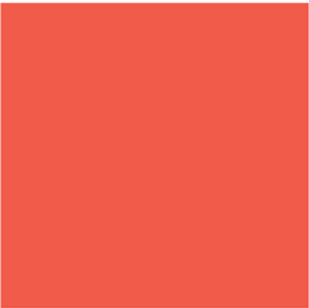




Nonprofit Organizations and Civil Society in the United States

Kelly LeRoux and Mary K. Feeney



Nonprofit Organizations and Civil Society in the United States

LeRoux and Feeney's *Nonprofit Organizations and Civil Society in the United States* makes a departure from existing nonprofit texts on the market: rather than focus on management, it focuses on nonprofit organizations and their contributions to the social, political, and economic dimensions of society. The book also covers the nexus between nonprofits and civil society. This text offers a theory-oriented undergraduate introduction to the nonprofit field and an examination of the multifaceted roles these organizations play in American society.

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To my parents

Ann P. and Larry S. LeRoux

*who shaped my experience with civil society long
before I heard the term*

*To Mary Ellen Feeney, Barry Bozeman, and Eric W. Welch
—for always encouraging me to be me*

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PREFACE

Motivation for This Book

As social scientists and instructors with a particular interest in the role of nonprofits in society and their relationship to government, we have often found ourselves without the perfect textbook for teaching undergraduates about nonprofit organizations. Many of our “go-to” nonprofit textbooks focus on management or are intended for a professional audience—written for practitioners who are often assumed to have a good deal of experience working in the nonprofit sector, or are in the process of learning nonprofit management skills in the classroom and through internships.¹ Yet, these texts are not ideal for interdisciplinary courses at the undergraduate level. Our book, *Nonprofit Organizations and Civil Society in the United States*, makes a departure from existing nonprofit texts on the market, in that it does not focus on management, but rather offers a more general approach to understanding nonprofit organizations and their contributions to the social, political, and economic dimensions of society; it also covers the nexus between nonprofits and civil society. Our text fills a unique niche, offering a theoretically oriented undergraduate introduction to the nonprofit field and an examination of the multifaceted roles these organizations play in American society.

Students in a variety of fields have interest in the nonprofit sector—interests ranging from employment, volunteer opportunities, political

activism, or the desire to better understand the role of nonprofits in business, government, and society. Today, many undergraduates are considering careers in public service (in government, nonprofits, and with for-profit firms), but few have the opportunity to gain a broad understanding of the nonprofit sector and its place in American civil society. Nonprofit courses aimed at undergraduates are emerging at universities throughout the United States, and are embedded in a variety of disciplines including public administration and public affairs, business, economics, philosophy, public policy, political science, sociology, and social work. Our book targets this emerging audience.

The primary focus of this book is nonprofit organizations in the United States. While we discuss international nonprofit organizations and often describe US-based nonprofits in comparison to non-US nonprofits, it is important to note that nonprofit and civil society organizations are partly an outcome of the political, social, and economic environment in which they operate. This is especially true in the US, where nonprofit organizations have special legal, financial, and social status in society. We hope that the comparative international segments of the book will provide an avenue for additional discussion in the classroom. And, of course, faculty looking to take a more international focus in the classroom can use this as a springboard for that type of discussion.

The primary audience for this book is not disciplinary; our goal is for this book to speak across a variety of disciplines. To that end, we have kept the presentation of material interdisciplinary, broad, and comprehensive. We touch upon basic aspects of government and political science, basic economic theory and terminology, and general sociological theories. Students will become familiar with these various disciplinary lenses and how they relate to nonprofits, but do not require expertise in any one discipline in order to effectively consume the material presented in this book. Our expectation is that instructors focused on a particular discipline can use this book as a base text which can be supplemented with readings, lectures, and case studies that are particular to the discipline (e.g. business, economics, public health, criminology, etc.) or area of interest (e.g. healthcare, education policy, welfare policy, etc.).

Graduate Courses

While the primary audience is undergraduate, we believe this book provides a useful starting point for graduate instruction. This textbook can serve as

a companion text on nonprofit organizations. For example, instructors of *public management* courses will find this book to be a useful guide for understanding how nonprofit organizations are similar and dissimilar to public organizations, the relationships between nonprofit organizations and public organizations, and the ways in which the nonprofit sector is increasingly delivering public services via government contracts and grants. It could easily be paired, for instance, with Hal G. Rainey's (2009) *Understanding and Managing Public Organizations* (Jossey-Bass).

For those teaching in graduate programs in *social work*, this book will provide a nice perspective on the economic and political aspects of nonprofit organizations. Moreover, it offers detailed descriptions of the organizational structure of many nonprofits and their relationships to government, groups, and communities. This book helps to describe the environment and organizations where many MSW graduates will work. For those teaching about nonprofits from a *communications* perspective, this book could be paired with Patterson and Radtke's *Strategic Communications for Nonprofit Organizations* (2nd), offering a well-rounded approach to understanding the complex nature of nonprofit organizations and their relationship to civil society.

For instructors working in *business* schools, this book can serve as a companion to texts such as *Good to Great and the Social Sectors* (Collins, 2011), *Business Model Generation* (Osterwalder and Pigneur, 2013), and *Philanthro-Capitalism* (Bishop and Green, 2008), offering a complementary focus on the role of public service and mission-driven organizations. We also highlight the ways in which nonprofit organizations can operate within, or next to, corporate structures or as philanthropic arms to larger for-profit activities. This book can be easily paired with more advanced, graduate texts on social entrepreneurship and corporate philanthropy. In short, the book is introductory in nature, easily comprehended, and relies on contemporary examples and debates, making it useful for grounding students' understanding of nonprofits, as supplemental readings can be used to teach the topic from a wide variety of disciplinary perspectives.

What to Expect from This Book

This book is divided into four sections. Section I includes three chapters (1, 2, and 3) that provide an introduction to the nonprofit sector and civil society. Section II includes three chapters (4, 5, and 6) which detail

nonprofits in American social life, in particular a focus on community-building, volunteering, philanthropy, and giving. Section III (Chapters 7, 8, and 9) centers on the political and economic aspects of the nonprofit sector. Section IV concludes with a chapter (10) that focuses on the current and future challenges and opportunities for the nonprofit sector.

Instructors and students will note that each chapter opens with an **Opening Story** or application of the key concepts from the chapter. These modern stories are intended to draw students in and prepare them for the material that follows. In some cases, these opening stories are “ripped from the headlines” with the hopes of stimulating interest in the chapter content and also serving as easy-to-understand platforms for further discussion. Instructors are encouraged to use these examples, and others, to integrate the materials in the chapter into a discussion of current events or issues that are particularly relevant to students.

Chapter Learning Objectives are outlined at the start of each chapter. At the close of each chapter we have provided a list of **Key Terms**. These key terms are bolded within the text of the chapter. We also provide discussion questions at the close of each chapter. The **Discussion Questions** can be used for in-class discussion or as study questions for students. We also provide a variety of **Website Links** for additional student research or classroom use. Instructors may wish to incorporate these websites into their lecture presentations or ask students to visit them to learn more about particular organizations and programs. In some chapters, we provide recommended readings, video clips, and additional materials that can be used to supplement the chapter content and provide points of discussion for lectures and seminars.

Finally, many of the chapters include small **Boxes** that highlight short case examples or challenges and controversies that pertain to chapter content. These materials are intended to be provocative. In many cases they present a slanted view of an issue or challenge students to think about alternative approaches to the issues at hand. The cases, examples, and illustrations used throughout the books do not necessarily represent the views of the authors or the publishers, but instead are presented to stimulate thoughtful discussion and critical thinking. We hope that these examples can be used as a springboard for lively discussion and debate in the classroom, whether it is a large group discussion moderated by the instructor or in small groups.

What to Expect from Specific Chapters

Section I: Introduction to the Nonprofit Sector & Civil Society

Chapter 1 presents a detailed discussion of what is meant by the term “nonprofit sector,” and a variety of other terms (e.g. third sector, independent sector, etc.) used to describe the sector. We note how the nonprofit sector is similar to, and different from, public and for-profit sectors and discuss the ways in which the context of the nonprofit sector is changing along with the economic, technological, and social changes in society. This first chapter outlines the size, scope, and boundaries of the US nonprofit sector, highlighting examples of nonprofits that represent the diversity of the sector. We also define civil society and note the ways in which the nonprofit sector contributes to, and is shaped by, civil society. In the first chapter, we also begin to introduce cross-cutting themes that appear throughout the book including: the role of technology in civil society and transforming nonprofit and voluntary action; collaboration, partnerships, and inter-sector linkages and influences; and the increasingly blurred boundaries of the sector including the emergence of new hybridized forms of social purpose organizations.

Chapter 2 examines the origins of our contemporary nonprofit sector in the United States. The chapter highlights the historical and legal foundations of the nonprofit sector, noting how these features result in a distinct American nonprofit sector. The chapter is divided into five parts. First, we outline the values that underlie the nonprofit sector, including the impulses for charity and philanthropy that are grounded in Judeo-Christian beliefs and teachings, and many world religions, American values of individualism and pluralism, and attitudes toward welfare, capitalism, entrepreneurship, and how these values have shaped a preference for personal responsibility, a limited welfare state, and preferences for private solutions/responses to problems whenever feasible.

Second, we discuss the roots of nonprofits in American social life. We offer a brief history of associations that have emerged and how nonprofit culture has been shaped by the social structure and history of the US. Third, we outline the roots of nonprofit organizations in American political life, noting the ways in which American political values, preferences, and history have shaped the nonprofit sector and vice versa. Fourth, we discuss the nonprofit sector and its relationship to the economy, noting its role

in job creation and revenue. We detail the legal structure of nonprofits in the US, noting the meaning and purpose of tax exemption. This chapter concludes with a discussion of the overlap between the public, nonprofit, and for-profit sectors and the context in which nonprofits operate, enabling students to gain a better understanding of the ways in which the US nonprofit sector contributes to the American economy and some of the challenges facing the sector.

Chapter 3, Theories of the Nonprofit Sector, outlines theoretical explanations for why nonprofits exist, and why nonprofits often represent preferred providers in markets where for-profits also provide goods and services. For the sake of simplicity, the discussion of nonprofit theories is divided into economic and non-economic explanations. Economic explanations for why nonprofits form include market failures, government failures, and interdependence theory. The chapter also examines limitations of economic theories and considers some alternative theoretical perspectives including the theory of the commons, pluralism, and collective action perspectives on nonprofit organizations and civil society groups. Although brief, this chapter introduces important concepts that serve as a frame of reference for material and examples introduced in later chapters.

Section II: The Nonprofit Sector in Civil Society

Chapter 4, Nonprofits and Community-Building, borrows from Anheier's (2005)² definition to describe civil society as the macro-level institutional structure of laws, norms, customs that create the social structure for nonprofit organizations and associations. This chapter explores how nonprofit and civil society organizations contribute to the social fabric of America. We build on the previously discussed definitions of "nonprofit" and civil society and introduce the concept of social capital. We then examine how civil society and social capital relate to one another and the nonprofit sector. Specifically, we discuss traditional voluntary associations and local civic groups, political parties, neighborhood associations, trade and labor unions, sports clubs, churches, PTAs, twelve-step and other self-help programs, and community-based organizations. We include a discussion of the "dark" side of social capital. We also discuss the ways in which the Internet and social media have supplemented, complemented, and, in some cases, replaced many traditional forms of face-to-face associating.

Chapter 5 explores the traditional and emerging dimensions of volunteering in the US. This chapter, titled Community Service and

Voluntary Action, begins by describing the prevalence of volunteering in the US and the patterns of volunteering by gender, age, race, and ethnicity. We discuss why volunteering is important to the nonprofit sector and consider the various motivations for volunteering. We note the differences between formal and informal volunteering, compulsory volunteering, intermediary organizations that promote or support volunteering, and newer forms of volunteering including virtual volunteering, micro-volunteering, and various new technologies that are shaping volunteer experiences.

Chapter 6 examines the role of philanthropy and giving in US civil society. The chapter focuses on the changing nature of philanthropy, foundations, and giving. We begin by defining philanthropy and offering a quick introduction to the history of philanthropy in the US. The chapter opens with a description of the Giving Pledge, the giving commitments of billionaires. Following the description of philanthropy we include a profile of Andrew Carnegie. We note the distinction between philanthropy and charity and discuss the values that support philanthropy and charitable giving. We then provide an overview of the modern foundation sector, noting different types of foundations (grant-making, operating, community, and corporate) and the ways in which foundations redistribute resources, stimulate innovation, and foster social change, to manifest the personal values of their creators. Following the discussion of philanthropy, we move on to consider giving patterns in the US. We discuss individual giving, including who gives and who receives. We note annual giving trends, including which organizations benefit most from private giving and interesting facts on giving tendencies among the very wealthy and low-income individuals. We also note key motivations for giving, including altruistic, coercive, and egoist motives. Finally, we discuss how technology is transforming giving with new forms of giving such as mobile donations, and personal fundraising pages created via social media and other examples.

Section III: Political, Social, & Economic Aspects of the Nonprofit Sector

Chapter 7, The Influence of Nonprofit Organizations on the Political Environment, provides an overview of the various roles that nonprofits play in the American political landscape, with particular attention to their roles in policy-making and elections. The chapter introduces concepts such as pluralism, collective action, and representation and then discusses the

role that nonprofits play in our democracy. We discuss nonprofits as interest groups and their activities including lobbying, advocacy, and grassroots mobilization. We then note the critical distinctions between 501(c)(3) and 501(c)(4) nonprofits with regard to lobbying, advocacy, and mobilization activities. We note important transparency issues that have emerged in response to the political activities of nonprofit organizations. We highlight the role of nonprofits in elections, voter registration, and get-out-the-vote campaigns.

Chapter 8, titled *Nonprofit and Voluntary Activism: Social Movements and Protest Politics*, defines and examines some of the major social movements of the 20th century, in particular the civil rights and the role of nonprofits in that movement. We then shift to discuss more contemporary social change organizations and movements including the Gay Rights Movement and the Economic Justice Movement. We discuss the logic and theories that aim to explain social and protest movements that work to effect political and social change. We also touch on some important, modern international social movements including the Arab Spring, the Saffron Revolution in Myanmar (Burma), the Twitter Revolution in Iran, and the Women's Rights Movement in India.

Chapter 9, *Economic Contributions of Nonprofit Organizations*, turns to a discussion of the role that nonprofit organizations play in the US economy, both as a major employer of American workers, and also the roles played in local economic development by job training and community development organizations throughout the US. The chapter begins by identifying major industries within the nonprofit sector that serve as sources of jobs for the American workforce, and considers some of the factors that have contributed to nonprofit employment growth in recent years. The chapter then takes an in-depth look at some of the ways that job training and community development organizations promote local economic development, helping to repair local economies from the bottom up in many of America's poorest communities. Chapter 9 concludes with a discussion of nonprofits focused on business attraction, development, and promotion, organizations, and considers how these organizations help to fulfill local economic development goals.

Section IV: Nonprofit Sector Challenges & Opportunities

Chapter 10, *The Future of Nonprofits and Civil Society*, examines some contemporary and emerging trends that will affect the nonprofit sector in

the next decade and beyond. These trends create both significant challenges and opportunities for nonprofits and civil society. The trends discussed in this chapter include changing population demographics and what they mean not only for nonprofit service delivery but also for diversity in the nonprofit workforce and nonprofit governance; fiscal stress and uncertainty in government spending and the turbulence it creates for nonprofits; increased demands for transparency and accountability; increased market competition and pressures for performance; blending and blurring of sector distinctions; and the rise of technology and social media.

Notes

- 1 Outstanding textbooks for these audiences include Helmut Anheier's (2005) *Nonprofit Organizations: Theory, Management, Policy*; J. Steven Ott and Lisa Dicke's (2011) *Understanding Nonprofit Organizations: Governance, Leadership, and Management*; Peter Frumpkin's (2002) *On Being Nonprofit*; Robert Herman & Associates' (2004) *Jossey Bass Handbook of Nonprofit Leadership and Management*. Additionally, Gary Grobman's many editions of *The Nonprofit Handbook* are wonderful textbooks for graduate courses in nonprofit management and public affairs.
- 2 Anheier, Helmut K. 2005. *Organizations: Theory, Management, Policy*. New York, NY: Routledge Press.

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This book would not have been possible without the initial inspiration of Kate Pravera. Kate is the Academic Director for the School of Continuing Studies and has dedicated countless hours to developing the curriculum for nonprofit studies at the University of Illinois at Chicago (UIC). She has worked with graduate students, undergraduate students, and practitioners to share her enthusiasm for the nonprofit sector and public service. Kate played a critical role in identifying the need for this textbook, pitching the idea to Routledge, and encouraging us to develop it. We are thankful for her encouragement and contributions in the early stages of this project.

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Donald Ritzenheim	Eastern Michigan University

Along with our students' input, we took the reviewers' feedback seriously and incorporated many valuable suggestions. All of the feedback we received along the way helped to improve the book and enhance the quality of the final product.

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SECTION I

INTRODUCTION TO THE NONPROFIT SECTOR & CIVIL SOCIETY

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DEFINING THE NONPROFIT SECTOR AND CIVIL SOCIETY

CHAPTER LEARNING OBJECTIVES

By the end of this chapter, students will be able to:

1. Identify various terms used to describe the nonprofit sector
 2. Define civil society and its relationship to the nonprofit sector
 3. Describe the major subsectors, or groups of organizations, that make up the US nonprofit sector
 4. Describe general patterns of growth within the US nonprofit sector
 5. Identify the key characteristics that make nonprofit organizations different from public and for-profit organizations
 6. Identify characteristics that nonprofit organizations share in common with public and for-profit organizations
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Introduction

Whether it involves chaperoning a child's field trip to the zoo, attending weekly church service, participating in a workplace blood drive, or attending class at a private college or university, Americans interact with the nonprofit

and civil society sector in numerous ways in the course of their daily routines, often without realizing it. With nearly 1.6 million registered nonprofits in the US today,⁴ these institutions are playing increasingly important roles not only in American society and culture, but throughout the world. In addition to these registered, or formal, organizations there are tens of thousands of unregistered groups, clubs, churches, associations, coalitions, and initiatives, some of which operate on a strictly voluntary basis, without any paid staff. These unregistered organizations exist alongside, and sometimes in partnership with the registered organizations. Together, these registered and unregistered organizations constitute the nonprofit and civil society sector. The organizations and activities of this sector shape the social, political, and economic dimensions of American life in vital ways. While we will soon examine the definition of nonprofit organizations and civil society in detail, it will be noted here that the terms are often used interchangeably. However, **civil society** carries a somewhat broader meaning, referring to organizations and action initiated by citizens, outside of government and the market, along with the laws, norms, and customs that enable citizen-driven organizations and action.

In helping to create the social fabric of American life, nonprofit and civil society organizations provide spaces for people with common interests to associate, network, and volunteer. Sometimes nonprofit and civil organizations enable people with similar values to come together to share experiences, for example a community church or a cultural group like the Polish American Association. In other cases, nonprofits aim to solve a social problem or provide support to a group of people, for example Children of Lesbians and Gays Everywhere (COLAGE). In other cases, nonprofit organizations are distinguished by their service to communities, for example the Children's Hospital of Denver, or the Central Austin Neighborhood Association serving one of Chicago's very low-income neighborhoods. Other nonprofit organizations play an integral part in politics and policy-making at all levels of government by raising public awareness of salient issues, lobbying for legislation or public funding for important causes, and mobilizing citizens to vote, contact their elected officials, and participate in protests. For example, consider the Rock the Vote movement which works to increase voter participation among youth, or the National Organization for Rare Disorders, which lobbies to raise awareness and get government funding allocated to researching rare illnesses.

INVESTING IN A CURE FOR MALARIA: WHO SHOULD PAY FOR IT?

According to a recent article, “Bill Gates has declared capitalism ‘flawed’ because it channels more resources to curing minor ailments such as male baldness than to addressing the diseases that destroy millions of lives every year”.¹ Why do we spend more in the United States on research to cure androgenetic alopecia, or male pattern baldness, than to eradicate malaria, a preventable and curable disease?

The answers, though not necessarily reassuring, are clear. The US spends more on research for male pattern baldness because (1) in the US male pattern baldness is more prevalent than malaria, (2) male pattern baldness is more common among people with financial means than is malaria, (3) there is a market for the treatment of male pattern baldness (e.g. there are people who want the medication/treatment and will pay for it), and finally (4) malaria is not generally considered an American problem—it mostly affects people outside of the US.

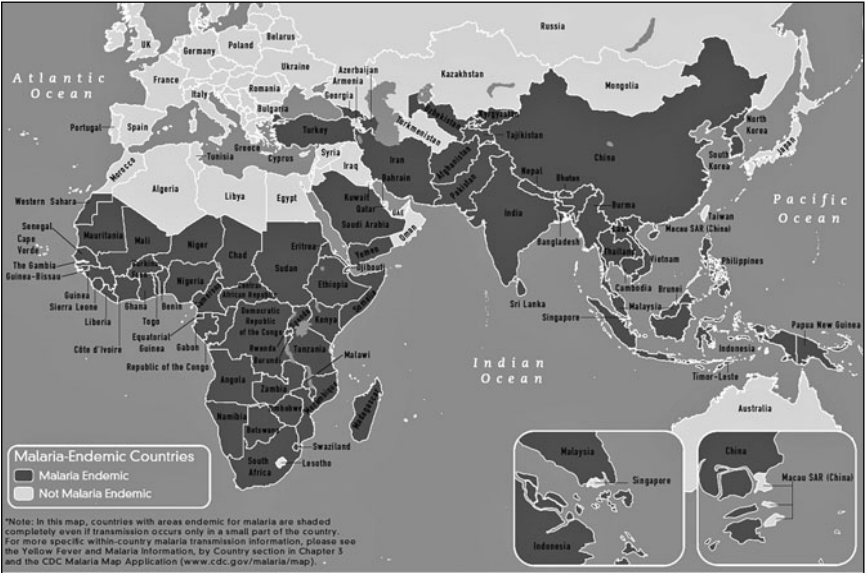
“What?!” you cry. “But I live in the US and I care about people dying from malaria. I want scientists to develop a vaccine for malaria. I think we should prevent malaria, and when it occurs, I want those who are sick with malaria to be treated.”

That may be what you want. That may be what many of us want. But are you willing to pay for it? Are all Americans willing to pay for it? Should a portion of every American’s taxes pay to invest in research for a malaria vaccine and support the treatment of malaria victims in Africa and Pakistan?

Alternatively, maybe the government shouldn’t pay for this. So, let’s turn to the private, for-profit sector. Maybe there is a pharmaceutical company that is willing to invest millions of its own profits to develop a malaria vaccine and treatment. But, once they have developed those drugs, who will buy them? Not Americans, as they don’t suffer from malaria. Can the pharmaceutical company rely on those with malaria in Afghanistan, Pakistan, and parts of Africa and South America to buy these drugs—and to buy enough to make back the costs of the research and development (R&D) and turn a profit? Or should pharmaceutical companies invest in research to cure male pattern baldness and then sell that cure to Americans who are willing and able to pay for it? (Note: 35 million men in the US are affected by male pattern baldness.)²

Do you see the problem here? It is a **market failure** and a **government failure**. Market failure refers to the fact that there is not a private market for malaria R&D in poorer nations—there is not enough demand for investment and consumers lack the ability to pay for the treatment. It is a government failure because malaria is a public health problem, something that requires government investment because it is expensive and affects all of society. But, it also affects parts of the world where many governments

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Eastern and Western Hemisphere Maps of Malaria Endemic Countries, 2011

lack the resources and capacity to invest in the science and market distribution required to eradicate the disease. Those governments that can afford to eradicate the disease (e.g. the US, UK, France, etc.) have already eradicated it at home, but lack the political will to tax their own people to fight the disease worldwide.

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Who will invest in developing a malaria vaccine and provide widespread treatment? The Bill and Melinda Gates Foundation has taken on the charge. Focusing on global health problems since their trip to Africa in 1993, Bill and Melinda Gates have stepped in where governments and private markets have failed. The Gates Foundation has funded more than \$258 million in grants in anti-malaria work, the Millennium Scholar program for minority students pursuing advanced degrees in science, funded Sound Families to address homelessness in the Puget Sound area in Washington state, and launched an HIV/AIDS prevention program in India.³ This is just one example of the important role that nonprofit organizations play in society, filling in where governments and private for-profit organizations fail to meet a need.

Nonprofit and civil society organizations of all types play a vital and growing role in the economy, employing more than 9% of the American workforce, and accounting for roughly 5.5% of **Gross Domestic Product (GDP)** in 2010.⁵ Gross Domestic Product can be defined as the total monetary value of goods and services produced by a particular industry. Figure 1.1 highlights the nonprofit sector's growth from 1950 through 2010, showing both nonprofits' contributions to GDP and wages nonprofits have paid to US workers.⁶ As illustrated in Figure 1.1, nonprofits' economic contributions began to rise beginning around 1970, and began to rise sharply beginning around 1980. As compared to 1950 when nonprofits' contributions to GDP hovered around 5 billion, in 1970 it had reached nearly 33 billion and by 1980 had soared to 97 billion. As the figure also suggests, the trend has continued to tick upward, with nonprofits contributing more than \$804 billion in GDP in 2010. Similar trends can also be seen when examining the number of dollars that nonprofit organizations paid out to US workers. In 1950, wages paid out to US nonprofit workers neared 4 billion. However, by 1980 those numbers reached an impressive 71.6 billion and, by 2010, almost 577 billion. Taken together, these trends highlight the sector's tremendous growth over the time span of 60 years in the United States.

In the United States and abroad, nonprofit and civil society organizations emerge, grow, and succeed for a variety of social, political, and economic reasons. The role of the nonprofit and civil society sector in each of these dimensions of American life is the focus of this book. In the chapters that

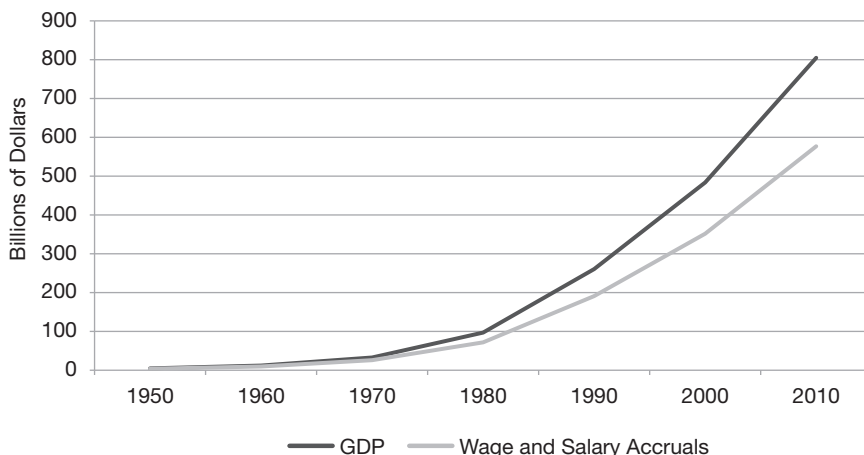


FIGURE 1.1 Economic Roles of the Nonprofit Sector (1950–2010).

Note: Data provided were adapted from *The Nonprofit Almanac 2012*. The originating data source, The Bureau of Economic Analysis at the Department of Commerce, measures the nonprofit sector by looking at organizations that fall into the following categories: religious and welfare, medical care, education and research, recreation and personal business. Those nonprofit organizations serving businesses such as credit unions and chambers of commerce are not accounted for in the data provided in Figure 1.1.

follow, we will examine the ways that nonprofit and civil society organizations contribute to the social, political, and economic dimensions of American culture, and in turn how American citizens shape the nonprofit sector and help to foster and create civil society. Throughout this discussion, we propose a dynamic view of the nonprofit and civil society sector; although the sector has a rich history that is grounded in distinct values and traditions, it is constantly evolving and changing, taking on roles typically handled by governments, and it has also moved into profit-making activities causing some nonprofits to mimic for-profit businesses. Technology, globalization, economic shifts, cross-sector partnerships, immigration, and the changing demographics of America are just a few of the key factors contributing to the on-going flux and transformation of the sector, and represent some themes we will visit throughout the book.

Before delving into these roles, however, it is important for the sake of common understanding that we define and describe the organizations that make up the US nonprofit sector, and examine more closely the meaning of civil society. In this chapter, we will consider some of the various labels used to describe the nonprofit sector, with special attention given to the

term civil society, and will explore how the two concepts fit together. Next we will look at the size and scope of the nonprofit and civil society sector in the US. We will then discuss the boundaries of the nonprofit sector, discussing some of the attributes that make organizations within the nonprofit sector distinct, as well as consider some ways that nonprofit roles and characteristics blend with those of for-profit and public organizations.

Terms Used to Describe the Nonprofit Sector

Experts on nonprofit and civil society organizations have found it difficult to agree upon any one term for the sector, and thus a variety of labels are used to refer to it such as voluntary sector, civil society sector and so on. One reason there is no single “best term” for the sector stems from the immense diversity of organizations and activities contained within it. For example, American Jewish University, The Mayo Clinic, Planned Parenthood, The Bill & Melinda Gates Foundation, The Sierra Club, the American Bar Association, and the Catholic Worker Movement might describe themselves as educational organizations, healthcare providers, advocacy groups, philanthropies, voluntary organizations, environmental activists, professional associations, or religious organizations, but all fall under the general categorization of nonprofit organizations. Organizational diversity is one reason that makes the perfect terminology elusive. Another reason is that the sector has “fuzzy boundaries.” We will examine both of these issues in greater detail later in this chapter.

In addition to the mission-impossible task of counting all the unregistered groups and organizations, the boundaries of the nonprofit and voluntary sector are made fuzzy by the growth of partnerships between nonprofits and government and for-profit organizations.⁷ Nonprofit organizations are working as consultants and contractors to government agencies, delivering public services such as mental healthcare, distributing and monitoring welfare benefits, and running after-school programs. They are also affiliated with for-profit organizations, often as a philanthropic branch of a for-profit company, such as the Target Foundation or Google.org, which “develops technologies to help address global challenges and supports innovative partners through grants, investments and in-kind resources.”⁸ As some nonprofit organizations take on the delivery of public services, like government organizations, or strive to maximize revenue, like for-profit organizations, it can become difficult to see what exactly defines

the nonprofit and civil society sector. Is the nonprofit sector simply comprised of organizations that are not traditionally government organizations and not clearly for-profit private corporations? Some have argued that the term “nonprofit” is itself problematic because it does not tell us what the sector *is*, but rather what it *is not*.⁹

A variety of labels are used to refer to the nonprofit and civil society sector. Some of these terms, outlined in Table 1.1, include the **third sector**, **independent sector**, **voluntary sector**, **charitable sector**, **social sector**, and **philanthropic sector**.

Each of these terms is useful for describing a particular aspect of the sector but, in doing so, conceals other characteristics. For example, the term “independent sector” implies that nonprofit organizations are autonomous actors that stand apart from government and for-profit organizations. While this label is accurate for describing some types of nonprofit and voluntary groups such as lobbying organizations that are privately funded, this term is not accurate for describing all nonprofits, as some rely heavily or even fully on government for the funding they need to operate, as is the case for many health and human service organizations. Similarly the term “third sector” suggests that organizations of the nonprofit sector are mutually exclusive from the “first” sector of the economy which is comprised of privately owned, for-profit businesses, and the “second” sector which is made up of government or public organizations. Yet, in reality, many nonprofit organizations are heavily engaged in partnerships with for-profit and government organizations, or have profit-making programs or subsidiary organizations under the same corporate umbrella, making the “third” sector label not entirely accurate for organizations in this category.

The term “voluntary sector” would also be inappropriate as a general label for the sector, as many organizations are highly professionalized and carry out their operations entirely through paid staff. While some nonprofit organizations are run entirely through donated labor, or through a mix of paid staff and volunteers, many are not. The label “philanthropic sector” is limiting in a similar way. The term derives from the word “philanthropy” which means altruistic concern for human kind, often expressed through giving of time or financial resources. But some nonprofits do not rely at all on private giving to conduct their operations. Thus, while some nonprofits are philanthropic, many organizations in the sector are not.

TABLE 1.1 Common Labels for the Nonprofit Sector

Label	Description	Strengths	Weakness
Nonprofit Sector	Nonprofit organizations are those that are not constructed for the primary purpose of making and distributing profits to shareholders.	Addresses the broader issue of organizational profit and accurately notes that many organizations are not primarily driven by profits.	Many nonprofit organizations make profits but are restricted in what they can do with those profits. Some argue that government organizations are not driven by profit.
Third Sector	Nonprofit organizations collectively comprise a sector different from the for-profit or governmental sectors.	A catchall phrase for all organizations that are not clearly private for-profit firms or government organizations.	Does not tell us what distinguishes this sector from the other two sectors (private and public).
Independent Sector	Nonprofit organizations are autonomous actors that stand apart from government and for-profit organizations.	Suggests that nonprofit organizations work independently from government and for-profit, private entities.	Implies the other two sectors are “dependent.” Does not accurately represent financial dependence of nonprofit organizations in other sectors.
Voluntary Sector	Nonprofit organizations comprised of self-selecting individuals that come together voluntarily to work towards an organization’s mission.	Highlights a primary feature that can distinguish nonprofit organizations from government and private for-profit organizations	Limits sector only to organizations that are run by volunteers. Not all nonprofits are run by volunteers; many have full-time staff members.
Charitable Sector	Nonprofit organizations that provide charitable services directly to intended beneficiaries.	Captures the essence of the sector as typically promoted by ordinary knowledge or by daily experiences, media influence, etc.	Limits sector to only charitable organizations. Many nonprofit organizations do not operate as charities (see all IRS 501(c) designations).
Philanthropic Sector	A sector where work is defined by altruistic concern for human kind, often expressed through giving of time or financial resources.	Highlights unique emotions driving the work of many nonprofit organizations. This term captures the nature of the sector most often promoted publicly.	Limits sector to only philanthropic organizations. For-profit organizations can engage in philanthropy. Not all nonprofits are driven by altruism and like emotions.
Social Sector	A sector where a concern for society takes center stage and work is geared towards improving social conditions.	Focuses positively on the sector’s primary social purpose, rather than on what it is not (i.e. nonprofit, non-governmental).	Expansive term that can include not only formal social organizations but also informal collectives working for social purposes.
Non-Governmental Sector	Organizations that are nonprofit and serve a public mission, but are not governmental	This term aims to separate private, nonprofit organizations from government organizations also serving a public mission	Private organizations, whether for-profit or nonprofit, might be considered non-governmental. Some nonprofit organizations might rely on governmental funding.

Similarly, the term “charitable sector” is an appropriate label for the large number of benevolent organizations that exist for the collective good of society; it is far less appropriate in describing other types of nonprofit organizations that primarily provide benefits to their own members such as professional associations and labor unions.

Still, many of these alternative terms are used to describe or define the nonprofit and civil society sector. The use of each of these terms might be better understood if we consider the social, political, and economic complexity of US society and the ways in which we think about organizations and sectors. In the US, many nonprofit organizations describe their origins as a response to social need, and in some cases a social need to which the government or the private for-profit sector has not provided a level of service to meet the demand. When the government fails to provide a service and there is not a sufficient market for private, for-profit organizations to provide a particular service, nonprofit organizations might emerge to fill that gap. For example, consider the provision of services to the poor and hungry. Churches and other religious organizations might provide this service as an expression of their faith, or because the government is failing to fulfill all of the needs of the poor. Similarly, while there is a private market for the production of fine art and literature, there might not be a way for the general public to experience art and literature. An individual might personally own a painting by Picasso, but how do we ensure that the public can see an original Picasso, or have access to books and learning? In communities where the government could not afford to build art museums and libraries, wealthy philanthropists created libraries or donated personal art collections for public benefit. In this case, we might describe these organizations as philanthropic, as compared to the charitable organizations that give food and shelter to the poor. In both of these cases, we see private actors (organizations or individuals) providing a good or service that the private, for-profit sector and the government have failed to provide. In some ways, the nonprofit sector can be seen as filling in the gaps between government services and the private market for goods and services, giving rise to the term “third sector.”

Civil Society

The term “civil society sector” has become more commonly used in American discourse and is often used interchangeably with the term