MEASURING CIVIL SOCIETY

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Drawn from Lectures on
"The Scope, Structure, and Dynamics of the Nonprofit Sector"
Johns Hopkins University
Center for Civil Society Studies
November 2006

Scholars, practitioners, and policymakers interested in civil society rely upon accurate statistical data to articulate the roles, functions, and contributions of nonprofit entities; solicit funds for programs and services; and monitor trends over time. Unfortunately, most nations—the United States included—do not have a unified national system of accounts that regularly tracks nonprofit sector activities. Rather, information is drawn from various sources, time periods, and units of analysis. This document provides an overview of how the nonprofit sector is currently measured and key data sources available on the size and scope of civil society in the U.S. and internationally.

Civil society is a broad term used to identify entities that are private, non-profit distributing, self-governed, voluntary, and exempt from federal corporate income tax. Terms commonly associated with civil society include the following: nonprofit sector, social sector, independent sector, philanthropic sector, social economy, third sector, non-government organizations, charities, and voluntary associations. In the United States, the sector is most often referred to as the nonprofit sector. Globally, the most common references are either non-government organizations (NGOs) or civil society.

The information is presented in three parts. Part I describes the size and scope of the nonprofit sector in the United States to include the number, types, revenues, and assets. Part II describes the most common approach to measuring the roles, functions, and contributions of the nonprofit sector adopted jointly by practitioners and scholars worldwide. Part III identifies sources of data on civil society in the United States and internationally to include websites where public use data are available.

I. SIZE AND SCOPE OF CIVIL SOCIETY IN THE U. S.

The U.S. economy is comprised of three sectors: government, business, and nonprofit. Rough estimates by the Congressional Budget Office and the U.S. Internal Revenue Service (IRS) indicate that 23 percent of net national income is attributable to the government sector, 61 percent to the business sector, and the remaining 16 percent to the nonprofit sector.

Nonprofit organizations have historically held low priority in the national statistical system because they do not contribute to the tax base of the nation. Since the 1980s, however, greater attention has been paid to nonprofits due to their substantial grown as measured by the number of entities, employees, revenues, and assets.

The IRS is working with the private (for-profit and nonprofit) sectors to codify tax-exempt entities for inclusion in the national system of accounts. In 2000, the IRS adopted the National Center for Charitable Statistics classification system known as the **National Taxonomy for Exempt Entities** (NTEE) developed by David Stevens and colleagues at Independent Sector in the early 1990s. The taxonomy groups nonprofit entities into 10 broad categories: arts, education, environment, health, human service, international, public benefit, religious, membership, and other. The NTEE further classifies organizations under 26 major groups, which identify the focus of activities such as animal-related, medical research, housing, social sciences, et cetera.

Each year, most tax-exempt entities report basic information to the IRS on total revenues, sources of revenues, employees, and types of activities in order to retain tax-exempt status per the Internal Revenue Code (see Box 1). The data are analyzed by the IRS in tandem with selected private research organizations who then make some of the information available to the public. Table 1 entitled, "U.S. Tax-Exempt Organizations: Number and Revenues in 2006" provides a snap shot of the nonprofit sector in the United States..

It is important to note that not all tax-exempt entities in the U.S. are required to file annually with the IRS. According to the U.S. Constitution, religious congregations are automatically tax-exempt but—unlike secular organizations—are not required to file with the IRS and account for activities and/or funds. Therefore, we can only estimate the number of religious congregations at approximately 386,000 per the *American Church Lists* (2006).

Non-religious tax-entities with annual revenues exceeding $5,000 (USD) report annually with the IRS. Those with revenues exceeding $25,000 file an IRS Form 990 (public charities) or Form 990 PF (private foundations) from which the bulk of financial statistics on the sector derives.

According to the IRS, we know the following about the nonprofit sector in 2006:

- 1.4 million tax-exempt entities were registered with the IRS
- Revenues totaled $2.6 trillion
- 950,958 entities were classified as 501(c)(3)s
- Revenues received by 501(c)(3)s totaled $2 trillion
- 501(c)(3)s include public charities and private foundations

- Public charities numbered 850,993 and reported $1.6 trillion in revenues
- Private foundations numbered 99,965 and reported $448 billion in revenues
- Non-501(c)(3)s numbered 460,501 and reported $571 billion in revenues.[1]

Moreover, the data indicate that an estimated 57 percent of total nonprofit revenues comes from fees for services (paid by customers, clients, and private insurers), 31 percent from government (federal, state and local), and 12 percent from private giving (individuals, corporations, and bequests). Over the past thirty years, the percent of revenues from fees has been rising, prompting nonprofits to adopt for-profit business strategies to raise funds.

BOX 1

U.S. INTERNAL REVENUE SERVICE TAX-EXEMPT CODE

Section 501. Exemption from tax on corporations, certain trusts, etc.
TITLE 26, Subtitle A, CHAPTER 1, Subchapter F, PART I, Sec. 501

STATUTE
(c) (3)

Corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literacy, or educational purposes, or to foster national or international amateur sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment), or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation (except as otherwise provided in subsection (h)), and which does not participate in or intervene in (including the publishing or distributing of statements) any political campaign on behalf of (or in opposition to) any candidate for public office.

II. MEASURING THE ROLES, FUNCTIONS, AND CONTRIBUTIONS OF CIVIL SOCIETY

Currently, there is renewed interest in measuring the benefits of the nonprofit sector and the impact that nonprofit organizations have on society over time. This effort is demanding and complex, but necessary, as the sector and its institutions will be called upon to demonstrate their accomplishments and inherent worth in an era of greater accountability to the public.

[1] There are 30 distinct types of tax-exempt entities in the IRS tax code, ranging from 501(c)(1) to 501(c)(25), 501(d), 501(e), 501(f), 521, 527, and 557 entities. The “other” category in Table 1 includes non-501(c)(3) entities and those not classified by type of tax-exemption.

For the most part, the nonprofit sector has relied on anecdotal evidence and general good will to argue for its successes and tax-exempt status. There is no body of scholarly literature assessing the roles, functions, and contributions of the nonprofit sector beyond evaluation research at the institutional level. Hence, in public deliberations, nonprofit professionals are unable to clearly articulate the myriad activities performed by tax-exempt organizations and any greater societal good. While both government and business have clear and consistent bottom lines (i.e., elections and profits, respectively), the bottom line for nonprofits is vague (i.e., the production of collective goods that would not otherwise be provided in society). Until we develop a useful methodology to describe and measure the sector, we are reduced to operating on beliefs about the value added by nonprofit organizations as well as their contemporary roles and functions.

Increased demand for rigorous measurement tools is not limited to nonprofits in the United States. With the growth of foundation-sponsored foreign aid and the popular belief that nonprofit organizations are important vehicles to develop democracy and to offset poverty, efforts are being made to measure the impact of nonprofit organizations abroad. But the data systems and empirical tools to assess socio-economic development and democracy formation are primitive compared to those available for assessing business activities.

How then do donors, staff, and board members assess the roles, functions, and contributions of civil society? One popular and illuminating methodology is the logic model developed in large measure by the United Way of America and its local agencies. The approach encourages the development of a common terminology to differentiate inputs, outputs, and outcomes as follows.

Inputs include resources dedicated to or consumed by the program (e.g., money, staff and volunteer time, facilities, equipment, supplies). **Outputs** are direct products of program activities, usually measured in terms of the volume of work accomplished (e.g., number of classes or counseling sessions, educational materials, participants served, performances). Outputs have little inherent value in themselves, but are expected to lead to a desired benefit, outcome, and/or change for a target audience. **Outcomes,** on the other hand, are the benefits or changes (for individuals, populations, the earth, society) derived from the program, activity, inputs, and/or outputs (e.g., Are participants better off after receiving the service? Is the river cleaner as a result of reduced production by Company X upstream?). Outcomes may relate to behavior, skills, knowledge, attitudes, values, condition, status, or other attributes.

Impacts are inherently more difficult to measure because we must first understand the causal relationships between the measured inputs, outputs, and outcomes and the underlying phenomena leading to the observed results. Impact analysis helps us understand "why" a phenomenon occurred and apportion credit or blame for any change(s). Outcomes, in contrast, tell us "what" has occurred. In order to measure the impact of something, we are required to formulate a theory of behavior (e.g., an hypothesis) and a testable model (e.g., if A then B), collect reliable data, and conduct formal analysis.

Even if the sector adopted a common approach to measurement, the nonprofit sector is many years away from being able to measure its impact on society. First, we must make strides toward better measurement of the sector's outputs and outcomes from which a cohesive theory of behavior might emerge. Perhaps the approach developed by the United Way might serve as a first step down this road.

III. DATA SOURCES ON CIVIL SOCIETY IN THE U.S. AND INTERNATIONALLY

Table 3 provides detailed information on existing data from which to measure the nonprofit sector. The most comprehensive source of international data is the Johns Hopkins University Center on Civil Society Studies (see www.jhu.edu/~CCSS). Data are collected on more than 43 countries where civil society is active. A uniform data system has been developed with information on the number of organizations by type, activities, employees, volunteers, and revenues (see Salamon, Sokolowski and Associates 2004).

In the United States, data are available from several sources. For private foundation data, two nonprofit research organizations collect and analyze the information. The first is the American Association of Fundraising Counsel (established in 1935), which works with Indiana University's Center on Philanthropy to issue the annual *Giving USA* publication (see www.AAFRC.org). Detailed data are available on the total amount of private giving each year in the United States by type of donor/donation (e.g., bequests, corporate foundations, individuals) and type of organization receiving the funds (e.g., health, education). *Giving USA* reports that private giving in 2005 reached $260 billion.

The second source of data on private giving is The Foundation Center that issues the *Foundation Yearbook* (see www.fdncenter.org). Information is provided on the size of grants made by the various types of foundations (e.g., independent, corporate, community, operating), regional variance in giving, and assets held by foundations. The Foundation Center reports that foundation grantmaking totaled $33.6 billion in 2005.

Lastly, data on public charities are available online from three sources: Independent Sector (www.independentsector.org), the Urban Institute (www.urban.org), and Guide Star (www.guidestar.org). The data have been edited for internal consistency and reporting errors. Periodically, Independent Sector and the Urban Institute jointly issue *The Nonprofit Almanac*, a portrait of the size, scope, and dimensions of the nonprofit sector in the United States along with key trends in employment, revenues, and activities.

IV. CONCLUSION

Despite the fragmented system of accounts on civil society, a wealth of good information is available to describe the breath and depth of services and programs available to citizens during times of need. This paper is intended to encourage the readers to jump in and mine the data in ways that can best articulate the roles, functions, and contributions made by nonprofit organizations and the millions of people who provide services as volunteers, board members, and staffers. In the end, such an effort will help us understand—and perhaps appreciate—the interdependence of government, business, and civil society for the healthy functioning of a capitalist economy.

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Table 1

U.S. TAX-EXEMPT ORGANIZATIONS IN 2006:

NUMBER OF ENTITIES, REVENUES AND ASSETS

- **Registered**
  n = 1,411,459
  $2.6 trillion
  ($3.3 trillion)
  - **501(c)(3)**
    n = 950,958
    $2 trillion
    ($2.4 trillion)
    - **Public Charities**
      n = 850,993
      $1.6 trillion
      ($2 trillion)
    - **Private Foundations**
      n = 99,965
      $448 billion
      ($439 billion)
  - **Other**
    n = 460,501
    $571 billion
    ($904 billion)
- **Not Registered**
  Religious Congregations (386,000)
  +
  Voluntary Informal Organizations

Sources: U.S. Internal Revenue Service and American Church Lists. Red figures represent assets. Compiled by FLYNN RESEARCH.

APPROACH TO MEASUREMENT

INPUTS	→	OUTPUTS	→	OUTCOMES	→	IMPACTS
Resources dedicated to or consumed by a program		Direct products or work accomplished		Benefits or changes derived from inputs / outputs		How is (the world) different because (we) exist?
<u>Examples</u> money staff volunteers facilities equipment supplies		<u>Examples</u> classes counseling sessions educational materials participants performances		<u>Examples</u> Are participants better off after receiving a service? Is the river cleaner as a result of decreased production upstream?		

Table 3

DATA ON THE NONPROFIT SECTOR: UNITED STATES AND INTERNATIONAL