

## **DEVOLUTION OF SERVICES TO CHILDREN AND FAMILIES:**

### **The Experience of NPOs in Nanaimo, British Columbia, Canada**

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#### *Abstract*

*This study focuses on the current experience of Nanaimo's non-profit family and child service organizations (N=29) providing services on behalf of government and their adaptation to this devolution. The effects and consequences of contracting on organizational practices, accountability and service were explored through interviews and focus groups with executive directors, board members, line staff, government representatives and the United Way. Results show a significant proportion of funding comes from provincial government contracts. The funding climate is uncertain, there is considerable confusion, stress and time involved with the contracting process. Accountability requirements are demanding and NPOs express concern about a shift to a business management model. Recommendations include a need for increased collaboration between NPOs, a body that speaks for the voluntary sector and improved relationships between NPOs and government funders.*

**Keywords:** nonprofit funding, non-profit accountability, non-profit boards, devolution, for-profit competition, collaboration, Canada

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The last half-century has seen considerable development in Canadian voluntary agencies that provide services to children and families. From being small, marginal organizations funded

primarily by private donations and occasional government grants these agencies have expanded to become major service providers contracted to provide services in partnership with, or as agents of, government.

This study was designed to focus on the current experience of Nanaimo, British Columbia's non-profit family and child services organizations and to explore how the increasing role of NPOs as providers of government services has affected their organizations in terms of: (1) organizational practices, such as management, governance, and financial administrations; (2) accountability (e.g. accountable to government, membership, or community) and (3) impact on services: specific deliverable versus broad social capital. It attempted to assess some of the consequences of current contracting practices and to examine the advantages, disadvantages and opportunities for agencies when moving from a model that emphasizes voluntarism and citizen participation to one that emphasizes professionalism, accountability, and efficiency.

Nanaimo, a small city of approximately 78,000 people, is situated on the east Coast of Vancouver Island, British Columbia. Originally named *Snuneymuxw*, which means "great and mighty people," it is the historic and current home of Coast Salish people. Their land possessed rich natural resources that attracted the European immigrants who opened coal mines in the mid-19<sup>th</sup> century, Chinese settlers who built the Canadian railway, and Japanese who came to open herring salteries and boat works. Until the mid-20<sup>th</sup> century when the mines closed, Nanaimo was primarily a coal-mining town; later, other resource-based industries, fishing and forestry, provided most of the employment in the area.

As well, Nanaimo has another longstanding and rich resource -- the energies of its people in voluntary activities. The voluntary sector in Nanaimo has a rich history of citizens participating in the delivery of services to children and families. This is a community in which

voluntary boards that oversee theatre groups, music groups, sports and recreational groups and a broad range of community social service organizations, have flourished and made substantial contributions to the social fabric of the community. In 2002, a total of 465 community organizations in the Nanaimo area alone were registered with the Nanaimo Volunteer Centre.

Government support for the voluntary sector was visibly in place, both federally and provincially, during the 1960's and 1970's. Federal funding through the Canada Assistance Plan (CAP) encouraged local communities to define and meet local needs supported through the emergence of new organizations, in particular through funding for job-creation programs. Federal dollars were also funneled into the provinces through Local Initiative Project (LIP) funding and Opportunities for Youth (OFY) funding which provided new funds for both new and existing voluntary organizations (Rekart, 1997).

As a result, in small communities such as Nanaimo, British Columbia, there was a flourishing of programs designed to create grassroots community action in response to specific local issues, problems and needs. Using short-term federal grants, existing NPOs serving children and families began to expand their services and generate new organizations. Nanaimo's John Howard Society, established in 1958, developed many new projects such as neighbourhood diversion programs that were integrated into valuable ongoing services. Nanaimo Family Life Association, founded in 1967 on seed money from the United Church, seized the opportunity offered by federal job creation programs to establish a Crisis Centre, which developed into an important non-profit agency in Nanaimo. In 1972, Nanaimo Women's Place, the precursor to the Nanaimo Women's Resources Society, was established through successive LIP project funding. These, and other new agencies established during this period, formed the foundation for the network of services that now exists in Nanaimo.

Beginning in the 1980's and continuing into the 1990's, the focus of both provincial and federal governments was on reducing deficits. As Brock (2000) notes,

In the face of rising public demands for services and declining revenues, government began to cast about for alternative means of providing services more efficiently. While privatization of departments and agencies was one means, offloading services to the voluntary organizations working in an area of policy, particularly social policy, provided a second attractive alternative to government delivery of services (p. 4).

In Nanaimo, as in other communities, the agencies mentioned above and other NPOs responded to federal and provincial government agendas of privatization by entering into contracts that allowed them to expand the services they offered.

In British Columbia, the New Democrat Party government initiated a Contract Reform Project intended to reduce fragmentation in its approach to contracting services with the social and community services sector. The stated outcome objectives of the project were to establish long term-relationships with eligible contractors, improve consistency and coordination of contracting practices, streamline administration, and increase accountability. With the New Era agenda of the provincial Liberal Government, the emphasis on accountability continued, but the focus moved towards implementing new regional governance and service delivery structures. This new initiative, intended to be in place by 2004, was to include “province-wide standards for locally delivered programs, the establishment of accountability and performance management mechanisms, and the increased use of output and outcome based contracts for service” (B.C. Ministry of Child and Family Development *a*: Service Plan Summary).

The development and expansion of the voluntary sector took place within a context of provincial and federal governments defining and expanding their social welfare responsibilities, and in a climate in which citizens increasingly have come to consider social security and social services to be a right. As we move into this new century, the voluntary sector still holds a

significant place in the delivery of family and child services, and there are increased expectations of the capacity of the sector to partner with government in the delivery of services. There are also expectations that the sector will provide opportunities for civic engagement, which allows community members to participate in the planning and delivery of social services. Across the country, new initiatives are being proposed to support voluntary organizations in the face of heightened expectations and increasing demands. With the growth and development of the voluntary sector have come government expectations of greater accountability and improved governance practices. At the same time, financial pressures, changes in funding practices and increased competitiveness have created additional stress. As Katherine Scott (2003) notes, in a study conducted for the Canadian Council on Social Development for the Working Group on Financing, a subgroup of the Capacity Joint Table of the Voluntarily Sector Initiative (VSI),

Society today is increasingly looking to the nonprofit and voluntary sector to serve and represent the public, even as the ways and means of supporting these organizations in their various roles -- delivering services, connecting communities, speaking for the vulnerable, and building social capital -- are becoming unstable (p.149).

On the national scene, the Voluntary Sector Roundtable (VSR) emerged in 1995 as an unincorporated group of national organizations and coalitions that came together to strengthen the voice of Canada's charitable, voluntary sector. Noting that both federal and provincial governments were contemplating a larger role for the voluntary sector in response to gaps in service resulting from government cutbacks, the Voluntary Sector Initiative (VSI) was established. The VSI is a joint undertaking between the voluntary sector and the Government of Canada and has as its objective to enhance their relationship and to strengthen the sector's capacity (Government of Canada/Voluntary Sector Joint Initiative, 1999). The research and reports provided by the VSI have helped to increase knowledge and awareness about the sector (Voluntary Sector Initiative Canada, 2003). In particular, Scott's study (2003) provides a very

thorough overview of new funding approaches and challenges faced by the non-profit and voluntary sector in Canada.

The present study investigated the changing funding experience for NPOs within a Canadian community that has a rich history of non-profit involvement. It was based on a similar study conducted by Jennifer Alexander (1999) in which she investigated the impact of devolution on non-profit social service agencies in Cuyahoga County, Ohio, U.S. In particular, she looked at the capacity of different types of organizations (established organizations, community-based, faith-based and semi-public) to adopt the business-oriented approach required to meet the expectations of government contracts.

The studies by Alexander (1999), Scott (2003) and this study serve to elucidate the challenges that NPOs are facing. The findings from this community research study are reflective of the findings from Alexander's American study and Scott's larger Canadian study.

#### Method

This study employed a multi-method approach, incorporating Alexander's (1999) use of a survey instrument and focus groups. Using existing databases, a list of 31 participating NPOs (as defined by the BC Societies Act) that provide services to families and children in the Nanaimo region was produced. Twenty-nine agencies agreed to participate. The average age of the agencies was 21 years (ranged from 5-42 years). All age groups of clients were represented, and 25 of 29 of the agencies reported that their clientele came from all ethnic groups. The agencies provided services for advocacy, alcohol/drug problems, community support, corrections, crisis counseling, disabilities, education, employment, recreation, family support, First Nations people, health issues, housing/ residential, mental health, immigrants, women, youth and children.

A survey was designed and completed in the fall of 2002 during one-on-one interviews with executive directors. The survey sought information on; (a) type of service, budget size, service delivery, clientele, and length of operation, (b) extent of reliance on government funding, (c) other sources of funding, (d) impact of changes resulting from providing government services, (e) number and source of volunteers, (f) nature of composition of boards, and (g) indicators of connection to community (e.g. linkages to older community agencies and neighbourhood activities). In a follow-up conducted in the fall of 2003, twenty-five of the original twenty-nine agencies participated. Executive directors were interviewed again about changes over the one-year period based on responses to the original survey instrument.

Six focus groups (each 120 minutes in duration) were conducted in the spring of 2003 with separate groups of board members, executive directors and line staff of organizations, representatives of government funding agencies and the United Way who volunteered to participate. Each focus group consisted of six to eight people. The purpose of these focus groups was to provide more detailed information about the changes occurring within organizations from the different perspectives of each of these groups and how they were responding to these changes. All focus groups were asked the same set of questions, including: (1) How would you describe the *general climate* with regard to funding of family and children's services in BC? (2) What do you see as the *greatest challenge* facing non-profit agencies at this time? (3) To whom is your agency primarily *accountable* and how do you demonstrate that accountability?

An advisory committee, comprised of representatives from community agencies, United Way, and municipal, provincial and federal governments, was formed to provide consultation and to oversee research activities.

All agencies surveyed were given a copy of the report and invited to attend a follow-up session at which they were invited to give further feedback. The participants at this session indicated that the findings and recommendations corresponded with their own perceptions and they expressed appreciation for the opportunity to comment on the research.

## Results

Results were analyzed using a content analysis to identify significant themes from the interviews and the focus groups. The following is a description of each of the main themes that were identified.

### *I. Current Funding Climate in Reaction to Devolution*

In focus group sessions, current changes being initiated by the B.C. government dominated the discussions, illustrating how profoundly government policy changes can affect agency stability. Focus group participants consistently described the funding climate in very negative terms (e.g. “depressing,” “disempowering,” “confusing,” “desperate”). The main concern expressed by board members, executive directors and line staff related to a sense of uncertainty about funding. This uncertainty has been expressed by others investigating this issue as well (Alexander, 1999; Scott, 2003). Workers were uncertain about the future of their own funding, concerned about the very existence of their agencies, and worried about the potential loss of jobs, staff morale, and the impact that funding cuts were having on clients. The provincial government staff was described as providing only “drips and drabs of information.” It was suggested that the government might be supplying only limited information because it is engaging in ongoing “creative evolution” and staff do not know themselves what is going on day-to-day. Participants mentioned that they often turned to government websites for

information, but even there they found that information was inadequate and frequently changing or contradictory.

At a focus group of regional representatives from United Way and from provincial, federal and municipal bodies that contract with NPOs, there was agreement that the current climate is uncertain and that significant changes are taking place in the funding environment, in particular with provincial government funding. These perceptions are illustrated in the following statements. “We are in a time of significant change -- it is not just a shift.” “The foundation is shaking.” “The buffer is disappearing.” “There is a big Tsunami coming.” It was noted that while the non-profits report experiencing uncertainty, there is uncertainty experienced on the part of the funders as well, as they find themselves with fewer staff and a reduced budget.

Focus group participants expressed uncertainty about the role of government with regard to the voluntary sector and about the relationship between government and voluntary organizations. It was noted that government funders “don't talk to each other,” that there is little dialogue between different Ministries or between different levels of government.

Communication between government funders and the voluntary sector is limited, as in Nanaimo there is no structure that speaks for voluntary agencies (e.g. a social planning council). It was suggested that a social planning council might be helpful by providing a vehicle for communication between government funders and the local voluntary sector.

Because of the number of multipurpose agencies, it was decided that for purposes of analyses the groups would be categorized according to their annual budgets rather than by agency purpose. The annual budget of the agencies ranged from \$12,000 to \$3,600,000. The budget distribution was as follows: 10 had budgets between \$0- \$200,000; 6 had budgets

between \$200,001-500,000; 5 had budgets between \$500,001-1 million; and 8 had budgets over \$1 million.

*Government Contracts.* Government contracts play a significant role in the annual budget of all of the agencies surveyed. As indicated in Figure 1, as annual budget increased, the proportion of the budget accounted for by government contracts also increased ( $r = .489$ ,  $p < .05$ ). Figure 1 also shows the extent to which agencies with budgets between \$ \$500,001 and \$1,000,000 are dependent upon government contracts. These contracts account for 85% of their budgets.

Between the original study and the follow-up a total of 10 of 25 agencies reported a further decrease in provincial government funding. It is the mid-sized agencies (with budgets between 200 001-1 000 000) that appear to be most affected by the cuts in the provincial contracts. While 2 agencies reported a decrease in provincial contracts over a five year period in the original study, 6 reported a decrease between the original and the follow-up study. One agency that lost its provincial funding is now completely operated by volunteers.

Focus group participants expressed a concern that government cutbacks reflect short-term thinking without consideration of the long-term effects. Cited as an example of this short-term approach was the provincial government having reduced some contracts from one year with a 30-day cancellation clause to 30 days with a 10-day cancellation clause. This type of funding reduces long-term decision-making, which makes it difficult for NPOs to plan strategically. The negotiation of contracts requires a great deal of administrative time, effort and support. Guidelines for the services to be provided are often not clear, and the speed at which change is occurring makes the process frustrating.

There are also different expectations from the different levels of government. Federal government funders have a project-based approach and require itemized cost reporting on a project basis, whereas the provincial funders are less prescriptive in their Request for Proposals (RFPs), which emphasize deliverables and measurables. Federal funders emphasize that they want “to make sure the money goes to clients and not to support infrastructure,” and therefore they track project expenditures in detail, whereas provincial funders emphasize “results.” Municipal funders only provide very small grants on an annual basis. Funders at all levels of government are concerned about sustainability of projects and are reluctant to fund projects that will require their ongoing support.

*Gaming.* As indicated in Figure 1, gaming has made up a significant proportion of the annual budget of the agencies with the smaller budgets ( $r = -.68, p < .05$ ). Most organizations surveyed rely on revenue from gaming. However, there were concerns about lack of clarity and transparency around the eligibility and the process of acquiring gaming licenses and uncertainty about the long-term future from this source. There was also a sense that those who monitor, regulate, and police gaming activities do not always have the requisite knowledge and skills about the organizations receiving funding. In addition, a number of focus group participants expressed frustration over the rigidity of the gaming commission process, especially around the accountability requirements and restrictions about how money from gaming can be used. Some feared that time and energy are being taken away from meeting urgent client needs in order to develop special projects to meet funding requirements.

*Donations.* Survey responses indicated that as the proportion of the budget from government contracts increased, the increased reliance on donations decreased ( $r = -.32, p < .05$ ). At focus groups, however, there was frequent mention of increased fund-raising activities and a

suggestion that short-term contracting and uncertainty regarding contract renewal will increase the need for donor funding. As can be seen in Figure 1, again the smaller agencies are more dependent upon sources other than government and gaming funds. These *other* sources include donations, monies from the United Way, setting up businesses, and fundraising other than gaming.

## *II. Services to Clientele*

Information from the survey and focus groups indicated that there was an increased demand for services experienced by 27 of the 29 agencies over the last five years, and this increase included both an increased number of clients and increased complexity of client problems. Focus group participants stated that clients are presenting with more complex and multi-layered problems, yet sometimes the very basic problem of survival (shelter and food) is at the forefront. On an anecdotal level, some staff expressed concern that they were not able to do what they were hired to do because they were simply helping clients meet basic needs.

The majority of agencies (19 of 25) reported yet another increase in demand at the follow-up. Respondents suggested that the increase was due to people becoming even more desperate in their attempts to secure basic needs of food, shelter and employment. As well, the provincial government's cuts in income assistance and legal aid have created additional pressures and increased service needs. "As more people are cut off income assistance there will be more unemployed and a greater need for support services; however, most support services are losing funding and programs."

There was also a great deal of confusion on the part of clients about the increasing complexity of forms that they are required to complete before accessing services. As a result, service providers are required to spend more time assisting their clients in completing these

forms. "Clients are becoming overwhelmed with the paperwork they must do to apply for disability funding. They are lost, depressed, and overwhelmed with the bureaucracy."

It was noted that some funding is "based on diagnosis rather than on an organized, integrated team approach to service delivery." When families are given funding directly, we may be increasing their stress by asking them to choose from "an array of services."

It was observed in one focus group that the provincial government is decreasing its size by simply cutting the safety net and expecting volunteer organizations to pick up the slack. There is a perception on the part of most of those in the focus groups that the social safety net has disappeared or is disappearing. Some participants noted that there was a "mean-spiritedness" in the way government is currently dealing with social problems. It was stated that the government is giving people the minimum amount to survive, attributing failure to individual clients, and decreasing the ability of NPOs to advocate for their clients. In addition, there is a move from an individualized approach to what was described by one participant as a change to a "one size fits all" model. Such an approach does not recognize people as individuals with individual needs and challenges, but treats them as a homogenous group. "We are going from a boutique to a Wal-Mart," said one participant.

On a positive note, however, some agencies report that increased demand may have to do with factors such as better law enforcement, better medication, community members identifying needs, more partnerships/referrals, and fewer stigmas attached to the issues.

### *III. Professionalization*

*Employees.* Most agencies reported a change in the educational requirements of employees, either in terms of a greater need for more formal education or a need for more specialized training. The move towards increased professionalism has in part been initiated by

agencies themselves, as they have identified the need to have more professional staff in order to deal with the increasingly complex issues that clients are presenting. Professional credentials have also been required in order to respond to issues of confidentiality and risk management. Government accountability requirements have also led to increased professionalism, as accreditation is increasingly a factor in gaining government contracts. Funders observed that developing appropriate technology and recruiting and retaining skilled staff are challenges for NPOs.

*Volunteers.* The “professionalization” of the non-profits has led to a reconfiguration of the role of volunteers and a decrease in the range of volunteer opportunities available. Fewer and fewer volunteers are engaged in actual service delivery. Increasingly they play a more supportive role in the organization, as board members, fundraisers, or assisting with clerical/office tasks. In some organizations, the formalization of volunteer programs has reduced the numbers of volunteers because of increased requirements (e.g. criminal record checks, first aid, insurance, etc). Unions may also have had an effect in decreasing the use of volunteers.

At the funder focus group, questions were raised about the most efficient use of volunteer contributions. Voluntary activity is seen as valuable in providing an abundance of social capital, but funders commented on possible overlaps in services. Linkages between agencies need to be improved in order to develop a cooperative rather than a competitive model. While there is an appreciation for the contribution of volunteers, there is recognition that appropriate methods for recruiting and retaining volunteers are needed. In particular, there is a need to retain volunteers who are skilled in technology. Funders also note that it is challenging to try to establish “dollar values” for the work of volunteers.

*IV. Impact on Board Members*

In survey responses, the majority of agencies indicated that they had no increase in the number of directors on their board, but almost half (14) reported increased difficulty in recruiting board members. The recruitment of board members is an ongoing challenge for many organizations. Boards are increasingly including more professionals and business people. While focus group participants spoke of the importance of including non-professionals who are passionate about the cause, they stated that there is less opportunity for such people to become involved on non-profit boards. Instead, organizations are looking for skilled volunteer board members: lawyers to “protect them” from liability issues; chartered accountants to help them deal with financial issues; people from the business community to help fundraise, etc. Participants also suggested that the board’s responsibilities have become very political, and that there needs to be training provided for board members to gain awareness and understanding of government policies, funding practices, and the political climate.

Board member participants at the focus groups noted that their boards have had to assume a stronger leadership role in the context of current funding pressures. The job of a board member has become more demanding and they face pressing challenges as “volunteer employers” at a time of cutbacks, lay-offs, bumping, etc. As one Board Chair stated, “It isn't fun any more.”

Government funders commented that board members would benefit from a better understanding of funding mechanisms and constraints, and a better understanding of their accountability as board members. They agreed that NPOs are becoming more businesslike, which might result in boards developing a “corporate mentality.” Questions were raised about how to maintain interest and passion of board volunteers, whether the work was becoming too bureaucratic and corporate, and about how to acknowledge the value of volunteers.

### *V. Accountability to Funders*

Some staff and board members of NPOs stated that their focus has shifted from their accountability to mission statements and clients to a focus on ensuring accountability to funders. Some considered that the government accountability requirements diminish their flexibility in dealing with clients. One executive director stated that voluntary agencies are becoming “agents of the government.” Many are concerned that they are broadening their services in order to get contracts rather than to meet the needs of their clients.

Focus group participants stated that funders are setting much more rigorous reporting and accountability requirements. However, there is not a concomitant recognition of the costs of increased administration that are necessary to “dot the i's and cross the t's” of the accountability measures” and “chase the funding.” There is an ongoing workload challenge in meeting the needs of the clients and fulfilling the specific requirements of government funding. It was observed that the government awarding these contracts does not display the same level of accountability that it requires from the NPOs. One participant commented that the provincial government’s emphasis on deregulation and accountability is contradictory: “while government stresses deregulation, it is demanding more accountability from non-profits.” It was suggested that some of the very qualities that government most values in the voluntary sector -- flexibility and responsiveness--are being eroded because of excessive accountability and reporting requirements.

### *VI. Accountability to Clients and Community*

Many respondents indicated that increasingly they experience a clash between the values of their organizations and the values of their funders. The mandate of many non-profits is to provide support and advocacy for their clients, yet in order to agree to these contracts, some

organizations have had to agree not to act as advocates or be political. Alexander (1999) found that the adaptation to the government contracts was negatively affecting the organizations' public service responsibility to advocate for their clients as well.

Some organizations have had to change models of practice to accommodate the mandate of funders, which conflicted with the values of professional staff. Government funders are seen as dealing with problems by "trying to contain them, rather than treating them," which creates conflicts for service providers. Providing services based on new definitions of eligibility creates tensions. "If you are on employment insurance you are eligible whereas if you are on income assistance you are not; this goes against the value of the organization which believes in assisting individuals who are in need of employment services."

Participants commented that "the economic agenda is driving the social agenda" and had concern about the long-term consequences of current policies regarding funding of family and child services. There was also a concern that the wellness of staff is being negatively affected by the clash between their professional values and the government values.

Some participants reported experiencing ethical conflict regarding their dependence on gaming funds, yet admitted that they couldn't run their organizations without them. With other funding decreasing, reliance on gaming has increased, yet there is also increased competition for gaming dollars and access to these funds has become more complex.

The importance of maintaining the voluntary sector's longstanding role in building and supporting community wellbeing was frequently noted. Many respondents echoed a comment by one-participant that non-profits are "steeped in community" and aware of the community needs, yet were concerned that they may not be able to compete with for-profit providers.

Similarly, Scott (2003) expressed concern that, while some large, professional organizations may flourish, many of the non-profits that are “rooted in communities and civic values, carrying out vital community work” might not survive the pressure of market forces.

On a positive note, several board members spoke of returning to their mission statement in order to be very clear about the delineation between core and contract services. More than one agency stated that they have had to revisit their mission statement and refocus, considering the possibility of cutting back on programs or even being fully run by volunteers, if the terms of their contracts seem to be leading to extreme mission drift.

### *VII. Surviving in a Sea of Change*

As Table I indicates, the majority of agencies surveyed have experienced challenging changes over the last five years. Many agencies reported greatly increased activity levels and increased workloads that threatened their ability to provide needed services. When asked to identify the main challenges facing their organizations, focus group participants identified basic survival issues related to running their organizations efficiently and maintaining the breadth and depth of services. Staff health, wellness, morale, and the retention and recruitment of staff present challenges, and organizations find it difficult to provide support for their staff in a “sea of change.”

Competition between agencies is also of concern. The Request for Proposals (RFPs) and Request for Qualifications (RFQs) processes are becoming “so complex and time-consuming that it is placing huge strains on administrative staff.” The RFP process was described as systematically excluding NPOs from the discussions and having the potential to “bump smaller agencies out of the system.” This process is seen as a competitive, performance-based business model that requires “predicting outputs when you don't have control over the inputs.” It is

anticipated that the B.C. bid process will be more demanding and competitive, and that new players will appear who have history neither in the field nor in the community.

The perception of most NPOs participating in the focus groups is that the provincial government in particular is attempting to implement procedures based on an ideological shift, which would prefer the management of social services to reflect a business model of free enterprise and competition. Organizations are trying to balance their commitment to a longstanding mission and organizational values against their need to compete for dwindling funds. Funders are requiring organizations to demonstrate accreditation compliance, business-oriented management practices, and technological capacity. This shift brings with it a new vocabulary that replaces “service plans” with “business plans” and “communication processes” with “marketing strategies.” These changes may, as Alexander (1999) points out, have the potential to affect relationships, possibly resulting in the alienation of long-time staff and volunteers. This potential conflict between a business orientation and non-profit’s missions and values is an ongoing theme in the research literature (Alexander, 1999; Scott, 2003).

It does appear that the provincial government is increasingly contracting with for-profit rather than non-profit agencies. One agency reported loss of federal funding which was subsequently awarded to for-profit providers. This has resulted in the agency terminating the majority of its operations, although the society continues to function and oversee small projects. Participants expressed concern about the "new era" agenda appearing to give preference to for-profit providers, some of whom are without history or qualifications. This concern was echoed in the follow-up interviews in which many participants commented on the history and reputation of non-profits within the community. These organizations, possessing knowledge, skills, experience and capacity, are run by boards that are "community-minded and committed to the

mission of the agency." There was a perception that profit, not service, is the first priority of for-profit agencies. Some non-profits reported being told that they had lost a contract they had previously held because of qualifications; ironically, the for-profit agency that was awarded the contract then wished to subcontract services back from the original agency.

Developing a collegial relationship with funders, securing funding, finding alternatives to government monies, increasing fundraising initiatives, and becoming more collaborative with other agencies in the face of increased competition for funding were presented as major challenges. Other challenges included, developing measurement and evaluation tools to justify funding and meeting the changing and increasingly complex needs of clients. Some focus group participants expressed the need to be forward-thinking and to develop new programs, rather than remaining "safe" by maintaining the status quo. Funders also saw creativity and the development and sustaining of new ideas as challenges for NPOs as organizations are being contracted only for work that reflects government priorities. Others highlighted the challenge of empowering clients to advocate for themselves. The issue of advocacy was raised in a number of discussions, with some participants concerned that funding constraints prevent them from advocating adequately for client needs.

Finally, it was suggested that there is a need to raise the public profile of non-profits in order to garner more support. Those who work in NPOs clearly recognize the increasing challenges in attempting to be accountable to the clients, the community, the staff, and the funders. There is a need for non-profits to market not just their own organizations but also the importance of the work of the sector as a whole.

## Conclusions

The uncertain climate of funding, the concern about clash of values, the increased workloads, the unstable work environment for staff, volunteers and board members are research trends that are appearing in the literature investigating the impact of devolution on non-profit organizations (Alexander, 1999; Scott, 2003). This research has some recommendations to address these trends.

### *I. Increased collaboration and linkages between NPOs*

Across all the focus groups there was great interest in the idea of improving collaboration and linkages between NPOs. A number of people recalled a history of collaboration among local non-profits, but there was a perception that those collaborative efforts have decreased over the years. Some felt that scarcity of funds has led to increased competition and reduced collaboration, yet all expressed an interest in reversing this trend. During one focus group, email addresses were shared with a great deal of positive motivation to come together to share information and possibly resources. As agencies shared common concerns about their ability to cope with current funding pressures, there appeared a willingness to move beyond narrow competition to a development of linkages and a consideration of the issues faced by the sector as a whole.

### *II. A body that speaks for the voluntary sector*

Lacking a coordinating body such as a social planning council, non-profits in Nanaimo have no voice that speaks for the sector as a whole. Representatives from funding bodies and from the non-profits themselves identified the need for an organization that could identify issues, communicate with government, provide coordination and connection between organizations, increase partnerships, and advocate for the sector as a whole.

At the follow-up meeting held with participating agencies, some participants stated that they were "too caught up in survival" to have time to think about developing another organization. Many said their day-to-day focus was on survival. "Why would we create another NPO organization to coordinate our funeral?" was the gloomy question raised by one participant. Nonetheless, there was general agreement that there was a need to have a larger, collective voice to represent NPO interests (e.g. a President's Club) that might meet monthly to discuss issues of common interest. The establishment of a broad-based Social Planning Council was seen as a potentially useful vehicle for increasing partnerships and communicating with government.

### *III. Improved relationships between NPOs and government funders*

Our respondents reported tensions and challenges in maintaining good relations with government funders. It is in the interest of both parties to maintain effective working relationships based on clear communication, respect, and mutual support. The federal government's Accord with the Voluntary Sector attempts to address this issue. One of the purposes of the Voluntary Sector Initiative is to support the sector by providing it with a stronger voice to express common needs, streamlined government rules and regulations, more opportunities to engage in public policy development, and increased access to new technologies, training and research.

However, participants observed a lack of respect toward the staff of NPOs. One individual reported that, after many years of working under a particular contract, she was informed of the termination of the contract by means of an email, which was read to her over the telephone. Government contracts often require professional qualifications, yet staff members are not paid as professionals nor, with 30-day contracts, do the contracts provide the kind of job

security that professionals may find elsewhere. This is making it more and more difficult for organizations to recruit and retain professionals in their organizations.

Organizations need early input into changes in funding practices and in community governance processes. Participants indicated that in the past few years there has been little consultation on the part of the government with regard to cutbacks in contracted services. Some participants described the funder's position as being "This is the contract. If you don't like it, we'll go somewhere else."

The provincial government's decision to implement a community governance approach to child welfare followed the core review of service implemented by the Liberal government. Although there was a degree of community input into the core review process, there was little communication with organizations or the public when the framework and timelines for Regional Councils was being planned. The dearth of information, direction, or consultation from government about the proposed new governance structure was seen as yet another indication of a lack of respect for the organizations with which government is contracting services.

On the other hand, it would also be helpful if those working in the voluntary sector had a good understanding of the pressures and constraints experienced by their funding partners. At the follow-up session held with agencies participating in this research, participants expressed frustration that their input to government funders was not considered seriously, and they proposed that further inquiry was needed to understand the thinking of "the bureaucrats and adhocrats." One initiative that might help in this regard is a new program jointly managed by the University of Victoria's Centre for Public Sector Studies (CPSS) and Carleton University's Centre for Voluntary Sector Research (CVSRD). The Policy Internships and Fellowships Program is designed to provide opportunities for the senior staff of voluntary organizations to

spend up to ten months as a visiting fellow in a federal government department, or for federal governments to send a public servant to work in a voluntary organization. The purpose of the initiative is to develop policy knowledge and experience that will benefit both partners in the development of public policy for the voluntary sector.

#### *IV. Broader debate about the role and future of the voluntary sector*

In many discussions, reference was made to the ideology behind changes in government funding patterns and the suggestion offered that there needs to be broader debate about the future of the voluntary sector. Debbie Field (1999), Executive Director FoodShare, Metro Toronto, writing about vibrant civil society organizations, points out that administrative issues in the third sector will be very different in the next decade depending upon what social options are chosen. Do Canadians oppose the downloading of government functions on to the third sector? Do Canadians support the view of the Fraser Institute that there should be as little government as possible and reduced taxes so that people can buy social services directly from private providers? Or can the third sector operate as a stable partner with government and the private sector? These are questions that require serious and broad debate and discussion.

In many discussions, the contributions of non-profits were noted as providing value to the community in terms of increased participation and improved social networks. It is difficult to measure quantitatively or qualitatively what is the precise value of citizens spending hours volunteering, participating in community decision-making, and becoming aware of social issues. But, using Robert Putnam's (2000) definition of "social capital" as applying to "features of social organization such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit" (p.67), we can assume that the participation of Nanaimo's community members on non-profit boards represents significant social capital.

Clearly, the individuals participating in this study believe that the voluntary sector has much to offer in providing valuable services that support community capacity. They are eager to work in partnership with government to strengthen community networks and improve community-based service delivery. Whether or not these NPOs have the ability to maintain their organizational visions, missions and values, and continue to involve the local community in contributing to the delivery of services in the face of the continuing challenges remains to be seen.

#### Recommendations for Further Research

It has been challenging to gather and compare data for this research because of the differences between agencies in gathering and storing information. It is difficult to draw conclusions about the impact of changes in funding because of the lack of social indicators and benchmarks for comparison. The current initiative to create a social development strategy for Nanaimo that will provide a benchmark for a follow-up study to use in the analysis of the impact of funding cuts.

At the follow-up, it was noted that it would be helpful to acquire the client's point of view on the services they require and receive within the current environment. Certainly their perspective as the receivers of services would broaden our understanding of the effects of current contracting activities.

It would also be informative to ask staff and volunteers involved in NPOs why, given the pressures they face, they continue to do this work. The level of fatigue experienced by those working in non-profit agencies was mentioned again and again. As Scott (2003) observes, "People, both paid and volunteer, are stretching themselves to the limit to meet the new

challenges and yet remain faithful to their mission and to the citizens and communities to whom they feel responsible. But how long can this go on?" (p. xv).

The trends in volunteering will bear watching. Will community members choose to work with non-profit agencies that are beset with financial uncertainties, workforce tensions and shortages, along with increased demands for service, or will they choose to offer their volunteer services in less troubled settings? Current research indicates that a significant factor in the decision of people to volunteer is their belief in the efficacy of their actions, their belief that what they do can make a significant difference (Martinez & McMullin, 2004). Given the climate that is emerging, volunteers at non-profit agencies such as those described in this study may begin question the importance of their efforts.

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Caroline Burnley  
Carol Matthews  
Stephanie McKenzie

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Figure 1.

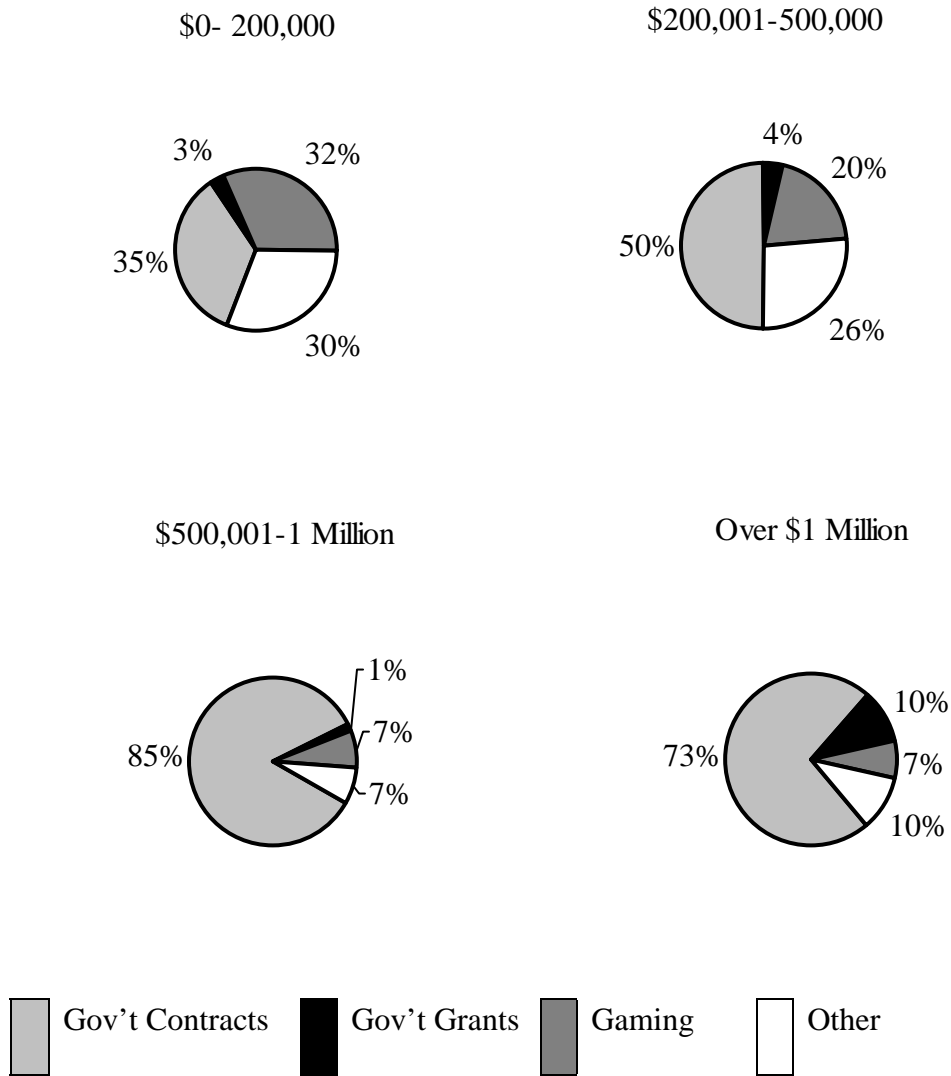


Figure 1. Budget Breakdown by Percentage for Surveyed Agencies

Table I.

Number of Agencies that Report Changes in Activities	
Reported Changes	Number of Agencies (N=29)
▪ Increased administration workloads	24
▪ Increased staff workloads	22
▪ Increased reliance on donations	19
▪ Changes in the way services are delivered	17
▪ Increased reporting to government	16
▪ Eliminated services or programs	11
▪ Reduced staff levels	10
▪ Increased reliance on volunteers	10
▪ Been accredited or currently in the process	9