

TITLE: A New Way of Governing: State Promotion of the Third Sector and the Corporate World

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With the retrenchment of the 1980s and 1990s, came a new form of governance that is affecting the daily lives of Canadians. At once reviled by governments as "special interests" whose actions were inimical to democracy, interest associations and voluntary organizations were drawn further into the policy process by those very governments. Increasingly dependent upon interest associations for their expertise and ability to provide services governments no longer could or would, governments began to reexamine their relationship and question the capacity and accountability of the organisations. At the same time, the voluntary organizations burdened by increasing needs among the citizens they served and facing new constraints and demands both from governments and the public, began to agitate for more control within their relationship with government: if they were to act as the arm of government or to fulfill what were once its responsibilities, then they wanted more control over the definition of services and the resources allocated for those duties. As governments and voluntary organizations began this dance, the private sector became more involved both as a partner to the voluntary sector in vying for the attention and benefits of government, but also as a jealous competitor with the voluntary sector wishing to continue to be the privileged partner of governments. In the process, the lines between the three sectors have become increasingly blurred.

In assessing this changing relationship and its implications for Canadians, it is important to understand the shifting context affecting governments, the voluntary sector and the corporate world. The underlying trends will affect how each defines its relationship to the other and their relative roles and responsibilities. If each actor is to accept ownership of its actions and if citizens are to have recourse for policy failures, then the influences and intrinsic faultlines of the relationships must be understood. This paper outlines four pressures and trends affecting governments and the voluntary sector, within Canada and assesses them with respect to the grandest attempt to redefine the government-voluntary sector relationship, the federal voluntary sector initiative (VSI). The corporate sector is considered where its relationship with the other two sectors is

involved. The process of governing in Canada is changing and while the VSI is exemplary of that process, it is also symptomatic of larger trends that will affect the nature of Canadian democracy. First, a brief sketch of the VSI.

THE VOLUNTARY SECTOR INITIATIVE (VSI)

Two important commissions began the task of redefining the relationship between the federal government and the nonprofit sector. The Panel on Accountability and Governance in the Voluntary Sector (PAGVS) under the chairmanship of Ed Broadbent, was struck by an unincorporated group of national voluntary organizations and reported in February 1999. This panel inspired the creation of a collaborative commission. The Government of Canada and Voluntary Sector Joint Initiative, known as the Joint Tables, reported in August 1999. The reports made extensive recommendations, calling for changes within the sector to enhance good government practices and to the regulatory and political framework governing interactions between the two sectors (PAGVS, 1999; Joint Tables 1999). Both recommended further discussion and dialogue between representatives from the two sectors on implementation of the recommendations. The words of PAGVS and the Joint Tables were heeded. In June 2000, the federal government, jointly with members of the voluntary sector, announced the Voluntary Sector Initiative (VSI).

A truly historic undertaking of unprecedented proportions, the \$94.6 million VSI is designed to act on the recommendations of the two commissions over a five year period. According to the VSI website, the “long-term objective of the VSI is to strengthen the voluntary sector’s capacity to meet the challenges of the future, and to enhance the relationship between the sector and the federal government and their ability to serve Canadians” (<http://www.vsi-isbc.ca/eng/index.cfm>). In particular, the VSI is intended to strengthen the collective voice of the voluntary sector to express common needs, to streamline government rules and regulations for the sector, increase the opportunities for voluntary sector organizations to participate in public policy development, and improve access of organizations to new technologies, training and research (Ibid.). Tangible outcomes for Canadians would include enhanced programs, more volunteers who are better supported, more responsive public policy and more opportunities for civic engagement (Ibid.).

How is the initiative structured to accomplish these goals? Two bodies provide leadership for the two sectors and oversee the VSI: on the government side, a Reference Group of Ministers (RGM) comprises key Cabinet Ministers and is chaired by the Honourable Lucienne Robillard, President of the Treasury Board of Canada; and on the voluntary sector side, the Senior Sector Steering Group includes members of the Voluntary Sector Roundtable and other voluntary organizations working on the VSI (<http://www.vsr-trsb.net/>).¹ Coordination within the federal government is provided by

¹ Both bodies have undergone recent changes. The VSR has been quietly abandoned and the Senior Sector Steering Group has altered to become the Voluntary Sector Steering Group with a modified composition including representatives from the Visible Minority Reference Group among others. The Reference Group

the Deputy Ministers Group and by the Assistant Deputies working on the Tables. Within the voluntary sector, the Voluntary Sector Roundtable (an unincorporated group of thirteen national organizations and coalitions that came together in 1995 to strengthen the voice of Canada's charitable, voluntary sector), undertook the responsibility jointly with the representatives participating in the initiative for directing the work of the tables and communicating the results to organizations.² Administrative support to the VSI is supplied by the Voluntary Sector Task Force, housed in the prestigious Privy Council Office of the federal government, and the Voluntary Sector Initiative Secretariat, created by the VSR.³ Overseeing the VSI is the Joint Coordinating Committee whose members are drawn equally from the voluntary sector and federal government.

The federal government and voluntary sector identified seven priority areas for discussion and action by the VSI. Each area is being addressed by a "Joint Table" (JT) comprising an equal number of representatives from the federal government and voluntary sector. The federal officials (largely ADMs) were selected by an internal process while the voluntary sector representatives were drawn from a pool of over 1,200 applicants in an open process by an independent committee of four respected volunteers. The Joint Tables exploring the seven priority areas are: the Accord table to address government-sector relations; the Information Technology and Management Table (IT/IM) to address sector access to technology and its benefits for research; the Capacity Table to address research, policy and skills development in the sector; the Awareness Table to enhance recognition of the sector among the public and government; The National Voluntary Initiative Table with its Coordinating Group on the International Year of the Volunteer to address volunteerism; and the Regulatory Table to examine streamlining reporting requirements and regulations affecting the sector. Finally, there are working groups and other mechanisms that provide support or supplementary information to the JTs.

Given that no agreement could be reached on the method for proceeding on the issues of financing and advocacy, the voluntary sector created two working groups to investigate these topics. While the federal government has subsequently acknowledged the need to address both issues at the JTs, it has not taken action on advocacy but has created a Federal Funding Group within the Treasury Board to study financing issues pertaining to the voluntary sector.⁴ The report of the Funding Group is now being circulated. While it might seem natural that the Regulatory Table would undertake the funding issue, the members of the table from Finance would be unable to discuss these issues and make recommendations on them given that the recommendations would proceed to the RGM and they would then be involved in implementing them. Given that Finance has final authority on budgetary matters, this conflict would be untenable. The VSSG is investigating future ways to address these issues.

of Ministers has become smaller after the January Cabinet shuffle and reflects the core interests of government.

² As mentioned, the VSR structure has been abandoned and will assume a new form including representatives from the VSSG and individuals from the voluntary sector selected by an independent panel. The structure will be in place by the mid-fall.

³ Both bodies should be winding down by November.

⁴ Some discussions are underway to find a means of collaborating on these contentious issues.

The centerpiece of the VSI to date is the work of the Accord Table came to fruition in a signing process on December 5th, 2001. Modelled upon the United Kingdom idea of compacts, the Accord is a framework agreement that will set the tenor of future relations between the two sectors as well as a relationship building exercise. The document enumerates shared a vision and common principles, and a mutual commitment to future collaboration (Accord, 2001). The Accord is intended to strengthen the relationship between the two sectors by encouraging better partnering practices, fostering consistent treatment of voluntary organizations across government and promoting a better understanding within each sector of the constraints, operations and practices of the other (cf. Phillips, 2001; Goode, 2001). Tensions in the relationship between the sectors arising out of the retrenchment of the 1980s and 1990s mentioned earlier have necessitated codification of the relationship to restore a sense of mutual respect and trust. The Accord is being criticized as too process oriented, an exercise in sterile formalism. Sector representatives have questioned whether it is simply “much ado about nothing,” and will have no tangible rewards for the sector while using up precious resources. The lack of provincial and territorial representation in the process also detracts from its credibility, given that this level of government has primary constitutional authority for the sector. While it is premature to even begin determining the validity of these criticisms, Susan Phillips offers clear criteria for judging the success of the Accord: “whether greater trust has been instilled on both sides and whether practices change to the satisfaction and mutual benefit of both partners” (Phillips 2001: 3).

In addition to the Accord, some experiments in engaging the sector in the policy process (Sectoral Involvement in Department Policy Development), are being tested as future possible models of cooperation. Through a competition, funds were allocated to departments to flow to their sector partners to enhance their capacity to collaborate with government, develop, implement and evaluate policy, represent citizens more effectively, mobilize participation in the sector, and ensure accountability. The purpose of the program is to enhance the policy capacity of sector organizations and to make the sector more viable policy partners for government departments. While the project is limited in scope, it is evidence of the potential for change and the internalization of the principles of the VSI within government. Whether relations continue after the terms of the initial phases of the program are over and whether the form of relationship is extended to other areas within policy development will be the real tests of the success of the SIDPD in future. However, at least for the present, business is not as usual, relations are in flux and seemingly developing towards a more cooperative style.

The VSI is now in a process of transition. The Tables are reporting on their work to date and most have completed the first phase of their work. Two Tables, the Awareness Table and the IT/IM Tables will continue their work. The Joint Coordinating Committee and Tables are contemplating the future structure of the VSI through a consultative process. While it seems likely that the initiative will be housed within a department, the intention of improving relations across departments will be attended by a continuing interest of the PCO. The mechanisms are only being negotiated now.

However, one sign of good faith on both sides is that a tentative deal has been brokered on negotiating the difficult issues of sectoral funding and advocacy.⁵

The VSI has introduced a new dynamic into government-voluntary sector relations that will be difficult to roll back or ignore in future. By drawing in officials at the higher levels of the bureaucracy and sector to work together, the VSI has promoted a new awareness of the constraints, strengths and cultures of each sector. The VSI has also built ties across the sectors through personal and professional relations, although in a minority of cases these ties seem strained. This knowledge will be transferred into other areas of policy development as new issues and partnering arrangements arise. Through the work of the Capacity and the IT/IM Tables, the sector should be empowered to take better advantage of these opportunities for policy participation. However, the changing environment could impact upon the ability of the two sectors to achieve meaningful change.

THE CHANGING ENVIRONMENT

The VSI is not operating in a vacuum. The changing circumstances in society will affect its ability to set in motion a cascading effect of changes in the way that policy is made in Canada. Four key factors and their ability to respond will affect the future of the voluntary sector as a whole and the VSI in particular.

1. Bowling Alone or Communities as Commodities

One of the more powerful analyses of the current state of civic life in the US is offered by Robert Putnam in *Bowling Alone: The Collapse and Revival of American Community*. Putnam charts the decline in citizen participation in social, political and religious organizations and institutions. Even venerable organizations like the NAACP, PTAs, houses of worship, unions, and professional societies have experienced significant declines in membership, especially since the 1990s (Putnam 2000, 15, 56-8, 69-72, 81, 83-5). While the data on workplace involvement is more mixed (Ibid., 90-2), workplaces tend to be removed from people's home communities and they do not offer a strong possibility of fostering solid connections between individuals beyond transactional relations. As he notes, "For the first two-thirds of the twentieth century, a powerful tide bore Americans into ever deeper engagement in the life of their communities, but a few decades ago – silently, without warning – that tide reversed and we were overtaken by a

⁵ Under the current tax regime, charities may devote only 10% of their time to advocacy activities or they risk losing charitable status. Although affecting a smaller subsection of the voluntary and nonprofit community, this restriction is seen as discouraging critical feedback so essential to good government policy. The second, more problematic issue involves the creation of a stable funding base for the sector. Tax incentives, program spending, and resource sharing are all parts of the federal financing regime that offers means of building the resources of the sector. Further, the federal requirement that charities spend 80% of revenue on charitable activities each year hampers fundraising in an increasingly competitive environment that may require a higher initial outlay in order to reap greater revenues in future years. Both areas point to a broader problem, the definition of charity. Currently derived from a definition first offered 400 years ago and modified through the common law, many critics point to the need for an updating of the concept.

treacherous rip current. Without at first noticing, we have been pulled apart from one another and from our communities over the last third of the century” (Ibid, 27). This decline in social capital affects economic productivity, the quality of democratic life, health and happiness within the US.

While these trends are not as evident in Canada as the US, there are some worrisome data coming to light. For example, according to the 2000 National Survey on Giving, Volunteering and Participating in Canada, 91% of the Canadian population over 15 years of age donated to charity in the year preceding the survey (NSGVP 2000, 13). While the size of the average donation was slightly larger, the average number of times per year someone donated was down slightly from 4 times in 1997 to 3.7 times in 2000. The downward trend in frequency of giving will have to be watched in future. Even more worrisome is the fact that the top 25% of donors contribution 82% of donations. Too few people are sustaining the sector. Similarly, fewer volunteers (27% of the 15 plus population in 2000 compared with 31% in 1997) were working more hours (up from 149 average hours in 1997 to 162 hours in 2000). The top 25% accounted for 73% of overall hours (an average of 471 hours) (Ibid., 31). Again, the ethos of volunteering and giving would appear to be spread unevenly across Canadian society.

Three other trends illuminate these figures for volunteering and giving further. On a slightly more positive note, civic participation in organizations and political groups has remained constant at approximately 51% (Ibid., 49). However, there were noteworthy declines in participation rates among Canadians with university degrees and incomes over \$100,000. Participation and volunteering rates are also down among middle aged Canadians. While it might be argued that the lower rates among middle aged and the educated might rise as they reach retirement age, habit may be a strong determinant of future patterns of behaviour. If people are not in the habit of volunteering and giving, the lure of the golf courses may trump the food banks or shelters or cancer societies. In the past many canvassing and volunteer activities were built around the institutions that Putnam identifies as crumbling, if so then the pattern of volunteering may be less likely to reverse itself as Canadians age despite the “leisure” of retirement. Canadians cannot afford to take their civic life for granted. Instead, it must be nurtured as in the US.

The VSI is intended to address this pattern of volunteering in Canadian society. The Voluntary Initiative Table coordinated activities across the nation in support of volunteerism culminating in the celebrations on December 5th, 2001 concluding the International Year of the Volunteer. Coming out of the IYV, the National Voluntary Initiative Table has made a series of recommendations on sustaining volunteerism in the future. What is significant is that the federal and provincial governments are intended to play a serious role in promoting volunteerism and encouraging corporate sponsorship of the voluntary sector through such programs as mandatory volunteerism in the schools, a federal day for employee volunteerism, recognition awards, tax incentives and so on. A society-centred activity has become a responsibility of governments to promote. Given that a strong sector is consistent with public sector retrenchment and rationalisation, it is in the interest of governments to promote volunteerism through the VSI, legislation, honours, and sponsorship.

The Putnam message fed into current fears and spurred much activity despite criticisms in Italy where his work was first centred, the US and Canada. While these messages are important for nonprofit organizations and government to bear in mind as they engage more directly with each other in the provision of social services, there is a second, and in some ways, more convincing understanding of what is happening to community life. Robert Reich's theory emanates from the US but resonates within Canada.

In his analysis of community in the US, Robert Reich argues that the "bowling alone" analysis, "fails to account for the most important aspect of what is happening. We're still joining together – for child care, elder care, schools, health care, insurance, health clubs, investment clubs, buying clubs, recreational facilities, private security guards, and everything else that is too expensive to purchase alone. But we're not joining as participants; we're joining as consumers. We're pooling our financial resources to get the best deal" (Reich 2001, 195). Citizens have a wider array of choices before them than ever before, whether it involves schools, universities, homes, communities, work and so on. Their choices of what to join and for what purpose have similarly expanded. As a result, they will choose what is best for their needs and abandon communities that no longer suit those needs or do not meet their needs and expectations as well as another one. People change jobs, homes, schools and organizations or clubs in pursuit of the better deal and communities have become marketable. As Reich concludes, "We get what we pay for and we pay not a penny more than necessary for what we get" (Ibid., 195).

The result is a profoundly changed environment for civic participation and life. Choices become a sorting mechanism for society. More affluent citizens choose homes in communities with fewer social services, better security and home services and lower taxes, thus choosing not to subsidise the needier in society (Ibid., 198-200). They choose schools for their children where they will be among intellectual peers who will stimulate them and not require extra care and attention from the teacher (Ibid., 200-202). Universities offer aid to the best and the brightest students in order to increase their national competitiveness as institutions; thus there is less aid for the poorer students (Ibid., 203-4). Even private insurance programs are preferable to public ones like social security or unemployment insurance or health care since citizens understand risk and will choose to pay for a program that is targeted to people with similar risk factors rather than pay for others who have higher risk factors and thus are likely to increase program costs (Ibid., 204-7). Even governments are drawn into this vortex, by focusing on attracting capital rather than caring and providing for citizens directly (Ibid., 209-12). To maintain a competitive edge, they lower business taxes and offer more subsidies rather than build hospitals or they build sports stadiums rather than schools. In sum, the poor and needier elements are increasingly abandoned to take care of their needs within their communities and society becomes more polarized. Citizens might deplore the increasing differences and the conditions of the poor, but they do not connect their choices with it.

Evidence indicating that this trend exists in Canada may be found in the National Survey on Giving, Volunteering and Participating. There is a slight increase in Canadians

joining work-related organizations rather than community-based groups between 1997 and 2000 (NSGVP 2000, 49-50). While the trend is slight and should not be exaggerated, it might be an early indication of a similar phenomenon in Canada. Further evidence is found in the response of governments to the softness of the volunteer market. Volunteer promotion is encouraged through the workplace. While the value of legislation is being debated through the Canadian Democracy and Corporate Accountability Commission and the Canadian Centre for Philanthropy's Imagine program with the former in favour of legislation and international agreements sponsoring corporate social responsibility as well as voluntary compliance and the latter in favour of voluntary codes,⁶ the fact remains that the workplace has become a center of activity that formally belonged to the community thus blurring the lines between state, society and business.

This trend creates special challenges for the voluntary sector. As governments focus on trade and maintaining a competitive edge, they are downloading services and programs to the social service organizations at a time when citizen needs within the poorer sectors of society are increasing through this sorting process. The burden on the organizations becomes heavier as a result. In addition, wealthier citizens will be more likely to target donations to causes that affect or benefit them rather than services aimed at the poor or needy. For example, in Canada health organizations receive 41% of donations while social service organizations receive 20% (NSGVP 2000, 22). While both might service all citizens, the fact that donors who give more tend to plan ahead suggests that the more affluent are targetting their dollars (Ibid., 25). In addition, while donors still cite giving to people in need (94%) or to causes in which they believe (91%), there has been a slight increase (69% in 2000, 65% in 1997) in the tendency to give to causes affecting them directly (NSGVP 2000, 26). In an increasingly competitive environment for fundraising and reduced government subsidies, nonprofit organisations face a similar sorting process with different resources flowing to them according to their positioning within society. Building capacity within the voluntary sector will need to take stock of these shifts. Further, the tension between the national and larger organizations involved in the VSI and the smaller, community-based organizations largely excluded from direct participation in the VSI could be exacerbated by these shifts.⁷

2. Leadership and Membership

Leadership within the voluntary sector is undergoing a similar shift, and it is not clear that members are following. There are three important trends here. First, as Reich notes, volunteerism has also been commodified. People and resources are more mobile than ever. People tend less to join causes for life. Just as in other areas of their lives, individuals choose to associate with an organization or a cause on the basis of mutual benefit, quality of experience and service, and the costs and risks of being a group member. "Nonprofit leaders, likewise, are immersed in continuous efforts to lure money

⁶ See www.corporate-accountability.ca and www.ccp.ca

⁷ Attempts have been made to ensure the inclusiveness of the VSI through reference groups on Aboriginal and Visible Minority and Ethnicity populations as well as through broad based consultations. However, the initiative remains driven by the larger national organisations with the resources and skills to absorb the costs of such an initiative.

and talent” (Reich 2001, 208). They spend less time developing visions than on positioning their organizations (Ibid., 208-9). Positioning includes maintaining the reputational bases with governments and the corporate sector.

Second, as partnering and downloading of services occur, the demands for accountability from government and the public have resulted in a professionalisation of nonprofit staff and a policy oriented focus. This creates a tension with members who are focused more on the cause or servicing needy citizens or on direct action (Brock 2001; Shaiko 1999, 88-91). While the leadership may be more cognizant of the need to respond to government imperatives and need for compromise with governments in order to position themselves for future policy developments, members of organizations and smaller organizations may view this action as selling out the cause. Certainly this charge has been levied at the leaders involved in the VSI: they have been questioned as becoming too close to government and too bureaucratic.⁸ The VSI causes a shift in values, perspectives and priorities of the leaders directly engaged in the negotiations compared with the leaders and members of organizations not similarly engaged but observing the process. This difference between leaders and needs of their organizations and the volunteer members surfaces in another way when volunteers want to spend two hours per week or every other week volunteering while organizations need ten hours to justify the training and to maximize volunteer efficiency.

Third, the internet has posed a dilemma for leaders. Voluntary sector leaders are increasingly using websites to attract and inform new and current members. However, this has consequences: members tend to be passive rather than active; self-selecting rather than more broadly focussed; virtual rather than directly engaged; and, undifferentiated access to current members and the public reduces the incentive to join (Shaiko 1999, 171; Putnam 2000, 169-80). Thus, by “wiring” and “connecting” organizations, the VSI is building capacity of organizations and placing them into a more competitive mode. The bank of volunteers is a positive development as are the suggestions for an e-bay concept for excess volunteer hours. However, more attention needs to be directed to the effective use of the technology by organizations. Connecting is not enough. Skills, knowledge of the opportunities and the resources to become knowledgeable about those opportunities and then to implement that knowledge is critical. It is less clear that this issue is being tackled within the sector as a whole. The current National Survey of Volunteer Organisations targeted for release in 2003 should provide some insight into this question and the data needed to develop appropriate programs. Corporate donations in terms of skills and able IT personnel are also assisting organizations to develop this capacity, although this plays out differently across the sector.

As a result of these trends, leaders of nonprofit organizations are facing tough and often conflicting requirements in this environment. Simultaneously, they must be respected among government and donors, especially corporations, albeit for different

⁸ This criticism has arisen throughout the Accord consultations exercise. In a private conversation with an Executive Director of a larger voluntary organization, I was asked if I thought that the leadership had “become too cosy” with government and lost their independence. The individual suggested that this was a perception widely held within the sector and that I should be mindful of it when observing the VSI.

reasons; they must be able to attract members as well as donors with often opposed expectations of the organisation; and they must be able to position the organization in a competitive market while still remaining faithful to the vision or mission of that body. While some organizations will be more suited to coping with these challenges, others, particularly smaller ones or direct action agencies may have more difficulty. These pressures are likely to have significant repercussions for the public's view of specific organizations as well as for the sector as a whole. The challenge for leaders is to engage their members while sustaining the organization financially. The intermingling of public, corporate and voluntary sectors increases the pressures on voluntary sector leaders and may distance them from their members.

3. The Necessary and Unnecessary Evils

Two more immediate and practical challenges face the sector. First, money is the necessary evil. In Canada, the voluntary sector remains heavily dependent upon public sector funds with 60% of their revenues derived from government sources, compared with 26% from earned income and 14% from private giving (Hall and Banting 2000, 13). However, with the current recession, governments are expected to cutback on expenditures. Recent federal government budgets continue to deliver the tax cuts promised in previous budgets but tend to hold the line on any new expenditures with the exceptions of security and defence spending in the wake of 9/11 and Canada's accompanying international commitments. Similarly, the Ontario government is coping with a projected deficit and has warned citizens of tightened spending while still promising tax cuts to ensure a competitive environment to attract and retain corporations. The challenge for the voluntary sector as whole and for the VSI in particular, is to maintain its position on the federal and provincial radar screens as resources become more constrained. Again, this requires positioning and policy prudence which may appear too accommodating to the more cause-oriented members of the voluntary sector and civil society writ large.

While money is the necessary evil, the unnecessary evil is the impact of 9/11 on the public perception of nonprofit and charitable organizations. In the wake of the terrorist attacks on the US on September 11th, there has been increased scrutiny of fundraising and spending practices by organizations. The Canadian government, like the US, has expedited legislation governing these practices in an effort to curtail and organizational support for terrorist cells. This increases public suspicion and distrust of the sector as a whole and particular ethnically-affiliated organizations in particular. Similarly, the controversy over the allocation of funds raised through the Red Cross in conjunction with the September 11th terrorist acts, causes cynicism among donors.⁹

In the Canadian case, the implications of 9/11 are being felt in real dollars. As Canadians have answered the call of the US neighbours for support, donations to domestic charities appear to be down as indicated by difficulty of United Way campaigns

⁹ A thoughtful analysis of the Red Cross controversy is provided by Deborah Sontag who captures the tension between members and locals and national organizations and their leaders (Sontag 2001). Thanks to Andy Graham for bringing this to my attention.

across the country in meeting their targets for 2001. Although the reduction in donations is likely to be temporary and more conditioned by the state of the economy in the longer term, the former effects are more serious for the sector. The legislation to deal with terrorism will likely be positive in that it will provide for more accountability among organizations and thus have a beneficial impact for the sector. However, the increased distrust and cynicism among the public may have residual effects and speak to a need for both government and sector leaders whether individually or as a whole to bolster the credibility and positive profile of the sector. How organizations respond to the legislation and how they respond to future events internationally may affect public support for the sector. While the “war on terrorism” has become a “sacred” symbol, longer and more sustained acts of aggression against other nations are more divisive and call into question the international role of Canadian troops. The sector will have to be wary not to become a casualty of these debates in Canada and, to a lesser extent, the US.

4. The Neo-Liberal Challenge

In an insightful study of the effects of neo-liberal restructuring on the third sector, Evans and Shields argue that third sector organisations may be placed in an increasingly uncomfortable relationship with their constituents. They argue that governments are restructuring and transforming policy delivery by engaging in more partnerships and transferring services to sector organizations. Two things occur: governments distance themselves from service delivery in a period when programs and services are being redefined and often scaled back; and voluntary organizations are becoming responsible for the delivery of services as citizens needs are increasing. As a result, governments are distancing themselves from citizen reactions against the changing services, and the third sector is emerging as buffer for governments by experiencing the reaction against the changes directly. The third sector becomes the target for citizen disgruntlement when needs aren't met rather than governments. Governments are in the position to point to their funding for services and to the “inefficiency” of organizations in delivery those services. Organisations, dependent on that funding, will find it difficult to join in the criticism of citizens and direct it towards the governments. Certainly, the current emphasis on accountability and governance in the sector speaks to that trend (Evans and Shields 2000, 12-17). The credibility of the sector is called into question in this process.

The sector has two possible responses. First, coordination within and across subsectors will strengthen the ability of organizations to coordinate service delivery and ensure that gaps, duplication and inefficiencies are reduced. This poses a challenge since a recent survey of civil society leaders reveals that 62% believe that organizations do not have the skills, knowledge and expertise for effective policy input, 76% believe that collaboration to improve social well-being across subsectors seldom or sometimes occurs and only 46% believe alliances between organizations occur frequently within subsectors (Embudenya 2001, 20, 12-3). The degree of collaboration is dependent on the sector as well. Furthermore, 57% believe that umbrella organizations and coalitions seldom or sometimes have the capacity to represent the interests of their members, and 65% believe that umbrella organizations seldom or sometimes integrate members into decisionmaking. Second, coalitions or umbrella organisations provide the basis for coordinating a response

to government initiatives and decisions. By pooling resources, organizations have the potential to strengthen their input into the policy process and influence the direction of policy. As a last resort, a coordinated sector could resist government decisions that adversely affect programs and services if they control the sector. However, this last measure is difficult since an adversarial stance with government affects the organisations' relationships with their members and service recipients. Furthermore, this need for collaboration as a response to contracting out and off-loading is occurring at the same time that the contracting process is fostering competition among those very organisations (Hosli 2001). While the VSI has stimulated the process of coalition building, there is still a long way to go.

In the longer term, each of these factors in the environment affecting the voluntary sector will impact upon the sector's ability to enter into more satisfying and fruitful relationships with the federal and provincial governments as well as the quality of services delivered jointly or by the sector for Canadians. In the process of struggling to redefine the relationship and to meet these challenges, the very quality and nature of civic participation and democratic life will be forever changed.

CONCLUSION

There are four important messages that can be derived from the current Canadian experience. First, as the voluntary sector and government have become increasingly intertwined in the policy process, both have become responsible for the other sector. The voluntary sector is increasingly dependent upon government for funding to maintain its ability to provide services at levels Canadians expect. At the same time, it is lending government legitimacy through partnerships in delivery. Governments have an unprecedented interest in the health of the sector. If governments are to continue the transfer of services to the sector, then the sector must be strong enough to assume those functions. While this implies supporting the sector, it also entails ensuring sector accountability and rigour in delivery of services. Given the increasing scrutiny of contracts, contribution agreements and other partnerships between government departments and external agencies by the auditor general and media, both sectors have a vested interest in ensuring effective and efficient policy and program delivery with measurable results. The lines of accountability, responsibility, and difference are increasingly blurred.

Second, there is a particular danger faced by the voluntary sector as the analysis by Shields and Evans points out. If governments do not actively support the sector and work to promote its image with the public, then the sector could become the target of public vitriol should services and programs decline. While voluntary sector coalitions and alliances are means that the sector has of ensuring government ownership of the responsibility for programs, much will depend upon the foresight and good will of governments. The failure of both sectors to respect the intent and spirit of the Accord, can only lead to a decline in services for Canadians and ultimately an impoverishment of the public good. The Accord at once symbolizes what governments and the voluntary sector can accomplish but also what goals they must strive to achieve in future.

Third, as participation in civic life has shown signs of attenuation, both the sector and the governments have turned to corporations and the workplace as means of ensuring that the ethos of volunteering is nurtured and strengthened. However, as Putnam has cautioned, these alliances are less dependable than the previous community ties. Government and the sector may be building their house on sand. Aristotle once categorized friendships based on business as bronze and cautioned that they last only as long as a common interest accrues to the individuals. These are hardly the ingredients for bridging and bonding social capital so necessary to a thriving democratic state. While corporations must be involved in the project of building strong societies, the tendency toward communities as commodities carries frightening implications for democratic and social life in Canada. While Putnam might overstate the glories of the past and value of the old community structures, his general caution is worth considering. Similarly, Reich's view that we are drifting without paying attention to the implications of our choices is daunting. Leaders in the voluntary sector, corporate world and governments must tend to civic drift if a sense of citizenship and community is to be sustained and strengthened for future generations.

Finally, the leaders of all three sectors face a particularly onerous challenge in building society. At present, it is not clear that they are meeting or likely to meet the greater challenge even while succeeding at the smaller enterprise. The VSI reveals that change, real change, is difficult and takes time and effort. Lines of accountability and organizational cultures do not adapt over night however much good will is present. Suspicion and distrust is not easily dispelled whether within organizations or in the public mind. Genuine and principled differences of opinion are not easily reconciled and continue to block effective compromise. Funding, fundraising, donating, resource allocation remain tough issues despite the movements towards clearer guidelines. Leaders face conflicting demands: do they emphasize managing upwards, downwards, horizontally or attempt all at once? To date the VSI has shown the value of officials from both sides with high stakes in the process applying their minds to a common end. Obstacles that appeared insurmountable in the past have proven resolvable, perhaps not to everyone's liking or to anyone's ideal, but in a pragmatic, workable way. Perhaps, it is this example of "muddling through" or "pragmatic" compromise and tolerance so typical of Canadians rather than any flash or grandeur that will prove the most valuable lesson of the VSI. To this end, our leaders have succeeded.

And yet, the sacrifice of a grander vision speaks to the impoverishment of the democratic ideal. State and sector become technicians in servicing Canadians rather than providing guidance into the future. Corporations become the locus of community rather than mere means to an end. And in the end, while all three sectors might share ownership in the policies, programs and services for Canadians, no one is ultimately responsible for developing a vision or directing Canadians into the future. All is grey, lines of accountability are lost and a sense of democratic accomplishment is diminished.

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