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**DEFINING THE NONPROFIT SECTOR:  
IRELAND**

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## PREFACE

This is one in a series of Working Papers produced by The Johns Hopkins Comparative Nonprofit Sector Project, a collaborative effort by scholars in over twenty countries to understand the scope, structure, and role of the nonprofit sector using a common framework and approach.

The Working Papers provide a vehicle for the initial dissemination of the work of the Project to an international audience of scholars, practitioners and policy analysts interested in the social and economic role played by nonprofit organizations in different countries, and in the comparative analysis of these important, but often neglected, institutions.

Working Papers are intermediary products, and they are released in the interest of timely distribution of Project results to stimulate scholarly discussion, and to inform policy debates. A full list of these papers is provided on the inside of the back cover.

The production of these Working Papers owes much to the devoted efforts of our project staff, in particular Regina Rippetoe, as the program manager, and Wendell Phipps, the project's secretary. We also want to express our deep gratitude to our colleagues on this project, to the International Advisory Committee that is helping to guide our work, and to the many sponsors of the project listed at the end of this paper.

The views and opinions expressed in these papers are those of the authors and do not necessarily represent the views or opinions of The Johns Hopkins University, its Institute for Policy Studies, or any of its officers or supporters, or the series' editors.

We are delighted to be able to make the early results of this project available in this form and welcome comments and inquiries either about this paper or the project as a whole.

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# DEFINING THE NONPROFIT SECTOR: IRELAND<sup>1</sup>

## Introduction

Any discussion of the nonprofit sector must address the question of definition in some way. The nonprofit sector in Ireland is more commonly known as the voluntary sector, or more recently as the voluntary and community sector.<sup>2</sup> Although the voluntary sector plays an important role in Irish society and has been acknowledged as significant by policy makers and the public alike, to define the boundaries of this sector is a task fraught with difficulties. Voluntary organizations, for example, include charities, friendly societies, industrial and provident societies and co-operative societies all of whom have a history extending back to at least the last century.

Although literature on the voluntary sector in Ireland is relatively young, the most substantive writings dating from only the beginning of this decade, the definitional problem has been indicated (see Ruddle and O'Connor, 1993; Ruddle and Donoghue, 1995; Hayes, 1996 for example). The absence of a publicly-available register of charities has been identified as contributing to the issue, if only because confidentiality about disclosing the number of charities and about the types of organization qualifying for a charity number from the Revenue Commissioners has not helped in clearing the murky waters (Ruddle and O'Connor, 1993; Ruddle and Donoghue, 1995). Very recently, the Revenue Commissioners have become more open about details of charitable organizations to whom they have granted tax exemption, and this is a welcome development for researchers in the field (Revenue Commissioners personal communication, 1998).

This paper attempts to find some way through the maze in order to formulate a definition of the nonprofit sector in Ireland. While still recognizing that to call this a "sector" may be a little premature, this paper aims to provide some substance to the argument for such recognition in the future. Salamon and Anheier (1997), referring to the "unit of analysis problem" (1997, p.14), have argued that the use of a single concept such as "sector" implies that all components of that sector share a number of common features. Cross nationally this has been shown to be problematic, and variations that exist elsewhere have raised questions about using the concept of a sector. The case of Ireland is no different from elsewhere, and although popular perceptions exist of what constitutes a voluntary sector, as it is most likely to be known in Ireland, whether or not this concept embraces the whole spectrum of nonprofit organizations is difficult to decipher. The situation is not made any easier by the absence of a reliable representative database of voluntary organizations in the state. In addition charities and other voluntary organizations can take a variety of legal forms and can also include, as will be seen, organizations such as friendly societies, benevolent societies, and co-operatives. The use of "nonprofit" in this paper, as a defining concept, therefore, is to try to encompass this range of organizations, but it must be recognized that that term is not unproblematic although increased popular usage may lead to greater familiarity.<sup>3</sup>

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<sup>2</sup> For example the recent Green Paper produced by the Irish Government in May 1997, called *Supporting Voluntary Activity*, bears witness to the importance of voluntary organizations in Ireland. The Green Paper's long-awaited arrival, however, has been seen by many observers as symptomatic of the cavalier manner with which the relationship between the state and voluntary sector has been treated by policy makers (see below).

<sup>3</sup> A senior member of the Irish legal profession wondered recently if the subject of this study was the national state-run transport system which could quite justifiably be called non-profit making! In other words, he did not associate the term nonprofit with the voluntary sector but focused, instead, on the lack of profit generation.

## The Development of Philanthropy and Voluntary Action in Ireland

### Church and Charity

The history of Ireland is a fairly complex one of colonization, rebellion, oppression, poverty, partition and an eventual coming to terms with a developing self identity since 1922 when the present independent 26-county state came into being. English control, which dates back to 1171, was strongly related to and informed by, while also maintaining the struggle over, national identity and, from the time of the Tudors, religious identity. This is still the case in the north-east of the island as the current Peace Process in Northern Ireland exemplifies. The equation of Catholic with being Irish has its roots in oppression by the English Protestant state, most notably in the time of Oliver Cromwell in the 1600s when serious attempts were made to drive Irish Catholics “to hell or Connacht”.<sup>4</sup> The treatment of the Catholic Church and the Catholic Irish by the English and the importance of the former for Irish identity and nationalism are bound up with the development of the nonprofit sector in Ireland as the Catholic Church has played a prominent part in the development of voluntary activity. Yet this did not happen in any significant way until after the Catholic Emancipation Act in 1829 when Catholic religious bodies were once more allowed to participate freely in civil society, a freedom denied to them since the Penal Days of Cromwell. Prior to the passing of this Act, Protestant or non-denominational doctors and philanthropists had become concerned about the poor physical and medical conditions of those who were economically deprived in Irish society. By 1753, five voluntary hospitals had been set up to try to tackle these problems and also to provide medical schools to train young doctors and nurses (IPA, 1996).

The arrival of the Catholic clergy on the field of voluntary action did not take place, then, until after Catholic Emancipation in 1829 and the passing of the Poor Laws in the 1830s. The Poor Laws introduced statutory welfare provision in both Ireland and Britain, but entitlement was rigidly enforced which meant that very many people were not covered. Many Catholic religious orders in Ireland were thus prompted to take up the mantle on behalf of those not entitled to relief and in 1834 the first Catholic hospital was established. Two strands can be seen, therefore, in early voluntary activity in health provision, the first being associated with mostly Protestant and Quaker action. This was a secular tradition with no clerical influence and minor lay Catholic involvement. The second strand which came later, was Catholic and religious, and was mainly centered on the part played by Catholic nuns in the field of nursing, which from around 1861 started to become more prominent. Indeed, by the early years of this century 84 workhouse hospitals were being run by nuns (Luddy, 1995).

From 1922, with the establishment of the present state, the influence of the Catholic Church became even more pronounced in the provision of education, health and welfare services. The principle of subsidiarity found in Catholic social teaching held that the family had primary responsibility, followed by the local community, for providing welfare and social services. This subsidiary function, therefore, has been an important factor in voluntary activity in Ireland as only when such avenues had been exhausted was the state to step in and accept responsibility for such

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<sup>4</sup> A province in the west of Ireland.

provision (Mulvihill, 1993). The historical dominance of Catholic organizations in addressing social welfare needs which could not be met by the family continued into the 1960s. Following the second Vatican Council, there was a change in emphasis in Catholic social teaching and the Church began to encourage state expansion and the taking over of the voluntary role. The early traditions had hindered the development of a critique of social origins of poverty and destitution, and it is only in the last 30 years that the nonprofit sector has become active in social criticism. The Catholic Church has become since then more likely to criticize the state for doing too little in this field (White, 1980).

### **Self-help and the Rise of the Community Sector**

Alongside this has been the importance of community empowerment which, in many ways, adopted many of the principles of self-help and has had quite a long tradition in Ireland. Self-help, which was according to Luddy (1995) a tenet of Protestant and secular voluntary action in the 18th and 19th centuries, was evident from the late 19th century at community level (Ruddle and Donoghue, 1995). The co-operative movement, begun in the late 19th century by Sir Horace Plunkett, played a significant role in the development of community self-help. Co-operative societies, organized around agricultural production, were designed to counteract the exploitation of the poor. Seen as one of the paths towards economic progress, they were also a development on the part of people not in positions of formal power to wrest some autonomy for themselves. A mutual aid system, called *cooring* (based on a 19th century Anglicization of the Irish word *comhar* meaning help or co-operation), formed a very important part of rural community life. Specifically, *cooring* referred to exchanges of labor in agricultural work, and it involved households helping each other when an individual could not provide sufficient labor for a particular task such as harvesting or footing turf (Arensberg and Kimball, 1968; Brody, 1973). *Cooring* established debt, status and the circulation of goods and money. In *cooring*, labor was given and received, thereby protecting the farm family and making the community self-sufficient and reliant.

The idea of co-operation was also a cornerstone in the establishment of *Muintir na Tire* in the 1930s. This movement used the parish as the basic unit of social organization (Brown, 1985), its leadership came from the clergy, teaching and medical professions, and its aim was to revive the community spirit of the Irish countryside through co-operative effort. Concerned with all aspects of rural life, social, religious, cultural and educational, it emphasized self-reliance and local initiative.

The tenet of self-help has continued in recent decades and has become increasingly important in certain fields, notably in the areas of disability and in community development. In the 1970s there was a huge growth in groups concerned with different disabilities and mental health, and umbrella bodies eventually formed in order to campaign for rights at national level (Hayes, 1996). The present self-help movements and community development organizations, however, while having their roots in the tradition of co-operation, owe much of their impetus and motivation to various developments in the 1970s. The Women's and Trade Union Movements were instrumental in the development of citizen involvement and the strongest expression of community activism during that decade was in women's groups, tenant groups and housing action groups. From the mid-1970s anti-poverty programs also played an important part. These emphasized an ideology of empowerment, participation and social inclusion. The right to consultation and direct democratic participation thus became guiding principles (Kelleher and Whelan, 1992).

From this time voluntary action began to shift from “charity” as the basis of help to an emphasis on the rights of disadvantaged people. Campaigning and advocacy became more prominent as did a focus on unemployment and the marginalization of disadvantaged groups. The importance of the community sector can be seen in the inclusion of the community voice on the National Economic and Social Forum, a body set up to develop economic and social initiatives to combat unemployment; the input of community organizations in the National Anti-Poverty Strategy (Government of Ireland, 1997); and the focus of the recent Green Paper on voluntary activity which emphasized the significance of community groups (Department of Social Welfare, 1997).<sup>5</sup> The area of self-help has diversified in the past three decades to embrace communities of many different types including the unemployed, lesbians and gay men, and travelers. Community development is now taken to cover these areas with social exclusion and marginalization as the central focus.

To summarize briefly, this section has suggested that the Irish voluntary sector has developed over the past 150 years from one where there was a predominance of religious bodies which focused on charity to the present situation where a concern with self-help and community empowerment is manifest. Recent years have seen a fall-off in the importance of religious organizations (although their presence is still indisputable) and the rise of community and independent nonprofit organizations that are organized around issues like social and economic marginalization. The focus of more recent nonprofit organizations, furthermore, is more critical of state inaction and structural causes. Having taken a brief glance at the history of the nonprofit sector in Ireland, attention will now turn to the main types of nonprofit organizations.

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<sup>5</sup> Although the Green Paper was welcomed for having finally made it to the light of day, it has been seen by some observers as recognizing the community sector to the detriment of other nonprofit organizations (McInerney, 1998; Peillon, 1998; Harvey, 1998). Of notable absence, for example, are “voluntary organizations in the field of mental health” who were not included in the calculations of statutory support. Yet, the majority of services to people with mental health, physical or sensory disability are provided by voluntary organizations (Ruddle and Mulvihill, 1995). It should be noted, too, that financial support to the “voluntary and community sector” detailed in the Green Paper included two agencies, Combat Poverty Agency and the National Social Services Board, which provide significant support to the nonprofit sector, but which are themselves statutory bodies.

## Major Types of Nonprofit Organizations

As earlier stated, nonprofit organizations are generally known in Ireland as voluntary organizations and they can take a variety of legal forms. Furthermore, there are several organizational forms taken by voluntary organizations that do not bestow a separate legal personality on the organization. To further complicate this picture there is a burgeoning community sector which is becoming increasingly important. This importance was noted in the Green Paper, the focus of which was very much trained on the community sector (see later in this paper). Many community organizations would make a distinction between themselves and the voluntary sector whom, it appears, they are more likely to associate with larger nonprofit bodies that employ paid personnel. Community organizations are, moreover, the largest single group to have been granted charitable exemption in recent years by the Revenue Commissioners (Revenue Commissioners personal communication, 1998).

Legal forms that voluntary organizations can take in Ireland are a) companies limited by guarantee, b) industrial and provident societies, c) incorporation under the Charities Act of 1973, d) unincorporated associations, e) trusts, and f) friendly societies (Cousins, 1994). A number of observations arise from this list. Firstly, apart from organizations that are incorporated under the Charities Act 1973, in Ireland being a charity is not a measure of legal status. Charitable status does not exist in the same way that it does, for example, in England. Charitable organizations can apply to the Revenue Commissioners for exemption from certain taxes (see below) but the granting of a charity number on successful application for charitable exemption **does not** confer a legal status on the organization. Secondly, of the legal forms that are listed above only a) companies limited by guarantee, b) industrial and provident societies, and c) incorporation under the Charities Act of 1973 bestow a separate legal personality on the organization. That is, members of these organizations are not held individually responsible for activities of the organization. The other organizations, d) unincorporated associations, e) trusts, and f) friendly societies, do not bestow a separate legal personality on the organization which means that each member is individually responsible for the organization should anything arise such as, for example, the organization being wound up as a result of going into receivership.

To discuss voluntary organizations in Ireland under the legal forms listed above would not make much sense of the sector, since organizations that people associate with the Irish voluntary sector can take any of these legal forms. Furthermore it has already been done elsewhere (see Cousins, 1997). It is therefore proposed to discuss the nonprofit sector in Ireland by looking at its major components, what they are and their tax and legal status. The major voluntary organizations that will be examined in this section are charities, friendly societies (including industrial and provident societies) and the community sector. These cover hospitals, schools, welfare and social service organizations, agriculture and friendly societies, trade unions, community-based organizations, and the area-based partnership companies.

### Charities and Charitable Trusts

**Charitable Exemption.** There is no statutory definition of charities, although organizations can apply for tax exemption to the Revenue Commissioners. Confusion exists about the function of the Revenue Commissioners *vis-à-vis* charitable organizations but to date their role is not to maintain a register of or to regulate charities (Ryan, 1995; Hickson, 1996), but rather to allocate a charity

number which is used for the purposes of exemption from certain taxes. The Revenue Commissioners assert that this process does not amount to the granting of charitable status (Ryan, 1995) and the final arbiter of whether or not an organization is charitable is the courts (Ryan, 1995; Hickson, 1995). While no register of charities is maintained, the Revenue Commissioners hold certain details of organizations that have been granted charitable exemption. These details have recently begun to be made available, on request, from the Revenue Commissioners.

Charitable exemption has been available since 1853 when income tax was extended to Ireland (and when the 32-county Ireland was still under British rule as part of the Union). To date over 12,000 applications have been received and 7,722 organizations have been granted a charity number (Revenue Commissioners personal communication, 1998). Although the Revenue Commissioners issue charity numbers, and decide on whether tax exemption is retained at the end of a certain period of time (see below), they do not keep an up-to-date record of approved organizations with charitable exemption. Their office, therefore, estimates that there are about 4,000 of these approved organizations still active, but this is only an estimate and indicates the fact that the Revenue Commissioners do not have an ongoing regulatory role with regard to charities. Indeed, there is no one body with that responsibility in Ireland, and while there is some speculation that this may eventually become a function of the Department of Justice (because this was the Department to whom the Report of the Committee on Fundraising Activities for Charitable and Other Purposes was presented in 1989), at the time of writing no decision on this has yet been made.

The present definition of what constitutes a charity in legislation derives from the Pemsel Case in 1891 and the Income Tax Act of 1967 (Hickson, 1995; Ryan, 1995). The legal origins date back to 1634 when the State of Charitable Uses (Ireland) determined that places of education, divinity, the arts and sciences and the relief and maintenance of “poor, succourless, distressed or impotent persons” (quoted in Hickson, 1995, p.1), as well as the services performed within, were charitable in law. Over 250 years later, according to Lord Macnaghten in the Pemsel Case, charitable trusts were classified under four main categories: (i) the advancement of religion, (ii) the advancement of education, (iii) the relief of poverty, and (iv) other purposes beneficial to the community not falling within the other three categories. Much more recently, section 334 (3) of the Income Tax Act of 1967, states that charity “means any body of persons or trust established for charitable purposes only” (quoted in Ryan, 1995, p.4).

In 1995, 255 charitable exemptions were granted to organizations. Of these 255, 50 percent were organizations involved in activities of benefit to the community, nearly one quarter (23 percent) of charity numbers were granted to organizations involved in the advancement of education and 13 percent went to organizations involved in the relief of poverty. Four percent of charity numbers, denoting charitable exemption, were granted to organizations involved in the advancement of religion, three percent were granted to sporting organizations, and a further seven percent were granted to others, the examples given by the Commissioners being “agricultural and friendly societies” (Revenue Commissioners personal communication, 1998).

In order to apply for a charity number, an organization must submit a formal Governing Instrument to the Revenue Commissioners, including its name, objects, powers, details of its area of operation and its rules. Organizations must ensure to include annual audited accounts, proof that they do not distribute income to members, and a prohibition on the payment of fees and/or salaries, other than out-of-pocket expenses to members of the management or governing body. Included, too, must be a note on the winding up of the organization and the transfer of its assets to another

charitable body and also recognition that the Revenue Commissioners must be contacted for approval for any changes made to the Governing Instrument.

Once organizations apply for and are granted tax exemption along with a charity number, this exemption lasts for 18 months in the first instance. After this period, organizations must provide details to the Revenue Commissioners of any additions to their governing instrument, paid employees, activities undertaken, accounts, property owned and current directors. Once these have been furnished, the Revenue Commissioners decide on whether tax exemption status is retained. As already noted above, however, this appears to be a once-off decision and the Commissioners do not undertake ongoing monitoring.

So, what exemption is available to charities and what is the benefit of seeking a charity number from the Revenue Commissioners? According to the Income Tax Act of 1967 and the Corporation Tax Act of 1976, recognized charities<sup>6</sup> are exempt from paying income tax and corporation tax on interest, annuities, dividends and shares, rents on property, gifts, profits from trade or land owned. Recognized charities are also exempt from certain other taxes such as Capital Gains Tax, Deposit Interest Retention Tax, Government Stamp Duty on property sold, Capital Acquisitions Tax and Probate Tax. In addition, educational establishments are allowed tax-free gifts for the purposes of the teaching of natural science, carrying out research and promoting education in art, architecture, theater, film arts, literature and music (Hickson, 1996). According to article 13 of the European Union 6th VAT Directive, charitable organizations that are exempted from VAT include educational and vocational training establishments, hospitals and childcare services. Other organizations covered include those involved in the supply of goods and services related to welfare and also political, trade union, religious and philanthropic organizations.

The Finance Act of 1995 introduced a tax concession for donations to Third World charities. Such charities are allowed receive payment from the Revenue Commissioners of income tax paid by donors on donations between £IR200 and £IR750 a year. This represents an extra bonus to the charities in question but the donor does not receive any tax relief. Under the most recent Budget (December 1997), the Finance Bill in 1998 will introduce a new tax relief on corporate donations to recognized charities (“Budget 98,” 1997). Companies donating between £IR100 and £IR10,000, or up to 10 percent of their income, will be allowed tax relief as an ordinary business expense. This latest tax relief follows lobbying by a network of Irish charities who have been aiming for some form of relief since 1991.

It is important to note that charitable recognition, or the granting of a charity number, does not confer a legal status on the organizations but is purely for the purposes of tax exemption. However, once organizations are recognized as charities they can then apply to the Commissioners of

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<sup>6</sup> Throughout this paper, charities are referred to as “recognized charities” rather than “registered charities” in recognition of the fact that there is no register of charities in Ireland and also that it has been stated by the Office of the Revenue Commissioners that it does not grant charitable status. Indeed, according to Ryan (1995), one of the most common reasons for an organization seeking tax exemption is a wish to become a “registered charity,” which he states that the Revenue Commissioners do not grant.

Charitable Donations and Bequests to be granted legal status under the Charities Act 1973. There are, nevertheless, only about 25 incorporated schemes under this Act. Preceding this Act (and also the establishment of the present state in 1922), several public voluntary hospitals were incorporated by Royal Charter (Cousins, 1997). According to the Revenue Commissioners these “charities under statute” make up two percent of all organizations that have been granted charitable exemption (Revenue Commissioners personal communication, 1998).

*Charities in Ireland – the example of hospitals and schools.* Most hospitals and schools have been granted charitable exemption because they qualify under the Pemsel criteria detailed above (Hickson, 1995). Furthermore, as already noted, several public hospitals were incorporated by Royal Charter as charitable organizations before 1922 (Cousins, 1997). In addition, hospitals are exempt from paying tax on the income from property that they own under sections 333 and 334 of the Income Tax Act of 1967 (Ryan, 1995).

There are 32 public voluntary hospitals operating in Ireland today, the vast majority of them in the Dublin area, and several in the other major urban areas. They account for a substantial part of statutory spending in the health area. Hospitals include voluntary representation on their governing bodies or boards of management. Apart from this volunteer input and some fund raising activity, however, the public voluntary hospitals manifest little other voluntary activity.

The schooling system in Ireland is predominantly denominational. Most of the schools’ funding comes from the state, through capitation grants from the Department of Education based on enrolment numbers in each school. The Department also meets the full salary cost of clerk-typists in a number of schools. In 1995, 3,319 primary level (or what we call national) schools and 452 voluntary secondary schools received funding from the Department (Government of Ireland, 1996).

At primary level the most common type of school is the national school. These schools were established by Christian Brothers in the last century in a bid to educate the majority of Irish people who could not afford basic schooling. These schools became state supported in the 1920s when school attendance between the ages of six and 14 became compulsory. National schools are parish based and their curricula are determined by the state as is the rate of remuneration for their teachers. Teachers’ salaries are also paid directly by the state. It is not the responsibility of the state, however, to hire or fire teachers, and each school’s Board of Management recruits and appoints its own teachers.

National schools operate under rules laid down by the Minister for Education with, where necessary, the concurrence of the Minister for Finance. These provide that the Minister and duly authorized persons may visit and examine the schools whenever they think fit. Responsibility for the running of national schools rests with Boards of Management whose members are made aware of these responsibilities through training courses funded by the Department of Education. These Boards of Management were reorganized in 1975 to include representation by parents alongside bishops’ appointees and the school principals (Brown, 1985). The Constitution of Boards of Management of National Schools and their Rules of Procedure require the Board to keep a school account, to have an up-to-date statement of the school account at each meeting and to retain vouchers of expenditure for inspection and audit by officials of the Department of Education. The Department requires declarations from schools in relation to enrolment numbers, lodgement of local

contributions and the application of the caretaker and clerical services grant (Government of Ireland, 1996).

Because the salaries of national school teachers are paid directly by the state, the Irish National Accounting System regards national schools as part of the state or public sector. National schools have a charity number, however, as they are affiliated to the Bishop's House in whatever diocese they are situated in and every Bishop's House has been designated with a charity number. In the Dublin diocese, for example, the St. Laurence O'Toole Trusts administers all Catholic national schools and such schools have a charity number based on this.

Voluntary secondary schools are private institutions under the authority of trustees who delegate much of the management of the schools to Boards of Management. These Boards of Management are responsible for the financial administration of the schools, the recruitment, appointment and promotion of staff and the implementation of health and safety in the schools.

Most secondary schools in Ireland are denominational and the state provides the majority of funding, determines the curriculum and decides on remuneration levels for teachers. Increased state support began in 1967 when the state began a system of grants to voluntary secondary schools which chose to waive their fees in an attempt to increase student numbers and improve the educational standards of the population. This increase in state support has led, however, to discussion about the management and control of the voluntary secondary schools, a debate that has not affected the national (primary) school system as much because state control there has been in place for longer. Grants are paid directly to the schools, the balance of school funding being obtained through local fund raising and voluntary contributions. It has been estimated that three quarters of the income of Catholic secondary schools comes from state capitation grants with other state grants amounting to a further 12 percent (Nolan and Burke, 1991, p.20). In comparison with teachers in the national school system whose salaries are paid directly by the Department of Education on the basis of monthly returns made by each school, teachers in voluntary secondary schools receive part of their salaries from the schools' own finances.

### **Friendly Societies**

Organizations that come under the authority of the Registrar of Friendly Societies fall into four different types of nonprofit bodies (i) friendly societies, (ii) trade unions, (iii) credit unions, and (iv) industrial and provident societies. Within each of these categories, however, are included organizations that are profit-making and/or distributing. As the figures given above for charitable exemptions show, seven percent of charity numbers granted in 1995 were made to agricultural and friendly societies.

All friendly societies have what are known as Rules of the Society. Rules are similar to the Memorandum and Articles of a company limited by guarantee under the Companies Act, but they only cover an issue rather than what the provision must contain. As such, friendly societies are more flexible than companies limited by guarantee, but they can be problematic because they do not have a separate legal status, except for industrial and provident societies (which Cousins (1994) says are

relatives of, rather than friendly societies *per se*, although they come under the guidance of the Registrar of Friendly Societies).<sup>7</sup> A brief look at types of friendly societies would now be useful.

**Friendly societies** include four different groups of societies: friendly, benevolent, specially authorized societies and workmen's clubs. The legal category of friendly society dates from the 19th century when many small mutual insurance and assurance bodies provided benefits for their members and for others. Friendly societies are not incorporated which means that the organization does not have a legal personality of its own and anything done by the organization is, in law, done by all of the individual members. Friendly societies are exempt from income tax under the Income Tax Act of 1967.

There are three kinds of organizations that can be registered as **trade unions**: employee associations, employer associations and trade associations. They are all nonprofit-making organizations whose objects have been defined under the Trade Union Act of 1913 as concerned with the regulation of relations between different types of workers, both employers and employees in the workplace. There are 76 registered trade unions in Ireland (Government of Ireland, 1994), the vast majority of which (65) are affiliated to the Irish Congress of Trade Unions which is the central authority for trade unions (IPA, 1996). Trade unions are exempt from tax on income from interest and dividends. They are also exempt from paying VAT under the 6th VAT Directive of the EU.

**Credit unions** are defined for the purposes of registration under the Credit Union Act of 1966. The Act provides that co-operative societies that are formed to "use and control members' savings for their mutual benefit" shall be registered as credit unions (Government of Ireland, 1994, p.1). Credit unions have therefore been referred to as mutual nonprofit-making organizations. In 1993 there were 425 credit unions registered with over one million members and assets totaling over £IR920m (Government of Ireland, 1994, p.4). Credit unions are also registered under the Industrial and Provident Societies Acts of 1893 to 1971 and, as such, are exempt from paying income tax under the Finance Act of 1972 (Kavanagh, 1995).

Most **industrial and provident societies** are co-operative societies which have a long tradition in Ireland dating back to the late 19th century (see above). Although co-operative societies perceive themselves as voluntary organizations (ICOS, 1996) most are profit-making and distributing. Only a small proportion, for example housing societies and group water schemes, are not profit distributing and do not record profits or share holdings in their annual accounts (ICOS, 1996). Related to the friendly society, although legally separate from it, industrial and provident societies are registered as bodies with limited liability and the interest of each member is set at an upper limit (£IR6,000 per member in 1993). Industrial and provident societies must be formed for carrying on an industry, business or trade and most are now commercial organizations, although the structure is also used by some nonprofit organizations. This structure is covered under the Industrial and Provident Society Acts of 1893 to 1978. The operations of industrial and provident societies are covered by Rules, as in other friendly societies. Overall control is the responsibility of the members but ongoing

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<sup>7</sup> For ease of description, however, industrial and provident societies will remain in this section.

management is the responsibility of a management committee elected by members at annual general meetings.

## The Community Sector

Although the community sector could be said to have a long history associated with a tradition of self-help and the co-operative movement, the more recent manifestation of community activism has occurred around the principles of a rights culture, *viz.* the right to consultation and direct democratic participation. A recent study on voluntary organizations in the social services area provides some indication of the growing importance of the community sector (Ruddle and Donoghue, 1995) and also their relative youth. Another sign of this has been, as already stated above, their inclusion in the formulation of social policy and on policy making forums such as the National Economic and Social Forum. Furthermore, as recent communication from the Revenue Commissioners suggest, community organizations have been the single largest grouping to have been granted charitable exemption in recent years. In 1995, for example, organizations of “benefit to the community” were granted half of all charitable exemptions. Organizations that the Revenue Commissioners would include under this criterion include the area-based partnership companies, local enterprise groups and community centers. This criterion also includes, however, social and welfare services such as citizen information services, women’s shelters and rape crisis shelters, relief agencies and environmental groups (Revenue Commissioners personal communication, 1998).

Possibly one of the most visible manifestations of community action this decade has been the development of the area-based partnerships. Set up under the Government’s Programme for Economic and Social Progress in 1991, the aim was to combine statutory, voluntary and other social partners in an effort to combat social and economic exclusion and create enterprise and employment. Four years later the success of the partnership companies led to a further 26 being approved by the Government and these were subsequently established by 1996. The partnership companies are funded by the EU and the Irish government, the vast majority of the funding being provided under the EU Local Urban and Regional Development Programme, which is one of the Operational Programmes of the Community Support Framework.<sup>8</sup> This grant is administered and monitored through Area Development Management (ADM), also a nonprofit organization which has recently been granted charitable exemption by the Revenue Commissioners (ADM, 1996; Revenue Commissioners personal communication, 1998).

The partnerships and ADM are companies limited by guarantee and this legal form has been recommended as suitable for community organizations in the government’s Green Paper because such a structure entails a separate legal personality. Furthermore, unlike the industrial and provident society above, companies limited by guarantee are suitable for organizations involved in campaign work and not just those involved in business or trade (Department of Social Welfare, 1997; Cousins, 1994). Where a company is limited by guarantee all members agree to contribute a given sum of money in the event of there being a shortfall in the assets of the company on winding up. Members and employees hold no shares in a company limited by guarantee and, therefore, no proprietorial interests.

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<sup>8</sup> The Community Support Framework is an agreement between the Irish Government and the European Commission about the spending of EU Structural Funds in Ireland.

## Other Types of Voluntary Organizations

***Unincorporated Associations.*** For organizations that choose not to incorporate formally, they may draw up a written constitution which is a contract among the members of the organization. The organization does not have a separate legal personality, however, and the members are responsible for any of the organization's activities such as paying debts.

***Trusts.*** One or more people can hold funds or property on behalf of another person or group of people. Trusts can be cumbersome and undemocratic, and they do not provide a legal personality for the work of the organization. Members of the organization are individually responsible for the activities of the organization.

## Concluding Remarks

To summarize, a number of important points can be made about the voluntary sector in Ireland. Firstly, there is no one legal form that specifically relates to the nonprofit status of an organization. Secondly, as the figures cited above on charities indicate, organizations with charitable exemption can include friendly societies, companies limited by guarantee and community groups. In other words, having a charity number does not confer charitable status on an organization as this concept does not exist in Irish law at present. Thirdly, the different legal forms that exist and that can be taken by voluntary organizations in Ireland may not necessarily bestow a separate legal personality on the organization. Some organizations, therefore, may have a separate legal personality while others do not. Fourthly, certain tax benefits accrue to organizations holding a charity number and to friendly societies, yet apart from organizations incorporated under the Charities Act of 1973 and industrial and provident societies, being a charity or a friendly society does not, of itself, bestow a separate legal personality. Organizations that want to have a separate legal status and benefit from tax exemption, therefore, need to adopt another legal form in addition to applying for a charity number. This can make it costly for organizations and also energy-consuming and calls into issue the question of the regulation of charities and fund raising bodies which is still under review as noted in the Green Paper (Department of Social Welfare, 1997).

Following all of the above, the table below attempts to place some order on the situation that has just been described. It lists the types of voluntary organizations that can be found in Ireland, their tax and legal status and examples of these kinds of organizations.

**Table 1: The Tax and Legal Status of Voluntary Organizations in Ireland**

<b>Type</b>	<b>Tax Status</b>	<b>Legal Status</b>	<b>Examples</b>
Charities and Charitable Trusts	Various exemptions available	No separate legal status for the organization except for those incorporated under the Charities Act 1973 (approx. 25) and those registered as companies limited by guarantee (40% of charities).	Hospitals, schools, sporting bodies, community-based organizations, partnership companies, social service organizations
Friendly Societies	Some exemptions available	No separate legal status for the organization except for industrial and provident societies.	Benevolent societies Credit unions Trade unions Agricultural societies Industrial and Provident societies
Community Sector	If organizations hold a charity number	If organizations registered as companies limited by guarantee	Partnership companies, community development organizations

### **Defining the Irish Nonprofit Sector**

The preceding section has identified the major types of organizations operating in the Irish nonprofit sector, yet once again it is necessary to point to the need to be wary of calling these organizations part of a “sector” as if it existed with clearly identifiable and distinguishable boundaries. It is also the case that in Ireland the common perception of what encapsulates a voluntary sector might not include some of the organizations mentioned above. Indeed, there may be problems with the inclusion of the newer organizations such as the partnership companies, whom some may, rightly or wrongly, perceive as state bodies or quangos, i.e., quasi non-governmental organizations. There may also be problems with including co-operative societies, for although a recent annual report states that these are voluntary organizations (ICOS, 1996), and possibly in the past they might have been included without question, their profit-distributing status would appear to raise issues about their voluntary entitlement. This section, therefore, will examine ways of defining the nonprofit sector in Ireland using the Johns Hopkins Comparative Nonprofit Sector Project criteria.

The Structural-Operational definition of the Johns Hopkins Comparative Nonprofit Sector Project was developed so that comparative treatment of nonprofit sectors internationally could be carried out (Salamon and Anheier, 1997). Five criteria were identified as crucial for defining nonprofit organizations. Organizations had to be organized, private, non-profit distributing, self-governing and to involve some degree of meaningful voluntary participation. The major types of organizations operating in the Irish environment will now be assessed under these five criteria.

## **Organized**

According to this criterion, organizations must have some kind of formality and institutional reality. In Ireland recognized charities would satisfy this characteristic because in order to be granted a charity number, organizations must be organized in some way, either as companies limited by guarantee or by incorporation. Friendly societies would also be included because in order to register as a friendly society of any type organizations must be incorporated, and they all have a legal recognition whether as friendly societies, trade unions, credit unions or industrial and provident societies. In the community sector, a number of temporary, informal or *ad hoc* groups would be more likely to occur. The partnership companies and other community groups which are organized and formal, however, would be included as these would have registered as companies limited by guarantee. As stated above, the Green Paper recommends a formal structure for community groups.

## **Private**

Under this criterion, organizations must be institutionally separate from government; they cannot be part of, or controlled by, government. The three major types of nonprofit organizations identified above would satisfy this criterion in the main, but it is interesting that, as mentioned already, there has been much debate and discussion in the secondary school sector about government management and control. Since 1967 when schools entered what is known as the “free scheme,” that is, the waiving of fees and the receipt, in their place, of government support as a supplement, discussion has centered on what this has meant for the schools’ autonomy. The national (primary) school sector has not been characterized by such debate in recent years, however, because the receipt of government grants has been ongoing since the late 1920s. While all schools must follow the national curricula, their Boards of Management have control over financial administration and the selection and recruitment of staff. It could be concluded, therefore, that both national and secondary schools are “fundamentally private institutions in basic structure” (Salamon and Anheier, 1997, p.33).

## **Non-profit distributing**

Recognized charities and the community sector satisfy this criterion very easily. Among the different organizations registered as friendly societies, however, there are several that do not. According to the Credit Union Act of 1966, credit unions are formed for the mutual benefit of members through the use of their savings. Members deposit money, take out loans (on the basis of having deposited money) and repay these at a low rate of interest. Members can also receive financial returns in the form of an annual dividend. Members are, therefore, in the position of “shareholders”, but the status of credit unions is different from that of a company limited by shares as credit unions cannot issue share certificates. The receipt of dividends even where the proportion of members receiving such is small (the majority being in the position of repaying loans), means that such organizations, however, cannot be included under a definition of the nonprofit sector in Ireland.

The co-operative societies, as already mentioned above, would also not be included in the Irish nonprofit sector under this criterion because most are profit-making and distributing. A minority do not distribute profits but these only represent a very small proportion of industrial and provident societies.

## **Self-governing**

All of the types of organizations mentioned in the previous section would qualify as nonprofit organizations under this criterion. There are, however, certain instances where the issue of self-government could be questioned.

National and voluntary secondary schools, for example, are administered and governed by Boards of Management. Whether or not they are fully self-governing in that they can have full control over their outcomes is debatable, because schools must conform to the national curricula laid down for them. Students must attend school for a compulsory number of days per year and for an obligatory number of years. Curricula for national examinations, the Junior and Leaving Certificates, must be followed by schools so that students can sit and, hopefully, pass these exams. Like the voluntary hospitals, schools provide a service that not only complements statutory provision, but in these instances is far greater than statutory provision and is a substitute for it.

Schools and hospitals, therefore, present a particular example in relation to the combined criteria of “private” and “self-governing” and, in so doing, raise issues that are pertinent for the Irish nonprofit sector as a whole. As will be seen later in the paper, the state is a significant funder of nonprofit or voluntary activity in Ireland. While such funding is welcomed by voluntary organizations, there have been instances where those in receipt of such grants question their autonomy. Under the criteria of private and self-governing, however, organizations like hospitals and schools are still institutionally private and are still in a position to govern their own affairs, and the Government’s White Paper on education makes specific note of the fact that schools are privately owned and managed (Government of Ireland, 1995). This point has been made more recently as many schools and hospitals are under church control and this has been seen as an indication of their prevailing power in Irish society (O’Sullivan, 1998).

## **Voluntary**

Many organizations may only include voluntary input at board level, for example, hospitals, or schools. Voluntary input may also occur when such organizations are engaged in fund raising. Under the Johns Hopkins University Comparative Nonprofit Project criteria this voluntary input must be “meaningful.” This may be difficult to decipher fully and to evaluate. For instance, the beneficiaries of schools do not necessarily attend voluntarily as education is compulsory between the ages of six and 16. Furthermore, there is also the expectation of benefits to be received such as education attainment, or in the case of hospital patients, a medical correction. Other beneficiaries of nonprofit organizations, such as the members of trade unions (who are both beneficiaries and members) are voluntary, unless the employer organization that they join has a closed shop whereby employees are obligated to join the trade union.

To summarize briefly then, the nonprofit sector in Ireland can be said to include the following: hospitals, schools, universities, community groups, trade unions, friendly and benevolent societies, the area-based partnership companies and other voluntary organizations such as those operating in the fields of mental health, disabilities and social services. Included, too, are welfare and relief organizations and those involved in the environment. Most important, for the purposes of this paper, are those organizations that are excluded. Industrial and provident societies, many of whom are now large agricultural co-operatives that return profits to their members and shareholders,

are excluded. Excluded, too, are the credit unions because individual members can benefit from an annual dividend and it has been recently suggested that although such members are few in number their returns can be quite substantial. Sporting and cultural organizations are included, where it is known that they are not profit-making. Excluded, of course, would be the large profit-making sporting organizations like golf clubs.

**Table 2: Nonprofit Organizations in Ireland by Structural-Operational Definition**

Type	Examples	Nonprofit by Structural-Operational Definition
Charities and Charitable Trusts	Hospitals, schools, sporting bodies, community-based organizations, partnership companies, social service organizations	Yes
Friendly Societies	Benevolent societies Credit unions Trade unions Agricultural societies	Credit unions and industrial and provident societies excluded
Community Sector	Partnership companies, community development organizations	Yes

### **The Nonprofit Sector and Irish Society**

Ireland is regarded as a society that is fairly benevolent and Irish people have a name for being generous supporters of charity. During Band Aid in 1985, for example, Irish donations were said to be higher per capita than many other nations; this has fueled the perception of our generosity, while also bolstering our image of ourselves. A 1994 survey on charitable donating has, however, provided some substance to this image. When compared with several other countries (CAF, 1994), Ireland had the highest percentage of donors, but the average amount given was far less than that given in the US or Canada, although similar to Britain and Spain (Ruddle and Mulvihill, 1995).

Interestingly, despite the high proportion of donors, a plurality of respondents in this survey (42 percent; Ruddle and Mulvihill, 1995, p.84) thought that accountability was a problem for charities. These respondents thought, in addition, that Irish charities spent over two and a half times what they considered to be an acceptable amount on administration. They thought that 85 percent of funds should go to support the cause, but believed that the average proportion of money actually spent in this way was only 59 percent (Ruddle and Mulvihill, 1995, p.85). While 85 percent of respondents in the study had given money to charity in the month prior to the survey, there was a clear issue of accountability being raised, which indicates that all is not too calm on the charities' front. Yet the view of Irish people being "caring," or the view that we are a "caring" society is very strongly held. This caring face is linked to a wider Christian tradition, that of "helping the poor," but people are less willing, it seems, to sit idly by and watch their pennies supporting the administration of causes rather than directly supporting the individuals they feel are "in need."

Irish people are also fond of doing voluntary work. Figures from the same survey indicate that at least one fifth of respondents did some voluntary work in a formal capacity. Respondents also expressed overall positive attitudes towards voluntary work and regarded volunteers as efficient and offering skills that were unique. People thought, however, that the government was reneging on its responsibility in several areas, which necessitated volunteering in order to make up for this short fall. Certainly, the government's relationship with the voluntary sector needs to be examined and addressed and although positive views of volunteering have been expressed by the government in its Green Paper (Department of Social Welfare, 1997), very little has been done at statutory level to sustain either voluntary activity or the voluntary sector, apart from the relationship that the state has with hospitals and schools. Attention now turns to this relationship and the way that it has manifested itself in policy.

### **The Nonprofit Sector and the Irish State**

The voluntary sector is a major resource in education, health and the social services but the sector plays a negligible role in general in policy formulation. Furthermore, although partnership relationships exist between the state and the hospitals and schools, such relationships are still being sought in other fields (Mulvihill, 1993). While not necessarily seeking the establishment of partnership companies as has happened in certain geographical areas to counter social marginalization and economic deprivation (see earlier), voluntary organizations in the social services field, in particular, complain about the lack of secure long-term funding and the need to formalize relationships between themselves and the state. For example, voluntary activity is very strong in the provision of social housing for older people and 11 percent of organizations involved with older people were reported in a recent study to be involved in the provision and building of special or sheltered housing (Mulvihill, 1993). Public resources have been directed more towards encouraging the development of subsidized voluntary housing than to the provision of local authority housing. The *ad hoc* nature of funding arrangements, that is, the fact that they are, in most cases, made on a discretionary basis, however, means that voluntary groups are rarely sure of their allocations *ex ante*, thereby making long-term planning very difficult.

The Health Act of 1953, the policy document on older people *The Years Ahead* (1988), and various Housing Acts have all made reference to the major part played by voluntary organizations in service provision, and all have attempted to put in place structures to facilitate the role of voluntary organizations. Such structures, however, have not been laid down in legislation, and this has resulted in difficulties in the relationships that voluntary organizations have with the individual health boards (regional health authorities). A consequence has been the proliferation of service agreements rather than contracts of services. This has meant that the health boards have not been legally obliged to enter a relationship (contract) with voluntary organizations for the provision of certain core services. Contracts of service would set out the obligations on the parts of both sides. A contractual relationship would, therefore, be more formal and binding whereas, at present, Section 65 grants are made on a discretionary basis which means that organizations are not assured of long-term funding. This has led to, or at least has been a factor in, problems of sustainability of service and of the organization (Faughnan and Kelleher, 1993; Donoghue, 1997). These, in turn, have meant problems with the relationships between voluntary and statutory organizations, as these have not been seen to be based on "equal participation" and have also led to uncertainty over future service provision on the part of voluntary organizations (Mulvihill, 1993).

A more recent sign of the government's relationship with the voluntary sector has been the national lottery. Established in 1986, the beneficiaries were stated, at that time, to include sports and recreation, arts and culture and, what was referred to in the National Lottery Act as, "the health of the community" (quoted in Harvey, 1995, p.9). The voluntary and community sector have benefitted in the last 11 years from the national lottery but criticism has focused on the replacement of mainstream government funding by lottery money and the fact that almost two-thirds of lottery money is spent by statutory agencies as part of their statutory responsibilities (Harvey, 1995).

This section now examines specific policy on nonprofit activities, that is, the Green Paper, and other policies that are of relevance to the nonprofit sector.

### **Specific Policy on Nonprofit Activities**

On Tuesday 13 May 1997, the government released its long-awaited Green Paper called *Supporting Voluntary Activity*. This document had spent a long time in gestation, as the Minister for Social Welfare said at its launch, having been promised, in some form since 1990. In fact, the Programme for Government 1981-1986 contained a commitment to produce a charter for voluntary service. In 1990, the then Minister for Social Welfare announced his intention to produce a formal charter, which was subsequently reiterated in both the Programme for Economic and Social Progress in 1991 and the Programme for Competitiveness and Work in 1994. That same year a White Paper and Charter were drafted by an inter-departmental Task Force with the assistance of an Expert Group, and involving an extensive consultation process with the voluntary and community sector. The publication of the White Paper, however, was overtaken by other events, such as the Local Development Programme which funds many community organizations, the establishment of the National Economic and Social Forum and, most significantly, the National Anti-Poverty Strategy which was published in April 1997. The Minister for Social Welfare decided in 1996 to abandon the White Paper and produce a Green Paper instead which would act as a discussion document and form part of, as is stated in the Green Paper, "the development of a process of debate about the necessary changes that will need to be made to translate commitment into action" (Department of Social Welfare, 1997, p.2).

The Green Paper acknowledges the role played by the voluntary and community sector and states that the activities of the sector complement the work of statutory agencies. It further states that the work of the voluntary and community sector in ensuring the participation of those who are marginalized needs to be strengthened not least through the provision of a range of technical support; the co-ordination of liaison and relationships between government departments, statutory bodies and the voluntary and community sector; and the examination of the management and sustenance of local projects. In addition, the principles of openness, accountability and transparency will need to be applied to the voluntary sector, while maintaining the respect towards, and rights of, individuals who use their services. The need for the training of policy makers on the voluntary and community sector is mentioned as necessary, as is the support of volunteering through the provision of volunteer centers in local areas. The Paper notes that the sector needs support, and suggests establishing Voluntary Activity Units at state level as a possible solution and strengthening the current Regional Support Agencies as another option. The Paper states that there is a need for consultative mechanisms and structures to enable partnership between the voluntary and statutory sectors, and the representation of the voluntary and community sector at national policy making forums. The part that community organizations played in the formulation of the National Anti-Poverty Strategy is

cited as an example of a possible role for the future, one that would give the community sector the negotiating status enjoyed by other interest groups such as employees, trade unions and farming groups.

An aspirational document, the Green Paper has been greeted by some practitioners as lacking in substance. Its focus on the community sector, to the detriment of the voluntary sector, has also been noted (McInerney, 1998; Peillon, 1998). It has been welcomed, nevertheless, as one step in the right direction, even if it has been viewed with some cynicism as a pre-election ploy on the part of the coalition partners of the last government, as it was released in the run-up to the general election in June 1997.

### **Other Relevant Policy**

The Green Paper on voluntary activity is not the only piece of policy to deal with voluntary or nonprofit agencies, as they have also been covered under different pieces of legislation since the early 1950s. Under the 1953 Health Act, for example, voluntary agencies that have been recognized as providing a service which complements or substitutes for statutory provision in a particular field are eligible for what are known as “Section 65 grants.” Under Section 65 voluntary organizations providing such a service are entitled to apply for grant aid from the health authorities. Many voluntary organizations working with older people are in receipt of Section 65 grants and they have become a valuable source of support for these organizations.

The role of voluntary agencies in the field of health and social service provision, indeed, was given great prominence in the 1968 *Care of the Aged* report, and in the subsequent policy document on older people, 1988’s *The Years Ahead* (Ruddle, Donoghue and Mulvihill, 1997). Both reports acknowledged the major role played by voluntary organizations in the provision of health and social services to older people and called for such a role to be supported, financially, by the state. The *Care of the Aged* report emphasized a policy of community care and it provided a major stimulus for the development of voluntary activity on behalf of older people. This report led to the setting up of the National Social Service Council to stimulate and encourage the formation of new voluntary bodies engaged in social service provision and to promote liaison between central and local authorities and voluntary organizations providing social services. The National Social Service Council became the National Social Service Board in 1984 and was established on a statutory basis to advise the Minister for Health on the development of social services generally and to promote, encourage and resource services that disseminate information and advice to the public. The Board registers voluntary bodies who provide information and advice. It also works with and supports a range of other nonprofit organizations providing information and advice. The Board’s main activities include the development and support of its network of 85 Citizens’ Information Centers, local advisory centers financed by local funds and a government grant. These centers are run by voluntary groups and operated by trained volunteers.

The *Care of the Aged* report in 1968 had also anticipated that under the new arrangements of health service provision, which organized health care into programs, the statutory and voluntary sector would work more closely together. Indeed, during this time the state formed new relationships with voluntary bodies which included taking over financial responsibility for voluntary service provision in education, hospitals and children’s homes (Curry, 1993). Voluntary activity, therefore,

changed from playing the lead part in welfare provision to the role of complementing or providing an alternative to the state system.

During the 1960s and 1970s a trend emerged of increasing incorporation of voluntary activity into statutory policy. Under the 1970 Health Act, for example, the health boards (regional health authorities) became responsible for health services and for co-ordinating services related to the welfare of older people and the handicapped, services complementing housing services of local authorities and for services complementing income maintenance services of the Department of Social Welfare. These new health boards also took over responsibility for providing Section 65 grants to voluntary bodies.

The emphasis on community care from the 1960s has also meant that there has been some focus on alternatives to institutional provision. The Commission of Inquiry on Mental Handicap 1965, the White Paper on Health Services and their Further Development 1966, and the Commission of Inquiry on Mental Illness 1966, for example, all contained recommendations encouraging voluntary activity in the provision of services.

In the area of housing, the 1962 Housing Act empowered local authorities to introduce special grants to encourage nonprofit bodies to make a contribution to housing for older people. (Ruddle and Donoghue, 1995). The Housing Act of 1988 also made some acknowledgment of the role of voluntary housing agencies in the provision of shelter for older people. The government's Plan for Social Housing 1991 indicated that approved nonprofit housing organizations should play an increased part in the national housing system, including the accommodation of homeless people. In addition, the 1992 Housing Act contained a number of provisions for financial support to voluntary housing bodies such as capital assistance for housing projects, rental subsidy for housing projects and block loans to housing co-operatives.

By the mid 1970s, the EU's first Poverty Programme provided another building block in community activism as this emphasized the structural causes of poverty and promoted a process of community empowerment. It also led to the establishment of the Combat Poverty Agency, a statutory body, which carries out an important role in funding and supporting voluntary and community organizations. Later Poverty Programs spearheaded by the EU, helped to increase the number of community groups. Furthermore, the emphasis on partnership in the Poverty Three Programme in the late 1980s, provided some impetus for the setting up of the area-based partnership companies, which were established, as seen above, under the government's Programme for Economic and Social Progress in 1991.

The Co-operative Unit, set up within the state training agency, FÁS, in 1988, in tandem with a Co-operative Development Council, has developed a wide range of promotional activities, business support, training programs and research for co-operatives, some of which are non-profit making. The aim on their establishment was to support the development of co-operatives and to identify the needs of co-operatives and the gaps in current provision. Under subsequent programs, such as the afore-mentioned Programme for Economic and Social Progress in 1991 and the Programme for Competitiveness and Work in 1994, the continuation of both bodies was sanctioned, but the emphasis has been mainly on worker co-operatives, which, although they are self-help organizations, are mainly run for profit.

## Conclusion

Irish nonprofit organizations have a history dating back to the middle of the last century with significant involvement in several fields, most notably health, education and social services. Another trend in Irish nonprofit activity has been that of self-help which has long been a feature at community level, although the more recent wave of community development has been fueled by civic involvement and the ideologies of empowerment and participation. The nonprofit sector in Ireland, if it can be called such, encompasses a plethora of different types of organizations with different legal forms also available. The main types of nonprofit organizations are charities, friendly societies, and community organizations. These organizations can take a range of different legal structures such as the possibility of being a company limited by guarantee, an industrial and provident society, or incorporated under the Charities Acts.

Although these types of organizations are different from each other, this paper has tried to determine whether it is possible to formulate a nonprofit sector in Ireland using the Structural-Operational definition of the Johns Hopkins University Comparative Nonprofit Sector Project (Salamon and Anheier, 1997). Thus, included are charities such as schools and hospitals, trade unions, community organizations, mental health and other voluntary organizations. Excluded, however, are credit unions and industrial and provident societies because both are profit-distributing in some form or another, although for the former this distribution of profits may only occur to a very small minority of its members.

State support of the nonprofit sector, while significant, has not been matched by coherent legislation and, outside of the hospitals and schools, nonprofit organizations have experienced problems with the discretionary and short-term nature of much of their funding. A policy is urgently required on nonprofit organizations and one that recognizes the importance of all voluntary bodies and not only those working in the area of economic disadvantage and poverty (which are the main focus of the Green Paper). While the Green Paper represents one step along the road, a coherent and sustainable approach is required to encompass the range of nonprofit organizations in Ireland.

Growing interdependence between the state and nonprofit organizations has been a recent feature and the present buzzword which is used to describe aspirations for the relationship between the two sectors is partnership (Mulvihill, 1993; Government of Ireland, 1997; McInerney, 1998). It could be said that partnership arrangements exist in the areas of schools and hospitals. The other significant examples of partnership are the recently-established area-based partnership companies, which are nonprofit organizations drawing together the strengths from the statutory, voluntary and community sectors in an effort to tackle unemployment and social exclusion. In other fields attempts at partnership are still in their infancy and need more equal input from both sides and a context and structure for their planned development (Mulvihill, 1993).

Prior to recent decades a liberal model with a strong element of corporatism could be said to have prevailed in the nonprofit sector in Ireland. Government social welfare spending was low and the predominant ideology of Catholic social teaching which held that the family had primary responsibility, followed by the local community, for providing welfare and social services has resulted in a situation where only when such avenues have been exhausted has the state taken responsibility for stepping in and providing these services. From the late 1960s as the Catholic Church became more critical of state inaction, and working class and other communities became

more vocal and empowered, the prevailing model began to change. State involvement in the provision of social services, health and education increased and the state became the major funder in these areas. Thus an element of the social democratic model began to emerge as state-sponsored, if not state-delivered, social welfare protections started to increase. Indeed, this occurred hand in hand with greater statutory recognition of the state's role in social service provision and the setting up of bodies to support nonprofit organizations such as the Combat Poverty Agency and the National Social Services Board.

In more recent years, however, the element of corporatism has altered somewhat. While what have been called the "traditional corporatist allies" (Salamon and Anheier, 1996, p.17), such as the Catholic Church, have become more critical of state inaction, the state has gone on to forge new alliances and partnerships in the form of area-based partnership companies. The normalization of such relationships in government programs such as the Programme for Economic and Social Progress (1991) hints at the emergence of a new type of corporatism in Ireland.

Finally, it should be noted that to attempt to fit Ireland into a model may make the relationship between the state and the nonprofit sector appear more strategic and planned than it has actually been in practice. The state is a major funder of the sector but, outside of hospitals and schools, long-term funding of nonprofit organizations is an issue. Indeed, even the partnership companies speak about funding after 1999 when the EU enters its next Framework Programme and there is a strong likelihood that Ireland's status as a net beneficiary of EU funding will change. This is foreseen to have major consequences for the voluntary sector as it is not known whether the state can, or will, pick up the tab. State funding outside of that given to hospitals and schools tends to be discretionary and although the nonprofit sector as a whole benefits, individual organizations have problems with sustained forward planning because the nature of the funding is insecure. The lack of a coherent policy by the state on the nonprofit sector provides some evidence of a liberal almost *laissez faire* ideology which still underpins the relationship. Although recent developments, particularly in the area of social and economic marginalization, have become a focus for the government, the whole range of services provided by the nonprofit sector deserves greater attention.

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