

**DEVELOPING A TYPOLOGY  
OF THE VOLUNTARY HEALTH SECTOR IN CANADA:  
DEFINITION AND CLASSIFICATION ISSUES**

**Prepared for the  
Voluntary Health Sector Project**

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## **Foreword**

Voluntary organizations are receiving increasing recognition for the role that they play in Canadian life. Although their contributions are evident in most communities, they have yet to be systematically documented. In 1999, the Canadian Centre for Philanthropy, Canadian Policy Research Networks, Health Canada and the Coalition of National Voluntary Organizations undertook a joint initiative to enable researchers to begin documenting the contributions of voluntary organizations working in the area of health. Two papers were commissioned to lay the foundation for further empirical studies in this area. *Developing a Typology of the Voluntary Health Sector in Canada: Definition and Classification Issues* was prepared to address the important issue of defining what organizations should be included in such studies and to develop an appropriate system for classifying these organizations. *A Discussion Paper on Outcomes and Measurement in the Voluntary Health Sector in Canada* was prepared to provide guidance about how to measure the economic and social contributions of voluntary health organizations. It is hoped that these two companion papers will help set the stage for further research into the social and economic value of voluntary health organizations in Canada. Copies of both papers and of their respective Executive Summaries can be obtained by contacting any of the respective partner organizations.

The Management Committee for this project would like to take this opportunity to thank the many people who made contributions to these studies. Individuals from a number of key organizations contributed their time and insights through discussions with the authors of the papers and we thank them for their valuable input. We also thank the five anonymous peer reviewers for their thoughtful comments and suggestions. In the final analysis, however, the papers reflect the views and opinions of the authors and any errors of omission or interpretation are their own.

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## EXECUTIVE SUMMARY

The development of an understanding of the role that voluntary health sector organizations play in Canadian society is hampered by the lack of a common language to describe the voluntary/nonprofit sector as a whole and the lack of agreement about which dimensions of the sector are most important for researchers to focus upon. This paper is intended to begin addressing the need for more clarity in terminology regarding the voluntary/nonprofit sector and proposes an initial classificatory framework for organizing investigations into the role that voluntary health organizations play in Canadian society.

This paper has two main components. First, it reviews and discusses the variety of labels that have been used to describe voluntary/nonprofit organizations (e.g., *nonprofit*, *not-for-profit*, *voluntary*, *social economy*) and proposes a label and definitional framework to use in the larger project. Second, it reviews a variety of classification systems that have been used to organize information about voluntary/nonprofit sector organizations as well as some useful principles that may be used to guide decisions about the suitability of any given classification system. We propose an initial approach to classifying voluntary/nonprofit organizations that will assist investigations into their economic and social value and identify some of the key organizational features that researchers need to consider when assessing their potential contributions. Ultimately, such a classification system may be used to document the ways in which voluntary health organizations, such as health charities, community health clinics, or grass-roots health organizations, “add value” to the health and lives of individual Canadians.

On the basis of our analysis of the literature, we tentatively propose that researchers employ the term *voluntary and nonprofit* to describe those organizations that are neither part of the state nor private market-based organizations. It is recognized that there may be strategic reasons for voluntary/nonprofit organizations to choose any one of the number of possible terms available in order to describe themselves. It would be useful, therefore, to ensure that any final recommendations regarding appropriate labels or definitions are informed by the viewpoints of representatives from voluntary/nonprofit organizations, particularly those working directly in health.

As an initial starting point, we suggest that an appropriate operational definition for voluntary/nonprofit organizations is that which has been proposed by Salamon and Anheier (1997). In their view nonprofit organizations are considered to be those that are: (1) *organized* (i.e., formalized to some extent); (2) *private* (i.e., institutionally separate from government); (3) *self-governing* (i.e., equipped to control their own activities); (4) *non-profit-distributing* (i.e., not returning profits to their owners or directors); and (5) *voluntary* (i.e., involving some degree of voluntary participation, either in their management or operations). In defining health organizations more specifically, Salamon and Anheier (1992) include organizations that are engaged directly in health-related activities, providing health care, both general and specialized services, the administration of health care services, and health support services.

Our review of the literature suggests four principles that may usefully guide decisions about developing a classification system for voluntary and nonprofit organizations: (a) the system

should be sufficiently general to allow it to be used for a variety of purposes; (b) the system should have linkages with existing classifications in use; (c) the system should organize information in a way that is relevant to policy considerations; and (d) the system should favour dimensions which have been found to have practical utility in other settings. Following these principles, we propose a provisional classification system of the voluntary/nonprofit health sector in Canada that includes the following five organizing dimensions: (a) major area of activity, (b) beneficiary of services, (c) function of the organization, (d) legal status, and (e) size of revenue.

It is important to emphasize the preliminary nature of our proposed classification system. It is atheoretical and requires empirical testing in order to determine if it has validity, practical utility, applicability and is policy relevant. In particular, a key consideration will be its usefulness for empirical studies of the contributions and value of voluntary/nonprofit organizations working in health. More generally, in order to maximize its usefulness to the voluntary health sector in Canada, any proposed label, definition, or classification system will need to be informed and validated through additional mechanisms, such as feedback obtained from consultations with members of the voluntary/nonprofit health sector, surveys, and case studies.

# 1 INTRODUCTION

Discussion and research on the contributions of the voluntary/nonprofit health sector in Canada are hampered by the lack of a common language to describe the voluntary/nonprofit sector in general and its constituent parts. There is a lack of consensus about appropriate terminology to describe the field of inquiry and little agreement about the appropriate distinctions to draw among nonprofit or voluntary organizations for classification purposes. Terms such as the *voluntary sector*, the *nonprofit sector* and the *third sector* are often used to describe the field of inquiry, and while these terms may be used interchangeably, each connotes a slightly different boundary set of organizations. As a result, an investigation of *voluntary* health organizations, for example, may include as its focus a slightly different set of organizations from a study of the *nonprofit* health sector. This state of affairs makes it difficult to understand the organization and activities of the voluntary/nonprofit health sector, as well as the organization and activities of the voluntary/nonprofit sector in general, and thus makes it difficult to assess its economic and social value.

Studies of voluntary/nonprofit<sup>1</sup> organizations also need to find ways to be sensitive to their enormous diversity. These organizations range from local neighbourhood associations run entirely by volunteers to large international charities run primarily by paid staff, from organizations that provide direct health care to citizens to those that work primarily as advocates for health-related causes. Both researchers and policy makers need to find ways to organize information along meaningful dimensions in order to facilitate a greater understanding of the contributions that these organizations

make. For instance, some studies organize the nonprofit sector into categories according to their area of activity (e.g., health, social services, recreation), while others make distinctions according to whether they provide services to members (i.e., mutual benefit organizations) or exist primarily to serve the public (i.e., public benefit organizations).

The variety of labels, dimensions, and classificatory systems that are currently in use has resulted in a Tower of Babel environment in which policy dialogue and the advancement of knowledge are constrained because no one can be truly confident that they understand precisely what others are talking about. This further limits our ability to grasp the contributions of the voluntary/nonprofit sector, including the voluntary/nonprofit health sector.

This paper attempts to provide the foundations for a common language, definition and classification system for those who wish to develop a greater understanding of the social and economic contributions of voluntary/nonprofit organizations, particularly those organizations working in health. Definitions and classification systems are fundamental components of a research infrastructure and at the same time provide clarity in policy analysis and development. The purpose of a definition is to construct rules which are based on the attributes that organizations hold in common while the purpose of classification is to identify attributes that distinguish organizations from one another.<sup>2</sup> A common definitional and classification system will facilitate the establishment of a framework for understanding the organization and activities of the

voluntary/nonprofit sector in general, and the voluntary/nonprofit health sector in particular, so that researchers, policy makers, and the voluntary health sector itself may systematically document its social and economic contributions.

It is important to note that we consider our proposals to be preliminary in nature and in need of validation. For example, our considerations regarding an appropriate label or term for voluntary/nonprofit organizations are primarily based on its descriptive utility. There are, however, other considerations that could underlie the choice of an appropriate label. For strategic and political reasons, one label (e.g., voluntary) could be favoured over others (e.g., nonprofit) because of the image it conveys to the public and to decision-makers. The dimensions proposed for any classification framework also require validation to determine whether they capture distinctions among organizations that are truly meaningful for understanding the social and economic contributions that they make.

Our recommendations regarding an appropriate classification system should be considered provisional because they have been made in the absence of empirical data that would allow one to assess whether the classification dimensions that have been

chosen are truly meaningful and reality-based. The recommendations contained herein are intended therefore primarily as a guide to initial investigations of the contributions of voluntary health organizations subject to further consultation and empirical testing.

Before developing a classification system that will facilitate an assessment of the economic and social contributions of voluntary organizations working in health, we need to arrive at a common language – a system of labels and definitions – for the voluntary/nonprofit sector.<sup>3</sup> We begin by examining the concept of a sector itself as well as some of the implications and limitations of using this concept. We then move to a discussion of the various terms that have been used to label the sector and select, on a provisional basis, a label and working definition to refer to voluntary/nonprofit organizations. Issues and criteria that need to be considered when developing a classification system are then discussed and current voluntary/nonprofit sector classifications are reviewed. Finally, we propose a preliminary classification system, that is, a set of organizing dimensions, which will assist research concerning the economic and social contributions of voluntary organizations working in health.



## 2 THE CONCEPT OF A SECTOR

One of the conceptual underpinnings of discussions about voluntary or nonprofit organizations is the notion that they belong to a distinct sector. For example, much of the traditional nonprofit literature, either implicitly or explicitly, divides organizations into three basic sectors of activity: public, private, and nonprofit. This tripartite division appears to have its origins in economic classifications of organizational activity.

It is worth noting however, that criticisms have been raised about the utility of conceptualizing voluntary/nonprofit organizations as being distinct from other types of organizations (Abzug, 1999; Marshall, 1996). Such criticisms are based on the view that the boundaries between nonprofit, private and government sectors are too fuzzy to be practically useful. As Abzug (1999) points out, strict sectoral boundaries are not very meaningful if nonprofits help to promote and legitimate for-profits, while for-profits help to fund nonprofits. Another example of the lack of clear boundaries arises from the isomorphism of organizations that engage in similar activities within different sectors. One would expect for-profit, government and nonprofit day care centres, for example, to have more in common with one another than they would with other organizations within their respective sectors that provide different services.<sup>4</sup>

In addition, dividing organizations into discrete sectors overlooks the interconnections among organizations in different sectors. To a greater or lesser extent, voluntary/nonprofit organizations working in health may be integrated with one another and with other types of

organizations, either within the same sector or different sectors. These linkages, in turn, may affect the roles, contributions and outcomes of particular organizations.

As mentioned above, the predominant three-sector model, which distinguishes among public, private and nonprofit sectors, takes its origins from economic classifications of organizational activity. The initial (1953) version of the United Nations System of National Accounts (UNSNA), for example, divided the economy into three sectors: enterprises; households and nonprofit institutions serving households; and general government. Beginning with the 1968 revision of the UNSNA however, later versions distinguished the nonprofit sector from the household sector, thus yielding a four-sector model (Anheier, Rudney, & Salamon, 1992).<sup>5</sup>

The current (1991) version of the UNSNA employs a four-sector model and defines nonprofit organizations as “legal entities created for the purpose of producing goods and services whose status does not permit them to be a source of income, profit or other financial gain to the units that establish, control, or finance them” (Anheier, Rudney, & Salamon, 1992, p. 25). In this definition, the nonprofit sector includes all resident nonprofit institutions except: (a) nonprofit market producers of goods and services that receive half or more of their income from market sales; and (b) non-market profits either controlled or mainly influenced by government (i.e., that receive at least half of their income from government). Accordingly, the nonprofit sector includes primarily two kinds of nonprofit organizations: (a) trade unions; professional associations; learned societies;

consumer associations; political parties; churches and religious societies; social, cultural, recreational, and sports clubs; and (b) charities and relief/aid organizations financed by voluntary contributions. However, by excluding all organizations that receive half or more of their income from government, the UNSNA definitions exclude a large portion of what others might include as part of the nonprofit sector.

In addition to three- and four-sector models, other sector models have been suggested. Marshall (1996), for example, proposed a more differentiated, six-sector model of organization (private, statutory, religious, philanthropic, community, and informal), with the latter four sectors comprising the voluntary sector. Still other scholars have challenged traditional tripartite and four-sector models in more fundamental ways, suggesting, for example, that distinctions between public, private, and nonprofit sectors are artificial constructs and that sector boundaries are both permeable and historically variable within given economies (Abzug, 1999).

Marshall (1996) suggests that the voluntary sector as a whole is too heterogeneous to be characterized by any specific set of features, and concludes that the internal heterogeneity of the voluntary sector may be encompassed

only by seeing it as an amalgam of several subsectors, each with a different impetus and character. Some of these subsectors are primarily concerned with the creation of community, some with helping the disadvantaged, others with mutual self-help, but no distinct set of features characterize the voluntary sector as a whole. According to Marshall (1996), the only feature common to voluntary organizations is that they serve as mediators between the individual and state – constituting what some theorists refer to as civil society — holding society together or priming it for social change. Moreover, Marshall (1996) suggests that a more adequate conceptualization of sectors of organized action would view them as overlapping, rather than distinct, categories.

The categorization of organizations into sectors is only the first step in creating a classification of the voluntary/nonprofit health sector. As an initial step it attempts to place a set of boundaries within which further classification, and the investigation of value, may be focussed. As we have noted, a variety of labels exist to describe voluntary/nonprofit organizations, and associated with these labels are variations in the scope of such boundaries. We turn next to a more detailed discussion of these labels and their definitions.

### 3 LABELS AND DEFINITIONS

The *voluntary sector*, the *nonprofit sector*, the *third sector*, and the *commons* are just a few of the many labels that have been used to refer to those organizations that are situated between the state and the market. These terms are often used without being defined although they appear to denote and connote different aspects of organizations. Not surprisingly, a great deal of semantic confusion surrounds the use of these terms (Campbell, 1993), making it difficult to assess the value or contributions of the organizations to which they refer. In addition, each term implies a somewhat different set of boundaries for the field of inquiry although many share common definitional elements. For example, almost all terms include the notion of organizational independence from government and the non-coercive involvement of volunteers, either in the operations or governance of an organization.

In the sections below, the labels that have been used most commonly to refer to the voluntary/nonprofit sector are discussed, including their definitions, connotations and denotations, origins, and uses. These terms and their key definitional elements are summarized in Table 1. As shown in Table 1, some definitions include or exclude certain types of organizations and some definitions have their origins in specific academic disciplines, such as economics or sociology.

#### 3.1 Nonprofit Sector

The *nonprofit sector* is the broadest of all terms in use. As Scott (1997) points out, *nonprofit* is a term often used by economists, most of whom have attempted

to define the sector and its activities within market economic theory. This term emphasizes the idea that nonprofit organizations do not exist primarily to generate profits for their owners. Thus, the term refers to that part of the social order that is non-market, non-state, and non-household, and whose net earnings are not distributed to owners or shareholders but are retained for the purpose of fulfilling organizational mandates (Phillips, 1995). As such, the term includes not only traditional voluntary organizations, but also hospitals, universities, religious organizations, and economic and trade associations. Some theorists include individuals and informal organizations in their definition of nonprofit organizations, but most do not (Klatt, 1997).

Although considered a broad term, *nonprofit* has also been used more narrowly to refer to charities, or has been expanded, depending on the particular author (Campbell, 1993). Perhaps the most precise definition of the nonprofit sector is that provided by Salamon and Anheier (1997), who employ a structural-operational definition of nonprofit organizations.<sup>6</sup> In their definition, nonprofit organizations are: (1) *organized* (i.e., institutionalized to some extent, but not necessarily legally incorporated); (2) *private* (i.e., institutionally separate from government); (3) *self-governing* (i.e., equipped to control their own activities); (4) *non-profit-distributing* (i.e., not returning profits generated to their owners or directors); and (5) *voluntary* (i.e., involving some degree of voluntary participation, either in the actual conduct of the agency's activities or in the management of its affairs). According to this definition, the nonprofit sector includes such organizations

as universities, orchestras, daycare centres, hospitals, mutual insurance companies, labour unions, religious organizations, political parties, self-help groups, and soup kitchens for the homeless.<sup>7</sup>

Lohmann (1992) distinguishes between nonprofit corporations, which are legally constrained not to distribute profits, and voluntary organizations, thus suggesting that the terms *nonprofit* and *voluntary* may not be used interchangeably. Lohmann points out that it is only when voluntary organizations are legally incorporated nonprofits that they are similarly constrained not to distribute profits. Organizations that are purely voluntary associations are *ethically* but not *legally* constrained not to distribute profits. Similarly, some definitions of the nonprofit sector appear to require that nonprofit organizations be incorporated. For example, Hansmann (1987) defines “true” nonprofits as “firms that are formally organized as either nonprofit corporations or charitable trusts...[which are subject to] the ‘nondistribution constraint’ – that prohibits the distribution of residual earnings to individuals who exercise control of the firm, such as officers, directors, or members” (p. 28).

Still other theorists have proposed restrictions on the types of organizations that may qualify for nonprofit status. One area of debate concerns whether nonprofit organizations should include only those organizations that provide some form of public benefit, or whether they should also include mutual benefit organizations, such as credit unions, country clubs, trade associations, business leagues, and labour unions, which exist primarily to benefit their members (Marshall, 1996; O’Neill, 1989). Hall (1987) considers only public benefit organizations as eligible for nonprofit status.

He defines a nonprofit organization as a “body of individuals who associate for any of three purposes: (a) to perform public tasks that have been delegated to them by the state; (b) to perform public tasks for which there is a demand that neither the state nor for-profit organizations are willing to fulfill; and (c) to influence the direction of policy in the state, the for-profit sector, or other nonprofit organizations” (p. 3). In contrast, Anthony and Young (1990) define nonprofit organizations as those “whose goal is something other than earning a profit for its owners [with its usual goal being] to provide services” (p. 216), either to the public or its members.

Although *nonprofit* is a broad term and in wide use, it has been criticized on a number of grounds. As many writers have pointed out, nonprofit is a “residual” term that describes the sector in terms of what it is not, rather than in terms of what it is (Lohmann, 1992; Marshall, 1996; O’Neill, 1989). Further, as Salamon and Anheier (1992) have observed, although the term *nonprofit* emphasizes the idea that organizations in the sector do not exist primarily to generate profits for their owners, it overlooks the fact that these organizations sometimes do earn substantial profits.<sup>8</sup>

### 3.2 Civil Society

Currently in the United States much of the debate over labels concerns the relative utility of the terms *nonprofit* and *civil society*. As Holloway (1998) writes, the term *civil society* may refer to any organization that mediates between the individual and the state. The term has been used to describe the “missing middle” of democracy, that is, organizations that citizens can join before the ballot and that

**Table 1. Labels and Key Definitional Elements**

<b>Labels</b>	<b>Origin</b>	<b>Includes</b>	<b>Excludes</b>
Nonprofit Sector	Economics	Non-market, non-state, non-household part of the social order; traditional voluntary organizations, hospitals, universities, religious organizations, economic and trade associations.	May exclude mutual benefit organizations (e.g., credit unions, country clubs, labour unions, trade associations and business leagues).
Civil Society	—	Organizations that mediate between the individual and state, that are separate from the process of voting but that allow citizens to participate in the development of a democracy; may include member-serving organizations (e.g., co-operatives, religious societies, trade organizations) and other types of organizations (e.g., non-governmental organizations).	Organizations directly involved in the process of voting/the ballot; state organizations.
Not-for-profit	Economics/ Accounting/ Law	Mutual benefit and public benefit organizations; organizations subject to a nondistribution constraint.	Labour unions, professional associations and business associations.
Social Economy	—	Co-operatives, nonprofits in public service, mutual nonprofits serving a membership.	Organizations not independently governed; those with operations that are strictly commercial; those with non-democratic models of governance.
The Commons	Sociology	Outside the home and away from the family; independent of political states and economic markets.	Organizations that are non-philanthropic and non-charitable.
Voluntary Sector	Sociology	Clubs, associations and groups characterized largely or exclusively by non-coercive membership or free unconstrained participation; organizations independent from the state and non-profit-making.	All quasi-state institutions (e.g., hospitals and universities).
Third Sector and Independent Sector	Political Science	May include quasi-state organizations (e.g., hospitals and universities).	Public and private sector organizations.
Non-governmental Sector	—	Organizations outside the formal apparatus of the political state.	Government organizations.
Charitable Sector and Philanthropic Sector	Law & Philanthropy	Broadly includes organizations devoted to private action for the public good; organizations doing good for others; and legally registered charitable organizations and charitable foundations (i.e., those working in health, relief of poverty, advancement of education, advancement of religion or other activities of benefit to the community as a whole).	Non-registered charities.

are separate from the process of voting itself (Holloway, 1998). Thus, private, voluntary/nonprofit organizations that offer a

means of participating in the development of a democratic nation are said to constitute civil society. Such organizations may include member-serving organizations such as cooperatives, religious societies, trade organizations, and professional associations, as well as other types of organizations such as non-governmental organizations (see Holloway, 1998, on civil society organizations in Bangladesh; and Abzug, 1999). However, in referring to any organization that mediates between the individual and state, the term *civil society* may be too broad to be meaningful.

### 3.3 Not-for-profit Sector

The term *not-for-profit* represents a refinement of economists' thinking on the nonprofit sector. The term is used mainly by accountants and lawyers to differentiate between mutual benefit associations, such as the Canadian Manufacturer's Association or Chambers of Commerce, and "other oriented" charities (Scott, 1997). According to this view, the term *nonprofit* describes a form of governance in which the directors of a limited corporation are subject to the nondistribution constraint, but the activities of the association may directly benefit its members as a result of lobbying, the provision of services, and so on. The term *not-for-profit* describes a similar form of governance where the intention is to provide benefit to those who are not directors or members in order to achieve a more general public good (Scott, 1997). Thus, labour unions, professional associations, and business associations are excluded from the not-for-profit sector, but may be included in the nonprofit sector (Klatt, 1997). On the

other hand, not all theorists accept this distinction. According to Lohmann (1992), when the term "nonprofit sector" is defined as an economic network of corporations with a nondistribution constraint as the primary defining characteristic, it clears the confusion between "nonprofit" and "not-for-profit" because the nonprofit sector includes both mutual benefit and public benefit organizations, not simply mutual benefit organizations.

### 3.4 Voluntary Sector

Voluntary sector is a term that was used originally by sociologists. It focuses on one central characteristic – the idea that participation in the sector is not coercive and that it depends in part on volunteer labour (Scott, 1997). Lohmann (1992) argues that because the term *voluntary sector* connotes a lack of coercion or restraint in participation, the voluntary sector can be defined as a system of clubs, associations and groups characterized largely or exclusively by non-coercive membership or free and unconstrained participation.

Although *voluntary* is a term that has often been used to refer to the nature of an association (i.e., the opposite of involuntary), the term has also been used as an equivalent for volunteer (Campbell, 1993). Osborne's (1998) typology of voluntary activity, as well as Van Til's (1988) conceptual framework, presents subtle differences between the terms "voluntary action," "volunteering," and "voluntary association." These distinctions are outlined in Table 2.

**Table 2. Typology of Voluntary Concepts**

<b>Core Principle</b>	<b>Empirical form</b>	<b>Normative Concept</b>
Individual action not coerced	Voluntary action	Freedom
...and deemed beneficial	Volunteering	Volunteerism
...and organized	Voluntary associations and nonprofit corporations	Volunteerism

Adapted from Van Til, 1988, and Osborne, 1998.

The core principles presented by Van Til (1988) represent a definitional framework for the voluntary sector. According to this framework, voluntary action is based on freedom and is uncoerced; volunteering is deemed beneficial and is supported by the concept of volunteerism; and voluntary associations or nonprofit corporations are organized and are also supported by volunteerism. The normative concepts highlight the freedom of individual action that is required in a society in order to engage in voluntary action, as well as the social value of volunteerism.

With these concepts at its origin, the term *voluntary sector* emphasizes the significant input that volunteers make in the management and operations of organizations in this sector as well the notion that they operate freely, without coercion. However, the concept ignores the fact that most of the activity within this sector is carried out by paid employees and that most volunteers must fit into pre-defined roles within established organizations (cf. Salamon & Anheier, 1992). Further, as Sharpe (1994) points out, as many as 30% of nonprofits with charitable status in Canada do not use volunteers in any capacity other than as board members. In addition, the term *voluntary* often calls up images of grassroots associations of the type described by Smith (1997), that is, “locally based, significantly

autonomous, formal, volunteer-run, nonprofit groups that have an official membership of volunteers and that manifest significant voluntary altruism” (p. 115).<sup>9</sup> Such images may be contrasted with the reality of many voluntary or nonprofit organizations, especially those with charitable status.

Although *voluntary sector* is a term that includes organizations that depend in whole or in part on unpaid, volunteer participation (Scott, 1997), over the years the term has also been extended to refer to organizations that depend solely on paid professionals, as long as they are engaged in producing benefits for people outside of the organization (Kmieciec & Mayer, 1998). Further, as voluntary organizations are independent of the state, “quasi-state” institutions (such as hospitals and universities), which are not always viewed as independent, are not considered by some theorists to be part of the voluntary sector.<sup>10</sup> Voluntary organizations are also non-profit-making (or non-profit-maximizing) and normally benefit from philanthropy (Phillips, 1995).

### 3.5 Social Economy

The *social economy* or *économie sociale* is a concept that has its origins in Western

Europe and has found its greatest acceptance in France and Quebec. Quarter (1992) notes that this term lacks a clear definition, particularly in the way in which it is employed in Canada. The term is generally thought of as occupying that area of the economy between the private, for-profit sector and the public (government) sector. However, the term can be misleading as it implies an integrated system of institutions working toward common social goals, rather than the current Canadian reality of a highly fragmented group of organizations and institutions that function in the “shadow” of the private, for-profit sector.

In France, the term *économie sociale* is generally understood to include four types of organizations: co-operatives, mutual insurers, nonprofit corporations, and unincorporated associations, both formally and informally constituted (Quarter, 1992). In adapting the concept of social economy to the Canadian context, Quarter (1992) applied a definitional framework to the term that includes three types of organizations:

- i Co-operatives (including mutual insurers)
- ii Nonprofits in public service
- iii Mutual nonprofits serving a membership

According to Quarter (1992), the characteristics of organizations in the social economy that distinguish them from organizations in the private, for-profit sector and from organizations in the public sector are as follows: their objectives are not strictly commercial; they are independent from government in their governance; they involve volunteerism; they are subject to a nonprofit distribution constraint; ownership of an organization gives a person the right to

control the organization, but not the right to benefit financially from the sale of the organization; and they adhere to democratic models of governance (e.g., co-operatives allow each member one vote).<sup>11</sup>

### 3.6 The Commons

This term was first coined by Roger Lohmann (1992). In Lohmann’s (1992) view, the commons are social spaces outside the home and away from family, independent of political states and economic markets. They depend on voluntary labour for common goods, and are created through self-interested and altruistic prosocial behaviours that may be philanthropic, charitable or mutual in nature. According to Scott (1997), the concept of *the commons* reflects an effort to move away from a residual conception of the sector to a more positive conception. The term also represents a shift away from an economic perspective on the sector to a sociological perspective. The concept of the commons, along with the associated concept of common goods, offers a set of central unifying concepts with important multidisciplinary implications, and may be used to both link and distinguish concepts such as nonprofit organization, volunteerism, charity, philanthropy, and altruism (Scott, 1997).

### 3.7 Third Sector/Independent Sector

The terms *third sector* and *independent sector* (which are often used interchangeably), reflect the vocabulary of political scientists. These terms have been used to emphasize the view that the “third”



sector is as important as the public and private sectors (Phillips, 1995). The defining characteristic of these terms is that the third or independent sector exists independently of the public and private sectors (Scott, 1997).<sup>12</sup> Independent or third sector organizations may include or exclude quasi-state institutions such as universities and hospitals, as is the case for definitions of the nonprofit sector and the voluntary sector. Often, third or independent sector definitions include informal groups and individuals, not only formalized organizations (Klatt, 1997). According to Lohmann (1992), the independent sector is presumably able to function autonomously without undue external interference or involvement. Whether independence also implies lack of coercion or constraint, disinterest in profit, or ethical and legal distribution constraints remain open questions.

Generally, *independent sector* and *third sector* are terms used not so much to provide a comprehensive definition of the sector but to promote its status in society (Klatt, 1997). However, the emphasis on the important role that many independent sector organizations play as a “third force” outside of government and private business overlooks the fact that many of these organizations lack financial independence (Salamon & Anheier, 1992). Indeed, despite recent fiscal restraints, government has increasingly become an important source of funding for such organizations, particularly in the Canadian context, where governments provide about half of the financing for nonprofits (Martin, 1985; Sharpe, 1994).

### **3.8 Non-governmental Sector**

The term *non-governmental sector* refers to organizations that are located outside the formal apparatus of the political state as well as organizations distinguishable from the private sector (Lohmann, 1992). The term is most frequently used in the context of international development activities. Members of the voluntary sector tend to dislike the term, however, because they consider it too broad, or feel that with its emphasis on *non-governmental* bodies, it does not take a positive approach to defining the sector (Klatt, 1997). In addition, its link to international development activities may make the term too narrow for general use.

### **3.9 Charitable Sector and Philanthropic Sector**

These terms may be construed to refer to individuals and organizations devoted to private action for the public good, but they appear to be based on little in the way of a conceptual framework. The Ontario Law Reform Commission (1996) did, however, examine the connotations of the terms charity, philanthropy, and altruism. According to the Commission’s analysis, charity signifies acts of kindness and consideration that demonstrate concern for the poor and needy and emphasizes feelings of empathy for people in emotional, economic, or physical distress. In contrast, philanthropy signifies acts of generosity that demonstrate regard for the achievements of humanity in general; it is moved by respect for the higher endeavours of humanity such as the sciences, arts, philosophy, and sports. The two terms are united in the abstract sense that both are concerned with doing good for others. The differences between the terms, however, are fundamental, and lie in the identification of the beneficiaries of

support (e.g., disadvantaged people vs. the national ballet); the types of well-being pursued (e.g., economic and social capacity vs. aesthetic and intellectual capacity); and in the emotions associated with each term (e.g., concern for poor people vs. respect for the achievements of science).

The term charitable sector as employed in Canada refers primarily to legal distinctions between nonprofit corporations that are registered as charities and those that are not. In Canada, eligibility for charitable registration status requires that the major purpose of an organization be restricted to one of four areas of activity: health; the relief of poverty; the advancement of education; and the advancement of religion or other purposes of a charitable nature beneficial to the community as a whole (Sharpe, 1994). The charitable sector therefore consists of those organizations that are legally registered charitable organizations and charitable foundations, reflecting a relatively narrowly definition. According to Revenue Canada, there are over 78,000 registered charities, and Quarter (1992) estimates that there are an additional 100,000 other nonprofit organizations in Canada. Because of the unique ability of registered charities to issue tax receipts that enable individual donors to claim income tax credits, the term also connotes donations and organizational fundraising.

### 3.10 Summary of Themes

A number of themes or issues may be identified in relation to the terms and definitions commonly associated with the nonprofit/voluntary sector. One theme concerns the idea that the nonprofit/voluntary sector lies somewhere

between – and is relatively independent of – the other two sectors (public and private). Another issue concerns the importance of the nondistribution constraint in defining the sector (e.g., the nonprofit sector). Still another theme relates to the relative importance of volunteer labour versus paid labour in defining the sector. Some terms and definitions appear to emphasize this aspect (e.g., the voluntary sector), while others say relatively little about it (e.g., the third or independent sector). The issue of defining the sector in residual or negative terms (e.g., nonprofit sector, non-governmental sector) versus positive terms (e.g., voluntary sector, independent sector) also emerges as an important theme, as does the issue of defining the sector in economic terms (e.g., nonprofit) versus social or sociological terms (e.g., the commons). Still another issue concerns whether sector organizations are primarily involved in furthering member interests or whether they serve the public good, as in the distinction made by some theorists between the terms *nonprofit* and *not-for-profit*. In the following section, we consider these themes in the context of choosing a label and definition for the voluntary health sector.

### 3.11 Choosing Among Labels: Voluntary Health Organizations

The preceding section suggests a number of considerations in selecting among terms and definitions to refer to the voluntary/nonprofit sector in general. Below we examine these terms in light of their implications for assessing the value and contributions of the voluntary health sector in particular.

A number of criteria for analysing the usefulness of various labels and definitions

to the health sector may already be evident. For example, a useful definition should capture the central characteristics of the voluntary health sector. In addition, a useful definition should be broad enough to allow for the assessment of both economic and health-related or social contributions of the sector, rather than only economic contributions (Quarter, 1992). As well, a definition should be broad enough to allow for the assessment of contributions made both to members (or clients) of specific organizations and to the general public, rather than be restricted to the assessment of one type of contribution or the other.

As noted earlier, the central purpose of our efforts to determine an appropriate label and definition for the voluntary/nonprofit sector is to facilitate the development of an understanding of the contributions of voluntary health organizations, including economic, social, and health-related contributions. Thus, it is important that our definition of the voluntary health sector is consistent with our understanding of the definition of health itself.

From a population health perspective, health is understood in broad terms; it is viewed as being influenced by a variety of biological, social, physical, and economic determinants. Under a population health model, a definition of the voluntary health sector should include a broad range of voluntary/nonprofit organizations, because health-related organizational outcomes are not confined to those organizations that work directly in health. Many organizations, such as a job training centre or an environmental advocacy agency, may engage in activities that have a secondary or long-term impact on health and thus may be considered to be “working in health” from a

population health perspective. In contrast, a more narrow definition of health suggests that only those voluntary organizations working directly in health (such as wellness centres or community health clinics), or that have relatively short-term effects on health, should be included in the voluntary health sector. Ideally, the definition of the voluntary health sector should be broad enough to encompass the diversity of organizations involved in health-promoting activities, but not so broad that it is rendered meaningless, unmanageable or impractical.

Salamon and Anheier (1992) discuss the “terminological tangle” associated with the plethora of terms denoting the voluntary/nonprofit sector, as well as some of their limitations. These limitations may apply equally to the voluntary/nonprofit health sector. For example, the term *charitable sector* emphasizes the support that organizations, such as hospitals and other health organizations, may receive from private, charitable donations, but such contributions do not necessarily constitute the only or major source of their income. This is true particularly in the Canadian context, where hospitals receive a large portion of their funding from government institutions. Similarly, the term *independent sector* emphasizes the important role that such organizations play as a “third force” outside government and private business, but financially these organizations (such as hospitals and other health organizations) may be far from independent. As mentioned previously, the term *voluntary sector* emphasizes the significant input that volunteers make in the management and operations of organizations in this sector, but obscures the fact that most of the activity within this sector is carried out by paid employees. This is particularly true for

hospitals, for example. Finally, the term *nonprofit sector* emphasizes the idea that organizations in this sector do not exist primarily to generate profits for their owners, but ignores the fact that these organizations sometimes do earn large profits (or surpluses).<sup>13</sup>

Gronbjerg (1993) reviewed the labels philanthropic, charitable, voluntary, independent, third, and nonprofit. This author argues that the latter two come closest to capturing the key characteristics of the sector, but that ultimately “nonprofit” may be the term of choice:

Some nonprofits are not especially philanthropic or charitable. Nor are they easily defined as voluntary. Many have no members or other constituencies to which they are accountable. ... Certainly, few if any nonprofit organizations are independent. Rather, nonprofits have extensive and complex interactions with and dependencies on a variety of other organizations. ...[N]onprofits are more than the residual category implied by the “third-sector” nomenclature.

Further, Gronbjerg (1993) points out that:

The term nonprofit has gained increasing prominence and recognition in the field. It also captures the dilemma that many of these organizations face: how to prevent rational preoccupation with financial success from overriding efforts to pursue normative and substantive goals.

(pp. 8-9)

Gronbjerg (1993) suggests that normative, social and substantive goals, not just economic goals, should be the concern of nonprofit organizations. This would seem particularly appropriate to the voluntary health context, where health outcomes, not only economic outcomes, are a primary concern.

Other theorists, however, do not share Gronbjerg’s (1993) preference for the term *nonprofit*. According to Klatt (1997), members of the voluntary sector itself (including the voluntary health sector) tend to lean towards definitions that focus on the distinguishing properties of the sector rather than towards residual definitions. Thus, members of the voluntary sector tend to prefer the terms *voluntary* or *third sector* rather than the term *nonprofit sector*. Further, they believe that the terms *voluntary sector* and *third sector* heighten the profile of the sector in the eyes of the public, government, and business, and are thus preferable (Klatt, 1997). It is important to note, however, that the view of voluntary organizations held by the public is primarily that such organizations are run by volunteers (Angus Reid Group, 1997).

The majority of members of the voluntary sector, including the voluntary health sector, also feel that large government institutions, such as hospitals and universities, should be excluded from the sector (Klatt, 1997). As Davidman, Betcherman, Hall and White (1998) have discussed, it is not always clear whether hospitals and universities fit into the nonprofit or public sector, or whether they fit somewhere in between. Although legally such institutions are usually registered charities (which would seem to place them

within the nonprofit sector), governments largely define the principles by which hospitals and universities operate. Thus, it is not always clear whether hospitals and universities meet the “non-governmental” criterion of the nonprofit sector as put forth by Salaman and Anheier (1992).

In addition to hospitals and universities, many in the voluntary sector think that organizations that are not perceived to necessarily serve the public interest (e.g., labour unions, professional associations, or political parties) should also be excluded from this sector (Klatt, 1997). On the other hand, even the term “public interest” is contested within the voluntary sector. For example, the inclusion of groups such as self-help groups, which may be included in some definitions of the voluntary health sector, is still being debated.

According to Klatt (1997), the federal government as a whole concurs with the voluntary sector’s point of view. For example, Health Canada prefers the term *voluntary sector* over *nonprofit sector* and seeks to define the voluntary sector using a positive approach (Klatt, 1997). In fact, Health Canada, at one point, considered the most important part of the definition to be that part which emphasizes the willingness of people to promote the well-being of others (Klatt, 1997). Health Canada holds that the voluntary sector should include organizations that are engaged in activities intended to provide help to individuals, families and communities, in contrast to a view that focuses exclusively on profit distribution (Klatt, 1997).

Due to a relative lack of awareness of the voluntary/nonprofit sector in the media, different terms are often used

interchangeably by the Canadian public and media. Like government, the Canadian public and media tend to include hospitals and professional associations in their definition of the sector, but have expressed displeasure at having to do so, citing the lack of a better definition or system of classification (Picard, 1997). Like members of the voluntary sector, the public and the media perceive the definition of a “charity” as out-of-date and in need of revision. The inclusion of individuals and informal groups in the definition of the voluntary sector remains a debated issue (Klatt, 1997).

Despite its limitations, Klatt (1997) suggests that the term *voluntary sector* may be the best option because it is the most recognized term describing a largely invisible sector. It also portrays the voluntary sector, including the voluntary health sector, in a positive light. In contrast, and as discussed earlier, other theorists have suggested that the term *nonprofit sector* may be the best choice (Davidman, Betcherman, Hall, & White, 1998; Gronbjerg, 1993). *Nonprofit sector* is a term in general use in both English and French (in Quebec, the term *OSBL*, or *organisme à but non-lucratif*, is commonly recognized). The term expresses the sector’s distinction from the market but also implies “private” or nonpublic status. It clearly reflects a characteristic of organizations rather than individuals, for whom the term voluntary sector may be more appropriate. This approach suggests that the nonprofit sector may best be understood as a more or less coherent socioeconomic institutional sector in and of itself, much like the market, public or domestic/household sectors, while recognizing simultaneously that the boundaries among all sectors are fluid. However, its usefulness for the health context remains an open question.

### 3.12 Issues and Recommendations

As is evident, there is little consensus about an appropriate definition for the voluntary/nonprofit sector in general, or the voluntary/nonprofit health sector in particular. Some theorists believe that an appropriate definition should be selected on the basis of its ability to accurately describe the sector, whereas others believe that it should be selected on the basis of its ability to promote the sector or its interests. Some hold that a definition should reflect a positive approach, that it should not emphasize a residual or “what it is not” approach (e.g., non-profit-distributing, not part of the private or public sectors), and that it should emphasize both social (health) and economic aspects. Other authors question whether organizations that are considered to be more mutual benefit than public benefit in nature (such as professional associations or labour unions) should be included, while some question the very definition of public interest. Still other points of contention concern whether large, government-funded institutions such as hospitals should be included, whether individuals and informal voluntary organizations participating in voluntary action should be included, and whether public advocacy groups should be

included.

Of the many choices available, the two terms that may be the most useful in the health context are *nonprofit* and *voluntary*. The primary disadvantages of the term *nonprofit* include its residual nature and its lack of positive defining connotation, while the primary disadvantage of the term *voluntary* is the connotation that it is comprised mainly of volunteers (and therefore, amateurs). One alternative might be to combine the two terms in order to overcome their respective limitations, with the resulting *voluntary and nonprofit sector*. Within this combined term, the *voluntary* element portrays the sector in a positive or active light, and the *nonprofit* element expresses the sector’s distinction from the market but also implies its “private” or nonpublic status.

In order to arrive at a term or definition that is maximally acceptable within the health sector, however, further research will be required. In particular, the views of representatives of voluntary and nonprofit sector organizations, especially those working in health, should be consulted. Such consultations should focus on exploring their views about an appropriate label and the considerations that they think should guide the choice of a label.

## 4 DEVELOPING A CLASSIFICATION SYSTEM

The preceding review of terms and definitions demonstrates that a variety of distinctions may be drawn among voluntary/nonprofit organizations. Some of these distinctions may need to be included in any classification system developed for the voluntary/nonprofit sector, including the voluntary health sector. A number of existing classification systems for voluntary/nonprofit organizations are presented in the sections below. As will be evident, several organizing dimensions may be relevant to the voluntary health sector – including activity domain, beneficiaries or clients served, legal status of the organization, and others.

In the following sections we briefly introduce some of the general problems associated with developing classification systems. Next we review the major existing classification systems and recommend a preliminary classification framework for use in understanding the role and contributions of voluntary organizations working in health. As noted earlier, the proposed classification framework has been developed a priori and is based primarily on a conceptual analysis of the possible importance of a variety of organizational dimensions. As a result, the classification system should be considered a provisional framework that will require empirical validation.

### 4.1 Classification and Typology

There is a large body of literature on classification, particularly within the field of biology, which may usefully guide our

efforts to develop a classification system for Canadian voluntary/nonprofit health organizations. The terms *typology*, *taxonomy*, *classification* and *categorization* are all used to describe approaches to organizing objects into groups on the basis of their similarities or differences on some set of predetermined characteristics. Whether developing theories and methods for organizing objects into groups, or assigning objects to groups according to their essential characteristics, the purpose of classification is to describe the structure and relationship of objects to each other and to similar objects and to simplify these relationships in order to enable general statements about classes of objects (McKelvey, 1982; Sokal, 1974).

In the taxonomy literature, a distinction is made between *monothetic* and *polythetic* classifications (Sokal, 1974). In monothetic classifications, established classes differ by at least one property that is uniform among the members of each class and are based on discrete (as opposed to continuous) attributes. For example, nonprofit organizations differ from for-profit organizations in that all share the profit distribution constraint. Alternately, in polythetic classifications, objects are grouped according to an index of similarity that is usually based on their average properties across a number of attributes (e.g., cost, outcome, number of paid staff and volunteers). Polythetic classifications require that objects are sampled and measured in order to derive an index of similarity, whereas monothetic classifications can be made a priori without empirical study.

Most voluntary and nonprofit sector classifications that have been developed to date are monothetic systems. They do not rely on sampling organizations or on efforts to empirically determine their similarities or the dimensions underlying their similarities. If experience in other disciplines is a guide, we can anticipate that these systems will suffer from two major weaknesses. First, it is difficult to determine which of the many possible organizational features should form the basis for classification. Second, these systems tend to have so many classes that they lose their utility.

It is important to also note that classification does not require the grouping of objects into mutually exclusive categories, although most existing voluntary and nonprofit sector classification systems are constructed in this manner. As Sokal (1974) points out, the whole idea of non-overlapping classification is attractive to the human mind, but it is not the only approach to classification that exists.

#### **4.2 The Elements of a Useful Classification System**

McKelvey (1982) provides a number of attributes of an ideal organizational classification including the following three characteristics: First, it requires sharp *discontinuities among the objects being classified* so that there is little argument that the objects are indeed different and need to be placed in different classes. Second, the ideal classification *has high levels of homogeneity within classes*. The greater the homogeneity, the more successful the classification because it will mean that the description of one member will apply to all members of that class. Third, it is preferable

if the groupings are *stable over time*. If the composition and meaning of the groupings change over time, then the classification becomes outmoded.

In their review of nonprofit sector classification systems, Salamon and Anheier (1992, 1997) present five criteria for assessing classification systems. These are:

- i *Economy*: An effective classification system must organize the vast number of entities in the voluntary sector into a reasonable number of groupings, using a limited number of organizing criteria.
- ii *Significance*: The system must organize its groupings according to truly significant and meaningful differences in the entities being studied. In other words, the distinguishing characteristics used to separate thousands of voluntary sector organizations should create relatively homogeneous groups.
- iii *Rigor*: The system should be rigorous and reliable. The criteria should also be clear enough and based on widely obtainable information so that different people will group the same organizations in the same way.
- iv *Combinatorial richness*: The system should provide enough diversity within it to highlight interesting relationships, comparisons and contrasts. This criterion needs to be balanced with the need for economy.
- v *Organizing power*: The system should be flexible enough to fit circumstances other than those it was originally developed to fit. (This is especially important for international work.)



Of the criteria listed above, economy, rigor, combinatorial richness, and organizing power are designed to help evaluate the utility of the *structure* of a classification system. The *significance* criterion, although central to the overall validity of a system, is highly subjective. Wolpert (1993) supports this view with a call for “meaningful, significant and relatively homogeneous categories” of classification. In other words, the categories of a classification system should be organized according to *meaningful* and *significant* key characteristics.

Salamon and Anheier (1997) evaluated four alternative types of definitions for the nonprofit sector: (a) structural-operational, (b) legal, (c) economic, and (d) functional. On the basis of the five criteria presented above, they selected a structural-operational definition as being the most appropriate and useful for the nonprofit sector, as it is relatively economical and significant, and has considerable combinatorial richness and organizing power (for a more detailed discussion, see Salamon & Anheier, 1997).

These evaluative criteria may be applied to three key areas in a classification system: the unit of analysis, the organizing dimensions of the classification system, and the coding structure of the system. The unit of analysis may be a pivotal choice that influences the overall utility of a classification system. In the case of the voluntary health sector, the choice ranges from the smallest unit possible, the program, to the next largest unit, the establishment (a distinct unit in one physical location, operating somewhat independently from other parts of the organization), to the largest unit, the organization. Each choice presents a distinct set of problems and difficulties. The goal is to find the unit of analysis that is both most

homogenous in terms of the relevant classification dimension and that also allows for adequate data collection (Salamon & Anheier, 1992). The program may be too small a unit because it may not have the same permanence and level of institutionalization as the organization, rendering year-over-year comparisons difficult. The organization may be too large a unit, presenting difficulties in determining the primary activity of an organization, and may result in the accumulation of incomplete or distorted data. The establishment may provide a key midpoint, but its definition may be open to interpretation.

The organizing dimensions are the central elements of a classification system. They are the means through which the units of analysis (e.g., programs or establishments or organizations) are distinguished from one another, and therefore identify the central elements of those units. Ultimately, the structure of the classification system, and the inquiries, comparisons, and analysis permitted by that structure, will be determined by the selection of organizing characteristics used in distinguishing the appropriate units from one another.

Selecting the organizing dimensions, and thereby identifying which characteristics are significant for separating units into different groups, is a matter of judgement and is guided by the purposes of the classification. Most, if not all, voluntary/nonprofit sector classifications are designed for specific purposes, and these purposes ultimately influence the form and structure chosen by the designer of a classification system. These purposes may include:

- i seeking to understand and analyze

- financial flows in the sector for economic analysis;
- ii seeking to understanding the relationships/links that organizations have with the public and business sectors;
- iii wanting to understand human resources development in the sector, including dimensions of volunteer labour;
- iv measuring the impact that public policy decisions may have on the sector; or
- v analyzing program outcomes (e.g., health outcomes) in a macro context.

As a result, each classification system may have a different basis for choosing the key organizing characteristics of that system, depending on the purpose of the classification. Therefore, when reviewing existing classification systems and organizing dimensions, it may be particularly useful to consider how appropriate the approach is for organizing our understanding of the economic and social contributions of voluntary organizations working in health.

#### 4.3 Choosing the Dimensions of Classifications

Organizations have a host of characteristics that could be used for developing classification systems. Below is a list of 36 categories of organizational attributes that could be used to classify organizations (Haas, Hall, & Johnson, cited in McKelvey, 1982). These categories emphasize the structural attributes of the organizations as a whole and include:

- Organizational goals and objectives

- Major activities of the organization
- Basic organizational character or orientation
- General levels of workers (members)
- Major divisions or departments (horizontal differentiation)
- Vertical and horizontal complexity
- Geographical dispersion of personnel and facilities
- Committees and boards
- Organizational control (source of major policy decisions)
- Dependency on other organizations
- Competition with other organizations
- Governmental control and regulation
- Supply of potential members
- Primary sources of income
- Financial condition of the organization
- Age of the organization.

Similarly, Jansen, Senecal and Thompson (1983) proposed a list of 16 possible dimensions for the classification of voluntary organizations. These are divided into two groups: organizational dimensions (structure); and organizational action dimensions (activity).

- i Organizational dimensions are those which fall under structural measures of an organization. Possible key dimensions are:
  - *Size of organization.* Measured in many possible ways including: annual budget; number of members; or a composite index of these factors and others such as number of paid staff, volunteer time utilized, number of offices, and net worth of the organization.
  - *Source and degree of sanction.*

The measure of this key feature would indicate the characteristics of the constituency that the organization serves and the level of support it receives from that community and the broader public (e.g., measuring financial and volunteer contributions). The constituency groups could be grassroots, elite, or broader in nature, or a government organization, for example.

- *Organizational structure and affiliation.* Examination of this key feature would indicate an organization's internal structure and the number and nature of its links with other organizations in the economy.
- *Funding source(s) and security of funds.* This key feature would assess whether funds are from private donations, fees, earned income or government sources, and whether there is year-over-year security of the receipt of such funds.
- *Decision-making and control.* This key feature would highlight the internal management structure (e.g., role and power of the board of directors), and the division of labour within an organization, including such things as the extent to which volunteer labour is utilized.
- *Maturation/institutionalization of group.* This would be a measure of the organization's age and permanence.
- *Role of volunteers.* Use of this key feature would be to measure the use of volunteers in the organization, the proportion of

volunteer workers to paid staff, how volunteers are trained and how they are utilized in the organization, including which activities they engage in.

- ii Action Dimensions are those that measure the type of activities that are conducted within the organization. Possible key dimensions are:

- *Locus/scope of concern.* Whether an organization's work is local, regional, national or international.
- *Essential nature of service.* The measure of the type of services an organization provides and whether these services are near-government, quasi-government, or a substitute for government-provided services.
- *Benefit target population.* The measure of the interest group or target population intended to benefit from the action of a voluntary organization, including the size and area location of the target population.
- *Influence target population.* The measure of the groups or populations that the organization intends to influence through its activities.
- *Purpose/goals.* The intended outcome(s) of an organization's activities.
- *Outputs.* The outputs may be measured in terms of persons benefited/serviced, amount of money raised, number of publications printed and distributed, media coverage, and volunteer time contributed.

- *Process.* The actual activities carried out by an organization in order to achieve its purpose or goals.
- *Domain/sector.* The economic sub-sector in which the organization is active such as health, education, sports, arts and culture, and so on.
- *Multi-purpose/multi-function groups.* The groups that are active in several domains, producing several outputs through a number of processes.

As is evident from the above, a variety of organizing dimensions have been proposed. Our review of existing classification systems will show, however, that most classifications employ a one-dimensional, economic classification system that focuses on the major activity of an organization. As we will elaborate, such a system may be useful for certain purposes (e.g., understanding economic contributions), but it may limit our ability to classify organizations for other purposes (e.g., according to broader, social or health-related contributions). We now turn to a review of existing classification systems, including an analysis of their structure, units of analysis, and organizing dimensions.

#### **4.4 Existing Classification Systems**

It is informative to examine the more widely used existing classification systems in order to assess whether or not they provide a useful classification system for our present purposes or whether they at least provide a starting point for our efforts to develop a classification that will assist research on

Canadian voluntary/nonprofit sector organizations working in health. In this section we review a variety of classifications including: the International Standard Industrial Classification System (ISIC); the North American Industrial Classification System (NAICS); the US National Taxonomy of Exempt Entities (NTEE); Classifications derived from Revenue Canada data; the International Classification of Non-Profit Organizations (ICNPO); a proposed classification system for a Human Resources Sector Study; the classification used in the 1997 National Survey of Giving, Volunteering and Participating (NSGVP); and a classification developed by the Charity Commission in the United Kingdom.

For each classification system we provide an overall description of its origin and use, its unit of analysis, its organizing criteria, and its structure. Finally, we provide a brief evaluation of the system. Table 3 provides an overview of the differences among the classification systems, their organizing dimensions, and how these may impact upon their evaluation.

##### **4.4.1 The International Standard Industrial Classification System**

Formulated by the United Nations, the International Standard Industrial Classification System (ISIC) was created to provide a system for developing consistent economic statistics among the countries of the world (Salamon & Anheier, 1992). Modelled on the standard industrial classification system developed in the United States, it was adopted at the international level in 1948 and has been revised three times in the past 50 years. The

ISIC utilizes the UNSNA definition of nonprofit organizations, which as discussed earlier, is based on the source of funding of such organizations. Under this definition, only those organizations that receive less than half of their income from either user fees or government sources are included as nonprofit institutions serving households.

### **Unit of Analysis**

The unit of analysis is the “enterprise” as opposed to the establishment (although some of the surveys used to prepare national accounts are establishment-based), and subdivisions of organizations are not coded separately.

### **Organizing Criteria**

Three criteria are employed for coding organizations in the ISIC. All of these are designed to highlight economic measures. These are:

- i The character of the goods and services produced;
- ii The uses to which the goods and services are put;
- iii The inputs, the process, and the technology of production.

### **Structure**

The ISIC codes organizations in three stages. First the organization is placed into one of 17 broad sections. Voluntary organizations are classified into one of three of these broad categories: Education; Health and Social Work; and Other Community, Social, and Personal Service Activities (Salamon &

Anheier, 1992). The second level of the code contains 60 subdivisions. The third level codes these organizations into up to 9 groups each. The following is an abbreviated example of the three categories into which voluntary organizations would fall:

#### Education

- Primary
- Secondary
- Higher
- Adult and other

#### Health and Social Work

- Human Health Services
- Veterinary Services
- Social Work Activities

#### Other Community, Social, and Personal Service Activities

- Sanitation
- Business and Professional
- Trade Unions
- Other Membership Organizations (including religious, political)
- Entertainment
- News
- Libraries, Museums, Culture
- Sport and Recreation

### **Evaluation**

According to Salamon and Anheier (1992), the strengths of the ISIC system lie in its *economy*. A vast number of organizations are placed into relatively few, clear categories. However, the ISIC has limited utility for organizing our understanding of the voluntary/nonprofit sector. First, it classifies along only one dimension (economic activity), and therefore overlooks

a number of other possible variations of interest among organizations (e.g., the organizational purpose or function, the beneficiaries of organizational activity). Second, it excludes large numbers of voluntary organizations because it only includes voluntary organizations that receive less than half of their income from fees or government support. As a result, vast arrays of organizations that would generally be considered part of the voluntary sector in Canada are excluded from potential analyses. In addition, only a small number of the ISIC categories are used to describe voluntary/nonprofit organizations and as a result it suffers from a lack of *combinatorial richness*. For example, hospitals, hospital

charities, health-related foundations, and other, non-institutional health services are grouped together under Health and Social Work, Human Health Services.

#### **4.4.2 North American Industrial Classification System**

##### ***Description***

The North American Industrial Classification System (NAICS) was developed to replace the Standard Industrial Classification System of Canada (1980), the Mexican Classification

**Table 3. Classification Systems**

<b>Classification System</b>	<b>Unit of Analysis</b>	<b>Organizing Dimensions</b>	<b>Origin/Use</b>	<b>Voluntary/ Nonprofit Organization Criteria</b>
International Standard Industrial Classification (ISIC)	Enterprise	The character of the goods and services produced (e.g., health). The uses to which the goods and services are put (e.g., human health services). The inputs, the process, and technology of production (Primary activity, e.g., research).	Designed by the UN for international industrial/economic comparisons.	No more than 50% of the organization's funding may come from either government or revenue generating operations (membership or commercial activities).
North American Industrial Classification System (NAICS)	Establishment	The inputs, the process, and technology of production (Primary activity, e.g., research).	Designed by Canadian, US and Mexican governments to provide pan-North American industrial/economic statistics.	No more than 50% of the organization's funding may come from either government or revenue generating operations (membership or commercial activities).
National Taxonomy of Exempt Entities (NTEE)	Organization	The economic area – domain/sector (e.g., health). The process or activity the organization is engaged in (e.g., research).	Designed by the National Centre for Charitable Statistics in the US to provide a means for organizing IRS data on tax-exempt organizations.	Only those organizations that are classified as tax-exempt entities by the IRS in the United States.
Canadian Charitable Sector Classifications/ Revenue Canada	Organization	Legal designation (charitable organization, charitable foundation, nonprofit organization). Sector/domain, (e.g., health, education). Primary purpose or goal (e.g., education, health services).	Developed for tax collection/information purposes in Canada.	Only those organizations that are legally classified as registered charities under Canadian tax law.
Classifications Derived From Revenue Canada Categories: Sharpe (1994) and Hall & Macpherson (1995)	Organization	Legal designation (charitable organization, charitable foundation, nonprofit organization). Sector/domain (e.g., health, education). Primary purpose or goal (e.g., education, health services).	Developed to help researchers investigating the charitable sector.	Only those organizations that are legally classified as registered charities under Canadian tax law.

Classification System	Unit of Analysis	Organizing Dimensions	Origin/Use	Voluntary/ Nonprofit Organization Criteria
International Classification of Non-Profit Organizations (ICNPO)	Establishment	Primary economic activity (e.g., culture and recreation, education and research, health).	Developed to permit international comparisons of nonprofit sectors.	<p>The ICNPO employs five criteria for inclusion in the voluntary/nonprofit sector:</p> <ul style="list-style-type: none"> <li>• Organized. The organization must be institutionalized to some extent.</li> <li>• Private. The organization must be institutionally separate from government.</li> <li>• Non-profit-distributing. The organization must not return any profits generated to the owners or directors.</li> <li>• Self-governing. The organization must be equipped to control their own activities and not be so tightly controlled by government or private business that they essentially function as parts of these institutions.</li> <li>• Voluntary. The organization must have a significant degree of voluntary participation, either in the conduct of its activities (program volunteers) or the management of its affairs (voluntary members of the board of directors).</li> </ul>
Proposed HRDC Study Classification	Organization	<p>Domain of activity (e.g., health, education, research).</p> <p>Organizational type (e.g., public service, mutual benefit, co-operative).</p> <p>Type of activity (social rights and regulations, community ties, legal services).</p> <p>Legal status (e.g., registered charity, private foundation, nonprofit organization).</p>	Developed to help assess human resource issues in the voluntary/nonprofit sector (adopted from the ICNPO).	Same as ICNPO, but modified and proposes additional classification dimensions to integrate a measure of flexibility into the system for the Canadian case. In its boundary with the public sector, it is suggested that researchers should be allowed to either include or exclude hospitals and universities, depending on the needs of analysis. Along the border of the private sector, it is suggested that replacing the non-profit distribution constraint with a non-profit maximization criterion would be more useful. This would allow for the inclusion of co-operatives and credit unions, which have played an important and historical role in the development of the Canadian nonprofit sector (see Davidman et al., 1998).
National Survey of Giving, Volunteering and Participating (NSGVP)	Organization	Primary activity (e.g., health, education and research).	Developed for the purposes of categorizing organizations named in a Canadian national survey of donor behaviour, voluntary activity and civic participation.	Same as ICNPO, but modified and proposes additional classification dimensions to integrate a measure of flexibility into the system for the Canadian case. In its boundary with the public sector, it is suggested that researchers should be allowed to either include or exclude hospitals and universities, depending on the needs of analysis. Along the border of the private



Classification System	Unit of Analysis	Organizing Dimensions	Origin/Use	Voluntary/ Nonprofit Organization Criteria
				sector, it is suggested that replacing the non-profit distribution constraint with a non-profit maximization criterion would be more useful. This would allow for the inclusion of co-operatives and credit unions, which have played an important and historical role in the development of the Canadian nonprofit sector (see Davidman et al., 1998).
UK Charity Commission Classification System	Organization	<p>The beneficiaries/client groups (e.g., individuals, institutions, environment).</p> <p>The function of the organization/method of operation (e.g., finance/resources, advocacy, information and research).</p> <p>The industry/field (domain) of operation (education and training, health).</p>	<p>Developed by the Charity Commission to:</p> <ol style="list-style-type: none"> <li>a) provide policy makers, researchers, practitioners and other commentators with a recognizable economic map of the UK voluntary sector.</li> <li>b) provide, on an annual basis, the most up-to-date and reliable statistics on the voluntary sector.</li> </ol> <p>Attempts to overcome the deficiencies of the ISIC, ICNPO, and the NTEE.</p>	<p>Organizations defined as general charities must meet four key criteria:</p> <ul style="list-style-type: none"> <li>• Independent governance. Organizations that are separate from government and business, excluding: (a) registered charities that are non-departmental public bodies or quasi-governmental organizations (e.g., British Museums); and (b) financial institutions that are classified in the corporate sector in the system of national accounts (e.g., Charities Official Investment Fund or COIF).</li> <li>• Non-profit distributing. Organizations that do not distribute profits to shareholders, excluding co-operatives.</li> <li>• Objectives that confer a wider public benefit. Organizations that provide a public benefit beyond any membership. Those excluded are: (a) friendly societies and building societies; (b) housing associations; (c) sports and social clubs; (d) independent schools; and (e) trade unions.</li> <li>• Non-sacramental religious bodies/places of worship. Organizations that are predominantly sacramental religious bodies or places of worship are excluded from the definition of general charities.</li> </ul>

of Activities and Products (1994), and the Standard Industrial Classification (1987) of the United States. Its development represents a trilateral effort on the part of Statistics Canada, Mexico's Instituto Nacional de Estadística, Geografía e Informática (INEGI), and the Economic Classification Policy Committee (ECPC) (working on behalf of the Office of Management and Budget) of the United States. Implemented in 1997 in the US and Canada and in 1998 in Mexico, the system was designed to make the industrial statistics produced in these three countries comparable.

The designers of the NAICS also sought to ensure that the system would compile statistics that are comparable to those collected by the ISIC in order to facilitate international comparisons. This was achieved by maximizing the extent to which the broadest categories of the NAICS matched the major categories used by the ISIC.

Like the ISIC, the NAICS utilizes the definition of the voluntary sector drawn from the UNSNA, which excludes voluntary organizations that receive more than half of their income from fees or government sources.

### ***Unit of Analysis***

The NAICS is relatively unique in its design when compared with previous industrial classification systems in that the unit of analysis in the NAICS system is the establishment (or unit that runs its own programs within an organization), as opposed to the organization as a whole.

### ***Organizing Criteria***

Establishments are coded according to their primary activity. When an establishment is engaged in more than one activity, the activities are treated as independent. The establishment is then classified according to the activity with the largest value-added component, which is determined through an analysis of factors such as revenue, shipments, and employment.

The NAICS was constructed within a single conceptual framework. Its principle of aggregation assumes that economic units with similar production processes should be grouped together. This principle of aggregation is also the third organizing dimension utilized in the ISIC, which it defines as *the inputs, the process, and the technology of production*. In other words, the *activities* of an organization are used to place it within a category. Thus, this system is designed to ensure that statistical agencies in the three participating countries can produce an analysis of inputs and outputs, industrial performance, productivity, unit labour costs, employment, and other statistics that reflect structural changes occurring in the three economies.

### ***Structure***

In the NAICS system, organizations are coded first into one of 20 sectors and then categorized into one of 99 sub-sectors. Following this, they are placed into one of 321 industry groups, one of 734 industries and one of 921 national industries. In this highly differentiated system, hospitals fall under the Health and Social Services sector, which also includes community housing

services and day care centres. An example of two sectors, *Education and Health Care and Social Assistance*, with categories and subcategories, is provided below. (Please note that only certain categories are broken down to the third level.)

#### Educational Services

- Elementary and Secondary Schools
- Community Colleges and CEGEPs
- Universities
- Business Schools and Computer and Management Training
- Technical and Trade Schools
- Other Schools and Instruction
- Education and Support Services

#### Health Care and Social Assistance

- Ambulatory Health Care Services
- Offices of Physicians
- Offices of Dentists
- Offices of Other Health Practitioners (including chiropractors, optometrists and mental health practitioners)
- Offices of Physical, Occupational and Speech Therapists
- Offices of all Other Health Practitioners
- Out-Patient Care Centres
- Medical and Diagnostic Laboratories
- Home Health Care Services
- Other Ambulatory Health Care Services
- Hospitals
- Nursing and Residential Care Services
- Social Assistance
  - Individual and Family Services
  - Community Food and

Housing, and Emergency and Other Services

- Vocational Rehabilitation Services
- Child Day Care Services

### ***Evaluation***

The NAICS does not provide a very useful classification of voluntary/nonprofit organizations. Like the ISIC, it categorizes organizations solely on the basis of their economic activity. It employs a very large number of categories and therefore lacks economy. In addition, the system excludes a large number of voluntary/nonprofit organizations because it uses the UNSNA definition of nonprofit organization. The biggest drawback is that for-profit and voluntary/nonprofit organizations are not categorized separately. Organizations involved in delivering social services are grouped together with community development organizations as well as hospitals. Nonprofits such as museums and community recreation organizations are classified in the Arts, Entertainment and Recreation sector, which includes concert promoters, casinos, amusement parks, marinas and bowling centres. The system also places a number of for-profits and nonprofits into the “all-other” subcategories. This categorization system renders sub-sector analysis difficult. As is true of the ISIC, there is high potential for the double-counting of financial flows.

#### ***4.4.3 National Taxonomy of Exempt Entities***

##### ***Description***

The National Center for Charitable Statistics (NCCS) at the Urban Institute in the United States developed the National Taxonomy of Exempt Entities (NTEE) during the early 1980s. Originally published in 1986, it was designed to provide a tax-exempt organization classification system. The NTEE is a mixed notation organization classification system of 26 major groups, collapsible into 10 major categories and divisible into 645 subgroups. The NCCS has continued to use the system since its inception, and the Internal Revenue Service (IRS) in the United States has been using the NTEE to classify organizations with tax-exempt status since 1995.

The boundaries of the voluntary sector drawn for the NTEE include only those charitable organizations that qualify as “exempt entities” according to US tax laws. These organizations must be registered with the Internal Revenue Service as charitable foundations and charitable organizations (IRS code 503 (c)(3)) that are tax-exempt from federal income tax. US federal income tax law allows 26 sub-categories of organizations to qualify as tax-exempt (Salamon & Anheier, 1997).

### ***Unit of Analysis***

The unit of analysis for the NTEE is the organization.

### ***Organizing Criteria***

Using the organization as the primary unit of analysis, the NTEE uses two organizing dimensions for classifying nonprofit organizations.

- The economic area or domain/sector (e.g., education, health, mental health, employment) for groupings;
- The process or activity in which the organization is engaged (e.g., research, fundraising, management and technical assistance) for common codes (Salamon & Anheier, 1997).

### ***Structure***

The NTEE classifies charitable organizations into a total of 645 possible groups. There are 10 broad “functional categories” (e.g., Education (B), Health (E, F, G, H), Human Services (I – P)) under which fall the 26 major groups, which are:

- A. Arts, Culture and Humanities
- B. Educational Institutions and Related Activities
- C. Environmental Quality, Protection and Distribution
- D. Animal-Related
- E. Health – General and Rehabilitative
- F. Mental Health – Crisis Intervention
- G. Diseases, Disorders, Medical Disciplines
- H. Medical Research
- I. Crime, Legal-Related
- J. Employment-Related
- K. Food, Agriculture, and Nutrition
- L. Housing, Shelter
- M. Public Safety, Disaster Preparedness and Relief
- N. Recreation, Sports, Leisure, Athletics
- O. Youth Development
- P. Human Services – Multipurpose and Other

- Q. International, Foreign Affairs, National Security
- R. Civil Rights and Advocacy
- S. Community Improvement, Capacity Building
- T. Philanthropy, Voluntarism, and Grantmaking Foundations
- U. Science and Technology Research Institutes, Services
- V. Social Science Research Institutes, Services
- W. Public, Society Benefit, Multipurpose and Other
- X. Religion-Related, Spiritual Development
- Y. Mutual/Membership Benefit Organizations, Other
- Z. Unknown

Within these groups, organizations are further classified according to the following structure (using Major Group E - "Health" as an example):

- A "decile level" identifying subgroups (e.g., E30 – Health Treatment Facilities, Primarily Outpatient).
- A "centile level" dividing organizations into further subgroups (e.g., E38 – Burn Centre, Institute) and
- 17 common codes identifying areas of activity (e.g., E00 – Health – General and Rehabilitative, F00 – Mental Health – Crisis Intervention).
- 80 subdivisions of the common codes to identify more specific areas of activity.

organizing dimensions are economic in nature and therefore it does not lend itself well to organizing our understanding of non-economic or social aspects of voluntary nonprofit organizations. Another limitation is its lack of economy. The NTEE provides thousands of possible categories for a relatively small sector of the economy (Salamon & Anheier, 1997). It is also limited in its *organizational power* because similar types of organizations that work in separate areas of activity are categorized differently. More specifically, organizations are classified according to area of activity and type of activity using the summary statistics available from the IRS, which may be variable and thus lead to inconsistencies. For example, a fundraising organization that focuses on the education field may be placed in the "Education" category, whereas a general fundraising organization may be placed in the "Philanthropy, Voluntarism and Grantmaking Foundations" category and a federated fundraising organization such as the United Way may be placed in the "Community Improvement, Capacity Building" category, despite the fact that all three organizations are involved in fundraising and grantmaking (Salamon & Anheier, 1992). On the other hand, the vast number of NTEE categories provides great *combinatorial richness* for those organizations that it does classify (Salamon & Anheier, 1992).

## **Evaluation**

One of the limitations of the NTEE is that its

#### **4.4.4 Canadian Charitable Sector Classifications**

##### **Description**

Classifications of Canadian charities typically rely on the classification system that Revenue Canada has developed for registered charities. The data that charities file annually via the T3010 Public Information Return have been an important source of information for researchers investigating the charitable sector in Canada (e.g., Sharpe, 1994; Day & Devlin, 1997). Up until 1997, Revenue Canada had been classifying the information that charitable organizations provided about their stated purpose when first registered into 6 sectors and 47 categories based on the organizations' areas of activity. For example, the Education sector is comprised of 6 categories, including teaching institutions, support of schools, and culture and arts promotion. Revenue Canada also distinguishes among charitable organizations, private charitable foundations and public charitable foundations.

In 1997, the T3010 form was revised and information is now collected about an organization's major area of activity using 71 categories. Some of these categories combine information about the type of activity that an organization undertakes and the beneficiaries of the activity (e.g., housing for seniors, low-income people and those with disabilities; services for aboriginal people), and some simply indicate the area of activity (e.g., medical services; agricultural programs; literacy programs). Because organizations can indicate the extent of their involvement in up to four areas of activity, the classification system can provide information about the multiple activities of

organizations.

##### **Unit of Analysis**

The unit of analysis for this classification system is the organization.

##### **Organizing Criteria**

The organizing criteria are as follows:

- i Designation (private foundation, public foundation, or charitable organization)
- ii Sector (e.g., health, education)
- iii Primary purpose or "goal" (e.g., health services)

##### **Structure**

Organizations are classified into one of six broad sectors, including Welfare, Health, Education, Religion, Benefits to the Community, and Other. These are subdivided, each with a different number of categories. There are 47 categories in total. The categories of *Health*, *Education* and *Benefits to the Community* are provided as examples:

###### **Health**

- Hospitals
- Health services other than hospitals
- Health charitable corporations
- Health charitable trusts
- Health organizations not elsewhere classified (n.e.c.)

###### **Education**

- Teaching institutions

- Support of schools
- Culture and arts promotion
- Education charitable corporations
- Education charitable trusts
- Education organizations n.e.c.

#### Benefits to the Community

- Libraries and museums
- Military units
- Preservation of sites
- Community charitable corporations
- Community charitable trusts
- Protection of animals
- Recreation, playgrounds, camps
- Temperance associations
- Community organizations n.e.c.

#### **4.4.5 Classifications Derived From Revenue Canada Categories**

##### **Description**

Sharpe (1994) and Hall and Macpherson (1995) have refined Revenue Canada classifications for use in their analyses of T3010 data at the Canadian Centre for Philanthropy.

##### **Unit of Analysis**

The unit of analysis in these classification systems is the organization.

##### **Structure**

Sharpe (1994) derived a six category classification system (Places of Worship, Hospitals, Teaching Institutions, Other Charitable Organizations, Public Foundations, and Private Foundations with

Other Charitable Organizations – subcategorized into Welfare; Health; Education; Religion; Benefits to the Community; and Other Services). Hall and Macpherson (1995, 1997) created a 14-category typology organized as follows:

- i *Social Service*: e.g., Canadian National Institute for the Blind, CARE Canada, Children’s Aid Societies.
- ii *Hospitals*
- iii *Health-Related*: e.g., Canadian Cancer Society, Canadian Red Cross, and Arthritis Society.
- iv *Teaching Institutions*: universities and colleges.
- v *Education*: organizations supporting schools and education.
- vi *Places of Worship*: churches, synagogues, temples, etc.
- vii *Religion*: e.g., convents, monasteries, and missionary organizations.
- viii *Community Benefit*: e.g., Meals on Wheels, the John Howard Society, humane societies, historical associations.
- ix *Arts & Culture*
- x *Libraries & Museums*
- xi *Recreation Organizations*
- xii *Other Charitable*
- xiii *Public Foundations*: e.g., United Way, Centraide, and foundations supporting hospitals.
- xiv *Private Foundations*: organizations disbursing private funds.

##### **Evaluation**

Revenue Canada and Revenue Canada-based classifications have a number of limitations. First, like many classification

systems, they primarily distinguish among organizations on the basis of area of activity and overlook other aspects of voluntary/nonprofit organizations. Second, Revenue Canada only classifies the activities of registered charities and as a result only has categories that reflect the types of activities recognized by Canadian law as being charitable.

#### **4.4.6 International Classification of Non-Profit Organizations**

##### **Description**

The ICNPO has been used to classify nonprofit organizations for the purposes of the Johns Hopkins Comparative Nonprofit Sector Project. Salamon and Anheier (1992) proposed the ICNPO after substantial analysis of current industrial classification systems for application to comparative nonprofit sector research and in collaboration with a team of international scholars. The ICNPO finds its origins in the ISIC, on which Salamon and his colleagues elaborated, to capture the reality of the nonprofit sectors in the 22 countries currently studied in the project (Argentina, Australia, Austria, Belgium, Brazil, Colombia, Czech Republic, Finland, France, Germany, Hungary, Ireland, Israel, Italy, Japan, Mexico, The Netherlands, Norway, Peru, Poland, Romania, Russia, Slovakia, South Africa, Spain, United Kingdom, United States and Venezuela).<sup>14</sup> The ICNPO was developed so that the national income data systems employed by these nations (which are based on the ISIC) could be applied to the ICNPO and international comparisons could be drawn (Salamon & Anheier, 1997, pp. 67-68).

As discussed earlier, the ICNPO employs a broadly inclusive structural-operational definition of nonprofit organization. This definition identifies five key features that organizations must have in order to be included in the voluntary sector. These features are elaborated in more detail below (Salamon & Anheier, 1997):

- i *Organized.* The organization must be institutionalized to some extent. The key concept is not that the organization be legally recognized but that it has some institutional reality (e.g., some degree of internal structure, relative persistence of goals) to give it a degree of organizational permanence.
- ii *Private.* The organization must be institutionally separate from government. It must be “non-governmental” in the sense of being structurally separate from the instrumentalities of government and in not exercising government authority.
- iii *Non-profit-distributing.* The organization must not return any profits generated to the owners or directors.
- iv *Self-governing.* The organization must be equipped to control their own activities and not be so tightly controlled by government or private business that they essentially function as parts of these institutions.
- v *Voluntary.* The organization must have a significant degree of voluntary participation, either in the conduct of its activities (program volunteers) or the management of its affairs (voluntary members of the board of directors). Membership



must also be free of coercion so that organizations in which membership is required by law would be excluded. This would include some professional associations in which membership is required in order to be licensed to practice a trade or profession.

Under the strict use of these criteria, co-operatives, mutuals, and some self-help groups would be excluded because they would not meet the “non-profit distributing” requirement. However, these and similar types of organizations may be included in the nonprofit sector if their profit motive is secondary to the primary concern of offering services that benefit the broader local community (Salamon, Anheier & Associates, 1998).

### **Unit of Analysis**

The central unit of analysis used in the ICNPO is the establishment, rather than the enterprise or organization. The pivotal distinction in this approach is that an establishment is defined as a place of operation of an enterprise, whereas an enterprise (or organization) may run several establishments. Each establishment may provide a different primary type of good or service.

### **Organizing Criteria**

Like the ISIC, the ICNPO utilizes similar key organizing criteria for distinguishing organizations within the voluntary sector, the central one being *economic activity*. More specifically, economic units are sorted according to the *primary* type of goods or service provided. Therefore, within this

system an establishment that mainly conducts medical research would be classified under research, rather than health, since research is its primary organizational activity and product.

### **Structure**

The ICNPO divides the sector into 12 major activity groups, which are further divided into 24 sub-groups, each of which in turn are divided into a number of activities. These activities are listed, although not coded, and no attempt is made at standardization at this level. Salamon and Anheier (1992) avoid standardization at the lowest level of classification because of the diversity of the nonprofit sector in different locations. The major groups and sub-groups are presented below.

- i. *Culture and Recreation*: includes organizations and activities in general and specialized fields of culture and recreation. Three sub-groups of organizations are included in this group: (1) culture and arts (i.e., media and communications; visual arts, architecture, ceramic art; performing art; historical, literary and humanistic societies; museums; and zoos and aquariums); (2) sports; and (3) other recreation and social clubs (i.e., service clubs and recreation and social clubs).
- ii. *Education and Research*: includes organizations and activities administering, providing, promoting, conducting, supporting and servicing education and research. Four sub-groups are contained in this group: (1) primary and secondary education

- organizations; (2) higher education organizations; (3) organizations involved in other education (i.e., adult/continuing education and vocational/technical schools); and (4) organizations involved in research (i.e., medical research, science and technology, and social sciences).
- iii *Health*: includes organizations that engage in health-related activities, providing health care, both general and specialized services, administration of health care services, and health support services. Four sub-groups are included in this category: (1) hospitals and rehabilitation; (2) nursing homes; (3) mental health and crisis intervention; and (4) other health services (i.e., public health and wellness education, out-patient health treatment, rehabilitative medical services, and emergency medical services).
- iv *Social Services*: includes organizations and institutions providing human and social services to a community or target population. Three sub-groups are contained in this category: (1) social services (including organizations providing services for children, youth, families, the handicapped and the elderly, and self-help and other personal social services; (2) emergency and relief; and (3) income support and maintenance.
- v *Environment*: includes organizations promoting and providing services in environmental conservation, pollution control and prevention, environmental education and health, and animal protection. Two sub-groups are included in this category: environment and animal protection.
- vi *Development and Housing*: includes organizations promoting programs and providing services to help improve communities and promote the economic and social well being of society. Three sub-groups are included in this category: (1) economic, social and community development (including community and neighbourhood organizations); (2) housing; and (3) employment and training.
- vii *Law, Advocacy and Politics*: includes organizations and groups that work to protect and promote civil and other rights, advocate the social and political interests of general or special constituencies, offer legal services, and promote public safety. Three sub-groups are contained in this category: (1) civic and advocacy organizations; (2) law and legal services; and (3) political organizations.
- viii *Philanthropic Intermediaries and Voluntarism*: includes philanthropic organizations and organizations promoting charity and charitable activities including grant-making foundations, voluntarism promotion and support, and fundraising organizations.
- ix *International*: includes organizations promoting cultural understanding between peoples of various countries and historical backgrounds and also those providing relief during emergencies and promoting development and welfare abroad.
- x *Religion*: organizations promoting religious beliefs and administering religious services and rituals; includes churches, mosques,

synagogues, temples, shrines, seminaries, monasteries and similar religious institutions, in addition to related organizations and auxiliaries of such organizations.

- xi *Business and Professional Associations, Unions*: includes organizations promoting, regulating and safeguarding business, professional and labour interests.
- xii *Groups not elsewhere classified*.

### **Evaluation**

One of the ICNPO's major limitations is its focus on economic characteristics (i.e., area of economic activity) for distinguishing among nonprofit organizations. The ICNPO demonstrates *economy* in its structure, employing only 27 categories to classify organizations, but because there is only one organizing principle underlying the classification, it lacks combinatorial richness. In terms of its advantages, it appears to offer a useful economic classification system that strikes an appropriate balance between the need to capture diverse activities without creating too many categories. In addition, the definition of nonprofit organizations that is employed in the ICNPO is sufficiently broad to give it wide applicability for understanding at least some of the economic contributions of voluntary/nonprofit organizations.

The ICNPO, like the NAICS, differs from many other classifications in its choice of establishment as the primary sampling unit. This allows for far greater detail on the outputs, and perhaps outcomes, of voluntary/nonprofit organizations than do classifications that use the organization as the primary sampling unit. However, this approach complicates estimates regarding the

overall number of organizations and their activities.

### **4.4.7 Proposed Classification for a Human Resources Sector Study**

#### **Description**

The Canadian Centre for Philanthropy and Canadian Policy Research Networks have proposed a classification system for use in conducting a Human Resources Sector Study that would assess human resource issues in the voluntary/nonprofit sector (Davidman, Betcherman, Hall, & White, 1998). The proposed classification system adopts the ICNPO classification system but proposes additional classification dimensions to integrate a measure of flexibility into the system for the Canadian case. In its boundary with the public sector, they suggest that researchers should be allowed to either include or exclude hospitals and universities, depending on the needs of the analysis. Along the border of the private sector, they suggest that replacing the non-profit distribution constraint with a non-profit maximization criterion would be more useful. This will allow for the inclusion of co-operatives and credit unions, which have played an important and historic role in the development of the Canadian nonprofit sector.

#### **The Unit of Analysis**

The unit of analysis is the organization.

## **Organizing Criteria**

The four key organizing characteristics, which are recommended are based on a synthesis of Canadian legal distinctions, a taxonomy suggested by Quarter's (1992) work on the social economy, and the ICNPO, designed by Salamon and Anheier (1992, 1997). The proposed characteristics by which organizations would be categorized are:

- i Domain of activity (e.g., health, education and research)
- ii Organizational type (e.g., public service, mutual benefit, co-operative)
- iii Type of activity (e.g., social rights and regulation, community ties, legal services)
- iv Legal status (e.g., registered charity, private foundation, nonprofit organization)

## **Structure**

The proposed classification system uses the ICNPO as its base. Therefore, the first organizing characteristic, *domain*, places organizations into one of the 12 ICNPO major groupings and associated sub-groups. Two further categories are added concerning organizational type (public service vs. mutual benefit), three types of activity (capital accumulation vs. social rights and regulation vs. community ties), and two categories of legal status (registered charity vs. nonprofit organization). They propose to combine these categories to create a hierarchical classification system. For example, a registered health charity would be classified as Health – public service – community ties – registered charity.

## **Evaluation**

This classification improves on many of those reviewed by moving beyond a focus on economic dimensions to include other dimensions that may provide a richer understanding of the voluntary/nonprofit sector. It is limited, however, by the relatively large number of categories that the system employs ( $27 \times 2 \times 3 \times 2 = 324$ ). In addition, the classification dimensions may not be best suited for understanding the value of health organizations where, for example, the distinction between type of activity (e.g., social rights and regulation vs. community ties vs. legal services) is less important than knowing what types of individuals (clients or patients) benefit from the organization's activities (e.g., seniors vs. youth).

### **4.4.8 National Survey of Giving, Volunteering and Participating Classification System**

#### **Description**

The classification system used in the 1997 National Survey of Giving, Volunteering, and Participating (NSGVP) represents an adaptation of the ICNPO. The ICNPO, both because of its utility and its widespread use internationally, allows for comparisons of Canada's voluntary sector with those of other countries.

#### **Unit of Analysis**

The unit of analysis is the organization.

## **Organizing Criteria**

The organizing criteria of the NSGVP (i.e., domain/sector, activity) are the same as those used in the ICNPO, except that the unit of analysis is the organization, rather than the smaller unit, the establishment. The form of data collection and the use of telephone interviews heavily influenced this choice. Those surveyed were asked to provide information on the organizations in which they volunteered or to which they made charitable donations. They were first asked the name of the organization, which was checked against a list of common organizations. If the organization named was not found on the list, respondents were asked to describe the organization's activities. This information was then used to categorize the organization.

## **Structure**

The NSGVP employs the same 12 major activity groups and associated sub-groups as the ICNPO.

## **Evaluation**

Since the NSGVP classification system is essentially the ICNPO classification system, our evaluation of the latter will therefore apply.

## **4.4.9 United Kingdom Charity Commission Classification System**

The National Council for Voluntary Organizations (NCVO) in the United Kingdom developed a classification system of "general charities" for the Office for National Statistics Survey of Charitable Organizations and employs the classification to describe these organizations in the *United Kingdom Voluntary Statistical Almanac 1996* (Hems & Passey, 1996). This classification system was originally constructed to replace the original Charity Commission's classification that was based on the four "heads" of charity (the relief of poverty, the advancement of education, the advancement of religion, and other purposes beneficial to the community). The system was designed to assist the Commission in their role as regulator and promoter of charitable activity in England and Wales.

The definition of the voluntary sector used in this system is based on the concept of "general charities," which, in general national accounting terms, is defined as "private non-profit-making bodies serving persons (PNPMBs). Organizations defined as general charities must meet four key criteria:

- i *Independent governance.*  
Organizations that are separate from government and business, excluding: (a) registered charities that are non-departmental public bodies or quasi-governmental organizations (e.g., British museums); and (b) financial institutions that are classified in the

corporate sector in the system of national accounts (e.g., Charities Official Investment Fund, or COIF).

- ii *Non-profit distributing.* Organizations that do not distribute profits to shareholders, excluding co-operatives.
- iii *Objectives that are a wider public benefit.* Organizations that provide a public benefit beyond any membership. Those excluded are: (a) friendly societies and building societies; (b) housing associations; (c) sports and social clubs; (d) independent schools; and (e) trade unions.
- iv *Non-sacramental religious bodies/places of worship.* Organizations that are predominantly sacramental religious bodies or places of worship are excluded from the definition of general charities.

### **Description**

The classification system was developed by the Charity Commission for the commission's Charity database. The system of classification and the definitional framework is based on two central goals:

- i To provide policy makers, researchers, practitioners and other commentators with a recognizable economic map of the UK voluntary sector;
- ii To provide, on an annual basis, the most up-to-date and reliable statistics on the whole voluntary sector.

The classification system, which considers the clients/beneficiaries and functions of the organization, as well as the industry/domain of the organization, reflects a conscious attempt to overcome a number of perceived deficiencies of the ISIC, the ICNPO, and the

NTEE. These classifications were considered "one-dimensional" in that they focus only on the industries in which voluntary organizations operate and reflect neither the functions performed by the charities nor the beneficiaries or client groups of the organizations.

### **Unit of Analysis**

The unit of analysis is the organization.

### **Organizing Criteria**

This classification system is based on three organizing dimensions:

- i The beneficiaries/client groups;
- ii The function of the organization/method of operation;
- iii The industry/field (domain) of operation.

### **Structure**

Organizations in the classification are categorized along the three dimensions of beneficiaries, function and industry as follows:

- i Beneficiaries
  - Individuals (e.g., elderly, children)
  - Institutions (e.g., schools, hospitals)
  - Environment (e.g., conservation, heritage, fauna)
- ii Function
  - Finance/resourcing (e.g., grantmaker, fundraiser)

Provision of buildings/facilities (e.g., residential, recreational)  
Provision of services (e.g., training, health care)  
Advocacy, information and research (e.g., campaigning, advice)  
Representation (e.g., umbrella group, trade association)

iii Industry

Education and training  
Health  
Social care and development  
Accommodation and housing  
Culture and recreation  
Religious activities  
Business  
Environment and animals  
General charitable purposes

## ***Evaluation***

The UK Charity Commission has a number of advantages over other classification systems. Its greatest advantage is its use of a multi-dimensional classification system that uses categories that are likely to have some policy relevance for assessing value. For example, policy development in the areas of service provision would be aided by an understanding not only of the area of economic activity (e.g., health vs. social service) but also by an understanding of the recipients of these services. It is also important to distinguish those organizations that provide direct services from those that are engaged in advocacy or the financing of voluntary/nonprofit sector organizations because these organizations play different but important roles in the sector.

Some of the limitations of the UK

classification system include its relatively narrow definition of the organizational population that excludes organizations such as housing associations, sports and social clubs and religious organizations. In addition, the Industry category has only 9 sub-categories (compared to 27 for the ICNPO) which may restrict the descriptive power of the classification system.

## **4.5 A Proposed Classification System**

### ***4.5.1 Defining the Population of Organizations***

This paper seeks to lay the groundwork for a future investigation of the value and contributions of voluntary organizations working in health. The following classification has been developed with this goal in mind. We begin by defining the population of organizations that would constitute the focus of an assessment of the economic, social and health-related contributions of voluntary organizations working in health. As a first step in defining the parameters of the population we propose that government and for-profit organizations be excluded from consideration.

Having drawn the boundaries of the classification exercise to include voluntary or nonprofit organizations and exclude private and government organizations, the next question concerns the issue of whether we should attempt to develop a classification system for all voluntary/nonprofit organizations or whether we should narrow our focus to a

specific subset of organizations that work directly in the area of health (e.g., hospitals, health charities). From a broad population health perspective, all varieties of voluntary/nonprofit organizations must be included, because health-related organizational outcomes are not confined to those organizations that work directly in providing health services or that produce immediate or short-term health effects. The primary focus of a job training program, for example, is likely to be placed on securing employment for participants, which could, in turn, have a long-term impact on the participant's health, but perhaps not an immediate or direct impact on health. Because we are not yet able to predict which particular types of organizations actually do provide health outcomes, particularly over the long term, we may need to begin with a general and flexible classification system. Alternatively, we could restrict our population at the outset to those organizations working primarily and directly in health, and thus exclude those organizations, such as job placement centres, and even nonprofit associations whose primary activity is to critique the healthcare system, that are not involved directly in health activities or health service provision.

Given the present lack of knowledge about the contributions of the voluntary health sector, we propose, as a starting point, that a future study of the voluntary health sector should focus on those voluntary organizations that are directly and primarily engaged in health activities, rather than on a broader set of organizations. Organizations that are directly involved in health activities might include, for example, local community health clinics, counselling centres, and rape crisis centres, as well as more widely established organizations such as the

Canadian Cancer Society, the Canadian Heart and Stroke Foundation, the Canadian Diabetes Association, St. John Ambulance, and the Victorian Order of Nurses.

In addition, it is proposed that we employ, on a provisional basis, the operational definition of nonprofit organizations used in the ICNPO classification system. This definition is sufficiently broad to include grassroots and self-help organizations, cooperatives for which the "profit motive" is secondary, and religious organizations. However, the definition may exclude organizations such as hospitals that may be so tightly controlled by government (depending on their funding and governance structure) that they cannot be considered self-governing. Given the funding structure of most hospitals in Canada, it is expected that only a relatively few such organizations may be eligible for inclusion. We suggest, however, that Salamon and Anheier's (1992) criterion of excluding organizations that receive at least half of their income from government sources be relaxed somewhat in the Canadian context.<sup>15</sup> Moreover, whereas a great deal is already known about the contribution of hospitals, very little is known about the contributions of other organizations working in health. Once again, future research might best focus on those voluntary organizations working in health about which relatively little is known, such as community-based health and mental health clinics.

#### **4.5.2 Proposed Organizing Dimensions**

Knowledge gained from the development of scientific classification systems in areas



such as biology suggests that having many organizing dimensions will create a more accurate picture of the voluntary sector than will one with few organizing dimensions (Sokal, 1974). However, this must be balanced with the need for having a classification system which helps to organize and summarize information. At present the most complex voluntary/nonprofit classification systems employ, at most, four organizing dimensions.

We propose the following principles to guide decisions about the appropriate organizing dimensions to employ in a classification system of the voluntary health sector:

- i The system should be sufficiently general to allow it to be used for a variety of purposes.
- ii The system should have linkages with existing classifications in use.
- iii The system should organize information in a way that is relevant to policy development.
- iv The system should favour dimensions that have been found to have practical utility in other settings.

Based on the principles outlined we propose that voluntary/nonprofit organizations working in health be classified:

- i On the basis of the major area of activity using the ICNPO classification system.<sup>16</sup> To reiterate, the major area of Health within the ICNPO consists of four sub-groups: (1) hospitals and rehabilitation; (2) nursing homes; (3) mental health and crisis intervention; and (4) other health services (i.e., public health and wellness education, out-patient health treatment, rehabilitative medical

- services, and emergency medical services.
- ii According to the beneficiaries of the services, using the UK Charity Commission categories (individuals vs. institutions vs. environment).
- iii According to the function of the organizations, using the UK Charity Commission categories (finance/resourcing; provision of buildings/facilities; provision of services; advocacy, information and research; and representation).
- iv According to the legal status of the organization (unincorporated or grassroots association vs. incorporated non-profit vs. registered charity).<sup>17</sup>
- v According to the size of the organization's annual revenue (e.g., small, medium, large).

It is also important to recognize that the dimensions proposed are intended to provide a conceptual basis for organizing our thinking about the voluntary/nonprofit sector in general, as well as the voluntary health sector in particular. In addition, we propose that this initial classification be constructed in a non-hierarchical fashion (i.e., that dimensions are not nested within one another so that one does not create categories such as Health area – Individual Focus – Service Function – Registered Charity – Small Revenue vs. Health area – Institutional Focus – Representation Function – Nonprofit – Medium Revenue). Rather, they should be treated as overlapping categories as a first stage of development.

The proposed classification system should be considered provisional and will require testing as to its utility, validity, practicality, and applicability. The present proposal has

been developed a priori and is necessarily a monothetic approach. Further testing and development of the proposed dimensions for the classification system will require empirical observation and measurement. For example, data on health outcomes could enable an outcomes-based classification dimension that could eliminate the need for some of the classification dimensions proposed above. Alternatively, further

refinement and testing of the classification system may reveal the importance of additional organizing dimensions, such as degree of volunteer participation, degree of profit distribution/maximization,<sup>18</sup> funding sources, degree of autonomy from government and/or the private sector, and scope (e.g., national, regional/provincial, local).

## 5 CONCLUSION

This paper sets forth, on a provisional basis, a definitional and classificatory framework for understanding voluntary/nonprofit sector organizations working in health. Our intent is to provide a basis for understanding the organization and activities of the voluntary health sector so that researchers and policy makers, as well as members of the voluntary health sector itself, may document its social and economic contributions. This working typology may be used to demonstrate how voluntary health organizations (such as grassroots organizations or self-help groups) promote the health of individual Canadians, for example, through advocacy, education, and research, as well as through the direct provision of health services. We view this as a first step towards future work in this area.

Our review of the literature indicates that a variety of terms have been used to describe the nonprofit, voluntary, or third sector. Associated with these terms are variations in the scope of the boundaries that enable further classification of organizations within this sector. While different sector models have been proposed, with the tripartite model predominant, the boundaries among the nonprofit, private and government sectors are arbitrary and are often overlapping. We suggest that a useful label for the sector is the term *voluntary and nonprofit*, which avoids both a narrow focus on economic contributions and unrealistic assumptions regarding the nature of labour participation in the sector.

A number of criteria have been used to assess the usefulness of existing classification systems in this area. Among

these are: economy (i.e., the organization of groups using limited categories); significance (i.e., the creation of homogeneous groups); rigour (i.e., the consistency and reliability of groups); combinatorial richness (i.e., diversity among categories); and organizing power (i.e., flexibility). We have used these criteria as a basis for evaluating the utility of existing classification systems identified through the literature.

Our review of existing classification systems reveals that there are a number of characteristics by which voluntary/nonprofit organizations are categorized, including: the nature of economic function (e.g., the character of goods and services provided); the nature of services and activities undertaken (e.g., literacy programs, health education); the broader context within which the organization functions (e.g., health, education, social services); legal status (e.g., registered vs. nonprofit; exempt vs. non-tax exempt); the nature of economic activities (e.g., productivity, employment, performance); the nature of client groups (e.g., individuals, institutes, environments); and the type of organization (e.g., public service, mutual benefit, co-operative).

Each one of the classification systems that we reviewed possesses a number of strengths and weaknesses. Strengths include the use of a definition of voluntary/nonprofit that is specific enough to enable the inclusion of some organizations but not others; the use of a non-profit maximization criterion over a non-profit distribution criterion; the insertion of a social dimension in order to enrich and expand our

understanding of the voluntary/nonprofit sector, particularly in the health sector context; the distinction between organizations that provide direct services and those that engage in advocacy or financing; and a consideration of the area of activity and function performed. Weaknesses include the classification of organizations based solely on the dimension of economic activity; the exclusion of a large number of voluntary/nonprofit organizations based on the definitions used; a failure to distinguish among organizations according to subsector of the voluntary/nonprofit sector (e.g., social services, community development); and a failure to consider other aspects of organizations beyond domain of activity.

Our review of the literature on classification systems has enabled us to determine which definitions may be most useful and what elements of existing classification systems may best inform our understanding of voluntary/nonprofit sector organizations working in health. We suggest that the definition of nonprofit employed in the ICNPO classification system may be most useful since it is sufficiently broad to include grass-roots health organizations and self-help organizations, yet specific enough to exclude those organizations (e.g., hospitals) that are so tightly controlled by government that they cannot be considered self-governing.

With the ultimate goal of studying the value and contribution of voluntary organizations working in health as a starting point, we begin by drawing boundaries to include voluntary/nonprofit organizations and exclude those governed to some extent either privately or by government. Similarly, although a population health

perspective suggests that a useful typology would consider organizations (e.g., day-care centres, job training centres) that may produce health-related outcomes even if they are not primarily or directly involved in health activities (e.g., the provision of health services), we propose that future research on the value, definition and scope of the voluntary health sector may best begin by focusing on those voluntary organizations that are directly and primarily engaged in health activities.

We conclude that four major principles may be used to guide decisions regarding the appropriate dimensions to employ in a classification system for voluntary/nonprofit sector organizations working in health: (a) the classification system should be general enough to allow it to be used for different purposes; (b) it should be possible to link the classification system to existing systems; (c) the classification system should be organized so that information is relevant for policy development; and (d) the classification system should include those dimensions which have been found to have practical utility within other systems.

Keeping these principles in mind, we propose that a useful classification system may be based on the following organizing dimensions: (a) major area of activity; (b) beneficiary of services; (c) function of the organization; (d) legal status; and (e) size of revenue. Our review of existing classification systems, and the strengths and weaknesses of these systems, leads us to suggest that an initial classification of voluntary/nonprofit organizations working in health should be constructed in a nonhierarchical fashion and that categories should be treated as overlapping rather than discrete.

Finally, any a priori classification system for voluntary health organizations, including the present system, is necessarily preliminary and should be tested to ensure its utility, validity, practicality, and policy relevance. This will require empirical observation and validation, for example, through consultations with members of the

voluntary/nonprofit health sector and other major stakeholders, and through empirical studies of the actual characteristics of voluntary and nonprofit organizations. Future research or “next steps” in this area should pursue these avenues of investigation.

## ENDNOTES

1. Recognizing the lack of consensus, we, for the most part, use the term voluntary/nonprofit throughout the paper.
2. This useful distinction was provided by one of the anonymous reviewers of an earlier draft.
3. Although definition and classification are necessarily related, in practice the literature tends to treat these issues separately.
4. As suggested by an anonymous reviewer, the study of organizations operating at sectoral boundaries is another potential area of investigation and provides another challenge to strict sectoral notions. For example, one might investigate which attributes position an organization within one sector as opposed to another, or which of the distinctive attributes, from either side of a sector divide, are diminished in the process of isomorphism.
5. According to Anheier, Rudney, and Salamon (1992), distinguishing the nonprofit and household sectors may lead to higher estimates of the value-added or contribution of the nonprofit sector.
6. A *structural-operational* definition emphasizes the basic structure and operations of organizations in defining the nonprofit sector. In contrast, a *legal* definition is provided in a country's law, an *economic/financial* definition is based on an organization's source of income (e.g., as in the UNSNA), and a *functional* definition is based on the functions or purposes that organizations carry out (see Salamon & Anheier, 1997).
7. In other writings, however, Salamon and Anheier exclude partisan and religious organizations from the nonprofit sector (see, e.g., Salaman & Anheier, 1992).
8. Strictly speaking, the term "profit" does not apply to organizations without shares. When such organizations have an excess of income over expenditures, the term "surplus" should more properly be applied, and "deficit" should be used to refer to losses. Further, where nonprofits have a surplus, the meaning is not the same as a profit in a business, either with shareholders or other forms of private ownership. In a nonprofit, there is no allocation of dividends to shareholders and the net worth of the organization does not belong to private owners but rather is social property (Quarter, 1992).
9. As Smith (1997) indicates, however, many grassroots associations are only semi-formal and most are not incorporated as separate entities.
10. As seen earlier, hospitals and universities are also sometimes included (or excluded) from the nonprofit sector (see Salamon & Anheier, 1997, and Phillips, 1995).
11. As Quarter (1992) discusses, there are two broad classes of co-operatives: those with shares and those without shares. The broad class of co-operatives referred to here is the type with

shares. Such co-operatives include financial co-operatives (e.g., credit unions) and co-operatives that deal with farm marketing and food retailing. However, unlike the shares of a business, the shares of such organizations do not entitle holders to dividends of any year-end surplus and normally have a constant value. Voting rights are based on membership, not the size of the financial holdings of the organization, and in most cases, any dividends are allocated according to patronage (use of services), not the number of shares. Co-operatives without shares are often referred to as nonprofits and commonly include co-operatives that deal with housing, childcare, and healthcare (see Quarter, 1992).

12. However, in some countries, particularly when government is contracting out services, the term *independent sector* may refer to both for-profit and nonprofit organizations.
13. Salamon and Anheier (1992) also discuss an additional term, the *tax-exempt* sector. Under US law, organizations in this sector are exempt from paying federal income tax and most state and local property taxes. However, the term does not address non-US nonprofits and is therefore limited to the US context.
14. Originally, in the initial phase of the project, 12 countries participated: the United States, the United Kingdom, France, Germany, Italy, Japan, Hungary, Brazil, Ghana, Egypt, Thailand, and India.
15. Sixty-four percent of all revenues to health charities in 1994 came from governments (Hall & Macpherson, 1997).
16. The definition contained in the ICNPO classification system may need to be further refined for many voluntary/nonprofit organizations with diverse and equally important primary activities.
17. A key consideration here is the issue of one organizational name versus multiple organizational names, multiple registrations and by-laws.
18. Although the term *profit* should not strictly be used in this context, we do so to be consistent with other writers in this area.

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