**Trading by Charities**

*A number of Jewish charities now undertake trading in various ways, including running shops for unwanted goods and providing a range of other commercial services, often at very attractive prices: I have always assumed that it must be a good thing to use charities for services wherever possible, but perhaps it’s not always quite so simple?*

The starting point for this topic from the Jewish business ethics perspective is that it is always excellent when charities go beyond simply asking people for donations, and start to engage in activities that help those involved in the charity in other and more permanent ways. The Jewish concept of charitable giving is encapsulated in the Torah’s phrase “v’hechzakto bo” (“you should strengthen him”) – the highest aim of the Jewish concept of tzedoko is not to give people money but to help them to become self-reliant.

So it is great to see charities harnessing the energies and enthusiasm of their beneficiaries to provide services on commercial or semi-commercial terms, so that they are not simply receiving donations but are learning and practising skills that both make them feel self-reliant in the short-term and may help them to become actually self-reliant in the long-term.

But yes, there is another side to this as well. Charities necessarily trade on advantageous terms, because of their nature and natural advantages. A service-provider set up on charitable premises may be paying no rent at all, because the charity subsidises its subsidiary commercial venture; or it may be paying rent but at a lower than arms-length commercial rate. And it may be able to take advantage of the charity’s position in a number of other ways, ranging from economies of scale in ordering supplies to simply relying on the goodwill attaching to the charity’s name to attract clients. That inevitably amounts to a distortion of the market-place, and charities need to take great care to ensure that the distortion is not significantly to the detriment of other traders who deserve to operate on an equal playing-field in order to survive.

To apply this in practice, take the following examples (each of which is purely theoretical and is not based on any past or present actual example known to the author).

Start with secondhand shops run by charities. In general, they are probably seen as an asset to the high street by neighbouring businesses, as another way of attracting potential customers to the area. And they are not for the most part in direct competition with their neighbours. But they might wish to think about the range of products they stock to ensure that they remain complementary to and not a threat to surrounding businesses. A good example might be second hand school uniform: as a purely theoretical example, if a charity shop started to stock second hand school uniforms that might be a fantastic service for the local community; but depending on the scale of the enterprise it could also come in practice to threaten the margins of local specialist school uniform suppliers, either driving up prices for those using their services or potentially threatening their viability. Obviously, it is all a matter of fact and degree; but it simply deserves thought by those determining the range of products to accept for resale.

As to the provision of services, again one needs to take a broad view of the potential ethical considerations. Imagine a charity set up to relive poverty among local residents which decides to provide pest control services to the local area, taking advantage of its good name, and premises and vehicles supplied at low cost by the charity. This could have a fantastic impact on the lives of the volunteers or workers who operate the service. But the pest-control field is a relatively small field, and the service could quickly have an impact on the viability of local traders who specialise in that area. Nothing is served by a charity founded to relieve poverty doing so by putting local traders out of business and into poverty!

Similar considerations apply to the sale of groceries or other commodities at discounted prices. Again, superficially a wholly beneficial activity for a charity which aims to relieve poverty, and one whose effects can only be positive; instead of being made to feel like the recipients of charitable donations, beneficiaries are able to shop like anyone else, in the knowledge that the prices are kept down because the charity does not need to make a profit. But what about the local traders who do need to make a profit? Again, in the sales industry margins can be tight and profit-loss balances fragile. In a small community-based area it would be possible to have a significant impact on prices in a relatively short time, and the result could be to undermine the viability of local retail businesses. Charities would need to ask themselves careful questions about the potential effect of their retail activities on other businesses before being able to be satisfied that the overall effect of their activities was positive. While they might decide that lowering prices would be in the interests of consumers anyway, that is not always the case: if retailers are presently profiteering in reliance on a monopoly situation, for example, then exerting pressure on their margins can be only a good thing; but if they are holding a difficult balance between profit and loss, squeezing margins further could undermine them and put them out of business altogether, which is not only bad for them but potentially disadvantageous for consumers in the longer term.

So charity trading is as complicated as every other issue in business ethics; and those charities who offer commercial services, and those people who choose to take advantage of them, need to consider the broader implications before deciding what services to offer, and how and when to take advantage of them.

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