

The New Role of the Nonprofit Sector

Bassam Abdullah Albassam

Florida Atlantic University, Boca Raton, FL, USA

E-mail: balbassa@my.fau.edu

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Abstract For decades, serving the public has been the main function of nonprofit organizations. They have also been involved in other functions such as participation in the policy process, but not so significantly as to have influence in policy-making and implementation. In recent years, however, the role nonprofit organizations play in the national economy and political process has increased. In addition, the relationships between the nonprofit (independent) sector and the public and private sectors have changed, causing politicians and scholars to rethink the nonprofit sector's increased influence on the local and national economy and policy process. This paper explore the new role that the nonprofit sector has begun to play in shaping and influencing the local and national economy and policy process in the United States in the last few decades. The paper concludes that legislations and rules that deal with the way nonprofit organizations participate in the policy process need to be updated to consider the increasing role of the sector.

Keywords: nonprofit, organizations, policy process

The nonprofit (independent) sector is one of the fastest growing sectors in the United States. In the last decades, the nonprofit sector increased its share of the national economy to 5.2percent of Gross Domestic Product (GDP). Almost 10percent of the workforce in the United States works in the nonprofit sector. In 2008, more than 1.5 million organizations were registered under the nonprofit classification of the Internal Revenue Service (IRS), 38percent increase compared to 1998, and 50percent of these organizations specialized in healthcare services (IRS, 2010). These figures show the importance and increased role of the nonprofit sector in the national economy. Accordingly, nonprofit organizations have been one of the main players in the political process through lobbying and other political activities in the last few decades.

The main goal of this paper is to address the influence that the nonprofit sector has had in shaping and influencing the national economy and the policy process in the United States in the last 20 to 30 years. Factors that have led to the nonprofit sector's changing role will be discussed. The author will also discuss how this change has affected the relationships between the nonprofit sector and the public and private sectors and explore the influence that this change has had on the operations of nonprofit organizations.

1. Mission and Role of Nonprofit Sector

Making change in individual's life and society has been the main mission for nonprofit organizations. "The nonprofit organization exists to bring about change in individual and in society" (Drucker, 1992, p. 3). Religious institutions have been the leaders in helping the poor and those in need for centuries. Such institutions have been the main providers of healthcare, food, and education for the poor (Bartlett, 2001; Hammack, 2000). According to Hammack (2000), religious institutions (churches) were responsible for providing humanitarian, educational, and healthcare services during the colonial periods in the United States. While religious and faith-based institutions are known for charitable and philanthropic services, they also influence the policy process through public opinion. During the Middle Ages in Europe, for example, the Catholic Church had a strong voice in influencing and shaping the policy process and other aspects of daily life such as the activities of artists and scientists (Bartlett, 2001). Thus, the nonprofit sector (represented in the Middle Ages by religious institutions) has a history of influencing all aspects of daily life, both economic and political, as well as providing humanitarian and healthcare services to the public. Hammack (2002)

argues that "historical studies make it clear that [nonprofit] organizations have played important roles in the United States since the early 19th century." (p. 1640)

Civil rights movements in the 1960s encouraged minorities to organize in order to defend their rights and influence the policy process in their interests. Additionally, the complexity of American society provides state and local communities with a comparative advantage in serving peoples' needs and interests (Scott, 2010), which has resulted in an increased number of nonprofit organizations at the state and local levels.

New Deal programs in the early 20th century, which "were designed to get aid and employment directly to citizens through government agencies" (Hammack, 2002, p. 1659), are examples of factors that have influenced the way that nonprofit organizations function. The decreasing number of these programs in the late 20th century has led nonprofit organizations to begin providing the services that the New Deal programs used to provide (Bruce, 2005).

In the 20th century, many organizations joined the nonprofit sector through civil rights movements. Thus, humanitarian services and public representation are no longer predominantly provided by faith-based institutions. This new trend in the nonprofit sector adds variety and power to the sector, as more people are now represented by nonprofit organizations. According to Anheier (2005),

The government–nonprofit relationship, then, as viewed through a social movement perspective, can be described as a cycle: private actions are translated into public concerns via formal legal entities, which evolved from the initial social movement; these formal legal entities also influence government policy and government responds either by directly addressing the issue, or a more popular response is to fund nonprofits that in turn address these public concerns. (p. 286)

The second half of the 20th century has witnessed a boom in the number of nonprofit organizations, which has led to increasing roles played by the nonprofit sector in shaping and influencing the policy process and the national economy. According to Hammack (2002),

I have argued that three factors account for the relative expansion of the nonprofit sector since 1960: the steadily increasing affluence of the American people, the Great Society programs launched under President Lyndon B. Johnson, and the civil rights movement. (p.1662)

The nonprofit sector has been recognized since the early 20th century as one of the main players providing services such as healthcare, influencing and shaping the policy process, and executing a clear and strong influence on the national economy. In 1900, less than 1 percent of the workforce in the United States worked in the nonprofit sector compared to 9 percent in 2000 (Hammack, 2002). Additionally, the number of nonprofit organizations in 2008 was 1.5 million, 32.7 percent more than just a decade earlier (Urban Institute, 2009).

Many explanations have been proposed for this increase in the number of nonprofit organizations and the new role that the sector plays in the policy process and the national economy. Civil rights movements, the increasing complexity of society, a shortage of services provided directly by the government, and demographic changes resulting from immigration in late 19th century and early 20th century are all factors that explain the new role that the nonprofit sector plays in the policy process (Blackwood et al., 2009; Bryce, 2005; Hammack, 2002; Walden, 2006). The influence that nonprofit organizations have on society not limited to national level, but also cover local and regional levels too. "In recent years, we have witnessed an increase in the role and influence of nonprofit organizations in local and regional policy decisions." (Hula & Jackson-Elmoore, 2001, p. 324)

The increased role of the nonprofit sector has encouraged legislatures and governments to issue regulatory laws. "Whereas in the past, the nonprofit sector frequently constituted something close to the terra incognita of policymaking, it has now become the focus of major policy initiatives" (Anheier, 2005, p. 12). Legislative and executive branches of government have responded to the nonprofit sector's increasing role in social, economic, and political life with rules and laws to organize and control the operations of the sector. Tax exemptions and the regulation of political participation are examples of laws that have been enacted to organize and control nonprofit organizations' activities in politics and other areas.

2. What is Nonprofit Organizations?

As this research focuses on nonprofit organizations, it is necessary to define our use of the term *nonprofit*. Although there is no universally accepted definition of a nonprofit organization, there is agreement on the characteristics that shape nonprofit organizations. Serving the public by introducing help to people, serving as a voice for the public interests in general and minorities in particular, and focusing on goals other than profit are the defining characteristics of nonprofit organizations. In addition, "nonprofits can represent the interests of weak and marginalized groups as intermediaries" (Brinkerhoff & Brinkerhoff, 2002, p. 6), which adds more responsibilities to nonprofit organizations and provides them with more influence in the policy process, as they represent more people from different groups.

According to Hammack (2000), most social and nonpolitical activity in America is organized and accomplished by nonprofit organizations. Healthcare, providing food and social services to people in need, and protecting and improving art and culture are examples of nonprofit organizations' functions. "Americans conduct almost all of their formally organized religious activity, and many cultural and arts, human services, educational and research activities, through private nonprofit organizations." (Hammack, 2002, p. xv)

Ferris (1998) argues that nonprofit organizations have three main functions: "service delivery, policy process, and governing" (p. 140). Additionally, nonprofit organizations work for the benefit of the general public rather than for their own self-interest. Nonprofit organizations differ from government agencies because they have more flexibility in providing help to people in need, as they operate with less bureaucracy than government agencies. In addition, voluntary work by employees plays an important role in running nonprofit organizations, which differs from organizations in both the public and private sectors. Finally, nonprofit organizations are based on voluntary work from citizens and in many cases are run by volunteers (Bryce, 2005; Ferris, 1998).

The relationship between different sectors – government, the private sector, and nonprofit organizations is intertwined. Part of the financial support that nonprofit organizations receive comes from government grants. Additionally, the interests and agendas of nonprofit organizations and government interests meet on one or more issues such as environmental protection, which encourages both sectors to work together to achieve their desired ends. In addition, the government contracts out some of its services to be provided by nonprofit organizations. However, in some cases (e.g., government employee unions), the two have conflicting interests, no doubt that nonprofit organizations and the government have an intertwined relationship.

The nonprofit sector and the for-profit sector can be both competitive and cooperative with each other. Anheier (2005) argues that the nonprofit sector has become a competitor for the for-profit sector, since they both introduce services to the public, though with different motives.

There is not much doubt about whether or not nonprofits can survive in this new competitive climate because nonprofit commercial activities tend to be innovative and profitable. In fact, nonprofit responses to external pressures from the forprofit sector increasingly involve some degree of coordination and collaboration among the public, nonprofit, and forprofit sectors. (Anheier, 2005, p. 291)

Lester Salamon (1999, p. 10-11, as cited in Hammack, 2002, p. 1640) summarizes the characteristics of nonprofit organizations:

1. They are *formal organizations* operating under relevant law, legally distinct from their officers, capable of holding property and engaging in contracts, and persisting over time.
2. They are *private*, institutionally separate from government, though government officials may appoint some members of their governing boards.
3. They are *nonprofit distributing*, though they may sell services, pay high salaries, and accumulate surpluses.
4. They are *self-governing*, though they must obey relevant general laws.
5. They are *voluntary* in the sense that participation on their boards or in providing them with support

is not required by law.

6. They serve some *public benefit*.

According to the above characteristics, nonprofit organizations are like those of the public and private sectors in how they are organized, function, and adopt different management forms. Further, the nonprofit sector works and participates in many fields such as healthcare, education, and humanitarian services. Thus, generally speaking, nonprofit organizations have the same structure and functioning style as organizations in the public and private sectors. While making a profit is not the main goal of nonprofit organizations, they are in competition with the private sector in introducing services to the public. This situation makes distinguishing between the sectors a hard task. "Although we speak of the nonprofit 'sector,' which suggests clearly defined borders with the public sector and the forprofit sector, such sector distinctions are in reality quite blurred and fluid." (Anheier, 2005, p. 4)

In contrast, although nonprofit organizations do profit as a result of services introduced to the public, they are forbidden by law to behave like for-profit organizations in the distribution of income. There are strict rules regarding how nonprofit organizations may spend their profits. In addition, nonprofit organizations are based on public financial support as well as government support. Accordingly, most nonprofit organizations enjoy tax-exempt status. According to the IRS, there are 30 types of organizations that are qualified for exemption from federal and state income taxes under the U.S. system (IRS, 2010). Finally, volunteer work from employees is one of the main characteristics of nonprofit organizations.

3. Economic Impact of Nonprofit Organizations

The nonprofit sector has been one of the fastest growing sectors in recent decades. According to Urban Institute Press, in 2008, there were 1.5 million nonprofit organizations, compared to less than 1.2 million in 1998, a 32.7 percent increase. Human services organizations such as healthcare account for more than 33.6 percent of nonprofit organizations, followed by education services with 18.1 percent (Urban Institute, 2009).

Compared to other sectors, the nonprofit sector accounted for 5.2 percent of GDP in 2007. Public charities and private foundations under section 501(c)(3) of the U.S. Tax Code account for more than 900,000 organizations, more than 60 percent of all nonprofit organizations. The assets of nonprofit organizations in 2007 were \$4.3 trillion, compared to \$2.0 trillion in 1997, an increase of 121.8 percent. Total revenues of nonprofit organizations in 2007 exceeded \$1.9 trillion compared to \$918 billion in 1997, an increase of 110.3 percent. A major source of the support that nonprofit organizations receive comes from direct funds from the government and fees charged to users. "The largest source of revenue across all reporting public charities is fees from the sale of goods and services, such as patient care (including Medicare and Medicaid) and tuition. Such fees accounted for 67.9 percent of revenue in 2007." (Urban Institute, 2009, p. 3)

The recent economic recession has significantly impacted the revenues of nonprofit organizations just like those of any other sector. A recent study by the Center for Civil Society Studies at Johns Hopkins University deems that the recent recession has hit nonprofit organizations hard. More than 51 percent of nonprofit organizations are facing a decline in revenues. According to the study, 27 percent of nonprofit organizations lost at least 10 percent of their income due to the economic recession in 2008 (Salamon et al., 2009).

Further, according to the Independent Center (2010), more than 12.9 million individuals (approximately 9.7 percent of the U.S. workforce) were working in the independent sector in 2009. Additionally, "employees of nonprofit organizations account for 8.1 percent of wages paid in the U.S. in 2006" (Wing et al., 2008, p. 14). Thus, it is clear that the nonprofit sector plays an important role in the national economy.

4. Political Impact of Nonprofit Organizations

Nonprofit organizations influence the policy process through advocacy and lobbying (Casey, 2004; Ferris, 1998). "Policy advocacy nonprofits aim to influence the outcomes of the public policymaking process by shaping the policy agenda, offering and analyzing policy options, and monitoring the implementation of adopted policies" (Ferris, 1998, p. 145). For the sake of our analysis, it is important to differentiate between lobbying and advocacy; advocacy is the more broadly-used term for influencing public policies and agenda-setting, while lobbying is more narrowly defined as spending on campaigns or influencing specific legislation. "It's important to keep in mind the point that *lobbying occurs only when there is an expenditure of funds* for an activity that meets the other criteria for lobbying." (Smucker, 1999, p. 51)

Under the U.S. political system, any individual or entity can lobby; however, nonprofit organizations' political activities have some restrictions that depend on the type of organization. The IRS issues guidelines that organize the activities of nonprofit organizations in influencing the public policy process through activities such as lobbying, in order for these organizations to maintain their tax-exempt status. According to the IRS, nonprofit organizations under section 501(c)(3), public charities and private foundations, have a limited role when it comes to lobbying and electioneering. Public charities, for example, have limited lobbying roles, while private foundations are not allowed to have any lobbying activity. In addition, no nonprofit organizations under 501(c)(3) are allowed to engage in electioneering or actively work for a candidate or political party. In contrast, nonprofit organizations under section 501(c)(4) and 501(c)(6) are allowed to participate in lobbying and electioneering; their role in lobbying varies from state to state (IRS, 2010). Accordingly, states have laws that organize nonprofit organizations' participation in the public policy process at the state level. Thus, lobbying and electioneering roles determine the way that each organization deals with tax-exempt status and the way that tax-exempt rules applied.

According to the 'expenditure test,' which was designed by the IRS to measure the lobbying activities of nonprofit organizations that file for section tax-exempt status, there are two types of lobbying—direct lobbying and grassroots lobbying. Direct lobbying is any direct contact with a policymaker or government employee who participates in formulating legislation, with the goal of influencing legislation or a public policy (Smucker, 1999). For direct lobbying, the size of the organization is used by the IRS to determine the amount of money that an organization may spend in lobbying without losing its tax-exempt status. For example, if the amount of exempt-purpose expenditures is less than or equal to \$500,000, the lobbying non-taxable amount is 20 percent of the exempt purpose expenditures (IRS, 2010). In contrast, grassroots lobbying is any attempt to influence legislation by influencing public opinion (Smucker, 1999). Under IRS guidelines, a nonprofit organization may use a maximum of one-fourth of its allowable expenditures for lobbying; otherwise, it would lose its tax-exempt status.

In general, nonprofit organizations under section 501(c)(3) cannot engage directly in partisan political activities. In addition, religious organizations and private foundations have stricter rules regarding their participation in political activities than other types of nonprofit organizations. It is important to note that the rules and guidelines that organize the political activities of nonprofit organizations vary from one state to another and from the federal level to the state level. Additionally, nonprofit organizations that receive financial contributions from the government also have stricter rules regarding lobbying compared to organizations that do not receive government money.

While rules used by the IRS to organize and control political activities such as lobbying by nonprofit organizations have been applied for a long time, the IRS has treated each case relatively separately. Because different cases and situations are treated differently by the IRS in deciding whether a nonprofit organization has crossed the line in its lobbying and political activities, there has been a lack of having detailed rules for the lobbying activities of nonprofit organizations. Smucker (1999) shares the same thoughts and argues that Although the provision has been in the IRS code since 1934 and has occasionally been applied by the courts, there has never been a clear definition of the point at which lobbying becomes

substantial or, indeed, of what activities related to public policy and to controversial subjects constitute attempts to influence legislation. (p.52)

The following section will discuss the new role and influence of the nonprofit sector in the national economy and the policy process. Additionally, we will discuss how these changes influence and shape the relationships between the nonprofit sector and the public and private sectors. The way the nonprofit sector's new role influences how nonprofit organizations function will also be addressed.

5. The New Role of the Nonprofit Sector

The above discussion demonstrates the increased role that nonprofit organizations play today, in both politics and the economy. "There are a variety of nonprofit organizations focused on shaping the outcomes of government action" (Ferris, 1998, p. 143). Thus, the main question we wish to address is why the role of nonprofit organizations has increased in recent decades, whereas until the early 20th century the main mission of nonprofit organizations was to provide human and social services to people. In order to have a clear understanding of the increased role of nonprofit organizations in the policy process and in the economy, it is necessary to discuss the factors that spurred this increase.

Many theories have been proposed by scholars and practitioners to explain the expanded role that the nonprofit sector plays in the policy process. One of these reasons is the increasing economic role of nonprofit organizations, which gives them more roles to play in shaping and formulating the economy. Additionally, although the general public's trust in nonprofit organizations has increased as a result of failures of both the government and the market (Brinkerhoff & Brinkerhoff, 2002; Bryce, 2006; Carson, 2002), there are many concerns among the public regarding the nonprofit sector's accountability. "The nonprofit sector, having become more important and more visible than in the past, is now also more within the compass of the audit society and its cultural code of public suspicion." (Anheier, 2005, p. 240)

On the other hand, it is perceived that democracy is represented and strengthened through nonprofit organizations, and this perception has given the sector a more critical role to play in the policy process (Hopkins, 2009; Kunreuther, 2007). Some scholars argue that, because nonprofit organizations represent people's needs and interests in a much more inclusive way than do other sectors, the nonprofit sector has a comparative advantage over other sectors in the policy process (Bryce, 2005, 2006). In the following section, we will explore different theories that explain the increasing role of the nonprofit sector in the policy process.

6. Nonprofit Organizations and People

The trust among the general public in nonprofit organizations has been identified as one of the main factors that play a critical role in directing the policy process around the world and influencing government work (Andrews & Edwards, 2004; Rubin, 2009). The general public has a strong influence in democratic systems through the voting process, which influences the policy process and the methods by which services are provided. Accordingly, when a sector gains people's trust, it adds legitimacy and power to that sector (Brinkerhoff & Brinkerhoff, 2002; Bryce, 2005; Hopkins, 2009; Kunreuther, 2006; Smith, 2008).

Nonprofit organizations in a position of gain the trust of the public because they are perceived to function in the interest of the public rather than the interest of business, but the wording is unclear. Also, compared to government organizations, nonprofit organizations can ideally gain people's trust by being perceived as less bureaucratic and more dynamic in meeting people's needs and interests (Anheier, 2005; Carson, 2002; Hula & Jackson-Elmoore, 2001; Smith, 2008). Smith (2008) argues that because nonprofit organizations are the main player in introducing humanitarian and other services to people, people trust nonprofit organizations to be their voice in a variety of political and social issues.

Bryce (2005) shares the same view regarding the role that nonprofit organizations play in politics. He argues that the role of nonprofit organizations in society is not only in providing humanitarian services to the

public, but also in shaping and influencing the policy process.

Nonprofits not only discharge humanitarian action on behalf of the Americans public, but they generate public concern, shape the debate, shape the formulation of policies, and often influence who (the selection of agency), by whom (the selection of officials such as judges, ambassadors, and other political appointees), and how they will be discharged. (Bryce, 2005, p. 1)

Bryce, in *Players in the Public Policy Process*, argues that the social capital of nonprofit organizations attracts people to trust them. He introduces the principle-agent framework as the model that shapes the relationship between nonprofit organizations and people, where people play the principle role and nonprofit organizations play the agent role (Bryce, 2005). This relationship is not exclusive to one issue, such as services provided by the nonprofit sector, but continues continuous process that covers public policy issues. Therefore, this relationship between public and nonprofit organizations is not only built upon faith, but also on the outcome, trust, and promises from nonprofit organizations. Additionally, according to Bryce (2005), the way that nonprofit organizations deal with political issues and the role that they play in informing and educating the public has increased the public's trust in nonprofit organizations in recent decades.

Smith (2005) shares the same thoughts regarding trust as the main motivating factor shaping the relationship between people and nonprofit organizations. According to Smith (2005), "citizens have the right, under the United States system, to get together and initiate an organization that represents their interests in any social, economic, and political issue" (p. 138), where nonprofit organizations play critical role in helping citizens to do so. Accordingly, nonprofit organizations, especially at state and local levels, enjoy a close connection to the general public, which raises the trust level between them.

Hula and Jackson-Elmoore (2001) use two nonprofit organizations, New Detroit and Detroit Renaissance, to explore "the expanding and emerging roles of nonprofit organizations in U.S. local politics" (p. 325). However, the study emphasizes the increasing role that nonprofit organizations play in the policy process, the authors concludes that "one element of the relationship that does not seem to have changed [in the policy process] is the importance of formal government" (p. 352). In contrast, because of the nature of Detroit as an industrial city where the private sector plays major role in shaping the political process, they found that the increasing role of the nonprofit sector comes at the expense of the private sector. "In Detroit, there is evidence that nonprofit organizations such as New Detroit and Detroit Renaissance can play a role in redefining the local political agenda." (p. 352)

On the other hand, Carson (2002) argues that people have disconnected from nonprofit organizations over time. Financial and moral scandals have influenced people's trust in nonprofit organizations in recent years. Carson states that "there is a growing disconnect between the public's expectations for nonprofit organizations and the operational realities faced by nonprofit organizations" (Carson, 2002, p. 429). He argues that many steps need to be taken to gain the missing trust back, such as strict governmental regulations and auditing processes on nonprofit organizations' work. Carson (2002) also argues that nonprofit organizations need to do internal auditing on the way they function in order for them to gain people's trust and to be more active in shaping and influencing people's lives, both economically and politically. "Ideally, the public should view the nonprofit sector as the place where people gather to actively promote their views of improving the quality of life for all." (Carson 2002, p. 433)

Ebrahim (2003) thinks that recent scandals in the nonprofit sector have raised concern among the public and public officials regarding the accountability and transparency of nonprofit organizations' work;

Concerns about accountability in nongovernmental organizations (NGOs) have increased over the past two decades, due in part to a series of highly publicized scandals that have eroded public confidence in nonprofit organizations, coupled with a rapid growth in NGOs around the world. (Ebrahim, 2003, p. 813)

Ebrahim (2003) argues that the increasing role of nonprofit organizations, both in political processes and in competition with the public and private sector in introducing services to the public, makes it necessary for both legislators and nonprofit organizations themselves to apply accountability principles to the work and management of NGOs.

7. The Nonprofit Sector and Democracy

Democracy has many different meanings and characteristics; while there is no one definition of democracy, most definitions share two concepts: freedom and equity (Peters, 2010). Individual rights which have been guaranteed for all people, including freedom of speech, give the public the ability to organize and to have an organization that represents them. Different opinions from different groups are part of the society that enriches the democratic system. Kunreuther (2007) states that "when we discuss nonprofit groups' role in the democratic practice, we are talking about engaging constituents and to encourage them to have that voice, and we are not saying they should be neutral or have no opinion." (p. 2)

The nonprofit sector is one of three sectors that structure a democratic society, the others being the public and private sectors. The nonprofit sector has a different structure and different relationships with the public and private sectors, but it is adopting management styles and characteristics similar to the other sectors. Anheier (2005) describes nonprofit organizations as combining "a key feature of the public sector, i.e. serving public benefit, with an essential characteristic of the; forprofit; sector, i.e. its combined private and voluntary nature." (p. 11)

Government is the largest donor to the nonprofit sector; 31 percent of the revenues of nonprofit organizations come from government organizations (Coble, 1999). Additionally, the executive branch and the legislative branch play an important role in articulating and formulating rules that organize the functioning and political activities of the nonprofit sector (Child & Grønbjerg, 2007; Coble, 1999). Thus, "nonprofit organizations in the United States have complex and dynamic relationships with government at all levels and across a broad array of policy arenas." (Child & Grønbjerg, 2007, p. 259)

8. Economic Role of the Nonprofit Sector

The nonprofit sector is one of the fastest-growing sectors in the United States, which makes it one of the main players in the national economy and policy process. According to a recent report by the IRS, there are more than 1.5 million nonprofit organizations in the United States, and 5.2 percent of the U.S. GDP is represented by the nonprofit sector. In 2007, the assets of nonprofit organizations exceeded \$4.3 billion (IRS, 2010). According to the Independence Center, more than 12.9 million individuals—approximately 9.7 percent of the workforce in the United States— were working in the independent sector as of 2009 (Urban Institute, 2009).

The relationship between nonprofit organizations and the public sector in modern times goes back to the Great Depression of the early 20th century, when many nonprofit organizations became the only source of food and healthcare for people as a result of Depression-related budget cuts from the government. In the 1960s, this relationship took another direction when the government, with help from nonprofit organizations, applied social programs such as the war on poverty. Government funding for nonprofit organizations was increased in order for them to implement the social programs (Anheier, 2005; Smith, 2010). Anheier (2005) states that nonprofits "are typically the first line of defense in addressing emerging social problems of many kinds, but face resource insufficiencies over time that, in turn, can be compensated for by government funding" (p. 283). Consequently, the relationship between the two sectors is intertwined, and each sector relies and depends heavily on the other.

Along with fees, government support is the main source of income for nonprofit organizations (Hammack, 2000). Nonprofit organizations receive direct funds from federal, state, and local governments and enjoy the tax-exempt status that federal, state, and local governments guarantee to most nonprofit organizations. Thus, nonprofit organizations receive financial support from the government while helping the government implement social and service programs. This relationship between the nonprofit sector and the public sector makes the role that the nonprofit sector plays in the economy and the policy process important. Some of the largest and most influential organizations in the market are nonprofit organizations, such as the

New York Stock Exchange and the U.S. Chamber of Commerce, which give the nonprofit sector more power and influence in the market. Bryce (2006) claims that “markets are highly influenced by and shaped by nonprofit organizations” (p. 312). Consequently, both sectors—public and private—need to cooperate with the nonprofit sector to achieve their desired outcomes, whether in adopting new policy, increasing quality of life, or supporting a new regulation or law. According to Hula and Jackson-Elmoore (2001), “Roles of coalition builder and policy initiator/formulator join more traditional roles of service provider and policy advocate. These emerging roles forge new relationships between the nonprofit, for-profit, and public sectors.” (p. 324)

The nonprofit sector’s influence on the market and the economy has been increasingly noticeable in recent decades. While nonprofit organizations are not allowed to distribute revenues to board members or stakeholders like businesses, they are not prohibited from making profits (Bryce, 2006). Accordingly, nonprofit organizations compete with for-profit organizations in making profits, and both sectors share the same characteristics, such as legal liabilities. Also, both sectors apply similar management styles and compete in attracting talented personnel (Bryce, 2006; Hopkins, 2009). Thus, the economic power and competition with the for-profit sector in making profits make the nonprofit sector main player in shaping and influencing the policy process. In the early 20th century, the nonprofit sector became one of the main players in the policy process. Economic influence, increasing public trust as a result of government and market failure, and the increasing number of nonprofit organizations in the last three decades are increasing the important role that the nonprofit sector plays in the policy process. This new role of the nonprofit sector shapes and articulates the relationship between the nonprofit sector on one side, and the public and the private sectors on the other side. This relationship will be discussed in the following section.

9. The Nonprofit Sector’s Relationship with Other Sectors

The increasing role of the nonprofit sector in the policy process influences its relationships with the public and private sectors. Because each sector has a vital role in the democratic process, interaction among them is inevitable. In many cases, the nonprofit sector is considered to be the sector that defends and fights for people’s rights, while the private sector has profit as its the main goal and the public sector organizes and manages the state’s resources and the relationships among sectors (Brinkerhoff & Brinkerhoff, 2002; Bryce, 2005; Walden, 2006).

The role that the nonprofit sector used to play in implementing social and humanitarian programs that the government has failed to adopt is no longer the only role that it plays (Brinkerhoff & Brinkerhoff, 2002; Ferris, 1998). According to Ferris (1998), “nonprofit organizations exist not only to deliver services. Individuals also organize collectively in order to advance their interests in public policy. There are a variety of nonprofit organizations focused on shaping the outcomes of government action” (p. 143). Because nonprofit organizations have a close relationship to the public and represent people’s needs and interests, the government needs to consider the nonprofit sector as a partner in addressing public and policy issues. Thus, many programs have been contracted out by the government to be executed by nonprofit organizations.

The nonprofit sector also has significant influence in the market as it competes with the private sector in government-contracted programs and in attracting talented personnel. This situation makes the collaboration between the nonprofit sector and the private sector important for both sectors. Walden (2006) argues that nonprofit organizations need to collaborate with the business sector in order to “broaden the message of nonprofits” (p. 1). Additionally, the public and private sectors need to consider the nonprofit sector as a critical player in shaping and influencing the market and the policy process (Bryce, 2005; Jackson-Elmoore, 2001).

10. New Roles for the Same Game

In recent decades, the nonprofit sector has been growing economically and politically. Day care, healthcare, and humanitarian services that nonprofit organizations provide to the public are no longer the only missions

of the nonprofit sector. Thus, the growth of the economic and political influence of the nonprofit sector influences the policy process (Butler, 1997; Bryce, 2006; Child & Grønberg, 2007; Cole, 1999; Smith, 2008; Smith, 2010).

The nonprofit sector has a comparative advantage in the policy process because it represents the needs and interests of the general public. According to Bryce (2006),

Nonprofits do more than fill in for market or government failures. They also regulate, facilitate, assist, and modify markets and play a significant role in every aspect of public policy, that is, from determining party platforms to the implementation of policies. In the public policy process, they have a comparative advantage as agents of citizens and firms. (p. 311)

This new economic and political role played by the nonprofit sector needs to be combined with more regulations and laws that organize the sector's activities and the relationship between it and other sectors. Also, nonprofit organizations "must adjust their behavior and programs to reflect public policy and government priorities." (Anheier, 2005, p. 286)

Smith (2008) recognizes the increasing role of nonprofit organizations in the policy process and citizen engagement in political discourse. He argues that government and nonprofit organizations need to play a more critical role in training, organizing, and improving citizen engagement in the policy process. Consequently, nonprofit organizations need to be more transparent in their governance and responsible in representing people's needs and interests by applying efficient and effective management techniques in order to be successful in their missions (Smith, 2008).

Ferris (1998) argues that government needs to regulate and organize nonprofit organizations' participation in the policy process. Also, he recommends analyzing different types of nonprofit organizations differently when we address the influence of nonprofit organizations in the policy process, since each type has different methods, capabilities, and agendas in participating in the policy process. "Of critical importance in such an exercise is delineating the varied purposes that are manifested in different types of organizations within the nonprofit sector." (Ferris, 1998, p. 139)

Child and Grønberg (2007) characterize nonprofit organizations' advocacy in a variety of public issues. While most nonprofit organizations have some kind of advocacy in one issue or another, Child and Grønberg argue that the level of advocacy depends on many factors. The size of the organization, the level and area in which the organization operates, and the issues for which the organization advocates are factors affecting the organization's success in influencing the policy process in a given political or social issue. Child and Grønberg think that "the size of the organization, its access to information and communication technology, its charitable status, and, in some cases, the field of activity in which it operates all help predict nonprofit advocacy." (p. 159)

The nonprofit sector needs to take advantage of its role as a recognizable sector with influence in the policy process (Carson, 2002; Coble, 1999). To broaden the nonprofit sector's message and take advantage of its increasing role, Coble (1999) suggests that the sector increase the public trust by representing the voice of the people, collaborating with the public and private sectors, taking advantage of its reputation as neutral, and representing people's interests and needs in public issues.

11. Conclusion

Nonprofit organizations influence the policy process and the economy. In the last few decades, nonprofit organizations have played an important role in the economy, encompassing 10 percent of the work force in the United States and representing 5.2 percent of the U.S. GDP.

According to Bryce (2006):

Nonprofits are arguably the most pervasive institutions in the American public policy process. They influence the determination of party platforms (political parties), the selection of candidates, the determination of electoral outcomes (political action committees), the naming of administrators (grassroots lobbying), the design of public

policy (legislative lobbying), the adjudication of policy by taking positions before administrative bodies and the courts, and the implementation and evaluation of public policies whether domestic or foreign, scientific, economic, educational, health care, or cultural. (p. 310-311)

Differing thoughts and opinions have been introduced to explain the reasons behind the increasing role of the nonprofit sector as a key player in the policy process. The increased economic role of nonprofit organizations, the high level of trust between nonprofit organizations and the public, and the fact that the nonprofit sector plays a critical role in democratic systems are all factors explaining the vital role that nonprofit organizations play in the national economy and policy process.

On the other hand, there are many calls to organize the way that nonprofit organizations participate in the political process through lobbying and advocacy. Many politicians and scholars have criticized the current rules that organize the participation of some nonprofit organizations (such as religious institutions) in the policy process, calling for stricter rules that consider the increasing role of the nonprofit sector in the policy process and the economy. According to Anheier (2005), "Demands for better governance and greater accountability have increased significantly in recent years, following in part the increased importance of the nonprofit sector in many countries." (p. 239-240)

This new role of nonprofit organizations affects the relationships between the nonprofit sector and the public and private sectors. Nonprofit organizations no longer provide only humanitarian services; their increasing role is influencing and shaping the policy process and the economy. Additionally, nonprofit organizations have a clear influence in the market as a result of the increasing role that the nonprofit sector plays in the national economy. Thus, collaboration among the three sectors should benefit all three sectors; however, every sector has its own way of functioning, with different motivations and agendas.

Recognizing the increasing role of the nonprofit sector in shaping and influencing the policy process and the economy is the first step in organizing and controlling the sector. Consequently, legislations and rules governing nonprofit organizations' participation in the policy process need to be updated to consider the increasing role of the sector. In addition, voluntary workers and employees at nonprofit organizations need to be sufficiently prepared, through training and other methods, in order for the organizations to be efficient and effective in participating in the policy process. Finally, the relationships among the nonprofit, public, and private sectors are more intertwined now than ever, and thus collaboration among these sectors is inevitable and should be beneficial to all sectors.

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