Counting on Each Other: A Social Audit Model
to Assess the Impact of Nonprofit Organizations

by

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A thesis submitted in conformity with the requirements
for the degree of Doctor of Philosophy
Department of Adult Education, Community Development, and
Counselling Psychology
Ontario Institute for Studies in Education of the
University of Toronto

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Abstract

The purpose of this study is to shed light on the social-economic impacts of nonprofit organizations on their communities. The literature on nonprofit organizations in Canada and the United States shows little agreement on either the impact of nonprofits or their value, and offers few frameworks within which to examine these issues.

The study presents a theoretical and practical social audit model for assessing a nonprofit organization's participation in the social economy of its community. This social audit model, which can also be applied to public and private sector organizations, puts forward methods for measuring an organization's results and attributing a

comparative economic value to them. The social audit model is tested on a community-based employment training agency serving persons with disabilities and other severe barriers to employment. The findings demonstrate that the agency's social return-on-investment is 1.8 times greater than the resources it utilized.

This study examines nonprofit organizations as part of a social economy that also includes cooperatives and mutual benefit organizations, emphasizing their social and economic functions. Exploring the classical separation of market and social value, this study adapts a labour theory of value to suggest how nonprofits create social products and add to social capital.

Dedication

This work is dedicated to my parents, Williamina Richmond and the late Rae T. Richmond, who first taught me the dignity and value of work.

Acknowledgements

This thesis was made possible by assistance from a wide variety of sources. My thesis supervisor, Jack Quarter, provided support in the most collegial, generous, and effective way that I can imagine. I am inspired by his scholarship and grateful to have him as a mentor.

As members of my thesis committee, Angela Miles, Budd Hall, and David Livingstone provided ideas and challenges that raised the quality of this work. My external reader, David Welch of the University of Ottawa, supplied thought-provoking questions and resources on the social economy. Other readers who attended my oral defense and to whom I am indebted are David Hulchanski and Daniel Schugurensky. Daniel's detailed and lively "eleventh hour" critique contributed to the text and to a spirited oral defense.

The staff, students, and faculty of the Adult Education/Community Development/Counselling Psychology Department who have created a caring, active, and stimulating community also fostered this work. In addition, the assistance of other staff at OISE/UT also made this project possible, in particular Jeannie Stewart, Chris Fung, and Marg Brennan.

I would also like to acknowledge the support for social

auditing of the Ontario Network of Employment Skills Training Projects, the London Area office of Human Resources Development Canada, the steering committee of the Social Accounting Framework Project, and, in particular, Kathleen Dodman-Kevany. Additionally, I want to thank the staff, graduates, and other stakeholders of Site A who participated in the study.

The assistance of friends and colleagues deserves recognition:

- Sandra Chatterton and Maggie Fischbuch provided material support, ideas, and encouragement every step of the way; also my sister, Blanche Ward, was consistent in her interest, enthusiasm, and belief in the successful completion of this project;

- fellow doctoral student, Isla Carmichael, generously shared resources and ideas about social investment;

- fellow students provided staying power, particularly Stephan Borau, Alison Morrow, John Thompson, Janice DuMont, and Dorothy Goldin-Rosenberg, along with other activists in the Students on Seven organization;

- a strong contingent of friends and family (most of whom were at my big birthday party and know who I mean) cared, and were patient;

- and my partner, Robert Paskoff, not only listened to my ideas and dreams but helped me to accomplish them.

Table of Contents

Abstract	ii
Dedication	iv
Acknowledgements	v
Table of Contents	vii
List of Tables	ix
List of Figures	x
Chapter 1 Introduction and Statement of the Problem . .	1
Restructuring and Nonprofits	1
Gaps in Knowledge	3
Need for New Methods and Frameworks	5
Framework: The Social Economy	7
Social Audit Model	9
Chapter 2 Nonprofits: Description and Role	14
Definition	14
Description	18
Market Niche of Nonprofits	24
Social Niche	29
Social Economy	33
Cross-sectoral Activity	38
A Social Infrastructure	44

Chapter 3 Social Value	47
Use Value	48
Guidelines for Assessing Use Value	56
Surplus Value.	58
 Chapter 4 Social Measurement	 66
Definitions	66
Nonprofit Impact	70
Resource Management	75
Alternative Approaches to Measurement	80
Social Accounting	88
 Chapter 5 The Social Audit Model: Methodology	 109
Structure for Data Collection	109
Research Approach and Framework for Analysis	111
Research Procedures	115
Validity and Reliability	125
Bias and Error	129
 Chapter 6 Social Audit Report: Findings	 131
Site A: Social Audit Report	131
Social Audit Findings	135
 Chapter 7 Discussion	 154
Implications for Community-Based Training and Adult Education	 154

The Social Audit Model - Methodological Issues . . .	158
Strengths of the Model	164
Limitations and Areas for Improvement	171
Post-study and Reactions to the Social Audit Model	181
The Social Audit Model - Theoretical Implications	183
Nonprofit Accountability	188
Conclusion	195
References	199

Appendices

Appendix A: Correspondence	222
Appendix B: Data Collection Process	231
Appendix C: Interview Schedules	232

List of Tables

Number

1. Interviews Conducted for the Social Audit of Site A	136
2. Reported Average Salaries for Graduates of Site A's Training Program	138
3. Site A Outcomes	140
4. Social Audit Calculations for Site A	149
5. Resource Management: Statement of Resources for Site A	152

List of Figures

Number

1. Model of Private Sector (Exchange Value)	
Productive Process	61
2. Model of Nonprofit Sector (Use Value)	
Productive Process	63
3. Social Audit Process Model	77
4. Social Audit Template	79

Chapter 1

Introduction and Statement of the Problem

This study develops a social audit model that is used to analyze nonprofits as producers of social capital, that is, social benefits for general use. The model quantifies, where possible, the social products of nonprofit organizations and attributes a market value to them for comparative purposes. It offers a method for studying the impacts of nonprofits, an area that currently poses a challenge for research (Land, 1996). As well, this study discusses the contribution of the proposed social audit model to broader theories of social value and to a framework for nonprofit accountability.

This chapter examines the changing environment of the nonprofit sector in Canada and the United States and the framework of the social economy as a perspective for analyzing nonprofits. As well, it introduces the social audit model.

Restructuring and Nonprofits

In Canada, as in other Western nations, patterns of health, education and social service provision are being reshaped by government restructuring. There has been an increase in the trend toward privatization of services (Hall & Reed, 1995; Rekart, 1993). Reductions in public revenues

to nonprofit institutions such as hospitals, universities, and school boards have caused them to become more competitive for both public and private revenues (Social Planning Council of Metropolitan Toronto, 1997; Zimmerman & Dart, 1998). Community-based nonprofits have also been significantly affected by government budget cuts. For example, a recent survey of community-based service agencies in Metropolitan Toronto reported that in 1996 agency closures increased five times over the yearly closures reported between 1992 and 1994 (Municipality of Metro Toronto, City of Toronto, & Social Planning Council of Metropolitan Toronto, 1997, p. 14). The researchers observed "a system in turmoil" (p. 46).

As well, nonprofits in the United States are experiencing "a growing sense of financial vulnerability due to government cutbacks and increased competition for private support" (Golensky & Greenlee, 1997, p. 168). Like Canadian nonprofits, they are adapting their missions, roles and operations to the new fiscal realities (Salamon, 1995). However, across North America, there are expectations by government (Government of Ontario, 1996a) and theorists (Rifkin, 1996) that the community, through the nonprofit sector, will fill service gaps left by public and private sector restructuring as well as retreating public monies. Others observe that this expectation of nonprofit organizations is unrealistic:

As our governments attempt to untie and reweave the social safety net, it is an easy temptation to presume that there is a second safety net underneath -- the nonprofit sector -- with capacity to hold a good part of what the first one cannot. Looked at carefully, that second safety net is simply too small and too vulnerable to be counted on to hold an additional load of helping, caring, and supporting service" (Hall & Reed, 1995, p. 13).

In Metropolitan Toronto, one charitable foundation has issued a warning: "[we] cannot possibly make up for the dramatic loss of government funding to the social service sector" (United Way of Greater Toronto, 1997, p. 8).

Conflicts between the expectations and the realities of nonprofit organizations are occurring in an information vacuum. As Hirshhorn (1997, p. 2) states: "The picture we have of the sector remains vague Nonetheless, there appears to be an increasing sense that many of the activities that contribute to strong and vibrant societies are located within the third sector." More information on the nonprofit sector is required (and with some urgency) before conclusions can be reached about expanding its role in social service delivery and in the enhancement of civic capacity.

Gaps in Knowledge

There are estimates of the size of the nonprofit sector and of its impact on the Canadian economy; however, these estimates vary according to what types of organizations are included (Hirshhorn, 1997). Much work remains to be done to

chart the nonprofit sector. As Campbell (1994) notes: "The third sector, as the data show, is large. It is shocking that so little effort has been devoted to its analysis, and so little to the preparation of commensurate data concerning it" (p. 1).

Current Canadian literature detailing what is known about the size and impact of nonprofits is restricted to a small number of descriptions of the sector (see Campbell, 1993, 1994; Day & Devlin, 1997; Martin, 1985; Quarter, 1992). As well, there are Canadian studies on voluntarism and philanthropy (for example, see Ross & Shillington, 1989, 1990; Sharpe, 1994).

There is, however, a developing understanding that publicly-funded human services contribute to a broader societal well-being (Rifkin, 1996). In addition, interest in new forms of measuring social investment and outcomes is also emerging. In 1995, previous Canadian Minister of Human Resources Development, the Hon. Lloyd Axworthy, along with his U.S. counterpart, Robert Reich, called on the Organization for Economic Co-operation and Development to "examine the possibilities of developing comparable and standard measures of human-capital investment and common performance indicators of such investment" (Drohan, 1995).

At the organizational level, currently only the costs of nonprofit organizations are documented; there is no

standard measure of their benefits (Henke, 1989; Anthony & Young, 1988). This can produce one-sided accounts of nonprofit organizations and a lack of information upon which to base decisions that affect them and the communities that they serve. Additional information is required to assess the impact of individual nonprofits as well as the sector as a whole.

Need for New Methods and Frameworks

To redress the imbalance between the known costs and the unmeasured benefits of nonprofit organizations, new tools for analyzing nonprofits must be created. Current evaluative measures that address management issues such as performance, output, and efficiency are hampered by several factors including: a lack of standard definitions about the classes of nonprofits (Quarter, 1992); inconsistencies in methods of record-keeping and reporting among nonprofit organizations (Cherny, Gordon, & Herson, 1992); and, the absence of agreement about outputs, outcomes and their measurement (Henke, 1989). The situation is complicated by a dearth of conceptual and theoretical frameworks for studying nonprofits (Salamon, 1995; Hirshhorn, 1997).

In addition to the need for frameworks for the study of nonprofit organizations, new methods of analyzing nonprofit organizations in their broader contexts must also be developed. Milofsky's (1987) argument regarding the need for contextual analysis of neighborhood-based organizations can

be adapted to include the nonprofit sector in general. He notes that what is needed is to "see organizations in context -- as parts of interorganizational systems or ecologies ... whose members make strong demands on one another" (p. 278). Nozick (1992) calls for an ecological perspective for understanding communities: "Unity in diversity is the key ecological concept here where the smallest "part" is understood to be an autonomous, living system in itself ... yet part of a greater whole ... " (p. 74). Community organizations can be understood more fully if they are studied contextually as organisms that affect and are affected by their environment.

The study of nonprofit organizations in their social and economic environments can help to advance an understanding of their role and their impact on local communities. This, in turn, can facilitate informed decision-making about both the fate of individual nonprofit organizations and also policies that affect specific types of nonprofits, communities, and the nonprofit sector as a whole. As well, more research is required to develop indicators of impacts of nonprofits (Land, 1996). These indicators can then assist in compiling data on the infrastructure as a whole.

In Canada, studies of individual nonprofit organizations in their local contexts can help to develop

theories of nonprofit role and relationships, such as Salamon (1995) has done in the United States.

Framework: The Social Economy

The framework for this study was drawn from the characterization of the nonprofit sector as a major part of a social economy that is distinct from the public and private sectors (Defourny & Monzon Campos, 1992; Quarter, 1992; Snaith, 1991). Although organizations in the social economy are engaged in economic activity, they are distinguished from those in the other two economic sectors by their social dimensions and goals.

The characterization of the nonprofit sector as a major part of the social economy was used in France where the term "économie sociale" originated early in this century (Snaith, 1991). DeFourny and Monzon Campos (1992) describe the common characteristics of organizations in the économie sociale: democratic management (a board of directors elected by the membership); social objectives; voluntary membership; the social distribution of excess revenue; and, an independent administration (not directly managed or controlled by government).

Organizations in Canada's social economy include cooperatives, nonprofits in the public service, and mutual benefit organizations that serve a membership (Quarter, 1992). This classification incorporates a broad spectrum of

organizations, for example: retail cooperatives, housing cooperatives, and credit unions; universities, hospitals, social service organizations, community agencies, foundations, arts organizations, as well as unions, churches, and cultural organizations.

Although linked by their social characteristics or roots, not all types of organizations in the social economy embody all of the features outlined previously, or to the same degree. Organizations in the social economy can be seen as operating along a continuum for each of the social features.

In the area of democratic governance, at one end of the continuum are organizations functioning in a way in which democratic practice is a vital operating principle. Some nonprofits such as social planning councils, cooperatives such as daycare cooperatives, and mutual benefit organizations such as unions are governed by an active membership operating within the democratic principle of one member, one vote. Members elect a board of directors or an executive to govern the organization between annual meetings, and the election may be vigorously contested.

Further along the continuum of democratic governance, large cultural and educational nonprofits such as museums and universities may have a more restricted membership and a board of directors perpetuated through elitist control.

As well, organizations vary along economic and social continua. Some life insurance mutuals are among Canada's largest corporations (Quarter, 1992), with strong economic profiles but weak social ones. They have little in common with small social service agencies which are minor economic players but operate from strong social missions and goals.

Further research is required to understand, document, and chart the links and disparities among organizations in Canada's social economy as well as their relationships with the private and public sectors. Currently, examining nonprofit organizations as a part of the social economy aids in the study of nonprofit impact by encouraging a dual focus on nonprofits' social and economic dimensions, emphasizing their mixed contribution to the local economy.

Social Audit Model

Currently there are no adequate measures to assess the contribution or impact of nonprofit organizations (Land, 1996). The purpose of this thesis is to contribute to a theoretical framework for the study of nonprofit organizations in Canada. It does this by first developing the theoretical basis for a social audit model, then it develops and applies of a practical social audit model. The model assesses the outcomes of a nonprofit organization in a given year, ascribing social-economic values to them.

The question addressed by the social audit model is: how and to what extent did this organization participate in the social economy of its community during the social audit year? The purpose of developing and applying the model is to contribute to areas where a lack of information about nonprofits hampers decision-making.

Development of the model requires a) the conceptualization of the productive process of nonprofits in which value is created, b) the design of a practical tool to measure nonprofit results and to attribute a social value to them, and c) a test of the design by conducting a social audit of a nonprofit organization. The social audit model was informed by other concepts and structures, including two theoretical constructs: first, Marx's (1847, 1865/1976) theory of labour power as the source of surplus value, and second, a unified accounting model for nonprofit and for-profit organizations which argues that nonprofits create social income (Cherny et al., 1992).

Marx's (1847, 1865/1976) theory of labour, describing labour power as the creative force in producing surplus value, has been adapted to explain the production of social value by nonprofits. The unified accounting model (Cherny, et al., 1992) offers a rationale that accounts for the value of human service organization's outputs and a method of including this as social income in an income statement. The

concept of social income has been adapted for the social audit model, and is discussed further in Chapter 4.

Designed for use across a spectrum of nonprofit organizations, the social audit model that is the focus of this study attributes a comparative market value to the results of a nonprofit organization by integrating a variety of concepts and practices from alternative economics. One focus of criticism of mainstream economics is its emphasis on unlimited growth (for example Schumacher, 1973; Mies, 1986). Other critiques are offered from environmental perspectives (Daly & Cobb, 1989; Gray, 1994); and by feminist theorists who link feminism and ecological concerns (Mies, 1986; Shiva, 1989; Waring 1988). From the critiques and alternatives to mainstream economics, a set of guidelines for alternative measurement have been constructed, and these are employed in the social audit model's design.

Assessing a nonprofit organization's contribution to the social economy involves an analysis of resource management in the organization. Milofsky (1987) has pointed to resource mobilization as a key function of nonprofits. Adapting current nonprofit financial accounting methods (Canadian Institute of Chartered Accountants [CICA], 1993; Financial Accounting Standards Board [FASB], 1989; Secretary of State Canada, 1986), the social audit examines resources entering the organization, the uses to which they are

applied, and the resources flowing out of the organization and into the community. Focusing on the contributory aspects of nonprofits can inform current discussions in the areas of community development, as well as public, private, and nonprofit sector evaluation practices.

The site of the application of the social audit model developed for this thesis was a community-based training agency in Metropolitan Toronto. Serving an average of 275 clients per year (Ontario Network of Employment Skills Training Projects [ONESTeP], 1996), community-based training (CBT) organizations provide employment skills training to clients who are labelled as "severely employment disadvantaged." Facing challenging systemic and personal barriers to employment, CBT clients require additional educational and personal supports (Rans, 1989).

A federal government decision to dismantle the programs under which community-based training has been funded and to transfer the funds to the provinces provided the impetus for this study. The transfer of employment programs places the future of the CBT infrastructure in doubt. In the face of funding instability under these pending arrangements, the agency which was the subject of this study has since closed.

The study focuses on the role, impact, and value of nonprofits. To address the issue of the impact on and the benefits to the community of nonprofit organizations,

Chapter 2 presents the North American literature that provides a general description of the nonprofit sector and discusses its role as a provider of social goods. Chapter 3 analyses the classical literature on use and exchange value, and discusses the valuation of unquantified social outputs. A model for examining the productive process of a nonprofit organization is adapted from Marx's (1847, 1865/1976) theory of surplus value. As well, the literature on alternative theory and measures of value is explored, and guidelines for the measurement of social outcomes are offered.

Chapter 4 discusses issues, methods, and models of social measurement. Chapter 5 puts forward the social audit methodology and Chapter 6 presents the findings in the format of the social audit report that is submitted to the nonprofit by the social auditor. The study concludes in Chapter 7 with a discussion of the social audit model, its implications for theory and practice, areas for further study, and concludes by outlining some elements of a framework for nonprofit accountability.

Chapter 2

Nonprofits: Description and Role

The social audit model developed for this study examines the impact of a nonprofit organization on its local community (as the term is used by the organization and its funders). The issue of the impact of nonprofits is dependent on an understanding of their societal role. This chapter outlines North American literature that describes the nonprofit sector and its significance in general, and that also discusses the social and economic roles of nonprofits.

Definition

In the North American literature, there is no general agreement on the boundaries of the nonprofit sector, although nonprofits are usually defined as not profit-making and not directly controlled by government (Campbell, 1993; O'Neill, 1989). In their corporate form, nonprofits are corporations without shareholders (Quarter, 1992); however, many nonprofits are not incorporated (Smith, 1997). For purposes of this study, nonprofits will be referred to as organizations that are not government controlled, do not have shareholders, whose net income does not belong to any individual but to the organization, and whose surplus revenues can be distributed to members or used to improve service. Boundaries between nonprofits and the public and private sectors, and between the nonprofit sector and other components of the social economy are areas of contention.

There is disagreement about whether revenue-generating nonprofits should be included in classifications of the sector because they accrue excess revenues that, according to some arguments, are indistinguishable from for-profit organizations (Ware, 1989). There is also a lack of clarity on the boundaries between the nonprofit and cooperative sectors, especially cooperatives that generate surplus revenues. Some cooperatives such as housing, daycare, and some health care organizations are incorporated as nonprofits. Other cooperatives, even though they do not have shareholders as such, for example agricultural cooperatives and credit unions, are not considered by some researchers to be nonprofits because of large revenue surpluses (Ben-Ner & Van Hoomissen, 1993; Defourny & Campos, 1992; Quarter, 1992; Snaith, 1991).

When discussing nonprofit organizations, Lohmann (1992) excludes cooperatives because of their ties to the market. Some researchers do not mention cooperatives at all (see Campbell, 1994; and Salamon, 1995). Hansman (1987) excludes cooperatives from the nonprofit category because, unlike incorporated nonprofits, they are not bound by state laws prohibiting distribution of residual earnings to individuals who exercise control over the firm, such as members. Cooperatives can retain surplus revenues to enhance services to members, or they can distribute them to members on the basis of patronage or use of the services (Quarter, 1992).

It can be argued that there is a difference between distribution of surplus revenues to cooperative members and profits to private shareholders, even though in both cases, money goes to individuals. In general, cooperative members (whether they are conscious of it or not) are part of a social organization with a social history, goals, links to social movements, and democratic forms of governance. The distribution of cooperative revenue surpluses can be considered within a social context. Private shareholders receive profits from firms with financial goals tied to financial markets, in which broader social considerations are traditionally considered to inhibit profit-making (for example, Friedman, 1970; Levitt, 1958). However, the distinction between members and shareholders can easily be blurred in practice, for example when financial cooperatives operate more like private sector firms, and private sector firms such as The Body Shop (1996a) pursue social as well as financial goals.

The characteristic that distinguishes nonprofits from public sector organizations is also blurred in some cases. Nonprofits that receive most of their funding from a government body may come under considerable control by the funder. However, even when these conditions exist, the organization has independent governance through its own board of directors (Quarter, 1992).

The nonprofit sector is often referred to as the voluntary, charitable, humanistic, independent, intermediate, non-governmental, civic, or third sector, leading to some confusion about whether these terms are synonymous. Discussions of the civic or intermediate sector often include incorporated nonprofits as well as less formally structured associations for the advancement of political, democratic, and mutual assistance goals. This sphere is often characterized as a buffer between the state and the individual (see Green, 1993; Hall & Reed, 1995; Van Til, 1987; Ware, 1989).

Lohmann (1992) refers to this intermediate area as the commons, "a social, economic and political space for uncoerced participation, sharing of resources and purposes, mutuality and peer relations ... social spaces outside the home and away from the family and independent of political states and economic markets" (p. 272). The classification of the commons, as is the case with other descriptions of the civic or intermediate sector, is difficult to quantify. To discuss the impact and measurement of nonprofits, this study focuses on classifications of the nonprofit sector for which some quantification exists.

Descriptions of nonprofits and estimates of the nonprofit sector's size and impact also vary according to the researcher's definition. As well, many authors write as if the subsectors that they are addressing represent the

sector as a whole (Ruckle, 1993). This leads to further unclarity and a lack of precision in estimating the size and scope of the nonprofit sector; however, certain key features of the Canadian and U.S. sectors have been charted.

Description

In order to contextualize the nonprofit sector, it is useful to begin with general descriptions of its size and scope; however, it has been noted that in Canada, "statistical mapping of the third sector is primitive in comparison with the United States" (Campbell, 1993, p. 10). Starting with Revenue Canada figures on charitable organizations as the only consistent source of information on nonprofits in Canada (although there are many other types of nonprofits), in 1994, there were 71,413 nonprofit charitable organizations registered in Canada with revenues of \$90.5 billion (Canadian Centre for Philanthropy, 1997).

Although it is difficult to weigh the impact of the nonprofit sector on Canada's Gross Domestic Product (GDP), one measure provides an indication. In 1994, remuneration paid to employees of registered charities made up 4.4 percent of Canada's GDP (Day & Devlin, 1997). However, this calculation leaves out information about employee remuneration for nonprofit organizations without charitable status, a subsector which, according to a recent U.S. study, is too large to be omitted.

Smith (1997) argues that noncharitable nonprofits, including those that are non-incorporated, account for 90 percent of all nonprofits in the United States and half of the volunteers. In Canada, figures obtained from nonprofit corporate registrations federally and in each province and territory indicate that there are 175,000 registered Canadian nonprofits (Quarter, 1992). Another estimate of charitable and non-charitable nonprofits in Canada puts the figure at 200,000 (Hirshhorn, 1997). However, there are no current methods for reporting the total number of nonprofits in Canada that includes charitable and noncharitable organizations, as well as incorporated and unincorporated nonprofits, including those with revenues of less than \$10,000 (Day & Devlin, 1997).

Although information is not available for all nonprofits, the revenue sources for Canadian charitable nonprofits and their percentages of overall charitable nonprofit revenue have been estimated for 1996 as: government funding (60.2); earned income and fees (25.8); donations (11.3); and gifts from other charities (2.6 percent) (Hirshhorn, 1997). For the twelve-month period beginning November 1, 1996, Canadians reported donating \$4.51 billion to charitable and nonprofit organizations and the average donation was \$239 (Statistics Canada, 1998). In 1992, Canadian corporations donated \$406 million to charity (Canadian Centre for Philanthropy, 1992).

The pattern of government support for nonprofits was described in the 1980s as part of a study of humanistic services in Canada. As defined by Martin (1985), these services include public and private sector organizations providing health care, education, welfare, religious, and cultural services. In 1980, more than \$70 billion was circulating through them, \$25 billion transferred by the federal and provincial governments directly to individuals in income benefits and medical billings, and \$45 billion handled by hospitals, universities, school boards, social services, churches, cultural organizations, and fraternal societies. More people were employed in humanistic organizations than the total number of employees of all governments. Martin (1985) argues that by 1980, humanistic services were financed increasingly by government which allocated 31 percent of the national income to them, a rise of 8 percent from the previous decade.

Another distinguishing feature of nonprofits is their voluntary dimension. Statistics Canada in partnership with six other organizations recently reported on volunteer participation. For the 12-month period beginning November 1, 1996, 7.5 million Canadians (31 percent of those 15 years of age and over) contributed an average of 149 hours of voluntary activity per year for a total of 11.1 billion hours of volunteer activity. Twenty-two percent of volunteers contributed over 200 hours of volunteer activity a year (Statistics Canada, 1998).

In the volunteer survey conducted by Statistics Canada 10 years earlier, the total number of volunteer hours was fewer than those for 1997-98 and totalled 1.02 billion hours, or the equivalent of 617,000 full-time jobs, a figure equal to six percent of all full time jobs in Canada in 1987 (Ross & Shillington, 1990). Using the 1986-87 figures, Ross and Shillington (1990) first estimated the value of volunteer activities in Canada by attributing a value of an average social service wage of \$12 per hour. The value of Canadians' volunteer efforts in 1986-87 was estimated to be \$12 billion (in 1987 terms). Volunteers' out-of-pocket expenses were estimated to total \$841 million in 1987, an average of \$158 per person. In the 1997-98 survey, the 11.1 billion volunteer hours of volunteer activity reported is considered to be the equivalent of 578,000 full-time jobs (Statistics Canada, 1998). According to a newspaper report, the value of volunteer hours is the equivalent of \$16.3 billion (Picard, 1998b).

Figures for the United States show similar patterns in the size, scope and economic impact of nonprofits and voluntary activity. However, there are also difficulties in obtaining complete data. Although there more published information on nonprofits in the United States than in Canada, compared with private sector information, O'Neill (1989) states: "[w]e have more accurate information on soybean production in the United States than on America's third sector" (p. 5). For 1986, the number of U.S.

philanthropic nonprofits were estimated at 873,000, along with about 370,000 other nonprofits, totalling approximately 1.25 million organizations. These employed 7.7 million workers or approximately seven percent of the total workforce (O'Neill, 1989). The nonprofit workforce was larger than those of the federal and state governments combined, and greater than the 4.9 million people employed in the construction industry in the United States (O'Neill, 1989).

Using yearly tax exemption reports, O'Neill estimates that "as few as 500,000 and as many as a few million nonprofit entities are not regularly counted" (1989, p. 6). He notes that religious institutions, nonprofits with less than \$25,000 in yearly revenue, and some local units of large national nonprofits are not required to file tax returns, and therefore are difficult to count. As referred to earlier, (Smith, 1997) argues that the noncharitable and uncounted nonprofits could represent as much as 90 percent of the U.S. nonprofit sector.

As well as size and scope of nonprofits, patterns in U.S. volunteer activities are also similar to those in Canada. In the United States in 1989, 45 percent of all those eighteen years of age or older participated in volunteer activities, with one-quarter volunteering each week. In 1987, this amounted to nearly 80 million volunteers contributing 15 billion hours of volunteer efforts to the

nonprofit sector, or an estimated value of \$150 billion (Hodgkinson & Weitzman, 1988, p. 8).

Citing 1986 figures of \$300 billion for the annual revenues of U.S. philanthropic nonprofits, O'Neill (1989) concludes that the nonprofit sector "is a major presence in the American economy". The \$300 billion in annual revenues represents 6 percent of the gross national product, and does not include the revenue of 370,000 nonphilanthropic nonprofits (not counted because they are not required to file reports) (p. 7). The 1980 revenues of U.S. nonprofits exceeded the budgets of all but seven nations in the world (Rudney, 1981). Rudney's (1981) estimates show the considerable purchasing power of nonprofits in the U. S.: in 1980, they purchased \$42.6 billion worth of goods and services and thereby created 1.4 million additional jobs.

As this glimpse at the Canadian and U.S. sectors has shown, using current classifications and processes for calculating the size, scope and impact, it can be demonstrated that the nonprofit sector has a significant impact on the economic and social life of the two countries. Nonprofits utilize considerable revenues and return them to their communities as expenditures on wages, goods, and services. They employ large numbers of employees and mobilize vast pools of voluntary support. This general description of the size, scope, and impact of nonprofits indicates their importance, and the following section

examines the specific role of nonprofits in a three-sector economy.

Market Niche of Nonprofits

U.S. economists tend to describe the nonprofit role in relation to its role in the market. They argue that the nonprofit sector has arisen as a publicly-subsidized but independent sector that corrects imbalances between consumer need (demand) and public sector provision (supply). Government and private sector failure theories (Hansman, 1986; James, 1987; Weisbrod, 1988) focus on the inherent limitations of those sectors that prevent them from meeting consumer demand for services. In each case, the nonprofit sector is characterized as a derivative of the market system, fulfilling unmet demand. A brief description of the theories follows.

Weisbrod (1988), in particular, argues that the need to satisfy highly diverse public tastes ranging beyond those of the median voter opens up a role for the nonprofit sector. To get elected, parties must appeal to the median voter. Voters express their will at the ballot box, electing governments that translate the median will into policy. Then, groups with needs which lie outside those of the median voter lobby for services to meet their needs.

One example of Weisbrod's (1988) description is the number of local consumer- or advocate-driven agencies for

persons with disabilities that developed in the 1970s in response to needs not met by public policy decisions (endorsed by the median voter) to provide only certain types of residential and rehabilitation facilities located in large institutions. At the community level, lobbying efforts and program development resulted in many diverse services being created such as group homes, workshops, and semi-independent living arrangements as well as a range of sheltered work and training (Simmons, 1982). Most of these services were publicly funded and delivered through nonprofits.

Whereas Weisbrod (1988) has focused on the limits of public policy to explain the growth of nonprofits, Hansman (1986) views nonprofits as arising from the limitations of the private market. According to the contract failure theory, the for-profit sector is not an ideal provider of certain types of service (for example, daycare) because it is required to sacrifice quality for profits. Private sector failure creates a key role for nonprofits in the distribution of social goods because of "the [nonprofit] organization's legal commitment to devote its entire earnings to the production of services" (Hansman, 1986, p. 62).

Another type of market theory that explains the development of nonprofits focuses on supply rather than demand failure. James (1987) characterizes the nonprofit

role as a response to two aspects of consumer wants: consumers' desires for more public goods than the government can supply directly (excess demand); and their tastes for a greater variety of services (differentiated tastes). However, neither consumer demands nor government and private sector failures to supply them account for the large and publicly-subsidized role of nonprofits in the provision of public services (Salamon, 1995).

Salamon (1995) argues that the nonprofit sector has arisen to enhance the role of government in "promoting the general welfare without unduly enlarging the state's administrative apparatus" (p. 42). In Salamon's (1995) government/nonprofit sector partnership model, the voluntary sector is not derived from failures of either government or the market, but rather the government steps in to correct the voluntary sector's failures and its inability to supply the demand for public goods. For Salamon (1995), this explains the high degree of public/nonprofit partnership, characterized as "a luxuriant undergrowth" of relationships (p. 13).

However, both market and public niche theories of nonprofits are limited in their ability to explain the social role of nonprofits. By confining themselves to deducing the nonprofit role from an economic analysis of the other two sectors, they simplify complicated, interdependent relations among the three sectors, losing much of the

texture of the nonprofit sector in the process. This leads to three major oversights: a) large numbers of nonprofits, particularly nonprofit cooperatives and mutual benefit nonprofits, are excluded from these theories; b) the theories fail to account for the economic impacts of human service and other nonprofits; and, c) even more importantly, absent from these theories are explanations for the social impetus, characteristics, role, and impact of nonprofits. Each of these areas will be discussed in turn -- the first two briefly, and the third, in more detail in a discussion of the social niche of nonprofits.

By limiting their studies to health, service, and cultural sectors, market and public niche theories fail to account for the relationship between the government and other types of nonprofits such as cooperatives and mutual benefit organizations. These organizations are largely financed by their members and are not generally characterized by the same high degree of direct government subsidization as nonprofits in human and cultural services. However, the extent of indirect government subsidies such as tax relief is unknown. As well, market and government failure theories do not explain the circumstances of nonprofits internationally which, research shows, are largely financed by religious and ideological groups rather than governments (James, 1987).

However, economic niche theories have uncovered critical aspects of relationships among the sectors, particularly government/nonprofit relations. For example, Salamon's (1995) research demonstrates the extent of public revenues supplied to U.S. human service nonprofits. The large amount of public funding of human service nonprofits also holds true in Canada (Martin, 1985; Municipality of Metropolitan Toronto et al., 1996; Rekart, 1993). As discussed previously, Martin (1985) has documented the extent of government subsidization of humanistic services. He contends that the Canadian governments have shifted from a secondary to a primary role in funding the humanistic sector (which includes nonprofits and public sector organizations), displacing private charitable sources with public funding. He points out that in 1937, during the Great Depression, government and private donors evenly shared the costs of public services, but by 1980 government provided about 80 percent of the funds through tax revenues.

A recent empirical study that indicates the extensive role played by Canadian governments in funding certain subsectors of nonprofits has pointed to some problematic aspects of it. Research conducted between 1983 and 1991 on the privatization of social services in British Columbia demonstrates that organizations increased their reliance on government contracts during this time, leading to agencies' concerns that their advocacy function would be compromised (Rekart, 1993). Zimmerman and Dart (1998) confirmed these

concerns in their interviews with other nonprofit managers in Canada.

Although economic theories focus on the economic rationale for nonprofits' role, they do not address the economic impact or benefits of nonprofit organizations. In addition, these theories do not explain the high degree of mixed economic activity occurring in all three sectors, for example, nonprofit organizations that operate partially as businesses (Zimmerman & Dart, 1998), and government subsidization of private sector businesses through interest-free loans and tax relief. The complexity of the interrelations and overlaps between the sectors requires further explanation than the economic niche theories provide.

Social Niche

Empirical studies and theory on the social niche of nonprofits are lacking. However, some aspects of a description can be gleaned from the existing literature.

A common element that can be drawn from the market-driven theories originating in the United States and from the Canadian studies of government subsidization is that the nonprofit sector plays an important role as a key producer and deliverer of public or social goods. Nonprofits co-exist with private sector organizations and in a complex relationship with the public sector. The public

sector/nonprofit relationship can be described for certain nonprofit subsectors as a service-delivery partnership (Salamon, 1995). In its market niche, the nonprofit sector delivers social goods often in the absence of market provision of them (Hansman, 1986; James, 1987). It also competes or co-exists with the market sector in fields such as education, and health care as well as in social services such as childcare, homecare, and extended care (Gronjberg, 1987; Langdon, 1987; Salamon, 1995; Skloot, 1987; Social Planning Council of Metropolitan Toronto, 1997; Zimmerman & Dart, 1998).

However, by focusing on narrow supply and demand paradigms, market theorists overlook the social motivations of the public that lie beyond the economic relationships of the market, and the social motivation of nonprofits to fulfil them. As well as serving market-driven functions, nonprofits also arise in response to altruism, organizing in civic and democratic spheres, and social experimentation to develop alternatives to market forms. A discussion of these points follows.

Religion has been characterized as the "godmother of the nonprofit sector" (O'Neill, 1989, p. 20). Along with other ideological organizations, religious structures provide a site for charitable behaviour (James, 1987). As well, a related motivation, altruism, has stimulated Canadians' provision of humanistic services. Altruism, the

"tradition of service before personal gain", has been identified as a key feature of Canadian society (Martin, 1985, p. 23). Martin (1985) estimates that in 1937, Canadians allocated 17 percent of the national income for humanistic expenditures, and that this figure has continued to grow to 32 percent of the national income in 1978, in keeping with social values of fostering the common good. A survey of Canadians' attitudes indicates continued support for public spending in health and social service areas (Peters, 1995).

A second stimulus to nonprofit organization is "the tendency to organize for any civil purpose," (Lohmann, 1992, p. 1). In his theory of the commons, Lohmann (1992) observes that "nonprofit services and unproductive labors are composed of social action" (p. 48). Neighborhood-based organizations are also outlets for social action created "when members of a community share a sense of a problem and their actions are fuelled by enthusiasm and social commitment" (Milofsky, 1987, p. 292). Loury (1987) defines as social capital the "local public goods produced by communities" through civic organizing (p. 255).

Democratic organizing is channelled through voluntary organizations and nonprofits, mediating between the government and the people (Putnam, 1993). For Putnam (1993), the elements of trust and cooperation involved in these activities constitute social capital. Both Loury (1987) and

Putnam (1993, 1995) interpret social capital not as the end result of social production but as the medium through which social activities take place. For purposes of this study, social capital is used to refer to an end - that is the production of social benefits by nonprofits as well as by individuals, other organizations, and relationships (such as neighbours) in which people act from social motivations to effect social ends.

To summarize, market theory indicates that nonprofits fill a market role, producing and delivering social goods which are extensively publicly funded, and as deliverers of unprofitable social goods in the market. In addition, as part of the neighbourhood/democratic/civic sector, nonprofits provide responses to social needs and outlets for social action. The social goals and actions of nonprofits produce results that can be included as part of the overall social capital produced through a variety of means and available for social redistribution.

The third impetus for the formation of nonprofits lies in the desire for alternatives to challenge or modify a perceived lack of attention to social concerns displayed by the market system. Many mutual benefit organizations and cooperatives emerged either as social experiments designed to counter people's lack of social and democratic control over market structures and mechanisms or as outlets for creative alternatives. For example, participation in

cooperatives is considered to produce economic, social, and democratic benefits for those involved (Snaith, 1991).

The characterization of nonprofits as part of the social economy (developed more fully in the section to follow) integrates the study of nonprofits along both social and economic axes. The description of the social economy arose from the European experience of social experiments and market alternatives. Its perspective provides a framework for the study of nonprofits.

The Social Economy

The European characterization of a social economy that includes nonprofit organizations (Defourny & Monzon Campos, 1992) not only offers a more inclusive classification than those discussed previously, it also provides a cohesive framework for analysing the social features and contributions that distinguish nonprofit organizations from their private and public sector counterparts. At the same time, it emphasizes the areas in which the three sectors are similar or overlap. Areas of overlap, such as surplus revenue distribution in retail cooperatives for example, can be problematic with regard to defining clear boundaries between sectors. However the classification of organizations as a social economy focuses attention on the intersection of organizations' economic and social axes. This perspective addresses oversights of a singular focus on economic explanations for the nonprofit sector's role.

In France in the early twentieth century, Gidé initiated use of the phrase, "économie sociale" to refer to an economic sector comprised of organizations with social roots and goals but also economic dimensions (Snaith, 1991). The classification used by The Commission of the European Community encompasses cooperatives, mutual benefit societies that provide services to members, as well as nonprofit organizations (Snaith, 1991, p. 68).

The common characteristics that define organizations in the social economy and that distinguish them from those in the public and private sectors are their social goals, voluntary membership, independence from the state, and democratic management (Defourny & Monzon Campos, 1992). These characteristics evolved from cooperative principles originated by the Rochdale Pioneers in 1844 (Snaith, 1991). In one European description, cooperatives best represent the social, economic and democratic aspirations of the sector because they are "distinct from public sector undertakings and capitalist companies, [and] exemplify a democratic way of working and management as well as the subordination of capital to social aims" (Defourny & Monzon Campos, 1992, p. 22).

The European experience with social experiments like cooperatives and mutual benefit organizations explains their inclusion in this definition, whereas the more limited cooperative tradition in the United States may explain the

exclusion of this subsector from research on nonprofits. Ben-Ner and Van Hoomissen (1993) provide a notable exception by including cooperatives and mutual benefit nonprofits in their 1980s' profile of the nonprofit sector in New York.

In the Canadian context, the social economy includes cooperatives, nonprofits in the public service, and mutual benefit organizations (Quarter, 1992). Although linked by common characteristics, the sector is not cohesive. Often organizations in it are not aware of themselves as part of the social economy (Quarter, 1992), nor are they aware of the range of organizations with whom they sectorally affiliated.

Within the social economy, there is a wide spectrum of social and economic activities. Some organizations in the social economy stress economic activity and are closely tied to the market although they exhibit defining social characteristics that for-profit organizations lack. For example, consumer and financial cooperatives as well as small farm mutual insurance companies function as businesses with the economic goal of creating surplus revenue which they use either to improve their products or services or to distribute as surplus to their members. Moreover, they still retain explicit social goals and democratic governance (one member, one vote). According to Ware (1989), the democratic feature has declined in some large cooperatives and mutuals, and when this is the case, the there is little to

distinguish these organizations from profit-making operations.

The degree to which the social goals and membership management functions are operative in mutuals is a matter of debate. Referring to mutual benefit organizations in the United States and Great Britain, Ware (1989) observes that "the older mutuals have tended to become integrated into the market system, and have shed their non-economic functions ... " (p. 69). However, mutual benefit organizations functioning in less commercial areas such as religious congregations, unions, burial societies, and professional associations emphasize social goals. A non-commercial mutual organization, or any nonprofit, may accrue revenue surpluses (Zimmerman & Dart, 1998). In mutual organizations, those surpluses are placed at the disposal of their members who decide on revenue disposition democratically, in form if not in content (Snaith, 1991).

In Canada, although a minority of cooperatives are registered as nonprofits, cooperatives as a whole form a significant subsector of the social economy. In 1996, over 4.8 million members belonged to 5,627 producer, consumer, and worker (nonfinancial) cooperatives reporting a combined volume of business of \$27.8 billion and assets of \$15.1 billion. Cooperatives employed over 70,000 people. (Co-operatives Secretariat). In addition, financial cooperatives

(credit unions and *caisses populaires*) reported assets of \$104 billion in 1996, with Quebec accounting for over 50 percent of the total.

Canadian interest in classifying the social economy as a distinct sector is more advanced in Quebec (see, for example, Task Force on the Social Economy, 1996), in other francophone communities, and in the cooperative movement. This interest may be accounted for by the following factors: access to and influence of the French model of the social economy on francophones; the Canadian history of cooperative and mutual formation with its farm roots (MacPherson, 1979); and the amount of cooperative activity and its significant market share in Quebec (Co-operatives Secretariat, 1998).

The classification of organizations within the social economy can be problematic. As well, discovering areas of influence, overlap, and competition with the public and private sectors requires further research. However, this classification, used as a framework, fosters the study of the nonprofit sector in two ways: a) as a complex mix of social and economic motivations, activities, and outcomes; and b) in its broader context as a social ecology, promoting the examination of how nonprofit organizations interact with each other, with other organizations in the social economy, with other sectors, and with the wider community. The study of the interaction of nonprofits fosters the examination of

the role and impact of nonprofits, for role and impact are interactive, social-ecological issues.

Cross-sectoral Activity

Canadian studies on the social economy are in their nascent stages, and the U.S. literature does not generally employ this characterization of nonprofits. However, recent U.S. research that emphasizes similarities and relationships among the three sectors of the economy makes an important contribution to the study of the nonprofit sector's role and impact. Considered along with European and Canadian studies that characterize nonprofits as a social economy, recent U.S. cross-sectoral studies provide a picture of the nonprofit sector as a complex, interactive ecology.

In the U.S. literature on nonprofits, Ostrander (1987) points out that government and contract failure theories articulate only the derivative and competitive aspects of the nonprofit role. However, interdisciplinary studies focus on the overlapping of boundaries and the interdependence among the three sectors. Hammack and Young (1993) argue that nonprofit organizations are an integral part of the economy and that the three sectors intermingle as part of a "more intricate and subtle tapestry" than has been understood to date (p. 399). Patterns of relations between the three sectors are characterized as "dynamic, historically changing, as actively created by subjects in everyday life

as well as by macro-historical forces in the larger political economy" (Ostrander, 1987, p. 7).

Two models of relationships among the sectors emphasize their commonalities and areas of overlap. Langdon (1987) challenges the position that the three sectors are isolated and autonomous, noting four anomalies that dispute this:

- hybridization that occurs when organizations contain elements of two or more sectors, such as museums that also operate a revenue-generating gift shop;
- functional overlapping that is evident in fields such as health and education where direct service is provided by all three sectors;
- trait absorption that is demonstrated by organizations from one sector adopting features or activities from other sectors, for example, some nonprofit organizations provide vocational services in ways that emulate businesses; and,
- impingement that occurs when the direct effects of one sector impact on another, such as government tax laws or budget cuts affecting nonprofits.

Both U.S. and Canadian nonprofit theory would benefit from empirical studies that examine Langdon's (1987) intersectoral anomalies. Additionally, in contrast to Salamon (1995) who characterizes government/nonprofit relations as a partnership, Gronbjerg (1987) observes: "No single pattern adequately describes the range of relationships that exists between the public sector and

nonprofit organizations" (p. 64).

Citing research from the Chicago health, social service, and education sectors, Gronbjerg (1987) outlines four patterns of public and nonprofit relations that were observed to be affected by market conditions in various subfields of program delivery. First, cooperation occurs when mutual dependency exists between the sectors. Secondly, Gronbjerg observed accommodation occurring in situations where all three economic sectors are involved, but cooperate to a limited extent. This influences the nonprofit sector to hold to a specific niche that can be accommodated by the other two sectors. The third pattern is competition in which the sectors vie for the service delivery market. Finally, symbiosis is evident under market conditions that foster distinct yet complementary roles.

This characterization of intersectoral relations points to further possibilities for research. However, it is limited by its exclusion of conditions affecting cooperatives and mutual nonprofits.

The strength of relationship models (Gronbjerg, 1987; Langdon, 1987) is in their articulation of a continuum of sectorial relations - from competition, to mirroring, and symbiosis. A limitation is their reduction of complex relations to a few possibilities. The sectors have widely varied roles, yet common behaviours, and, as well, the

nonprofit sector includes extremely diverse subsectors often with overlapping behaviours. It is difficult to reduce this spectrum of relations to a few variables.

A number of factors may make it premature to develop generalizable patterns of relations among the three sectors: the current state of research on the nonprofit sector which Langton (1987) characterizes as so "immature" that it does not yet have a common definition of its subject; the omission of significant categories of nonprofits (such as cooperatives and mutual benefit organizations) from U. S. research; the lack of cohesion in the research which may stem from the absence of common frameworks for the study of nonprofits (Hirshhorn, 1997; Salamon, 1995); and, given the underdeveloped state of the study of nonprofits (O'Neill, 1989), the tendency to generalize from small, fractionalized samples in subsector studies to the widely varied field of nonprofits (Milofsky, 1987).

Areas of Overlap

Several studies examine activities that nonprofits have in common with organizations in the private sector. For example, health, social service, education, and cultural nonprofits often engage in business operations (Skloot, 1987; Zimmerman & Dart, 1998). In the United States, Skloot (1987) has observed that health-care restructuring and competition with private sector providers has induced nonprofit hospitals to engage in profit-making activities.

This has shifted their focus from a social service approach to that a business orientation, serving fewer poor people in the process.

Skloot (1987) has also distinguished four types of commercial activity engaged in by nonprofits (with examples in brackets): the sale of program-related products (Girl Guide cookies); the sale of program-related services (hospital gift shop); contracting out staff and client resources (consulting and training services); the sale of hard property (land and buildings); and, the sale of soft property (copyright, mailing lists). Including revenues from commercial activities, many nonprofit organizations manage substantial amounts of money, often requiring some forms of investment. Salamon (1993) estimates the assets of U.S. tax-exempt organizations to be nearly \$670 billion in 1988. With this in mind, Zimmerman and Dart (1998) expand Skloot's (1987) typology to include investment as well as full and partial business ownership.

Often areas of overlap between nonprofit and private sector activities can result in competitive behaviour (Gronjberg, 1987). However, overlap can also produce synergistic relationships. As an example of the overlap and exchange that can exist among the three sectors, De Laat (1987) draws attention to volunteering. In the public sector, volunteers sit on planning boards and committees. In the private sector, individuals volunteer on their own time

and are frequently directed to volunteer on company time as part of a firm's philanthropic contribution. They sit on boards of directors of nonprofits, are active in nonprofit fundraising such as United Way campaigns, and provide hands-on assistance in community-based agencies.

DeLaat (1987) points out that this cross-sectoral activity can reduce tensions between the sectors by promoting the transference of sectoral norms and knowledge. The synergy among the sectors provides the basis for further discussion about how and to what extent cross-sectoral exchanges can occur, and with what results (for example, see Bowen, 1994 on the influence of board members from the private sector who sit on nonprofit boards of directors).

Cross-sectoral studies demonstrate the ways in which the boundaries between the three sectors are flexible. Boundaries are becoming "increasingly permeable" in the face of increasing competition (Skloot, 1987). However, there are concerns that joint ventures and partnerships between business and nonprofits will result in questionable changes to nonprofits' missions (see, for example, Rolston, 1997; Zimmerman & Dart, 1998) and less commitment to those in dire need (Salamon, 1995; Starkweather, 1993). Added to this are nonprofits' fears that they will advocate less strenuously for their harder-to-serve clients in the face of increasing competition and government cutbacks (Rekart, 1993). However,

cross-sectoral activities like volunteering can also produce a positive exchange among the three sectors (De Laat, 1987).

A Social Infrastructure

In the light of research on the social economy and on the relationships and commonalities of the three sectors, nonprofits can be seen as a dynamic part of the social economy that is highly interactive and integrated with the public and private sectors. Within the sector itself, Milofsky (1987) characterizes nonprofit relationships as a "web." Nonprofits can be described as key producers of social capital (the sum of social activities, goods, services, and relationships) in the overall economy, mobilizers of resources to produce social goods in their local communities. They operating in a complex and flexible range of relationships with the public and private sectors.

It can be argued that, by enhancing the common good, the nonprofit sector acts as a supportive infrastructure in relation to the other two sectors. It aids the public sector in two ways: by delivering the social goods that the public prefers delivered by community-based organizations; and, by providing altruistic, democratic in many cases, and social organizing outlets. In addition, nonprofits support the market sector economy in two ways: a) by mobilizing philanthropic, volunteer, and public resources to produce necessary goods that are not profitable for the private sector to provide; and, b) by producing a base of social

capital that enhances economic activity. An effective social infrastructure makes a community attractive to business, as described in a recent issue of Fortune magazine. In it, Toronto is referred to as one of North America's top cities for business because "the government supports capitalism with a human face" (Faircloth, 1997, p. 190).

Untreated social issues such as unemployment can impede societal functioning and create large-scale problems such as: homelessness, hunger, deprivation, disaffected youth, and the civil unrest that can result from unresolved social problems (Rifkin, 1996). Without a reliable, interconnected, effective social infrastructure contributed to by nonprofits, a staggering array of social problems could tear apart the social fabric. For example, Rifkin (1996) notes: "Third sector and advocacy groups are lightening rods for channelling the growing frustrations of large numbers of unemployed people" (p. 287).

Nonprofits also provide immediate positive benefits that enhance the functioning of the private sector workforce, with few direct costs to business. For example, they provide: public education on health, safety, and lifestyle issues; skills training and retraining for adult workers; adult literacy and academic upgrading; creative and recreational outlets for employment-related stress; personal, family, and credit counselling; self-help programs such as Alcoholics Anonymous; daycare centres; and

professional organizations for ensuring standards and enhancing skills.

As well as enhancing the private sector, the quality of life for all citizens is tied to the social outcomes of nonprofit organizations. However, in spite of its significant output, as yet there is no way of measuring the sector's products or their value (Henke, 1989). This has led to a lack of awareness of the sector, its role, and its social-economic contribution. It has also contributed to a lack of policy that addresses the preservation of the sector in the face of massive government restructuring (Hall & Reed, 1995).

Building on the preceding discussion of the social-economic role of nonprofits, the next chapter discusses the value of nonprofit organizations. It looks at: the source of value in the market system, alternative measures of value, and some methods of assessing social value.

Chapter 3

Social Value

The previous chapter examined the role and contribution of nonprofit organizations within the North American context. Nonprofits can be characterized as key producers and distributors of social goods, mobilizing and directing resources that add to the social capital in their communities. They exist in complex and interdependent relationships with the public and private sectors, and they are important players in their national and local economies.

However, in Canada the social and economic behaviour of nonprofit organizations receives scant academic or popular attention. For example, a recent study found that in Ontario, high school business and economics texts on the Ministry of Education's recommended list made almost no mention of nonprofit corporations. The texts ignored the unique economic features and management issues of organizations in the social economy (Davidson, Quarter, & Richmond, 1996).

A lack of knowledge about nonprofit organizations can lead to an underestimation of their role, impact, and value in Canadian society. In order to better understand the contribution of nonprofit organizations, the issue of how value is conferred in a market economy first requires discussion.

Use Value

In capitalist societies, the market is the site of the attribution of value through the measure of money. Value is analyzed in economic theory and reported through the practice of accounting. The process of economic valuation in a market society obscures distinctions between what a society values socially, morally, and economically, and what has been accorded money value. For example, studies show that Canadians value physical and social well-being (Peters, 1995; Roeher Institute, 1993), yet there are no national measures of value for these quality of life indicators (see Canadian Council on Social Development, 1996). Therefore, asked to choose between national economic growth and providing programs that enhance the quality of life, decision-makers have access to only half the story.

The equation of money value to the inherent value of an object or activity has its origins in the separation between use and exchange value in the market, first analyzed in Adam Smith's classic treatise on economics:

The word value, it is to be observed, has two different meanings, and sometimes expresses the utility of some particular object, and sometimes the power of purchasing other goods which the possession of that object conveys. The one may be called "value in use," the other, "value in exchange." The things which have the greatest value in use have frequently little or no value in exchange; and on the contrary, those which have the greatest value in exchange have frequently little or no value in use. Nothing is more useful than water: but it will purchase scarce any thing; scarce any thing can be had in exchange for it. A diamond, on the contrary, has scarce any value in use; but a very great quantity of other goods may frequently be had in exchange for it. (Smith, 1776/1966, p. 34)

Since Smith (1776/1966) articulated the distinction between use and exchange value, mainstream economics has been challenged for what this separation promotes, excludes, and obscures. Critics have challenged the roots of economics in order to construct a more holistic approach to what is valued.

As economics evolved as a science, it emphasized quantification over social analysis:

The decision to follow physics was the decision to mathematize. Mathematics can work only with what can be formalized. In economics, this has meant, in practice what can be measured. Hence the aim of mathematization biases economics toward aspects of its subject matter that can be measured. ... Prestige increasingly is associated with mathematical sophistication and less with what light might be thrown on what is actually going on. (Daly & Cobb, 1994, p. 31)

Economics as a status-laden academic discipline began to display "money fetishism," transferring the characteristics of the abstract symbol money to the commodity itself (Daly & Cobb, 1994, p. 37), and displacing other interpretations of value in the process. Zimmerman and Dart (1998) point out that market ideology is powerful because it has "the support from groups that control the resources; a consistent, cohesive language; and, measurement tools (p. 17).

However, market value as a key indicator of societal value is problematic, as Schumacher (1973) has argued:

The market therefore represents only the surface of society and its significance relates to the momentary situation as it exists there and then. There is no probing into the depths of things, into the natural or social facts that lie behind them. In a sense, the market is the institutionalisation of individualism and non-responsibility. (p. 40)

Market value, along with national aggregates such as the gross domestic product (GDP), leave out many vital environmental and social aspects of human existence (Daly & Cobb, 1994), particularly the labour of women (Mies, 1986; Shiva, 1989; Waring, 1988). For example, women's reproductive role in giving birth to the next generation and their unpaid labour that sustains families and communities are not taken into account in national economic indices. However, preparations for war and the results of ecological devastation figure positively in them (Waring, 1988).

Because producers of "use values for the satisfaction of human needs," such as women are excluded from economic indicators, their contribution is rendered invisible (Mies, 1986, p. 47). Due to its invisibility, women's work is more easily exploited in a patriarchal division of labour (Mies, 1986).

Like women's work, much of the social work of nonprofits is also excluded from national accounts. Lacking

approximate measures of value, nonprofit contributions can be easily overlooked. As well, it can be argued that nonprofits' impacts and contributions are underrated because the nonprofit social service sector is largely staffed by women and women volunteers, and women's work is undervalued (O'Neill, 1994). To correct the imbalance, new approaches to economics and accounting are being developed. These heighten the visibility of women's work (Waring, 1988), account for environmental costs and benefits (see, for example, Gray, 1994), account for social outcomes and value (Cherny et al., 1992), identify the link between accounting practice and theories of value (Tinker, 1985), and construct a political economy of accounting (Cooper & Sherer, 1984).

New Economics

Critiques of mainstream economics highlight the limitations of current national economic indicators such as the GDP. Critics point out that not only do current aggregates fail to take into account the value of the sustenance and renewal of life, but they also overlook a key indicator of economic progress -- the sustainability of growth (Daly & Cobb, 1994; Mies, 1986; Schumacher, 1973; Shiva, 1989).

Mainstream economics also fails to include the social and environmental costs of private sector production, rendering private sector accounts unbalanced and the long-term sustainability of production unanalyzed (Lintott, as

summarized in Ekins, 1986). This points to the need to include sustainability in new models of economics and accounting, and to include resource-management as a key feature.

The long-term viability of nonprofit organizations can also be seen as dependent on the sustainability of use value production. In order to create social capital, nonprofits procure social (as opposed to private) resources and utilize them to enhance the organization's positive effects on its social and economic environment. At the same time, it must lessen its negative impacts on its community or it will not be entrusted with further social investment.

New models of economic activity that include both social and environmental dimensions contribute a more complete picture of the nation's economy. They can be categorized as two types: linear models that depict sectors of the economy as layers, and a circular model that includes alternative indicators of value.

Although mainstream GDP calculations were devised to report only private and public sector activities, new linear economic models expand the number of economic sectors to encompass unquantified economic activity. Handy's (1984) three-layered model of unvalued work consists of the illegal, voluntary, and household economies. Two variations of this model add further layers of missing elements.

Sparrow (as summarized in Ekins, 1986) adds a fourth layer, informal work exchange, to Handy's model. Sparrow estimates the size of this fourth layer of the economy to be 60 percent of the gross domestic product (Ekins, 1986, p. 34). Ross's (1986) nine-sector model of the economy provides a more detailed layering of the sector, and lists: big business, public sector, small business, collectives and cooperatives, community enterprises, voluntary activity, barter and exchange, mutual aid, and household sectors. This model integrates incorporated nonprofits such as cooperatives and mutual benefit organizations discussed in Chapter 2 with informal economic activities such as barter and household work.

However, the three linear models discussed above overlook the role of the environment as a resource that supports economic activity. This is not the case in an alternative linear model proposed by Henderson (1981) who depicts the economy as layers of a cake. In Henderson's (1981) model the private sector forms the smallest layer, followed in size by the public sector and unpaid work, and Nature comprises the bottom layer that supports the rest of the structure. Henderson's (1981) model addresses the role of the natural environment as the resource that fosters economic activity, because without food, water, clean air, and raw materials to sustain human life and production, economic activity would not take place. Henderson's model is more comprehensive than the other linear models because it

includes the natural environment, a significant source of use value.

The fifth model of the economy developed by Pietilä (1993) adds depth to the linear models by conceptualizing the economy as a series of concentric circles, and by including other factors: time spent in labour and volumes of output. In this model, sectors of the economy are differentiated by their ability to act independently. The thin outer circle represents the "fettered" economy of large scale, regulated production that is bound to the fluctuations of world markets; the middle circle represents the protected sector, consisting of both private production for the home market and public services that are guided and protected by legislation; and, the large inner circle at the core represents the free economy, that is, work done voluntarily at home and in the community.

In her 1980 study of Finland, Pietilä (1993) measures time spent in labour, volume of output, and money value. She argues that the work done in the free economy, largely invisible and female, accounts for 54 percent of the total time spent in work and 35 percent of the money value. By contrast, the fettered economy produces 10 percent of the total work time and 19 percent of the money output. The circular model of the economy makes an important contribution to the assessment of use value, providing a multi-dimensional approach to measurement. Pietilä's (1993)

measurement of time spent in an activity and volumes of output of an activity provide variables that can be included in measures of use value.

Although the mainstream economic model dominates in the area of attributing value, the linear and circular economic models discussed above demonstrate that private and public sector activities account for only part of the total, and may even form the smallest portion of the economy. Until social scientists develop standard measures for other activities such as barter, household work, and the work done by nonprofits, these items will not be included in the GDP. Statistics Canada's recent moves to include household work in secondary statistical profiles points the way towards broader indices (Statistics Canada, 1995).

However, Ross (1986) argues that, in a market system, even the development of more inclusive social indicators will not solve the problem. He points out that broader indices will still result in the systematic underrepresentation of use value because of the inherent contradictions and limitations associated with attributing economic value to non-economic entities. Taking Ross's (1986) objections into account, it is still possible to develop indicators that can link economic and social progress and that are frank about their limitations. Controversy surrounding economic indicators and their predictive abilities suggests that these indicators are

generally incomplete and also open to interpretation. Developing social indicators can play a positive role in reflecting on the power and accuracy of economic indicators, especially ones that omit social considerations.

Guidelines for Assessing Use Value

From his study of alternative economic models, Ekins (1986) provides a useful summary of principles for a new economics:

1. That natural resources and the environment are neither infinite, nor at current levels of usage, 'free'.
2. That all costs and benefits of production and consumption should be accounted for and, wherever possible, internalized into the process concerned.
3. That the distinction between 'economic' and 'social' values and motivations is both false and misleading. They are in fact inextricably interlinked and should always be considered together.
4. That paid work per se is neither more valuable, nor should it have higher status, than unpaid work. (pp. 164-165)

These guidelines for alternative measurement include both use and exchange value and provide principles for conceptualizing the integration of economic and social accounting. In addition to Ekins' (1986) general principles, discussions of alternative economics have introduced ideas that can be used to create alternative measures of use value for nonprofits. These ideas can be stated as strategies.

1. To shed light on work overlooked by market economics, it is useful to observe where life-enhancing

labour is done and to analyze the time and resources it takes, as well as its social and economic benefits (Mies, 1986; Pietilä, 1993; Shiva, 1989; Waring, 1988).

2. To evaluate nonprofits' management of resources to produce sustainable use value, it can be helpful to assess the organization's effectiveness in:

- procurement of (social and natural) resources (Milofsky, 1988);
- utilization of resources to maximize positive environmental impacts and to minimize negative impacts; and,
- stewardship of resources to ensure continued optimum utilization.

3. It can be useful to develop indicators that can be compared with money value (Pietilä, 1993), provided that their limitations and the risks of underrepresentation, as noted by Ross (1986), are acknowledged.

In order to develop a cohesive assessment instrument for assessing social impact, Marx's (1847, 1865/1976) theory of labour provides a framework for the measurement of use value. In analyzing the way the market values labour, Marx sheds light on the social relations that market value obscures, uncovering the productive forces of labour. This analysis can also be adapted to better understand the production of use value.

Surplus Value

According to Tinker (1985), the origins of the labour theory of value can be found in the thirteenth century notion that labour and outlay should be rewarded with a just price. The principle of a just price continued to operate in the classical period and was given new voice in Adam Smith's (1776/1966) interpretation of the labour theory of value (referred to at the beginning of this chapter) in which Smith identifies labour as the source of economic wealth.

Agreeing with Smith's (1776/1966) assertion that the source of exchange value is labour, Marx (1847, 1865/1976) disputes Smith's interpretation of the nature of the labour exchange in the market. Whereas Smith asserts that the resources to purchase labour constitute wealth, Marx argues that the market's commodification of labour and its simplification of the wages-for-labour exchange obfuscates the social relations involved distorting the true value of labour. In Marx's theory of labour, labour power, not labour, is the source of value in the market system.

Disputing Smith's definition of labour as work done, Marx (1847, 1865/1976) instead uses labour power to denote the capacity to work. This distinction is important. For Marx, the human, social, and creative nature of labour power is radically reduced by market definitions that equate labour to a consumable commodity, an inanimate raw material that is used up and expendable in the market. For Marx,

labour power is possessed by labourers themselves and it is the uniquely productive, creative, and regenerative force at work in the capitalist form of production. Labour power can be hired but it is not used up or owned by others. In Marx's view, market theory deliberately obfuscates its power by treating labour as a commodity so that, in practice, it can be paid a small fraction of what it is worth. Because workers must trade their labour power in the market in order to live, capitalists wield the power to control labour and to perpetuate its exploitation. In this way, capitalists can continuously appropriate privately the wealth that labour creates.

Marx's ideas on how labour power creates wealth are the foundation on which his social, political, and economic critiques of capitalism rest. Marx's (1847, 1865/1976) theory of surplus value has two key features: a) it demonstrates the creative capacity of labour power to generate social wealth, and b) it illuminates the exploitation of labour for private gain. In his opposition to capitalism, Marx emphasized the latter; however, this study focuses on the former. In the section that follows, both themes will be summarized, then the generative capacity of labour power will be discussed in detail.

Marx (1847, 1865/1976) argues that labour power creates wealth when it produces surplus value, that is, the excess value that is created beyond the cost of the worker's wage.

Private capital (accumulated through the exploitation of labour) supplies the plant, equipment, and raw materials needed for production, but labour power utilizes these resources to create surplus value which generates societal wealth.

According to Marx (1847, 1865/1976), although surplus value is generated by labour power, the capitalist system appropriates it for private gain. Surplus value is not distributed to workers or to society as a whole. Instead, it is converted into profits and is either paid to shareholders in the form of dividends or reinvested in the firm, thereby increasing the share value. Marx argues that capitalism as a system is based on these distributional arrangements which obscure the value of the labour power that produces it. Marx argues, and Tinker (1985) concurs, that there is nothing inherent in the rights of capital to control the distribution of wealth in its own interests. The system is arbitrary and held in force by coercion (as well as by persuasion). A change in the system would allow for the social distribution of wealth based on a realization of the social nature of its creation and its source.

The schema presented in Figure 1 illustrates how Marx's concept of the creation of surplus value (1847, 1865/1976) can be interpreted to highlight the role of labour in a one-year exchange or private sector production cycle.

In a One-year Private Sector Production and Accounting

Cycle:

* Excess of products' value over wages.

Figure 1. Model of a one-year cycle in a private sector (exchange value) productive process: adapted from Marx's (1847, 1865/1976) theory of labour.

As Figure 1 illustrates, using Marx's analysis, wealth creation as a function of private sector enterprise can be looked at as a process of resource utilization. In a one-year accounting cycle, resources enter the firm, are utilized, and produce additional resources which flow out of

the business in larger measures than those that entered, if the business is productive.

Incoming resources consist of capital and labour power, hired to create products or services (capital for the start of the cycle has been produced by labour power from the previous cycle). In the productive process, labour power creates surplus value (the excess of value over wages). Outgoing resources consist of the market value of plant, equipment, and raw materials, and the value of the product on hand. The net income, largely a function of the surplus value created, is distributed as dividends to shareholders, or used for reinvestment in the business and other ventures. Although labour power is used in the productive process, it is not used up and is released to be used again in either the same or another business. Looked at in this way, the fulcrum of the productive process is labour power which adds value.

Because nonprofits utilize incoming resources to produce results (as businesses do), their productive processes can also be analyzed as a flow of resources. It can be argued that, similar to the exchange value productive process illustrated in Figure 1, paid and unpaid labour power is the source of the added social value that is created by nonprofit organizations. Figure 2 illustrates how the exchange value model can be adapted to examine the use value productive process. Using the example of a nonprofit

organization, paid and volunteer labour power utilized by nonprofits produces added value that enters the community as social capital.

In a One-year Nonprofit Sector Production and Accounting Cycle:

* Excess of social value over wages.

Figure 2. Model of nonprofit sector (use value) productive process: adapted from Marx's (1847, 1865/1976) theory of labour.

Similar to a for-profit business, in a one-year cycle, capital enters a nonprofit organization. It is produced by

labour power during earlier cycles of the productive process and is used to acquire the plant, equipment, and raw materials needed to carry out the social mission of the organization. Capital invested in the organization is termed social capital at the point that it is reinvested in the nonprofit for two reasons: a) because its purpose is social, that is, to further the organization's social as opposed to private purposes; and, b) as discussed previously, its source is largely social, either provided by governments as a public trust, or through philanthropy.

In addition to the purchase of the equipment and plant, these resources are also used to hire labour power which is augmented by the unpaid activities of volunteers (one of the key features of the nonprofit sector). Resources are utilized to produce social goods and services whose use value exceeds the costs of their production. This added value is created through the efforts of paid and unpaid labour. As is the case with exchange value productivity, use (social) value and surplus social value are produced through the generative capacity of labour.

Resources flowing out of the nonprofit organization include the market value of the equipment, land, and buildings; products and services on hand; the paid and unpaid labour power that is released for reuse; the social profits from the surplus value of the products created; and, social dividends that have been created. These may include

savings accrued because of a human service program intervention, or the social benefits of cultural products, cooperative banking, or social housing, for example. Social products and dividends increase the overall social wealth or social capital available to the community.

As is the case with for-profit businesses, surplus value is created when the results of nonprofit labour -- the organization's social products -- are exchanged in the market, in this case, the social market place. Like the early private sector market relations that Smith (1776/1966) sought to illuminate, the social market's dealings operate on a practical level that is largely unanalysed. Its values, measures, and intricacies of exchange have yet to be documented and described.

This study proposes that through the use of labour power (both paid and unpaid) nonprofits produce surplus social value. Their social products have more social market value than the value of the labour and raw materials used to produce them. The method that the study uses is to compare social production and values with private sector production and values. This approach attempts to decode social relations of production and to and construct social value through the use of a social auditing. The next chapter discusses issues and models of social measurement.

Chapter 4

Social Measurement

This chapter discusses issues in social measurement and describes models of social assessment that were used in the development of the social audit model. One key issue is the lack of standardized methods of social measurement and lack of data on nonprofits. In Canada, a recent effort to accumulate the "scattered data" on the nonprofit sector produced a report that concluded: "To be blunt, the state of knowledge at this time is primitive. Our frameworks and data are perhaps at the level of the national economic accounts and the public sector accounts of almost a century ago" (Hirshhorn, 1997, p. vii). One of the problems affecting social measurement and the aggregation of data is the lack of consistency in the use of terms.

Definitions

Terms used by nonprofits such as output, outcome, accounting, audit, investment, and capital have been transposed from a market context to be applied to the social sphere; however, they lose precision in the process. For example, Quarter (1992) applies the term social capital to sources of investment capital that are located in the social economy (p. 144), whereas Putnam (1993, 1995), as discussed previously, defines social capital as qualities of social relationships such as trust.

Even definitions that seem close at first glance can also lead to confusion. Martin and Kettner (1996) define the outputs of human service organizations as anything that the organization produces, and they further distinguish between final outputs as end products and intermediate outputs as the products and services consumed in the production of the final outputs. They describe outcomes as the results that are attributable, at least in part, to a service or program, including client impacts and quality of life changes. In contrast, Land (1996) uses nonprofit outputs to refer to products that relate to the organization's mission, outcomes that refer to the benefits to the clients' or stakeholders, and side-effects to indicate the effects of service delivery on clients' well-being. With the lack of consistent definitions, it is difficult for nonprofit organizations and those who analyze them to know what to measure.

Because accounting for use or social value is in its developmental stages, difficulties with the lack of uniform terminology may be offset by the creativity that can be applied to articulating concepts. For purposes of this study, the author has defined several terms for which there are no commonly accepted definitions.

1. *Nonprofit organizations.* Those organizations that are not profit-making (there are no shareholders with entitlement to a share of the firm's annual profits and with

a claim to the net value of the firm), and are not directly controlled by government. Nonprofits include some forms of cooperative and mutual benefit organizations, as well as organizations in the public service (Quarter, 1992).

2. *Social capital*. The aggregate of the value of the social products of nonprofit organizations as well as the social-economic effects of activities in the civic sphere that occur outside of nonprofit organizations (such as self-help groups and neighbours bartering with or helping each other); it can also refer to financial capital invested socially (for example, in social housing, or government and philanthropic funding of nonprofits);

3. *Social accounting*. Accounting for social phenomena -- activities, ends, or products.

4. *Social audit*. A process designed to account for the use of social resources. As used in the social audit model in this study, the item refers to a social-economic analysis of an organization's impact on its community, expressed as a rate of social return on investment. It is conducted by an external evaluator.

i. *Outputs*. The direct effects on clients or customers of key or programmatic activity by [nonprofit] organizations.

ii. *Outcomes*. Indirect effects of an organization's activities on its clients or customers.

iii. *Social products*. The combination of the social outputs and outcomes of an organization's activities for a one-year period.

iv. *Side-effects*. The indirect effects of an organization's activities on those other than the client or customer; by-products of the nonprofit's service.

v. *Social dividend*. The social value attributed to positive outcomes and side-effects of an organization's activities, assessed by a social auditor.

vi. *Social return-on-investment ratio*. The ratio of an organization's outgoing to incoming social resources, assessed during a one-year cycle, through the use of a social audit process.

Finally, community is used in this study as the organization's or funder's description of the catchment or funding area, generally the geographic area in which the nonprofit sector operates.

Nonprofit Impact

Three studies that address the issue of the impact of nonprofits and have influenced the development of the social audit model. Each will be discussed in turn.

In a recent empirical study, Davidson, Cole, and Poglorek (1997) demonstrate the impact of two dioceses of the Catholic Church in the United States demonstrates two types of information that can be collected on the impacts of nonprofits -- their direct and indirect economic benefits to communities. The researchers extend the understanding of the indirect economic impacts of nonprofits by using standard multiplier coefficients (most often applied to economic impacts of private sector business) to calculate the ripple effects nonprofit spending. Using the example of the Catholic Church's expenditures in Tippicanoe County, Indiana, they observed that monies from salaries paid by nonprofits, along with nonprofits' purchases of goods and services, are recycled several times. For example, local businesses and banks which are the recipients of nonprofit monies use them to purchase other goods and services, merchants who receive these payments use them to purchase more stock and to pay salaries, which in turn are used to purchase other goods, and so on.

The researchers matched this observation with the U.S. Department of Commerce and the U.S. Economics and Statistics Administration's use of multiplier coefficients to estimate

the impact by geographic area of recycling private and public sector monies within the economy. Davidson et al. (1997) accounted for the direct effects of the diocese's expenditures and use the coefficients developed for the Tippicanoe area to estimate the indirect economic impact on the community. They concluded that the Catholic Church was the county's fourth largest employer, managing two percent of the workforce. Its direct contribution to the economy was worth over \$82 million, and using the multiplier coefficient for the area, the church's total economic impact was estimated to be over \$191 million -- a ratio of about 3 to 1 of indirect to direct effects of spending.

Comparing the Catholic Church with other enterprises, the researchers concluded that the diocese's impact is one-fourth the size of Purdue University's, and six times the benefit of the local airport (Davidson et al., 1997).

These findings are similar to those of a study of a large Catholic archdiocese in Milwaukee, Wisconsin done by Archbishop Weakland (as cited in Davidson et al., 1997). The diocese plays a key role in its local social economy, serving 620,000 parishioners across 10 counties and it operates the following: 147 grade schools, 12 high schools, four colleges, one university, 25 health care centres and homes for the aged, and 15 hospitals. The numbers served by its educational and health facilities in one year are 73,000

students and one and a half million patients, respectively (cited in Davidson et al., 1997).

As well, the Catholic Church operates 35 social and community services in the area. In total, it employs about 30,000 people (second only in size to the government as an employer) and expends \$1.25 billion in the 10 counties. Using the regional coefficient, its economic impact is calculated to be \$3.1 billion. Archbishop Weakland characterized this impact as "staggering" as he summarized the meaning of the figures:

From paper products to energy, from construction materials to hospital supplies, from communication to transportation, from data collection to food supplies, the Catholic Church in this area of the world is truly a major consumer, producer, and tax payer, contributing to the continuing health and growth of our local economy (as cited in Davidson et al., 1997, p. 104).

In addition to general descriptions of the nonprofit sector that emphasize its impact (for example Martin, 1985; O'Neill, 1989; Quarter, 1992), the two Catholic diocesan studies further affirm how resources that enter the organization as revenues go on to enrich the community as expenditures. The social audit model lists revenue as incoming resources and expenditures as resources returning to the community. These studies also demonstrate that the impact of nonprofit spending continues through several cycles.

However, the studies stop short of calculating the social-economic effects of the nonprofit organization's programmatic effects, omitting the value of its health, education and social outcomes. What is required is a social audit tool that not only registers the economic impact of the nonprofit's expenditures on the community, but also accounts for the direct and indirect effects of its programmatic output.

Nares, Harold, & Murray (1998) argue that the level of impact achieved by projects (such as community economic development projects) depends on "the efficiency of the organization . . . to implement the results or intended outcomes" (p. 34). Examining the issue of nonprofit programmatic impact from a theoretical perspective, Land (1996) distinguishes between three types of programmatic results: output, outcome, and side effect indicators. Using the example of a Meals-on-Wheels program, he notes that output indicators could include the numbers of meals delivered and people served; outcome indicators could focus on the characteristics of the program's clients as well as on client satisfaction; and side effect indicators could examine the impact of the delivery of meals on the clients' nutritional or health status as well as the clients' assessments of their overall well-being.

Acknowledging that this model requires substantial data, Land (1996) notes that this may be an obstacle to its

use by nonprofits. He also points out that in this model, client information should be collected and interpreted within the context of the specific organization. Land states that "although difficult to carry out in practice, all of the foregoing impacts can be measured" (p. 17), observing that there is little systematic collection of this type of data on a national level. He points out that if data were available for selected output, outcome and some side-effect indicators for a sample of Meals-on-Wheels programs across the country, it would be possible to estimate the corresponding national levels of such indicators (p. 20). One purpose of this study is to set the stage for a data collection process similar to the one that Land (1996) recommends.

Once a research method is constructed for one nonprofit, as Land (1996) suggests, regional and national subsectoral data can be collected and aggregated. Additionally, regional and national data from a variety of subsectors of nonprofits can heighten awareness of the sector as a whole. What is required is a social audit tool for measuring the impact of individual nonprofits, one that can apply to all subsectors of the social economy -- cooperatives, large and small human service providers, and mutual benefit organizations -- so that social audit data can be aggregated within subsectors and across the sector as a whole. However, it should be noted that although generalizable tools and models can develop information about

broad patterns, particularities may be sacrificed. This may be problematic in examining the social economy which is currently under-studied (for example, see Davidson, Quarter, & Richmond, 1996). Aggregating data about generalizable characteristics may displace the search for or obscure key specific information about organizations in the sector.

Although the social products of nonprofits are diverse, a social audit tool can be developed that is applicable to a wide range of subsectors of nonprofits as well as to public and private sector organizations. A social audit can be designed to assess the quantity and value of varied nonprofit products, such as: community banking products and services provided by credit unions; the social impact of cooperatives; social housing developed by cooperatives; mutual benefit outcomes from organizations such as churches and unions; and, health, education, and social service outcomes from human services, to name a few.

Social measurement for nonprofits can be tailored to address a key issue: resource acquisition and its management for the production of social-economic return.

Resource Management

The focal point of the social audit's evaluative process is the point where the interests of the nonprofit and the community intersect. If a nonprofit does not mobilize and organize resources effectively, the

organization will not be able to sustain itself and will consume resources that could be used by the community in other ways (Milofsky, 1987). As well, designing a tool that is acceptable to and will be used by nonprofit managements and communities requires focusing on their common interests -- the sustainability of effective nonprofits. For these reasons, the social audit model assesses a nonprofit's management of resources.

Another reason for choosing resource management as the reference point for the social audit model is its centrality to financial accounting in all three sectors. Henke (1989) describes how the function of resource measurement has been adapted for nonprofits from private sector operating statements:

Instead of reflecting incomes, expenses, and net income, the operating statements ... emphasize accountability for the flows of spendable resources. The operating statement, generally characterized as a statement of revenues and expenditures, emphasizes the sources from which resources were realized and the way in which those resources were used. (p. 13)

The social audit's use of a parallel method to that of financial accounting has two advantages: it heightens awareness about nonprofit impact by using the known referent of private sector output, and it increases the flexibility of the social audit model for use across all three sectors. This approach also has its limitations such as the minimization of social impacts that cannot be quantified (which is discussed later in this section), as well as the

risks discussed previously of creating generalizable tools that may obscure key specific features of sub-sectors and organizations.

Resource Flow

An organization's financial statements are structured to represent an in-and-out flow of resources (Henke, 1989). This conceptualization of resources as an in-and-out flow is also compatible with the systems model for understanding how human service programs operate (Martin & Kettner, 1996). The adapted model, shown in Figure 3, depicts the forward flow of inputs into a program, then through the process (uses) of the program to the outputs that flow from the process. One of the outputs, feedback, returns to the system as an input, creating a circular flow.

Figure.3. Proposed social audit process model: To analyse a one-year resource-flow cycle in a nonprofit organization.

The proposed social audit model merges the systems analysis model with the productive process model for nonprofits (discussed in Chapter 3), and then modifies them to produce a social audit process model depicted in Figure 4.

The social audit identifies incoming resources, the uses to which they are placed, and the resources flowing out of the organization into the community during a one-year cycle. Utilizing the classical definition of productivity -- the ratio of outputs to inputs (Brinkerhoff & Dressler, 1990) -- along with the concept of added value production described in Chapter 3, the social audit provides feedback to the nonprofit organization on its productivity through the assessment of a social return-on-investment ratio. This information can be used to enhance the organization's next productivity cycle.

In a One-year Production and Accounting Cycle:

Feedback: Social Audit Report
(social return-on-investment analysis)

Figure 4. Social audit template: To measure the one-year rate of social return-on-investment in a nonprofit organization.

The social audit template developed for this study is consistent with the guidelines for alternative measurement of value (discussed in Chapter 3), which emphasize: the development of market-comparative indicators; the inclusion of all the social and natural resources that are used in the productive process; and, evaluation of management's use of resources to produce sustainable use value.

A key advantage of using the social audit template is its effectiveness in describing the activities of a range of organizations in the social economy and it also can be used in the public and private sector. The model embraces the social as well as economic features of organizations in the social economy, quantifying and assessing a comparative economic value for the organization's social products along with any social dividends. It also includes and attributes value to the social contributions of voluntary activity (see Hodgkinson & Weitzman, 1988; Ross & Shillington, 1989, 1990).

The social audit template was developed as a schema to assess resource management. In order to meet that goal, it is necessary to develop an approach to and new tools for social measurement. The next section discusses new approaches to social measurement, issues in social measurement, and methods for measuring nonprofit results.

Alternative Approaches to Measurement

The issue of whether and how to measure nonprofit and other social outcomes is contentious. Three approaches to the development of alternative measures of social value have emerged from the literature and can be characterized as a) replacement strategies, b) mimicry, and, c) the use of market comparisons. Each will be discussed in turn.

Broad social indicators such as the Overseas Development Council's Physical Quality of Life Indicator (Morris, 1980) have been developed to replace national aggregates and have heightened consciousness about key social indicators of growth. However, it has not been possible to establish a consensus or an alternative structure to current national accounts such as the GDP (Ekins, 1986). As the experience with developing state-wide benchmarks of social progress has shown (Oregon Progress Board, 1991; Stein, 1996), achieving consensus and a manageable number of social indicators is a lengthy and labour-intensive process requiring extensive public input.

It may also prove politically difficult to attach social indicators to financial ones and have governments consider them in their budgets in the current climate in which governments are emphasizing deficit reduction at the expense of social progress. Replacement indicators appear to be effective long-term strategies because they offer a framework for extending social progress without sacrificing economic growth. However, expedient alternatives are also required to deal with the immediate effects of government restructuring on the social economy (see, for example, Municipality of Metropolitan Toronto et al., 1997).

However, in Canada and elsewhere, the development of broad social indicators continues across all levels: macro (see United Nations, 1989); provincial (for example, see

Saskatchewan Health, 1991; Ontario Premier's Council on Health Strategy, 1986); and, community levels (for example, see British Columbia Ministry of Health, 1992; Lawson, 1991).

As is the focus of this thesis, recent studies have experimented with attributing economic value to social indicators (for example, Bellemare & Poulin-Simon, 1994; Centre for Research on Violence Against Women and Children, 1995; Cleveland & Krashinsky, 1998). However, Ross (1986), writing about alternative economic indicators, expresses concern about the mimicry of private sector dollar values:

The first impulse is to ape GNP methods and contract dollar values of output. While this work is important for enhancing the visibility of neglected economic activities, and can be useful in dealing with people who think only in economic terms, it is an inherently inadequate measure for estimating the value of activity (output) in the informal sectors . . . It will always underestimate the true output and level of activity. (pp. 161-162)

Ross's (1986) criticism has merit. Constructing dollar measures of social value disadvantages nonprofits because not all of their social benefits can be quantified. As well, there is a danger that the process of expressing social values as economic ones will result in subsuming or co-opting social values through the power of mainstream economics. The alternative that Ross (1986) proposes to using economic indices to explain the social value is the use of alternative indicators such as time spent in use value activity (see also Pietilä, 1993).

Ross's (1986) measure involves counting the number of participants engaged in economic activities multiplied by the hours spent in these activities ('time activity'). He includes work done in the informal economy. Although this approach offers a creative and more inclusive alternative to current market measures because all types of work can be counted in this fashion, in the long term it avoids rather than addresses the dominance of mainstream economics in the attribution of value. As well, in the short-term, it does not provide an expedient counter-offensive strategy, such as one that turns market measures into arguments against market rationales.

Contrary to Ross's (1986) assertion, it may prove possible to preserve the integrity of social value while also harnessing the strengths of economic indicators. Using terms that economists understand may promote economic interest in the sector and lead to the further development of social accounting for the sector. Economic indicators can also address immediate threats to nonprofit funding using terms and values that are familiar to decision-makers and stakeholders. These ideas are discussed more fully in the section that follows.

Comparative Value

A third approach to the alternative measurement of social value is to use comparisons to market value like a metaphor. Market comparisons make the unknown seem familiar.

One example of this is the way in which volunteer activity is expressed. As discussed in Chapter 2, the extent of volunteer activity in Canada is 1.11 billion hours which, when compared with paid work, has a value of \$16.3 billion (Statistics Canada, 1998). Although this figure cannot capture the complete value of volunteer activity which includes intangibles such as volunteer satisfaction and improved self-esteem, it provides immediate visibility. It creates heightened awareness about the size and worth of this contribution by relating it in terms that the public understands.

A number of the descriptions of the nonprofit sector (also referred to in Chapter 2) benefit from this approach (see, for example, O'Neill, 1989; Rudney, 1981). Using familiar private sector indices such as the size of the workforce and purchasing power to describe the nonprofit sector invites readers to grasp its comparative size and impact.

In spite of his reservations about the economic measurement of informal activities, Ross and a colleague first calculated the value of volunteer activities in Canada by comparing it to paid labour (Ross & Shillington, 1990). They set the rate of volunteer value to reflect the average salary of a social service worker at that time (\$12 per hour). The social audit model developed for this study adapts Ross and Shillington's (1990) measure (see Chapter

5) .

In addition to the use of comparative values as a metaphor, they can also be used to raise the status of nonprofits. Communications theory provides an illustration of the process by which positive status is transferred to entities with low status through their proximity to highly valued entities. Wolfensberger and Thomas (1984) apply this theory to discuss elevating status for disadvantaged and socially devalued people. They argue that placing a devalued entity (or person) next to a valued symbol increases the status of the devalued entity.

In their theory of social role valorization, Wolfensberger and Thomas (1984) advocate that persons with severe intellectual impairments (mental retardation) be assisted to fill valued roles in their communities which will place them in proximity to citizens with high status, and it can be added, more power. The authors argue that this strategy reduces the chances of abuse and neglect which have characterized the treatment of persons with disabilities in North America as well as in other countries.

Adapting this premise, it can be argued that the comparison of nonprofit organizations to for-profits can result in a transfer of private sector prestige to nonprofit impacts. This strategy for social valorization may assist in reducing threats of severe budget cuts and closure currently

facing the sector (see, for example, Municipality of Metropolitan Toronto, et al., 1997). In this way, market values can be used to challenge current market rationales.

Of the three approaches to developing alternative measures of social value described previously -- replacement strategies, mimicry of dollar values, and use of market metaphors -- the third, or comparative, approach has the advantage of a high degree of immediacy. It can build on what is already known. As well, because the comparative approach can also incorporate qualitative information, it is not reliant on nor limited to measurement alone, and can combine economic and social indicators of impact. Finally, because they are used as metaphors, market value comparisons can be adapted to reach varied audiences, employing popular and cultural idioms to convey their messages.

Issues in Nonprofit Evaluation

Linked to a lack of knowledge about the value of nonprofits, there is also a gap in evaluation practice for nonprofits. In this gap, there has been an increased emphasis placed on transferring private sector values, language, and notions of success to the nonprofit field (Zimmerman & Dart, 1998). This practice is flawed and inappropriate for the nonprofit role for several reasons. First, without being able to measure the benefits of nonprofits, cost/benefit analyses and other private sector management tools cannot be utilized (Anthony & Young, 1988).

Second, notions of efficiency of production do not transfer well to the production of social goods. Unlike private sector organizations, nonprofits cannot terminate their least efficient operations. To serve the most needy and vulnerable clients, extra staff and supports are required. If nonprofit hospitals, schools, and social agencies refuse service to this population because of the high costs involved, few other service alternatives are available.

Currently, there are concerns that the most disadvantaged population may be underserved by nonprofits (Clotfelter, 1992; Salamon, 1995; Starkweather, 1993), and that more human service organizations will be tempted or expected to reject the most needy and vulnerable clients in order to compete for government funding (Municipality of Metro Toronto et al., 1997; Rekart, 1993). Serving the most vulnerable clients is a social cost of nonprofits doing business. If this function is not fulfilled, it could result in social chaos (Rifkin, 1996).

The third reason that private sector evaluation is not appropriate for nonprofits is that bottom-line measures such as efficiency are limited in their capacity to assess internal and external factors affecting nonprofits. These factors have yet to be researched and weighted. Conditions such as the geographic and social environment in which the organization operated can be significant determinants of program delivery. Participatory forms of evaluation (Guba &

Lincoln, 1989; Fetterman, Kaftarian, & Wandersman, 1996) assess nonprofit performance by examining the organization in relation to its environment, a form of evaluation that is more appropriate for the social role of nonprofits.

In summary, what is required for effective nonprofit evaluation is the capacity to conduct social assessments of nonprofits. Such evaluations should be grounded in nonprofit culture generally as well as situated in the context of the specific organization. Assessments should take into account environmental and alternative economic perspectives, and should use tools that are appropriate for examining the role of nonprofits as major producers of social value. This type of evaluation requires experimentation with new methods of social accounting.

Social Accounting

Accounting has begun to be regarded as a social practice, one that determines reality as much as it interprets it (Miller, 1994). Within this climate of change, described by Miller as a "profound transformation in the understanding of accounting" (1994, p. 1), private sector accounting has come under criticism for its inattention to the impact of businesses on society (Cooper & Sherer, 1984; Tinker, 1985). Tinker (1985) argues for emancipatory accounting that can help to reconcile private and social interests. Social accounting has the potential to address criticisms of private sector accounting and to chart new

territory in the assessment of social costs and impacts. For purposes of this study, the term social accounting is used to refer to accounting for social phenomena.

One branch of social accounting, human capital accounting, addresses the costs and benefits of education and vocational training. At first glance, this appears to have some application for the development of a social audit model to assess nonprofit impacts; however, a closer look reveals that there are important differences of context and method.

In addition to the model of human capital accounting, some private sector business evaluation also attempts to account for social phenomena (see, for example, Lager, 1994; The Body Shop, 1996a), but not without controversy (Entine, 1995). Two accounting practices have emerged in the private sector to measure their success in integrating social and economic concerns: social investment screening and social auditing. As well, a social accounting model developed by Cherny et al. (1992) attempts to unify private sector and nonprofit accounting methods by accounting for social income created by nonprofits, and raising the need for businesses to account for social costs.

The following section briefly discusses human capital accounting and social investment screening, then focuses on key social accounting models which influenced the social

audit model developed for this thesis. First, the unified accounting model (Cherny et al., 1992) is described, then two social audit models are presented -- one of a private sector firm (The Body Shop, 1996a), and one of a credit union (Metro Credit Union, 1996).

Human capital has been defined as "the knowledge that individuals acquire during their life and use to produce goods, services or ideas in market or non-market circumstances" (Organization for Economic Co-operation and Development [OECD], 1996, p. 22). Human capital accounting, introduced in the 1950s and early 1960s by Schultz, Becker, and Mincer, initially demonstrated that increases in income were associated with years of schooling and on-the-job training. However, later researchers showed that the relationship between income distribution, education, and training was not as straightforward as it first appeared (OECD, 1996).

Blaug (1987) describes standard measures for human capital accounting, the calculations for private and social rates of return-on-investment of education or training. The private yield of education, or the investment of the individual in his/her own earning power, is calculated as the earnings after tax minus the private costs. The social rate-of-return is calculated as the income before taxes minus the total private and public costs of education. These and more advanced calculations have been used to determine

public policy regarding spending on various types and levels of education (OECD, 1996).

For purposes of this study, this type of cost-benefit analysis has two major disadvantages. First, human capital accounting is used to compare the rates of return on different types of training and education. Comparison for these purposes requires sophisticated calculations to account for differences in curriculum and context, the accumulated learning and challenges that each learner brings to the situation, how much learning is retained, how it is employed, and other variables -- and these types of calculations are problematic (OECD, 1996). Social accounting to determine the results of nonprofit activity is in its early stages, and is not developed sufficiently for use in comparative analysis. Much more research remains to be done. Social accounting models that are most relevant to this study examine an organization contextually rather than competitively, evaluating its achievements in relation to its intent or its environment. Although human capital accounting seems to cover similar territory as accounting for social service interventions, it lies outside of the relational and social-environmental framework for examining nonprofits described in Chapter 2.

Secondly, human capital accounting is calculated as the result of an individual's transformation in the process of knowledge acquisition. In contrast, accounting for nonprofit

impacts calculates broader organizational results and their value. One reason for this broader emphasis is the lack of methodology to assess the complex variables of individual change. Another is the pressing need to document gross organizational impact in the current climate in which nonprofits are disadvantaged by a lack of information about their benefits (as discussed in Chapter 1). Consequently, due to the state of development of social accounting, this study will make the assumption that nonprofit results can be attributed to the organization's intervention, as do Cherny et al. (1992) and James (1987). (In the case of Site A, the subject of this thesis which is detailed in further chapters, this assumption carries some weight given the extensive history of detachment from the workforce experienced by trainees who subsequently graduated from Site A and went on to jobs.) Further research in nonprofit social accounting and human capital accounting is required to address these issues.

Another facet of private sector social accounting, screening for investments, utilizes social criteria in conjunction with financial performance. A number of screening criteria have been promoted by organizations set up to further socially and ethically responsive investment in private sector companies. The Social Investment Organization was formed in Canada in 1989 and publishes a regular newsletter addressing social and ethical investment issues (see Social Investment Organization Forum, 1998). As

well, private sector investment firms have been created to screen potential investments (for example, see The Domini Social Investment Fund, 1997; Michael Jantzi Research Associates, Inc., 1997). Typically, these social and ethical screens include the following criteria: positive effects on the community, diversity of the workforce and on the board of directors, environmental policies and practice, employee relations, employee ownership issues, and other social factors (see also *Business Ethics Magazine*, 1996).

Social investment screens generally exclude companies that produce negatively-assessed products such as alcohol, tobacco, gambling, military hardware, and nuclear power. Financial performance is measured along traditional lines such as year-to-year earning changes as well as five- and ten-year growth rates (see *Business Ethics Magazine*, 1996).

Social screening of investments and social accounting generally are in the developmental stage. The methods discussed in detail in the section below have been more influential in the design of the social audit model that was developed for this study.

The unified accounting model

The unified accounting model for nonprofit and for-profit organizations (Cherny, Gordon, & Herson, 1992) puts forward a rationale and a conceptual framework for measuring

nonprofit social income. Operating from a base of private sector accounting structures, the unified accounting model reframes nonprofit accounts to include their social value. As well, it proposes that income statements for private sector organizations be adjusted to include social costs. The section that follows presents an outline of the model then discusses the differences and similarities with the proposed social audit model, limitations of the unified model, and its contribution.

The concept of societal income is based on Cherny et al.'s (1992) argument that nonprofit human service organizations receive public and private funds as a trust to further a shared social value -- the belief that clients should be aided to maximize their levels of self-sufficiency. They argue that fulfilment of this nonprofit mission adds social value that can be attributed to the organization. To account for this, a social income statement is added to the organization's financial reports. The societal income statement is comprised of a mix of currently quantified financial data, such as revenues and expenses, combined with constructed dollar values for the organization's social outputs. By calculating the difference between the net resources used by clients of human service organizations and the value of the progress made toward the organization's goal of client self-sufficiency, societal income is measured.

A case study illustrates the empirical application of the model (Cherny et al., 1992). The Center for Educational Advancement, a vocational training and rehabilitation agency in New Jersey, combines academic and vocational training as well as providing rehabilitation facilities. It serves people with neurological and intellectual impairments. Agency income is produced in the packaging and light assembly business which also functions as a training site. The state also provides some operating funds. With a 45-member staff and about 150 clients, the agency placed 29 clients in outside employment in the year under study (1986) and hired employed 30 clients in its own business.

The societal income was determined for each of the 29 clients placed in permanent employment and 30 clients placed in extended employment within the centre. The following process was used:

- the net societal resources consumed by each client at the time of employment were computed, and projected to a standard age of 55 (allowing for morbidity and mortality rates appropriate to the clientele);

- initial wages and benefits were determined for each client who became employed outside the centre and were projected to age 55;

- the societal resources consumed for each client for the prior year were determined;

- the age of the client was compared with the standard working age of 55; and,

- the earnings were computed for the clients who worked in the centre, and the earnings were projected for the anticipated length of their employment in the centre.

The researchers prepared a statement of societal income and placed it in a column beside revenues and expenses in the organization's financial statements. The value of the outputs from the agency's program is interpreted as the difference between the organization's income -- revenues and the earnings produced by clients -- and the resources they consumed over the time that they were not in the labour force.

This approach differs from the social audit model developed for this study in two key ways. First, Cherny et al.'s (1992) model is designed to assess internal aspects of the organization's performance, calculating a societal income figure for each client as part of a management information system. The proposed social audit model is set up to evaluate the organization's external impact, assessing the organization's use of resources to produce social capital. However, this difference appears to be one of emphasis. By measuring social phenomena, each model provides information that can be used organizationally or by wider constituencies.

The second difference between the two models is that the societal income model measures resources 'consumed' by

clients whereas the proposed social audit model estimates resources utilized by the organization. This stems from a difference in values that inform the two approaches.

Underlying the proposed social audit model is the theory that labour power produces both market and social value, and that nonprofit organizations utilize labour to produce social capital for the benefit of society at large. This focus on the social use of resources rather than their individual consumption is in keeping with the model's intent to illuminate the broader social and economic context of nonprofits.

In contrast, the societal income model is based on tenets about individuals and the responsibilities of human service organizations to increase clients' self-sufficiency. Its underlying philosophy holds that all organizations using societal resources be held to the same standards regarding outcomes. Both models emphasize resource use, but with a key difference. In the search for measures that can be used to compare organizations, the societal income model focuses on individuals as units that can be moved towards less use of resources. In its examination of an organization, the proposed social audit model is focused away from the individuals it serves and towards an environmental perspective of the organizations' use of resources.

The two models share certain methodological features and have chosen vocational training agencies as test sites.

Both argue that earnings by graduates upon completion of a vocational program can be assessed as a social gain that is directly attributable to the program. Both models estimate the value of this gain as the total of the graduates' wages (see Chapters 5 and 6 for a fuller discussion of the proposed social audit model's methodology and findings). However, the societal income statement projects the value of the earnings over a standard working life, and the proposed social audit model does not, confining itself to the in- and out-flow of resources for a one-year cycle.

The second feature that the models have in common is that both report on the context within which the nonprofit operates, although with different emphases. As a management information system, the societal income statement devotes two pages to discussing issues confronting management. As discussed further in Chapters 5 and 6, the proposed social audit model summarizes social and environmental factors that may affect the organization's utilization of resources.

Although the unified accounting model's conceptualization of societal income adds a rationale and strategies for the valuation of nonprofit activities, it shares a limitation with the proposed social audit model (discussed further in Chapter 7). The societal income statement's combination of financial and social information (as it is developed in the case study) may be difficult to replicate for other types of human service organizations.

The choice of a vocational program as a case study presents a service result that may be easier to measure -- a client's wage. The outputs of drug intervention, health promotion, or school lunch programs, along with their social value, are more elusive.

A second limitation of the site chosen for the case study of the societal income model is that the site's primary source of income is a business which it runs with the labour of trainees as well as trainees who become employees. It may prove difficult to assess a societal income for those nonprofits that are not primarily income-producing or are heavily dependent on government funds.

Additionally, a key assumption put forward by the model about human service organizations is dubious. It is not clear from the model or from the nonprofit literature that human service organizations are primarily entrusted to maximize clients' movement towards self-sufficiency. The history, culture, and development of social services in North America and elsewhere is complex and contradictory. For example, as Simmons (1982) has noted, in Ontario, services to persons with disabilities have been guided at different times by different motivations such as social control agendas, charitable purposes, and social welfare goals. Differing views on entitlement to services underlie these views and dictate a variety of approaches to their provision (Simmons, 1982).

The unified accounting model makes two important contributions. It articulates the social value created by nonprofit outputs such as training and placing people in employment who face overwhelming obstacles. As well, it provides a framework for measurement. Secondly, within that framework, it asserts the importance researchers identifying the social values that inform their construction of social measurement tools. As discussed more fully in Chapter 7, Tinker (1985) asserts that accounting perpetuates distributional arrangements by masking its underlying values. It could be argued that the construction of coherent and ethical social accounting models depends on the foregrounding of values.

Finally, a structural limitation of the unified model is that, although it calls for development of a social cost accounting mechanism for private sector firms, it fails to develop one. Although the authors argue that this would help balance and unify accounting systems for the two sectors, they make only passing reference to accounting for social costs of private sector business practices. The lack of presentation of a methodology or a private sector case study weakens the authors' argument for a unified accounting system.

In this regard, Tinker (1985) points out the benefits of social constituency accounting for private sector firms to report on externalities and to recognize conflicts of

interests both within the corporation and with other interest groups. He argues that current accounting for value should be expanded, noting that "value is probably the most frequently used term in the accounting vocabulary; curiously, it is rarely defined, and few accountants have discovered the rich configurations of meaning it provides in other disciplines" (p. 207). Although limiting themselves to the nonprofit side of the equation, Cherny et al. (1992) have addressed the challenge to define and account for social value. The development of additional social accounting models is required.

Social Auditing

Social auditing is used to refer to a form of social accounting practice in which a consultant (or firm) from outside the organization assesses aspects of the social functioning of the organization. A social audit is usually requested by an organization in order to examine its performance in regards to social criteria. In the private sector it has been utilized to assess how businesses measure up to social and ethical standards (see for example, The Body Shop, 1996a, 1996b). It is also used in the cooperative sector (for example, Metro Credit Union, 1996) to examine performance related to social mission.

A recent public sector example shows that social auditing is also being considered as a tool to evaluate the outcomes of social policy. The government of Newfoundland

recently unveiled a plan to promote social development and has committed to conducting a social audit to measure the program's impact after five years. This method of social planning and accountability has the potential to "fundamentally alter the way social policy is formulated in the province, perhaps even the country" (Picard, 1998a).

Two social audits have influenced the methods developed for this study, those completed for The Body Shop (1996a), a large private sector firm headquartered in Littlehampton, England, and for the Metro Credit Union (1996) in Toronto, Canada. Unlike the unified accounting model (Cherny et al., 1992), neither social audit combines social and financial reporting. Their contribution lies in their methodology for accumulating socially-relevant data, and in providing social analyses of primarily economic production. Each social audit will be discussed in turn.

As part of its series of social, environmental and animal protection statements (The Body Shop, 1996b), The Body Shop completed a social audit to "systematically audit, verify and disclose the Company's performance on social matters" (The Body Shop, 1996a, p. 6). The methodology involved systematically soliciting the views of key stakeholders in a comprehensive manner, and using market research methods, that is, open meetings, interviews, confidential focus groups, and surveys. The results were verified externally by The New Economics Foundation.

Groups of stakeholders participated in the consultative process including employees, franchisees, customers, suppliers, representatives of communities in the company's Trade Not Aid partnerships, local communities, and shareholders. They were consulted about aspects of the company's mission and goals that were related to their specific stakeholder group, and about the company's success in meeting them. As well, respondents suggested further steps to advance the company's social goals.

To illustrate, two examples of stakeholder consultations will be discussed, those for employees and those for local communities. Employees were surveyed by questionnaire and asked to rate the company's performance against its mission. Ninety-three percent were in agreement that the company takes active steps to make its business environmentally responsible; approximately 60 percent concurred that the company cares about its staff, customers, and others affected by it; and, about 50 percent acknowledged that working for The Body Shop raised their awareness of pressing global issues. In addition, about 10 percent of the staff participated in 18 focus groups to help design the survey. The return rate was 72 percent (1,799 responses) (The Body Shop, 1986a).

Local community satisfaction with the company's achievement of its social goals was assessed by using the community of Littlehampton, England (site of the

headquarters for The Body Shop International), since nearly half of all directly employed staff were based there (The Body Shop, 1996a). A special town meeting was convened for purposes of the social audit, with the presence of 10 representatives of The Body Shop, 50 community leaders and individuals, and the verifying organization (The New Economics Foundation).

The town meeting analyzed several aspects of the company's relationships in the community. The resulting report commented on the company's role as one of the largest employers in the area, its volunteering in local communities, and its need to communicate better about local planning issues. As well, the report set out the company's next steps which include: launching a new approach to volunteering, a proposal to move towards active citizenship for company employees, and offering a wider range of possibilities for participation (The Body Shop, 1996a).

The Body Shop's social audit is commendable for its high degree of stakeholder involvement and for tailoring the methods to suit each stakeholder group. The methodology is thorough and verified by an outside source. For a private sector organization, it represents a substantial commitment of resources that results in exposing company operations and social goals to internal and external scrutiny. The participatory nature and complexity of its methodology offers useful strategies for other areas of social

accounting and social research. However, as a social-economic framework would suggest, the audit does not combine social and economic analyses of its operations, isolating these two areas of activity although they are inextricably connected.

The social audit completed by the Metro Credit Union (1996) is conducted by a smaller organization and on a smaller scale than that of The Body Shop. Like The Body Shop, it provides an innovative approach to social accountability that provides leadership for other organizations. Its 1993 social audit was one of the first completed in house by a credit union. As well, Metro Credit Union has since published a handbook to contribute to the development of a social audit methodology for all credit unions (Metro Credit Union, 1997).

The Metro Credit Union's social audit provides a complementary process to its financial audit, and is designed to "assess how well a business or institution meets its own social and ethical standards, as well as social and community expectations" (Metro Credit Union, 1997, p. 2). Consulting with an outside auditor, EthicScan Canada, a taskforce appointed by the credit union's Board of Directors planned the social audit process. The audit team from EthicScan reviewed documents and previous surveys, completed confidential employee interviews and stakeholder surveys, and conducted a comparative analysis with other credit

unions, financial institutions, and businesses. A social audit report was produced, and a summary was made available publicly (Metro Credit Union, 1996).

Seven key performance areas were addressed by the audit: financial responsibility, democracy, member services, ethics awareness and reinforcement; community responsibility, workplace practices, and communications. In the area of financial responsibility, the team reviewed financial decision-making practices, reporting that social as well as financial criteria are used for investments. As well, the report clarified that the Board considers the social dimensions of investment and pricing in addition to financial criteria. The credit union has directed some of its profits towards social uses by setting aside two percent of its pre-tax profits for charitable donations (Metro Credit Union, 1996), a figure slightly higher than the average ratio of corporate contributions to taxable income which, for 1992, was less than one percent (Day & Devlin, 1997).

Similar to the structure of The Body Shop's social audit (Body Shop, 1996a), the credit union's report also identifies areas for improvement. In the case of financial practices, the report recommends that the credit union "develop explicit policies and consider targets for loans to small business and the disadvantaged" (Metro Credit Union, 1996, p. 3).

In the key performance area of community responsibility, the audit team reviewed "policies and practices in community economic development (CED), support for disadvantaged people, philanthropy, and environmental programs" (Metro Credit Union, 1996, p. 4). It reported that innovative steps were taken such as co-hosting a meeting with the Social Planning Council on low-income banking problems. Among the report's recommendations toward greater community responsibility, the credit union was encouraged to offer financial training and education services to community groups.

In the area of the comparative analysis, the summary report concluded that the Metro Credit Union is "guided by ideals, managed with care, and concerned about being socially responsible" (Metro Credit Union, 1996, p. 6). Its identification of seven key performance areas offers useful criteria for other social audits to consider or amend. The summary report of the social audit provides an analysis of the social goals and activities of the organization in relation to some of its financial activities. However, like The Body Shop's social audit, the credit union's also separates its social and financial reporting. As well, it stops short of assessing the social costs or the community impact of its policies.

What is required is a social audit model that combines social and financial indices. The next chapter describes the

social audit model's methodology for integrating social and economic indicators.

Chapter 5

The Social Audit Model: Methodology

The question addressed by the social audit for nonprofits is how and to what extent a nonprofit organization participates in the social economy of its community. In Chapter 4, the rationale and foundations for the development of the social audit model were discussed. This chapter presents the method which was developed and used to conduct a social audit of a community-based nonprofit organization. The agency, which has since closed due to funding restructuring, provided computer training and employment-related services in Toronto, Canada.

The social audit method was developed by integrating two disparate approaches to the assessment for nonprofits: a) the structure of the audit was adapted from financial audit guidelines for collecting and analyzing financial information about nonprofit organizations (CICA, 1993; FASB, 1989; Secretary of State Canada, 1986); and, b) the social audit's general approach and method of data analysis was adapted from fourth generation evaluation, an evaluation method designed to collect and evaluate social information about organizations (Guba & Lincoln, 1989). Each will be discussed in turn.

Structure for Data Collection

As is the case for a financial audit of nonprofits, the social auditor obtains a knowledge of the client's field of

activity, the corporate environment in which the organization operates, and knowledge of the organization itself (CICA, 1993). The social audit also adds an examination of the programs or services provided by the organization as well as some analysis of the social and economic environments in which it functions.

Based on financial audit requirements, the social audit investigates:

- the legal form of the organization;
- its mission;
- the nature of the main goods or services;
- its major sources of funding and revenues;
- the main groups to whom it reports financial, performance, and programmatic information;
- the major social and financial risks facing the organization;
- the main characteristics of the recipients of the organization's services; and,
- related parties (see CICA, 1993).

General methods of obtaining audit evidence transferred from financial auditing to the social audit include:

"inspection, observation, enquiry, computation, and analysis" (CICA, 1993, p. 25). Specifically, these entail:

- a review of the current financial information, previous annual reports, and budgets;
- a review the contractual provisions;

- an examination of materials that the organization circulates to its members, donors, customers, or to the public, also any evaluations done in the last five years;
- an analytical review of the data supplied by the organization including output data;
- visit the offices of the organization to meet with management; and,
- the use of knowledge of the organization or similar organizations obtained previously by the social auditor (CICA, 1993).

In addition to this list, the social audit method incorporates a step adapted from other social audits: interviews with stakeholders, particularly recipients of the agency's service (Metro Credit Union, 1997; The Body Shop, 1996).

Research Approach and Framework for Analysis

Fourth generation evaluation (Guba & Lincoln, 1989) provides the social audit with a general framework for evaluation and an approach to analyzing data. According to Guba and Lincoln (1989), fourth generation evaluation represents a paradigm shift and is distinguished from prior forms of positivistic evaluation by its responsive and constructivist character. Both of these features have been modified for the social audit.

Guba and Lincoln (1989) describe the origins and characteristics of the first three phases of evaluation. First generation evaluation was initiated by the testing of school childrens' learning at the beginning of the twentieth century, and was further stimulated by the research of Alfred Binet in France. This phase is characterized as the measurement generation because of its reliance on technical applications to measure individuals' progress. Arising from a need to evaluate systems, second generation evaluation focused initially in the 1930s on the evaluation and development of school curricula, and is characterized as the descriptive generation. The third phase was given impetus by space exploration programs in the 1950s, and is characterized by its need to use measurement and evaluation to make judgements -- the judgement generation.

According to Guba and Lincoln (1989), each of these stages added valuable tools to the evaluation kit, but each was flawed in three general areas: an overemphasis on managing problems that were seen to rest in the entity or person being evaluated; a failure to take into account a plurality of values; and, an overcommitment to the positivistic (scientific) paradigm. To correct these deficiencies, Guba and Lincoln (1989) propose adding an alternative approach which has its roots in constructivist, or interpretive, inquiry and is responsive to the claims and values of the entity being evaluated. They stress the sociopolitical nature of evaluation, and pay heed to the

cultural, social, and political factors that shape the context of the evaluation. They also stress the risks to stakeholders from evaluation:

Stakeholder groups are those that, by definition, have something at stake in the . . . entity being evaluated.

. . . A group at risk ought to have the opportunity to make whatever claims, or raise whatever questions, it deems appropriate, and to have those inputs honored. Anything else is patently unfair and discriminatory. (Guba & Lincoln, 1989, p. 51)

Results measurement, a key feature of the social audit, is well-suited to modified constructivist methods of inquiry. Stakeholders' claims about outcomes provide firsthand accounts in a field in which there is no established knowledge and for which there are no standard measures. Verifying the organization's internal and external reports of outcomes through corroboration from stakeholder interviews increases the reliability of the auditor's assessment.

Fourth generation evaluation's responsive framework is appropriate for collecting and analyzing data in the nonprofit culture. It recognizes and incorporates stakeholder claims and concerns, incorporating them into the design of the evaluation. This aspect of fourth generation evaluation was modified for the social audit. The social auditor negotiates the terms of the audit with site management and incorporates stakeholder experience into the

inquiry; however, the audit design and the interview schedules are set.

The chief use of fourth generation evaluation's responsive feature in the social audit design is in the area of presenting a draft of the social auditor's final report to management and stakeholders for input. This step responds to the social auditor's awareness of risks to the site from the publication of the audit report. However, in the case of the social audit being presented in this study, this step was not possible due to the site's closing after the study started. In subsequent social audit applications, this step was incorporated (see ONESTeP, 1996a).

Another benefit of fourth generation evaluation for the social audit is that its responsive feature increases the likelihood of participation by nonprofit management and stakeholders who are wary of the risks of evaluation to nonprofits. To balance this influence, the rigour that is applied within the fourth generation evaluation approach allows it to respond to the realities and needs of nonprofits without compromising the role of external evaluation.

The principles of fourth generation evaluation also provide parallel criteria to positivistic ones for judging the validity and reliability of the research results. These

standards will be discussed further in the section of this study on data analysis.

Research Procedures

Pre-study

Prior to administering the social audit, a pilot study was conducted in 1994 with six community-based training agencies in Metropolitan Toronto (Richmond, 1994). Its purpose was to elicit staff and management views on the programs' contexts and outcomes. In the absence of defined results for nonprofits, respondents were asked to name benefits of the agency's programs for clients, employers who hired the graduates, and the community. The description of these benefits assisted the social auditor to articulate categories of results in order to design the social audit methodology for assessing them.

Site Selection

The site selected for this study was a community-based training agency (Site A) in Toronto, providing computer and employment-related training to persons with disabilities. It is no longer in operation, having closed in 1997 because of unstable funding that made it difficult to assure trainees that they would be able to finish their program. Although the risk of the agency closing was identified, it did not appear to be immanent when the data for the study was collected.

Chosen from among the six organizations that participated in the pilot project, Site A was selected for its willingness to participate in an experimental practice; management's review of the risks involved; its resources for participation including availability of respondents' time; and, the state of the agency's record-keeping, including follow-up files on graduates.

Site A fits within the profile of community-based training agencies in Ontario. Although the total number of community-based training agencies (CBTs) is generally unknown, in 1996 there were approximately 115 members of the Ontario Network of Employment Skills Training Projects with about 335 additional organizations affiliated to a national network (ONESTeP, 1996a). On average, CBTs have small budgets of approximately \$335,000, their full-time staffing complement is about four, and they serve approximately 275 clients per year (ONESTeP, 1996c). They are managed by volunteer boards of directors elected from their local communities.

The mandate of community-based training agencies is to provide employment-related training to "severely employment disadvantaged" (SED) clients, that is, people facing complex systemic and personal barriers to employment (Rans, 1989). Clients include new immigrants, older workers who have been laid off, mothers with little work experience who are receiving income supports, people with disabilities, youth

who have not completed high school, women seeking entry into trade areas previously restricted to them, people in recovery from alcohol and drug dependency, and ex-offenders.

A study of CBT-member agencies in Ontario has shown that over half the agencies receive more than 75 percent of their funding from a single source, most frequently Human Resources Development Canada (ONESTeP, 1996c). Provincial ministries, the United Way, individual donors, and charitable foundations provide other sources of funding.

The site was also selected to capitalize on the researcher's general experience of 25 years' work in nonprofits, as well as her particular experience as the executive director of a similar community-based training agency for persons with disabilities, also located in Toronto. The researcher's familiarity with the particular idiosyncrasies of community-based training organizations as well as their sources of funding, contractual arrangements, and reporting requirements assisted in two ways. First it assured site management that the auditor was familiar with the context, challenges, and outcomes of the field. This was a factor in the agency's decision to participate in the study. Secondly, in order to move the research instrument from the theoretical to the practical level, the researcher relied on her insider knowledge, characterized by Milofsky (1989) as the "enormous amount of institutionally specific information leaders [of NBOs] build up" (p. 290).

Familiarity facilitated the first application of the social audit methodology by shortening the time that it took for the researcher to identify outputs and to complete the audit. This lessened the stress on the agency.

Data Collection Procedures

The social audit year was selected to correspond with the agency's fiscal year of 1994-95 in order to utilize the most recent audited financial statements as a verified source of revenue and expenditure figures.

In accordance with ethical requirements of the research and with principles of fourth generation evaluation (Guba & Lincoln, 1989), the following planning, negotiation, and design steps were taken prior to conducting the social audit:

1. Negotiations were conducted with site management to ensure informed consent to the proposed audit process by all research subjects and parties responsible for the organization (see Appendix A for correspondence).

2. The proposed document review schedules were submitted to site management requesting access to audited financial statements, contracts, program descriptions and reports, evaluations, reports to funders, and other materials for the social audit year and the year prior to the audit (Appendix B).

3. Interview schedules (Appendix C) were submitted to the agency Executive Director for approval.

4. The researcher toured the site to discuss time and resource requirements with the executive director, and prior to beginning the field work, to meet with staff and trainees in order to familiarize them with the social audit process.

The data collection for the social audit of the site was conducted in the following stages:

1. The researcher examined the agency's internal and external documents for the social audit year, as well as those for the year preceding and following, including: audited financial statements, mission statement, annual reports, program descriptions and reports, reports to funders, evaluations completed within the five years prior to the social audit year, client exit and follow-up reports (with the client's consent).

2. Interviews were conducted with the executive director and stakeholders. The executive director supplied two candidates' names for each of the following categories: staff members, members of the board of directors and board committees, and employers who had hired graduates of the program.

3. Using a client list of the 30 clients who graduated from programs provided during the social audit year (with

the names of clients concealed), the researcher selected 10 graduates by gender (50 percent male, 50 percent female), but otherwise at random. A back-up list of 10 graduates from the same year was also prepared in the same way. Staff from the site telephoned graduates from the first list, and if they were unable to be contacted after three attempts or were unwilling to be interviewed, they were replaced with graduates of the same gender from the second list. Graduates were asked if they would be willing to speak with the researcher about participating in a research project.

Of the 20 graduates contacted from the primary and back-up lists), four who graduated from programs delivered in the social audit year were located and consented to be interviewed by the social auditor. A further step was taken to verify the audit year graduates' experiences. A similar selection and request process was used for post-audit year graduates, and four additional graduates from years other than the social audit year agreed to be interviewed about the outcomes of the program.

4. The researcher conducted semi-structured interviews with 14 stakeholders (see Appendix C for interview schedules): executive director (1); staff (1); members of the board of directors and volunteer committees (2); audit year graduates (4); post-audit year graduates (4); and, employers who hired audit year graduates (2).

5. The researcher observed a two-hour breakfast meeting attended by approximately 20 referring agencies at which staff, volunteers, the executive director, and graduates of the program presented information and answered questions. As well the auditor observed trainees participating in a computer training session and spoke with trainees informally.

Data Analysis

Data collected during the document review, from interviews with stakeholders, and through participant observation were analyzed to assess three areas: the social and economic resources that entered the organization in the social audit year, the uses to which these were are directed, and the social-economic resources that returned to the community. In the context of the social audit, assessment refers to the researcher's interpretation of the data using a qualitative analysis approach that emphasizes the holistic understanding of phenomena (Moon, Dillon, & Sprenkle, 1990), and a particular emphasis on discovery (Charmaz, 1989). A description of the methods that were used follows.

Assessing incoming resources

In the social audit's theoretical model of nonprofit productivity discussed previously (see Figure 4), incoming resources are comprised of financial revenues (documented in the audited financial statements) as well as voluntary

contributions of labour. To quantify voluntary contributions of labour, the executive director was asked to provide the number, frequency, and duration of volunteer activities for the social audit period. Although precise records of volunteer activities were not kept by the organization, the executive director reviewed a calendar of agency events to establish the number of volunteer activities, then estimated their duration.

In order to establish a value for the volunteer activity, several steps were undertaken:

- the executive director was asked to recall what he knew about the volunteers' professional employment and salary;
- he was then asked to estimate the percentage of skills used in their professions that they used in their volunteer activities on behalf of the agency;
- the executive director was asked to estimate value of volunteer activities based on an average hourly professional salary rate for the volunteers, multiplied by the number of hours spent by volunteers in all volunteer activities, and divided by the percentage of professional skill capacity used in their volunteer capacity; and,
- these estimates of the extent and comparative value of voluntary activity were matched against estimates from two volunteers, and from the researcher's own experience.

Assessing the uses made of incoming resources

Modified from Land's (1996) definitions, the researcher specified: a) the organization's outputs (the direct effects on clients of agency programs), b) organizational outcomes (the indirect effects of agency programs on clients), and c) side-effects (the indirect effects of programs on those other than clients). This was done by reviewing the agency's contracts and reported results for the social audit year, as well as through interviews with stakeholders, particularly graduates of the program.

Assessing outgoing resources

In the theoretical model of the social audit (Figure 4), outgoing resources include expenditures, the valuation of social products (including added social value), and the value of volunteer contributions that are returned to the community. Outgoing expenditures were assessed to be those reported in the organization's audited financial statements.

The number of outputs (the direct effects of service on the client) and outcomes (the indirect effects of service on the client) were assessed using agency figures reported to funders. These were then verified through client interviews. Where possible, quantified outputs and outcomes were attributed a comparative market value using one of the following methods.

a) Adapting the principle that a good or service provided to the public for free can be valued at the price a person is willing to pay (Clotfelter, 1992), the researcher identified a comparable commodity in the private sector and used the price people are willing to pay (its market value) as a comparative value for an unvalued social product.

b) When no private sector comparison was found, the researcher sought to identify a similar public or nonprofit sector service or output as a comparison, then used its market value to represent the social-economic value of the agency's product.

c) When no external comparisons could be found for an output or outcome, the researcher interpreted its market value as the amount per unit that was being paid to the site by its fee-for-service customers, or provided by its funders.

d) Outcomes for which no quantity or comparable market value was available were reported as descriptive information.

The nonprofit also produced side-effects (indirect effects of service on those other than the client). In the theoretical model for the social audit (Figure 2), side-effects are conceptualized as value added, and, in the case of Site A, were identified as costs saved that were directly

attributable to the program (Cherny et al., 1992). Side-effects for which no methods of quantification or valuation were available were reported using descriptive information in the social audit report.

Working papers

As is required both by financial auditing guidelines (CICA, 1993) and by the principles for fourth generation evaluation (Guba & Lincoln, 1989), each step of the social audit was documented in the researcher's working papers and made accessible for peer review. From the working papers, a draft report of the social audit findings was prepared; however, the site closed before the draft report could be presented to the site management and before summary sections could be presented for feedback to other stakeholders. As part of the data collection phase, the social audit methodology is designed to incorporate stakeholder feedback on the draft audit report. In this case, this step was not possible.

Validity and Reliability

A key feature of fourth generation evaluation is its construction of rigorous standards that are consistent with its responsive and constructivist foundations, and which parallel those of positivistic inquiry (Guba & Lincoln, 1989).

Internal Validity: Credibility

Credibility is the fourth generation evaluation parallel to the positivistic requirement of internal validity. Fourth generation evaluation techniques for increasing credibility used in this study were: prolonged engagement, persistent observation, peer debriefing, and to the degree possible, member checks. They are summarized in the paragraphs that follow.

Prolonged engagement refers to the scope of the inquiry, and it requires substantial involvement at the site and exposure to its culture and context. The researcher (social auditor) familiarized herself with the context of the organization and conducted a detailed three-week long inquiry into its operations.

To add depth to the scope of the inquiry, the persistent observation criteria requires the researcher to "identify those characteristics and elements in the situation that are most relevant to the problem or issue being pursued and to focus on them in detail" (Guba & Lincoln, 1989, p. 237). The auditor conducted a detailed investigation that focused on issues related to resource management in the organization and on its social-economic impact on the community.

In fourth generation evaluation, as in other types of inquiry, discussing the research findings with a

disinterested peer is referred to as peer debriefing. In the case of the social audit, the methods for collection and analysis were discussed with a disinterested peer, an expert in the field of social and health planning as well as community development, who reviewed all assumptions and steps in the calculations for: sources of the data on volunteer contributions; methods used to quantify outputs and outcomes; and methods used to estimate comparable market value for non-market outcomes.

Another fourth generation standard for credibility requires checking hypotheses, data, and interpretations with members of the stakeholding group. Because the site closed its operations while the study was being completed, member checks could not be completed. However, initial data and interpretations were checked for accuracy as well as for agreement with the researcher's emerging interpretations. Stakeholders consulted were from among those interviewed: the executive director, one staff, and two graduates. Other elements of member checking could not be applied in this instance due to the agency's closing. However, they were applied in a subsequent study in which five social audits were conducted at community-based training organizations across Ontario (ONESTeP, 1996a).

External Validity: Transferability

In positivistic inquiry, results can be generalized when standards for randomization and sampling are met and

the limits of the method are stated. For transferability, fourth generation evaluation relies on thick description (Geertz, 1973). Constructivist inquiry provides "as complete a data base as humanly possible in order to facilitate transferability judgements on the part of others who may wish to apply the study to [other] situations" (Guba & Lincoln, 1989, p. 242). Three key features contribute to the depth of the social audit model's description of the organization: a) an extensive document review, b) verifying data from the document review as well as discovering further data through the use of interviews with stakeholders, and c) the use of primary and secondary sources to provide contextual information about the organization. The use of these elements produces data that meet the standards for thick description and permit the social audit findings for Site A to be applied to similar nonprofit organizations. The issue of the model's transferability to other sectors is discussed in more detail in Chapter 7.

Reliability: Dependability

The fourth generation evaluation standard of dependability, like the positivistic paradigm's requirement of reliability, is concerned with the stability of the data over time. Fourth generation evaluation, like financial auditing, relies on the organization of research material to ensure its dependability. It is prepared so that an outside reviewer can track the process of the inquiry, the decisions that were made, any changes in method, processes by which

interpretations of data were arrived at and the context in which the researcher's decisions were understood. The review of research material is referred to as a dependability audit. The social audit has produced working papers and documentation of each step of the process, and several key steps were subjected to peer review (as discussed previously). These were sources of data on volunteer contributions and on outcomes, methods used to quantify outcomes, and methods used to estimate comparable market value for non-market outcomes.

Bias and Error

There are several ways in which this study may be subject to error. The researcher's association with the sub-sector being studied and prior knowledge of the organization through the pre-study may have biased her observation of phenomena. For this reason, the researcher has identified her prior association with the field so that readers may take that into account when scrutinizing the results. However, the most effective way of minimizing the threat of bias and the possibility of error is preparing the materials for a dependability audit and conducting a peer review of key findings. Both steps have been completed for the social audit of Site A (as discussed in the previous paragraph).

This study reports on a research project that examines a nonprofit agency, but it also puts forward a template for conducting a social audit and for reporting the results.

Chapter 6 has been structured to display the social audit findings in the form of a template for further social audit reports. Because the report begins with a description of the site, the site description that would traditionally appear in the methodology section has been transferred to Chapter 6. The focus of Chapter 6 is a discussion of the social audit findings.

Chapter 6

The Social Audit Report: Findings

In the social audit model, the findings are presented in a report designed for use by the organization, and, where appropriate, for adoption by members of the organization (often, the members of the Board of Directors). The report describes the site and the context within which the organization operates, summarizes the methods used to conduct the social audit, and presents the findings. It includes an assessment of the incoming and outgoing resources, and closes with the social auditor's evaluation of the site's participation in the social economy of its community. The sections that follow form the template for the social audit report. (It should be noted that for purposes of this report, the researcher is referred to as the auditor or social auditor.)

Site A: Social Audit Report for the Audit Year 1994-95:

Introduction to the Site

Context

Site A was located in Metropolitan Toronto, a city of approximately 2.5 million people. Employment patterns in the city shifted significantly when an economic recession in the early 1990s resulted in a significant loss of manufacturing jobs; growth in the service sector was not able to compensate. With unemployment rates rising to 10 percent, unemployment for youth, immigrants, displaced workers,

middle management, and those seeking entry level jobs became of special concern to planners. Young people became especially disadvantaged: the unemployment rate for men under 24 was 24 percent in 1992, and for women it was 15 percent (sources: City of Toronto, 1993; Committee of Planning and Coordinating Organizations, 1992; Government of Ontario, 1996b).

People with disabilities faced additional obstacles to employment. According to a national study, almost one-half of working-age Canadians with disabilities were out of the labour force in the early 1990s. The rates of unemployment for persons classified as disabled workers were about twice as high as those for adults who were not disabled. As well, people with disabilities were almost twice as likely as non-disabled people to have persistent histories of non-participation in the labour force. Nearly 74,000 adults with disabilities who had jobs or who did not feel completely prevented from working because of a disability believed they had previously been excluded from paid positions because of their disability (Roeher Institute, 1992).

It is in this context that Site A provided employment-related training to those facing severe barriers because of a disability, often in addition to other barriers such as recent immigration or youth.

Mission statement

The stated mission of Site A was "to enable adults with physical disabilities to acquire and enhance the skills necessary to obtain and retain employment involving the application of computer knowledge and skills" (Agency Brochure, 1995).

Programs

Computer skills training was provided in three programs: computer programming, local area networking for microcomputers, and computerized office support. As well, employment-related skills such as job search and interview techniques, life skills, and business communications training were included in the curricula for all three programs (Funding submission for 1995-96 to Human Resources Development Canada [HRDC]).

Organization

Site A was incorporated as a nonprofit with charitable status, governed by a board of directors that met approximately 10 times each year and that held an annual general meeting of the organization's membership. The members of the board of directors formed the membership of the organization. In 1994-95, there were eight members of the board (as reported in corporate and board documents).

The site had 7.5 paid staffing positions, distributed in the following categories: executive director (1); general

manager (1); administrative assistant (1); instructors (3); service coordinator (1); and placement consultant (.5) (source: 1994-95 submission to HRDC).

Volunteers

Site A used volunteer support in the following ways: with interview preparation and job guidance; to assist trainees in obtaining placements and jobs; to assist in developing and evaluating curricula to reflect the needs of the job market; and on the board of directors (source: submission to HRDC, interview with executive director).

Networks

During the 1994-95 audit year the executive director sat on the board of governors of George Brown College, was the president of the Jamaican Canadian Association, and served on the board of directors of the Ontario Network of Employment Skills Training Projects. As well, the executive director was a member of the board of directors of the Association of Rehabilitation Programs in Data Processing. One other staff member also attended regular meetings of this association (source: interview with executive director).

Financial resources

For the period of 1 February 1994 to 31 January 1995, the total revenues of the organization were \$837,614 and the total expenditures were \$842,051. The primary funder was

Human Resources Development Canada (source: audited statements. (Note: other sources of revenue and expenditures were not reported at the request of site management in order to maintain aspects of agency confidentiality.)

Accountability

For the period of the social audit year 1994-95, the agency:

- reported to its members (its board of directors) at its annual general meeting;
- submitted a financial audit to its members (which was approved);
- reported its revenues, expenditures, and its program results monthly to HRDC; and,
- participated in six- and nine-month reviews conducted by HRDC.

In addition, the agency's program and financial files were subject at any time to audit by an HRDC project officer.

Social Audit Findings

Method

The social audit was conducted in 1996 for the fiscal year 1994-95. Information for the social audit was obtained from the review of agency documents, through observation, and by in-depth interviews with stakeholders. Interviews, conducted primarily in person or by telephone where face-to-

face interviews were not possible, averaged one hour in length, except for the interview with the executive director which lasted 2.5 hours. Graduates were chosen to reflect gender equity, but at random for other characteristics. Other stakeholders interviewed were suggested by the executive director. Table 1 describes the interview categories and numbers interviewed.

Table 1

Interviews Conducted for the Social Audit of Site A

<u>Respondent</u>	<u>Number Interviewed</u>	<u>% of Total Sample</u>
Executive Director	1	7
Staff	1	7
Graduates:		
Social Audit Year	4	29
- Male (2)		
- Female (2)		
Post-Audit Year	4	29
- Male (2)		
- Female (2)		
Volunteers	2	14
- Male (1)		
- Female (1)		
Employers who hired graduates	2	
- Female (2)		
Total	14	100

Outputs of service and their value

The term outputs is used by the social audit process to refer to the direct effects of the program on clients. According to the organization's stated mandate and the terms of its contracts (verified through interviews with graduates), the two key outputs for the social audit year were employment acquisition (getting jobs) and employability enhancement (successful completion of training that increased the chances of becoming employed).

1) Employment Acquisition

Three months after graduating, 23 out of 30 clients (77 percent) had found employment (source: submission for 1995-96 to HRDC). Among the four graduates of the previous year (the 1994-95 program) who were interviewed, all had found work within three months of graduation, but one was unemployed at the time of the interview in 1996. The other three graduates had worked for the same employer since graduation, and two had received promotions.

It is assumed that the training intervention led to employment for these clients, based on their long-term detachment (over two years) from the workforce that was a condition for entry to the program. This was verified through interviews with graduates.

The value of the employment acquisition output (for the 23 clients who found work) was \$599,320, estimated by

aggregating graduates' wages (see James, 1987). The aggregated amounts were figures reported by the graduates to the agency during its follow-up phone calls. These figures were also reported to the funder and subject to audit by the funder. The accuracy of the follow-up reports by the agency was verified using the following methods: interviewing graduates of the social audit year (1994-95); reviewing reported salaries for the post-audit year (1995-96); and interviewing graduates of the post-audit year. The average wages for graduates as reported follow in Table 2.

Table 2

Reported Average Salaries for Graduates of Site A's Training Program

Reported By	For Period	Average Salary
Agency	Audit Year, 1994-95	\$26,057
Graduates	Audit Year, 1994-95	28,850
Agency	Post-Audit Year, 1995-96	23,205
Graduates	Post-Audit Year, 1995-96	38,350*

* Those interviewed from the post-audit year were graduates of the local area networking course which reports the highest wages on graduation; therefore, their average wage was higher than the average wage for graduates of all courses.

The figure of \$599,320 that the agency reported as 23 graduates' total salaries was used by the auditor as a comparative market value for the employment acquisition output of Site A (source: submission for 1995-96 to HRDC). The total of the employment acquisition category is somewhat

understated because it does not include the value of employee benefits packages received by graduates. Two of the four social-audit-year graduates interviewed reported receiving benefits packages, but were unsure of what they contained or their financial value.

2) Employment Enhancement

According to reports to HRDC, seven of the 30 graduates who completed training successfully had not found employment three months after graduation. However, these graduates successfully completed training which enhanced their employability, a result specified by the funder to be a successful output of a training program with this type of clientele. In order to estimate the value of this output for the seven graduates, the social auditor attempted to identify a similar private sector training program. However, none could be located that offered specialized computer and employment skills training for persons with a broad range of disabilities, a facility that also provided the equipment adaptations required by persons with disabilities.

Because no private sector equivalent could be found, the employment enhancement output was estimated using the cost of the training per trainee, that is, the price per trainee that the funder granted to the site to deliver the specialized training. In 1995-96, the site's cost per trainee was \$16,284 (source: 1995-96 submission to HRDC). This figure was used as the comparative market value per

unit of training. For the 7 graduates whose employment chances were enhanced by training, the value was estimated to be $7 \times \$16,284 = \$113,988$.

Outcomes

Generally, the term outcomes is used to refer to end products. For the purpose of the social audit, the term outcomes refers specifically to the indirect effects of service on the client. As a result of the program, graduates of the social audit year (and the year following) reported enhancement as shown in Table 3.

Table 3

Site A Outcomes

Areas of Enhancement for Graduates	Year 1994-95	Year 1995-96
Increased self-esteem	2	3
Less stress from unemployment	1	3
Increased purchasing power	2	1
Improved lifestyle	3	3
Improvement in health	1	1
Improved family relations	2	1

One 1994-1995 graduate and one 1995-1996 graduate reported greater stress and health problems during the course, and both reported improvements at the end of the course. One graduate of the 1994-1995 program stated: "Without the preparation and connections that [Site A]

provided, I would never have gotten a job in this recession, and not at [a large, prestigious company kept confidential to protect the graduate's identity]. A 1995-1996 graduate summed up his experience: "I'm six and one-half feet tall and I feel it. I look forward to going to work. I feel wonderful about my job. . . . I'm very glad I got directed to the course. I've opened up a door I didn't think was possible, not just professionally but personally. My self-esteem has been boosted ten-fold."

Currently, a comparable market value for these outcomes is unavailable. However, some case examples are cited to describe the tangible outcomes that are of value to the participants and that could, if a technique could be devised, be ascribed a market value. It should be noted that some details about each of the respondents have been omitted in order to shield the graduates' identities to the extent possible.

A, a male in his twenties, recently diagnosed with multiple sclerosis, lost feeling in his hands and feet, then lost his job as a mechanic. After some time, his condition improved and went into remission. However, he realized that he needed to retrain:

It was scary at first. I am a rather fit person. I lift weights. When I walked in [to the site], I really felt bad because I was considered disabled, and it took me a long time to accept that. [Site A] taught me to accept that you are not disabled, you are just as good as everybody else, everybody

has a disability of some kind (source: interview with graduate).

A became employed as a networker in a large company and had received a promotion at the time of the interview in 1996. He expressed pride at his new status and referred to the enjoyment of company perks. As a result of the professional status attained through training offered by Site A, he noted that his relationship with his brother had improved because they had more in common.

B, a woman in her forties and a recent immigrant to Canada with a severe visual impairment reported:

[The staff at Site A] gave me confidence in an area I thought I could never do ... they offered a tremendous sense of professionalism, with high standards. ... [The experience] gave me something to talk to my husband about. ... It helped me to integrate into Canadian life (source: interview with graduate).

B became an employment assistant with another agency that assists people with disabilities to train and find work. She noted that the staff at Site A had helped her to work with her disability: "They were generally accepting of disability, giving it acknowledgement and dignity. In [country of origin], we never discussed disability, what I had to do to cope. It was like suddenly being able to discuss the unspeakable."

Having had a difficult time in getting access to training when she arrived in Canada, B reported her pleasure at being able to help others through the system. In her new

position, she encountered some of the people with whom she had dealt as a client (not always happily), now relating to her as a colleague.

Side-effects: added value

The social audit assesses as side-effects of the program the impacts on those other than the client. One side effect that emerged from the interviews and the document review was the costs saved by the community when graduates who became employed moved from receipt of income benefits and other related benefits to earning a salary. (Two of the four graduates interviewed from the social audit year also received employee benefits packages of undetermined worth.)

To place a comparative economic value on the by-products of costs saved from income benefits, the social auditor examined case files for the graduates and corroborated these with information from the interviews. In the year prior to training, income assistance for trainees came from the following sources: Canada Pension Plan, Family Benefits Assistance, Workers' Compensation, private insurance, and welfare benefits. The case files did not record amounts being received, so information from the interviews with graduates and trainees was used to estimate the value of this by-product of training.

Because precise information was not available, the total of the income assistance used in the year before

entering the program was based on reported amounts received by eight program clients (four audit year graduates, and four post-audit year graduates). The total reported income assistance for the year was \$4,122, an average of \$588 per client receiving benefits. If these clients can be taken to be representative (and in the social auditor's experience with this client group, they can), then for the 23 clients who were trained during the social audit year and became employed, it is estimated that the value added by costs saved in income benefits was \$13,524.

In addition to income assistance, the four 1994-1995 graduates who were interviewed also reported receiving other benefits: vocational counselling (4), prescription drugs (1), and dental care (1). Respondents also reported receiving accommodation devices: a special chair (1) and a braille reader (1). As well, one client reported receiving clothing supplements to assist in purchasing a professional wardrobe. However, graduates were frequently either unsure or not forthcoming about the types, amounts, or value of these goods and services. Based on the interviews and the social auditor's experience in providing vocational training to persons with disabilities, a modest value of \$100 for additional benefits per client was assessed. For the 23 graduates who became employed, the comparative value of additional benefits was estimated as \$2,300 in further cost savings.

Volunteer contribution

Prior research with nonprofits used an average social service wage of \$12 per hour to estimate the value of volunteer contributions (Ross & Shillington, 1990). However, this estimate appeared low in the case of Site A volunteers who applied their extensive private sector management skills (and contacts) both to manage and to augment the program. Therefore a method was developed that attempted to more accurately reflect the value of the volunteer contribution.

The executive director estimated as 2,896 the total number of volunteer hours spent serving on five committees: placement -- 614 hours; evaluation -- 216; job shadowing (guidance) -- 1,600; curriculum review -- 18; and board of directors -- 448 hours (sources: interview with executive director, report to funder, volunteer schedule, interviews with volunteers). The executive director reported that in his experience and knowledge of incomes for volunteers the majority of the committee members were receiving middle- to upper-management private sector salaries. From his personal knowledge of the volunteers, he estimated several salary categories, then estimated their average yearly salary to be \$72,500, or \$37.18 per hour (based on a standard measure of 1,950 hours of work in a work-year) (source: interview with executive director, interviews with volunteers).

The executive director then estimated the percentage of executive skill capacity that volunteers utilized to

complete their volunteer tasks with the agency: 20 percent of their professional capacity for each of the committees (for 2,448 hours), and 35 percent of professional capacity for the board of directors (for 448 hours). Using these premises, the value of the committee work is calculated as $\$37.18 \times 2,448 \text{ hours} = \$9,106 \times 20\% = \$18,203$. For the board of directors, the value is calculated as $\$37.18 \times 448 = \$16,656 \times 35\% = \$5,830$. The total value of the volunteer contribution using the executive director's estimates is \$24,033.

However, these estimates appeared low to the researcher based on three factors: the researcher's prior experience with volunteers in similar capacities, observation of three Site A volunteers applying their skills, and descriptions of Site A volunteer tasks.

Because of the discrepancy between the executive director's and the researcher's perceptions of the extent of professional skills used by Site A volunteers, the value of the volunteer contribution was assessed as the average of two estimates: a) volunteers using the full extent of their professional skills in their volunteer activities at Site A; and, b) volunteers using a percentage of their professional skills in their volunteer capacity (as the executive director had estimated).

Working at 100 percent of professional capacity, the estimated value of the 2,896 hours of volunteer activities was evaluated at \$107,773 ($2,896 \times \37.18 per hour). When this amount was averaged with the executive director's estimate of \$24,033 ($\$107,673 + 24,033 = 131,706/2$), a value of \$65,853 was calculated for the volunteer contribution.

Resource Management

The social audit addresses how nonprofits manage incoming resources to produce outputs that return to the community. In the social audit model (see Figure 5), volunteer resources are considered as both an incoming resource and as an outgoing resource that can be used again by the community. In the social audit report, a comparative economic value is ascribed to the volunteer contribution, recorded as both an incoming and an outgoing resource. Although there are costs associated with volunteer management, these are assumed to be offset by the value of any volunteer contributions that remain with the agency at the end of the audit period.

As well, incoming revenues are recorded in the social audit report as incoming resources and outgoing expenditures are recorded as outgoing resources that are of benefit to the community. The results of the organization's programmatic activity are ascribed a comparative economic value wherever possible and are evaluated as benefits to the community. Table 4 summarizes the calculations discussed in

the social audit report text. These calculations are then reported as Site A's incoming and outgoing social-economic resource flow in Table 5, and a social return-on-investment is calculated.

Table 4

Social Audit Calculations for Site A: For the Social Audit Year 1994-95

<u>I. Incoming Resources</u>				
Item	Sources of Information	Method	Calculations and Subtotals	Totals
Revenues	Audited financial statements	Transpose		\$ 837,614
Value of Volunteer Activities	Interview with executive director (ED), verified by social auditor's (SA) experience	1. ED estimates number of hours of volunteer activity 2. ED estimates average hourly professional salary of those volunteering	2,896 \$37.18	
		3. ED estimates percentage of professional skills used in volunteer capacity	a) Committees 20% x 2,448 x \$37.18 = \$18,203 b) Board 35% x 448 x \$37.18 = \$5,830 Subtotal: \$24,033	
		4. SA estimates volunteers' use of skills at 100%	100% x 2,896 x \$37.18 = \$107,673	
		5. SA assesses value as average of two estimates	\$24,033 + \$107,673 ÷ 2 =	65,853
				<u>\$ 903,467</u>

II Outgoing Resources

Item	Sources of Information	Method	Calculations and Subtotals	Totals
Expenditures	Audited financial statements	Transpose		\$ 842,051
Value of Volunteer Activities	See Incoming Resources			65,853
Outputs	Agency reports to funder, verified in interviews with graduates	1. List number of graduates	23	
a) Employment Acquisition		2. Calculate the total amount of wages reported by graduates	\$599,320	599,320
b) Employability Enhancement	Agency reports to funders	1. List reported number of successful graduates who went on to school or other training	7	
		2. Assess a comparative market value for the training (because no similar program offered in the private sector, use amount per participant by which the government funds the program)	\$16,284	
		3. Multiply number of graduates by comparative value of training per graduate	7 x. \$16,284 = \$113,988	\$113,988

II Outgoing Resources (Cont'd.)

Item	Sources of Information	Method	Calculations and Subtotals	Totals
Social Dividends b) Savings from related services	Interviews with graduates verified by SA's experience	1. Estimate number of graduates who stopped receiving other benefits (i.e. the number employed)	23	
		2. Estimate value of additional benefits per client	\$100	
		3. Multiply number of graduates by average value of related services	23 x \$100 = \$2,300	2,300
				<u>\$1,637,036</u>

III Ratio of Incoming to Outgoing Resources

Item	Sources of Information	Method	Calculations and Subtotals	Totals
Ratio	Calculations	Divide outgoing by incoming resources	\$1,637,036 ÷ 903,467 =	1:81

Table 5

Resource Management: Statement of Resources for Site A: for the social audit year 1994-95

Incoming Resources		Outgoing Resources	
Revenues	\$837,614	Expenditures (operating costs)	\$ 842,051
Value of volunteer activities	65,853	Value of volunteer activities	65,853
		Outputs:	
		- Employment acquisition	599,320
		- Employability enhancement	113,988
		Social Dividends:	
		- Savings from income benefits	13,524
		- Savings from related services	2,300
Total	\$903,467		\$1,637,036
Ratio of Incoming Resources to Outgoing Resources			1:1.81

Conclusion

Site A trained persons with disabilities and assisted them either in obtaining employment or in enhancing their chances of becoming employed. Resource management was affected by conditions of high unemployment in general, and even higher unemployment rates for persons with disabilities. In addition to the disability barrier, some trainees such as youth or recent immigrants also experienced additional severe employment barriers that required additional support and individualized instruction. Site A's

strategy of directing its training toward current labour market needs by offering computer training including network management was costly due to higher equipment costs as well as costs for highly specialized staff (compared with entry-level skill training). However, the agency's placement rate of 77 percent indicates that its targeted training strategy was effective, particularly with a population experiencing such stringent barriers to employment.

Although some of the outcomes and side-effects of the training program could not be quantified or given a comparative market value due to a lack of techniques in these areas, the existing data yield a social rate of return is comparable to \$1.81 for each unit of value invested. In the context in which the organization operated, and without complete figures for the all areas of impact, this figure indicates that Site A produced a positive social-economic impact on the community, utilizing community resources that had been invested in a high-need group (people with disabilities and other barriers) to produce a positive rate of social return.

Chapter 7

Discussion

This chapter discusses the first test of the social audit model and its findings. First, the findings and their implications for community-based training and adult education are discussed. Then the effectiveness of the practical model -- the social audit methodology -- is examined. Did the model provide answers to the question that it set out to research? What aspects of the theoretical model contributed to the effectiveness of the practical model? What problems and limitations of the model were encountered? The second section of this chapter summarizes the roots of the theoretical model, discusses the implications of the findings for nonprofit theory, and points to areas for further research. The chapter closes with an outline of a framework for nonprofit accountability that is suggested by the study, then concluding remarks.

Implications for Community-Based Training and Adult Education

The implications of the study of a community-based training site are both encouraging and discouraging for community-based training specifically and for adult education generally. The study demonstrates that Site A worked effectively with clients experiencing severe employment challenges to produce positive results. However,

it closed due to uncertain funding. The challenges it faced were:

- a situation of high unemployment in the area, exacerbated by even higher unemployment rates for its clientele (Roeher Institute, 1993);
- a clientele that had been long separated from the labour market, and in many cases who required significant retraining and adaptations to re-enter;
- systemic discrimination against its clientele by employers, as well as significant personal barriers to re-employment (Roeher Institute, 1993);
- the provision of extra supports and accommodations to assist clients to retrain;
- uncertain and unstable funding for Site A in spite of its graduates' high success rates;
- competition for placements with other providers in similar fields; and,
- in order to sustain high success rates of graduates placed in jobs, the need to manage a large number of volunteers to augment the resources of the program.

In spite of these obstacles, during the audited year, Site A was able to place 77 percent of its graduates in jobs and, of graduates interviewed, their satisfaction with the program was high. Site A's use of resources enabled it to overcome high costs of specialized equipment and support and to return more social-economic value to the community than was invested in the agency, a ratio of 1.81 to 1. However,

the agency's success (defined by the funder as a 7-80% rate of placing graduates either in work or other educational or training opportunities) did not ensure its continuation.

Site A's positive social return-on-investment is not surprising. The theory of surplus value production demonstrates that if resources are managed effectively, more will be returned than is invested. As well, community-based training agencies funded by Human Resources Canada have been required to achieve high success rates (ONESTeP, 1996b). Community-based training places an emphasis on the individual and provides additional employment supports (including counselling, life skills, and placement). This appears to be an effective approach for "severely employment disadvantaged" trainees.

As well, Site A's curriculum was reviewed by the social auditor using her extensive experience in adult education and training program planning. It incorporates recognized principles of for adult learning (see, for example, Brundage & MacKeracher, 1980) and program planning (see, for example, Knowles, 1984; Richey, 1992) that assist individuals to overcome substantial obstacles. It also encourages professionalization through the use of business mentors and mock interviews with members of the business community. Three of the four graduates interviewed from the 1994-1995 program credited the quality of the instruction and the professional standards (including a dress code) with

contributing to their success in finding a job that met their needs. Two graduates referred to the mentoring, interviewing process, and placement supports as strong contributing factors.

From the study of Site A, it appears that CBT is an effective deliverer of employment training for persons facing "severe employment disadvantages." Its methods effectively coach and train adults who go on to achieve high levels of success in spite of daunting personal and systemic obstacles (Rans, 1989). This conclusion warrants further research to document and analyze the factors that lead to the high success rates of CBT so that other adult education programs, both in Canada and internationally, can benefit. Subsequent research could advance the study of adult education as a whole.

However, limitations within the field of adult education make it difficult to transfer knowledge from one subsector to another. One of the key issues in this regard is the lack of mapping of the dimensions of adult education programs. This includes the types of organizations that deliver adult education either formally or informally; the numbers of organizations; and the extent of the varieties of adult education that are available in Canada. For example, as previously mentioned, there is no record of the number, size, or extent of community-based training organizations in Canada.

This lack of information holds true for other types of nonprofit (and for-profit) adult education programs in a wide variety of settings including: diploma and degree instruction in institutions such as community colleges and universities, as well as a wide variety of continuing education courses; community-based programs such as literacy, vocational, and life-skills training; education and support programs offered in informal settings such as La Leche League, churches, or peer support groups; and, staff training programs that occur in a myriad of organizations. The mapping of this field along with analyses of the types of instruction used, their results, effectiveness, and impacts on the community would provide important information that could enhance effective adult education practice.

The Social Audit Model - Methodological Issues

Overview

In addition to the implications of the study for community-based training and adult education, the study experimented with developing social accounting methods. Several questions arise: Did the social audit model address the research question? What aspects of theory influence the application of the model? Was the application effective? What were its strengths and limitations? The sections that follow discuss the issues raised by these questions.

The question addressed by the social audit model is: how and to what extent did this organization participate in

the social economy of its community during the social audit year? The social audit model is a practical tool for assessing an organization's social-economic impact on its community. The model demonstrates that, in the case of the site studied, the organization produced outcomes and added social value that, when attributed a comparative market value, led to an increase in the community's social capital.

The theoretical underpinnings of the social audit model assisted in the development of the social audit method, aiding the researcher to analyze and interpret:

- the creation by the agency of social products from the incoming resources (Marx 1847, 1865/1976);
- the role of volunteer labour in the creation of outputs, or social products (Pietilä, 1993; Ross & Shillington, 1989; Waring, 1988);
- the existence and value of the indirect effects of nonprofit activity; that is, developing a schema for classifying them as surplus social value or social dividends (Cherny et al., 1992; Marx 1847, 1865/1976);
- the role of paid and unpaid labour in generating surplus value that exceeded the value of the outputs of the organization (Marx 1847, 1865/1976);
- the management of a nonprofit as the stewardship of social and economic resources (Daly & Cobb, 1994; Milofsky, 1987); and,
- the relevance of community impact to nonprofit evaluation (Land, 1996).

In general, the theory can be used to:

- provide a general description of the context in which an organization operates;
- isolate and articulate the outputs, outcomes, and side-effects resulting from an organization's activities;
- measure the outputs, and to the extent possible, the outcomes and side-effects of the organization's activities;
- attribute a comparative economic value to the outputs, and wherever possible, to the outcomes and side-effects; and,
- provide a social return-on-investment ratio as an indicator of the positive or negative production of social capital.

Although further applications of the model are required to demonstrate its usefulness to nonprofits providing health, education, and social services, it has been possible (outside the scope of this study) to isolate, measure, and attribute value to a variety of nonprofit results (for example, those of inmate-support and health promotion programs).

The social audit model can also be applied to other organizations in the social economy such as credit unions and cooperatives, and can be used to evaluate the social impacts of public sector programs. Additionally, the social audit model can be transferred to private sector organizations. Although the transferability of the model is

discussed in more detail in the section of this chapter that outlines the model's strengths, a few examples of other possible applications can serve to illustrate its potential for use in other sectors.

The social audit model could be used by businesses to decide where to make social investments for philanthropic purposes. As well, as an adjunct to social investment criteria (see, for example, Michael Jantzi Research Associates, Inc., 1997; The Domini Social Equity Fund, 1997)), it could also be adapted to measure the social impact of a firm's financial investments. Further, the model can be adapted to assess the external outcomes of business strategies and options, for example, the community impact of an affirmative action program or a plan to relocate a plant. It could also be used by businesses internally, to better evaluate the effectiveness of departments (such as client services) that are seen as costs but not as contributors to profits.

The social audit model and its findings also touch on several general areas of research that require further study: the links between the three sectors of the economy, social accounting and indices, social infrastructure, and studies of individual nonprofits. A discussion of each point follows.

Theories of nonprofit role and of social value that underlie the social audit model have the potential to contribute to examinations of the interface, exchange, and synergy among the three sectors of the economy. For example, like De Laat's (1987) discussion of volunteering, a study of the production of social capital across all three sectors would help illuminate the way in which the sectors interact.

A second area for further research is in the field of social accounting. As Cherny et al. (1992), Tinker (1985), and Cooper and Sherer (1984) have pointed out, this area is ripe for theoretical study and practical experimentation. As well, social impact research within social accounting could be advanced by the further development of social indicators such as quality of life indicators and the development of sub-indicators such as the relationship between self-esteem and well-being.

Additionally, indicators could be developed to predict the benefits of social investment in nonprofits and other organizations. Further, in addition to refining social criteria for financial investment (see, for example, Michael Jantzi Research Associates, Inc., 1997; The Domini Social Equity Fund, 1997), social criteria could also be developed for investing community and public resources in social ventures. These types of indicators could be included in feasibility studies for activities in all three sectors, and could have important policy implications for the investment

of public monies. The types of indicators discussed in the previous paragraphs could also be helpful in constructing new national measures of sustainable economic and social progress, an area that is of critical importance for reform of the current market system (Ekins, 1986; Mies, 1996; Waring, 1988).

A third general area for further empirical and theoretical study is the role of the social economy and nonprofit organizations within it as a supportive infrastructure for production in the market economy. Further inquiries in this area, such as social environmental studies that establish links and relationships among the sectors, can inform policy in key areas such as civic development, community capacity building, community economic development, and socio-political theories of social capital generation. Research on nonprofits as part of a supportive infrastructure can also provide new ways of looking at social and economic questions associated with globalization and with growing income disparities between the rich and poor (Rifkin, 1996).

Finally, research on individual nonprofits -- their histories, funding patterns, functioning, programs, outcomes, relationships, volunteer components, and their reactions to change -- is required. It can contribute to an understanding of nonprofits' role and contributions to Canadian society and can add to international studies.

Research is required in which nonprofit practitioners, such as those delivering community-based training and many other services, are included as active participants in research design and evaluation. Research on individual nonprofits is an area in which there is a marked deficit of data yet a significant storehouse of knowledge, so it is an area that is ripe for exploration.

Strengths of the Model

This section presents a detailed discussion of the model's strengths. It is followed by a review of its limitations.

In addition to conforming with Guba and Lincoln's (1989) principles for fourth generation evaluation, the social audit design incorporates key qualities (flexibility, coherency, discovery, and utility) that enhance its transferability to other subsectors of nonprofits as well as to public and private sector organizations. Each of these characteristics will be discussed in the section that follows. First, in the area of flexibility, four design elements will be described.

a) Flexibility

The flexibility of the social audit model is a result of key design elements. The first feature is its use of the organization's fiscal year and audited financial statements as verified data on incoming and outgoing resources. These

statements can provide data in all three sectors of the economy. Synchronizing the social audit with the organization's fiscal year unifies the social audit reporting period with the primary reporting cycle for financial accounts. Although fiscal years vary, making comparison difficult for a set timeframe, the social audit format was not designed to compare organizations but to examine a single organization within its environment, much as a financial audit, in order to provide management with information about the organization's impact.

Second, key concepts used in the social audit are generic, and therefore flexible, for example, definitions of outputs (direct effects of program or activity on primary recipients), outcomes (indirect effects on primary recipients), and side-effects (indirect effects on those other than primary recipients). These terms can be transferred to public sector programs that directly affect people, and can also be modified to apply to public programs that affect natural resources or infrastructure. As well, they are transferable and can be used to account for the products and services of private sector organizations.

Take output as an example. In human services, the direct effects on the recipients of service -- health care, education, or counselling received -- can also be expressed in measurable units of service similar to units of production, except that in this case, the products are

social, not commodities or natural resources. Private sector production can also be measured in units of service or commodity production.

In addition to creating transferable terms, the social audit measures the results in ways that are transferable to the other two sectors. Although outputs are regularly counted in the private sector, there are no uniform methods for measuring them in the public and nonprofit sectors. However, most publicly-funded programs and agencies are mandated or contracted to deliver services. The social audit was designed to use the agency's or program's reports of deliverables as the source of output data. It also verifies output reports by interviewing samples of stakeholders, particularly recipients of service. In this way, the social audit uses a general standard that can be applied specifically for each organization it investigates and broadly, across the three sectors.

The third aspect of the model's design flexibility is its method for addressing deficits of information. In the case of nonprofits, semi-structured interviews with clients and other stakeholders elicited these data. This feature can be transferred directly to public sector human service programs by conducting interviews with recipients of service. As well, it can be effective in capturing outcomes and side-effects in private sector businesses, as has been

demonstrated by the social audit completed by The Body Shop (1996a).

The fourth element of design flexibility is the process used by the social audit for attributing a comparative economic value to the results of an organization's activities. This is a process that can also be transferred to organizations in all three sectors. In assessing a comparative market value for an entity whose value is currently unknown, the market value for a similar private sector example is selected. If one cannot be located, then a public or nonprofit sector equivalent is chosen. The social auditor also consults secondary sources such as social indicator studies that document costs or benefits of the activity or of a related one (see for example, Bellemare, & Poulin-Simon, 1995; Centre for Research on Violence Against Women and Children, 1995; Cleveland & Krashinsky, 1998).

This type of information is available in all three sectors. For example, accounting for future events (Financial Accounting Standards Board, 1995) is used in the public and private sectors. In the public sector it helps to explain the value of programs such as environmental conservancy, and to project the economic and social benefits of funding infrastructure programs such as highway construction. Private sector applications could include evaluating reforestation programs, assessing future costs attributable to environmental policy changes, assessing the

social costs and benefits of plant relocation, and evaluating the benefits of corporate philanthropy.

b) Coherency

In addition to flexibility, the second criterion for transferability of the model is coherency which can be defined as the degree of unity of the model's components as they work together towards its stated goal. As discussed previously, the social audit's methods are consistent with its goals. Further, Cherny et al. (1992) recommend that the measurement system's goals be consistent with the organization's mission, in order to provide information that enhances organizational performance along the lines of its intentions.

The social audit provides the organization with information about its use of resources in the fulfilment of its mission and about some of the impacts of this process on the community. By adapting fourth generation evaluation principles (Guba & Lincoln, 1989) to develop the method, it has been possible for the social audit model to answer credibly the question it set out to examine, and to do so in a negotiated fashion that is responsive to the needs and concerns of the organization and its stakeholders. The methods the model uses are congruent with the culture of

nonprofits, characterized by concern and respect for individuals and communities.

In addition, these techniques transfer well to the public and private sector cultures which are also concerned about evaluation methods and their effects on organizations and their stakeholders, particularly clients and customers. Both the public and private sectors are also familiar with financial auditing procedures and market survey techniques. Therefore, adapting them for the social audit facilitates the model's use.

A key element in coherency, and the final one to be discussed here, is the degree to which the goals and methods of the research embody the values that underlie it. As discussed in Chapter 3, the social audit model is based on the assertion that labour power -- an element of both formal and informal work -- is the generative force that creates and recreates exchange and social value. Further, this study asserts that the value of work is neither acknowledged by nor reflected in the market. In identifying and articulating the value added by labour to the process of transforming incoming resources to outgoing ones, the goal and methods of the social audit model developed for this study are coherent with the values underlying it.

c) Discovery

In the context of this study, discovery can be defined as a process by which something new is revealed about the organization and its impact on its environment. In taking into account the organization's context, environment, social and economic inputs and outputs, and resource management, the researcher is required to take a fresh approach to each organization, looking for new information and insights.

The methodology also addresses and articulates outcomes and side-effects of production processes, areas that are unique to each organization and for which methodology is underdeveloped in all three sectors. The social audit model's ability to discover new information about organizations adds to its flexibility and transferability to all three sectors.

d) Utility

A fourth criteria for transferability, utility, can be defined as the usefulness of the tool for addressing issues that are of pressing concern to organizations and to the communities that they affect. For nonprofits, beginning to account for the benefits side of the ledger is timely and can be of benefit in analyses to assist management towards greater effectiveness (Anthony & Young, 1988; Cherny et al., 1992; Henke, 1989). The social audit model can also address current needs to evaluate the results of public sector programs (see, for example, Drohan, 1995) and private sector

social costs and benefits (Cherny et al., 1992; Ekins, 1986; Tinker, 1985).

The social audit's manner of reporting information can be adapted to an organization's specific needs and context. Although the complexity of the data collection processes and analysis increase with the complexity of the organization, the core design remains the same.

Attentive to the criteria of flexibility, coherency, discovery, and utility, the social audit model has been designed for use in a variety of organizations in all three sectors. Further tests and refinements of the model in each of these contexts is required.

Limitations and areas for improvement

There are limitations to the social audit's methodology that require discussion including: site selection for the first test of the model; the complexity of the model; its measurement methodologies; its capacity for telling both sides of the story -- describing both positive and negative impacts; and, its lack of focus on performance measurement. Each will be described in turn.

a) Site Selection

As discussed in Chapter 3, the absence of standardized definitions of outcomes, the chief product of Site A, employment results, may be more easily measured and accorded

a comparative economic value than the products of other social services. The side-effects of an employment service, such as cost savings from reversing unemployment, may also be more distinguishable and more capable of being measured. Further testing of the social audit model across a variety of nonprofit organizations is required.

The limitations posed by the site selection for the first test also apply to public and private sector organizations, especially because methods for assessing the impacts of their activities are underdeveloped. However, current practice with social auditing in the private sector (The Body Shop, 1996a) indicates that the method can be used to measure a variety of social variables, although there are also limitations to The Body Shop's (1996a) social audit method.

b) Complexity

A second is the model's complexity. The first application of the social audit model required insider knowledge in order to navigate the uncharted and uneven territory of nonprofit contractual, recording, and reporting arrangements. Another factor that increased the complexity of the model's use is the lack of standardized methodologies in three key areas: volunteer contribution assessment, results measurement, and the valuation of results.

The model as designed called for the design and testing of three methodological components within the same instrument, increasing the length of time in the field and the resources required from the nonprofit. These conditions may not be manageable for many small- and medium-sized nonprofits. However, subsequent studies using the social audit model (ONESTeP, 1996a) decreased the field time from three weeks to two, and additional trials of the model should result in further simplification and ease of use. It is anticipated that detailed knowledge of public sector programs and private sector operations will also be required for the first tests and adaptations of the model in these settings.

c) Measurement, valuation

Two areas of measurement and valuation that were problematic in the test of the social audit model were volunteer activities and the results of the agency's intervention. In the test of the model, a comparative economic value was assessed for volunteer activities using the executive director's estimate of the average salary for 64 volunteers. No salary standard could not be established independent of the executive director's without investigating a representative sample of volunteers.

The executive director of the site and the researcher agreed that further interviews with volunteers was impractical and intrusive because volunteers interviewed for

this study were reluctant to discuss their salary levels. Both refused to answer the question, and appeared to take offense, putting the rest of the interview at risk.

In the absence of a method for obtaining independent information, the researcher used her own experience to verify the executive director's assertion that volunteer activities utilized only a small percentage of the volunteer's full set of professional skills (such as would be used in the course of his/her full-time occupation). This assessment seemed low to the researcher who had worked with a similar calibre of volunteers with similar responsibilities. To synthesize the two differing perspectives, the researcher assessed the value of the volunteer contribution to be the average of the two estimates.

In further trials of the social audit model, continued experimentation with the valuation of volunteer activity is required. Volunteers can be asked to match their job category to government classifications of jobs, for which incomes can then be identified from the same classifications. As DeLaat (1987) points out, volunteering is an issue that affects all three sectors. For example, a social audit of a public sector program might be required to attribute a value to a planning committee made up of volunteers. A social audit completed on a private sector firm may have to take into account the impact of the firm's

practice of "loaning" staff to a United Way campaign. Therefore, the difficulty in measuring and attributing a value to volunteer activities must be addressed in further tests of the model in all three sectors.

The measurement and valuation of nonprofit results is a complicated process. In the absence of an established methodology, and because there are few standardized reporting procedures among different types of nonprofits, the quantification of outputs, outcomes, and side-effects, along with the attribution of a comparative economic value to them, required the auditor to utilize her experience, information about the organization and the field, and knowledge of the nonprofit sector.

For output measurement, the social auditor relied on the organization's reports to funders and other organizations to whom it supplied services for the accuracy of the results, then sampled graduates' experience as corroboration of the organization's reported results. However, in securing permission to interview graduates, those graduates who were employed may have been more easily located, more willing to be interviewed, and may have expressed more positive reactions to the training program.

Current changes in the nonprofit field may ameliorate this problem. The present emphasis on results measurements for nonprofits has increased client tracking procedures and

has fostered some efforts towards standardization in tracking across subfields of nonprofits such as education and health. In time, this should produce more reliable data on program/service outcomes for clients, which in turn, could should provide readily available, reliable client follow-up information that can be used in the social audit. This development could help to overcome bias that may currently exist in the selection of graduates to be interviewed.

In the case study test of the social audit model, measuring the side-effects that were reported in client interviews was not possible, given the state of current social measurement techniques. This resulted in the incomplete attribution of outgoing resources, placing the organization at a disadvantage -- a risk noted by Ross (1986). Likewise, the social audit was unable to measure and attribute value with accuracy to the costs saved by the community through the graduates' decreased use of subsidized goods and services (such as prescription medications and vocational counselling) that had been provided along with income supports.

Additional applications of the social audit and further research focused on client outcomes can establish a data base of costs saved. Additionally, other research on the costs of non-intervention and the cost-savings of programs in health, education, and social services may help to

establish social-economic indicators that can be utilized in social accounting for nonprofits (see for example, a recent study on the benefits and costs of quality child care by Cleveland & Krashinsky, 1998).

The capacity of the model to assess the outcomes and side-effects of public and private sector activities remains to be tested; however, the following suggestions could be considered. The results and by-products of public sector programs could be investigated in a manner similar to nonprofits, in which key stakeholders are identified and information is sought from them by survey questionnaire or interview.

For private sector organizations, the social audit could use market research techniques (The Body Shop 1996a); however, the questions could be altered to examine social-economic impact. The social auditor could collect and analyze information from key recipients of the firm's services or products and other stakeholders including community members. For example, for a private sector business such as a restaurant, informants could include customers, staff, suppliers, and community members who live in the vicinity. For a textile manufacturing company with plants in various locations, the social audit could poll a sample of stakeholder groups in each location, including shareholders, if any, then examine possible global impacts

of the company by reviewing company research and secondary studies that may exist.

d) Telling both sides of the story

In the absence of studies establishing the impacts of nonprofits, the social audit process was limited in its ability to articulate all of the results of the nonprofits' intervention, including the negative ones. Relying on the co-operation of nonprofit management for access to stakeholders may limit access to negative cases. As well, nonprofit stakeholders who are interviewed may want to protect their stakes in the organization by self-censorship of negative assessments. Further studies of nonprofit results are required in order to establish reliable data on the range of nonprofit outcomes, both negative and positive.

It is anticipated that this may also be an issue for public and private sector organizations whose management may also wish to protect them from negative evaluation. As well, organizations from all three sectors that agree to participate in a social audit process may have set higher standards of social accountability for themselves and therefore, be more open to scrutiny. In reverse, one can also imagine an initial list of organizations in all three sectors that would not welcome analysis using social criteria. However, in spite of the limitations that restrict telling both sides of the story, for those organizations in all three sectors that wish to or are responding to public

pressure to enhance their social-economic accountability, the social audit instrument can provide valuable information.

e) Performance measurement

Anthony and Young (1988) point out that it is not yet possible to measure all the variables that determine effectiveness of nonprofit service delivery because the benefits of nonprofit programs are not known. Milofsky (1987) argues that an ineffective nonprofit draws community resources away from other ventures. These two observations indicate that the effective use of resources is an important yet unsolved issue for nonprofit management.

In assessing resource use, the social audit did not evaluate the organization's efficiency or performance in relation to other similar organizations (in this case, although not in other cases, it would be difficult to find another public or private sector parallel). Therefore, it does not provide an evaluative tool for nonprofits to modify and improve the efficiency or quality of their practices. Applied without performance standards, the social audit's conclusions are limited to an evaluation of the nonprofit's impact rather than determining whether the social return on investment represents the maximum impact on the community that could be achieved with the same resources. This limitation would hold true for applications of the social audit in the public and private sectors.

Private and public sector organizations also face limitations in measuring performance. Although the private sector has many tools to assist in determining the efficiency and effectiveness of operations (Anthony & Young, 1988), social cost calculations are generally missing from these instruments, providing a one-sided picture (Cherny et al., 1992; Tinker, 1985). Public sector humanistic services and programs share similar issues with nonprofits, lacking standardized measures of outputs and identification of key internal and external variables affecting productivity.

The social audit model was designed to illuminate some aspects of social-economic impact of organizations. Although its assessment is limited, it can be used for comparison of resource use to achieve community impact over time within the same organization. It can help organizations with their strategic and business planning processes, and can be helpful in developing marketing strategies. Its main advantage for the organization is to deconstruct some of the elements that combine to create its impact, to articulate the use it has made of the financial and social resources entrusted to it.

Summary

This social audit instrument is limited in its ability to fully measure an organization's social-economic impact on its community; however, it provides a qualified assessment in an area in which little documentation exists. It has

developed a credible method that can be adapted to many nonprofit as well as to public and private sector situations.

In addition, given the relatively underdeveloped state of research on the nonprofit sector in Canada, the social audit model can produce data on nonprofit results, by-products, and volunteer activities. As well, it can attribute comparative economic values to them. This in turn can help to document the participation of nonprofits in a supportive social infrastructure. The social audit model can also assist in contributing data about the relationships and overlap among the three sectors, an area that also requires further investigation.

Post-study and Reactions to the Social Audit Model

After the research for this study was completed, the social audit model was further tested and feedback was elicited. The social audit model was applied as part of a social accounting project and was presented in a variety of formats including community consultations, academic and professional conferences, and nonprofit training sessions for staff and volunteers.

Five additional social audits were conducted as part of The Social Accountability Framework Project, an initiative based in London, Ontario. The project brought together three levels of government and community groups to examine

nonprofits and their participation in the social economy. As well, 11 community consultations were conducted on the social audit methodology and its findings, five before the five social audits were begun and six after they were completed. The project produced a final report which synthesized the project's activities and the results of the consultations (Richmond, 1998). In addition, the report included guidelines that could be used for social auditing in nonprofit settings.

Feedback from the consultations, training, and presentations indicated that participants found the most useful aspects of the social audit methodology to be:

- its definitions of outputs, outcomes, and side effects;
- the use of the organization's deliverables as the measure of its outputs;
- the model's emphasis on including outcomes and side effects as descriptive information even if they cannot be quantified; and,
- its process of valuation, that is, using the market value of comparable services of private sector firms or other nonprofits, and if no comparable services exist, using the agency's cost per unit of service as its market value.

Nonprofit staff and volunteers indicated that the perspective offered by the social audit model helped them to realize the value of their work, and that this has direct

application for nonprofit strategic planning and social marketing. Nonprofit stakeholders were supportive of efforts to develop new frameworks for nonprofit accountability (Richmond, 1998).

The Social Audit Model - Theoretical Implications

The design of the social audit model as a practical tool draws on two key areas of theory that were discussed in previous chapters: what is known about the role and impact of nonprofits; and, a theory of labour power as the source of surplus value. In the discussion that follows, the issue of the role of nonprofits will be reviewed and discussed briefly and the issue of value will be presented in more detail. Each is an area for further research. Finally, a framework for nonprofit accountability will be outlined, followed by concluding remarks.

The rationale for the social audit model emerged from a contradiction. Although nonprofits form a significant layer of organizations in Canadian society, there is a lack of data and analysis of the sector (Campbell, 1993, 1994; Day & Devlin, 1997; Hirshhorn, 1997). This deficit of information on nonprofits is problematic, particularly in the current climate of restructuring. One key area in which information is missing is nonprofit impact (Land, 1996) and information is also lacking on related questions such as: What is the role of nonprofits? What determines their impacts? What is the value of their results?

Nonprofit role

Before nonprofit results can be evaluated, a nonprofit job description is required; that is to say, an assessment of nonprofits should begin with an understanding of their role. The framework for this study was derived from literature that describes the distinctive features of social-economic organizations (Defouny & Monzon Campos, 1992; Quarter, 1992; Snaith, 1991).

Like other organizations in the social economy, nonprofits are distinguished by a set of social characteristics: social goals, democratic management, voluntary membership, and the social distribution or reinvestment in the service of any revenue surpluses. Organizations in the social economy also play an important economic role. For example, nonprofits acquire and use considerable revenues that are spent and re-circulated in the local economy. An understanding of the sector's economic as well as social functioning sets the stage for an assessment of their contributions to their communities.

The social audit model was also developed from an understanding of the social role of nonprofits that emerged from the North American literature on the mapping and descriptions of nonprofits (Campbell, 1993, 1994; Day & Devlin, 1997; Hirshhorn, 1997; O'Neill, 1994; Ostrander & Langton, 1987; Powell, 1987; Quarter, 1992; Rifkin, 1996; Salamon, 1995). This literature refers to a nonprofits as

contributors to social well-being or social capital (social goods and services that enhance social well-being).

Understanding nonprofits' unique social role and relationship to social capital production helps to identify their contributions as part of a social infrastructure that directly and indirectly bolsters the economy (Rifkin, 1996). Further research on the nonprofit role is required. This would include examining the social origins of and motivations for nonprofit development and the social functions they perform in various types of societies. This study has contributed a perspective on the role of nonprofits as producers of social value that requires much further development.

Value

Once nonprofits' role as producers of social capital is raised, the need arises for a theoretical model to explain how nonprofits produce it. To address this issue, this study uses a labour theory of value, Marx's theory of labour power and surplus value. Labour theories of value emerged in medieval times but were still prevalent during the mercantilist period of the 1600s and the classical period in which Smith (1776/1966) and Marx (1847, 1865/1976) endeavoured to explain the source of value. For both authors, labour was considered the source of value, since specialized labour and commodity production produced the first social surpluses or societal wealth, thereby moving societies into greater interdependence (Tinker, 1985).

However, Marx (1847, 1865/1976) and Smith (1776/1966) disagreed on the way in which labour creates value.

Marx's view that labour was the source of value was consistent with Smith's but Marx disputed Smith's ideas on who owned it -- capitalist or worker. How this question is answered determines who should share in the distribution of surplus value as profits. For Marx, the unfairness to workers of the distributional arrangements under capitalism were at the heart of his economic, social, and political critique (Tinker, 1985).

With the rise of capitalism, Tinker (1985) argues that labour theories of value were displaced by marginalism in which value was considered to originate from the preferences of consumers for objects of utility, a theory which "elevates the individual to center stage and extinguishes class and other social-structural considerations" (p. 164). Economics became restricted to the study of market change, rather than the broader study of social and political forces that Smith and Marx had sought to understand.

In Tinker's (1985) view, utility-based theory led to views that are prevalent today, that maximizing profits and generating greater capital for reinvestment is the way to increase social welfare. In contrast, labour theories of value contradict the notion that capital is the prime creator of value. They can be used to explain the social

creation of surplus value and to provide rationales for its social rather than private distribution.

At the heart of the issue of value, as Tinker (1985) has pointed out, are fundamental questions about how society evaluates, manages, and distributes the social surplus and about how social welfare is created. Labour theories of value can inform current critiques of mainstream economics (Daly & Cobb, 1994; Ekins, 1986; Mies, 1986; Waring, 1988) and can challenge how value is attributed, exchange is ordered/arranged, and surplus is distributed.

This perspective can also address current discussions about revitalizing accounting and transforming it from a passive supporter of the status quo to an agent of change (Cooper & Sherer, 1984; Tinker, 1985). Tinker (1985) argues that accounting research can be emancipatory when it clarifies the role of accounting as a social and political force, a role that has been obfuscated by a narrow marginalist perspective. Accounting is a "means for resolving social conflict, a device for appraising the terms of exchange between social constituencies, and an institutional mechanism for arbitrating, evaluating, and adjudicating social choices" (p. 81). By claiming this role, it becomes possible "to construct a socially critical and radical accounting practice" (p. 82). In the view of Cooper and Sherer (1984), accounting practice can challenge prevailing marginalist views of how social welfare is

created, and can "produce 'better' accounts and more accountable accounting" (p. 226).

Theorizing and highlighting the role of labour in generating both use and exchange value has the potential to bridge the separation between the two types of value that Smith (1776/1966) characterized. Further research is required into the paid and unpaid role of labour in the creation of social value as well as further research into ways of conceptualizing its role in the economy such as Pietilä's (1993) model of new economics. Additional experimentation with forms of social accounting can also expose how value is created and can challenge mainstream accounting assumptions.

Nonprofit Accountability

The final implication of this study to be discussed is the issue of nonprofit accountability. As the nonprofit role is clarified and the ways in which nonprofits create social value are examined, more precise ways of accounting for nonprofits will be possible. Instead of ad hoc approaches, creating a framework for accountability can foster a more systematic approach to nonprofit evaluation.

Developing a framework for accountability has the potential to minimize the risks of evaluation for nonprofits and to enhance nonprofits' effectiveness. The section that follows identifies issues, suggests some elements of a

framework for nonprofit accountability, and points to areas for further research.

Issues

A key issue for nonprofits is the risk they face from evaluation methods that are not based upon their values or concerns (Guba & Lincoln, 1989). Three factors currently affecting nonprofits exacerbate those risks. First, some nonprofit organizations are operating in a context of "turmoil" as the funding structure shifts (Municipality of Metro Toronto et al., 1997). This situation can heighten the risks to nonprofits from ad hoc evaluation methods that respond to funders' short-term cost-cutting goals. These methods may disregard a nonprofit's concern for survival and the community's stake in it. Although funding is a basic element for nonprofit survival, funders are only one category of stakeholders that are affected by nonprofit operations. Taking into account other stakeholder needs may help to bring a "multi-layered" perspective to nonprofit accountability (Voluntary Sector Roundtable, 1998, p. ix).

Secondly, as discussed previously, nonprofit evaluation is not standardized and is characterized by competing requests for accountability from different stakeholders using widely varied reporting criteria and timelines. Attempting to fulfil these requests puts nonprofits at greater risk of presenting an overview of their operations that may lack cohesion. This can leave nonprofits vulnerable

to criticisms that they are not accountable when the reverse is true. Joint consideration by funders might facilitate some resolution of the reporting issue. A lack of standardization also hampers the aggregation of nonprofit outputs and can lead to low public awareness of the results and benefits of nonprofits generally. Further research to establish appropriate standards is required.

A third issue affecting nonprofit accountability has emerged from recent developments that alter traditional expectations of nonprofits. The current climate of government cutbacks and devolution of social programs has fostered greater competition as well as increased comparison between nonprofits and private sector businesses (Hall and Reed, 1995; Rekart, 1993; Social Planning Council of Metropolitan Toronto, 1997). This has led to expectations that nonprofits will act more like private sector firms and will be held accountable to private sector standards (Zimmerman & Dart, 1998). As discussed in Chapter 4, these expectations disregard fundamental differences in the roles and contexts of profit-making and nonprofit organizations, and provide a flawed basis for nonprofit evaluation.

Framework

What is needed is a framework for nonprofit accountability that takes into account the role, mandate, and context of nonprofits as well as clarifying issues of governance, competing claims, and appropriate methods for

nonprofit evaluation. The following section summarizes the implications of the study for nonprofit evaluation suggests areas for further research.

a) Mandate

A key element of a framework for nonprofit accountability is a consideration of the social role and mandate of nonprofit organizations. Although there is no clear agreement either in the literature or in practice on these aspects of nonprofits, as discussed previously, there are some indications as to what they might contain. As Rifkin (1996) has noted, nonprofits have an important role to play in progress towards solutions to social problems and in maintaining social stability. Therefore, a mandate for nonprofits could include making progress towards solving current social problems and crises.

b) Context

Although further research is required to identify the internal and external indicators that affect nonprofits' results (Land, 1996), a framework for nonprofit accountability could incorporate a contextual perspective, using information that is currently available. However, until the weight of key factors affecting performance is determined, there will be few bases on which to compare outputs among nonprofit organizations.

As suggested by a social accounting perspective, at present the following contextual factors could be taken into account when evaluating a humanistic nonprofit:

- the economic, socio-political, and demographic circumstances that affect the organization's functioning;
- the organization's funding situation with its implications for performance;
- types of clientele served and relative measures of ease or difficulty in serving them;
- the amount of volunteer activities required to sustain or enhance operations, and the resources required to recruit and manage volunteers; and,
- the organization's history, current developmental phase, strengths, and challenges, as well as the relation of these factors to productivity.

Further research is required to clarify the factors affecting outputs of nonprofits in other fields such as arts, culture, recreation, and mutual service.

c) Membership

A third issue that needs to be addressed in relation to an accountability framework arises from the question: to whom are nonprofits accountable and for what? Hirshhorn (1995) points out that although nonprofits are legally accountable to their members through *The Canada Corporations*

Act, Part II, the act does not clarify either the process of conferring membership or the rights of members.

d) Stakeholders

As well as members, stakeholders have interests in nonprofits that can be put at risk (Guba & Lincoln, 1989). Stakeholders include funders, fee-for-service customers, clients, employees, interest groups, and the community in which the nonprofit operates. There are, however, no clear principles for determining a nonprofit's accountability to its stakeholders or their responsibilities to it. As well, there are no determinants for ranking the claims of one type of stakeholder over another. By what criteria should competing stakeholder claims (including those regarding a nonprofit's accountability) be mediated, and by whom? These questions require further investigation.

e) Governance

As noted by Hirshhorn (1995) in his discussion of nonprofit governance, by incorporating, nonprofits become legally accountable for using their resources exclusively for their stated purpose. Further, under the *Income Tax Act*, charities are obliged to engage in charitable activities defined by Common law as the relief of poverty, the advancement of religion and education, and the enhancement of benefit to the community. Although there is no specific regulation that governs non-incorporated nonprofits, many

have developed mission statements that define their purpose. Further research on all aspects of nonprofit governance will contribute important building blocks to an accountability framework for nonprofits.

f) Methods

A sixth element of nonprofit accountability to be addressed in a framework is evaluation methods that are appropriate to and increase the effectiveness of nonprofits. Further research is required into the effectiveness for nonprofits of emerging methods such as fourth generation evaluation (Guba & Lincoln, 1989), empowerment evaluation (Fetterman et al., 1996), and participatory evaluation (Maguire, 1987; Selener, 1997).

g) Feedback

Evaluation of nonprofits continues to be carried out in the absence of a framework. Current methods could benefit from increased nonprofit stakeholder input. It could be expressed along the following lines (as suggested by the principles underlying the social audit model):

- appropriateness of the evaluation to the organization's social role, mission, and mandate;
- appropriateness and effectiveness of methods, inclusion of input from stakeholder groups, negotiation of release of final report (Guba & Lincoln, 1989); and,
- utility of the information produced to the organization (CICA, 1997).

Further, as suggested by the social audit model, evaluations could also be assessed by the extent to which they discover new information about the organization and foster new approaches to resource management. Additionally, nonprofit research could benefit from evaluations whose methods and findings are relevant and transferable to organizations in the same or related fields, to the nonprofit sector as a whole, and to other economic sectors as they relate to nonprofits.

h) Impact

As a final element of an accountability framework for purposes of this discussion, the inclusion of nonprofit impact as a dimension of evaluation processes could broaden their perspective. To examine impact, it is useful to adopt the dual approach taken by studies of the social economy (Defourny & Monzon Campos, 1992; Quarter, 1992; Snaith, 1991). This approach encourages the assessment of a nonprofit in relation not only to its internal effectiveness but also to its external imprint on the community. A social-economic perspective seems indicated by the current precarious situation facing many nonprofit organizations.

Conclusion

The subject of nonprofits in Canada and internationally requires extensive research to put in place some fundamental frameworks and building blocks. These structural elements can also help to explain nonprofits' role, contributions,

and functioning within a social-economic infrastructure. This study proposes that social auditing and social accounting have a significant role to play in developing frameworks and providing analyses that allow nonprofits to fulfil their social mandate. As well, social auditing and accounting can inform policy that affects nonprofits (see Picard, 1998a).

In addition, this study proposes that the development of a labour theory of value is central to understanding organizations in all three economic sectors. A new labour theory of value can help to answer questions such as: how are use and exchange value produced, measured, and accorded social meaning; what is the relationship between the production of use and exchange value; and, what effect do these productive processes have on human relationships and humans' relationships to their environment?

New economic theory has the potential to develop dynamic theories of value if it also takes into account Marx's ideas on the productive process. For example, a key contributor in this field, Mies (1986) engages in a dialogue with ideas put forward by Engels and Marx (Engels, 1977) on the family, and in doing so, develops a deeper analysis of the social origins of the division of labour. Mies disputes Engels' distinction between procreation as a product of nature and labour as a social act involving "the co-operation of several individuals" (Engels, 1997, p. 31). For

Mies, women produce and sustain life in childbearing and childrearing and as such, are social producers, in fact, the "first subsistence providers and the inventors of the first productive economy" (Mies, 1986, p. 56). This interpretation of women's social role in production allows Mies to reinterpret productivity and go on to articulate the role of other non-waged work in producing social value.

However, Mies (1986) failure to see the contribution of Marx's ideas on labour indicates the need for and possibilities of a synthesis of both perspectives. Although Mies approves of Marx's a broad definition of labour as production for the satisfaction for human needs, she criticizes Marx's decision to narrow the definition to exchange value. In doing this, she claims that "Marx himself has theoretically contributed to the removal of all 'non-productive labour' (that is, non-wage labour, including most of women's labour) from public visibility" (1986, p. 48). However, as this study has shown, Marx's analysis of exchange value production, in exposing the fulcrum of the capitalist system, can be adapted to illuminate the production of social value. Marx's theory of labour power as the root of value can be updated to fit current realities or recreated in the light of transformative ideas such as those of Mies (1986) and others on work and the environment (for example, Pietilä, 1993; Shiva, 1989; Waring, 1988) -- and with liberatory results.

A new theory of labour value can help to articulate the creative and dynamic role of human labour and, therefore, of human potential in solving compelling problems of inequity of distribution, unsustainable development, and human alienation and oppression -- before these issues have the power to overcome the planet. The qualities of altruism, social experimentation, and the ability to effect social change that characterize organizations in the social economy place these organizations in a position to play a dramatic and progressive role towards social solutions. This study offers some ideas and tools for social accounting that may help in that regard.

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Appendix A: Correspondence

January 17, 1995

B.J. Richmond

Dear [Executive Director]

Thank you for agreeing to assist with the research for my dissertation. [] from ONESTEP projects, once my dissertation has been completed in the early spring.

I have attached a list of the materials and interviews that I require, and a copy of the format of the letter of consent (which I will present to you for signing when we meet).

Please let me know if this meets with your approval, and call me if you have any problems. I am looking forward to working with you and to learning more about [Site A]. I can begin at your convenience.

Sincerely,

B.J. Richmond
Researcher

Dear [Executive Director; Chair of Board]

As we have discussed, I require your consent as [Executive Director/Chair of Board] in order to undertake the study I have outlined to you previously. I have enclosed a brief description of the study for your information.

The study is part of the requirements for my Doctoral Program at the Ontario Institute for Studies in Education (OISE). The participation of [the agency] will assist me to examine the costs and benefits of Community-based Training for clients who face significant barriers to employment.

The purpose of the study is to provide information about the agency. No evaluation of the agency's operations nor of any person's role in the agency will take place. However, there is always a risk that the published information may be used or interpreted differently than it was intended. That is why steps to ensure confidentiality have been put into place to guarantee that only the researcher will have access to identifying materials. These steps are outlined in the *Confidentiality Agreement and Consent Form*, which is enclosed.

If you are in agreement with the terms of this form, we will each sign it at our next meeting to discuss the research project. Please feel free to call me at [-----], if you have any questions.

When I have prepared the first draft of the report of my findings, I will provide you with a summary that we can discuss. Within six weeks after I have completed the final report, I will forward all of the research participants, the [Executive Director/Chair of Board] and yourself, a summary of the report. As it states in the enclosed *Confidentiality Agreement and Consent Form*, you are free to withdraw the agency's participation from the study at any time.

Thank you for your participation.

Sincerely,

B.J. Richmond
Researcher

Encl. - Abstract
 - Confidentiality Agreement and Consent Form

Counting on Each Other:
The Richmond Social Audit for Nonprofits
Abstract
by B.J. Richmond ©
Ph.D. Candidate, OISE
December 18, 1995

Since the 1980's, economic restructuring by Western Governments has emphasized deficit reduction and balanced budgets. One key strategy is the implementation of cutbacks in social welfare provision with the expectation that the community and voluntary sectors, through churches and service clubs, etc., will fill the gaps. Community activities also seem to share this expectation (Velpau, 1995).

The sector in the spotlight is referred to by many names: the third sector as well as the voluntary, associational or nonprofit sector. However, there is a serious lack of information and analysis (Campbell, 1993, Quarter, 1992; Salamon, 1995). It requires research from a social environmental perspective (Cherny, Gordon, and Herson, 1992). Quarter (1992) has documented the approximate size and weight of the third sector or social economy in Canada, and its significance. It is made up of co-operatives, including mutual insurers; nonprofits serving the public, and nonprofits serving a membership.

Currently, accounting and evaluative practices for nonprofits document only the costs side of the nonprofit ledger (Cherny, et al., 1992; Drohan, 1995). The present study, using a social economic framework, reports on a case study of a service agency providing employment training to disadvantaged groups. The study develops a social audit model to report its findings that utilizes concepts from alternative (environmental, feminist) economics. It is significant because the model can be adapted to other sectors of the social economy for primary data collection and the development of social economic theory.

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Drohan, M. (1995, May 25). Calculate the return on social spending. The Globe and Mail, p. A19.

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STUDY ON COSTS AND BENEFITS OF COMMUNITY-BASED TRAINING

BY B.J. RICHMOND, DOCTORAL STUDENT, OISE

CONFIDENTIALITY AGREEMENT AND CONSENT FORM

Researcher:

I agree to protect the confidentiality of my sources by assigning pseudonyms and codes for personnel and organizations, and by presenting material in aggregate form when it would otherwise disclose research sites or personnel. Only I will keep all audiotape records of interviews, identification of sites and interviewees, as well as data and notes from agency records, in a locked file accessible by me.

I will provide the Executive Director and the Chair of the Board of Directors of [agency name], with a summary of the first draft of my findings. I will provide interviewees, along with the Executive Director and the Chair of the Board, with a summary of the final report of the findings. This and other reports of the findings may be published or distributed to other interested parties as long as they are in compliance with the confidentiality provisions listed above.

Name: B.J. Richmond Signature: Date:

Executive Director [Chair of the Board]:

I have read your letter and the description of the research that you are undertaking for your Doctorate in Adult Education at OISE, and have copies for my records. I consent to the participation of [agency name] in the research project you have described. I agree to provide access to the documents in the Document List attached to this form. I agree to provide access to personnel to be interviewed identified by role in the Interview List, attached to this form.

I grant my permission for the data to be used by the researcher towards her degree, and in any future publications as long as the research complies with the stipulations of the Confidentiality Agreement.

I understand that I may withdraw the agency's participation in the study at any time, without prejudice.

Name: Signature: Date:

Address (where you would like a copy of the report sent):

Telephone:

February 7, 1996

As we have discussed, I require your consent as Executive Director in order to undertake the study I have outlined to you previously. I have enclosed a brief description of the study for your information.

The study is part of the requirements for my Doctoral Program at the Ontario Institute for Studies in Education (OISE). The participation of [Site A] will assist me to examine the costs and benefits of Community-based Training for clients who face significant barriers to employment.

The purpose of the study is to provide information about the agency. No evaluation of the agency's operations nor of any person's role in the agency will take place. However, there is always a risk that the published information may be used or interpreted differently than it was intended. That is why steps to ensure confidentiality have been put into place to guarantee that only the researcher will have access to identifying materials. These steps are outlined in the *Confidentiality Agreement and Consent Form*, which is enclosed.

If you are in agreement with the terms of this form, we will each sign it at our next meeting to discuss the research project. Please feel free to call me at (416) 693-9100, if you have any questions.

When I have prepared the first draft of the report of my findings, I will provide you with a summary that we can discuss. Within six weeks after I have completed the final report, I will forward all of the research participants, a summary of the report. As it states in the enclosed *Confidentiality Agreement and Consent Form*, you are free to withdraw the agency's participation from the study at any time.

Thank you for your participation.

Sincerely,

B.J. Richmond
Researcher

Encl. -Confidentiality Agreement and Consent Form

Dear [Participant]

Thank you for considering to be interviewed in confidentiality for a study which is part of the requirements for my Doctoral Program at the Ontario Institute for Studies in Education (OISE). Your participation will assist me to examine the costs and benefits of Community-based Training for clients who face significant barriers to employment. I have enclosed a brief description of the study for your information.

The purpose of the interview is to provide information about [the agency]. No evaluation of the agency's operations, nor any person's role or performance in the agency will take place. However, there is always a risk that the published information may be used or interpreted differently than it was intended. This why steps to ensure confidentiality have been put in place to guarantee that only the researcher will have access to identifying materials. These steps are described in the *Confidentiality Agreement and Consent Form*, which is enclosed.

If you are in agreement with the terms of the *Confidentiality Agreement and Consent Form*, we will each sign it before the interview takes place. With your consent, I will record the interview on audiotape for later transcription so that I have an accurate record of your (confidential) responses. If you have any questions, please feel free to call me at [-----].

Within six weeks after I have prepared the report of my findings from the research, I will send you a summary. I hope it will be informative.

Thank you for your participation.

Sincerely,

B.J. Richmond
Researcher

Encl. - Abstract
 - Confidentiality Agreement and Consent Form

Counting on Each Other:
The Richmond Social Audit for Nonprofits
Abstract

by B.J. Richmond ©
Ph.D. Candidate, OISE
December 18, 1995

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Currently, accounting and evaluative practices for nonprofits document only the costs side of the nonprofit ledger (Cherny, et al., 1992; Drohan, 1995). The present study, using a social economic framework, reports on a case study of a service agency providing employment training to disadvantaged groups. The study develops a social audit model to report its findings that utilizes concepts from alternative (environmental, feminist) economics. It is significant because the model can be adapted to other sectors of the social economy for primary data collection and the development of social economic theory.

References

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Quarter, J. (1992). Canada's social economy: Co-operatives, non-profits, and other community Enterprises. Toronto: James Lorimer and Company.

Salamon, L. J. (1995). Partners in public service: Government-nonprofit relations in the modern welfare state. Baltimore, MD: The John Hopkins University Press.

Velpau, M. (1995, November). The Globe and Mail.

STUDY ON THE COSTS AND BENEFITS OF
COMMUNITY-BASED TRAINING

BY B.J. RICHMOND, DOCTORAL STUDENT, OISE

CONFIDENTIALITY AGREEMENT AND CONSENT FORM (DOCUMENTS)

Researcher:

I agree to protect the confidentiality of my sources by assigning pseudonyms for personnel and agencies, and by presenting material in aggregate form when it would otherwise disclose research sites or personnel. Only I will keep all data and any notes made from agency and client documents in a locked file accessible by me.

Name: B.J. Richmond

Signature:

Date:

Client or Graduate:

I consent to your examination of client files that the agency has on record about me. I grant my permission for the data to be used by the researcher towards her degree, and in any future publications as long as the researcher complies with the stipulations of the Confidentiality Agreement.

I understand that I may withdraw from the study at any time, without prejudice.

Name:

Signature:

Date:

STUDY ON COSTS AND BENEFITS OF CBT AGENCY
COSTS AND BENEFITS

BY B.J. RICHMOND, DOCTORAL CANDIDATE, OISE

CONFIDENTIALITY AGREEMENT AND CONSENT FORM (INTERVIEW)

Researcher:

I agree to protect the confidentiality of my sources by assigning pseudonyms and codes for personnel and agencies, and by presenting material in aggregate form when it would otherwise disclose research sites, personnel or study participants. Only I will keep identification of sites, interviewees, field notes and all tape records of interviews, in a locked file accessible by me.

I will provide the interviewees, along with the Executive Director and Chair of the Board, with a summary report of the findings. This, and other reports of the findings may be published or distributed to other interested parties, as long as they are in compliance with the confidentiality provisions listed above.

Name: B.J. Richmond Signature: Date:

Interviewee:

I have read your letter and description concerning the research you are undertaking for your Doctorate in Adult Education at OISE, and I have a copy for my records. I am willing to participate in the research. I consent to be interviewed and have the interview audio taped. I grant my permission for the data to be used by the researcher towards her degree, and in any future publications, as long as the researcher complies with the stipulations of the Confidentiality Agreement.

I understand that I may stop the interview at any time, and I may withdraw from the study at any time, without prejudice.

Name: Signature: Date;

Address (where you would like a copy of the summary report sent):

Telephone:

Appendix B: Data Collection Process

STUDY ON COSTS AND BENEFITS OF COMMUNITY-BASED TRAINING

BY B.J. RICHMOND, DOCTORAL STUDENT, OISE

DOCUMENT LIST

- Financial and legal documents: including last audit, reports to funders, contracts with funders, fee-for-service contracts, reports to provincial and federal governments concerning the incorporation and annual reports; and documenting material.
- Program descriptions, evaluations, and reports.
- Aggregate and unidentified client information.
- Client files on specified clients (with their consent).
- Board minutes, annual reports.
- Founding documents, historical documents, mission statement.
- Job descriptions for staff and volunteers; volunteer hours and activities.
- Aggregate and unidentified placement information; anecdotal placement information.

INTERVIEW LIST

- The Chair of the Board of Directors, and one non-Executive member.
- The Executive Director, and one front-line staff.
- Two volunteers.
- Two current clients (trainees) and six former clients (graduates), with their consent.
- Two funders.
- Two customers (fee-for-service contractors).
- Two employers who have hired or placed trainees.
- Two of the agency's community partners.

The clients will be selected at random from gendered lists, with equal representation of men and women. All other interviewees will be selected in consultation with the Executive Director.

Appendix C: Interview Schedules

1. (CONFIDENTIAL) INTERVIEW SCHEDULE: EXECUTIVE DIRECTOR, APRIL 1996

Provide information by documentation and/or description.
Unless otherwise stated, please provide for both current year and social audit year.

A bit about you: your age (gender)
Work and educational history; degrees, professional certification
How long with agency, in what capacities
Current position, how long in it

History of the agency
Founding; incorporation; charitable organization number

Current programs ☒ describe
Current numbers served; for audit year
Current cost per placement (client); for audit year
Current budget; for audit year ☒ provide audited financial statements

Revenue sources ☒ describe
Volunteer, staff, Board participation in fundraising ☒ describe, estimate time spent

Staffing
Describe staff positions, salaries, personnel, qualifications, total hours by category

Board of Directors
List, profile of members
Activities ☒ current year and audit year
Estimate average time spent by Board members per month, year: member, Executive

Volunteers
Describe capacities, training and orientation provided
Estimate staff time spent per day, month, year, supervising and training volunteers
Estimate time spent by volunteers per day, month, year ☒ in each capacity
Estimate worth of volunteer time in each capacity based on appropriate compensation for activities

Relationships with private sector
Who are your customers ☒ describe relationship, estimate value (from Revenues)
Who are your customers of ☒ describe relationship, estimate value (from Expenditures)
Placements, internships other relationships

Relationships with public sector

Funder(s) ☒ describe relationship, value (Revenues)

Use of other public sector products, services (Expenditures)

Relationships with nonprofit sector

Describe staff and Board participation in networks, Boards, advisory committees, and other nonprofit bodies; for each activity, estimate hours, value based on salaries, appropriate compensation

Describe staff and Board participation on behalf of your agency on Boards, committees of other nonprofit agencies; for each activity, estimate hours, value

Any in kind contributions or barter of training, service; estimate value based on salaries, appropriate compensation

Describe staff and Board participation on behalf of your agency on Boards, committees of other nonprofit agencies; for each activity, estimate hours, value

Any in kind contributions or barter of training, service; estimate value

Describe other nonprofit agency participation in your agency Board, advisory committee, barter of training, in kind service; estimate value.

All other civic contributions, awards or recognition for your agency; its staff, volunteers, clients, Board.

What is the success rate for the organization ☒ by what criteria, how arrived at, show and explain documentation process; what is the cost per success, per client; provide placement charts (output statistics in whatever form)

Who inside the agency reviews these; who from outside the agency

Describe evaluation and accountability measures used by, or with the agency

When was your last evaluation (provide documentation); in last five years, who administered, to whom reported; for social audit year

In your opinion, how does this agency contribute to the community ☒ directly, indirectly.

What are its negative impacts on the community, direct or indirect; describe.

How do the clients benefit ☒ directly, indirectly; how are they impacted negatively ☒ directly, indirectly.

What are the agency's biggest accomplishments, biggest frustrations ☒ future prospects.

The Richmond Social Audit Process, Copyright B.J. Richmond, 1996

(CONFIDENTIAL) INTERVIEW SCHEDULE: BOARD MEMBER, APRIL 1996

A bit about you
 Your age (gender)
 Are you employed, where, in what capacity
 What kind of organization is it; what are its products, services, annual sales, size
 How long have you been with the organization; in your current position
 Describe your work history, education; your present qualifications
 Tell me a bit about your life; married, children, hobbies
 Other volunteer or civic activities

Describe your first contact with the agency; when did you join the Board
 Was there any training or orientation; what did it consist of
 What positions have you held on the Board, describe activities
 Prior to current or social audit year, estimate time spent in Board activities

Describe your position and activities for current year; social audit year
 How many hours spent per day, month, year
 Estimate the money value of the hours
 Your current salary or other appropriate measure
 Is your time or proportion of it underwritten by your organization; what motivates it
 By activity ☒ hours spent at full salary (or other) value; rationale
 Hours spent at partial value; rationale

Describe your future prospects as a Board member with the agency ☒ where do you see yourself going from there.

Has being a Board member benefited you; if so, how
 Directly: what skills or hardcore knowledge have you acquired; have you applied this in other contexts ☒ where, how
 Contacts made ☒ outcomes; opportunities opened up ☒ outcomes
 Indirectly: learning, increased confidence, friendships, enhancements; benefits to your family
 Other

Have there been negative aspects to being a Board member; if so, what
 How have they affected you ☒ negative outcomes
 Indirect negative outcomes ☒ affecting your career, personal life, family life
 Other

Does the agency make a contribution to the community, in your opinion. If so, how.

Does the agency have any negative impacts on the community, in your opinion. If so, how.

What are the agency's greatest accomplishments, greatest challenges.

Sum up your experience with the agency.

The Richmond Social Audit Process, Copyright B.J. Richmond, 1996

(CONFIDENTIAL) INTERVIEW SCHEDULE: STAFF, APRIL 1996

A bit about you

What is your position at the agency

How long have you worked at the agency; in your present capacity

Describe the duties of your current position; describe your professional qualifications and educational background; previous work experience

What is your salary; benefits

What is your age; gender; do you have any children

What are your short/long-term prospects with the agency

In your opinion, how does the agency benefit

The clients (graduates); their families

The employer

The funder

The community

Describe any negative effects of the agency on

The clients (graduates); their families

The employer

The funder

The community

What organizations do you interface with in the course of your responsibilities at the agency.

As part of your duties, do you participate in any networks, Board of Directors, or other activities with community organizations.

What issues affect your work significantly.

What would you say are the most important aspects of community-based training as it affects

The client (graduate)

The employer

The staff

The community

Describe one or two client (or graduate) success stories.

Describe an incident or aspect of your work that is disappointing to you.

Describe an incident or aspect of your work with which you are most satisfied.

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(CONFIDENTIAL) INTERVIEW SCHEDULE: VOLUNTEER, APRIL 1996

A bit about you
 Your age (gender)
 Are you employed, where, in what capacity
 What kind of organization is it; what are its products, services, annual sales, size
 How long have you been with the organization; in your current organization
 Describe your work history, education; your present professional qualifications
 Tell me a bit about your life; married, children, hobbies
 Other volunteer or civic activities

Describe your first contact with the agency; when did you join the Board
 Was there any training or orientation; what did it consist of
 In what capacity did you volunteer; what were your activities
 In your first year of volunteering, how many hours per day, month
 Describe any other volunteer activities before the current year
 Activities, hours ☒ per day, month, year
 Estimate total hours to current year
 Describe any other volunteer training

Describe your activities in the current year (or the year under study)
 How many hours per day, month, year
 Estimate the money value of the hours
 Your current salary or other appropriate measure
 Is your time or proportion of it underwritten by your organization; what motivates it
 By activity: hours spend at full salary (or other) value; rationale
 Hours spent at partial value; rationale

Describe your future prospects as a volunteer at the agency
 ☒ where do you see yourself going from here, both inside and outside the agency.

Has being a volunteer benefited you; if so, how
 Directly: what skills or hardcore knowledge have you acquired; have you applied this in other contexts ☒ where, how
 Contacts made ☒ outcomes; opportunities opened up ☒ outcomes
 Indirectly: learning, increased confidence, friendships, enhancements; benefits to your family
 Other

Have there been negative aspects to volunteering; if so, what

How have they affected you; negative outcomes
Indirect negative outcomes ☒ affecting your career, personal
life, family life
Other

Does the agency make a contribution to the community, in
your opinion. If so, how.
Does the agency have any negative impacts on the community.
If so, how.
What are the agency's greatest accomplishments, greatest
challenges.
Sum up your experience with the agency.

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(CONFIDENTIAL) INTERVIEW SCHEDULE: GRADUATE, APRIL 1996

I am going to ask you some questions about your life before, during and after your time with the agency. I will be asking you some personal questions, and in some cases, I will need to verify the information from your records. This interview is confidential, and you can stop it at any time. I am trying to find out whether and how, receiving training or service from agency was of any benefit to you, or had any negative impact on you.

What is your age, marital status, and any children that you are supporting.

Describe your schools and work activities from the time you left high school until you entered the program
 Schooling, courses, programs ✖ specifics
 Work history: jobs ✖ company, job classification, length of time at the job, salary, benefits, reason for leaving

What was happening in your life in the time just before you came to the agency

How did you hear about it, get referred

What were the services you were receiving when you were accepted at the agency

UI; WCB; CPP; Social Assistance; any medical, dental, housing subsidies

VRS, counselling supports; any counselling supports or other supports for your family

Other agency involvement

What was the value of the income support and related supports you were receiving (transportation, accommodation, medical, dental, etc.)

May I have your permission to check with the agency workers (VRS, UI, FBA, etc.) to Determine what they estimate to be the value of the time they spent with you. May I check your records with the agency (as per your consent form), to confirm the details you have provided.

Describe your experience at the agency
 What was your source of income while at the agency; details
 What was your biggest success; disappointment while at the agency
 How was your health affected by your experience at the agency; your self-esteem; your chances for employment
 Did you receive help from the agency in securing a placement and/or job
 How much of an impact did the agency's intervention (help) have on your success while there, getting a job, after leaving the job
 How was your family affected by your experience at the agency
 Describe any direct benefits of the agency's intervention; indirect benefits
 Other

Did you graduate; were you able to secure employment upon graduating
 Where; what position; what are your duties; what do you like most & least about it
 Salary; benefits; what services are you receiving now
 Length of time in position; future prospects there
 Any major purchases since changes in lifestyle; graduating
 What other activities, courses are you currently in, professionally; extra-curricular & any of them as a result of your activities at the agency
 What are your prospects for the future
 What impacts has this had on your family; on their prospects

(CONFIDENTIAL) INTERVIEW SCHEDULE: EMPLOYER, APRIL 1996

Describe generally the organization for whom you are working
How long has it been in business
What is the scope of its operations
What are its products, services
Describe its operations in the geographic area of this study
How many employees in this area ~~§~~ nationally,
internationally (as applicable); sales figures

Describe your role in the organization
Position
How long with company and in current position

Describe your organization's contact with the agency being
studied
How did contact become established
Have you hired a graduate; more than one
(without identifying personnel) in what capacity, at what
salary, benefits
What has been the company's experience with the graduate's
performance, can you rate it (as applicable)
Is the contact with the agency ongoing; in what capacity

Has your contact with the agency benefited your organization
Was there any recruitment, training costs savings realized
through your hiring of an agency graduate; describe and
estimate (as applicable)
Are there any public relations gains through the agency
publicizing your organization's involvement with it;
describe and estimate (as applicable)
Are there any other direct or indirect benefits; describe
(as applicable)

Has your contact with the agency had any negative impact on
your organization
Directly or indirectly; describe and estimate (as
applicable)

Any other relevant information.

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