

**HOW MUCH DO
NON-GOVERNMENTAL ORGANIZATIONS MATTER?
DIFFERING VIEWS FROM DIFFERENT CLASSIFICATION SYSTEMS**

Linda M. Lampkin
Nicholas A. J. Stengel

The Urban Institute
2100 M Street, NW
Washington, DC 20037

Non-governmental organizations (NGOs) have long been a key force in society throughout the world. Comprised of groups of people who come together voluntarily, their activities and services are very broad and diverse—providing recreational opportunities for young people, giving food and shelter to those in need, sponsoring dance performances, providing health care, and expressing views about the governance of their communities. The only way to explore this important and influential sector with its extraordinary breadth of activities and services is by using a system to group organizations or establishments into a smaller number of manageable categories with similar characteristics. Several such classification systems have been developed to define the sector and aid the research and policy community in analysis. However, researchers must be aware that the very choice of the system influences what is studied and the conclusions that can be reached.

This paper examines the portrait of public charities in the United States by using three classification systems – the National Taxonomy of Exempt Entities – Core Codes (NTEE-CC), the International Classification of Nonprofit Organizations (ICNPO) and the North American Industry Classification System (NAICS). By reviewing how these Public Charities are grouped under the different systems of classification, we seek to illustrate the differing philosophies behind NTEE-CC, ICNPO, and NAICS, and the portrayals of the nonprofit sector that they yield. In the United States, this group of organizations accounted for \$720 billion in expenses in the 1998 national system of accounts, a substantial proportion. Depending on the classification system used, the unique impact of the nonprofit sector may be underestimated or lost altogether if included in a large ambiguous grouping. The classification system selected to analyze the sector will clearly have an impact on how policy makers look at nonprofits and make decisions affecting them and their constituencies.

METHODOLOGY

The National Center on Charitable Statistics (NCCS) at the Urban Institute's Center on Nonprofits and Philanthropy has developed the most comprehensive national database on nonprofit organizations in the United States. Based on information from the US Internal Revenue Service (IRS), it includes all the organizations that have applied for and received tax-exempt status (that is, exemption from federal income tax). Certain organizations are granted exemption under Section 501(c)(3), defined as "charitable" by the IRS because they serve broad public purposes, including educational, religious, scientific, and literary activities, as well as the relief of poverty and other public benefit actions. These "charitable" organizations are unique among the tax exempt organizations because contributions to them are tax deductible to the donors.

The charitable organizations are further divided into "public charities" – about 90 percent of the total -- and "private foundations¹." Most of the public charities are required to file annual information returns with the IRS. Those not required to file include most religious congregations and any organization with less than \$25,000 in annual gross receipts. Thus, the group included in the database -- about 228,000 charities filing in 1998 -- is much smaller than the total of nonprofit organizations in the US, but accounts for much of the economic activity.

The organizations are coded according to the National Taxonomy of Exempt Entities (NTEE-CC), a system developed by NCCS and now used by the IRS. Each record was also given a North American Industry Classification System (NAICS) code, using a crosswalk between the two systems designed by NCCS with advice from the IRS, Bureau of Labor Statistics, and Department of the Census. Next, the records were given International Classification on Nonprofit Organizations (ICNPO) codes using a crosswalk developed by NCCS. Both crosswalks used NTEE-CC as the base classification code². These coding systems are described in detail below.

Some of the most difficult aspects of comparing the three systems are avoided because the database includes only public charities that file an information form in the US. An exploration of the differences in what each system would include as third sector organizations is saved for subsequent papers.

DESCRIPTIONS OF THE CLASSIFICATION SYSTEMS

All classification systems must resolve the basic tension between highlighting the similar aspects of organizations while retaining the ability to distinguish among them – and between too much detail and too little. (Dale) Most attempt to group the economic activities of organizations in one of three ways:

¹ The Private Foundations, about 10 percent of the total number of charitable organizations, typically fund charitable activities and are not included in the database used for this paper.

² Copies of the datasets and crosswalks are available upon request. Contact nstengel@ui.urban.org.

1. based on “production” — organizations grouped according to similar production processes and inputs, for example, all companies producing deep fried snack chips;
2. based on “market demand” — organizations grouped according to the type of product, for example, adding companies that produce baked chips, pretzels, and nuts to those that produce deep fried snack chips (this approach tends to fit service sector activities, where production processes can be difficult to define); and
3. based on a mix of production and market demand — this is the most common approach; for example, NTEE-CC Major Group H includes medical research, grouping organizations with similar technologies, inputs, and outputs, while Major Group Q groups international organizations based on demand factors, such as development, human rights, cultural exchange, and arms control.

Much of the literature on classification of economic activity can be summarized as an argument over the appropriateness of production or market demand models or a combination. In fact, most of the oldest and most respected classification schemes around the world are compromise systems, including aspects of both.

THE NATIONAL TAXONOMY OF EXEMPT ENTITIES (NTEE)

NTEE is a tax-exempt organization classification system designed by a team of nonprofit scholars in the 1980s to serve as a common reporting language for statistics on the nonprofit sector (Sumariwalla). The system is now used by IRS, as well as the Urban Institute, Independent Sector, the Foundation Center and many foundations (to classify grant recipients), AAFRC-Trust for Philanthropy (to classify organizations that receive gifts), Philanthropic Research, Inc. (to classify organizations on its GuideStar web site), and by many scholars of the nonprofit sector.

Revisions were made to NTEE to streamline the system and make it easier to use when the IRS assumed the responsibility for classifying all new organizations receiving tax exempt status, beginning in 1999. The new NTEE-Core Codes (NTEE-CC) system includes fewer codes (reduced from almost 700 to about 450), prescriptive definitions, and technical changes to clarify the use and hierarchical structure of the codes. A comprehensive manual gives an overview of the system and provides a thesaurus along with definitions for the for each code.³

NTEE-CC divides nonprofit organizations into types based on their organizational purpose and activities. It uses ten major categories that can be disaggregated first into 26 major groups, and ultimately into about 450 categories. The major categories are Arts, Culture, and Humanities (I), Education (II), Environment and Animals (III), Health (IV), Human Services (V), International (VI), Public, Societal Benefit (VII), Religion Related (VIII), Mutual/Membership Benefit (IX), and Unknown (X). The NTEE-CC also uses a system of common codes that describe activities common to nonprofits within a major group area, for example, fund raising,

³ The manual is available at <http://nccs.urban.org>.

public education, and single organization support. Supporting public charities – those that do not have their own programs and activities but provide funds to public charities that do – can be listed separately to avoid double counting of the expenses and revenues in the sector.

The NTEE system incorporates aspects of both the production and market demand models for its classification scheme. Most of the compromises built into the system are purposeful and specific to tax-exempt entities, based on the belief that economic activity is but a part of how nonprofits should be viewed by policy makers. Those who establish organizations with the purpose of saving souls, guarding civil rights, playing classical music, and promoting camping would probably argue that their economic activities are incidental to their missions. This is, after all, why they are nonprofit.

Table 1 shows the distribution of public charities and their finances by NTEE-CC major category and selected subgroups in the 1998 filing year. The largest subgroup is Human Services, about one-third of the dataset. The Education and Health subsectors are also significant, but about half the relative size of human services. From a financial perspective, however, NTEE-CC illustrates that while hospitals account for about two percent of the organizations, they hold about one-third of its assets and account for almost 42 percent of expenses. Another small group, colleges and universities, has only 1,624 organizations (0.7 percent of the sector) but 17 percent and 15 percent of assets and expenses, respectively.

The NTEE-CC portrait also illustrates the relatively large size of supporting charities that exist to fund the operating charities. Supporting organizations include 11 percent of the total number of organizations and hold almost 10 percent of assets. Their expenses, primarily given to operating charities, represent 18 percent of the total. Finally, just 647 organizations are listed as Mutual Benefit Public Charities. These serve their members rather than the general public, but include some very large pension and insurance institutions accounting for 13 percent of the sector's assets.

One of the primary advantages of NTEE-CC is its comprehensiveness. The system is very versatile and can give a researcher or policy maker as much or as little detail as needed. For example, the system can be used to examine financial differences between hospitals and hospital systems. The assignment of accurate codes at that level of detail, however, requires a great deal of time and resources. Further, the historical rate of coding accuracy at the full detail provided in the system is fairly low. The prescriptive definitions and streamlining of the system with NTEE-CC should help to address this problem. However, using the system to its full potential remains resource intensive.

The comprehensiveness of NTEE-CC also affects its accuracy and ease of use. For example, the system of common codes that classifies supporting organizations by the major activities which they support, and allows them to be re-aggregated when necessary, may be confusing to some users of the system. Also, some of the NTEE-CC groupings represent a compromise between economic and functional taxonomy. The placement of Sports and Recreation inside Human Services, for example, is not in keeping with common definitions of that sector. Also, the Public and Societal Benefit group is a “catch-all” category for organizations that

don't logically fit elsewhere. Since the entire system is focused on organizations that serve a broad public purpose, it would seem that all of the classifications should be beneficial to society.

NTEE-CC is a very comprehensive system designed to be both deep and broad. In the end, it excels in neither direction, but is currently the best compromise system to be found for the third sector.

THE INTERNATIONAL CLASSIFICATION OF NONPROFIT ORGANIZATIONS (ICNPO)

The International Classification of Nonprofit Organizations (ICNPO) was developed by the team of scholars working on the Johns Hopkins University Comparative Nonprofit Sector Project. Based on the International Standard Industrial Classification (ISIC) system and an earlier version of the NTEE, ICNPO was designed to capture the essence of the nonprofit sector in thirteen different countries involved in the first phase of the project. (Salamon and Anheier 1996) After a revision in 1996, it now has 12 Major Activity Groups and 24 subgroups. Because of the great range of so-called third sector organizations in different countries, one of the greatest contributions of ICNPO is a series of criterium which must be applied to an establishment prior to classification. This process of defining a nonprofit organization cuts through the divergent tax codes and regulations of governments so that similar groups of organizations can be compared with good methodology. This attribute of the system is not addressed in this paper, as the definition of the sector—public charities in the US that file an annual information return with the IRS—is a given in the dataset used for this paper.

Another purpose of the ICNPO was to more closely align the nonprofit sector financial portrait with systems of national accounts. This is accomplished by using categories more oriented to the production model than those in NTEE-CC. However, ICNPO is still a mixed production/market demand-based system, when compared to ISIC norms (*ibid* 3). Another difference is that ICNPO uses “establishments” as its unit of organization rather than “organization.” This means that multiple sub-units and sites of larger organizations are each given their own code and counted by themselves, rather than being counted as one organization. Thus ICNPO minimizes the use of multipurpose codes that are used in other systems, when an organization has several purposes or activities that could be placed in different classifications.

The twelve ICNPO Major Activity Groups are: Culture and Recreation (1), Education and Research (2), Health (3), Social Services (4), Environment (5), Development and Housing (6), Law Advocacy and Politics (7), Philanthropic Intermediaries and Voluntarism Promotion (8), International (9), Religion (10), Business and Professional Associations and Unions (11), and Not Elsewhere Classified (12).

Using the same dataset for the charities in the US, Table 2 illustrates the view of the sector using ICNPO. As described above, a crosswalk was designed to convert the NTEE-CC codes on the dataset to ICNPO codes. Thus, each organization is coded, not the individual establishments.

The impact of this difference between the two systems, however, does not seem very great, because of the low level of detail in the major groups.

Similar to the NTEE-CC portrayal of the sector, the ICNPO category of Social Services (NTEE-CC's Human Services) has the largest number of organizations, followed closely by Culture and Recreation. The categories of Philanthropic Intermediaries and Voluntarism Promotion, Health, and Education and Research make up a second tier. As with NTEE-CC, Hospitals and Higher Education are recognizable subgroupings with a small number of organizations relative to the whole sector (3% and 1%), but with a very large financial impact (28% and 18% of assets). Political organizations, religion, and unions look small, but in fact, that is an artifact of the dataset as these organizations are not tax exempt under Section 501(c) (3) and thus are not included in the analysis. Other datasets from other countries would not suffer from this problem. The Not Elsewhere Classified (NEC) category, however, is a concern, as it includes \$201 billion in assets. No detail is available on more than 13 percent of the assets in the sector — those included in NEC — using ICNPO.

The overall shape of this nonprofit portrait under ICNPO in Table 2 is not dissimilar to that of the NTEE-CC portrait of Table 1, even though ICNPO has only six percent of the total number of codes available in NTEE-CC. But when tracking financial information, it is generally useful to be able to further divide the categories with more money and organizations into smaller subsections for further analysis. With ICNPO, there are categories with large numbers of organizations and assets with no more detailed explanations available, such as NEC and Social Services. At the same time, some small categories, such as Environment, are subdivided.

Some groupings under ICNPO are advantageous. For example, the grouping of arts and recreation result in a demand model for consumer leisure. Also, combining research and education does separates medical research from medical practice (grouped under NTEE-CC), but does group all other research together. Under NTEE-CC, research organizations may be placed in three different Major Groups and in a Common Code that can be applied in all 26 major categories.

ICNPO has some flaws that result from the compromises and arbitrary decisions that must be made when such a system is created. For example, placement of community service clubs under Arts and Recreation in ICNPO does not acknowledge the community impact of such groups. Also, zoos are placed under Culture rather than Animals. The basic problem of both ICNPO and NTEE-CC systems is organization activities are often noneconomic in nature. For example, is a service club's economic contribution creating an activity for its members or the actual community service that the group provides? Only the third classification system discussed in this paper — NAICS — makes clear consistent decisions, solely on an economic basis.

THE NORTH AMERICA INDUSTRY CLASSIFICATION SYSTEM (NAICS)

After the North American Free Trade Agreement (NAFTA) was signed in 1992, the US Economic Classification Policy Committee (ECPC) was charged to work with Statistics Canada and Mexico's Instituto Nacional de Estadística, Geografía e Informática to create a new economic classification system for use by all three countries.

The primary inadequacy of SIC (and both nonprofit models discussed above), according to the Committee, was its mix of market and production model categories. Smaller systems like the NTEE-CC and ICNPO are better able to function as mixed systems because they describe a relatively small section of the economy. If the task is to measure all inputs and outputs for the entire continent, then a system based on one model becomes more important.

In the traditional view, the classification problem is to find ideal industries – those that are satisfactory for both production and market analysis – on the implicit assumption that deviations from ideal in practice can be handled as special cases.... That ideal industries have been found in the United States in only 10 percent of the cases is a measure of how far the traditional view of the classification problem is from the empirical reality of actual industry structure (9).

NAICS was developed as the answer to the difficulties and compromises of the SIC system. The new system consists of six digits and five levels of hierarchy, the first two digits representing the major Economic Sector. The first five digits are standardized among the three participating countries. Unlike the SIC, NAICS codes are fully collapsible into higher hierarchies using a production model of classification. The ECPC conducted exhaustive studies of organizations classified using SIC and used new statistical tools to determine the optimal structure.

NAICS, implemented in January 1999 throughout the US government, is not, however, free from flaws. As discussed above, production models have a difficult time grouping services. For example, the grouping of medical services based on shared technologies, inputs, and outputs does not address the question of what is the output of a hospital: is it patients who survive/die, number of births, infections prevented/stopped, or income? “[The] outputs are not entirely clear, and because the outputs are not well defined, industry boundaries for classification purposes are likewise not well defined.” (ECPC Issues Paper #6 8) These difficulties do not necessarily undermine the system but require more human judgment and reliance on statistical tools to test the appropriateness of particular categories.

Eleven of the two-digit major Economic Sectors in NAICS contain nonprofit organizations, including: Agriculture (11); Information (51); Finance and Insurance (52); Professional, Scientific, and Technical Services (54); Administrative and Support and Waste Management (56); Educational Services (61); Health Care and Social Assistance (62); Arts,

Entertainment, and Recreation (71); Accommodation and Food Services (72); Other Services (81); and Unknown (99).

Using the NCCS crosswalk that translates NTEE-CC classifications to NAICS, the frequency distribution of public charities and their aggregate finances under the NAICS system (Table 3) was developed. The most disturbing result of using NAICS is the placement of most human service organizations in the Other Services (81) category. In a system that is careful to tease out the difference between galvanized pipe and copper pipe production, such a general grouping relegates a vital function of nonprofit organizations to miscellany.

The nonprofit organizations are concentrated in two areas – almost 32 percent in Health Care and Social Assistance (62) and 35 percent in Religious, Grantmaking, Civic, and Professional and Similar Organizations (813). There is no detail available on the type of Social Assistance (624) organizations at the three-digit level or in Subsector 813. Some of the organizations that provide services and pursue activities usually considered typical nonprofit functions (for example, animal and environmental groups or societal benefit organizations), do not fit easily in the framework of NAICS. Because NAICS was created on a strict production paradigm, it is difficult to classify organizations that do not have a strict economic output.

An important limitation is that the IRS uses only the first three digits of the six-digit NAICS system in its reports on nonprofits. At the three-digit level, only the sector and subsector are defined. In a subsector like Hospitals (622), these three digits give enough specificity for sector-wide studies. Subsectors like Educational Services (611), however, will group the Sunshine Montessori School with the Wharton School of Business. At the six-digit level, these different nonprofits would have unique codes, but not at the three-digit level used by the IRS. Although it is possible to construct a six-digit crosswalk from NTEE-CC to NAICS, the IRS has no current plans to use the more detailed system for its reports. A more expansive crosswalk would correct many deficiencies of the NACIS system, but not the grouping of so many nonprofit activities in lumped categories.

SUBSECTOR ANALYSIS -- EDUCATION

To further illustrate the impact of using the three classification systems, Table 4 shows the allocation of the organizations in the Education subsector under each. While NTEE-CC's Major Group II – Education includes 37,927 organizations, only 22,350 (59%) are listed in ICNPO's Education Group 2 (for this analysis, the organizations classified as Research in Group 2 have been excluded). Only 19,972 (just over half) are included in NAICS Educational Services (611). These organizations, however, represent 90 and 89 percent of the expenses, respectively. The education organizations included in NTEE-CC but not in the other two systems appear to be small groups, including education support organizations and almost 8,000 parent-teacher groups. Not only are a major number of organizations from the education subcategory lost in the other two systems, but the character of the subsector is changed. Although the aggregate economic impact is not great, the activities represented by these smaller support organizations is an

important characteristic of the subsector. Also, if the sector's influence and impact are judged by number of organizations, the conclusions will be affected by the loss of these smaller organizations.

Even more important is the fact that just using the NAICS category Educational Services (611) would not allow examination of the different levels of schools and universities, as they are all lumped together. ICNPO shows the educational level, but only in general terms—primary, higher, other. Only NTEE-CC provides the detail needed to understand the varied roles that nonprofits play in education.

COMPARING THE CATEGORIES IN THE THREE SYSTEMS

Tables 5 and 6 show the distribution of NAICS and ICNPO groups, respectively, into Major Categories in NTEE-CC. In each table, a box filled with x's running vertically indicates a high correlation between the two groups of each system. Conversely, a string of x's running horizontally through one of the NAICS or ICNPO categories shows a loose correlation.

Table 5 shows how organizations in the NTEE-CC Major Categories are dispersed among NAICS three-digit categories. The grid indicates a weak correlation for Health, Education, Arts, and Human Services (Other Services in NAICS), with a sprinkling of other categories rounding out the sector. For example, eight NAICS groups contain organizations defined as Arts in NTEE-CC. Yet this is considered to be a relatively well defined and logical category by most taxonomists. The Human Services NTEE-CC category is dispersed in practically every single NAICS category, highlighting the differences in logical organization between the two systems. Examining the placement of organizations in each system according to their production versus market orientation explains most of the differences.

The grid in Table 6 shows a much closer relationship between ICNPO and NTEE-CC. The four horizontal rows reflect the use of NTEE-CC common codes (covering types of nonprofit activities that are common through different types of organizations, such as advocacy, research, etc.), and do not necessarily indicate that the organizations are widely dispersed. Many categories are close, with good matches between arts, education, health, international, religion, and, to a lesser extent, human services. The most significant differences appear in human services, where ICNPO splits service clubs, and housing and development from the NTEE-CC groupings.

POLICY IMPLICATIONS FOR THE NONPROFIT SECTOR

The choice of the classification system used to study the nongovernmental sector may have a substantial impact on the conclusions of the research. This paper has illustrated how each of three systems in common use provides a different portrait of this sector in the United States. As these systems seek to allow easier comparison among different countries, particularly ICNPO and NAICS, it is important to understand their strengths and weaknesses, as they are used to describe the nonprofit sector and its contributions across economic and social systems.

Some of the implications of using the different systems include:

- *Lack of attention to the non-economic aspects of the sector*

The organizations that make up the third sector are typically not focused on economic activities. This is, of course, the reason that they have been established as nonprofits. Any classification system that uses only inputs and outputs measured in economic terms misses the non-economic-based activities and services (saving souls, guarding civil rights, playing classical music, promoting camping), the purposes for which these organizations have been created. The NTEE-CC is the best system for identifying and separating these types of non-economic activities, providing the most detail and recognition of the wide range of the sector. NAICS has the best focus on the economic basis for the organizations but fails to differentiate clearly between the organizations with other goals. ICNPO is better than NAICS, but not as good as NTEE-CC in providing the necessary detail to fully describe the contributions of the voluntary sector.

- *Lack of detail in some important areas*

If an organization provides a service or has an activity that does not have a clear economic output (animal and environmental groups, advocacy organizations, the Girl Scouts), it will end up in an “Other” grouping under NAICS. This may diminish the perception of the unique role and distinctive importance of these organizations in societies. Although ICNPO is useful for comparing the major types of organizations across different countries in aggregate terms, the level of detail needed to address policy issues may not be available. For example, the capability of nonprofits to provide services for homeless populations could not be evaluated using ICNPO. Using NTEE-CC, however, organizations that provide a range of services and activities for that population, from food banks to counseling services to emergency and long-term shelters, could be identified. The NAICS system would only allow examination of a limited number of the services and activities designed to meet the needs of the homeless that one would need to review.

- *Dispersal of human services organizations into fragmented categories*

NAICS disperses some organizations placed in NTEE-CC's Human Services category to Health (Subsector 623) and Social Assistance (Subsector 624), some throughout the system, but most to the catch-all category of Other (Sector 81). In fact, the category Religious,

Grantmaking, Civic, and Professional and Similar Organizations (Subsector 813) aggregates codes from every single NTEE-CC Major Category – over half of the total number of four-digit NTEE-CC codes. Environmental groups, labor unions, advocacy organizations, international agencies, boards of trade, the Girl Scouts, foundations, and churches are included. This is the impact of using an economic classification system based on inputs and outputs that is attempting to evaluate organizations in the service sector that do not make sales. The grouping of these organizations in NAICS, particularly at the three-digit level, may diminish the perceived size and distinctive importance of human service nonprofits to decision makers.

ICNPO has some differences from NTEE-CC. For example, ICNPO does not include recreation as a human service, but groups these organizations with arts organizations. It also addresses the dilemma in NTEE-CC encounters as it separates very similar organizations concerned with housing development with other community development. ICNPO simply creates a separate top level group for development.

- *Analyses of economic impact*

Where the activities of nonprofit organizations have an economic basis, NAICS can be easily used for subsector studies. For example, NAICS uses one category for skilled custodial care, Nursing and Residential Care Facilities (Subsector 623). These same activities are widely dispersed throughout NTEE-CC, with nursing homes in Health – General and Rehabilitative (E91), senior citizen housing in Housing, Shelter (L22), and retirement facilities in Human Service – Multipurpose and Other (P75). These three codes describe a continuum of elder care from independent living to continual nursing care, but they are in three different NTEE-CC Major Groups and two different NTEE-CC Major Categories. For this category and others (ie. hospitals, childrens daycare, or job training), NAICS allows a direct comparison of nonprofits and proprietary organizations. The nonprofit organizations described by these codes “comprise over a quarter of the 14,000 nursing homes in the U.S. and half of the continuing care retirement communities (Gantz 1).” Thus, a NAICS analysis covering elderly housing and care needs to include fewer codes than a similar study using the NTEE-CC classifications, and can add the dimension of comparison with for-profit organizations with the same activity. ICNPO, however, does not provide the level of detail necessary for an analysis of entire economic subsectors for which nonprofits form a large proportion.

- *Treatment of supporting organizations*

Supporting organizations that distribute funds to operating public charities are included in Subsector 813 under NAICS. In the US, supporting organizations and other public foundations reported 1998 assets of \$144 billion dollars and private foundations accounted another \$287 billion. These assets are used to make grants to other nonprofits; these grants are then recorded under expenses for the giving organizations and as revenue to the operating charities that receive the support. This may distort the financial picture of the sector presented, because the support that foundations and supporting organizations give to operating charities is counted twice. Only the NTEE-CC system has the ability to separate

these types of organizations with any level of detail, assigning monetary contributions to the NTEE-CC category being supported through the system of common codes. ICNPO does segregate giving in a separate group and thus does not encounter large-scale double counting. Where the money flows, however, cannot to be tracked using ICNPO.

- *Use of the full capability of NAICS*

NAICS is currently used only at the three-digit level for nonprofit organizations. Classifying these organizations to the more detailed levels (it has the capability for six digits) will address some of the issues raised above. For example, NAICS has categories for apprenticeship, vocational training, and continuing education, but only at the level of four and five digits. These provide more detail than the corresponding NTEE-CC classifications. NAICS has the capacity but it is unused. ICNPO, conversely, does not incorporate the detail with its limited number of classifications.

CONCLUSION

Unless researchers use a classification system that adequately identifies and separates the unique roles of the third sector from that of the business sector, the work of nongovernmental organizations cannot be identified and their impact will not be properly identified. This fact is recognized in the US, as reports on activities of nonprofit organizations by government agencies such as IRS, Bureau of Labor Statistics, and Bureau of Census, are now based on NAICS, but are supplemented with reports using the NTEE-CC.

As interest in cross-country comparisons of the third sector has grown, ICNPO has been developed for use with the widely varying structures of the nonprofit sector in different countries. Now that several systems are available, it is essential for researchers to understand the different purposes and philosophies of the systems and the different portraits of the third sector that will emerge using them. Even more important, researchers must be aware that the scope and impact of the sector will be underestimated, or even unable to be adequately distinguished without a sufficiently detailed system. Although all of the systems have their strengths and weaknesses, the NTEE-CC provides the most comprehensive and detailed portrayal. As cross-walks to both ICNPO and NAICS have been developed, researchers can choose the system that most suits their needs.

Table 1
United States Reporting Public Charities, by NTEE Category
circa 1998
(dollars in millions)

NTEE Categories	Number of Organizations	Percentage	Assets	Percentage	Total Expenses	Percentage
Total Public Charities	228,011	100.0	\$1,474,154.0	100.0	\$720,047.2	100.0
Arts, culture, and humanities	22,779	10.0	45,062.0	3.1	15,414.8	2.1
Performing arts organizations	8,051		9,474.6		4,822.5	
Other, arts	8,445		9,783.9		6,005.8	
Historical societies and related	3,771		5,310.9		1,115.4	
Museums, museum activities	2,512		20,492.6		3,471.0	
Education	33,212	14.6	352,191.5	23.9	108,321.0	15.0
Other, educational	19,339		29,232.0		16,499.0	
Student services and organizations	4,507		28,128.4		4,284.2	
Higher education institutions	1,624		258,110.8		75,354.5	
Elementary, secondary education	7,742		36,720.2		12,183.3	
Environment / animals	7,224	3.2	14,576.4	1.0	4,600.5	0.6
Environment	4,289		9,200.5		2,446.8	
Animal Related	2,935		5,375.9		2,153.7	
Health	29,998	13.2	509,898.1	34.6	395,671.1	55.0
Nursing services	3,971		22,983.1		20,175.7	
Hospitals and primary treatment facilities	5,268		409,463.0		302,074.8	
Treatment facilities, outpatient	2,505		21,086.2		33,991.7	
Other, health general	5,742		14,250.9		14,287.5	
Mental Health	6,712		9,339.1		12,789.2	
Disease Specific-general	4,162		9,733.3		7,937.7	
Disease Specific-research	1,638		23,042.5		4,414.5	
Human Services	76,087	33.4	129,778.4	8.8	85,199.5	11.8
Crime, legal related	3,943		2,555.2		3,358.7	
Employment, job related	3,298		4,459.0		5,770.3	
Food, agriculture, and nutrition	2,139		1,590.6		2,445.7	
Housing, shelter	11,541		29,617.9		7,577.2	
Public safety, disaster preparedness	2,913		1,723.4		657.7	
Recreation, sports	13,802		6,429.5		4,740.2	
Youth Development	5,951		6,658.8		3,525.9	
Children and youth services	6,279		4,886.0		6,201.9	
Family services	3,088		2,808.4		3,486.5	
Residential, custodial care	5,194		37,140.2		16,846.9	
Services promoting independence	7,866		11,034.8		12,844.4	
Other, human services	10,073		20,874.6		17,744.2	
International, foreign affairs	2,042	0.9	6,296.1	0.4	5,290.8	0.7
Public, societal benefit	15,401	6.8	61,008.8	4.1	21,936.8	3.0
Civil Rights, advocacy	1,684		877.4		914.7	
Community improvement	9,265		39,095.7		8,423.3	
Philanthropy, voluntarism	454		424.6		202.1	
Science and technology	1,545		10,865.7		7,178.8	
Social science	707		2,186.0		1,244.1	
Public, societal benefit	1,746		7,559.3		3,973.8	
Religion related	10,869	4.8	13,195.6	0.9	6,774.3	0.9
Unknown, unclassified	4,207	1.8	3,252.3	0.2	1,733.3	0.2
Mutual Benefit Public Charities	647	0.3	194,507.3	13.2	49,079.7	6.8
Pension and retirement funds	49		190,479.4		48,296.6	
Other mutual	598		4,027.9		783.0	
Supporting Public Charities	25,545	11.2	144,387.5	9.8	26,025.5	3.6
Single organization support	11,585		80,403.8		12,929.8	
Fundraising within NTEE major group	2,917		9,708.9		2,312.5	
Other foundations	5,374		24,050.3		7,056.5	
Public foundations	1,681		23,410.5		2,269.3	
General fundraising	1,763		2,751.4		586.7	
Other supporting	2,225		4,062.5		870.8	

Source: U.S. Internal Revenue Service Exempt Organizations/Business Master File (EO/BMF), 1999 and Return Transaction File, 1999 (returns received in that calendar year) as classified according to the NTEE-CC system.

Note: Reporting Public Charities include only 501(c)(3) organizations that both reported (filed IRS Form 990) and were required to do so.

Table 2
United States Reporting Public Charities, by ICNPO Category
circa 1998
(dollars in millions)

ICNPO Categories	Number of Organizations	Percentage	Assets	Percentage	Total Expenses	Percentage
Total Public Charities	228,011	100.0	\$1,474,154.0	100.0	\$720,086.9	100.0
Culture and Recreation	39,409	17.3	61,798.4	4.2	25,572.7	3.6
Culture	23,122		50,733.5		17,314.5	
Recreation	13,567		6,287.5		4,593.3	
Service Clubs	2,720		4,777.4		3,665.0	
Education and Research	26,371	11.6	382,284.0	25.9	118,295.2	16.4
Primary and Secondary Education	7,742		36,720.2		12,183.3	
Higher Education	2,431		270,990.4		81,003.5	
Other Education	12,098		37,289.7		11,658.5	
Research	4,100		37,283.7		13,449.8	
Health	27,891	12.2	485,005.9	32.9	390,495.4	54.2
Hospitals & Rehab	7,585		418,080.3		309,895.4	
Nursing Homes	1,411		11,944.4		7,897.0	
Mental Health and Crisis Intervention	6,451		9,057.5		12,492.0	
Other Health Services	12,444		45,923.7		60,211.0	
Social Services	41,919	18.4	81,802.8	5.5	58,378.1	8.1
Social Services	34,511		76,530.7		53,242.3	
Emergency and Relief	4,555		3,510.2		2,196.3	
Income Support and Maintenance	2,853		1,761.9		2,939.5	
Environment	6,593	2.9	11,878.1	0.8	3,593.8	0.5
Environment	3,940		8,959.3		2,289.1	
Animals	2,653		2,918.7		1,304.7	
Development and Housing	18,369	8.1	40,055.3	2.7	16,992.7	2.4
Economic, Social, and Community Development	4,768		7,757.6		4,313.0	
Housing	10,570		28,092.0		7,031.9	
Employment and Training	3,031		4,205.7		5,647.8	
Law, Advocacy, and Politics	13,977	6.1	5,779.9	0.4	5,848.7	0.8
Civic and Advocacy Organization	9,903		2,352.3		1,830.4	
Law and Legal Services	3,879		3,062.0		3,777.1	
Political Organizations	195		365.6		241.3	
Philanthropic Intermediaries and Voluntarism Promotion	29,563	13.0	147,170.2	10.0	28,845.6	4.0
International Activities	2,445	1.1	6,541.2	0.4	5,309.0	0.7
Religion	10,572	4.6	12,022.2	0.8	6,125.4	0.9
Business, Professional Associations and Unions	4,935	2.2	38,420.9	2.6	7,902.6	1.1
Not Elsewhere Classified	5,967	2.6	201,395.1	13.7	52,727.8	7.3

Source: U.S. Internal Revenue Service Exempt Organizations/Business Master File (EO/BMF), 1999 and Return Transaction File, 1999 (returns received in that calendar year) as classified according to the NTEE-CC system, with an ICNPO crosswalk applied.

Note: Reporting Public Charities include only 501(c)(3) organizations that both reported (filed IRS Form 990) and were required to do so.

Table 3
United States Reporting Public Charities, by NAICS Category
circa 1998
(dollars in millions)

NAICS Category	Number of Organizations	Percentage	Assets	Percentage	Total Expenses	Percentage
Total Reporting Public Charities	228,011	100.0	\$1,474,154.0	100.0	\$720,086.9	100.0
Agriculture, Forestry, Fishing, and Hunting	409	0.2	406.0	0.0	261.6	0.0
Information	4,135	1.8	9,303.2	0.6	5,377.6	0.7
Publishing Industries	795		922.0		645.0	
Motion Picture and Sound Recording Industries	284		181.6		120.2	
Broadcasting and Telecommunications	1,230		4,416.9		3,347.6	
Information Services and Data Processing Services	1,826		3,782.7		1,264.9	
Finance and Insurance	1,327	0.6	200,197.1	13.6	55,134.8	7.7
Credit Intermediation and Related Activities	261		1,223.9		363.9	
Securities, Commodity Contracts, and Other Financial Investments and Related Activities	396		1,837.6		1,115.9	
Insurance Carriers and Related Activities	382		193,952.1		53,005.3	
Funds, Trusts, and other Financial Vehicles	288		3,183.5		649.7	
Professional, Scientific, and Technical Services	10,697	4.7	71,782.1	4.9	19,886.2	2.8
Administrative and Support and Waste Management	1,019	0.4	811.2	0.1	1,534.7	0.2
Educational Services	19,975	8.8	323,017.4	21.9	103,101.0	14.3
Health Care and Social Assistance	72,619	31.8	581,768.7	39.5	447,305.3	62.1
Ambulatory Health Care Systems	14,295		43,760.1		61,385.6	
Hospitals	5,383		410,486.0		302,965.9	
Nursing and Residential Care Facilities	10,002		61,106.1		30,029.7	
Social Assistance	42,939		66,416.5		52,924.1	
Arts, Entertainment, and Recreation	31,031	13.6	46,804.8	3.2	15,492.1	2.2
Performing Arts, Spectator Sports and Related Industries	13,303		13,726.1		7,379.2	
Museums, Historical Sites and Similar Institutions	7,352		29,988.6		5,914.4	
Amusement, Gambling and Recreation Industries	10,376		3,090.1		2,198.5	
Accommodation and Food Services	1,278	0.6	1,343.1	0.1	603.4	0.1
Other Services	81,301	35.7	235,454.2	16.0	69,655.6	9.7
Personal and Laundry Services	417		917.8		928.3	
Religious, Grantmaking, Civic, and Professional and Similar Organizations	80,884		234,536.4		68,727.3	
Unknown	4,220	1.9	3,266.3	0.2	1,734.4	0.2

Note: Reporting Public Charities include only organizations that both reported (filed IRS Form 990) and were required to do so.
Source: U.S. Internal Revenue Service Exempt Organizations/Business Master File (EO/BMF), 1999 and Return Transaction File, 1999 (returns received in that calendar year) as classified according to the NAICS system crosswalk of NTEE-CC.

Table 4
Educational Reporting Public Charities under the NTEE-CC, ICNPO, and NAICS System
circa 1998
(dollars in millions)

	NTEE-CC			ICNPO			NAICS		
	II Education			Group 2 100-300 Education*			611 Educational Services		
	Number of Organizations	Assets	Expenses	Number of Organizations	Assets	Expenses	Number of Organizations	Assets	Expenses
Total	37,927	\$395,634.6	\$115,460.3	22,350	\$345,150.1	\$104,952.8	19,972	\$323,017.2	\$103,101.0
NTEE-CC Groups									
Education: Support									
B01 Alliance/Advocacy Organizations	82	150.0	107.5	82.0	150.0	107.5	-	-	-
B02 Management & Technical Assistance	221	280.0	341.2	221	280.0	341.2	-	-	-
B03 Professional Societies, Associations	536	2,052.3	1,247.2	-	-	-	-	-	-
B05 Research Institutes and/or Public Policy Analysis	89	222.5	206.3	-	-	-	-	-	-
B11 Single Organization Support	4,126	42,106.3	6,841.9	-	-	-	-	-	-
B12 Fund Raising and/or Fund Distribution	589	1,336.8	297.4	-	-	-	-	-	-
B19 Nonmonetary Support N.E.C.	498	300.9	304.6	-	-	-	-	-	-
Education: Operating									
B20 Elementary, Secondary Education, K - 12	2,382	22,161.5	6,048.1	2,382.0	22,161.5	6,048.1	2,382	22,161.5	6,048.1
B21 Kindergarten, Preschool, Nursery School, Early Admissions	2,496	878.3	962.7	2,496.0	878.3	962.7	2,496	878.3	962.7
B24 Primary, Elementary Schools	1,139	2,218.2	1,411.0	1,139.0	2,218.2	1,411.0	1,139	2,218.2	1,411.0
B25 Secondary, High School	730	8,909.4	1,924.2	730.0	8,909.4	1,924.2	730	8,909.4	1,924.2
B28 Specialized Education Institutions	995	2,552.9	1,837.3	995.0	2,552.9	1,837.3	995	2,552.9	1,837.3
B30 Vocational, Technical Schools	180	320.8	137.7	180.0	320.8	137.7	180	320.8	137.7
B40 Higher Education Institutions	81	1,182.2	168.2	81.0	1,182.2	168.2	81	1,182.2	168.2
B41 Community or Junior Colleges	263	2,388.4	1,079.5	263.0	2,388.4	1,079.5	263	2,388.4	1,079.5
B42 Undergraduate College (4-year)	733	58,225.1	14,874.0	733.0	58,225.1	14,874.0	733	58,225.1	14,874.0
B43 University or Technological Institute	547	196,315.1	59,232.8	547.0	196,315.1	59,232.8	547	196,315.1	59,232.8
B50 Graduate, Professional Schools (Separate Entities)	812	12,879.9	5,649.4	812.0	12,879.9	5,649.4	812	12,879.9	5,649.4
B60 Adult, Continuing Education	575	497.4	528.9	575.0	497.4	528.9	575	497.4	528.9
B70 Libraries	1,829	3,782.9	1,264.9	-	-	-	-	-	-
B80 Student Services, Organizations of Students	676	3,301.4	1,058.0	676.0	3,301.4	1,058.0	676	3,301.4	1,058.0
B82 Scholarships, Student Financial Aid Services, Awards	2,807	22,056.5	2,755.1	2,807.0	22,056.5	2,755.1	-	-	-
B83 Student Sororities, Fraternities	193	310.3	76.8	193.0	310.3	76.8	-	-	-
B84 Alumni Associations	831	2,460.2	394.2	831.0	2,460.2	394.2	-	-	-
B90 Educational Services and Schools - Other	1,018	1,747.3	1,637.6	1,018.0	1,747.3	1,637.6	1,018	1,747.3	1,637.6
B92 Remedial Reading, Reading Encouragement	220	136.8	93.1	220.0	136.8	93.1	220	136.8	93.1
B94 Parent/Teacher Group	7,910	682.7	345.1	-	-	-	-	-	-
B99 Education N.E.C.	5,369	6,178.4	4,635.5	5,369.0	6,178.4	4,635.5	5,369	6,178.4	4,635.5
Other Categories									
A25 Arts Education	-	-	-	-	-	-	314	662.1	241.3
A6E Performing Arts Schools	-	-	-	-	-	-	276	466.6	161.6
M41 First Aid Training, Services	-	-	-	-	-	-	91	31.5	11.3
N40 Sports Training Facilities, Agencies	-	-	-	-	-	-	504	704.4	720.1
Q20 Promotion of International Understanding	-	-	-	-	-	-	91	455.7	153.1
Q21 International Cultural Exchange	-	-	-	-	-	-	225	128.2	81.4
Q22 International Student Exchange and Aid	-	-	-	-	-	-	179	344.0	363.1
Q23 International Exchanges, N.E.C.	-	-	-	-	-	-	76	331.7	91.0

Source: U.S. Internal Revenue Service Exempt Organizations/Business Master File (EO/BMF), 1999 and Return Transaction File, 1999 (returns received in that calendar year) as classified according to NTEE-CC, ICNPO, and the NAICS system crosswalk of NTEE-CC.

Note: Reporting Public Charities include only organizations that both reported (filed IRS Form 990) and were required to do so.

* ICNPO Group 2 includes research organizations in category 400. It has been excluded for the purposes of this educational analysis.

**Table 5
Location of NAICS Categories in NTEE-CC Major Categories**

NAICS Three Digit Categories		I Arts	II Edu.	III Environ.	IV Health	V Human Svc.	VI Intnt'l	VII Pub. Bene.	VIII Relig.	IX Mutual Bene.
115	Support Activities for Agriculture and Forestry					X				
511	Publishing Industries	X							X	
512	Motion Picture and Sound Recording Industries	X							X	
513	Broadcasting and Telecommunications	X						X	X	
514	Information Services and Data Processing		X							
522	Credit Intermediation and Related Activities						X	X		
523	Securities, Commodity Contracts...							X		
524	Insurance Carriers and Related Activities				X					X
525	Funds, Trusts, and other Financial Vehicles									X
541	Professional, Scientific, and Technical Services	X		X	X	X		X		
561	Administrative and Support Services			X		X				
611	Educational Services	X	X			X	X			
621	Ambulatory Health Care Systems				X	X				
622	Hospitals				X					
623	Nursing and Residential Care Facilities				X	X				
624	Social Assistance				X	X	X			
711	Performing Arts, Spectator Sports...	X				X				
712	Museums, Historical Sites and Similar Institutions	X		X						
713	Amusement, Gambling and Recreation Industries					X				
721	Accommodation Services					X				
812	Personal and Laundry Services					X	X			X
813	Religious, Grantmaking, Civic, and Professional...	X	X	X	X	X	X	X	X	X

Note:NTEE-CC Major Category X: Unknown and NAICS Subsector 999: Unknown are not evaluated.

Table 6
Location of ICNPO Categories in NTEE-CC Major Categories

ICNPO Groups	I Arts	II Edu.	III Environ.	IV Health	V Human Svc.	VI Intnt'l	VII Pub. Bene.	VIII Relig.	IX Mutual Bene.
Culture and Recreation									
Culture	X	X	X					X	
Recreation					X				
Service Clubs	X				X		X		
Education and Research									
Primary and Secondary Education		X							
Higher Education		X							
Other Education		X							
Research	X	X	X	X	X	X	X	X	X
Health									
Hospitals & Rehab				X	X				
Nursing Homes				X					
Mental Health and Crisis Intervention				X					
Other Health Services				X					
Social Services									
Social Services					X				
Emergency and Relief					X				
Income Support and Maintenance					X				
Environment									
Environment			X						
Animals			X						
Development and Housing									
Economic, Social, and Community Development							X		
Housing					X				
Employment and Training					X				
Law, Advocacy, and Politics									
Civic and Advocacy Organization	X	X	X	X	X	X	X	X	X
Law and Legal Services					X		X		
Political Organizations							X		
Philanthropic Intermediaries and Voluntarism Promotion	X	X	X	X	X	X	X	X	X
International Activities		X				X			
Religion								X	
Business, Professional Associations and Unions	X	X	X	X	X	X	X	X	X

Note: NTEE-CC Major Category X: Unknown and ICNPO Group 12: NEC are not evaluated.

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