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## *Unravelling the Threads of Democracy*

The voluntary sector plays a crucial role in ensuring a healthy and vibrant democracy. It operates, at least in theory, outside of government. But it has been hampered seriously in recent years by government actions.

### *What is the Voluntary Sector?*

The voluntary sector in Canada is composed of some 175,000 nonprofit groups and organizations concerned with social, economic, cultural, environmental and political issues. These organizations range from very small, unstaffed groups that meet around a specified, often single, interest to large complex organizations, such as home care agencies, that pursue several objectives.

Organizations in the voluntary sector play three key roles: delivering services, testing innovative models and providing ethical leadership. Individual groups and organizations may be involved in one or a combination of these activities. Equally important, voluntary organizations provide the opportunity and the 'space' for citizens to engage in community and public issues.

While the voluntary sector operates widely in the environmental, cultural, recreational and po-

litical spheres, many voluntary organizations are involved in service delivery in the health and social areas. Programs include home care, school breakfasts, mentoring and literacy. Sometimes these services are provided on behalf of government; child care, home care and various forms of training typically are paid for by governments and delivered by voluntary organizations.

But many services are initiated by the voluntary sector itself. There are thousands of these initiatives. To give just a few examples, Roots of Empathy helps young children learn about empathy and about parenting and child development through classroom visits by at-risk parents and their babies. The Manitoba School Improvement Program encourages public high schools to test innovative approaches to teaching, learning and student engagement, particularly for at-risk students. This community-based program, which operates in more than 30 schools, brings together teachers, students, parents and other community members in a grassroots movement to strengthen education.

The voluntary sector is also at the forefront of innovation. It is in an ideal position to play this leading-edge role. Many voluntary organizations are flexible and are not bound by the Byzantine rules and hierarchical relationships that characterize – and

often paralyze – governments. Voluntary organizations can work across sectoral boundaries and move flexibly in areas where governments cannot go (or so governments claim). The voluntary sector can provide the impetus and the sites for public problem solving, skill building and experimentation.

Its leading-edge capacity also includes an important research and demonstration role in which a new model or program design can be tested on a limited experimental basis to determine whether it is worth broader public investment. This pilot work is intended to show the way life ought to be – but not replace the role of government. The problem in recent years is that funding generally stops at the pilot phase. Exemplary models are initiated and tested but there never seems to be broader application. Funds typically are not available for the more widespread generalization of these ideas.

The voluntary sector also can provide ethical leadership. It can take a long-term view, a perspective that extends beyond truncated political horizons. Voluntary organizations can articulate a vision of society – it is free to work towards creating the ‘ideal world’ without fear of lost votes or campaign dollars.

The voluntary sector can urge governments to move beyond immediate political agendas and can present an holistic view that reflects the needs of all citizens. Equally important, it gives a voice to interest groups – such as persons with disabilities or immigrants and refugees – that often get overlooked in the public discourse, even though they occupy an important place in the theory of pluralist democracy.

Yet in recent years, many interest groups have been more than overlooked. They have been vilified by some governments which claim that these so-called ‘special interest’ groups do not represent the interests of all Canadians. Can this argument get more *oxymoronic*? Governments are correct that these groups do not represent the interests of all Canadians – but that is precisely their purpose, which is to provide a voice for particular groups.

Moreover, in a multicultural society, it is all the more important that the concerns of interest groups be heard. The multidimensional richness contributed by interest groups lies at the very heart of pluralist democracy. In fact, the discrediting of interest groups flies in the face of Ottawa’s latest rhetoric about the pressing need for ‘social cohesion’ in a diverse society.

While most voluntary organizations are recipients of government and/or private dollars, the voluntary sector itself finances various forms of community activity. The United Way, for example, generally funds a broad range of community social services. Private foundations support research and groundbreaking work that tests new models. Community foundations create endowments to invest in local activity in the social, cultural and environmental areas.

Even arm’s-length-from-government organizations like The Trillium Foundation in Ontario, although constituted by provincial law as a Schedule III organization, are sometimes seen as part of the voluntary sector because they have the authority – at least in theory – to act independently and without government interference. Nonprofit, social or cultural agencies are classified as Schedule III agencies. These agencies require the close involvement and participation of nongovernment sectors, including business, community and cultural groups. They are funded – either in whole or part – by general revenues or by funds raised through fees. Their staff are not appointed under the Ontario Public Service Act.

There is also a set of organizations that straddle both the public and voluntary sectors. These are referred to in the United Kingdom as ‘quangos,’ meaning quasi-nongovernmental organizations. Examples include hospitals and child welfare agencies. While these organizations have links to government – their mandate may be to act as advisors to government or to provide statutory services such as child protection – they typically are run by theoretically independent boards of directors. However, their independence often is compromised by the fact that governments control the board appointments.

In short, the voluntary sector is highly disparate in terms of the activities that it undertakes and the organizations that carry out these activities. But despite such diversity, voluntary organizations have a common thread that binds them together: The voluntary sector has been under siege in recent years by governments.

Ottawa and Ontario, in particular, appear to have a love/hate relationship with the voluntary sector. They love the flexibility that it provides to allow the privatization of public services. The public-private partnerships that the Conservative government in Ontario has created, for example, have used the guise of 'partnership' with the voluntary sector to privatize many public services.

At the same time, Ottawa and Ontario appear to hate the potential threat that the voluntary sector poses: a conscience that can be unsettling; a lobby that protests government action; a watchdog that blows the whistle on ethical breaches. These governments appear to be resolving their mixed feelings through a twofold strategy: using the voluntary sector to government advantage, while at the same time controlling its 'unpredictability.'

Governments increasingly are engaging the voluntary sector in service delivery. Ironically, the more money that voluntary organizations receive from government for service delivery, the more they compromise their ability to act as independent advocates on behalf of their members. Success in one area of their mandate often limits their other important functions.

The other side of the love/hate equation is for governments to control the voluntary sector. They effect this control through three key levers: funding, mandate and governance structure.

## ***Controlling the Voluntary Sector***

### ***i. Funding***

Government cutbacks in recent years have seriously destabilized the voluntary sector. The

problem has become more severe since the federal government introduced the Canada Health and Social Transfer (CHST) in its 1995 Budget.

Prior to 1995, there were two major financing arrangements through which Ottawa contributed to social programs: Established Programs Financing (EPF) for health and postsecondary education and the Canada Assistance Plan (CAP) for welfare and social services. EPF and CAP were replaced by the CHST, which allocates federal transfers to the provinces for health, postsecondary education and welfare in a single block fund to be spent as the provinces see fit.

The new legislation was intended to allow provinces more flexibility in how they spend federal money, which is good news – at least as far as the provinces are concerned. The bad news: There would be far less money to spend. The CHST slashed nearly \$6.2 billion from federal transfers in its first two years alone. (The 1999 federal Budget reinstated funding for health care to repair some of the damage from the sudden and huge CHST cuts.)

The removal of the CAP legislative base was especially troubling. There is less funding for welfare, social services and supports to help seniors and persons with disabilities live independently in the community. The three previous federal strings – no residency requirements for receipt of welfare, provision of welfare to all deemed to be in need and the requirement for an appeal system were cut to one (prohibition of residency requirements). The federal cuts opened the door to provincial cuts; provinces at least could upload the blame as they wielded their cost-cutting knives.

The problem is that substantial funding cuts and the loss of federal conditions on its transfer payments to the provinces have come at a time when the need and demand for health and social services are growing. The reported incidence of child abuse has risen in recent years. Poverty remains deep and widespread, despite improvements in traditional economic indicators such as unemployment, job creation and economic growth. The use of food banks is at its highest level ever – even among work-

ing households. Never before have so many Canadians lived on the streets. Growing numbers of seniors require assistance and care at home.

Some nonprofit agencies engaged in service delivery have had to impose or raise user fees to help cover their rising costs. This development is particularly disturbing because many social services are geared towards low-income households that cannot afford these payments.

The cutbacks also mean that governments have abandoned some services or are allowing them to wither from neglect. Subsidized housing is a prime example. The voluntary sector subsequently is left with the impossible expectation that it can fill the gap created by a public sector in retreat.

This problem has raised serious questions as to governments' appropriate role with respect to support for human services. At what point should government end and the voluntary sector begin?

There is no short and simple answer to this large and complex question. But it would seem logical that any service which meets basic needs for food, shelter and protection from violence should be considered a government (i.e., public) responsibility.

Crucial investments in early childhood development, literacy, and education and training are also essential for ensuring the success of a knowledge-based economy. In fact, our current understanding of the critical early stages of child development leave no doubt that reducing child poverty and investing in early childhood must be top public priorities. Since society as a whole benefits when these essential needs are met and suffers from their neglect, society must assume responsibility through its principal institution for collective action – government.

Cutbacks have affected not only the availability and quality of human services. Funding cuts also hamper the capacity of the voluntary sector to carry out its other roles with respect to innovation and moral leadership.

Organizations involved in funding the voluntary sector – including local United Ways, private foundations and quasi-public organizations such as The Trillium Foundation in Ontario – find that they are being approached more frequently to support programs that respond to basic needs. They are being asked increasingly to contribute to food banks, shelters for the homeless, transition houses for battered women and literacy programs for the unemployed.

The private sector also can attest to the fact that the requests for charitable donations have gone up. And what household does not receive dinnertime phone calls from charitable groups seeking support for some worthy project?

Most socially conscious funders find it difficult to turn away such requests because they recognize that these voluntary organizations are cash-strapped. But the voluntary sector worries that its willingness to pick up essential services after governments have cut back may inadvertently reinforce the government strategy of shifting some of its responsibilities onto voluntary organizations.

Moreover, the pressures that have arisen in response to government cutbacks can divert the voluntary sector's own efforts from developing innovative approaches and promoting awareness of pressing public issues. Perhaps that redirection is precisely what governments want. But in the long run, it can destroy the basis of a vibrant democracy.

Another pressure for the voluntary sector arises from the requirement to 'lever' government dollars. Leverage means that a certain proportion of the requested financing is provided by government and is intended to be used as the base from which to harness additional contributions from other sources.

There are several positive aspects to this requirement – including the fact that it can be an effective way to engage additional partners in a given organization or project. But it also has a steep price: the time and resources it takes to secure and retain

additional funders. The leverage requirement also assumes that there is an ever-expanding pot of available money and that these funds can be sustained over an extended period of time.

Nongovernment funders, in particular, generally feel compelled to commit to an initiative because they know that their contribution – even though it represents only a portion of the leveraged financing package – can make or break the project. Once again, the voluntary sector sacrifices its own independence.

But nongovernment funders often contribute nonetheless – even if it means a temporary diversion from their own interests. They feel a responsibility to do something about the children who go to school hungry, the homeless who sleep on icy streets in winter, the new Canadians who cannot afford to pay for postsecondary education, and the far-too-many adults who lack basic reading skills. Someone has to pay attention because governments seem to have lost interest in these issues.

Governments themselves have been seduced by the leverage lever. We are now seeing the creation of ‘government foundations’ that are effectively competing for funds with existing voluntary organizations. For example, on May 5, 1998, the Ontario government announced a new \$25 million Arts Endowment Fund. The program is being administered on behalf of the government by the Ontario Arts Council Foundation, a charitable foundation established in 1991 to encourage private donations to the arts.

The intended purpose of the new Arts Endowment Fund is to help arts organizations build endowments – i.e., investment funds set aside for long-term support. The principal amount that represents the endowment is held untouched in the organization’s name. Only the income or a portion of the income earned on the principal is available to spend.

The advantage of an endowment is that it produces a steady stream of income to finance day-

to-day operations or special programming. It helps ensure the future stability of an organization.

But there are also concerns with respect to this funding strategy. These new government foundations are directly approaching corporations and foundations to support them; these foundations are basically competing with existing voluntary organizations for charitable dollars. It is very much like private market ‘big box’ stores that are squeezing the smaller players out of business.

Ontario claims that the formula it has devised for this purpose will not create competition among organizations. The government contribution is paid according to a set formula based on operating revenue. Applicants effectively compete for funds only with organizations in their own category. Since when is competition not competition? The more insidious interpretation of this funding formula is that it tends to divert philanthropic money towards organizations that receive government approval.

The Ontario Heritage Foundation is another example of a government foundation that is raising money for its work. The Ontario Heritage Foundation is a ‘Schedule I’ agency of the Ministry of Citizenship, Culture and Recreation. Schedule I organizations are advisory and regulatory agencies and ministry corporations that play a direct role in achieving the government’s policies and programs.

The Ontario Heritage Foundation advises the Minister of Citizenship, Culture and Recreation on the conservation, protection and preservation of the heritage of Ontario. The Foundation also preserves, restores and manages property of historical, architectural, recreational and scenic interest in conjunction with community partners.

The Foundation openly welcomes financial gifts in support of its work and grants charitable receipts in respect of these contributions. In addition to gifts of cash, the Foundation accepts land, buildings or cultural artifacts that are significant to the heritage of the province. The bottom line here is that corporations and citizens are being asked to

make donations to an organization that essentially is carrying out the work of a government department. Why are tax dollars not being used for this purpose?

## *ii. Mandate*

The second method that the current federal and Ontario governments employ to control the voluntary sector is to limit the scope of its activities. These governments appear to have no problem with a voluntary sector that quickly and effectively delivers services on their behalf – especially in areas, such as affordable housing, where they have decided to get out of the business.

But if the organizations dare cross the line and move into a ‘threatening’ advocacy mode, then the governments typically act quickly to crack down – usually by withholding or withdrawing funds. (Opinions and views that differ from prevailing norms are often interpreted as ‘threatening’ advocacy.)

Government dollars now tend to be directed to voluntary sector organizations in the form of project money with clearly prescribed activities and outcomes. There is precious little core financing to sustain organizational operations from one year to the next. But it is core funds that permit organizations to act independently; project funds effectively tie their hands.

The federal government used to provide core funds to voluntary organizations in the social sector through a modest program, known as National Welfare Grants, housed in the Department of Human Resources Development. The program was dismantled several years ago and grants for core funding of many voluntary organizations have been cut back dramatically.

In a recent highly publicized case, Status of Women Canada decided after a long and bitter process to continue to support the nonprofit National Action Committee on the Status of Women. But the federal dollars are now tied to designated projects rather than left as ‘unattached’ core funds.

The Ontario government has used yet another control tactic. It explicitly has told certain organizations what they can and cannot do.

The province made very clear the limits to voluntary activity in letters it sent to organizations selected as recipients of the new ‘Provincial Break Open Ticket’ lottery proceeds. They were notified (read ‘warned’) that the funds were restricted to the direct delivery of programs and services necessary for education, awareness and information, only where such programs and services were essential to fulfilling the charitable mandate. Organizations were instructed expressly that this activity precluded any initiative or platform that may bring about or oppose changes in the law or government policy.

## *iii. Governance*

The third set of actions involves government control of the governance structure of voluntary organizations through the appointment of their Board members or changes to their governing bylaws. While this tactic is not new, it appears to have been used far more blatantly in recent years. The last spate of appointments to ‘arm’s-length’ organizations in Ontario, such as The Trillium Foundation, have been anything but neutral and politically balanced.

Recent events at Ontario Place also point to apparent political interference in the governance of this organization. Ontario Place describes itself as an “internationally acclaimed cultural, leisure and entertainment parkland located in Toronto.” It is a Schedule I organization with staff paid by government and a provincially appointed board.

*The Toronto Star* reported on a conflict that arose in relation to a \$50 million food services contract tendered last year by Ontario Place. The Board of Directors seemingly ignored the advice of both its hired consultants and senior staff in awarding the lucrative contract. The company that won the contract is alleged to have strong personal connections to certain Board members, including its Chair. Perhaps it is merely coincidence that the latter, in turn,

is a close friend of and top fundraiser for the Ontario Premier.

But there is another control strategy that moves beyond the appointment of friends to high places. It involves the creation of entirely new organizations whose work has profound implications for the public good but whose governance and methods of operation are partly privately controlled.

The Ontario government set up the Ontario Great Lakes Renewal Foundation, for example, as a nonprofit entity to lead efforts in protecting the fragile Great Lakes ecosystem. While this new blend of public-private activity is being tested throughout the world, it raises serious questions about safeguarding the ‘public good.’

The case of the Great Lakes is particularly sensitive because they constitute the largest basin of fresh water in the world – a resource over which there likely will be substantial conflict in future. And considerable profits will be made if the sale of fresh water to the US and abroad is permitted.

There appears to be no good reason to bring in mixed public/private stewardship over a resource that should lie squarely in the public domain. Moreover, there are questions about the private interests and credentials of the government appointed Board members and how they will be held accountable to the public for their decisions. Accountability does not appear to be a priority issue in the mandate of this new structure; perhaps it was created to circumvent public accountability constraints.

Increasingly, governments are moving decisions that affect the public interest further away from the public hand and eye. While there is much room for innovation and flexibility in these ‘alternative delivery mechanisms,’ there is also grave risk of subverting the public good to private interests. These ‘reinventing government’ exercises indeed may have to reinvent – or at least reinstate – government.

## **Conclusion**

Organizations in the voluntary sector help weave the fabric of society by engaging citizens, and cultivating trust and collaboration among sectors – yet its threads have been frayed and stretched tight. The voluntary sector acts as the social glue that helps bind together the diverse elements of society into a cohesive whole – but is quietly becoming unstuck through misuse. The voluntary sector forms an essential part of the foundation of a vibrant democracy – yet itself has been shaken to its core.

It is time to blow the whistle on governments that undermine the voluntary sector through drastic and destabilizing budget cuts, restrictions on its activity and control of its governance. It is time to blow the whistle on governments that set up new public/private hybrid arrangements around matters that are truly in the realm of the public good and should remain entirely in the public domain. It is time to blow the whistle on governments that, on the one hand, move to weaken the voluntary sector and, on the other hand, seek to rebuild it in their own image.

As if the voluntary sector did not have enough to do, it now has an extra pressure to add to its list. It not only must watch government policy. It also must watch government.

*Sherri Torjman*

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