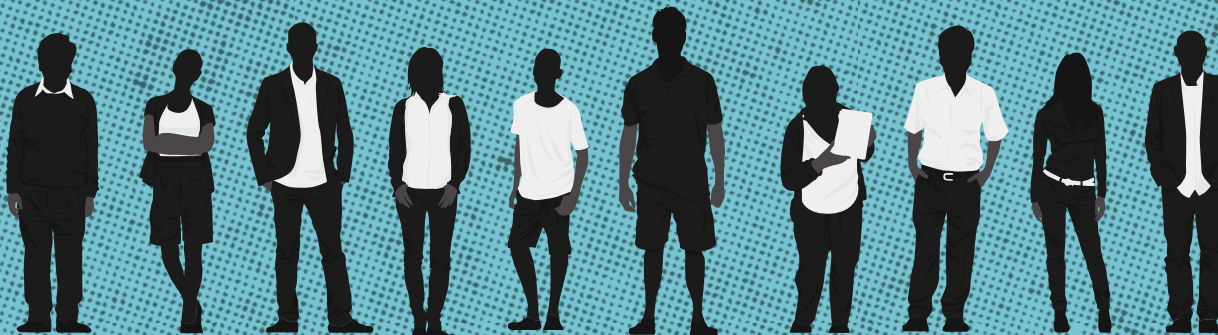


CHARITY AND SOCIAL CAPACITY



A ROUNDTABLE SUMMARY

NOVEMBER 2016 MILTON FRIESEN

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MILTON FRIESEN

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Infographics made by Kira Lodder.

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ABOUT CARDUS

CARDUS IS A THINK TANK dedicated to the renewal of North American social architecture. Headquartered in Hamilton, ON, Cardus has a track record of delivering original research, quality events, and thoughtful publications which explore the complex and complementary relationships between virtues, social structures, education, markets, and a strong society. Cardus is a registered charity.

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INTRODUCTION

IN 2012 CARDUS CONVENEED A CHARITABLE SECTOR ROUNDTABLE in Ottawa to examine three questions:

1. What is the state of Canada's social infrastructure?
2. What role does taxation play in Canadian social infrastructure?
3. What if the charitable sector disappeared?

While aspects of these three questions are still important, other aspects seem prudent to attend to today. On April 28, 2016, Cardus convened another group of leaders deeply acquainted with the charitable landscape in Canada to engage in a structured conversation on the social capacity of the charitable sector. This was not intended to preclude exploration of taxation, legal, and organizational realities, but given the size and extent of the sector and limited time, the core theme of social capacity was the orientation that balanced our engagement and exploration.

The goals of the Charity and Social Capacity conversation were intended to both take stock of our current understanding of the charitable sector and to identify potential pathways for ongoing collaboration in research and policy development. The specific goals of the roundtable were as follows:

1. Move through a set of questions around four core themes over the course of a day.
2. Learn what we are doing, seeing, planning in relation to the charitable sector.
3. Make provisional judgements about the social capacity of the sector today.
4. Identify possible avenues for collaboration.
5. Consider where research, policy, and advocacy resources could best serve the sector.

The following white paper is an *interpretive summary* of the identified participants who were part of the day-long discussion. In each of the four core sections, a pre-selected participant prepared remarks in advance which were designed to catalyze the discussion for the given section. This is the only direct attribution as the working agreement of the group was to observe non-attribution toward candid and open exploration of ideas.

Each of the following four sections reflect the roundtable discussion framework over the course of the day. The orienting questions for each section further refined our focus on what it means to consider the social capacity and effectiveness of Canada's charitable sector. In each section a content catalyst brought opening remarks that aligned with the three questions designed for each session and set up the discussion that followed. The structure of this whitepaper reflects that organization.

In the *description* section we discover that the size and importance of charitable work across the country does not mean we have a clear or complete picture of the basic elements of that sector. Descriptive data about the sector is available but is not always as useful as it could be or as widely used as it should be. The terms and definition we use to define the sector (if calling it a sector is even suitable) will have a significant impact on what we say about it.

Attempts to describe the sector begin to reveal how charity in Canada is *structured* from a legal, governmental and social vantage point. Some charities are large, pervasive, and almost entirely government funded. The vast

majority of charities, however, are neither large nor government funded, and more than half of the charities in Canada don't have a single employee. Structural demands and needs thus vary widely.

These kinds of variances inevitably lead to distinct differences in *power* across the registered charitable landscape. Small, local charities tend to be independent so that their high collective numbers do not translate into coordinated action. One result is that large, organized, and publicly funded charities may end up shifting the legal and policy landscape to suit their needs at the expense of the balance of charities.

Finally, the very diverse and even fragmented Canadian social landscape means that a coherent *philosophy* of charitable activity has been difficult to identify and even more difficult to achieve. Legal definitions provide some common ground, but there are significant differences about what charity is, what it should be, and what role (if any) governments should have in charitable activity.

AUTHOR'S NOTE

CHARITABLE INVESTMENTS OF TIME, MONEY, AND THOUGHT across the Canadian landscape are diverse, complex, and substantial. The absence of this network would dramatically reduce our quality of life in Canada and fundamentally change our common notion of civil society.

“Charity,” however, is not well-suited to the limelight. Although common-good activities are essential to civil society, they are seldom sensational. There are no Trudeaus, Trumps, or Putins that engage the volatile interests of spectacle media and novelty sensation. Supporters don’t clash in public rallies; there are no hairstyle cameos, staged boxing matches, or endless exchanges of mutual admiration or vitriol.

Many of these contributions are understood directly and self-consciously as charitable activities. By extension, the organizations that carry out this common good work are called “charities,” and they are given special status in Canada, which allows them to issue tax receipts for contributions made to them.

Despite their unsensational character, the activities of charitable organizations provide meaning, purpose, and belonging amid the dark labyrinths of alienation that characterize our time. We will doubtless continue to fuel our cultural passion for distraction, but the digital bonds that constitute the fuel of distraction are readily dissolved, carry precious little social freight, and are more likely to result in alienation than provide any sort of lasting community. Charities may well be the vital organizing forces that counteract this tendency. Simply observe the office, home, classroom, or trendy café chair if cell signal or Internet connection fails. The resulting paralysis, rage, fear, and dislocation is immediate and substantial. Witness the effect of losing a phone or having it stolen—there is much at stake. The existential crisis effected by such dislocation reflects a challenge for enriched notions of charity—or care for the common good.

In the charitable sector we labour for what we seem to increasingly forget—in a worst-case scenario, our children’s children may come to see civil society as a fully alien social form. To pick up on Alan Weisman’s fascinating concept of a world without humanity (Weisman 2008), we might imagine what our society would be like if charities disappeared, if we suddenly found ourselves in a time when the institutions of thick social experience oriented to the service of a good other than our own were gone, suddenly placed among the archaic social oddities such as duelling and patronage (Allen 2011). Are the socially generative functions of charities essential to the long future of Canada?

In answering the proposed series of questions about the state of charitable function in Canadian society, we are facing an elevated climb daunting in its scale. The enrichment of culture requires that the past and the future are held in a creative, generative tension. When we forget the past or cease to care about the future, dismal social effects follow. It is critical that we take hold of the future without letting go of the past.

The charitable work in our communities is the core arena where our future is being written. Researching, thinking, talking, building, and envisioning in this space is no esoteric investment, a quaint concession or a salve for the guilt of our overextension and collective greed. The few dollars we give to a shattered man sitting outside the local Tim Horton’s makes us forget that as Canadians, 18 percent of us give 80 percent of the common good resources (and it isn’t the top 18 percent that give—the upper-income individuals in Canada provide vanishingly small common good investments, though they speak loudest when they do).

We need deep renewal in our conceptions of the charitable sector. The challenge is how this might be done and the nature of the resources that we have to confront those challenges. While Canada may have a relatively strong legal and formal framework for charitable giving, that framework could be used far more fully and effectively. What's more, the mechanisms and strategies that would lead to more effective use are unclear and underdeveloped. Translating potential to action remains a significant difficulty.

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DESCRIPTION:

The Canadian Charitable Sector in 2016

CORE QUESTIONS

1. What is the state of the charitable sector?
2. How are we measuring the sector, and who is doing this work?
3. How should we be measuring it?

WHILE WE HAVE MADE ADVANCES in gathering social and organizational data of all kinds, we still lack a rich and nuanced description of the state of the charitable landscape in Canada. It is a landscape, perhaps more than a sector, because it encompasses informal, non-legally organized, or noted forms of collective action aimed at addressing the challenges we face individually and collectively. However, there is value in using the charitable sector to indicate an organizational space where formally registered charitable organizations are highly represented (Emmett and Emmett 2015).

The not-for-profit sector in Canada is nearly as unmeasured as the charitable sub-sector with which this working paper is concerned. There are approximately 850,000 not-for-profits in Canada, and about 85,000 of those are registered charities. Many of these are not functional entities, though we don't know how many. Not-for-profits fill out a T1044 form for the Canada Revenue Agency (CRA). This consists of a two-sided document that asks for identification information, revenues, remuneration, activities, and location of organizational documents. A registered charity is required to fill out a T3010 form, which is ten pages long and includes requests for far more detailed information on all aspects of finances, compensation, in-kind donations, along with detailed listings of activities, countries of operation, and a checklist of additional supporting documents that must be provided. Estimates vary widely, but perhaps less than half of not-for-profits and charitable entities are active beyond maintaining their registration status.

Each of these respective document streams is a key source of data on what is happening across the charitable and not-for-profit landscape. The data is often irregular given dependence on the individual(s) filling out the forms and the nature of data collected by the organization. In addition, using the word “charity” obscures the orders of difference between the few very, very large entities (hospitals, educational institutions) and the much more numerous single or no-employee charities. Describing this landscape is hampered by such dramatic variances, and the need for better descriptions, including language sufficient for today's cultural realities, is well overdue. Description of and language for are aspects of the same challenge. If we cannot define, describe, or explain what is happening in our common-good endeavours, we stand little chance of coming to terms with the value it provides. What do the ten pages of the T3010 and additional pages of documentation fail to include in their reporting requirements? What aspects of the common good are not measureable by these means? This is seldom reflected on in a systematic way.



**18% OF CANADIANS
GIVE 80% OF THE
COMMON GOOD
RESOURCES**

For example, it has been observed that if governments fund charities directly, those charities are really extensions of the government—it is government pursued by different means, a charitable legal status. When we attempt to describe the sector, we will need to be more clear about this internal dynamic. Budgets or programs based on government funding are often consolidated for reporting convenience, which signals that the entities in question have become direct extensions of government policy. This is most clearly seen in health and education but can also occur in other sectors such as public policy research, where organizations such as the Canadian Urban Institute are fully funded by the public purse while other public policy organizations such as Cardus are fully funded by private donations.

The important commonality is that charitable entities are deemed to be unique in that their direct and specific function is the benefit they provide to the public good. In some cases this linkage is clear—for example, providing housing to people whose life challenges have made it difficult or impossible for them to work to

OPENING CATALYST: BRIAN EMMETT (IMAGINE CANADA)

- Charity has made and is making a wide contribution to the well-being of Canadians.
- The charitable sector is growing faster than the GDP.
- Why do charities grow faster than the GDP in some cases?
- How do we foster that growth and understand it?
- Nonprofit Economic Data Project at the Johns Hopkins University Center for Civil Society Studies
- Hospitals constitute a big sector
- Charities are growing because of demand for services.
- Even if the economy is in decline, charities can grow because of demand.
- The aging population in Canada will continue to drive demand.
- Single parent families, substance abuse, immigration, etc, drive demand for services.
- The catch is that growth can only happen if funding is available—earned income, government grants, provincial/municipal grants, individual donations.
- Don Drummond’s long-term view of economics and growth should be given greater consideration by the charitable sector owing to the view of increasing demand in forecasts.
- Sources of funding are always critical.
- If sources shrink, services will decrease.
- Big provincial debts may also have a negative impact in the long term as more money services debt and less is available for charitable sector investment.
- Will donations make up this gap? Not likely—these are shrinking.
- Earned income (e.g., memberships) may be more and more necessary—but regulations are restrictive.
- Canadian overall economic growth is not benefitting everyone (or most people).
- Efficiencies may be realized through government and the sector cooperating more, and government-government cooperation could also improve. Cooperation within the sector is another area for growth if overall capacity is declining.

pay for their needs. Establishing just what these public goods are and how many have been generated in each case has been the core preoccupation of people measuring social impact. This is a subset of the descriptive challenges facing charitable organizations in Canada.

Many of the 86,000 registered charities (Blumberg 2016) in Canada report that they have no employees, meaning that should they be active, those activities are entirely run by volunteers. It is likely that the distribution of charitable organizations follows a typical pattern of few very large organizations and a large number of much smaller organizations. (Bettencourt et al. 2010). There has been growth in the Canadian charitable sector over a long period of time with varying degrees of regulation and interest on the part of government (Watson 1985). The full range of charitable activity is not easy to see or measure. This includes the relationship between the number of organizations registered and the number and extent of organizations that are active. Financial growth measured through aggregate revenue growth in the sector may help, but it is possible for there to be sector growth that reflects increased government funding for education and hospitals with a decline in the balance of the sector. The fat tail of a power-law distribution means that the greatest capacity is in the large number of small organizations. We need to continue to be vigilant about how broad sector language can mask the ground-level realities that charities are experiencing. In this regard, the simplest descriptive measures are those already invoked in this paper—number of entities, number of employees, revenues, and activities. These descriptions are amenable to the analytics that we use to measure for-profit viability, and business-oriented evaluation frameworks are typically used as the default indicators (and assumed to be the best standards to which charities should aspire). These categories may be more useful as health indicators than breaking the sector up by type (health, education, poverty alleviation, and so on).



It is much less clear whether these assumed frameworks help or hinder the function of charities. While a for-profit business has a clear built-in measure—making a profit on invested resources by adding value to those resources—the not-for-profit sector faces a negative built-in measure reflected in its description. The charitable sector is similarly burdened by an archaic concept of something being given in an extraneous way. The language problem noted earlier is a significant aspect of the challenges faced in our efforts to provide descriptive value for the charitable landscape in Canada. If the labels reflected the direct beneficiaries of the organizations, we might rename the sectors the “owner benefits” and “community benefits” respectively. All of them have to do with handling resources, but the benefits reside in different places. A charity is a special not-for-profit in that the benefit is understood to be for society as a whole, and as such, society as a whole, in the form of the elected government, agrees not to tax money given to such entities less than it would otherwise—the Charitable Tax Credit.

Corporate and business metrics fail to capture the full range of benefits that these kinds of unusual common-good contributions make, although the aggregate charitable sector reported \$246 billion in revenue in 2014, making it a substantial part of the Canadian economy (Blumberg 2016). What’s more, over the first decade of the twenty-first century, growth in the not-for-profit sector exceeded other sectors in all but one

year (Hall 2010). We have a sense that they are there, that when we give money to a charity we are not contributing to a billionaire’s nest egg, as we might be when we purchase an iPhone or a Microsoft-loaded laptop. At this juncture it is important to note that from an economic and political economy vantage point, we have libraries of description of what these variations mean. The concern in this paper, however, is to adopt a more direct sense of description based on the earlier noted sense of how many there are, what they do, what the full measure of the goods they provide is, and so on.

We can see these themes emerge when we ask whether the sector is growing, shrinking, or static, and what we mean by growth. When we ask what the government understands as the desirable ends of charity, the vagueness persists. Governing parties each have their own sense of what qualifies as the public good, including a hierarchy of public goods—for example, education is a higher good than pet rescue and thus justifies deep public investment, including committed taxation and legal requirements to participate. What other factors motivate a government view of charity? What does the civil service think when “charity” is applied to a community organization? It would seem that the bureaucracy looks at the revenue and accountability for reporting in a very detailed, even mechanistic way. The more complex measures and benefits, if they fall outside that system of evaluation, are simply not considered. It is unclear how bureaucratic views of charity compare with the views of Canadian citizens beyond concerns that money given to charities is honestly gained and honestly spent. (Canadians also want this from their public servants.) It is clear that bureaucratic views are naturally averse to new things in new ways despite the changing needs at community levels. Public sentiment may also colour which kinds of common goods are more favoured and which are less popular. Public servants may buffer these changes, while elected politicians are more directly affected by such direct expressions of values.

The basic-facts descriptions would indicate that Canada is doing reasonably well by global comparison in terms of paid workers in the not-for-profit sector. By ratio comparison of 10:1 we could infer the charitable sector has a similar breakdown, though we don’t otherwise know. Again, this does not help us understand the nature of the contributions, the degree of public good represented by the sector, or how this looks at much more local, granular levels where service is actually carried out.

We need more and better data, but even with what we have, we know that the charitable sector is significant, growing, and essential to our quality of life as Canadians and to the quality of life of others internationally (Emmett and Emmett 2015). Without useful data, we only know very partially and perhaps very little about the dynamics of the sector. As in other evaluative settings, if we know the “it” we are chasing, we can make

CHARITIES, PRIVATE FUNDERS, GOVERNMENTS, THE PUBLIC AND THE CANADA REVENUE AGENCY ALL COME TO THE SAME QUESTION:

WHAT IS THE STATE OF THE CHARITABLE SECTOR?

WITH MORE USEFUL DATA CAN WE MAKE THE CHARITABLE SECTOR MORE EFFECTIVE?



HOW CAN WE ACCURATELY MEASURE THE CHARITABLE SECTOR?

better use of the data, which is why the descriptive challenges around the “it” of the charitable sector are so important.

One of the primary reasons for CRA forms and feedback is accountability for public-good investments. In this regard, the charitable sector shares a great deal with governments, who face significant pressures to demonstrate that investments and policy changes led to the hoped-for outcomes and why they didn't if something fails. It is important to be able to allocate both blame and credit when evaluating public goods. In deeply nested and interacting complex systems such as those represented by societies, we are slowly learning that such direct input-outcome evaluations are in principle not possible. This realization has not been translated into reporting practices that arose in the far more linear methods generations ago.

This leads us to an important descriptive commonality: charities themselves, private funders, governments, the public, and the CRA all want to know if our interventions and investments have been doing the good we intended. Each sphere of activity has particular and to some extent peculiar sorts of accountability to fulfill, and a suitable degree of flexibility for each aspect of public-good evaluation is important to develop. For example, local congregations provide a significant share of settlement needs for new Canadians even though that may not be well known or well reported (Reimer et al. 2016). As noted, the T3010 reflects the CRA's evaluative measures for determining whether charitable organizations are being used for the common good but it may have little to offer in the way of accountability on mission alignment in delivery of specific community goods (or the evaluation of whether this type of service is over or under-represented in a given location). There is great pressure on bureaucrats to tell political bosses how things are changing—how their work, effort, money, and so on led to a particular result such as reduced homelessness, or better graduation rates, or lower carbon emissions.

The formality of government program or CRA evaluation may be necessary for those contexts, but the wider accountabilities of charities in Canada may better serve their local constituencies by telling the story of the work they are doing and of how they are contributing to the good of people in their communities through changed lives, clean streams, or training offered. The nuance and complexity of a story may be the most effective way to provide for accountability in a local context, though that may not be sufficient for a government department responsible for hundreds of millions of dollars. In both cases, there is value delivered, though it is accounted for in distinctive ways. Citizens provide the ultimate accountability, but mechanisms must suit the scale and nature of the work.

An added challenge is that citizens may not know exactly what they want to measure or may not agree at all about what is worth measuring or pursuing. The diversity of causes and goods provided reflects other pluralities in Canadian society. We may well ask if the tools and instruments of measurement for impact reflect that plurality sufficiently. Should charitable communities themselves have a more significant hand in determining what accountabilities are best in their setting? Does the CRA requirement represent a minimum common base, or have other values that may not be suitable for individual charities found their way into the CRA accounting processes? These are descriptive issues that move closer to questions of measurement but remain important in our ongoing public discourse.

For example, various charitable communities will have different tolerances for risk and exploration. Does the legislation and reporting requirement sufficiently reflect this? Is the charitable sector open to risk during a time of change and uncertainty, or are we locked in to perpetuating what we have, even if conditions have

changed? Research has an inherent exploratory function, and exploration is learning about what we don't know, and what we don't know translates into risk. Do we reduce the value of the sector if we are only concerned that charities operate efficiently by business measures? (The risks and losses of businesses are often excluded in discussions of "business practices.")

We need to reflect on these questions in the context of long-term landscape reviews such as we have in Don Drummond's work on the projections of future states. These reviews provide an evaluation of possible structural deficits that cannot be readily addressed in the short term or by individual charities. These kinds of descriptive evaluations based on anticipated future states require all of the above descriptive aspects to be considered together. One of the wider-context issues in this conversation is how to engage those who may not be contributing a fair share to the common good. A recent example of this is the Panama papers that came out May 9, 2016, which clearly imply that the wealthiest 1 percent search for and have found ways to avoid taxes. It would seem that getting rich does not equal becoming generous if proportion of income is used as a measure.

IMPROMPTU FEEDBACK SESSION

Participants were asked the following question, and we went around the table with each providing an answer: ***If you could have a measure right now, some data or intel on charities across the country, what would that measure be?*** (Doesn't need to be feasible, just something that would be very useful to know.)

[READERS: ADD YOUR RESPONSE AT GO.CARDUS.CA/CHARITYDATA]

Responses (given in no particular order)

- Measure public trust in a wide range of organizations.
- Measure volunteers more accurately and fully.
- Trust measurement is critical.
- Service areas of a given organization would be very valuable to see/know.
- The degree to which goals and objectives were attained.
- Full disclosure about the percent of government funding received.
- Make visible the invisible services, goods, benefits that are provided—for example, thinking, ideas.
- Outputs such as the number of people served and/or engaged.
- Much greater clarity about organizational distinction—type, mission, and so on.
- Measure impact—what happened as a result of what you did?
- Degree of trust from members/recipients/volunteers.
- Formation—how engaged, changed, influenced, as a result of charities' work.
- The value that society derives from the existence and function of charity.

Clearly, there is room for cross- and intra-governmental cooperation in much more significant ways. If government and the charitable sector have common outcome/impact expectations, why aren't they more deeply collaborative? How do we build the social infrastructure to facilitate more robust and meaningful exchanges and sharing between and among these spaces? We may ask where these conversations have happened in the past, and if they have not, what could be gained from building them into current policy and governance spaces?

It will also be important to consider that measurement has many aspects. Descriptive measurement asks that we consider a common way of agreeing about what we are describing, while interpretive measurement is concerned with how things are changing, our role in those changes, and perhaps the mechanism that led to the change.

Doing better with what we already have in terms of data, legal structures, and organizing options is the most close-at-hand aspect of our descriptive interest. The cost of collecting and analyzing the T3010 may not be fully reflected in the value of the data that is possible if we better used it. One barrier to this is the form of the data and its reliability. There is a need for sufficient staffing at the CRA to process and present the data in easily accessible forms. We need to use this data to more clearly see which sizes of charities are declining, which are growing, and whether there is a distribution that matches a have/have-not gap that is occurring in wider society. As we measure, we would do well to attend to which kinds of measurement accelerate the bureaucratization of common-good work and in particular how mixing business and charitable expectations together are likely to erode charity rather than the reverse. One organizational form that could be more fully used is the cooperative. Common-good work could also choose to be organized as a not-for-profit rather than a charity. While tax receipts can't be issued, there is greater flexibility and it may be important if exploratory work is in mind. We can better use what we already know as we enrich our descriptions of the dynamics and purpose of charitable work across the country.

STRUCTURE:

The Organization of the Charitable Sector in Canada

CORE QUESTIONS

1. How is the charitable sector organized?
2. How else might the sector be organized?
3. How does the sector relate to government, business, and civil-society institutions?

BUSINESS STRUCTURES AND THE COLLECTIVE GOOD STRUCTURES OF CHARITY

THE COMMON DIVISIONS OF ORGANIZATIONS into charitable, public, and private is familiar. People who work within organizations are generally aware of the differences, while those who make use of services may be less concerned about legal definitions than they are with getting what they need. From a sector-review vantage point, it is worthwhile to consider the differing obligations that each provides. For-profit organizations are primarily concerned with maximizing the difference between investment and return on that investment. On the way to that objective they make significant contributions to our well-being and provide much of what we need to sustain our lives as we know them. A not-for-profit organization, contrary to the descriptor, can have substantial holdings. The difference is that the resources do not accrue to an individual. The benefits aren't owned but are held in common for the common good. Charitable organizations are even more particularly focussed on the public-good outcomes of organizing, and as a result, governments grant them charitable tax credit granting powers—if you give to them you pay less taxes by getting a tax credit for that contribution. Why does that happen? That portion of the common good that government ideally represents (or is responsible for) is being met directly by a citizen, and so the government deputizes that contribution through the tax credit. This is one of the most significant reasons for the legal structuring of a charitable organization. The primary contribution of a charity is to the common good.

A further question that warrants reflection is the extent to which this innate common-good purpose requires a set of service obligations that are different than those for a for-profit company. For example, is a charitable food bank required to provide a vegetarian citizen who otherwise meets the test of need with special dietary

concessions in a way that a private company isn't (outside of the option being good for business)? Do the tax credits that charities disburse via their charitable registration give them an unfair advantage if, for example, the charity runs a coffee shop on a main street



next to a privately owned, for-profit shop? Are the differences in function and expectation sufficient for the potential differences in performance potential that the legal and functional peculiarities give rise to?

To use the coffee shop example, while charities may compete with businesses, we must also ask if there are ways that business competes with charities. Are there examples of business functions that increase profit margins by trading on the benefits provided by charities? This is at least an indirect reality given that effective businesses require social and societal resources to maximize their gains. While large, for-profit companies may sell arms to a conflict-ridden country, they require the stability of a peaceful location to produce the weapons of war. In Canada, since the nineteenth century there has been a clear transfer of social-good work increasingly to government-run social programs, from nursing homes to orphanages to employment services. What does this transfer of responsibility mean for the long-term viability of Canada's civil society?

Businesses rely on profit margins to enrich owners, but they also require surpluses to mitigate risk and unforeseen disruptions. If a charity has a surplus, should that surplus be taxed or handled like a for-profit gain? Do the difficulties of holding surpluses weaken charitable organizations that work in risky fields such as research, development, or front-line provision of social services in unstable areas? If for-profit businesses use surplus to survive, explore new opportunities, and reward prudent risk-taking, what are the equivalent structural incentives for charitable innovation? To some extent, success in charitable work can mean a diminishment of the market size for the services offered. How does that dynamic come into play in the way that we have structured charities in Canada?

OPENING CATALYST: ABIGAIL PAYNE (MCMASTER)

Registered charitable organizations—what do we know?

- There are lots of tiny organizations and a few big organizations.
- The number of organizations is increasing.
- There is aggregate financial growth in the sector.
- Individual organizational financing is always a challenge.

Charitable / Public / Private

- Are these lines important?
- Should they be changed?
- For example: food bank—meet conditions and you get funding
- If you meet conditions you can access the food bank.
- In the for-profit side you choose from what is offered. If what is offered isn't wanted, it won't succeed.
- Does a public-good entity like a food bank have an obligation to provide a range of services that a for-profit company does not? For example, providing non-pork products for Muslims, non-meat for vegetarians.
- How do charities evolve as the demands that gave rise to them change? For example, a youth park in 1980 might not be needed in 2000; something else is needed. Can the charity adapt to that?
- How do we help a charity meet the demands it was organized for?

TYPE AND SIZE AS A STRUCTURAL QUESTION

The size and distribution of charities is another important structural consideration. If the above-noted power-law distribution reflects the sector, then we may expect two things: one, that larger urban centres are home to the largest charities, and two, that the number of charities in those places is higher. Per-capita adjustments will be important in evaluating these dynamics. Charitable work in Canadian cities with populations of over a million people may well have different dynamics than charitable work in the rest of the country's four-thousand-plus municipalities and villages.

A significant challenge we face in evaluating the social capacity of the charitable sector is getting our minds around the sector in its full range and diversity. New organizations arise, others fade in significance, and still others fail completely. The state of the sector at any one point in time is only provisionally known today. Data from official sources faces a gap of years between conditions, measurement, and reporting (where it happens at all). Added to the lack of coordination among charitable organizations, these dynamics represent a significant evaluation challenge.

The divide between charities with paid staff and those without paid staff is significant, with almost half of reporting charities (via T3010 forms) saying they had no employment expenses (Blumberg 2016). Organizations with paid staff face different obligations than those without any paid staff. Paid staffs are more prone to become extensions of government policy through funding commitments and requests for proposals that frame the problem and solution space quite apart from the delivery of that service—for example, requests for proposal of employment centres where the function, location, and service provision are all determined before funding is awarded. Education and health are public goods that are primarily government funded and thus act as extensions of government policy. These are large, well-staffed organizations and super-organizations that command significant public-purse commitments. Foundations act as extensions of private interest with causes, mission, and purpose held by those who organize and fund the foundation. Whether governments, foundations, or philanthropic individuals, funders hold significant power in the charitable sector through the direction of those funds. Small, non-staffed charities face significant fund-raising challenges. Within the charitable sector we need to improve our ability to describe the commonalities and differences .

CHARITIES WITH PAID STAFF (50%)

- Delivery of social service.
- Health and education.
- Often makes them extensions/instruments of government policy.
- There are winners and losers in these alignments/misalignments.
- For example, federal or provincial government says, “We need employment centres here and here and here” and then puts out a Request for Proposal for a charity/not-for-profit to meet that need.
- This is a clear extension of government policy.
- In some cases, former federal or provincial social service or education functions from twenty years ago have now been handed off to charities/NPOs but still expected do deliver what the government designed them to deliver, and so on.
- Is this a problem? Is it well understood?
- Foundations also tend to be technocratic—like mini-CRAs.
- Engineer delivery through charity channels.
- Funders hold the keys—whether government or foundation, and so on.

CHARITIES WITHOUT ANY PAID STAFF (50%)

- Highly resilient
- Volunteering highly significant here—all volunteer, even key leadership.
- It is clear that this is a very different kind of work than the staffed charities.
- Dependence on social capital is extremely high.
- Paid/unpaid are sub-sectors if charity as a whole is a sector.
- Unpaid staff charities do not typically do research, attend gatherings, organize policy interventions, and so on. Most of that comes from paid side.
- Unpaid charitable sector is nearly invisible for these reasons.
- Paid staffs are not necessarily more effective, skilled, or sophisticated than unpaid staff.



COMPETITION

Although they are legally organized corporate entities, it is generally understood that registered charities are not designed legally as competitive organizations. Their primary structural function is to fulfill a service role where the beneficiaries are not individual or collective owners but the wider good of society expressed in a wide range of direct-need services. This may lead us to conclude that the charitable sector is not competitive, but that would be an incorrect conclusion: designed for service, charities operate functionally in a highly competitive environment. Competition may be experienced primarily through fund-raising, but it extends to service delivery as well where other charities offer services that citizens value; for example, there may be multiple food, clothing, and shelter providers in a given community that are structurally independent. Additional dimensions of competition include time given for voluntary work, mental attention, recreation, and leisure activities that absorb discretionary time, government agencies that act in quasi-charitable ways, and private enterprise that provides similar services designed from capital market templates.

Are charities designed structurally to function in this implicitly competitive environment? If charities must constantly sell themselves (a basic indication of competition), how well or poorly equipped are they to do so? What about Canadian charities in particular? Do they have the tools and resources necessary to function well in a multidimensional competitive context? Does a competitive environment lead to increased performance, innovative approaches, and hence better care for those served by charities?

From one vantage point, organizations can be understood as expressions of “social technologies” that deliver social ingenuity to solve collective problems and challenges, meeting (or failing to meet) demand for “social ingenuity” (Homer-Dixon 2001). If the demand for social ingenuity exceeds supply, quality of life, stability, and long-term viability will be at risk. There is some indication that the nature and complexity of social challenges is increasing (Levin et al. 2009). Even if it is not, the number of people and the additional dynamic layers introduced by industrialization, technology, and changing social structures add raw bulk to the social and civic spaces that charities operate in.

It is also the case that traditional charity models are facing new forms of competition from the growth of the sharing economy network (Barabási 2003). It is unclear whether these new ways of organizing and working are adding to or detracting from the overall supply of charitable services. It is, therefore, a matter of some urgency that we continue to ask how these changes are reshaping the charitable sector. There are indications, for instance, that technological change generally outpaces social change, which leads to significant gaps that can be costly for human well-being (Allen 2011).

From a pure market perspective, these gaps and problems are temporary and will eventually be corrected by a market mechanism that adjusts supply and demand appropriately. Other perspectives suggest that applying market mechanisms to civil society and social sector challenges is a misapplication of the market model. On the way to these vantage points, a central question emerges: Who should have oversight for charities? Who is responsible for ensuring charities are in a structural and functional position to meet the demands that arise in Canadian society? Exploration of competition in the context of charities reveals that at some levels, Canadian charities are accountable to the government through legal and functional oversight of resource use expressed in formal organization, governance mandates that prevent the ownership of a charity by an individual, and a tax credit function that reflects common-good contributions made by the charity. Those who donate money and resources to charities constitute another form of oversight. When money is donated to charities toward particular ends, there is an expectation that those ends will be served in some measure. Finally, those who are served by a charity also expect certain service and functional roles to be fulfilled—a soup kitchen is expected to serve food in a timely, safe, and consistent way given that many people rely on that service.

The pressures of people who use services, governments who expect certain legal functions to be met, and competition for time and attention are also commonly felt by non-charity organizations such as business or the government itself. Governments are expected to find ways to draw a line between resources collected through taxation (or resources acquired in the form of a mandate to make decisions) and results obtained from the use



of those resources. Business is expected to generate financial returns on investment sufficient to reflect profits over time and where they fail to do so face the potential of sale or closure.

While all organizations face competition, there may be unique aspects of the charitable sector that face competition in unique ways. One of those differences is the degree to which outcomes are not formally or easily monetized. A for-profit business has a financial calculation built in to it that allows owners to determine if it is succeeding or not by asking if the business is making or losing money. A charity has a similar viability challenge due to its need to access money, but the social return on investment is not as directly amenable to calculation (Homer-Dixon 2007).

Evaluation as a structural challenge is shaped by a number of factors, such as the size of the charity, the sector it serves, the source of its funding, and the nature of its work. A large hospital or university with thousands of employees that receives a significant portion of its funding directly from the government is a far different structural creature than the tens of thousands of small, neighbourhood charities that don't have even one full-time employee. We might profitably ask whether the structural evaluations of charities take sufficient stock of these differences on the way to developing registration, accountability, and evaluation criteria. It would seem logical to adjust the reporting and structural elements measured to the size, scale, type, and location of a given charitable entity.

Because charities emerge to serve needs that may appear at different times, there is a disruptive tendency inherent in the sector (just as there is in a market economy where new entrants can be a threat to existing enterprises). What is less clear is how we determine if the disruptions of new entrants represents an overall gain or a loss in meeting the social ingenuity gap (Homer-Dixon 2007). With so many small charities across the country, how would we know when their function is fragmenting and less effective because they have low stocks of innate or institutionally embedded knowledge? How would we know if the disruption that new entrants bring will be creative and improve things rather than just change things on the way to decreasing overall capacity?

A concrete example of this is the mode of engagement that donors may opt for. Is the movement of donors to online platforms a net gain or loss in terms of sector support? It is possible that there is a gain in donations overall, but if there are greater numbers but with smaller amounts and no real ties to an entity and thus no volunteer or incidental contributions, what are the structural affects on the sector (or individual charity)? These are ongoing structural questions that require attention (Benkler 2006; Wellman and Rainie 2012).

The charitable sector must contend with wider social trends and changes just as businesses do. Research can contribute to a greater understanding of what is happening amid the changes, but there is a need for faster and better research so that adjustments can be considered while windows of opportunity are open. For instance, the sector could not survive without direct government funding (overall). Most smaller charities don't receive any government funding, but the larger, public service charities do. Do most taxpayers and donors understand the structural dynamics of these differences? Many Canadians believe that their taxes cover what is needed, but that simply isn't the case (Van Pelt, Pennings, and Lazarus 2009). If government payed for fewer charitable services, would citizens pick up the slack directly?

PURPOSE AND EVOLUTION

There is clearly a need to explore further how adaptable charitable organizations are at all scales in the face of significant social and cultural change. Many complex dynamics are operative in charitable sector spaces. Our historical vantage point would suggest this is a permanent feature of the sector, and ongoing vitality will require we adjust to it consciously and strategically.

How do we evaluate whether charities are able to evolve as the demands that gave rise to them change? If a given charity was organized in 1990 to meet a perceived demand for a youth park, could it adapt sufficiently so that twenty years later when demographic changes mean there are far fewer youth but many more seniors the common good is still served? Is this a case where market mechanisms of supply and demand will adjust suitably?

Are there sufficient mechanisms to drive the structure of larger organizations with deeper and more sophisticated service-delivery capabilities other than the market mechanism? To some extent the many smaller organizations could be absorbed into something bigger, but does this happen? There seem to be indications that among the many small charities there is a class that is only organized on paper, which brings us back to the challenges of accurate description of what the charitable sector consists in. Do we need more, fewer, or different charities than we have today? These are structural and strategic questions directly related to the purpose and evolution of charities individually and collectively across the sector.

RELATION TO GOVERNMENT

One of the primary structural relationships that exists between charities and the government takes the form of legal registration and the resultant granting of tax credits. One of the most significant variations within the charitable sector is the contrast between charities that are primarily or fully funded by governments (e.g., education, health, research, and some social agencies) and those that do not receive government support. Sources of funding are a significant driver of charitable function through channels of accountability and expectation (Nguyen, Szkudlarek, and Seymour 2015). Given this, is a charity fully funded by government different from a charity funded voluntarily by citizens? Should a government-funded charity be considered a formal extension of government? Is this always true, or do formal legal and policy factors play a more significant role than funding source? Should charities that are government funded be thought of as different not only in degree but also in kind, so that “charity” is a means by which a government carries out its policy priorities? Is there a gradient?

It is likely that there would be a significant shift in the large-charity landscape if government funding were not available. A scenario without government would affect the majority of charities far less than it would affect the few very large charities, although it has been shown that government grants reduce fund-raising behaviour in charities, a dimension of organizational behaviour (Andreoni and Payne 2003). One practical function of funding source is the degree to which fund-raising activities must be undertaken and the form those activities take. While most charities dream of not having to raise funds, the act of gaining support for a cause builds relational capacity and strengthens informal ties. Citizens freely donating to causes they value reflects democratic values, but it may well be that some charitable functions are such that public support through taxation is the only way to reliably provide services across society. In these cases (e.g., education and

health) there is a possibility that a revenue stretched government would seek to devolve responsibilities back to citizens through the charitable sector. If responsibilities are devolved without adequate support, the existing charitable-sector institutions could be overburdened and suffer as a result.

Government works with different commitments and expectations than citizen-organized charities. Often, smaller citizen charities are focused on specific needs and priorities. Governments, on the other hand, tend to invest in common-good institutions that serve broad citizen needs. Do Canadian charitable laws and structures take such differences into consideration? Do legal and structural changes made for large-scale, government-funded charities influence charity policy in ways that impair or burden smaller-scale charities? There are important differences of opinion about whether the charitable sector is over- or under-regulated. Paperwork can seem onerous to a charity without staff members, but the T3010 annual return that a charity must fill out is a three-page form. The data that is collected by means of the T3010 provides one of the few and consistent sources of publicly available data about the sector. The quality of the T3010 data means a lot of work must be done to clean and organize what is collected, but it is available and perhaps underused.

Are there ways to improve the quality of data, ease of collection, legal organizing, and deployment of services offered by a charity? Can we design legal and formal structures that enable charitable work but with a contemporary context in mind? Is this necessary? Charitable organizations continue to be a vital part of the social structure of Canada, but are they as useful, adaptive, and effective as they could be? Have changes in organizational design arising in for-profit or social-enterprise settings found their way into the charitable sector? How could this gap be bridged?

FOUNDATIONS/CRIMINAL DIMENSIONS

Structural considerations must also include reflection on how charitable functions may be turned to ends that are counter to the common good. All structures, even those designed to serve the common good, can be bent toward nefarious ends. The extent to which a foundation or charitable organization can be used for personal gain, tax evasion, criminal activity (at home and abroad), or the furthering of socially destructive ends is not well enough researched. General consensus suggests that this is not a significant issue in Canada but that it would be unwise to think our assumptions are equal to what is actually the case.

One area where misconceptions could be present is in the propensity of the media to report on scandals and abuses that suggest widespread problems where there are only exceptions. This distortion may be a result of the significant dearth of public relations among charities, which fail to communicate their common-good stories to the wider public. Structural reviews of charities will need to be astute in protecting the sector from criminal exploitation without eroding effective function for the vast majority of charities that function with integrity.

This may be another dimension of the scale issue in the sector. Are all sizes of charities equally exposed to the risk of corruption? Is the risk greater for charities with one or no employees? Only foundations and large entities? Are large-entity issues and accountabilities generating a reverse-effect burden for smaller charities that face different issues (or the same issues but face them differently)? These are critical structural issues because the very few large entities are visible, communicative, and organized but are exceptions within the sector.

INTERNATIONAL DIMENSIONS OF CHARITABLE WORK

We must include international service and support along with all of the other structural issues related to charities in Canada. There is a strong and historic dimension of Canadian charitable work that takes form outside of Canada. Whether it involves schools in Africa, international aid for war-torn or famine-afflicted countries, or responses to natural disasters, the Canadian charitable sector is a significant arena for Canadian collective compassion. The common good is not limited to small, local areas but extends across regional, provincial, and national boundaries. Some of these structural dimensions include non-governmental organizations (NGOs) and the varied sub-forms such as BONGO (Business Oriented NGO), CONGO (Community Oriented NGO), and GONGO (Government Oriented NGO) expressions. Canadian charitable work has a significant international dimension, with particular issues and challenges entailed in each form. The greatest potential for growth includes a dynamic (and intentional) exchange between overseas and domestic expressions so that meaningful collaboration and learning enhance all of the structural aspects of charitable work.

When viewed over a two-hundred-year span, for instance, it has been noted that international faith-based organizations are strongly linked with the emergence of liberal democracies (Woodberry 2012). The value of international work is not limited to faith-based organizations but is an example of how the resources that come from domestic sources have a long history of fruitful growth in other settings around the globe. The structural evaluation of the charitable sector will certainly require attention in these additional dimensions.

POWER:

Resource and Authority Dynamics in the Canadian Charitable Sector

CORE QUESTIONS

1. What forms of power does the sector possess, and how is that power used?
2. What are the weaknesses and vulnerabilities of the sector?
3. Who benefits from the demise of the charitable sector? Who loses?

FRAMEWORK FOR CHANGE

THERE ARE ASPECTS OF THE CANADA REVENUE AGENCY (CRA) that reflect a very conservative approach to change in the charitable sector. Board members and leaders of charities may find interactions with the CRA unwelcome or intimidating. We may usefully think about where the structural signs of organizational pathology show up in the charitable sector. Who identifies the problems? Where do violations of charitable law show up, and how are they identified given that there are more than eighty-six thousand charities and a lack of clarity about the number of CRA staff members trained and able to provide oversight. Some countries like the United Kingdom have a charity commission that stands as a neutral party tasked with oversight of both the sector and the government agency that grants registrations and oversees revenues, but the effectiveness of that oversight approach remains unclear (Hyndman and McConville 2016).

Canadians may want to consider whether the CRA has sufficient support—both corrective and enabling—to ensure the greatest contribution to the common good by charities of all sizes, types, and geographical locations. Is federal-level oversight the most effective? Are there other options that we have not fully considered (Irvin 2005)? If federal charity overseers are not in touch with the sector (or are in touch only with very specific parts of the sector such as the very large, quasi-governmental charities), is there a way to redesign their role so that there is a more context-oriented role for them to play?

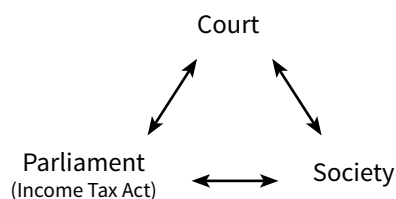
A review of the charitable frameworks in place could include the government being more effective in asking charities what they need, what they want, and what needs to change. With both the government and the charitable sector tasked with a common-good mission, the complementary advance of improved service would be of great value to Canadians across the country. What has been the history of this kind of context-driven redesign of charitable function and governmental oversight? Emerging and evolving organizational forms appear to be advancing faster than the formal structures of governance and legal registration—for example, online donations and quasi-fluid networks of supporters who move from charity to charity depending on what the emerging needs and crises may be. Is the government equipped to enable ongoing common-good contributions at sufficient levels amid these changes? Is the migration to a new “wealth-of-networks” mode (Benkler 2006) a threat or a boon to the contributions of charitable organizations to our common good (Bryce 2006; Wellman and Rainie 2012)? When has a substantial and sustained engagement around these structural matters taken place? While it may be natural to consider that the impetus for this will come from the CRA itself, is this the right mechanism, and has the CRA been engaged in pushing for improved governance, resources for their work, and greater adaptive strategies given changes occurring across the Canadian social landscape?

There is a certain logic that would suggest the sector itself should be the primary driver of key changes rather than a governmental body charged with compliance. Does the Canadian charitable sector possess sufficient common structures for this type of engagement, or do the dynamics of the few very large and the many very small charities mean that the organized (i.e., large) shape the landscape to their benefit even where those involved are well-intentioned and capable (Christensen 2011)?

For some people, the best structures are those that maximize freedom to do good. Are there ways of organizing charitable efforts that are not formally in the charitable sector? Could a group who wants to improve education in a northern community do so more readily by using a not-for-profit structure that isn't charitable? Are there for-profit forms that are more adaptive, manoeuvrable, and efficient that maximize freedom to pursue the common good more effectively than a registered charitable structure? Maybe, for example, faith groups could use a not-for-profit structure that would give them far more room to manoeuvre—the benefit of issuing tax receipts could be offset by the benefit of having greater organizational flexibility. All Canadians

OPENING CATALYST: CARL JUNEAU (CRA CHARITIES DIRECTORATE—RETIRED)

- Power is the ability to elicit change.
- Charities have small-scale power in meeting direct needs.
- The playing field is uneven—businesses and unions have money for lobbying, and they use it.
- Charities don't have that much money, and they don't organize in the same way as a result.
- Charities are intimidated by audits and CRA document requests.
- Charities represent the voices of society and those who would not otherwise be heard.
- A definition of charity determined by courts is the current—but inadequate—mode.



- Courts and even politics are often not in step with contemporary social needs.
- They can't act sensibly on needs and opportunities, but charities can.
- Charities will not benefit from courts making the definitions.
- Public perception and support for charities is critical—but often ambiguous.
- A strident minority of people don't give because they say they don't know where it goes.
- This is a very small minority, but they have the media in tow.
- Media like the scandal, and they focus disproportionately on it.
- This is a public relations issue.
- If more power is needed, government needs to be engaged and the public needs to be engaged.
- CRA is open to political interference, and that needs to change.
- We need an independent body overseeing charities.
- Tax courts and the audit process are primarily complaint driven alongside random audits.

have a strongly vested interest in effective regulations. How are they working toward that end? Are common-good regulations that serve the charitable sector effectively protected from political dynamics and the vagaries of the parliamentary process? Are the churn of those spaces good for charities, or do they erode the trust and tenure needed to meet public needs?

While they may be unwelcome at some level, structural functions such as filing out a T3010, undergoing an audit, or conducting annual business to meet the requirements of charitable law are all intended to protect the common-good mission of a given charity. In 2013–2014 the Charities Directorate audited about 1 percent of charities (845) and notes that about 1,870 charities lose their status each year (54 percent voluntary, 43 percent failure to file T3010, 2 percent as a result of audit) (Fitzsimmons 2016). It may well be, however, that the intention of protecting the common good actually undermines it. Many smaller charities don't understand that they can challenge the CRA directly by questioning the CRA's request for more information, suggesting compliance directives that are not legally binding, or through court process where legal claims are being made. Challenges are required to keep the processes effective and adaptive. Where there are no challenges, ineffective or pathological results (even where they are well-intentioned) can become a new status quo that erodes common-good capacities. Misuse of CRA power needs to be highlighted where it occurs, just as misuse of charitable status needs to be highlighted where that occurs. In both cases, the protection of the common good must be kept in mind from a structural vantage point, recognizing that abuses of power and unintended negative consequences do and will occur.

One particular dimension where formal frameworks falter is in identifying and properly measuring the role of informal supports. Formal data related to the charitable sector show up on the T3010 submission process, but there are a great many informal supports that are not clearly noted or adequately measured. One example is the role that local faith communities play in critical services such as immigration settlement. A federal government may make commitments to refugee resettlement, but the majority of the actual work will be undertaken by local faith communities where the fine-grained, ongoing supports that human thriving requires are furnished not by government departments but by the faith communities' formal and informal networks at community levels (Reimer et al. 2016).

Another dynamic of this informal framework dimension is that each small charity could endeavour to undertake meeting community needs on their own without being aware of other charities or people doing the same thing. This could result in many small, inefficient efforts with considerable overlap where a more coordinated approach would better serve the actual need (e.g., multiple food banks, or multiple used clothing outlets, etc.). Some inefficiencies are required to keep a system adaptive, but when these happen invisibly, it is equally possible that opportunities to scale and extend services are simply missed. Of course, this kind of overlap may be inevitable and may reflect an aspect of the charitable landscape that is exposed to common-pool resource competition, whether in the form of limited numbers of donors or limited numbers of those being served.

Small, individual charities may also be poorly equipped to make sense of the wider culture drivers that are shaping Canadians individually and Canadian society more widely. If the sector holds outdated assumptions, could these assumptions be impairing a more effective structural response to issues such as poverty, inequality, education, or labour organizing? Do most charities have an awareness of how cultures change and what their role is in that cultural change (Antadze and Westley 2012; Campbell, 2012; Hunter 2010; Westley, Zimmerman, and Patto 2006). Where agency amid those changes is understood, are resources available to turn that awareness into effective action? These questions are not clear within the current expression of charitable-sector self-reflection.

STRUCTURAL VULNERABILITIES

While the CRA is a civil-service organization that is intended to operate at arm's length from partisan political processes, is this always the case in both perception and practice? Without clear and consistent review of CRA Charities Directorate practices by the charitable sector itself, certainly the perception and possibly the practice of audit selection, policy changes, and procedural adjustment may be exposed to partisan interests. Confidence in the charitable sector is related to confidence in the CRA operations at all levels. Is the wider Canadian public (who constitute the millions of volunteers who participate in, lead, and benefit from charities) aware of audit process, how it is applied, the role of complaints in audit selection, or the possibility that the CRA can be influenced by those with political power? Is there a sufficient degree of transparency within and about the CRA to induce public- and charitable-sector confidence? Is it possible for governmental organizations like the CRA to become more or less aggressive depending on the values of the governing party? Charitable policies rarely become significant party platforms, so many important charitable-sector functions remain low on the priority list of both parties and senior civil servants.

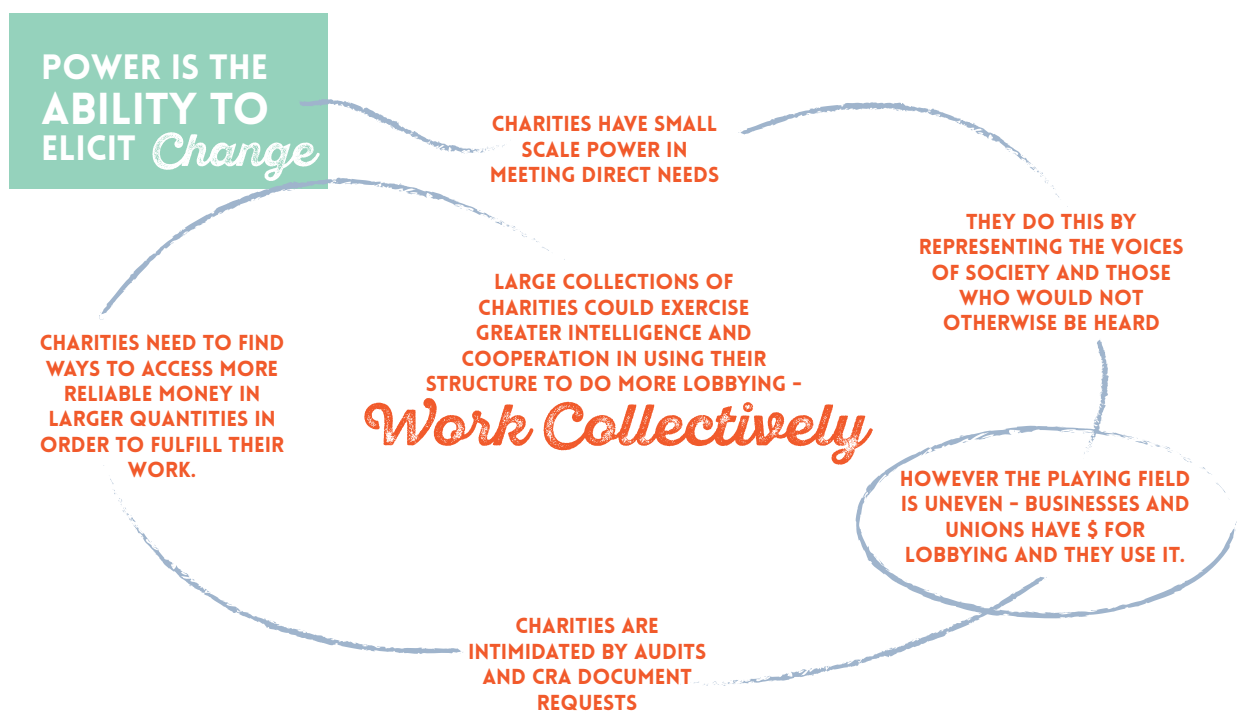
One role that is often not considered is the extent to which agencies such as the CRA could act as a buffer in the context of charitable-sector capacity. There are clearly social and economic challenges that far exceed the capacity of the many small charities across the country. In the face of a significant financial collapse, most charitable institutions are not able to buttress the shift in weight from government to society as a whole. How can we ensure that the charitable sector is not freighted with problems that are much broader in origin and that will require a much more comprehensive engagement to solve? Is a mission to serve the common good equal with being responsible for all common-good problems? American charitable leaders are familiar with the way in which social services taken over by governments can be downloaded back to the charitable sector but without sufficient resources to meet those demands (Cnaan, Sinha, and McGrew 2004).

Many of the CRA reporting regulations are intended to offset charities' exposure to abuses such as fraudulent management of donated resources. Mandated annual meetings, board structures, and the prohibition of individual benefit and ownership are all designed to protect the common-good intentions of charities. While rare, media reporting on mismanagement or embezzlement within the sector can create an impression of wider-spread problems that may not exist, as has been noted above (Archambeault, Webber, and Greenlee 2015). While temptations to steal cannot be regulated away, the risk of loss can be offset by designing structures and processes that significantly reduce the opportunity for fraud, although the most important locus for those policies may exist at a charity rather than a governmental level (Greenlee et al. 2007). Much of the existing structure in tax claims and filing is designed to do just this in broad strokes, but effectiveness in specific sub-sectors of the charitable landscape may well be in need of greater attention.

Funding is a critical power issue. Donors put limits on the use of resources and outcomes, and they do so in distinctive ways when those "donors" are sole funders such as governments (Nguyen Szkudlarek, and Seymour 2015). The ebb and flow of funding from year to year, program to program, and trend to trend make the management of charitable enterprises very challenging. This can take the form of transient staffing, inability to recruit top talent to fulfill key leadership roles, and even a lack of confidence on the part of those served, who experience directly the failures of structural problems at the end of the line. Our wider society has moved toward more empowered consumers, and that translates to more empowered charitable supporters. This is undoubtedly good in a commonsense way, but when donor management becomes a preoccupying function of a charity, it dramatically draws down their service of mission, even if that donor management is necessary.

Balancing local and specific interests with wider policy frameworks is an important tension, and one that we may well want to maintain (Frank and Shockley 2016). Charities need to find ways to access more reliable money in larger quantities in order to fulfill their work. This is particularly true of smaller charities where professional fund-raising, public relations, and lobbying dimensions are simply not possible. The challenge is that if this money were to come from governments, an important power differential, namely, charity as extension of government policy, is introduced. Governments, like major donors, may often expect to see evidence of a longer-term plan even when their funding is short term. Most charities, given the chance for possible funding, simply comply with such requests despite the significant draw on their resources. Through the charitable tax credit, donors commit governments to the agendas of charities they support. Some argue that this undermines the government's more strategic and equitable role in meeting needs. Canadian charities may wish to evaluate the extent to which this is a necessary and valuable tension in a democratic society rather than undertaking measures to eliminate the tension. Majority demand and strategic importance are not always the same thing, and mechanisms to adapt this tension from issue to issue are important for a viable charitable framework.

The charitable sector is the most critical vehicle for volunteering, but there is growing resource competition from the social entrepreneurship space, where for-profit structures are reconsidered as vehicles to deliver common-good services to people. This may not be an unmitigated good, however. There is some evidence to suggest that social-purpose business draws on civil-society goods to deliver its benefits in much the same way that for-profit businesses draw on common goods often without direct recognition of those goods or its drawing down of those goods (Child 2016). Are charity-like structures emerging in the crowd-funding, social innovation, and social entrepreneurship spaces eroding the volunteer and funding resources that charities have counted on? Is this new form of competition a catalytic good or an erosive force that will see net contributions to the common good (financial as well as social) decline over time?



The existence of a few very large entities, in addition to concerns already raised, introduces new vulnerabilities for the smaller spaces of civil society. The numerous, local level organizations can buffer the ebb and flow of mass interest (or lack of interest). What is less clear is the degree to which a more individualistic and segmented society supports or erodes charities. It could be that a more fragmented landscape will give greater power to the big players who are more organized and visible (Nisbet 1953). The ongoing debate about a widening have/have-not gap in the developed world, including Canada and the United States, has important power-differential spillovers into the charitable world. Are large charities a buffer against the erosion of civil society or a contributor to that erosion? It has been noted that the larger an organization, the less effective it is in contributing to the preservation of common-pool resources (Ostrom 2011). Large organizations may also suffer from an “iatrogenic” effect where an intended public good like educating students is impaired by educational institutions (Illich 1975; 2000; Manzini 2015). How these resource differentials play out across the different types and sizes of charities in Canada is in need of continuing research investment.

CRA staff and elected officials who provide parliamentary oversight for the charitable sector also require ongoing education that draws on this growing field of research. While there is no shortage of perceptions about the charitable sector, what is actually the case over time is less clear. Elected politicians who have served in the sector may be equally unclear about the needs of the sector once they are in office and time and attention divert them toward other priorities. It is difficult to imagine a solution to this other than the sector itself taking a much more robust role in addressing the various power dynamics outlined in this section. The front-line viewpoint of the tens of thousands of charities across the country needs to be wedded to a higher-order organized engagement with policy makers and civil servants who oversee the broad frameworks within which charities are being asked to function. It is unlikely that charities will ever have the kinds of public-relations budgets that top-line executives make use of to ensure industry position and priority. Charities are penalized for lobbying beyond a basic level, but it would seem that an even bigger issue is their ability to make use of the lobbying power they are given by collective action of some kind. What is small and numerous can only gain power by finding ways to act in concert to undertake either a clear opportunity or face an emerging threat. There are significant lines of work that the charitable sector in Canada needs to consider as it examines the common-good role across the country. Large collections of charities such as religious denominations could exercise greater intelligence and cooperation in using their structure to do more lobbying—work collectively instead of each individual church/community trying to do something. Charities may yet find ways to engage a deeply valuable and powerful commodity to evoke the changes we need—public trust in the work they do.

PHILOSOPHY:

The Assumed and Actual Ideas that Inform the Conception of the Charitable Sector in Canada

CORE QUESTIONS

1. What are the historical conceptions and practices of charity?
2. What role does charity play in a liberal democratic society?
3. What philosophical trends and ideas are shaping charity today?

PHILOSOPHICAL DELIBERATIONS about the charitable sector in Canada are perhaps the least developed aspects of our common engagement. Earlier sections on description, structure, and power are more direct and seem inherently pragmatic—we can justify to others why such efforts should be undertaken. But the idea of what charity is, the nature of its function, its historic location as artifact or social catalyst, is undertaken less often from a philosophically coherent vantage point. There are, of course, significant exceptions (Gadamer 1960; Lohmann 2015; Nisbet 1953; Taylor 2004), but these tend to reinforce the dearth of substantial reflection within and about the sector generally. Third- and fourth-sector language is sometimes used as a way of defining how the nature of a charity differs from a for-profit business (Evans and Shields 2000; Smith 1991; Sabeti, with the Fourth Sector Network Concept Working Group 2009). It will become clear, however, that the idea of charity and care for others as individuals and in collective forms is underwritten or at least significantly informed by other more basic questions and human expressions of cooperation. The purpose of this white paper thus far has been to reflect the vantage points of the participants gathered for the discussion, so a formal historic review of charity will not be undertaken, useful though that would be. Instead we will sort through the dialogue and identify our orientation to each other. It is to this co-mingled common ground and points of difference that we now turn.

ALIVE AND WELL

With tens of thousands of registered charities all across the country, billions of dollars worth of service, revenue, and expenditures, as well as millions of gainfully employed people, how can the charitable sector be characterized as anything but thriving? A density distribution of the eighty-thousand-plus charities would reflect a pattern that reflects population density across the country and including very small town, village, and neighbourhood. One of the clearest commonalities is the sense that our theory and practice of charity interacts significantly with other cultural and social values that constitute contemporary life. While there may be legitimate concerns about whether it has managed to do so meaningfully or has instead become mired in an outmoded framework, it is clear that the charitable sector reflects strong values we hold among ourselves.

This charitable thriving is contrasted by a posture of pessimism on the part of many charitable leaders who face growing challenges in raising money, gaining attention, attracting and retaining volunteers, and in some

cases serving needs that outpace capacity. The differences often seem to focus on what constitutes a measure of success. Amid all the good being done, some social challenges seem extremely robust in the face of our many hopeful solutions: for example, poverty, income disparity, shrinking rural communities, and increasing food and housing costs in major centres across the country.

For many people, participation in charity is a way to be fully human and to experience and express solidarity with other people who share their values. These investments are often a strong counterpoint to contemporary pressures that move us toward individualism and social isolation. Some of these collective value interests

OPENING CATALYST: RICH JANZEN (CENTRE FOR COMMUNITY BASED RESEARCH)

Charitable context

- | | | |
|--------------------------|-------------|------------------------------------|
| 1. Relief | direct aid | give a man a fish |
| 2. Personal development | opportunity | teach to fish |
| 3. Community development | capacity | build fishing gear facility |
| 4. Systemic advocacy | policy | make fishing, woodcutting possible |

Twentieth century: relief moving to personal development

Twenty-first century: community development moving to systemic advocacy and change

- better public policy
- better investment
- one stroke of legislation can change life for millions of people
- examples: USA: Title 1, Canada: the Indian Act

What is the appropriate weighting of these four categories?

- Faith and Justice (individual responsibility/collective responsibility)
- How do we live with the age-old tension of charity and justice?
- Charity and justice are deeply intertwined
- What is the unit of change?
 - Charity begins with the individual and expands to the collective.
 - Justice begins with the collective and moves to the individual application.

Justice: how people relate to each other

Charity: giving from more to less (resources of all kinds)

Is justice part of charity?

Is our focus on individual or collective justice? Charity?

These are key philosophical tensions that we do well to keep in view as we discuss the sector.

lead us to locate in communities or cities where cultural activities, lifestyles, and employment opportunities converge. We organize and operate cooperatives and register charities to undertake formally organized expressions of these values, which range from interests in sports teams to common religious convictions to political alignments.

One of the central social-philosophical tasks that remains is to connect the taxonomic description of charities (are they legal, social, economic, or political entities) with our evaluation of their importance in contemporary society (are they needed, are they growing or shrinking, and is that a good or bad thing), and consequently the means by which we evaluate their relative health and impact. (If they are a common-good contributor, do they all contribute equally? If not, how and what aspect of them do we measure?) Each of these three axes represent a significant and complex set of challenges—their interactions only increase that difficulty.

FULFILLS CRITICAL NEED

Descriptive sociological work has identified that charitable and other volunteer organizing are vital constituents for individual belonging, acting like a gateway drug to increased care for others, voluntary financial sacrifice, and volunteer donations of time and attention. This relationship is not always clear or straightforward, and there may be many charitable-sector organization members for whom membership and belonging are not synonymous. For example, Canadians have tended to pride themselves on their care and generosity, but a closer examination of charitable patterns in Canada reflects that there is a significant core (less than 20 percent) who carry 80 percent of the financial burden of charitable giving—the differential is even worse when it comes to donating time (Van Pelt, Pennings, and Lazarus 2009). One of the roles of descriptive research can be to connect the observations about what is with the wider narratives that may not fit neatly with those observations. Canadians are indeed generous, but that means a small core is very generous and most of the rest of Canadians simply are not. Philosophical reflection can lead toward deeper conversations that seek answers to questions such as, Are we a generous country? Are we a generous city? Am I a generous citizen?

Charity must be, in a significant way, a way of being with each other, a means of identifying common cause rather than a status-preserving handout. The social economy can be a vital context for enlarging our sense of what “we” means and what our obligations to each other may be. Direct engagement through common identification will in turn change us. If, however, that is not true and we give neither time nor money to address the wide range of demands that contemporary culture has exacted on individuals, families, and communities, then we will need to turn our explorations toward why we are in such a state of affairs and what might be done about it.

CULTURAL STRESSES

It isn't difficult to find examples of the degree of stress, pathology, and fear that characterize our common lives. For some, the need for charity reflects a failing somewhere else—a failure of the market for some, of

government for others. It has been observed that justice may be a remedial virtue that we use when the greater virtues are absent (Hume et al). Less pessimistically, the very diverse charitable sector reflects cultural, social, and religious priorities that are not met by either the market or government. We may participate in a local arts groups, join a movement to clean up a river, or organize a network of people who share our love of cricket. These often reflect trans-business and trans-governmental interests and may be more closely tied with particular local interests. The existence of these types of organizations are not a panacea for challenges like social isolation. Even in cities that show up at the top of “Best Places in the World to Live” there can be significant social dislocation (Vancouver Foundation 2012). It may be that larger social settings can lead to greater pessimism, but what might be done about that is often unclear.

Another significant cultural dynamic is the relationship of younger generations with charitable work and charitable leadership. To what extent will youth and young adults pick up the charitable-sector baton from older generations (Bekkers and Wiepking 2011)? Significant volunteering and financial commitments to charities in Canada are underwritten by religious people closer to or in retirement than by any other group (Statistics Canada 2012, 23). The transfer of an active civil society across generations amid changing values and commitment is a continuous process that has long historical precedent. For those interested in the Canadian charitable sector, these questions must be attended to in the context of our specific contemporary challenges. A vital civil society may well have more or fewer registered religious charities and still thrive in theory if the decline of formal expressions is offset by other types of common-good contributions. Whether this is happening or not may be answered more fully by future scholarship, but we must do more to try and answer that question today. If a caring and involved citizenry does not make use of our charitable infrastructure, it is certainly unclear what other form those collective expressions will take.

It is possible that charitable functions will suffer a fate similar to endangered species that don't have high public-relations value. A polar bear cub is much easier to sell to a doting public than some strange salamander that looks offensive and makes people instinctively recoil. Are there charitable functions, for example, that are not readily marketed to a wide, digital audience but that nonetheless are critical to us? Charitable-sector research will need to recognize the uneven nature of these impulses and the gap that can exist between what we need and what we think we need. If younger citizens are interested in charitable work contingent on their being the CEO of the charity, will that lead to an expansive landscape of “leaders” with a dearth of followers? For many of these questions, we don't have adequate answers. Where we do have answers today, the changing nature of the social landscape may erode their value in the near future.

Newer usually gets more attention, but it may not be better than what we had. Slavish adherence to an unquestioned past isn't helpful either. There is room for charities to both tell their story better—not only the story of what they do also but the wider story of why what they do matters for all of us. There is still a very high level of trust in charities (Lasby and Barr 2013), and that trust could be better used in growing broad awareness of why our associational altruism will matter even in a deeply digital age. This trust cannot, however, be assumed to be permanent. In both the United States and the United Kingdom, downloading of public care work to local charities (faith sector in the United States, big society institutions in the United Kingdom), while making overall resource cuts can significantly erode trust in both government and the charities who acted as the last-mile delivery vehicle (or non-delivery as the case may be). Critical reflection on charitable structures must include a careful analysis of needs, resources, and the effects of involvement.

THE VERY DIVERSE CHARITABLE SECTOR REFLECTS CULTURAL, SOCIAL AND RELIGIOUS PRIORITIES THAT ARE NOT MET BY EITHER THE MARKET OR THE GOVERNMENT

STRUCTURES BROKEN OR ADAPTING

For some people, the solutions to meeting the social or material demands of the charitable sector remain market driven—we simply need to extend the market mechanism of the economy to civil society and thereby broker supply and demand related to social, cultural, and any other human needs. Large-scale exposure of people groups and even countries to pure market forces (if such a thing exists) suggests that this is not a sufficient answer to the question of how we might deliver the common-good resources we need. Market forces have certainly enabled the development of wealth and prosperity at unimagined levels across many parts of the world, so market elements may be a necessary but insufficient mechanism, necessary for a certain range of goods and services but not sufficient for many of the aspects of human thriving that are represented by the charitable sector.

In Canada, the growing demands of an aging population on a publicly funded and highly professionalized health-care sector suggests limits for those who are strong advocates of increasing the size and scope of government responsibility. In that sense, charities represent a kind of devolution of power toward local decision-making and citizen choice about what issues, needs, and opportunities are worth pursuing. No one is sure how far the current system can be pushed before it reaches points of widespread faltering or collapse. As noted earlier, the role of very large, government-funded charities may necessitate a more carefully differentiated and complex version of charitable work. Professionalized care has tended to decrease the role of the one receiving care and increase the role of those delivering the specialized services, even where less specialized health solutions are evident—for example, the role of social connectedness to health is clear, but doctors can scarcely provide a prescription for friendship (White 2010).

An enriched social philosophy that does not settle into typical partisan tracks may go a long way to fostering the kind of interdependent and empowered social arrangements we need. The role of the charitable sector in those reconsiderations will likely be significant. In some cases, the social philosophy of subsidiarity has been a useful way of balancing freedom and responsibility across scales and sectors, but a fuller embrace of subsidiarity has yet to happen (Donati 2009; Friesen 2014).

If the performance and value of the charitable sector were better understood or extended, it might be that citizens would tolerate higher levels of taxation as a means to more significant human flourishing that transcends economic growth alone. These common-good contributions through taxation do not accrue to individuals but belong to all citizens in the form of better health care, education, access to parks, transit, roadways, policing, courts, and so on. In the face of scarcity, however, it may be that the centralizing tendency of current efficiency fundamentalists will lead to decreased citizen control and increased bureaucratic processes that sever human instincts and responses. Decreased messiness in terms of process and experimentation leads to a corresponding decrease in innovation, creativity, and excellence (Jacobs 1994). Those who dream of everything being tidy, controlled, respectable, and predictable will also have to accept a world devoid of the genius that arises in the context of uncertainty and new creative combination. The charitable sector may well engage

in a philosophical reflection of how they can ensure that they do not succumb to the constraints that will yield efficiency at the expense of remarkable new solutions and approaches to enriching the common good.

Of course, the significant downside to this range of ideas is that it begins to equate charity with government. While this may be common enough, it is far from being a logical or necessary conclusion. We may instead reflect a wide range of preceding thinkers and practitioners for whom the functions of civil society—charity a subset among them—operate apart from government (Lohmann 2015). The core tension here is the locus of decisions about resource sharing: Should it be citizens or associations of citizens that identify needs, devise strategies to meet those needs, and then carry out the intentions? Or should citizens give their money to the government and let the state decide those steps and actions? It would seem that the free-rider problem—people benefitting from a common good without contributing to it or stewarding it—would be more pronounced in a state-oriented charitable framework where accountability and motivation are very difficult to engender or enforce, as has been examined by various economists including those examining charitable institutions such as religious groups (Iannaccone 1992).

GOOD INTENTIONS, UNWANTED OUTCOMES

Given the “iatrogenic” effect possible in our helping of others (that our efforts to educate people might unwittingly impair their learning), which was noted earlier, there is philosophical work to be done in exploring the power dynamics and structural and institutional care for others. While the intentions of developed nations in Africa over decades and even centuries is admirable, it is not universally accepted as an uncontested good (Moyo and Ferguson 2010). Domestic social supports may also have unintended consequences—those helped may develop dependencies that undermine their own freedom (Dixon and Frolova 2011). Significant improvements in the lives of people have resulted from social care, foreign aid, and development support. The lesson, however, is that critical reflection about the nature of what is happening in the exchanges remains essential at all scales. The Canadian charitable sector’s accountabilities need to include the differential between intention and outcome. Improved theoretical and practical analyses of these dynamics could lead to the properly designed regulations and formalities that reflect the actual conditions of care. This will entail more robust discussions of what we mean by the common good or the public good in any given situation.

If a problem is solved by government intervention but leads to new and permanent imbalance of power and dependency, we may want to reconsider labelling the intervention a success. This may hold true for evaluations of capacity: Do we have the charitable entities we need in just the right balance, or is there room to calibrate need, timing, and supply of care? There are forms of organizing such as cooperatives that allow collective functions to be directed to specific needs such as housing, groceries, or insurance.

Finally, the role of the charitable sector as a guardian of natural resources and common goods requires ongoing evaluation and more significant reflection. The contract that exists in society around common goods, markets, and government may require an additional player—the natural world. The premise of our existence consists in the material goods of air, water, sun, land, food, and all the results from these intricate natural systems. We have often retained a purely extractive view of those resources, but that is becoming less tenable.

What role does the natural contract play in our negotiations of the common good (Serres 1995)?

CONCLUSION

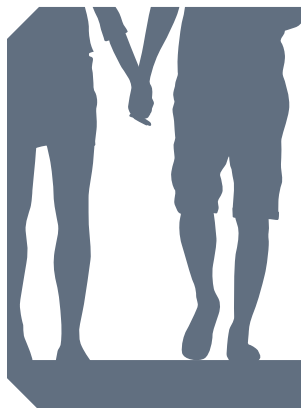
IT SEEMS UNLIKELY THAT WE WILL COME TO AGREEMENT on the best way to describe, regulate, develop, and use the resources associated with what we have been calling the charitable sector. Fortunately, full agreement is not necessary. As the above discussion reflects, there is room to advance our ability to describe the sector through better data collection; attend to the evolution of the sector reflected in charitable organizations from the very large to the very small; improve balances of power where size has concentrated it and dispersion has dissipated it; and thicken our thinking around what contemporary contributions to the common good could or should look like.

There is little doubt that the phenomena referred to by the phrase “charitable sector” have been and will continue to be a critical aspect of Canadian civil society. We will experience that reality through wise evolution and robust flourishing or through degradation of the phenomena by neglect or bureaucratic entanglement. What is at stake is our collective quality of life. Given the citizen-originated nature of most charities, it does appear that the sector is, as a whole, rather robust and reflects a localized and deeply human tenacity (Salamon 2015), so our efforts will entail both sustaining what is thriving and rehabilitating what is not. We may well ask, what will the charitable sector become under our watch?

Decades ago, Roger Lohmann wrote a tongue-in-cheek rebuttal to economists and political theorists who had simply overlooked the civil space of voluntary organizations because they had mislabelled them (Lohmann 1989). He argued there that calling something by the wrong name leads to ridiculous and highly erroneous conclusions.

Classifying lettuce as a mammal produces approximately the same effect. Lettuce is a non-fur-bearing, non-milk-producing, non-child-bearing, and non-warm-blooded nonanimal. Further, as a mammal, lettuce is highly ineffective, being sedentary and not warm-blooded. All other mammals are much faster! Lettuce is also remarkably nonagile and fails to protect its young. On the whole, lettuce is a miserable excuse for a mammal! In a similar way, nonprofit action has increasingly been misclassified as a very deficient form of productive enterprise. (369)

He cites Adam Smith as a precedent for the dismal view of voluntary organizations among those in the dismal trade—they were simply understood as non-productive. For Lohmann, it is unclear why this bias has persisted. Voluntary organizations, including charities, are not errant for-profit firms but are instead something different



FOR MANY PEOPLE, PARTICIPATION IN CHARITY IS A WAY TO BE FULLY HUMAN AND TO EXPERIENCE AND EXPRESS SOLIDARITY WITH OTHER PEOPLE WHO SHARE VALUES.

entirely—they contribute to something other than economic gain. He gestures toward this “something different” by pointing out that those of us reading this will be gone long before charities are:

What is the economic action outside the market, the household and the state? What it is not has already been established. What other than earning a profit energizes those who operate in the voluntary sector or commons? Are there any recognizable rational economic criteria employed by voluntary-sector actors who frankly acknowledge the absence or inappropriateness of profit measures such as maximization, Pareto-optimality, and efficiency? (372)

What the future of charitable work looks like today matters less than whether a robust, grassroots, and regulatory expression of the common good continues to thrive. While the specific forms of charities as a legally organized, tax exempt, and tax-credit issuing organizational type may change, we have encountered here a clear set of signals that some impulse underwrites our formal organizing and gives rise to our common-good work. That instinct, written deep in the human person, will doubtless persist and find common-cause frameworks within which to carry out the impulse if we can continue to find enabling means for that expression to reach maturity.

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*The best structures are those that
maximize the freedom to do good.*

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THE SIZE AND IMPORTANCE of charitable work across the country does not mean we have a clear or complete picture of the basic elements of that sector. Some charities are large, pervasive, and almost entirely government funded. The vast majority of charities, however, are neither large nor government funded, and more than half of the charities in Canada don't have a single employee. Structural demands and needs thus vary widely. The very diverse and even fragmented Canadian social landscape means that a coherent philosophy of charitable activity has been difficult to identify and even more difficult to achieve. **We have work to do.**

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