of stylized versions of demand-side theories, supply-side theories, organizational theories, and Salamon's (1987) own model of voluntary sector failure. In common with Salamon's (1992) earlier findings, our results suggest that the theory of voluntary sector failure possesses the greatest explanatory power of the four main models under investigation.

Key Words: non-profit organizations; social service delivery; voluntary sector models.

** Taryn Maroney is a post-graduate student in the School of Economics at the University of New England. Brian Dollery is Professor of Economics and Director of the UNE Centre for Local Government at the University of New England.
Contact information: School of Economics, University of New England, Armidale, NSW 2351, Australia. Email: bdollery@pobox.une.edu.au

1. INTRODUCTION

Throughout the advanced English-speaking world, governments are increasingly focusing on the non-profit sector to deliver social services previously the principal domain of the public sector. For example, the Bush administration has advocated a stronger role for the voluntary sector in welfare and education programs in the United States. Similarly, the Labour government in the United Kingdom has championed the development of faith-based schools to bolster the failing public education system. In an analogous fashion, in Australia the Commonwealth government has enlisted voluntary organisations, such as the Anglicare, the Salvation Army, and the Society of St. Vincent de Paul, to partake in the Job Network (Webster and Harding, 2001), drawing on the recommendations of *Final Report of the Reference Group on Welfare Reform: Participation Support for a More Equitable Society* (the so-called “McClure Report”, 2000).

These policy initiatives derive partly from the recognition that existing social service delivery mechanisms do not achieve their intended aims. Conventional public agencies charged with the administration of human services often seem unable to meet their responsibilities efficaciously. In many cases where social services are publicly financed but privately provided, similar problems have been evident. Governments have thus turned to the voluntary sector in the belief that

not-for-profit organisations may be able to accomplish social objectives more effectively than their public agency and private firm counterparts.

Economists and policy advisers alike have long been aware of the shortcomings of both the public and private sectors in the pursuit of social welfare objectives. A voluminous literature exists on the phenomenon of market failure and the most efficacious means of dealing with this pervasive problem (Bailey, 1999). An analogous government failure paradigm has been developed which provides useful insights into the systemic shortcomings of the public sector (Mitchell and Simmons, 1994). These conceptual frameworks have greatly assisted in the design and implementation of rational systems of social service delivery.

A rich theoretical body of work on non-profit organizations (NPOs) also exists that has spawned several plausible theories that shed much light on the voluntary sector (Dollery and Wallis, 2003). In broad terms, we can distinguish between two genre of theories dealing with voluntary organizations. In the first place, a number of theorists have sought to develop models which can explain why the voluntary sector came into being at all; that is, why do voluntary organizations exist? This category of theorizing can be further subdivided into “demand” and “supply” models of the voluntary sector. In essence, demand theories attempt to explain the genesis of voluntary organizations as a response to either market failure, characterized as the inability of a market or system of markets to provide goods

and services in an economically optimal manner, or government failure, defined as the inability of public agencies to achieve their intended objectives. By contrast, supply models endeavor to explain voluntary organizations as the outcome of “social entrepreneurship”, “a variety of explicit and implicit subsidies, including tax exemption from federal, state, and local taxes, special postal rates, financing via tax-exempt bonds, and favorable treatment under the unemployment tax system” (Hansmann, 1987, p. 33), and other factors.

The second main theoretical approach to the voluntary sector seeks to explain the behaviour of voluntary organizations. Writers in this tradition attempt to answer questions such as: What motivates entrepreneurs and managers in voluntary organizations? What aims are pursued by these voluntary institutions? Does the behaviour of organizations in the voluntary sector differ systematically from their private sector and public sector counterparts?

In many respects the dichotomy between theories focusing on the role of the voluntary sector and theories concerned with the behaviour of organizations in this sector is somewhat artificial. As Hansmann (1987, p. 28) has observed “ultimately, of course, questions of role and questions of behaviour cannot be separated”. Nonetheless, this method of classifying theoretical contributions on the voluntary sector has become a convention in the literature.

Much information is available on the voluntary sector in Australia. For instance, Lyons’ (2001) *Third Sector* provides a valuable account of the Australian

voluntary sector. Similarly, the Industry Commission (1995) report entitled *Charitable Organisations in Australia* contains a wealth of factual information on the Australian voluntary sector. However, despite the considerable size of the voluntary sector in Australia and its substantial social and economic contribution, there has been almost no empirical analysis of the major theoretical models purporting to explain the behaviour of non-profit organizations (NPOs) in Australia. This represents an unfortunate gap in the literature on the voluntary sector and forms the subject of the present paper.

A pioneering empirical study of the main theoretical approaches to NPOs was undertaken by Salamon (1992) using data on American NPOs involved in social service provision. This study generated useful findings on the empirical validity of a fourfold typology of stylized models of the voluntary sector. Somewhat surprisingly, no attempt has yet been made to replicate the Salamon (1992) methodology in an alternative institutional milieu, such as Australia. Accordingly, this paper seeks to establish the robustness of Salamon's (1992) empirical findings using survey data drawn from NSW voluntary organizations active in a range of non-profit human service agencies which included three sub-sectors of the non-profit sector: aged services, employment and training, and social services.

The paper itself is divided into five main parts. The first section provides a synoptic outline of the Salamon (1992) study. The major theoretical hypotheses

tested by Salamon (1992) are summarized in second part of the paper. The methodology employed in our application of the Salamon (1992) article is discussed in section three. The empirical results flowing from this exercise are examined in part four. The paper ends with some brief remarks comparing our Australian results with Salamon's (1992) American findings.

2. SALAMON'S EMPIRICAL ANALYSIS OF THE THEORY

The main unit of analysis used by the Salamon (1992) survey is "client focus" that seeks to determine whom non-profit organisations attempt to serve. His empirical analysis does not incorporate all NPO's; only those that provide social services whose aim is to ameliorate problems, such as poverty, homelessness, child neglect, and physical and mental disabilities. To justify the exclusion of other NPO's which provide services, Salamon argued that the social service component of the non-profit sector "might be expected to adhere more closely to the dictionary definition of 'charity' as 'generosity to the poor'" (Salamon 1992, p. 134). Thus, by determining whether the poor are the principal focus of activity of NPOs involved in human service delivery, Salamon contended that "it is possible to shed interesting empirical light on the relative explanatory power" of the main theories "advanced to explain the existence or behaviour of the non-profit sector" (Salamon 1992, p. 135). In addition to the standard demand-side theories and supply-side models, he included his own theory of voluntary sector failure as well as

“organisational theory” as an alternative form of supply-side theory in the empirical investigation. In his paper, Salamon identified the major hypotheses suggested by the four stylized theories and compared their implications to the results that emerged from the empirical testing.

3. SALAMON’S MAIN THEORETICAL HYPOTHESES

3.1. *Demand-side Theories*

According to these theories, the non-profit sector supplies the unmet demand for collective goods that are not provided by governments or markets (Weisbrod, 1978). In these circumstances, people rely on NPO’s for the public services they were unable to secure through private firms or public agencies. Furthermore, it would be “reasonable to expect that the demands that will be met by the sector will be those of the people with the resources to pay for them” (Salamon, 1992, p. 151). The two suppositions that can be drawn from this line of reasoning would be that where government intervention in the form of social welfare spending is lowest, the non-profit sector focus on the poor would be greatest. Secondly, where private charitable giving is highest, the greater will be the level of non-profit agencies attention to the disadvantaged (Salamon, 1992, p. 151).

3.2. *Supply-side Theories*

Supply-side theories concentrate on the role of the stakeholders in NPOs and particularly on the role of the entrepreneur. Hence, their major focus centres on the behaviour of these key stakeholders, and why they are motivated to supply their

efforts in the creation and operation of NPOs. Salamon (1992) argued that religious institutions have historically been the most prominent providers of charitable services. Given the assumed connection between religion and altruistic values, it can be deduced that “non-profit service to the poor will be closely related to the pool of religiously inspired individuals who create a set of religiously orientated non-profit organisations” (Salamon, 1992, pp. 152-153). The hypothesis that Salamon drew from this argument in relation to the activities of NPO’s was that the closer the affiliation between a voluntary group and a religious organisation, the more likely that it would concentrate on the needy.

3.3. *Organisation Theory*

Organisational theories provide an explanation for the operation of organisations; they attribute various factors that contribute to the different operational methods employed. These include maintenance and enhancement needs of agency staff; objectives, preferences and management styles of staff; initial missions of agencies; the level of bureaucratisation within the organisation; and the degree of “professionalisation” (Salamon, 1992, p. 153). One of the central tenets of these theories holds that organisations face a significant degree of difficulty when changing their basic technologies and their initial missions. As a consequence, it is argued that some of these factors will impose and explain variations in the agency focus on the poor. At least two possible concrete hypotheses emerge from this theory in relation to client focus of NPOs. Firstly, the greater the level of agency

bureaucratisation and professionalisation, the less likely the NPO will focus on the needs of the poor. Secondly, if organisations experience difficulties changing their focus over time, then this would suggest that an initial emphasis on the disadvantaged would remain over time (Salamon, 1992, pp. 153-161).

3.4. *Voluntary Failure Theory*

The voluntary failure theoretical perspective posits that NPOs also face “free rider” problems in generating support, particularly for the relief to the disadvantaged (Salamon, 1987). This results in limited private support and the need for government to provide resources to NPOs in order for them to meet human needs. Despite the fact that “philanthropic insufficiency” is widespread amongst agencies, the other types of failures in Salamon’s typology (i.e., “philanthropic particularism”, “philanthropic paternalism”, and “philanthropic amateurism”) also limit a voluntary organisation’s ability to cope with human service delivery. If these NPOs are unable to raise the level of funds required, then they will not be able to meet the requisite demand. However, governments have the ability to raise the resources required and redistribute them to providers. The result of these failures is that NPOs cannot always act on the services they may have the initiative and capacity to offer, without the support of governments. Consequently, Salamon (1987) argued that the voluntary sector and the public sector would not work independently, but rather in concert. The resultant hypothesis would lead us to assume that NPOs provision of services to the poor

would be expected to increase as the level of government support increases (Salamon, 1992, p. 152).

4. METHODOLOGY

The purpose of the empirical research presented in this paper is to investigate whether Salamon's (1987) theory of voluntary failure provides a satisfactory theoretical explanation for the voluntary sector in NSW in comparison to the other main theoretical perspectives. To this end, Salamon's (1992) empirical test was replicated using a small survey sample drawn from NSW NPOs.

4.1. Survey Design and Questionnaire

The data necessary to test Salamon's (1992) hypotheses is not available from published sources and it was thus necessary to solicit the requisite information directly from NPOs themselves by means of a mail questionnaire. The construction of the questionnaire for the present study was pre-determined by the kind of data required to replicate Salamon's (1992) study. Full details of the questionnaire sent to respondents are contained in the Appendix.

Between August and September 2003, a standard questionnaire was sent out to selected NPOs in NSW. It targeted a narrow range of non-profit human service agencies, which included three sub-sectors of the voluntary sector; aged services, employment and training, and social services. In total 75 agencies were targeted for participation in the study, of which 41 responded. Agencies were identified for

inclusion in the survey by cross-checking any web lists of non-profit and for-profit providers found on the Department of Health and Ageing's (DHA) web-site as well as NSW Council of Social Services' (NCOSS) web listing of social service providers operating in NSW against local directories. A similar procedure was carried out for the employment and training sector from a list of confirmed non-profit Jobs Australia members, an advocacy group for the industry. The web listings found on the DHA and NCOSS sites proved difficult because they did not differentiate between non-profit and for-profit organisations. As a consequence, local directories were used to identify the profit status of organizations in the sample, and then cross-checked directly via telephone. After consultation with informed parties, the survey was addressed to either the chief executive officer or general manager and sent to the head offices of agencies. The identification process of non-profit candidates in NSW highlighted that the specified sub-sectors, with the exception of employment and training, were mainly dominated by large providers operating numerous sites and involved in various areas of social welfare. In the case of employment and training, there was a mix of large and smaller agencies used in the sample.

The actual questions sought to determine the nature of the service being delivered, the age of the agency, expenditure and its distribution amongst client groups, religious affiliation, whether it serves urban or rural clients or a combination of

both, staff and volunteer size, where sources of revenue were derived, the level of financial assistance given to clients, and if agencies had experienced any shift in their client focus. The question of greatest significance for the empirical analysis asked respondents to indicate what percentages of their clients were poor. The definition of poverty or poor used was a relative term given the comparative wealth of Australia to most other countries. Respondents were asked to consider it to be: (1) the lack of access to a minimum acceptable standard of living (in terms of food, shelter, clothing and health) resulting primarily, but not only, from inadequate income; and (2) the lack of opportunity to participate in society (for example, through employment, education, recreation and social relationships) (Brotherhood of St Lawrence, 2003, p. 1). Despite subjectivity of this crude measure of poverty, it provides at least some idea of what segments of the community non-profit organisations have been concentrating on.

The resultant survey data gathered was then collated with the explicit intention of replicating Salamon's (1992) analysis. The tabulated results were subjected to a chi-square test of probability to determine whether the hypotheses implied by the various theories bore any statistical significance for the voluntary sector in NSW.

Information gathered by numerous research agencies was also drawn on to corroborate the levels of funding granted to voluntary organizations. This data was provided by the ABS website and the Industry Commission (now the Productivity

Commission) report on charitable organizations. The information used from these sources was directly related to the “resource insufficiency” category of Salamon’s (1987) theory. The availability of this type of data is explained only by legislated accountability for public funding. The scarcity of information available on non-profit organizations and the way they are managed may reflect their lack of public accountability and the “arms length” approach taken by government to their operations.

5. EMPIRICAL RESULTS OF SURVEY

5.1. Sources of Income and the Extent of Agency Expenditures Focussed on the Disadvantaged

The results of the survey show that the major source of income for NPOs derives from the Commonwealth and state governments. This is apparent from Table 1, which records the estimated sources of income for all the organisations surveyed. Government funding accounts for 63 per cent of income and user charges 22 per cent. By contrast, private donations and other sources of income only represent 7 per cent each of estimated income for NPOs. These results suggest that agencies are heavily reliant on government sources of income and that they work in partnership to supply social services. The data supports the historical relationship between the two sectors in Australia, and the enlistment of these organisations to achieve social objectives.

Table 1: Estimated Sources of Income of Non-profit Agencies, 2003 (Percentage)

Government sources	63
User charges/fees	22
Private donations	7
Other sources	7
Total	100

The client focus for each category of agencies surveyed is presented in Table 2 giving an impression of what groups are receiving assistance and who benefits from the activities of NPOs. It shows the majority of expenditures are concentrated on the disadvantaged; this is supported by the averages calculated for all agencies with 37 percent concentrating on mostly poor and 35 per cent on some poor. As this table shows, the estimated focus of agencies on clients who fall in the few or no poor category is relatively low with 10 and 17 per cent respectively.

Among some types of agencies the percentage of expenditure concentrated on mostly poor was higher than the average, this is true for aged and disability (40%), employment and training (59%), social services (65%) and multi-service organisations (60%). Interestingly, social services ranks highest in this group with 65 per cent of total expenditures devoted to the poor and not so surprisingly the one NPO that provides recreational services has 60 percent of its client expenditure focussed on no poor. Overwhelmingly, these figures suggest that NPOs are seriously engaged in supplying services to the disadvantaged.

Table 2: Agency Field of Service and Focus of Income Expenditure

Type of Agency	Percentage of Agencies Whose Clientele Include				All
	Mostly Poor	Some Poor	Few Poor	No Poor	
Aged and disability (18)	40	28	14	18	100
Employment and training (11)	59	26	5	10	100
Social services(7)	65	23	2	10	100
Multi-service(3)	60	23	12	5	100
Recreation (1)		10	30	60	100
Legal rights and advocacy (1)		100			100
All (41)	37	35	10	17	100

5.2. Survey Evidence on the Hypotheses of the Theories of the Voluntary Sector

We have already sketched the hypotheses of the demand-side, supply-side, organisational and voluntary failure theories developed by Salamon (1992). Accordingly, we now present the results obtained from the survey in terms of these four theoretical hypotheses. Our main aim is to determine which theories bear any relevance to NPOs in NSW.

5.3. Demand-side Theories

Salamon’s (1992) test for demand-side theories was centred on the behaviour of NPOs in urban and rural communities, arguing that there will be a higher number of these organisations operating in rural communities. The results of the analysis carried out are represented in Table 3. Unlike Salamon’s (1992) findings, agencies that have a combination of both categories are displayed in the table, reflecting a large number of organisations operating many agencies throughout NSW.

The survey data indicates that there is no significant difference in the focus of agencies amongst the various client groups. Organisations that operate both in rural and urban areas have the greatest percentage of client focus at 53 per cent on mostly poor, the variance from the other categories are small. This was tested using the chi-square test of probability at the significance level 0.05. The results suggest that there is no statistically significant difference between the geographic location of agencies and the extent of their client focus. This outcome runs counter to the predictions of demand-side theories: where government intervention in the form of social welfare spending is lowest, the non-profit sector focus on the poor would be greatest.

Table 3: Client Focus of Urban and Rural Non-profit Agencies

Client Focus	Percentage of Agencies			
	Urban Agencies	Rural Agencies	Both	All Agencies
Mostly poor	46	48	53	49
Some poor	34	30	17	27
Few poor	9	8	11	10
No poor	11	14	19	14
Total	100	100	100	100

Note: *Chi-square test applied at the 0.05 significance level.

5.4. Supply-side Theories

These theories suggest that agencies with a religious affiliation should have a greater focus on the poor due to their ‘charitable intent’. Table 4 reveals that agencies with a religious affiliation do concentrate more on those who are disadvantaged with 57 per cent of clients being mostly poor and only 9 per cent

that were not poor. Those NPOs without a religious affiliation main focus was on mostly poor but to a lesser extent with 45 per cent and a higher percentage of clients not poor at 16 per cent. These figures support the supply-side hypothesis' prediction. However, when this was statistically tested using the chi-square test of probability at the significance level 0.05, a statistically significant relationship between religious affiliation and client focus did not exist. Given this information, the supply-side hypothesis is rejected.

Table 4: Religious Affiliation and Non-profit Agency Client Focus

Client Focus	Percentage of Agencies by Religious Affiliation		
	Yes	No	All
Mostly poor	57	45	49
Some poor	21	30	27
Few poor	13	8	10
No poor	9	16	14
Total	100	100	100

Note: *Chi-square test applied at the 0.05 significance level.

5.5. Organisation Theory

Organisational theory predicts that the greater the level of professionalisation and/or bureaucratisation in an agency the lower the degree of focus on the poor. Two tables are used to assess this theories explanatory power for the non-profit sector in NSW. Firstly, Table 5 is used to determine the degree of professionalisation in agencies by comparing the size of the agency to their client focus. The data generated reveals that agencies with greater staff numbers focus more heavily on the poor, the agency size with the greatest focus on the poor are

those that employ 3 to 13 (FTE) employees. The organisations with the largest number of (FTE) employees concentrated 52 per cent of their attention on the poor. Interestingly, the second smallest agency size has the greatest focus on the poor at 64 per cent. The chi-square test was run on this data; it supported the proposition that there is a difference between the client focus of an organisation and their size.

Table 5: Agency Employment Levels and Client Focus

Paid Staff Size (FTE)	Percentage of Agencies with Indicated Clientele Focus				Total
	Mostly Poor	Some Poor	Few Poor	No Poor	
1 - 2.5	25	70	5	0	100
3 to 13	64	33	3	1	100
14 – 99	49	22	10	19	100
100 and over	52	27	9	13	100
All Agencies	48	38	6	8	100

*Note: *Chi-square test applied at the 0.05 significance level.*

Table 6 compares the agency size to the amount of expenditure that was channeled to the disadvantaged. It clearly shows that agencies with higher levels of expenditure are focusing more strongly on the poor; attention to the disadvantaged appears to increase as agency size increases. Large agencies are reportedly focusing 51 per cent of their attention on the needy whilst small agencies focus only 25 per cent on the poor. Furthermore, the results of the chi-square analysis reject the proposition that there is no difference between the client focus of organisations and their size, and establishes that a statistically significant relationship exists.

Organisational theories line of reasoning for both the level of professionalisation and bureaucratisation that the larger the agency the less likely it will focus on the poor is unsupported by the survey data. Clearly, larger organisation size has not inhibited their ability to respond to the needs of the disadvantaged.

Table 6: Agency Size and Client Focus

Agency Expenditures	Percentage of Agencies with Indicated Client Focus				Total
	Mostly Poor	Some Poor	Few Poor	No Poor	
Small ^a	25	70	5	0	100
Medium ^b	47	40	10	3	100
Large ^c	51	23	10	17	100
All Agencies	41	44	8	7	100

Notes: ^a Expenditures under \$100 000

^b Expenditures of \$100 000 – 999 999

^c Expenditures of \$1 million and over

* Chi-square test applied at the 0.05 significance level.

Thirdly, Table 7 attempts to test one of the central tenets of organisational theory that agencies tend to resist changes in their basic approach. Salamon (1992) argued that this line of reasoning led to the implication that organisations will not change their focus over time. Thus, Table 7 compares agency age and client focus, we expect that certain periods such as before 1930 and 1971-1980 would be most likely focused on the poor. The basis of this expectation was that for the period prior to 1930 Australian governments did not provide much relief for poverty, leaving non-profit organisations to service the need. The second period chosen was 1971-1980; this was due an observed increase in government spending on social welfare which seemed to have encouraged the formation of many NPOs.

The data reveals that in both periods there was a high level of attention on the needy. However, NPOs established in these periods had a comparatively lower focus on the poor than in other time periods. The results show the highest levels of concentration on the poor in the periods 1981-1990 and 1991-present with 56 per cent and 72 per cent respectively. This may largely be the result of the governments attempt to abrogate itself from the provision of social services in these decades. For example, the majority of the NPOs formed in the period 1981-1990 belong to the employment and training category; they service many chronically unemployed persons whom they have reported as mostly poor.

Table 7: Agency Age and Client Focus

Client Focus	Year Formed - % of Agencies						All
	Before 1930	1930 - 1960	1961 - 1970	1971 - 1980	1981 - 1990	1991 - present	
Mostly poor	43	50	23	48	56	72	48
Some poor	26	29	30	30	29	20	27
Few poor	7	13	23	3	10	5	10
No poor	24	8	25	20	6	3	14
Total	100	100	100	100	100	100	100

Note: *Chi-square test applied at the 0.05 significance level.

Chi-square analysis suggests that there is a statistically significant relationship between agency age and client focus. This outcome gives us no clear indication as to whether shifts in client focus have taken place over time or the reasons for this change. The information provides little empirical evidence that organisations have resisted changes in their client focus. Where the attention is most heavily

concentrated from 1981 to the present it may be too early for changes in focus to have occurred.

5.6. Voluntary Failure Theory

The theory of voluntary failure predicts that a strong relationship exists between government funding and NPOs attention to the disadvantaged. Table 8 shows that agencies focusing on the poor received 64 per cent of their income from government sources and only 9 per cent from private donations. Greater still is the 74 per cent of income from government sources estimated for those that concentrate on some poor. However, for agencies serving few or no poor, government funding was at its lowest level – 50 per cent and user charges and fees at the highest level at 41 per cent. The chi-square probability test corroborates the information in Table 8, finding a statistically significant relationship existing between the source of funding and client focus of agencies, thus supporting voluntary failures hypothesis that government funding will be high where agencies focus on the poor.

Table 8: Funding Sources and Poverty Focus

Source	Average Share of Income for Agencies Serving			
	Mostly poor ≥ 40	Some poor ≥ 40	Few or no poor ≥ 40	All Agencies
Government	64	74	50	63
Private giving	9	2	4	5
User charges/fees	19	20	41	27
Other	9	4	4	6
Total	100	100	100	100

Notes: *Shares are based on reported aggregate income for all agencies in each category.

**Agencies are classified into three categories, based on their main client concentration (chosen to be ≥ 40 percent).

6. CONCLUDING REMARKS

The results of the empirical survey presented in this paper exhibit some interesting outcomes, similar in some respects Salamon's (1992). The data presented in Table 1 suggest that there is a heavy reliance on government funding for the income of NPOs with 63 per cent estimated for all NSW agencies. There are significant differences in the sources of income for those organisations surveyed by Salamon (1992). In comparative terms, estimated government funding and fundraising at 38 per cent and 31 per cent respectively reveal that government finance is significantly more important as a source of income to the Australian voluntary sector. While client fees and other sources of income are broadly similar, the differences in the level of private giving in the United States are significantly larger than the 7 per cent recorded for NPOs in NSW. The data on sources of income and their relationship to NPOs attention on the disadvantaged presented in Table 8 gives a clearer understanding when assessing demand-side theories hypotheses. Since this perspective leads us to expect that the most extensive NPO attention to the poor will be where government funding is the lowest (Salamon, 1992), the results of Table 8 should support this proposition. Instead, it reveals that NPOs that are focusing on the categories 'mostly and some poor' receive the majority share of their income sources from government; and that private giving accounts for only a small percentage.

The second demand-side hypothesis tested suggests that NPOs should concentrate more heavily in regional areas where government programs are at their lowest. When analysed for the NSW voluntary sector the geographic location of agencies among urban, rural and those who supply both areas was determined as statistically insignificant in determining client focus of NPOs. The empirical evidence shown in Table 3 lends little support to demand-side theories explanatory power over the NSW voluntary sector. Although the proportion of agencies that focus on both areas have a higher percentage of mostly poor clients (53 per cent) than the comparable proportion of agencies concentrating on either urban or rural regions. It is possible that if the survey had asked respondents for the percentage of offices operating in the particular categories; the inclusion of this type of information may have altered the outcome of the chi-square test. Nevertheless, the survey data refutes both demand-side hypotheses.

The test carried out on supply-side theories suggests that an organisation's religious affiliation does not adequately explain whether it will concentrate on disadvantaged people. Thus, the connection between altruism and religious affiliation implied by some supply-side theories does not find support in the data. Given the considerable size and operations of many NPOs with a religious affiliation, the inclusion of information about how many sites are operated may have made a difference to the statistical results, lending support to these theories.

Nonetheless, this outcome is similar Salamon (1992), with the exception that he recorded that the relationship is the converse of what supply-side theory predicted. Evidence from NSW NPOs does not support this conclusion and it appears that those agencies that have a religious affiliation are focusing on the disadvantaged. Three implied hypotheses of organisation theory were tested using a number of variables and related them to the client focus of agencies; namely, agency employment levels, agency size, and agency age. The analysis revealed that a statistically significant relationship exists for the first two factors. This result suggests that both the number of paid staff employed and the expenditure levels of the agency do affect positively the client focus of organisation's on disadvantaged people. Table 5 shows that agencies with higher levels of expenditure are focusing the majority of their attention on the poor, which contradicts the organisational theory prediction. Two weaknesses are identified concerning this particular test. Firstly, of the four categories, the second smallest paid staff size had the highest estimated concentration at 64 per cent. It is likely that this result has been affected by the data collected on the employment and training sub-sector. Many of these organisations had smaller staff sizes and a high proportion of clientele that were unemployed and therefore potentially disadvantaged. These factors are due to the use of labour not being particularly intensive, and that government contracts and tenders offered are taken up in many circumstances by medium-size operators.

Secondly, the survey did not collect information on the professional qualifications of staff since this would have been a complex and possibly confusing question for respondents. Nevertheless, it has been assumed that government regulation coerces many of these NPOs to use “professional staff”. Despite these limitations, the empirical analysis provides a reasonable indication of the explanatory applicability of organisational theories.

Table 6 shows that the size of an agency does influence the client focus. Furthermore, it was found that the relationship was statistically significant. The data from Table 6 indicates that the largest agencies have the greatest attention on the poor estimated as 51 per cent of clients and that as agency size increases attention to the poor increases. The results of these tables provide little evidence of either the professionalisation or bureaucratisation thesis and therefore the organisation theory perspective.

Lastly, the voluntary sector failure theory is examined by the data in Table 8. Demand-side theories relied on data from Table 8. However the data leads us to expect the opposite of that theoretical perspective. It would be expected that the most extensive NPO attention to the poor should occur where government funding is the highest (Salamon, 1992). The results of Table 8 lend support to this hypothesis, with a strong relationship existing between the levels of government funding received and agency client focus on the disadvantaged. This relationship

of government providing funding to fill in the gaps for NPOs to provide services supports Salamons (1987) argument that funding of these organisations prevent them from succumbing to their own inherent limitations; namely, philanthropic insufficiency.

When these theories are related to client focus of NPOs our results provide some empirical insights these perspectives. In sum, the data collected on the NSW voluntary sector suggests that voluntary failure theory provides the greatest explanatory power of the four models subjected to the data.

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Appendix

Survey of Voluntary Organisations in NSW



It would be appreciated if the following survey form could be completed and returned by 1 September, 2003.

Please indicate the answers to the questions using the tick box or space provided.

Given the comparative wealth of Australia to other countries, the definition of 'poverty' or the classification of 'poor' used in this survey must be a relative term. Hence, the meaning of poverty for the purposes of this study is considered to be:

- *The lack of access to a minimum acceptable standard of living (in terms of food, shelter, clothing and health) resulting primarily, but not only, from inadequate income.*
- *The lack of opportunity to participate in society (for example through employment, education, recreation and social relationships).*

1. Please categorise your organisation according to the selection below:

- | | |
|--|---|
| <input type="checkbox"/> Aged care and disability | <input type="checkbox"/> Religious organisation |
| <input type="checkbox"/> Employment and training | <input type="checkbox"/> Social services |
| <input type="checkbox"/> Legal rights and advocacy | <input type="checkbox"/> Education/research |
| <input type="checkbox"/> Multi-service | <input type="checkbox"/> Other <input type="text"/> |

2. Please select the appropriate category that signifies the organisations age.

- | | |
|--------------------------------------|---|
| <input type="checkbox"/> Before 1930 | <input type="checkbox"/> 1971 – 1980 |
| <input type="checkbox"/> 1930 – 1960 | <input type="checkbox"/> 1981 - 1990 |
| <input type="checkbox"/> 1961 – 1970 | <input type="checkbox"/> 1991 – present |

3. Please indicate the organisations size by ticking the appropriate expenditure category.

- Under \$100 000
- \$100 000 - \$999 999
- \$1 million and over

4. In terms of geographic location, please categorise your organisations branches according to the selection below:

- Urban
- Rural

5. Please indicate the estimated sources of revenue for your organisation.

_____ % Government sources _____ % User charges/fees
_____ % Private donations _____ % Other sources of income

6. Please indicate the estimated share of income expenditure on clientele groups as described by the question.

_____ % Mostly poor
_____ % Some poor
_____ % Few poor
_____ % No poor
_____ 100 % Total

7. What percentage of your organisations clientele is provided with material financial assistance by the organisation?

_____ % Yes
_____ % No

8. Have you perceived any shift away from client focus in the organisation? If yes, please provide the likely reason for this change (i.e. government funding arrangements, government regulation, internal governance, competitive pressures).

Yes (please comment)

No

9. Please estimate the percentage of your clients who fall into the following major target groups:

_____ % Working class	_____ % Single parents
_____ % Income below poverty	_____ % Disabled
_____ % Women	_____ % Unemployed
_____ % Ex-offenders	

10. Does the organisation you represent have any formal religious affiliation?

- Yes
 No

11. Does the organisation receive any funding from any religious federation? If yes, please indicate the percentage of income that comes from this source.

_____ % Yes _____ No

12. Please indicate the number of paid, full-time equivalent staff employed by the organisation.

- | | |
|----------------------------------|---------------------------------------|
| <input type="checkbox"/> None | <input type="checkbox"/> 14 - 99 |
| <input type="checkbox"/> 1 – 2.5 | <input type="checkbox"/> 100 and over |
| <input type="checkbox"/> 3 - 13 | |

13. Please indicate the number of volunteer, full-time equivalent staff that assist in the delivery of services within the organisation.

- | | |
|----------------------------------|---------------------------------------|
| <input type="checkbox"/> None | <input type="checkbox"/> 14 - 99 |
| <input type="checkbox"/> 1 – 2.5 | <input type="checkbox"/> 100 and over |
| <input type="checkbox"/> 3 - 13 | |

14. Please indicate your response to the following statement:

“Volunteers can be substituted extensively for paid professionals in non-profit organisations without any significant decline in service quality.”

Please comment.

Agree _____

Disagree _____

Thank you for your assistance in helping us to complete our study of non-profit organisations in NSW.
