Defining and Classifying the Nonprofit Sector

Notes prepared for the

Advisory Group on Nonprofit Sector Research
and Statistics in Canada

by

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Notes for Discussion

A. The Context for Discussion

1. What’s wrong with the definitions and taxonomies of the nonprofit sector at present?

2. Why does this definition and taxonomy problem exist? Why should it be taken seriously? Who cares?

3. What are possible approaches to remedying the problem? How to choose the best among them?

B. General Observations About Defining and Classifying a Sector

1. There are well-known instances of definitions in the social sciences that are accepted but which are impure or equivocal, and are chronically problematic. Examples are ethnicity, and various forms of mental illness or abnormalcy such as “personality disorder”.

2. Definitions of two other sectors -- the economy, and the public sector -- have fuzzy or porous boundaries. How did their boundaries get established? What problems in these sectors’ definitions remain unresolved or problematic?

3. The choice of terminology is extremely influential; “sector” implies something different from “domain”, and “nonprofit” or “voluntary” are inadequate descriptors, often simultaneously more inclusive and less inclusive than an ideal term.

4. What are the entities or units that “carry” the characteristics we deem important? - traits, or behaviours; of individuals or of organizations?

5. The point of departure in specifying or defining the boundaries of a phenomenon is determining what is more or less unique about it. This can be expressed in terms of its consequentiality -- what difference it makes -- and/or its distinctive characteristics. Since we are uncertain of what consequences the nonprofit sector makes, we must define it in terms of particular characteristics:

- is there a distinctive essence perhaps in the form of an ethos, in each of the various sectors?
- are motives or social reasoning unique in the nonprofit sector? (e.g., a logic of social good and collective benefit, versus a logic of individual advantage or gain?
- is this sector distinctive in the kinds of people it attracts?
6. In what features of the nonprofit sector do we find the greatest distinctiveness?
   - its culture, values and norms, ideals?
   - its ethos?
   - functions performed? -- instrumental; symbolic and expressive
   - purposes, ends, objectives?
   - its social architecture or social forms, such as modes of exchange?
   - its economics (types, amounts, and distribution of resources)?
   - modus operandi and mode of ordering -- e.g., informal indigenous, and decentralized, vs. formal, directed, and centralized?
   - governance and decision-making?
   - absence of ownership?
   - higher level of idealism and concern for amelioration, for some broader good than for immediate self-interest or personal gain?
   - minimal ranking of individuals, based on what criteria (i.e., what is the basis of status)?
   - history?

7. A key issue is how much heterogeneity there is inside a boundary. How greatly do the broad types and “natural” classes that we specify to make up a bounded entity differ from one another? Classically, the criterion for establishing boundaries around sets of entities is that within-group similarities must exceed between-group similarities, and within-group differences must be less than between group differences.

8. An effective definition is most often a convention (rather than a description of some real, “natural” boundary). Formally, there are two ways for definitions to be arrived at: through a gradual process of progressive “cutting and fitting”, or through a more formal process of argument and theoretical and/or empirical demonstration (as in systematics, in biology). The first is the pattern we are compelled to follow in defining the nonprofit sector.

9. Establishing a defining boundary entails making choices about (i) the approach or strategy to develop consensus that supports the definition, and (ii) the dimensions or elements that are to form the basis of the definition (and taxonomy as well).

10. The effectiveness of a definition and its content is heavily affected, usually implicitly, by the purpose(s) it or the defined phenomenon serves.

11. The choice of particular factors that constitute the bones of a phenomenon can be heavily influenced by the definer’s discipline. The attached paper by Jacke Thayer Scott describes how for definitional purposes economists focus on nonprofit properties, sociologists on voluntary properties, and political scientists on structure and governance properties of
organizations in the not-for-profit or charitable or independent sector.

12. It is abundantly clear that the nonprofit sector contains enormous diversity. To illustrate classification: Jacke Thayer Scott has identified three roles performed by organizations within the nonprofit domain: provision of services, advocacy, and mediation. This is one basis for a typology of organizations’ utilitarian function. A complementary dimension that must be considered for classifying nonprofit organizations is the expressive and symbolic functions they perform.

Another way of slicing up the sector (organizations, and behaviours) into different components is to use the categories of

- charitable and benevolent per se
- mutual aid and mutual benefit (instrumental)
- cooperation for economic benefit (co-ops, credit unions)
- idealistic, belief-oriented association - secular
  - religious

13. In the face of multiple dimensions of differentness within a sector, should the definition be cast in combinatorial form, such as is used in medicine to specify a physical illness syndrome? e.g., if behaviour (or an organization) has x or more of the following y characteristics, it qualifies as being nonprofit.

C. An Example

1. There is a distinctive ethos found in the nonprofit sector that takes the form of widespread behaviour that (i) is predominantly intended to be ameliorative beyond immediate self-interest or advantage (i.e., to improve things, and/or create mutual or general benefit), and (ii) is usually done at personal cost in time or money. This ethos and behaviour exist in other sectors but to a far smaller degree.

2. This ethos is found in both informal contexts and in formal organizational settings, but much more so in the charitable, voluntary domain.

3. Individuals who are active as volunteers, charitable donors, and participants in community affairs are known to have a relatively distinctive set of characteristics.

4. The two preceding points, especially (2), suggest the exclusion of non-voluntary and non-charitable components (such as hospitals, universities, and economic cooperatives) from an eventual sectoral boundary.
5. Within the sector so defined, the dimensions of taxonomy (of organizations and behaviours as appropriate) could include (i) types of purpose or intent (illustrated in (12) above, for example), (ii) mode of operation and governance, and (iii) span of benefit.

6. Because this constellation of characteristics includes activities that are essentially social and collective/cooperative, and are predominantly oriented to improving collective well-being, whether at the level of a small group or on a global scale, no current nonprofit sector nomenclature does it justice. A possible but imperfect alternative is “civic” sector, in the root sense of “civic” -- life in common or life lived together.
A. Introduction

Who’s on first?

Notwithstanding the long life and consistent importance of the human tendency to form into groups, associations, and organizations in order to achieve shared goals and for the comfort and effectiveness of collective behaviour, those forms of activity have received scant attention in most conceptions of modern society. Modern society, rather, has been thought of predominantly as a place of business and politics, and of formal bureaucracies. Durkheim, Weber and Marx all expected that collective informal association, norms, and the ‘collective conscience’ would be increasingly consigned to the traditional past as modernity replaced them with efficiencies, hierarchies and classes.

Organizational theory and administrative science grew up in the realms of business and politics and designated those as the first and the second sectors of society (the public and private), forgetting that the family or household realm not only preceded them but formed the ground in which they are embedded. Also forgotten has been the realm of intermediary organizations developed by people in communities. These too, we know, preceded both nation-states and formal markets. Indeed, everything we now associate with the market and with politics must have begun as shared practices among neighbours. To give only one example, local fairs and bazaars were the indigenous sites of ceremony, dance, marriage, and negotiation, where trade first developed (Lohmann, 1992). The associational, non-profit, voluntary, and, often, religious heritage of these collective endeavours generally were forgotten, though, in the histories of commerce and politics. So now, researchers and practitioners are arguing for acknowledgement of nonprofit organizations and voluntary activity as a ‘third’ sector, and some suggest that we should acknowledge the household as the fourth.

This perverse ordering of what are in fact integrated elements of society seems too entrenched to be routed. We will, then, content ourselves with laying out some of the key attempts to describe and explain, as a sector, the variously named field of community and socially purposive organization. After noting the significance of certain elements which frame the attempts to conceptualize the sector, such as different disciplines and national legislation and record-keeping, examples of the predominant orientations to the definitional project are presented. We begin with
the most focussed and minimalist approaches, often listings of different categories of organizations, and move to the more broad and diffuse approaches which attempt to look past the organizational trees to the surrounding conceptual forests in which they grow.¹

**Disciplinary attentions**

As Thayer-Scott (1997) elaborates, the main terms which have been used to mark off this area of activity as a sector are each associated with different disciplines and foci. These five favoured titles are: nonprofit sector; not-for-profit sector; voluntary, third, and independent.

Economists opt for nonprofit as befits their focus on the market, or for-profit sector as the norm. They tend to see activity which is not productive in the sense of profit-making, as a residual and relatively minor realm of activity. Some lawyers and accountants, Thayer-Scott contends, prefer the more precise ‘not-for-profit’ to acknowledge that market transactions do not always yield a profit while some activities with primarily social or other-oriented purposes may produce surplus revenues. They therefore highlight the intention -- what the activity is for, or not for -- rather than the outcome. Political scientists, of course, orient first to the realm of governments and politics and are, therefore, inclined to highlight this emerging sector as ‘independent’ vis-a-vis government, or to refer to it as ‘third’. They may also draw attention to the stabilizing and experimental functions of the sector in relation to social stability and social change. Sociologists, as Thayer-Scott notes, are more interested in the sociality, participation and association that are general in this sphere, and so tend to favour the term ‘voluntary’.

This is only a quick introduction to the fact that the term of choice tends to connote both a view of all of the sectors and their relations and of the most distinctive features of the activity within this sector. National differences in orientation also can be distinguished, with the economistic framing apparently dominant in the United States, for example. Other disciplines and perspectives, such as those of psychology and religion, add their own connotations to the debate. Social theory which is less concerned with the ‘sector-ness’ of this form of activity may see it more in terms of broad social goals, such as the promotion of the ‘civil’ or ‘civic’, of caring or morals, while specialized areas of attention such as social work and gerontology draw attention to specific social needs such

¹ As Day and Devlin say, although the sector includes formal non-profits as well as a myriad of everyday informal activities, we largely rely on government records of formal organizations.
as the need and capacity for care-giving and support.

**Legislation and statistics**

It is also important to appreciate the role of national constitutions and legislation in determining the realms of politics and market in each state, and the legislation designating the nature of incorporation and the assignment of charitable, nonprofit, or what is essentially the same thing, tax-exempt status. National legislation and associated policy tends to shape the data which will be available, the categories into which those data will be organized, and key definitions and labels. For example, in the United States, Internal Revenue Service Industry Activity Codes play an important definitional role. The main category used in IRS policy is that of Nonprofit Corporations, the tax-excluded category roughly equivalent to our category of Registered Charities.

In Canada the same objective, that of excepting nonprofit organizations from the general statutory requirement to pay corporate taxes, is achieved when Revenue Canada grants an organization ‘registered charitable’ status. Records on these exempted organizations results from the Revenue Canada requirement that all registered charities must submit an annual information return (form T3010). Since 1993 other nonprofits (with above $10,000 revenues) have been required to file annually as well (form T1044). (However, as of 1994 fewer than 5,000 non-profits filed under this requirement and this is believed to be far short of the actual population (Day and Devlin, 1997).)

**B. Categories of Organizations**

**Revenue Canada Registered Charities**

The principal source on the shape of the sector is the database of tax returns of registered charities maintained by the Charities Division of Revenue Canada. This is, of course, only a moderately adequate proxy for the sector as a whole.\(^2\) By default, if not by plan, the role of Revenue Canada

\(^2\) To be registered as a charity an organization must provide benefits or services which fit into a set of categories and must not devote more than 20% of its revenues to activities other than providing those benefits. The process is long and organizations which fit this description may not apply for status if they are not soliciting donations or if they can provide tax-exemption on the basis of a related organization’s registered charity status.
in granting charitable status has significantly shaped the way in which we define the nonprofit sector. The sector is normally considered to include: religious organizations; hospitals; universities; culture, arts and heritage organizations, all of which are charities, but not to include, for example, most political or adversary groups or co-operatives. While unregistered charitable organizations may, generally, be considered part of the sector, we know little about them given the nature of publicly available data. Generally, the sector is understood in terms of organizations and the organizations about which we have information are registered charities.
(In 1967 there were 22,500 registered charities; Leduc Browne presents the breakdown by category for 1967: 74; 80; 85; 90 and 94. Day and Devlin provide it for 1996.....)

Charities received an estimated $10.1 billion dollars in donations from individuals, corporations and other organizations in 1994; earned $23.5 billion through their own activities; and received $54.5 billion from government (most of this government funding? 67% or $36.7 billion? was directed to Hospitals and Teaching Institutions.)

Almost half (47%) of charities have annual revenues of less than $50,000. The distribution of charities according to the size of their annual revenues in 1994 is provided below:

27% have annual revenues of $50,000 to $249,999
17% $250,000 to $999,999
6% $1,000,000 to $4,999,999
3% earn more than $5,000,000+ (42% of these are teaching institutions or hospitals)

1994 donations are estimated at $10 billion; earned revenue at $23.5 billion; and government funding at $54.5 billion, of which 36.7 billion was directed to Hospitals and Teaching Institutions.

Source: Fact Sheet on Canada's Charitable & Voluntary Sector
http://www.pagvs.com/helping.html
Revenue Canada's Classification System for Registered Charities

Welfare
  Care other than treatment
    Disaster funds
    Welfare charitable corporations
    Welfare charitable trusts
    Welfare organizations (n.e.c.)

Health
  Hospitals
  Health services other than hospitals
  Health charitable corporations
  Health charitable trusts
  Health organizations (n.e.c.)

Education
  Teaching institutions
  Support of schools
  Culture and arts promotion
  Education charitable corporations
  Education charitable trusts
  Education organizations (n.e.c.)

Religion
  Anglican parishes
  Baptist congregations
  Lutheran congregations
  Mennonite congregations
  Pentecostal assemblies
  Presbyterian congregations
  Roman Catholic parishes and chapels
  Other denominations
  Salvation Army temples
  Seventh Day Adventist congregations
  Synagogues
  Religious charitable corporations
  United Church congregations
  Religious charitable trusts
  Convents and monasteries
  Missionary organizations
  Religious organizations (n.e.c.)

Benefits to the community
  Libraries and museums
Military units
Preservation of sites
Community charitable corporations
Protection of animals
Community charitable trusts
Recreation, playgrounds, camps
Temperance associations
Community organizations (n.e.c.) Other

Other
Service club charitable corporations
Service club "projects"
Employee charitable trusts
National arts service organizations
Miscellaneous organizations (n.e.c.)

Note: n.e.c. = not elsewhere classified
Revenue Canada data with different categories developed by the **Canadian Centre for Philanthropy** (ccp) and used by that organization and by the **Panel on Accountability and Governance in the Voluntary Sector** (pagvs).

<table>
<thead>
<tr>
<th>Type of charity</th>
<th>Number</th>
<th>% of Charities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arts &amp; culture</td>
<td>3,187</td>
<td>4.5</td>
</tr>
<tr>
<td>Community Benefit (e.g., humane societies, John Howard Society, Meals on Wheels)</td>
<td>5,238</td>
<td>7.3</td>
</tr>
<tr>
<td>Education (organizations supporting schools and education)</td>
<td>4,158</td>
<td>5.8</td>
</tr>
<tr>
<td>Health (supporting medical research, public health)</td>
<td>3,180</td>
<td>4.5</td>
</tr>
<tr>
<td>Hospitals</td>
<td>978</td>
<td>1.4</td>
</tr>
<tr>
<td>Libraries and Museums</td>
<td>1,615</td>
<td>2.3</td>
</tr>
<tr>
<td>Places of Worship (e.g., churches, synagogues, mosques, etc.)</td>
<td>25,458</td>
<td>35.6</td>
</tr>
<tr>
<td>Private Foundations (organizations disbursing private funds)</td>
<td>3,356</td>
<td>4.7</td>
</tr>
<tr>
<td>Public Foundations (United Way, hospital foundations)</td>
<td>3,466</td>
<td>4.9</td>
</tr>
<tr>
<td>Recreation</td>
<td>2,753</td>
<td>3.9</td>
</tr>
<tr>
<td>Religion (convents, monasteries, missionary)</td>
<td>3,978</td>
<td>5.6</td>
</tr>
<tr>
<td>Social Services (child, youth, family, disability, international)</td>
<td>10,317</td>
<td>14.4</td>
</tr>
<tr>
<td>Teaching Institutions (universities and colleges)</td>
<td>2,642</td>
<td>3.7</td>
</tr>
<tr>
<td>Other (e.g., service clubs, employee charitable trusts)</td>
<td>1,087</td>
<td>1.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>71,413</td>
<td>100 %</td>
</tr>
</tbody>
</table>

*Source: Fact Sheet on Canada's Charitable & Voluntary Sector* http://www.pagvs.corrv mnaun.tnm
Non-charitable non-profits (Revenue Canada categories of filers of T1044 forms)

- Recreation or social
- Professional Associations
- Boards of Trade or Chambers of Commerce
- Civic Improvement Organizations
- Agriculture
- Education
- Multicultural
- Arts or Culture
- Other

Problems with this categorization are indicated by the fact that two-thirds of the organizations are in the “other” category including most religious, health, and housing non-charitable non-profits.

*The Nondistribution Constraint*

Hansmann has pointed out that the legal concept of nonprofit does not rest on the pursuit of profit but rather with two other issues: charitable purpose and “the nondistribution constraint”. Legal and ethical restriction on the distribution of any resulting surpluses to owners or shareholders is the defining characteristic of nonprofit organization. The underlying issue is whether the corporation is, or is not, ‘proprietary’ with ultimate benefit accruing to owners.
IRS Classification System Under Section 501 of the IRS Code of 1934.

Title holding corporations
Charitable corporations
Civic leagues, social welfare organizations, and local associations
Labor, agricultural, or horticultural organizations
Business and trade associations
Social/recreational clubs
Fraternal beneficiary societies and associations
Voluntary employees’ beneficiary associations
Domestic fraternal societies, orders, or associations
Teachers’ retirement funds
Benevolent life insurance associations of a purely local character
Cemetery companies owned and operated by members
Credit unions
Mutual insurance companies
 Corporations for financing crops
Supplemental unemployment benefit plans
Employee funded pension trusts
Veterans’ organizations
Legal service organizations
Black lung trusts
An American organization, INDEPENDENT SECTOR, (1987) created the following

National Taxonomy of Exempt Entities: A system for classifying nongovernmental, nonbusiness tax-exempt organizations in the U.S. with a focus on IRS Section 501 (c) (3) Philanthropic Organizations.

- Arts, culture, humanities
- Education/instruction and related - formal and informal
- Environmental quality, protection, and beautification
- Animal related
- Health - general and rehabilitation
- Health - mental health, crisis intervention
- Health - mental retardation/developmentally disabled
- Consumer protection/legal aid
- Crime and delinquency prevention - public protection
- Employment/jobs
- Food, nutrition, agriculture
- Housing/shelter
- Public safety, emergency preparedness, and relief
- Recreation, leisure, sports, athletics
- Youth development
- Human service, other
- International/foreign
- Civil rights, social action, advocacy
- Community improvement, community capacity building
- Grantmaking/foundations
- Research, planning, science, technology, technical assistance
- Voluntarism, philanthropy, charity
- Religion related/spiritual development
- Reserved for new major group (future)
- Reserved for special information for regulatory bodies
- Nonclassifiable (temporary code)

Source: INDEPENDENT SECTOR, 1987. Size of the Sector
The Panel on Accountability and Governance in the Voluntary Sector notes that every attempt to address issues of importance to the sector comes face to face with the lack of a clear and brief name for it. The most inclusive term, nonprofit or not-for-profit includes every type of voluntary association, charity, church, trade, and professional association and advocacy association. The charitable sector is the narrowest concept, referring to organizations registered as charitable and therefore as exempt from taxation under the Income Tax Act. The Panel, and Canadian Centre for Philanthropy estimates that there are at least as many non-charitable non-profits as there are registered charities.

The Panel on Accountability and Governance in the Voluntary Sector defines its area of interest as neither restricted to Revenue Canada’s list nor including the entire nonprofit sector. Their focus, rather, is based on the voluntary and socially enriching character of associations and they direct their attention to organizations whose work depends on:

- serving a public benefit;
- volunteers, at least for their governance;
- financial support for individuals; and
- limited direct control by governments.

Explicitly excluded are “para-governmental organizations” such as universities and hospitals and trade and professional associations.

Salamon, and Anheier (The Emerging Sector: An Overview, 1994), in an international project to compare nonprofit sectors in a number of countries, have excluded from their definition of the sector, elements of the “social economy” which are included in France, and sometimes in Canada, notably: religious congregations; political parties; cooperatives; mutual savings banks; mutual insurance companies; and government agencies. The nonprofit organizations included were categorized into 10 broad categories with sub-categories, termed the International Classification of Nonprofit Organizations (attached).

In The ‘Third Sector’ and Employment (1996, Leduc Browne wanted to include mutual benefit organizations and non-charitable non-profits as well as a sample of registered charities. Despairing of finding a comprehensive list of non-charitable non-profits, incorporated non-profits or
associations, he sampled from lists of specific types of non-charitable non-profits, specifically, labour unions, environmental organizations, and co-operatives. Given that this was clearly a sub-set of the nonprofit or third sector, he opted for the term “nongovernmental groups and agencies”.

Smith, in Canada’s Charitable Economy, uses data on volunteering from Statistics Canada but excludes volunteers in the Employment and Economic category because it includes the volunteer efforts of business and professional associations, labour unions and cooperatives, which have both benefit to society and members’ interests at heart. Smith therefore concludes that they are not acts of charity. Smith uses six categories of “charitable sectors or industries”: individual service, recreation, social service, education, health, and religion; and further subdivides social services into 5 Statistics Canada groupings: arts and culture; environment and wildlife; society and public benefit; foreign and international organizations; and law and justice.

Dr. Josephine Rekart in her survey for the Social Planning and Research Council of British Columbia terms the subjects of their study ‘non-profit agencies providing family and children’s services’. Rekart states that 4 sectors are involved in providing social services: the governmental, commercial, voluntary, and informal. She draws on the British literature including the Wolfenden Committee, 1978; S. Hatch, 1980; and Brenton, 1985.

Hatch (Outside the State, p.15) describes voluntary organizations as:

i) organizations, not groups;

ii) not established by statute, under or controlled by statutory authority; and

iii) not commercial in the sense of being profit-making or being mainly dependent for their resources on fees.

Brenton, in The Voluntary Sector in British Social Services defines the voluntary sector as: - formal organizations, constitutionally separate from government, self-governing, non-profit distributing, and for public benefit.

Community Agencies, Community Capital, and Social Indicators

Community and research agencies such as various municipal Social Planning Councils, the Caledon Institute, Canadian Council on Social Development and the United Way/Centraide often provide a community focus to discussions of volunteering, nonprofit organizations or social capital.
In *A Social Vision for the 21st Century - A Civic Society*, The Social Planning Council of Metropolitan Toronto expresses the view that

1. all people have security (a stable home in a safe community, a decent standard of living and connections with other people);
2. community members recognize their interdependence;
3. fairness and equity govern social and economic relationships;
4. many ways of participating and contributing are valued; and
5. diversity is respected and celebrated.

A society which adheres to these principles, they conclude, is a civic society.

Such agencies often conduct community audits or other measures of social well-being. See, for example, the Report on a Symposium of Social Indicators published on the website of the Canadian Council on Social Development (www.ccsdd.ca). Indicies of Need for Social Services developed by the City of Calgary can be accessed through the cities website (www.gov.calgary.ab.ca)

A joint research project of Metro community Services, the City of Toronto Urban Development Services, and the Social Planning Council of Metropolitan Toronto, *Profile of a Changing World*, 1997, surveyed ‘community-based human services agency’ and defined these as forming a community-based human services or social services sector. “Institutional services” such as hospitals, schools, parks and recreational facilities, and social housing were not surveyed. Child care facilities were surveyed but were analyzed separately because of their distinctive characteristics. The agencies placed themselves into one of the following categories: multi-service; health, child/youth; supportive housing; community development/planning; education/employment; emergency shelter; counselling; home support; information services; adult day; legal; long-term care; food/clothing; immigrant/settlement; and other. These studies track the trend to commercialization in the sector and the pressures which threaten to blur the distinctiveness of voluntary and empowering institutions subjected to pressures to be more like both business and government.

**Mutual Benefit and Self-Help Groups**

Little is known of this population in Canada and, in general, they have attracted little interest among
studies of the nonprofit or voluntary sector. Still their numbers are clearly substantial and theory suggests that they play a significant role in civic society. Borkman and Parisi, define self-help groups as voluntary associations run by individuals using their own experiential knowledge to resolve a common problem. Their social roles include: advancing pluralism by creating communities of acceptance; strengthening family and other relationships by providing support; encouraging closer ties within the community; teaching social skills; transforming victims into empowered agents; and encouraging political action.

John Bell’s international comparisons indicate that along with a small group of ‘altruists” the most engaged and participative members in communities were members of self-help groups.


1. Groups that focus on reorganization of conduct or behavioral change (Weight Watchers, Alcoholics Anonymous)

2. Groups that utilize the “natural resources” of interpersonal relationships to reduce stress; ameliorate anxiety; and help people cope with grief, loss, and irresolvable problems (Parents Without Partners, groups for terminally ill patients);

3. Defensive groups or mutual protective associations that seek to protect their members from harm, maintain and enhance members’ identity and self-esteem, and raise consciousness; and

4. Growth-oriented groups that concentrate upon positive experiences and enhancing personal growth, self-actualization of already healthy and secure members.

Lohmann considers labor organizations to be one of the most important examples of self-help organizations. Lohmann, (1992: 29): identifies two great controversial ambiguities in the contemporary field of nonprofit and voluntary studies. First, should clubs, associations, and other types of membership organizations be considered as part of the nonprofit sector or as a separate sector? (See, for example, Smith, 1991.) Second, is the nonprofit sector defined exclusively by formal organizations or are the activities of membership organizations, individual volunteers, informal groups, and private acts of charity and philanthropy to be included as well?
Salamon (America’s Nonprofit Sector: A Primer) argues that institutions which are formally constituted, private, self-governing, non-profit-distributing, voluntary, and of public benefit together comprise the nonprofit sector. There are two very different categories: member-serving and public serving. Public serving organizations include: funding intermediaries; churches; service providers; and political action agencies. Member-serving agencies include: service clubs; business associations; labor unions; political parties; and member cooperatives (derived from IRS data) Using US data from the Census of Service Industries, Salamon divides public service organizations into the following categories: social service; civic and social organizations including neighbourhood associations, advocacy and civil rights organizations; educational; health; and arts and culture.

Note that these distinctions between mutual or member benefit and public benefit are ‘ideal types’; many self-help groups develop the more formal structures of organizations, indeed some become registered charitable organizations (such as Bereaved Families). Also many provide a broad range of support to society broadly, such as the Canadian Legion, Rotarians, Kinsmen and other service clubs.

C. What Happens in the Sector? Functions, Roles, Benefits

Leduc-Browne, 1996, concludes that third sector organizations “have a public purpose, are self-governing, and have a representational, educational, cultural, artistic or social service function.”


- service-providing
- mutual aid
- pressure group
- resource
- coordinating.

Susan Phillips (1995) draws attention to three essential roles of the sector: representation, citizen engagement, and service delivery. She notes that the first two roles have particularly been threatened by recent cuts which are not across the board but, rather, target advocacy, public education, and representation. An inter-departmental task force was established in 1995 to devise a consistent set of criteria for funding groups. The task force recommended that groups which offer
direct services be given preference over those engaged in advocacy; that funding should depend upon how well a group’s activities fit with government priorities; the extent to which it benefits the public; and the group’s ability to access other funding. (Phillips: 14)

As examples of the direction, the Coalition of National Voluntary Organizations had its budget halved; welfare groups funded under National Welfare grants such as the national Anti-Poverty Organization and the Boys and Girls clubs, were cut by 15% and multicultural groups by 24% between 1992 and 1995. (Phillips:6; NVO Bulletin, 13, 4, Spring 1995)

For Phillips, the sector is a network of very diverse organizations, whose strength, flexibility and distinctiveness derives to a large degree from its diversity. The contribution of diverse community organizations in informing policy debates has been considerable but this representative role is now very much under threat. Voluntary sector organizations “provide opportunities for people to be engaged: in coming together to debate and clarify societal values and policy issues; in identifying as members of a broader community; in enhancing a personal sense of political efficacy; and in working for the benefit of fellow citizens.... voluntarism.. nurtures the sense that individual action is important [and can make a difference.]” (Phillips:18)

**Blurring Sector Distinctions?**

As a result of her survey Public Funds, Private Provision: The Role of the Voluntary Sector (1992) Rekart concluded that when governments contract out service provision to voluntary organizations (otherwise known as alternative service delivery) the distinction between the voluntary and the governmental sectors (both, in some sense, public) may become blurred. This, she notes, raises questions about the role and independence of the sector.

Voluntary organizations have traditionally played a role in confronting the state by pointing out deficiencies and inequalities in government provision, in expanding the range of responses to social problems by offering alternatives to government provision, and in integrating individuals to communities by acting as mediating structures. Questions also arise about how the degree of dependence on government funding affects the relationship between the government and the sector. Increased contract funding has been accompanied by more government control over who is eligible for government-funded service. Since government sets the terms of reference and provides the funds, it can move its own clients to top priority for services through a system of closed referrals
in which government social workers act as gatekeepers to these services. Clients who do not fit the eligibility criteria set by the funding department are less likely to receive publicly subsidized services.

The relationship between government and the voluntary sector is often referred to as partnership. But can there be a true partnership as the voluntary sector remains increasingly dependent not only on government funding, but on government funding policy? The B.C. government seems to have adopted an ad hoc approach to funding in which the limits are set by the Treasury. But voluntary organizations need funding strategies that provide stable revenues so that they can develop effective and dependable services. Further, in government's quest for efficiency and cost effectiveness, it may opt to contract only with voluntary agencies that demonstrate economies of scale, which will affect government funding of smaller organizations and those that rely on volunteers.... [Government] exerts considerable influence on their activities through purchase-of-service agreements with tightly controlled conditions attached to funding. ... (closer relations with government may encourage voluntary organizations to develop into formal, rational bureaucratic structures.) In the long run, delegating service delivery to voluntary organizations may make it easier for government to dismantle social services through a process of resource starvation; contracting out may allow it to reduce the size of the public sector.

**Voluntary Action**

The term *sector* does not have to mean a set of industries, establishments, or formal organizations exclusively. It can also mean category, type, division, genre, or even territory (Lohmann, 1992:42).

Jon Van Til (Mapping the Third Sector: Voluntarism in a Changing Social Economy, 1988) highlights what he calls voluntary action, rather than organizations, and he suggests the following thinking (p. 167)

1. The third sector is an interdependent, rather than an independent, arena of action. Boundaries between third sector organizations and organizations in the other sectors (government, business, household) are permeable, blurred, and laced with intersectoral connections.

2. The concepts “voluntary organization” or “nonprofit organization” alone are not sufficient as bases for a theory of third sector activity. If the full significance of voluntary action in modern life is to be understood, central attention needs to be paid to the individual act of volunteering itself, as
well as to the social forces that buffet and shape organizations. Individual volunteering can take place within voluntary and nonprofit organizations, and also within governmental, corporate, and household structures. And the social forces that help shape organizations are at work among voluntary and nonvoluntary groups alike.

3. The concept of “social economy” represents well the unique combination of purpose and organization involved in effective voluntarism. This concept draws fully on the democratic theories of populism, idealism, pluralism, and social democracy. It clarifies a position for voluntary organizations in society, and it suggests a variety of productive roles for individuals, both inside and outside of formal organizations. He sees opportunities for pervasive voluntary action in the context of blurring boundaries among the sectors with voluntarism given the opening to permeate the other sectors. (p. 193).

Volunteering and Belonging to Associations

The World Values Survey presents respondents in approximately 100 countries with the following list of ‘voluntary organizations and activities’ and asks if they i) whether they belong to any; and ii) which, if any, they do unpaid voluntary work for?:

- social welfare services for elderly, handicapped or deprived people;
- religious and church organizations;
- education, arts, music or cultural activities;
- trade unions
- political parties or groups;
- local community action on issues like poverty, employment, housing, racial equality;
- third world development or human rights;
- conservation, the environment, ecology;
- professional associations;
- youth work (e.g. scouts, guides, youth clubs);
- sports or recreation;
- women’s groups;
- peace movement;
- animal rights;
- health; and other groups.
This survey, conducted in most western countries in both 1981 and 1990, also has a number of questions relating to participation, political views and activities and values (including a post-materialist scale) allowing for analysis of relationships among volunteering, participating and civic behaviour - in other words for testing of some hypotheses about social capital.

The Commons

Roger Lohmann, states in The Commons: New Perspectives on Nonprofit Organizations and Voluntary Action (1992) that commons consist principally of acts incorporating dialogue or interaction and building up successive understandings and the aggregation of separate meanings between participants. Such aggregations may include events, situations, organizations, and other complex acts that link together many separate events and typical situations. The theory of the commons conceives of society as composed of four sectors: households, markets, the state, and, of course, the commons. Nonprofit organization, voluntary action, and philanthropy are value-laden social action.

"Voluntary associations consist of all classes of functioning groupings except families, the formal government and economic enterprise". The popular characterization of the commons as the third sector is usually derived by ignoring another sector -- the household sector.

Associations are components of civil society; they are means for attaining important ends associated with the larger issues of what it means to be human. They provide an interactive way to achieve freedom, friendship, justice, truth, progress, and other goods. Some, “expressive” groups, satisfy the interest of their members in relation to themselves, and social influence groups wish to change society.

Civil Society

This term has a long heritage in Germany and other European societies but is a relatively recent import to North America (thanks, at least in part, to the influence of philosopher Jurgen Habermas). For Habermasians, civil society may include the household: “a sphere of social interaction between economy and state, composed above all of the intimate sphere (especially the family), and the sphere of associations (especially voluntary associations), social movements, and forms of public
communication.” Various other commentators say that a caring society would be a civil society that included: pluralism, a healthy intimate/family sphere, a widened community, the ability to form voluntary associations, civic values, and activism and social movements. They see social movements/mutual aid self-help groups as important contributors to civil society.

**Characteristics of Community, Market, State, Civil Society as Ideal Types of Social Order**

*Source: Adapted from Streeck and Schmitter, 1985 and Dekker and van den Broek, 1998*

<table>
<thead>
<tr>
<th></th>
<th>Community</th>
<th>Market</th>
<th>State</th>
<th>Civil Society</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Principle</strong></td>
<td>Solidarity</td>
<td>Competition</td>
<td>Hierarchy</td>
<td>Voluntary action</td>
</tr>
<tr>
<td><strong>Actors</strong></td>
<td>Family, neighborhoods</td>
<td>Firms, customers</td>
<td>Bureaucratic dep't</td>
<td>Associations</td>
</tr>
<tr>
<td><strong>Needed to participate</strong></td>
<td>Ascription</td>
<td>Purchasing power</td>
<td>Legal authority</td>
<td>Commitment</td>
</tr>
<tr>
<td><strong>Decision rule</strong></td>
<td>Consensus</td>
<td>Demand &amp; supply</td>
<td>Adjudication by authority</td>
<td>Debate</td>
</tr>
<tr>
<td><strong>Medium of exchange</strong></td>
<td>Esteem</td>
<td>Money</td>
<td>Coercion</td>
<td>Arguments</td>
</tr>
<tr>
<td><strong>Type of goods</strong></td>
<td>Solidaristic</td>
<td>Private</td>
<td>Collective</td>
<td>Mixed goods</td>
</tr>
<tr>
<td><strong>Benefits</strong></td>
<td>Mutual care, identity</td>
<td>Prosperity, profit</td>
<td>Security, order</td>
<td>Social capital, public discourse</td>
</tr>
</tbody>
</table>

Civil society became an important organising principle in people’s movements in Eastern Europe and in many countries within Asia and Latin America. From these movements has emerged an activist concept of civil society as a sphere of freedom where people can co-operate and organise to pursue their interests as citizens, independently of state and market. This intersected with a long tradition in North American political science interested in the conditions that make and sustain an
effective democratic polity. For some, active membership in voluntary associations was an important determinant of political confidence and a participative political culture or civic culture. (Almond and Verba, Civic Culture; 1963, Verba, et al; Voice and Equality, 1995)

The “civil society” tradition in the United States has been given a new thrust and salience by Robert Putnam’s development of Coleman and Bourdieu’s concept of social capital. His study of regional government in Italy, Making Democracy Work, argued that those areas where regional government and the economy both prospered were those which had had a strong condition of voluntary associations: guilds, cultural societies, sports clubs and the like which sustained a capacity for collective action which strengthened both the polity and the market economy. Drawing on James Coleman (one of Almond and Verba’s collaborators), Putnam popularized the term ‘social capital’ - the resource built and renewed by collective public action. Putnam, 1995, claims that social capital is declining in the U.S. His measures include declining trust (as measured in opinion polls) and a decline in associational membership. Americans, “bowling alone”, are less socially connected (Putnam, 1995: p.40).

Alan Wolfe (Whose Keeper? Social Science and Moral Obligation, 1989) addresses the concept of ‘civil society’ and why we need it now. Wolfe highlights the need for a moral sensibility other than, but complementary to, that of markets and states, in particular to promote responsibility and autonomy. He argues that we need to ‘do’ or practice moral relationships based on our inward morality and this can not happen in the realms of market or politics. (He, too, includes the family in civic society, which includes: families, communities, friendship networks, solidaristic workplace ties, voluntarism, spontaneous groups and movements. (p.20)

Comparing civil society and nonprofit research

Mark Lyons, an Australian scholar, has posed the question “The Nonprofit Sector and Civil Society: Are they Competing Paradigms?” (1986). The civil society tradition is interested in organisations that provide people opportunity to organise, to discover shared views and to advance those views, to provide facilities or services to be used by themselves or by others. It is focussed more on member benefit organisations.

The two traditions evaluate third sector organisations differently. The nonprofit tradition sees third sector organisations as a special kind of firm. It evaluates the appropriateness and the effectiveness
of nonprofit firms in particular industries by their responsiveness to environmental factors. Organisational governance is evaluated differently in the two traditions. Nonprofit literature often implies that third sector organisations should adopt a corporate model of governance with small boards to pursue its mission with economy, innovation and effect. By contrast, the civil society tradition would seem to require that the governance of an organisation is democratic, large and representational to advance the generation of social capital. Services should aim to assist consumers to manage their own needs, to become active citizens. In this perspective, much more importance is placed on process rather than outcome. Finally, the two traditions would have a different take on processes such as governments contracting out to third sector organizations. From the perspective of civil society such a policy could be seen to diminish a capacity to co-operate between organisations and between organisations and government (the partnership that many in the third sector speak of). It could also be seen to favour organisational governance of the corporate model rather than the “messy” democratic approach of civil society. Finally, and relatedly, it could be argued that such an approach focuses on service outcomes at the cost of reducing social capital.

**Charities, Advocacy Associations, Mutual-Benefit Associations and Social Capital**

Edward Waitzer, in a 1996 article (on www.charityvillage.com) draws upon Jeremy Rifkin, Peter Drucker, Robert Putnam, Francis Fukuyama, and John McKnight to query the solipsism of these terms. He suggests that the welfare state and mutual benefit organizations should not be confused with “networks of civic engagement which encourage the emergence of social obligation and trust” i.e., social capital. To succeed, institutions, people, economies, and governments must be embedded in norms and networks of civic engagement. Unfortunately, he contends, the idea of a renaissance of civic participation may be little more than wishful thinking.

This discussion highlights the need to conceptualize, to measure or assess, and to consider how to foster, forms of civic participation and association.

Care must be taken to consider these concepts carefully so as to avoid measuring meaningless proxies. (Is bowling alone a good way of assessing the decline of civic networks, or an indication of change in forms of interacting?)

Are groups with shared histories and/or concerns about the future, such as gay rights groups or environmentalists, “social movements” that contribute to social justice and social action, or “special
interest” or “advocacy groups” which fragment? As Waitzer discusses the issues around social capital it becomes clear that he is drawing a distinction between “the charitable sector” which he sees as providing important leadership for “the challenge of preserving and accumulating social capital” and organizations and groups which pursue rights or engage in advocacy which, he seems to say, deplete responsibility and social trust.

“[Some] might retort that the traditional forms of civic organization have been replaced by new organizations. Certainly one can point to a wide range of issue-oriented organizations, concerned with the rights and entitlements of various groups. I would suggest, however, that while such membership based organizations have clearly become a powerful political force, their contribution to social cohesion is less evident.... From the point of view of social connectedness, ‘belonging to’ an advocacy organization is just not in the same category as belonging to a civic or fraternal organization. the theory of social capital argues that assocational membership should increase social trust, but this prediction is much less certain with regard to these issue-oriented organizations, in which people join together loosely to get more from government (or some other targeted institution) rather than from each other.”

This discussion draws on some of the most powerful contemporary literature on the subject but it could be argued that the conclusion, that mutual benefit, issue and advocacy groups relate very differently than ‘charities’ to the broad and vital social function of civic embeddedness and participation, is an empirical question of considerable salience, rather than a foregone conclusion.

Note that this interpretation is fundamentally at odds with that articulated by David Horton Smith who describes “grass-roots associations” as those which, in general, rely on little or no paid staff, are unincorporated and not registered charities, informally structured, member-benefit oriented, membership-based, easy to form and quick to die, poor in revenues and assets, locally-based and focused on solidarity and purposive incentives. Horton Smith maintains that these individually diminutive associations are cumulatively very substantial and that they “act as engines of positive change in society, enable citizen participation in democracy, provide service to non-members, maintain social cohesion, and are a key local resource for helping in disasters or civil unrest situations.” Moreover, they have various internal impacts on their members: encouraging political participation, providing social and emotional support, self-actualization and the satisfaction of being part of a group dedicated to an important purpose, health, happiness and longevity. They may also contribute, he suggests, to an individual’s skills, their chances of getting a job and of doing other
volunteering and philanthropic activity.
References


Borkman, T. and Maria Parisi. 19 “The Role of Self-Help Groups in Fostering a Caring Society” in Care and Community in Modern Society.


The National Taxonomy of Exempt Entities

Part I

NTEE Definition and History

The NTEE is a mixed notation organization classification system of 26 major groups collapsible into 10 major categories, and divisible into over 645 subgroups. INDEPENDENT SECTOR, working with many scholars and nonprofit practitioners, has been revising and improving the system since 1982. Russy Sumariwalla of United Way International originally designed the NTEE in 1984 to serve as an organization classification system to accompany the United Way goals classification system (United Way of America Services Identification System II - UWASIS II). The NTEE was published in 1986. It has since been used nationally by several organizations which report on the nonprofit community. In 1993, the IRS decided to incorporate the NTEE coding system into its tax exempt classification system in order to standardize coding between the IRS and the nonprofit community. NTEE codes will be put into the Exempt Organization/ Business Master File (EO/BMF) starting in January, 1995.
Design

The NTEE is a multi-digit system. Its components are listed below:

<table>
<thead>
<tr>
<th>Major Groups</th>
<th>(1st Digit)</th>
<th>Alphabetic</th>
<th>A—Z</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decile Level Codes</td>
<td>(2nd Digit)</td>
<td>Numeric</td>
<td>0, 2—9</td>
</tr>
<tr>
<td>Centile Level Codes</td>
<td>(3rd Digit)</td>
<td>Alphanumeric</td>
<td>0, 2 -- 9, X</td>
</tr>
<tr>
<td>Common Codes</td>
<td>(4th Digit)</td>
<td>Alphabetic</td>
<td>A – P</td>
</tr>
<tr>
<td>Holding Codes</td>
<td>First Three Digits</td>
<td>A99 -- Z99, 2X – 9X</td>
<td></td>
</tr>
</tbody>
</table>

System Code \(^1\) 4th Digit Z

Major Categories

I. Arts (A)

II. Education (B)

III. Environment and Animals (C, D)

IV. Health (E, F, G, H)

V. Human Services (1, J, K, L, M, N, O, P)

VI. International, Foreign Affairs (Q)

VII. Public, Societal Benefit (R, S, T, U, V, W)

VIII. Religion Related

IX. Mutual/Membership Benefit (Y)

X. Unknown, Unclassified (Z)

\(^1\) Approval pending decision of NTEE Advisory Committee in 1995.
Common Codes

Common codes are modifiers used in fourth position of the four digit code to describe activities in support of nonprofit organizations.

A Alliance Organizations
B Management and Technical Assistance Services
C Professional Societies, Associations
D Regulation, Administration, Accreditation Services
E Research Institutes, Services
F Public Policy Research and Analysis
G Reform
H Ethics
I Single Organization Support
J Fund Raising and/or Fund Distribution
K Equal Opportunity and Access
L Information and Referral Services
M Public Education (Increasing Public Awareness)
N Volunteer Bureaus
O Government Agencies
P Formal/General Education

These descriptions have been taken (for the most part) from "Part Two: Classification Codes" as published in the Guide to The Foundation Center's Grants Classification System (New York, The Foundation Center, 1991). These definitions have been agreed to by the Foundation Center and the National Center for Charitable Statistics at INDEPENDENT SECTOR as the accepted descriptions and definitions for the National Taxonomy of Exempt Entities.

A Alliance Organizations

Organizations whose activities focus on influencing public policy and/or practice within a major group area. For broad-based citizen action and multi-issue advocacy groups use major group area R-Civil Rights, Social Action. See Also: community coalitions (S21); legal services (180).

B Management and Technical Assistance Services

Consultation, training, and other forms of management assistance services to nonprofit groups within a major group area. For management counseling and assistance organizations that work in more than one major group area (e.g., The Support Center, etc.) use SOOB within major group area S
- Community Improvement and Capacity Building. See Also: management services for small business, entrepreneurs (e.g., Executive Service Corps) (S43).

C Professional Societies, Associations

Learned societies, professional councils, and other organizations that bring together individuals or organizations with a common professional or vocational interest within a major group area, e.g., American Medical Association; American Library Association; American Society of International Law, National Conference of Black Lawyers, etc. For general associations of nonprofit organizations, use major group area T - Philanthropy and Voluntarism. For disease, disorder, medical discipline related health associations, see major group area G. See Also: chambers of commerce, business leagues (S41); parent-teacher association (1394); sororities, fraternities (1383); alumni associations (1384); organizations of students not elsewhere classified (N.E.C.) (1380); labor unions, organizations (J40); retarded citizens associations (P82).

D Regulation, Administration, Accreditation Services

Organizations whose primary activity is to set standards, monitor performance, confer accreditation, or otherwise regulate and administer nonprofit groups within a major group area. For organizations that regulate or monitor nonprofit or philanthropic activities in many areas, use major group area T - Philanthropy and Voluntarism.

E Research Institutes, Services

Organizations or programs whose primary purpose is to conduct research within a major group area. For research on specific diseases, disorders, medical disciplines use major group area H - Medical Research. For research institutes that focus on specific scientific disciplines use major group area U - Science Research Institutes, Services. For research in the social science fields use major group area V - Social Science Research Institutes, Services.

F Public Policy Research and Analysis

Organizations or programs that conduct research and analysis on public policy within a major group area. For broad-based research and public policy institutes such as Hoover Institution, the Brookings Institution, Heritage Foundation, etc., use WOOF within major group area W - Public, Society Benefit.

G Reform

Organizations whose activities focus on changing fundamental structures of institutions, systems, and/or policies (such as the legal system).
H Ethics

Includes all ethical practices and refers to all institutions; excludes the study of ethics (see A77) and other disciplinary ethics study (e.g. Bioethics, use E85).

I Single Organization Support

Organizations existing as a support or fund-raising entity for a single institution.

J Fund Raising and/or Fund Distribution

Organizations that raise and distribute funds for multiple organizations within a major group area, e.g., Business Committee for the Arts, United Negro College Fund, Council for Financial Aid to Education, etc. See Also: federated giving programs (T70); private grantmaking foundations (T20); public or community foundations (T30).

K Equal Opportunity and Access

Organizations that provide services to ensure equal opportunity and access for all individuals to services within a major group area, e.g., equal employment or housing opportunity services, etc. For groups that work for equal opportunity and access in many fields, use major group area R - Civil Rights, Social Action. See Also: Legal Services (180).

L Information and Referral Services

Organizations (other than libraries) that gather, organize, and disseminate information on services within a major group area, e.g., the clearinghouse for Arts Information, Call for Help, the Foundation Center, etc. For information and referral services that cover services in many fields, use SOOL with major group area S - Community Improvement and Capacity Building.

M Public Education (Increasing Public Awareness)

Organizations or programs that use a variety of techniques to educate or enlighten the public about issues within a major group area, e.g., Council on Hazardous Materials, the Floating Hospital, etc. Does not include formal educational institutions or general education programs, services or libraries (see major group area B - Education).

N Volunteer Bureaus

Organizations or programs that recruit, train, and/or place volunteers for multiple agencies operating
within a major group area, e.g., School Volunteers, Literary Volunteers of America, Hospital Volunteers, etc. For volunteer bureaus that serve agencies in more than one major group area use SOON within major group S - Community Improvement and Capacity Building.

O Government Agencies

Use for government departments with broad policy, administrative, and service responsibilities in a major group area. For example, a state department of parks and recreation would be classified N000. For general government agencies, i.e., City of New York, Commonwealth of Massachusetts, etc., use W000 within major group area W - Public, Society Benefit.

P Formal/General Education

Formal/general education (not the same as public education) within a major group or subgroup area.

The System Code

The EO/BMF recording of the NTEE code requires four digits. If common codes A through P are not used in the classification of an organization, please enter the letter Z in the fourth position. This system code is sometimes called the Bozovich code, named after Ted Bozovich, who introduced the NTEE to the IRS.

Holding Codes

Holding codes are assigned to organizations for which the classifier has not assigned a final code. There are three uses. The following examples display the system code:

(1) When the coder is sure of the major group and decile level classifications, but not the centile level, then the centile position is given an "X," such as A2XZ. This may be used with any classification category.

(2) If the coder is sure of the major group but neither decile or centile levels, then the holding codes of "99" are used, such as A99Z. This may also be used for any major group classification category.

(3) When the coder is unsure of either major group, decile or centile level codes, the organization is assigned "799Z."

APPENDIX B

The International Classification of Nonprofit Organizations (ICNPO)

GROUP 1: CULTURE AND RECREATION

1 100 Culture and Arts
• media & communications
• visual arts, architecture, ceramic arts
• performing arts
• historical, literary and humanistic societies
• museums
• zoos & aquariums
• multipurpose culture and arts organizations
• support and service organizations, auxiliaries, councils, standard setting and governance organizations
• culture and arts organizations not elsewhere classified

1 200 Recreation
• sports clubs
• recreation/pleasure or social clubs
• multipurpose recreational organizations
• support and service organizations, auxiliaries, councils, standard setting and governance organizations
• recreational organizations not elsewhere classified

1 300 Service Clubs
• service clubs
• multipurpose service clubs
• support and service organizations, auxiliaries, councils, standard setting and governance organizations
• service clubs not elsewhere classified

GROUP 2: EDUCATION AND RESEARCH

2 100 Primary and Secondary Education
• elementary, primary & secondary education

2 200 Higher Education
• higher education (university level)

2 300 Other Education
• vocational/technical schools
• adult/continuing education
• multipurpose educational organizations
• support and service organizations, auxiliaries, councils, standard setting and governance organizations
• education organizations not elsewhere classified

2 400 Research
• medical research
• science and technology
• social sciences, policy studies
• multipurpose research organizations
• support and service organizations, auxiliaries, councils, standard setting and governance organizations
• research organizations not elsewhere classified

GROUP 3: HEALTH

3 100 Hospitals and Rehabilitation
• hospitals
• rehabilitation hospitals

3 200 Nursing Homes
• nursing homes

3 300 Mental Health and Crisis Intervention
• psychiatric hospitals
• mental health treatment
• crisis intervention
• multipurpose mental health organizations
• support and service organizations, auxiliaries, councils, standard setting and governance organizations
• mental health organizations not elsewhere classified

3 400 Other Health Services
• public health & wellness education
• health treatment, primarily outpatient
• rehabilitative medical services
• emergency medical services
• multipurpose health service organizations
• support and service organizations, auxiliaries, councils, standard setting and governance organizations
• health service organizations not elsewhere classified

GROUP 4: SOCIAL SERVICES

4 100 Social Services
• child welfare, child services, day care
• youth services and youth welfare
• family services
• services for the handicapped
• services for the elderly
• self-help and other personal social services
• multipurpose social service organizations
• support and service organizations, auxiliaries, councils, standard setting and governance organizations
• social service organizations not elsewhere classified

4 200 Emergency and Refugees
• disaster/emergency prevention, relief and control
• temporary shelters
• refugee assistance
• multipurpose emergency & refugee assistance organizations
• support and service organizations, auxiliaries, councils, standard setting and governance organizations
• emergency and refugee assistance organizations not elsewhere classified

4 300 Income Support and Maintenance
• income support and maintenance
• material assistance
• multipurpose income support & maintenance organizations
• support and service organizations, auxiliaries, councils, standard setting and governance organizations
• income support and maintenance organizations not elsewhere classified

GROUP 5: ENVIRONMENT

5 100 Environment
• pollution abatement & control
• natural resources conservation & protection
• environmental beautification & open spaces
• multipurpose environmental organizations
• support and service organizations, auxiliaries, councils, standard setting and governance organizations
• environmental organizations not elsewhere classified

5200 Animals
• animal protection & welfare
• wildlife preservation & protection
• veterinary services
• multipurpose animal services organizations
• support and service organizations, auxiliaries, councils, standard setting and governance organizations
• animal related organizations not elsewhere classified

GROUP 6: DEVELOPMENT AND HOUSING

6100 Economic, Social and Community Development
• community and neighborhood organizations
• economic development
• social development
• multipurpose economic, social and community development organizations
• support and service organizations, auxiliaries, councils, standard setting and governance organizations
• economic, social and community development organizations not elsewhere classified

6200 Housing
• housing association
• housing assistance
• multipurpose housing organizations
• support and service organizations, auxiliaries, councils, standard setting and governance organizations
• housing organizations not elsewhere classified

6300 Employment and Training
• job training programs
• vocational counseling and guidance
• vocational rehabilitation and sheltered workshops
• multipurpose employment and training organizations
• support and service organizations, auxiliaries, councils, standard setting and governance organizations employment and training organizations not elsewhere classified

GROUP 7: LAW, ADVOCACY AND POLITICS

7 100 Civic and Advocacy Organizations
• civic associations
• advocacy organization
• civil rights association
• ethnic associations
• multipurpose civil and advocacy organizations
• support and service organizations, auxiliaries, councils, standard setting and governance organizations
• civic and advocacy organizations not elsewhere classified

7 200 Law and Legal Services
• legal services
• crime prevention and public safety
• rehabilitation of offenders
• victim support
• consumer protection associations
• multipurpose law and legal service organizations
• support and service organizations, auxiliaries, councils, standard setting and governance organizations
• law and legal organizations not elsewhere classified

7 300 Political Organizations
• political parties
• political action committee
• multipurpose political organizations
• support and service organizations, auxiliaries, councils, standard setting and governance organizations
• political organizations not elsewhere classified

GROUP 8: PHILANTHROPIC INTERMEDIARIES & VOLUNTARISM PROMOTION

8 100 Philanthropic Intermediaries
• grantmaking foundations
• voluntarism promotion and support
• fund-raising intermediaries
• multipurpose philanthropic intermediaries and voluntarism organizations
• support and service organizations, auxiliaries, councils, standard setting and governance organizations
• philanthropic intermediary organizations not elsewhere classified

GROUP 9: INTERNATIONAL ACTIVITIES

9 100 International Activities
• exchange/friendship/cultural programs
• development assistance associations
• international disaster & relief organizations
• international human rights & peace organizations
• multipurpose international organizations
• support and service organizations, auxiliaries, councils, standard setting and governance organizations
• international organizations not elsewhere classified

GROUP 10: RELIGION

10 100 Religious Congregations and Associations
• Protestant churches
• Catholic churches
• Jewish synagogues
• Hindu temples
• Shinto shrines
• Arab mosques
• multipurpose religious organizations
• associations of congregations
• support and service organizations, auxiliaries, councils, standard setting and government organizations
• religious organizations not elsewhere classified

GROUP 11: BUSINESS AND PROFESSIONAL ASSOCIATIONS, UNIONS

11 100 Business and Professional Associations, Unions
• business associations
• professional associations
• labor unions
• multipurpose business, professional associations and unions
• support and service organizations, auxiliaries, councils, standard setting and governance organizations
• business, professional associations and unions organizations not elsewhere classified
GROUP 12: [NOT ELSEWHERE CLASSIFIED]

12 100 N.E.C.

APPENDIX C

Defining the Nonprofit Sector

Remarks by Jacquelyn Thayer Scott
President and Vice-Chancellor
University College of Cape Breton

We are assembled here today to talk about the Nonprofit Sector - how to define, measure and govern it, and what privileges it should be accorded. When I look at the expertise that has been brought to this agenda, I am rather humbled. I am, as well, a little bit intimidated by the challenge of attempting to define the sector in my allotted 15 minutes! When I queried Judith on my responsibilities, she - ever gracious - gave carte blanche, and a few valuable suggestions.

Consequently, I have chosen in this opening presentation to play the role of "mural painter" - to make broad brush strokes across a large and inviting hoarding, leaving others - more conscientious and disciplined - to fill in the foreground and detail. I suspect Paul will be among the first to provide useful correctives, in his role as statistician, giving a more photographic rendering of my largely impressionistic landscape.

So let us begin by taking this discussion back to first principles. Why does the Nonprofit Sector exist? Why is it necessary, if it is? Why does it perform certain roles? Why should we support it as an element of civilized society? A very brief historical review may be helpful, because nonprofit activity has been around for a very long time, and in many forms. The ideal visual aid here would be one of those old classroom friezes - the type that ran around the top of the blackboard, depicting in linear and graphical form the history of the world or the evolution of humankind. Not having one on hand, I ask you to create the mental image.

From the beginning, the historical and archaeological record indicates that humans developed social mechanisms for meeting their needs and reducing the risks for long-term survival. When we were huddled in caves and in huts along riverbanks and coasts, it was the family and the clan to whom we turned for mutual aid and assistance - a mode of support that has never been abandoned, and with which many contemporary politicians have become enthralled. Later, as groupings of hunter-gatherers or early farming ancestors became larger, the tribe became a source of voluntary action and succour - the ties that bind not necessarily being those of kinship but rather relating to a more sophisticated group loyalty. More complex agricultural societies evolved more complex systems, such as the feudal system of the Western Middle Ages with its
mutual, if unequally beneficial, responsibilities between lord and serf. For travellers - and others
not bound to the land - monasteries and similar institutions provided basic food and health care
to those in need. With the growth of market towns and coastal trading centres, guilds, tongs and
other mutual protective and benefit associations replaced or supplemented the ministrations of
family, lord or church.

More organized charity, as we have come to know it, is a recent Western phenomenon,
historically speaking (although a quite sophisticated system of civic charitable institutions for the
aged, orphans, the sick, et al. existed in Byzantium at the height of its empire). The occasion for
such change was the Reformation in England, the country's emergence as a major trading
power. When the Roman Catholic monasteries were dissolved, replacement institutions were
necessary to perform the charitable tasks they had previously offered to the wider community.
And, without monks and nuns to staff and manage such entities, new social vehicles were
required. Thus came the Elizabethan Poor Laws of 1601; which authorized a new method of
charitable management and, for the first time, attempted to define the public goods that the
society of the time valued. You may be interested to know that what Elizabethans felt
constituted the public good included:

... relief of the poor; maintenance of sick and maimed soldiers and mariners, poor chiefly by
reason of war; schools of learning, free schools, and scholars in universities; repair of bridges,
ports, havens, causeways, churches, seabanks, and highways; preferment of orphans; relief,
stock or maintenance of houses of correction; marriages of poor maids; assistance to young
tradesmen, handicraftsmen, and persons decayed; relief, or redemption of prisoners or captives;
and aid to the poor in meeting their property-tax obligations.¹

It is no surprise, then, that similar notions of public purpose crossed the Atlantic with British
immigrants to Canada and the United States. Community charity for the relief of the poor and
orphans, and for the construction of hospitals, occurred in the Maritimes and rural Ontario as
early as the late 1600s. In Quebec, Crown and Church worked together from the early days of
the French colony to provide similar services, funded through public alms collection in each
parish and grants from the Crown. Following Confederation, and prior to World War 1, many
national associations were established for charitable and mutual benefit purposes, principally to
assist with the settlement of new immigrants (e.g., the YMCA, et al.) and to promote the
development of national policy and the formation of policy positions by pluralistic groups (e.g.,
the Canadian Manufacturers Association, ethnic mutual aid societies, et al.). Not all of these
groups were founded for noble purposes. Their purpose, Prang (1986) says, was to provide a
"Christianizing and Canadianizing" program in response to Anglo-Saxon concerns about the
influx of foreign-born immigrants.

The 1920s saw the founding of many national associations with specific interests that were best
pursued in a national forum - ranging from the Canadian Chambers of Commerce, to the
Canadian Authors' Association, and the Student Christian Movement. Between 1880 and 1930, a substantial number of scholarly and educational associations were formed to serve particular disciplines and institutions. By the 1930s, the impact of the Depression had caused formation of so many local charities that the umbrella community chest or "Red Feather" fundraising campaigns and allocation systems were established in major cities.

Many associations had a significant effect on building the infrastructure of Canadian political communication. The Canadian Radio League played a major role in the establishment of public broadcasting, and its members later reorganized to support the formation of the National Film Board (NFB). Both the CBC and the NFB worked actively with the Canadian Association for Adult Education to further adult education. Many voluntary organizations submitted briefs on the working of Canadian federalism to the Rowell-Sirois Commission, which had such a profound impact on the development of Canada's welfare state from the 1940s to the mid-1970s.

With the building of the social welfare state, many new charitable organizations and associations were formed, which is reflected in the strong growth in numbers of organizations from the 1960s onwards. Many of the new groups established during the 1980s represented multicultural and ethnic interests, self-help, health-care and poverty concerns, and environmental advocacy. And, of course, the Coalition of National Voluntary Organizations was formed in 1974, at the height of government welfare state activity.

The 1980s brought some of the first scholarly efforts at measuring nonprofit and voluntary activity in Canada, including the massive Ross and Shillington (1989) survey. There are papers to follow on this topic.

As you can tell from this very brief reprise, change has been constant throughout the history of Canada's Nonprofit Sector - true today, as yesterday. Groups were formed for different reasons, with differing funding resources, and performed different roles. Which brings us full circle to "why - and to what purpose?"

This fundamental question has been a nagging one for those scholars who attempt to define and study the sector. For example, just look at the sector's varying names: Nonprofit, Not-for-Profit, Voluntary, Third or Independent Sector, and "The Commons." Examined closely, each has a subtly different meaning, and different underlying assumptions about its constituent parts and behaviours.

"Nonprofit" tends to be the nomenclature of the economists, most of whom have attempted to define this sector and its activity within the theoretical framework of market economics. Their assumption is that market behaviour motivates all human action - supply and demand, labour and capital, utility. The market governs all productive activity, and government's economic role is to create favourable conditions for market growth and to act as a kind of minimalist traffic cop
over what ensues. If a nonprofit sector exists - which such economists cheerfully acknowledge - it is only because of market failure or aberrant market behaviour. If these imperfections or failures in the market could only be "fixed," such sectoral activity would not occur because it would not be needed. This view of the nonprofit sector as a residual in an imperfect world was a dominant scholarly view during the 1970s and 1980s and it is not surprising that it finds fertile ground when spread among neo-conservative politicians of all national stripes. One more enlightened economist, Roger Lohmann, traces this residual nomenclature straight back to Adam Smith's concept of unproductive labour, and says "it is animated by a central concern for what might be termed the appropriate uses of the surplus product of an affluent society."  

"Not-for-profit sector" is really a further refinement of the economists' work. It has been employed chiefly by lawyers and accountants seeking to differentiate between mutual benefit associations - like the Canadian Manufacturers Association or the Chambers of Commerce - and "other-oriented" charities. For them, "nonprofit" describes an eleemosynary form of governance, in which the directors of the limited corporation are subject to a nondistribution constraint, but the activities of the association may directly benefit its members as a result of lobbying, provision of services, etc. "Not-for-profit" describes a similar form of governance, but in which the intention is to provide benefit to those who are not directors or members - to achieve a more general public good.

"Voluntary sector" is the language of the sociologists, for whom the central defining characteristic of what we are generally calling the nonprofit sector is that participation in it is not coercive - even that it depends, to a greater or lesser extent, on the provision of volunteer labour to accomplish its purposes. In popular terms, it might be traced to Alexis de Tocqueville's early comments on colonial life in America, in which he expressed amazement at the number of associations the colonists had formed - what Lohmann calls intermediate institutions "animated by a central concern for the individual and social consequences of uncalculated and uncoerced participation in organized social endeavours within social society." Most sociologists, while championing the term "voluntary," are not quite as enamoured with the "altruistic" halo that sometimes accompanies that word. Many, like Mancur Olson (1971), see participation in this sector as a selfserving activity, in that it creates a society in which the citizen's interests are best served.

"Third sector" or "independent sector" is principally the vocabulary of the political scientists, several of whom have read too many economists. This view accepts the market assumption that there are three sectors - the private/business/commercial sector, the public/government sector, and the nonprofit/third/independent sector. A defining characteristic of the latter is that it operates "independently" of the market and of government. Those of us who have worked in this sector and find it to be quite competitive, and dependent upon resources from both government and the private market, may have some trouble with this view but, to be charitable, the "independence" to which these social scientists refer is seen to be more a desirable state of
mind and a legal description than a practical truism. Similar to the sociologists, most political scientists see this sector as self-serving, in a collective sense. For example, Robert Dahl (1982) argued that this sector represented one of the merits of pluralist democracies: voluntary organizations present a mechanism through which conflicts of values, interest and views can be accommodated, if not resolved. The balance that is achieved among competing groups, he argues, exerts a stabilizing and conservative influence. James Douglas (1987) counters that balance is not always achieved through diverse, pluralistic competition because wills may be contradictory. Still, he adds, these diverse groups represent an opportunity for social experimentation, some of which will result in public social policy.

"The commons" is the newest addition to the vocabulary of this sector. Crafted by Roger Lohmann, it represents an effort to move away from residual theory. He is not concerned with all nonprofit organizations, or with any legal category but, rather, with donative associations, organizations, and groups engaged in unproductive (to use Smith's term) or volunteer labour, whether or not they are incorporated, recognized by the state, tabulated in national data, or made up of paid employees. He offers a number of criteria for inclusion in the commons but, to summarize, "commons" are social spaces outside the home and away from family and independent of political states and economic markets. They depend upon voluntary labour for common goods, created through self-interested and altruistic pro-social behaviours, which may be philanthropic, charitable or mutual in nature. "Mutuality and fairness find expression in explicit preference for the values of satisfaction, proportion, contextualism, conservation, and prudence and the social responsibility of the leisure classes."4

When you think about it, the hegemony of the market economists in defining this sector has been surprisingly strong - well, perhaps not so surprising, given their hegemonic effect on other sectors as well. But both political scientists and, to a lesser extent, sociologists have struggled definitionally to move away from the economists' assumptions of residualism. Lohmann's efforts are the most dramatic and, however preliminary, refreshing. He "recognize(s) that, fundamentally, the total social product of a society is not simply measured by its gross national product."5

You may have noticed in my brief description that the question of "why" the sector exists permeates the analysis of all these scholars, whatever their disciplinary base. One factor, which my necessarily simplistic historical and scholarly reprise neglected, is the role of religious belief and values in motivating pro-social behaviour that is altruistic. In the Western and Mediterranean worlds - which dominate our own historical development - each of the three great desert religions has valued charitable and philanthropic behaviour as part of the individual's spiritual journey. Maimonides was responsible for codification of an eight-level hierarchical class of "degrees of charity" within Judaism. Zakat, the principles of charity within Islamic law, are the result of centuries of scholarly and spiritual study. Similarly, the Christian gospels and Pauline letters encourage charitable behaviour to those less fortunately placed, and admonish the mean-
spirited and greedy. In both Canada and the United States, a majority of financial donations flows through religious institutions into direct charitable activity.

Which brings us back to the roles and functions that the formal nonprofit sector performs. Most of these can be intuited from that earlier historical review. Perhaps the best known role is that of provision of services. Whether as a contractor to government or in their own right, nonprofits have long delivered both tangible and intangible products to their clients: food, shelter, health care, counselling, education, opportunities for collective worship, etc. This has been both the sector's glory and its bane, definitionally speaking. On the one hand, it is altruism and/or mutual aid at its best, fulfilling spiritual duty and collective civic responsibility. On the other hand, much service delivery has been seen as economically unproductive to politicians who pay too much attention to economists. If it does not create new wealth, of what possible value is it? Ergo, of what possible centrality is the nonprofit sector?

A second role played by the nonprofit sector is that of advocacy, broadly defined. This may take the form of public education about mental retardation, AIDS, the abuse of children or animals, or an environmental concern. Or it may consist of direct advocacy to improve the economic or social conditions of a particular disadvantaged group, or to change practices or laws that are seen to be unjust or in conflict with the public good. During the past 40 years, this has been a growing segment of activity within this sector. And, again, you can see where this is not an attractive role for the sector in the eyes of many politicians.

A third role is mediation. Through associations, individuals come together in neighbourhoods or across geographical boundaries to work through issues and develop a consensus or work out a compromise. Perhaps the classic example of this role, in Canada's historical version of pluralism, is the role nonprofit organizations have played in the conduct of royal commissions or commissions of inquiry. Traditionally, it was nonprofit groups that built the public opinion leading to the governmental initiative, and then it was nonprofit groups that testified before these commissions and audited their performance.

These three roles of the nonprofit sector are not, of course, mutually exclusive. Many organizations are involved in all three types of activity; others have performed more than one sequentially.

Having talked about the views of others with respect to the parameters and roles of the nonprofit sector, I hate to leave a podium without inflicting my own opinion upon the gathering. Both a political scientist and a management theorist by training, my views lack the simple purity of some others. You may judge them to reflect the blurred vision of our times or simply as a reflection of my own confusion - but here they are.

I certainly do not see the nonprofit sector as a residual: it is an important component of any
affluent and civilized society, providing a mechanism for constantly clarifying collective values, allocating resources for desired activities and purposes, and mediating the blunt edges, between the lives of the individual and the state. Associations provide an opportunity to test the individual’s voice for resonance with others, to develop democratic skills in social negotiation and governance, and to wrestle with the impacts of changing circumstances that impact upon particular locations or groups.

While not residual, it is interdependent - in mathematical terms, a dependent variable. While conservative with respect to preserving common values, the sector can offer flexibility of response to changing needs and circumstances. In other and more lengthy venues, I have argued previously that the governance concerns of nonprofit organizations are interactive with changes in the public philosophy of the state.

In this postindustrial era, we may acknowledge many identities for ourselves within a complex whole. A Canadian citizen living in Toronto may have a sense of what Canada “is” and “feel Canadian,” but still differentiate what it is to be an Ontarian from a British Columbia or to have Scotch-Irish roots rather than a Chinese ethnic heritage. Part of that national or regional identity is grounded in the public philosophy of the state or what we believe to be the common good and civic duty.

Along with Jon Van Til (1988), I believe there is an interactive relationship between political ideology and voluntary action. For example, voluntary associations, particularly those concerned with self-help and service volunteering, proliferate when the dominant ideological component of the public philosophy is pluralism. In Canada, the number of registered charities increased by nearly 50 percent during the 1980s, with growth concentrated in the first five or six years of that decade. Earlier records charting increases during the financially heady late 1960s and early 1970s are not available, but anecdotal evidence suggests the rate of group formation was higher then. Once formed, those organizations then acted as the political ideological value base expected of them. They have been competitive, sometimes duplicative, and have used media attention to assist in their task of mediating between constituency and legislators. Their organizational structures over time became increasingly centralized and bureaucratized, to rationalize competing internal interests and to mobilize resources for “efficient” action. They focused upon acceptable socio-political goals (e.g., training the unemployed, working with children in crisis, rather than pressing for significant tax or redistributive reforms) that promote enhanced freedom for their constituencies through broadened accessibility and equality of opportunity.

What, then, happened to voluntary associations when the ideological balance within the public philosophy began to shift? The neo-conservative political ideology characterizing the Reagan and Mulroney years provides a case in point. Both men believed fervently in rule by the elite - that “what's good for business is good for the country” - and that government should leave the
marketplace as unfettered as possible. Human nature is competitive, and governmental intervention that buffers or blocks the marketplace encourages inefficiency and laziness. Most social service activity should be a private matter, among families or at the local community level; the goal of government is to increase productivity and competitiveness and to reduce unemployment, since economic well-being will resolve most endemic social problems.

Not surprisingly, a principal goal of both men was to reduce federal contributions to social programs. Indeed, the most common voluntary association response in Canada and the United States to the neoconservative shift was - surprise! - to attempt to reflect the values inherent in the revised public philosophy. Nonprofit managers crowded university and private-sector management training programs. "Marketing" became an acceptable term, and agencies hired fundraising and development consultants; entered "co-marketing" arrangements with the business sector; merged with other nonprofits or diversified their services; and developed fee-for-service products targeted to the middle class and those able to pay. In short, nonprofit and voluntary associations increasingly began to act like private-sector entrepreneurs. All of this led to what Ferris and Graddy (1989) have described as "fading distinctions" among the nonprofit, government and for-profit sectors (see also Kramer, 1990). Questions have been raised about the uniqueness of the sector's role and functions and the degree to which these should be supported.

As Van Til's model predicts, voluntary activity becomes less politically significant in the neo-corporatist or neo-conservative state. Ralph Kramer (1990) was prescient in stating that voluntary agencies in the 1990s were likely to be viewed by government as little more than substitute service providers or public agents, and be accorded little or no policy participation role.

But the times they are a'changin' once again, if all those polls out there are right. Canadians are no longer "buying" the neo-conservative vision in its entirety. Yes, they want unity and order, but they also place strong values on access and active participation, and have a deep distrust of the elite and large institutions. Yes, there is pluralistic recognition of individual rights and competing interests among groups, but there is evidence we also value community rights and responsibilities. Yes, there is support for a social safety net and equality of opportunity for the disadvantaged, but importance is also placed on localized determination of community good and individual responsibility for participation in civic life. Canadians recognize that large institutions - especially large corporations - are an integral part of our existence, as is the globalization of practically everything. But some new means must be found to spur participation at the local, operational level of daily life, and to shape public policy decisions.
Such a new public philosophy of the state - closest, perhaps, to the communitarian view of the world - would value a nonprofit sector as a place for common talk, decision making and work, aimed at achieving creative consensus within the social economy. Interest groups, factions and coalitions do not disappear, but their goals are suborned where necessary to a preeminent, and jointly determined, common good. The simple model in Figure 1 provides a conceptual map of the relationship among democratic variants and voluntary action.\(^6\)

In the pluralist philosophy of the state, the voluntary organization's focus is upon membership, constituency and functional program direction. Whose interests does it represent? Where do these interests fit within the societal balancing act? Into what socio-political niche does the organization and its programs fit?

In the neo-conservative philosophy of the state, the voluntary organization's focus is on management: control, marketing and entrepreneurship. How efficient is it? How effectively does it "get its message across" in the fundraising marketplace? How closely does its operating style match those of successful organizational entities in the private sector? Does it have a competitive
and cultural "edge?"

In the communitarian paradigm, the voluntary organization's focus is on governance and the values of its mission. How permeable are its decision-making processes? How does it gather and consider environmental scanning information? What is its capacity for co-production; collaboration and cooperation with clients, other informal and formal voluntary groups, and private- and public-sector interests? What are the values that govern its administrative and program operations?

The board assumes great importance in the voluntary organization that successfully interacts with its environment in a communitarian philosophy of the state. For that philosophy acknowledges the importance of values and actively determined ideas of the common good. If, in a socially fragmented society, a need remains for legal and organizational mechanisms that enable us to accommodate the needs of strangers, the organizational entity of the "charity" retains its utility. But to stimulate the values of active participation by citizens in community problems, the notion that board members of voluntary organizations occupy their positions on behalf of the community must achieve more than symbolic acknowledgement.

In a pluralist era, the voluntary board's principal role is to represent and advocate for public policy favourable to the interests of the organization's members or clients. The board's success is directly related to its capacity for "winning" over the interests of other groups, or achieving favourable policy compromises. In a neo-conservative era, the voluntary board's principal role is fundraising and oversight of organizational management. The board's success is directly related to the financial resources it is able to attract for the organization, and to the organization's reputation for efficiency and sound management.

The voluntary board in a communitarian-like public philosophy is to assure that the organization is a venue for community problem solving, for common talk, decision and action. Its strategic posture must look more outward than inward. Planning becomes a more interactive process with community members, whether through focus groups, "town hall meetings," intergroup consultations, or a mixture of these and other methods. A cooperative, rather than competitive, world view and a desire for connectedness and good use of community resources (not just its own organizational resources) will encourage the board to seek opportunities for collaboration with other service providers, co-production with clients and neighbours, and partnerships with those from other sectors.

My example has been so lengthy that you may have lost track of the original point, so let me state it once more: the nonprofit sector is not residual. It is an important component of a total social system, especially in a democracy. It is interdependent with other sectors and organizations, and has proved, in pluralist and neo-conservative eras, to have been an adaptive mechanism for responding to change. As we move forward toward a changing future - one not
grounded in the fortunes of the nation-state - its local, regional and global roles will become more important still, though differently expressed.

If it is to be of use to us, we must think carefully about the changes required in the sector's next evolution - and not become so pummelled and exhausted by changes to an individual organization's fortunes that we fail to recognize the role the sector plays, as a whole, in building and maintaining a civilized society.
Notes


3 Ibid., p. 44.


5 Ibid., p. 85.

6 The short length of this paper precludes full and appropriate explanation of the political theory underlying my arguments. Readers interested in being more thoroughly confused may contact the author for additional references and information.

Bibliography


I have been asked to speak briefly about defining the nonprofit sector, and brevity will be well served by beginning with an analogy.

In the late 1960s, two Canadian petroleum geologists, Jim Gray and John Masters, developed a new perspective on the geological sources of petroleum products. At the time, their ideas were clearly outside the boundaries of conventional oil-patch thinking. They proposed that methane hydrate was an extensive underground material, a significant source of natural gas, and located in geological structures (down-slope, in deep basins) where according to prevailing theory one would not expect to find combustible carbon compounds. Their high-cost, risky exploration in northeastern British Columbia during 1973-75 resulted in discovery of the rich Elmworth field, which continues today to yield hundreds of millions of dollars' worth of natural gas every year. Gray's and Masters' reconceptualization, pooh-poohed at the time, not only fundamentally altered the theoretical framework of petroleum geology, but has turned otherwise barren, uncharted, and useless expanses of territory into carefully mapped, valuable, and consequential areas of economic activity.¹

Accumulating evidence suggests there may be a somewhat parallel phenomenon in the social science field: the nonprofit (or third, or independent, or intermediate, or voluntary) sector. Where until a decade ago there was neither scholarly nor governmental nor general public interest in this portion of Canada's social terrain, it is today a widening focus of attention. Increasing numbers of Canadians believe it may be a previously unrecognized source of valuable social energy and benefit that merits exploration on a far greater scale than heretofore. And while there are a number of particular reasons for this, the common underlying element is, I believe, a fundamental shift in how we perceive and understand our society.

The CPRN Nonprofit Sector Project, the result of a vision shared by Judith Maxwell and by Shira Herzog of The Kahanoff Foundation, is a more distinctive and more significant event than may appear at first glance. While it has the typical form of a collaborative social science
research initiative, it is unusual by virtue of its subject, its perspective, and its size. In the social science community in Canada, only a handful of researchers are engaged in studies, all of them shortterm, low-budget, and piecemeal, of nonprofit behaviours or organizations; the CPRN study is visible and distinctive by contrast. Further, while most nonprofit sector studies in Canada are focused on a particular aspect of the nonprofit world, the CPRN initiative seeks both a broader and a more systematic understanding of what comprises the nonprofit sector, what is its place in our society, and how it should be treated in public policy.

There is reason to believe the CPRN project is an early event in an emerging trend. Until the late 1980s, the nonprofit sector was an academic backwater, received scant attention from government, and received only the rarest of public discussion. It was generally seen not as a coherent or consequential component of the social order but as an agglomeration of disparate individuals and organizations engaged in "doing good" in various ways. As its moniker says so clearly, it continues to be conventionally defined in terms of what it is not - a residual entity lying outside the important spheres of social consequence. Things have been changing of late, however: today the study of nonprofit phenomena is enjoying growing respectability in academic circles, the volunteer and charitable domain has been specifically referred to in two recent Throne Speeches, and judging from the rising incidence of media coverage of events and issues in the nonprofit sector, it has become a subject of pervasive public interest.

It is only a hunch at this point, but I believe that the remarkable rise of the nonprofit sector to prominence on the social horizon is the result of a deep shift in our worldview - a shift that sees our social order resting not only on competitive markets and effective governments but also on indigenous cooperative action, both organized and informal, in support of values or benefits that transcend self-interest. It is most evidently and extensively in the nonprofit sector that we see this indigenous cooperative and contributory behaviour; the momentum to document and understand this sector is fuelled, I think, by an urge to identify what energizes such behaviour and what consequences arise from it.

The current nomenclature, definitional boundaries, and taxonomy of the nonprofit sector are flawed to the point of seriously limiting development of theory, data, research - and ultimately, reliable knowledge. This underbrush needs to be cleared away if we are to have the necessary base for long-term measurement, description, and analysis of the sector. It would be useful to approach the task of definition and classification not only by applying conventional scientific practice but also by asking two questions as test probes: What is distinctive about the nonprofit sector, as a whole and each of its components, in Canada? and What difference do the sector and its separate components make; why is it significant and why should it be taken seriously?

The Nomenclature Problem

The term "nonprofit sector" has come to be the most commonly used descriptor by default; it
seems to be more generic than such alternatives as third sector, independent sector, voluntary sector, intermediate sector, among others. It is inadequate on several grounds, however. It rests on a law-specified class of organization that is framed in terms of what it is not (i.e., not profit-making): thus it is a residual rather than positive label and neglects nonorganizational elements. Roger Lohmann's 1989 article "And Lettuce is Non-Animal" very effectively ridicules this state of affairs. More importantly, this label does not adequately convey some of the other fundamentally distinguishing characteristics of the sector such as indigenous and informal action oriented to advancing a greater good than self-interest. Until we move toward a more effective definition of the sector (i.e., are able to make a more reasoned case for what entities should be included and which excluded), the nomenclature issue cannot be resolved.. I will return to this later in my discussion.

**Drawing the Boundaries: What Criteria Should We Use?**

It is a central element of the scientific canon that taxonomy - definition and classification - sets the terms of perception, analysis, and ultimately, conclusions and discourse. Because it establishes the framework within which inquiry proceeds, appropriate taxonomy is pivotal; this means identifying the importance of differences and similarities among entities so as to create classes or groupings of traits such that a) within-category similarities (or differences) are greater (or less) than between-category similarities (or differences), and b) relationships among categories can be specified in terms of the patterns of similarities and differences. Although classifications of the nonprofit sector and its component have been prepared (the most detailed is Salamon and Anheier [1992] with some 300 entities), they take the form of inventories rather more than taxonomies.

There are several reasons why definition and classification of nonprofit sector entities remain unsettled. One is the inherent difficulty of sorting multidimensional entities. The principle in mathematics that there can be no unique linear ordering of vectors has its parallel in social science; it becomes a matter of judgment, and ultimately consensus, as to which dimensions should be given precedence. A second reason is the difficulty in slicing a continuum of phenomena into discrete categories that satisfy as far as possible another cardinal rule of taxonomy - mutual exclusivity (or nonoverlap) of categories. One challenging continuum that involves the nonprofit sector is what we might call "span-of-interest orientation," which ranges from individual self-interest pursued via cooperative economic action (e.g., membership in a nonprofit cooperative), through restricted membership group interest (found in such forms as unions and other occupational interest groups), to unrestricted membership affinity-based group interest (e.g., social, cultural, and sports associations), to a full, unrestricted public interest orientation (such as activities and organizations concerned with protecting the environment).

Another less recognized reason for difficulty in setting definitional and classification boundaries is that different taxonomic criteria serve different purposes variably well. I would argue, for
example, that the nonprofit criterion is useful principally for issues of regulation and governance, but that it has much less value for social science (measurement and analysis), social policy (social capital, social infrastructure), and public information purposes.

It is not difficult to identify a significant number of ways by which the domain of nonprofit organizations and activity can be characterized beyond those I mentioned earlier, viz., consisting of activity intended to benefit a person or persons beyond oneself and one's close associates, with this activity extensively engaged in informally (not through organizations) as well as formally. Where it is done through organizations, they are overwhelmingly small, local, with a low level of formal structure, substantially self-organizing, and based on consent and cooperation rather than hierarchical authority or competition.

The economics of nonprofit activity and nonprofit organizations are unlike those in any other domain. Resources are procured not via competitive exchange processes but uniquely through asymmetric reciprocity - i.e., contributory behaviour (see Reed, 1993). Because many of the goods and services produced through nonprofit activity are not monetized (i.e., assigned market value in dollars), a large proportion of the total resource input provided by individuals takes the form of unpaid time and labour rather than money. At the same time, the sector receives a far larger proportion of its aggregate revenue (nearly two-thirds) from government than does any other sector. Integral to the distinctive economics of the nonprofit sector is the absence of a rationality or utilitarian calculus for maximizing the effects of nonprofit activity; this, however, is accompanied by a significant level of social entrepreneurship directed toward producing public benefit of some kind. This ensemble of characteristics is found in no other domain of our society, even in partial combinations. As a whole it sets a distinguishing boundary around the nonprofit sector and provides a basis for classification within. It has obvious ramifications for the conventional nonprofit definition that I will return to in the closing portion of my remarks.

**What Is Distinctive about the Nonprofit Sector?**

The defining boundaries of any phenomenon can be set not only in terms of some set of traits but also in terms of a distinguishing essence. There exists such a feature in a large portion of the nonprofit sector that I believe is conceivably its most distinctive and influential: the ethos that underlies behaviours and organizational forms. The components of this ethos are, inter alia, an orientation toward general amelioration, motivation that rests on some ideal or moral principle, and a sense of mutuality, trust, and common cause among people engaging in nonprofit activity. David Horton Smith, a keen observer of the nonprofit sector, has remarked in an unpublished manuscript that "the nonprofit sector ... is not about money or property. It is about people's time and their attitudes, voluntary spirit, emotions, ideologies, purposes, even dreams." As well, the sector's structural features carry a distinctive essence that derives from this ethos; its organizations have modes of operation, governance, and accountability that reflect the concern for a greater good, mutuality, trust, and cooperative or contributory action.
While the array of a dozen-odd traits of nonprofit activities and organizations is sufficient to give the sector clear distinctiveness, a great portion of that distinctiveness is imparted by the simple but unique ethos whose essence is an orientation to providing a pro-social good through asymmetrically reciprocal action, which is ordered primarily by the two principles of mutuality and indigenous social organization. (This includes but extends beyond Lohmann's (1992) framing of the sector in terms of concern for the commons.) Because of the close interconnections among definition, boundary operationalization, and taxonomy, and because we have so little reliable factual knowledge of this ethos, the set of traits will likely be of greater use in establishing two systematic classification schemes for the sector's behaviours and organizations.

**What Does the Nonprofit Sector Do that Makes It Significant?**

**What Difference Does It Make?**

It is a standard question in taxonomy: What differences do the defining differences make? While we can identify some of the explicit roles and functions of the nonprofit sector (provision of services, advocacy, and mediation, as Jacqueline Thayer Scott has just noted), we do not have a confident grasp of the full range of functions, particularly the more implicit ones, nor do we have any reliable knowledge of their respective impacts. Among these implicit functions are remedying (some) injustices; providing mutual aid; affirming values, beliefs and ideals; rebalancing maldistributed resources; providing offsets to formal rights and responsibilities; supporting social innovation; reproducing grassroots social structures; providing the mechanisms of communication and consent that are essential conditions for democratic social order; and generating normative and infrastructural social capital.

Understanding what differences the nonprofit sector makes will help in placing its definitional boundaries, but that understanding is also needed to help make an empirically grounded case for the importance of the sector's place in Canadian society.² It will be, I think, one of the most pressing areas of information need in the coming months and years.

**To End**

One of the implications of my abbreviated discussion of these issues concerns nomenclature. What label would be a better descriptor than nonprofit sector? Having rejected such terms as communal sector and social economy, my own mild preference is for "civic sector" because it entails activities and social structures concerned with contributory behaviour and benefits beyond individual advantage. It is my hope that a serious search process for a better, more widely supported name will be initiated sooner rather than later.

A second implication concerns the sector's boundaries. Specifically, selected entities, which are
currently included in the nonprofit sector but which do not fit many of the differentiating criteria I have suggested, should, for social science and social policy purposes, be deleted. Two such cases are cooperatives and credit unions, which function solely or principally for economic purposes, and a large portion of the universities, schools and hospitals component because they are for most intents and purposes extensions of government. Likewise, consideration should be given to including certain entities that are currently excluded; the grants economy and informal nonorganizational forms of nonprofit activity are two examples. See the figure on the civic sector, which is a coarse-grained schematic rendering of the main components under a revised definition of the nonprofit sector.

There are, I believe, many Canadians who hunger for a renewed vocabulary and philosophy of public life that will give renewed substance and vigour to our public discourse, to our collective identity, to our institutions and processes of governance. Evidence of this abounds - in the Spicer Citizens' Commission, in numerous polls (such as the Ekos "Rethinking Government" study and the Angus Reid "Social Contract" survey), and in the actions and words of many individuals during and after Quebec's 1995 referendum. There is a strong but unarticulated sense that our social infrastructure is in serious need of repair, that our major institutions cannot be counted on to do the job. There is a view, still quiescent, not only that the civic sector may hold considerable potential for energizing the needed renewal, but that ultimately the health of our market and state sectors may depend far more than we realize on the health of the civic sector. Only if this sector can be understood will Canadians acknowledge and support it. Mundane and tedious though it may be, strengthening the definition and classification of the sector is an unavoidable task in building the knowledge base that is a sine qua non for such understanding.
The Civic Sector

Organizational contributory action: the nonprofit sector

Nonorganizational (informal) contributory or collective action

Grassroots general public benefit organizations with unpaid volunteer workforce

Nonincorporated

Formally incorporated

Limited member-benefit organizations

Professional general public benefit Organizations with paid workforce

Hybrid general public benefit organizations: professional core staff plus volunteers

Government grants economy e.g., transfer payments, social programs

Occupational e.g., unions, professional associations

Volunteer e.g., social and sports clubs, religious

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Notes

1. "Although naturally occurring methane hydrate may harbour the largest untapped reservoir of natural gas on earth, the material properties of this ephemeral compound are not yet well understood," (Science, 1996, p. 1771).

2. The standard argument for the sector's importance is that it accounts for at least $86 billion annually, approximately one-eighth of our GDP. Such reasoning, when disaggregated, loses some of its punch; Canadians spend less each year per household on charitable donations than on lotteries and gambling, and total expenditure in doughnut shops amounts to 50 percent of the $3.4 billion in declared charitable donations annually.

References


