

Longitudinal and Regional Variation in Numbers of Nonprofit Organizations in Russia

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**Literature Review**

Organizational ecology, as a theoretical approach to the study of the population of organizations, considers a wide range of factors which affect the number of organizations and its change over time, including the age of the groups, the density of organizations, the interdependence of organizations, technological processes and the institutional factors those organizations face (Baum 1999). This theoretical approach has been successfully applied to the study of nonprofit organizations (Archibald 2007; Potter and Crawford 2008). This paper examines institutional factors which have influenced the growth and decline of the population of nonprofit organizations in Russia since 2000.

Securing funding to operate and achieve goals is essential to all nonprofit organizations. Resource dependency theory argues that understanding growth of organizations requires understanding the sources of those resources and the extent to which the organization is dependent on those sources (Pfeffer and Salancik 2003). In particular, resource dependence theory is particularly useful for explaining the situation of nonprofit organizations as they negotiate uncertain political and funding climates (Mitchell 2014). Nonprofit organizations without independent resources, that is, most of them, are particularly sensitive to other external conditions (O'Regan 2001). Therefore institutional factors that determine which resources nonprofit organizations can access will play an especially large role in shaping the overall population of NPOs. How can organizational ecology approach and resource dependency theory help us understand the situation for nonprofit organizations in Russia over the past fifteen years?

In Russia, nonprofit organizations (“civic organizations” общественные организации) face a particularly uncertain environment, characterized by the “dual realities” (Salamon et al. 2015) of increasingly restrictive social policies on the one hand and opportunities for increased federal, regional and municipal funding and cooperation on the other hand. In regard to restrictive policies, a law passed in 2006 [FZ-18] required tougher administrative oversight, regulation and inspection of NPOs; one case study noted a negative impact of this law on environmental nonprofit organizations in particular (Crotty et al. 2014). Similarly, the 2012 law [FZ-121], curtails nonprofit organizations from accepting foreign funding, under threat of being branded a “foreign agent” and excluded from all domestic funding and

cooperation; research has shown the detrimental effect of this law on human rights groups in four cities (Daucé 2015). In contrast, a 2010 amendment [FZ-40] to the original law on NPOs requires federal, regional and municipal funding, both financial and in-kind, for “socially oriented” civic organizations, in particular those filling government contracts for social service delivery. This has led to a growth of Russian NPOs active in social services, although these groups may be more closely connected with implementing government priorities rather than serving as an independent third sector (Ljubownikow and Crotty 2017). How do these institutional factors and nonprofit resource dependence shape the population of nonprofit organizations in Russia?

Research on civil society in Russia has typically focused either on case studies of types of organizations, or on a range of organizations within a particular city or region. Studies of types of groups have studied disability groups (Fröhlich 2012), human rights groups (McIntosh Sundstrom 2014); women’s organizations (Sundstrom 2002), women’s crisis centers (Johnson and Saarinen 2011), environmental organizations (Crotty 2006; Henry 2006), religious groups (Caldwell 2012) and health organizations (Ljubownikow and Crotty 2014). Case studies on particular regions have examined cities and their regions such as Moscow (Caldwell 2012), St Petersburg (Bogdanova and Bindman 2016), Novosibirsk (Henderson 2003; Busse 2001; Spencer 2011), Samara (Cook and Vinogradova 2006; Bogdanova and Bindman 2016), Nizhni Novgorod (Fröhlich 2012), and Perm (Fröhlich 2012), among others.

In contrast, more recent research has begun to examine national conditions across Russia, illustrating differences across regions in both citizen participation (Мерсиянова and Корнеева 2011; Мерсиянова and Якобсон 2007) and the development of nonprofit organizations in Russian regions (Jakobson et al. 2011). Such comparison draws on a tradition of comparative regional research, documenting the uneven economic development (Berkowitz and DeJong 2003) and diverse legal and political conditions (Remington 2015) of Russian regions. Recently, the uneven development of civil society has also been documented in Russian regions, including not only numbers of NPOs but diverse relations with various local governments (Krasnopolskaya et al. 2015).

In a previous paper, we relied on government statistics to study cross-sectional regional variation in the number of nonprofit organizations across Russia (Spencer and Suslova 2017). In this article, we investigate regional variation using panel data over time (Stritch 2017). Our work represents the first quantitative longitudinal study of the population of nonprofit organizations across the Russian Federation. We combine economic and social and

demographic factors predicted by resource dependency theory together with institutional factors of state policy predicted by organizational ecology theory to understand how the population of nonprofit organizations changes in Russia over time.

Economic development has long been connected with the growth of democratic institutions including nonprofit organizations; the nonprofit sector has been associated with a large, stable middle class in other countries (Salamon and Anheier 1998). In Russia, economic growth and rising real income were observed in the period 1998-2007, with a noticeable decline during the economic crisis of 2008-9, followed by significant improvements in both gross regional product (GRP) and personal real income in many regions. Higher individual incomes and increasing economic prosperity may represent resources for the creation and maintenance of nonprofits beyond dependence on government funding. On the other hand, many NPOs, especially in Russia today, focus on ameliorating the consequences of poverty, so that higher poverty might be associated with increasing demand for nonprofit organizations to meet social needs, especially if those needs overwhelm the government's system of social service provision. We expect that regions with higher economic development (as measured by gross regional product) and regions with higher incomes (measured by average salaries adjusted for poverty levels) will have a higher numbers of NPOs, while increased percent living below the poverty level should also have a positive correlation with numbers of nonprofit organizations.

In addition to financial resources, nonprofit organizations rely on volunteers donating their resources of time and skills. In other settings, volunteers are more likely to have higher education, live in urban areas (Musick and Wilson 2008), and come from managerial or professional occupations (Abzug and Turnheim 1998). In Russia, many third sector organizations have typically relied on women leaders and members (Spencer 2011). Therefore, we expect that higher proportions of women, urban residents, and people with higher education in a region will be positively correlated with higher numbers of nonprofit organizations in that region, while decline in these population groups will be accompanied by a reduction in the population of nonprofit organizations.

Institutional factors as emphasized in organizational ecology theory include legal regulations and state social policy. Positive relations between the state and the third sector are important for the growth of nonprofit organizations (Salamon 1987). Research on the US suggested that different climates across states results in varying levels of nonprofit incorporation in US states (Abzug and Turnheim 1998). We expect that state restrictions such as those mentioned above limit the growth of NPOs by creating a more difficult legal and

political climate, so we expect to see declines in years following enactment of restrictive policies, but with variations across regions. Other state policies which might affect the population of nonprofit organizations would include direct state spending on social needs; this might substitute for NPO efforts and thus discourage their growth.

### **Data and Method**

Independent variables are taken from the federal statistical publications, “Statistical Collection” (Statistics 2016) and ‘Regions of Russia. Social and Economic Indicators’ (Statistics 2015), downloaded from the government website. The dependent variable uses the number of registered civic organizations (общественные организации) for each region as of 1 January of each year, taken from the Unified Government Register of Legal Entities (ЕГРЮЛ (База СПАРК)), as enumerated in Table 1. At this stage of research, for both theoretical and practical reasons, we did not include trade unions, professional associations, neighborhood associations (ТОС), religious groups, political parties or political movements. The current article reports on results from 55 regions drawn from every federal *okrug*; plans are to eventually encompass all federal regions.

Descriptive statistics for variables used in this analysis are listed in Table 2. Data were analyzed using the Arellano-Bond estimator with dynamic panel data; standard errors are clustered by region, results are shown in Table 3A and 3B. We first ran regression with the expected economic and sociodemographic variables, and then with dummy variables to represent each year since 2004, to capture some of the unexplained variation by year. We hope in this way to approximately capture the effect of legal changes which occurred in specific years (including laws or amendments in 2006, 2010 and 2012).

### **Results**

We observed that growth in the population of NPOs is fairly stable until 2006, when the first of the new restrictive laws came into effect. From then on, the population of nonprofit organizations in Russia declines every year, despite rising incomes and despite rising GRP, although the decline slows after 2011.

In the initial regression, for the dependent variable as the number of NPOs in each of 55 regions over 15 years, we find that five variables: the percent women, the percent pensioners, the average income per capita adjusted for the poverty level, the log of GRP, and the percent population living below poverty line are all statistically significant. Regions with higher numbers of pensioners have higher numbers of registered nonprofit organizations, while the ratio of women to men has an outcome the reverse of what we expected.

Both the percent living below the poverty line and average income adjusted for the poverty level have a negative impact on the number of NPOs in the region, which suggests that NPOs grow neither in response to increased incomes (resources from the population), nor in response to the poverty-driven needs of the population. While GRP goes up over the 15 years, there is not a linear relationship between GRP and the number of NPOs in Russia, nor between GRP and change in the numbers over time.

To more accurately pinpoint the change over time, we created dummy variables for each year between 2002 and 2015. When we add them to the second model, we see that the biggest changes occurred in 2007, the year after FZ-18 was passed. The decline begins to slow in 2011, the year after the amendment to FZ-40 required increased funding for social service NPOs. With the dummy variables to capture some of the unobserved effects, we find that pensioners, GRP, ratio of women, percent below the poverty line are no longer statistically significant. Average income adjusted for the poverty level still has a negative relationship with the number of NPOs. Growth and decline in population of NPOs in Russia are responding to federal funding rather than resources from the population.

Therefore, for explaining the number of NPOs in the regions over time, while economic and sociodemographic resources may play a role, the most powerful influence is public policy, in particular the 2006 law restricting NPO registration and activity (with a negative effect) and the 2010 funding law (reducing the negative effect). While resource dependency theory clearly applies to these nonprofit organizations, it is not as significant an effect as the institutional factors of legal restrictions. In contemporary Russia, political and legal institutional factors are more important for explaining the growth or decline of the population of nonprofit organizations. Future research must continue to apply the theory of organizational ecology to understanding the Russian nonprofit sector.

## Appendices

Table 1: Types of Organizations Included in this Study

Civic organizations	общественные организации
Including disability and veterans	инвалидов, ветеранов
Societies of Kazaks	сообщества казаков
Associations	ассоциации
Clubs (including sports)	клубы (в том числе спортивные)
Civic foundations	общественные фонды
Civic movements	общественные движения
National or cultural autonomous groups	национальные и культурные автономии
Other civic organizations	другие общественные организации

Table 2: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
Number of registered NPOs	880	857.2295	611.2639	67	4371
Population of region	1264	1804.712	1695.69	50	12330
Percent urban population	1264	69.43932	12.66376	26	100
Ratio of women to men in region	1264	1149.976	53.28129	901	1249
Percent unemployment in region	1264	8.529114	5.722663	0.8	63.1
Percent below poverty line	1264	21.76954	12.00264	6.5	94.3
Percent with higher education	1264	24.70316	5.941285	11.9	50
Percent retired persons in region	1264	278.4911	37.20708	116.3	378.3
Gini coefficient of region	1185	0.3762203	0.0380522	0.2824	0.615
Log of GRP	1264	11.92806	1.323574	7.870357	16.42061
Average income per capita adjusted for poverty level	1185	289.5039	96.28455	69.9	761.2

Table 3: Results of Regression: Dependent Variable = Number of NPO in region by year  
Model 3A: economic and sociodemographic variables

NPO	Coefficient	Standard Error	P>z
NPO			
L1.	0.839359	0.048706	0.000
Population of region	-0.07453	0.217254	0.732
Percent urban population	11.6513	6.49592	0.073
Ratio of women to men in region	-2.58046	1.126174	0.022
Percent unemployment in region	-0.37721	2.25665	0.867
Percent with higher education	-0.13225	1.990527	0.947
Percent retired persons in region	3.859644	1.041975	0.000
Gini coefficient of region	-30.9858	262.6267	0.906
Log of GRP	-135.725	46.64753	0.004
Average income per capita adjusted for poverty level	-0.75524	0.212006	0.000
Percent below poverty line	-5.29651	1.912141	0.006
Wald	chi2(11)	=	2779.71
Prob	> chi2	=	0.000

Model 3B: With Dummy Variables for Unobserved Effect by year

NPO	Coef.	Std. Err.	P>z
NPO			
L1.	0.8220033	0.079166	0.000
Population of region	-0.1649922	0.3148382	0.600

Percent urban population	9.48642	8.727177	0.277
Ratio of women to men in region	1.509055	2.816448	0.592
Percent unemployment in region	-3.466629	5.519611	0.530
Percent with higher education	-3.40119	3.544997	0.337
Percent retired persons in region	1.067535	1.353199	0.430
Gini coefficient of region	-363.9433	606.4188	0.548
Log of GRP	-102.0544	57.60515	0.076
Average income per capita adjusted for poverty level	-0.5942098	0.2759194	0.031
Percent below poverty line	-6.124561	3.466348	0.077
d2002	1.698633	24.80727	0.945
d2003	-4.109472	29.77723	0.89
d2007	-128.055	31.77738	0.000
d2006	-49.1125	30.5598	0.108
d2008	-58.04398	28.50084	0.042
d2005	-34.2158	31.14879	0.272
d2004	-25.64542	33.26933	0.441
d2009	-86.37192	40.11328	0.031
d2010	-51.33056	32.04999	0.109
d2011	-32.33808	18.4866	0.080
d2012	-25.55039	14.55119	0.079
d2013	-8.943755	10.551	0.397
Wald	chi2(23)	=	5339.87
Prob	> chi2	=	0.000

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