
Chaos Rules our Vital, Growing Non-Profit Sector

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The non-profit sector. Simply reading those few buzzwords is enough to make many people switch off. They shouldn't.

Studies sponsored by the Canadian Policy Research Networks (CPRN) demonstrate that this ill-defined, poorly regulated and underfinanced sector is essential to Canada's future well-being.

From one viewpoint, it's easy to see why the non-profit sector matters. The public sector is reinventing itself and corporations are focused on shareholder value. Who is there to champion the greater public good?

Of course, it isn't that simple. Just for starters, there's the problem of identity. What exactly is a non-profit? In Canadian law, a non-profit is defined as any private sector organization prohibited from distributing its surplus (or profit) to its stakeholders; because of this restriction, nonprofits are not subject to income tax.

The roughly 200,000 organizations which claim that status today range all the way from the traditional charities and religious bodies to former federal government departments that have been privatized. Also included are hospitals, universities, environmental advocacy groups, tobacco lobbies, private religious schools, co-operatives, trade unions, business associations, literacy campaigns, think tanks and day-care centres (the not-for-profit variety, of course). It's a motley crew, often with little in common. For instance, what does NavCan, the former federal agency now responsible for air traffic control, really share with the Canadian Cancer Society other than a definition for tax purposes?

Tackling the identity question is only the beginning. Next come the outdated organizational laws under which non-profit organizations operate. As well, there are shortcomings in how nonprofits are financed. Two studies for the CPRN suggest where to start improving the regulatory and organizational framework and also pinpoint possible financing reforms. Proposed reforms include the removal of borrowing and investment restrictions in current laws and making GST rebates uniform for all nonprofits.

Why bother? After all, non-profit organizations have muddled along for centuries in Canada without noticeable harm, to themselves or to the country. Why is it suddenly important to define them and improve their efficiency? One spur for reform is that both the public and governments are increasingly turning to nonprofits as an effective way to accomplish social goals.

In the 1980s the proportion of Canadians who did voluntary work with non-profit groups jumped by nearly a fifth, according to one analysis of surveys carried out in 16 western industrialized countries at the beginning and end of the decade. In strictly secular volunteering (with church-related services excluded), Canadians tied with Swedes for top ranking, with 38 per cent saying they were currently doing unpaid voluntary work. When religious volunteering is included, 43 per cent of Canadians said they were volunteering, second only to Americans at 47 per cent.

So it seems obvious that many voluntary non-profit groups are meeting a genuine, and growing, public demand. That's partly because they act as political stabilizers, fulfilling specialized needs not covered by government programs pitched to the median voter. Where people must rely on trust and reputation and can't assess the quality of services directly — nursing homes, day-care centres — nonprofits are often more appealing than for-profit operations.

As well, some experts contend that altruism may be the defining characteristic separating voluntary activity from for-profit activity. As Project Director Ronald Hirshhorn writes in the CPRN study:

"Benevolent motivations can also help explain why nonprofits are concentrated in humanistic activities and not dispersed among all goods and services industries involving issues of trust and reputation."

From a broad societal perspective, many nonprofits also fill another role that is becoming even more crucial in Canada — the creation of what is known as social capital, meaning the networks, norms and mutual trust which allow citizens to together pursue common goals. A healthy stock of social capital is now being identified as an essential ingredient in the success of everything from community renewal to national industrial strategies.

Such trust and reciprocity can be generated merely by people working together in the daily operations of those nonprofits which feature voluntarism, giving and citizen involvement. Even as they give to others, they become more connected to their community and their country.

This brief sketch gives an idea of the complexity of the sector and the lack of definitive explanations. It's clear, however, that the right kind of non-profit organizations operating in a supportive and nurturing environment bring out the best in people and allow them to accomplish great things. That alone is not a bad argument for greater public attention to the shaping of this emerging sector.

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