A Short History of Voluntary Sector-Government Relations in Canada

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The purpose of this article is to present an overview of the history of voluntary sector-government relations in Canada. This is a rich history, which is often overlooked and chronically underappreciated. This historical overview will cover dominant themes within each of five periods in the evolution of the voluntary sector-government relations in Canada: 1) the emergence of the federal state and moral charity; 2) the political and social reformation in the late 1800s and early 1900s; 3) the rise of the welfare state and the voluntary sector following WWII; 4) the fall and rise of voluntary sector-government relations, which covers the period from the mid 1970s to the present day; and 5) an analysis of contemporary voluntary sector-government relations.

The Emergence of the Federal State and Moral Charity

The pre-Confederation period in Canada can be divided into three distinct regional trajectories: Atlantic Canada, Upper Canada, and Lower Canada. Survival in Canada's harsh climate and sparsely populated landscape depended on individual determination, a communal spirit, and strategic political and economic alliances. These alliances were more often than not with aboriginal peoples who inhabited North America for thousand of years before European explorers arrived (Hall, Barr, Easwaramoorthy, Sokolowski, & Salamon, 2005; Thompson, 1962). It was with the arrival of European settlers in Atlantic Canada, New France, and Upper Canada that formal governance structures, processes and services, such as social services, education, and welfare, started to take shape.

Atlantic Canada

The Elizabethan Poor Law of 1601 was imported into the American colonies and from there into what is now New Brunswick by the Empire Loyalists. The Poor Law, which obligated municipalities and counties to collect funds for the relief of the indigent and ensure the provision of asylums and other related institutions, took effect in Nova Scotia in 1763 and in New Brunswick in 1786 (Guest, 2006). At the time, this arrangement was supplemented provincially only in the case of an extraordinary emergency, such as a serious fire that resulted in wide-

spread homelessness or an outbreak of typhoid fever (Guest, 2006; Moscovitch & Drover, 1987). Samuel Martin, in his seminal book, *An Essential Grace,* cites the purpose of the Halifax Poor Man Friendly Society as typical of the private charity organizations created in this period: relieve the distress of the poor with a supply of wood and potatoes during the winter (Martin, 1985).

The administration of the Poor Law in New Brunswick and Nova Scotia became the stuff of Charles Dickens as little differentiation between deserving (i.e., aged, sick, etc.) and undeserving (able-bodied) poor was made, and support was contracted out by the municipality to the lowest bidder, extended at times to a humiliating annual public auction of paupers (Guest, 2006). This is a practice that continued throughout the 1800s and is reflected in Figure I, which depicts the separation of support by charities and local municipalities.

Figure 1: Pre-Confederation Government and Citizen Relationship to Social Welfare Provision (1)

Atlantic Canada[1]

Government		Individuals
↓		↓
Municipal Government		Charities
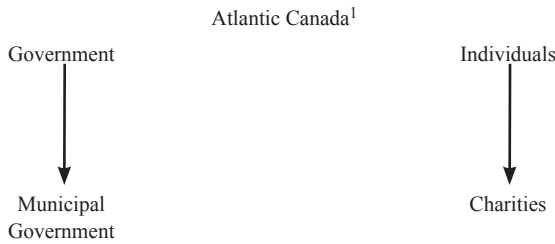
By the mid 19th century, these charitable organizations, like their counterparts in Great Britain, sprang up by the dozens; charities affiliated with churches, ethnic groups, and special interests became associated with social status and moral reform and served as a means to provide aid to those in need (Davis Smith, 1995; Martin, 1985; Taylor & Kendall, 1996).

New France and Beyond

From the beginning of the 1600s, with the arrival of Samuel de Champlain, organized support for people in need followed traditions and edicts carried over the Atlantic from France. New France was guided by the strong and paternalistic hand of King Louis XIV, who believed not only that he *was* the state, but that the state must safeguard the legitimate interests of *all* ranks in society (Martin, 1985; my emphasis). In order to establish a thriving colony, the crown gave priority to the "general good" over the individual (Martin, 1985).

Support for people in need was in no small measure provided by the Catholic Church. Hospitals, a Bureau of the Poor, almshouses, and schools were all administered by the Catholic Church and were funded through individual donations, dedicated fundraising, and crown subsidies (Martin, 1985; Reid, 1946). The first Quebec hospital, the Hôtel Dieu was established Québec City in 1638 by Superior Mother St. Ignace; le Bureau des pauvres was established in Québec City in 1685; and la Maison de providence was established in Montreal in 1688,

as was the Hôpital General in 1693 (Bélanger, 2000). There was also a divine purpose in the provision of all these human services. The conversion of natives, and later on of French Canadians, to Catholicism was the underlying raison d'être for work of these organizations (Wallace, 1948).

The Catholic Church in New France assumed not only the traditional role it performed in Catholic France, but also activities which would otherwise be performed by the state (Bélanger, 2000). Thus the Church was not only involved in the provision of all socio-economic services as well as medical care and education, but was also intimately involved in frontier exploration, colony governance, the recruitment of colonists, and the establishment of missions and cities (Bélanger, 2000; Eastman, 1915; Reid, 1946).

For all intents and purposes, the Catholic Church during the period 1608 to 1763 in Lower Canada *was* the state (Bélanger, 2000; Eastman, 1915; my emphasis). The dominance of the Catholic Church over religious affairs as well as affairs of state is exemplified in the 1627 charter to the Company of New France. The charter stipulated that only Roman Catholics should be sent out to New France; this stayed in effect during the entire period of French rule in Canada (Wallace, 1948) and ensured the dominance of the Catholic Church in Lower Canada, which lasted for more than three hundred years. When a civil government was first established in New France in 1663, the Church became subordinate to the state, but its strength was not significantly diminished (Bélanger, 2000). With this subordination came a number of important institutionalized privileges for the Catholic Church, such as its official support from the state as a de facto "national church" and regulations that ensured the dominance of the Church and its clergy. This position was consolidated even further with the Quebec Act of 1774 (Bélanger, 2000).

The Catholic Church lost some of its influence and access to financial resources after the British Conquest of 1763, but even this was short-lived. A new sense of laissez-faire liberalism, fuelled by an emerging class of lawyers, notaries, doctors, and land surveyors failed to take root, and consequently positioned the Catholic Church to take on an even stronger role in Quebec society (Bélanger, 2000). During the late 1800s full (i.e., state-funded) guarantees were extended to confessional schools, the only type permitted in Quebec; all civil registries were kept by the Church; only religious marriages were acceptable; Church corporations were not taxed; and the tithe was legally sanctioned (Bélanger, 2000).

At this point, the Catholic Church controlled all education, health services, and charitable institutions in Quebec (Bélanger, 2000). This control was augmented by the French language, which served as a strong barrier to the spread of ideas from the Americans to the South and the Empire Loyalists to the West and East (Clark, 1968). In the early to mid-1900s, the Church consolidated its hold on society through its control of classical colleges and French Catholic universities, and the creation of elite associations, Catholic social movements, unions,

and mass-media outlets (Bélanger, 2000). It was only in the early 1960s that the 'quiet revolution' would question the sustained dominance of the Catholic Church over the provision of health, education, and social services.

Figure 2: Pre-Confederation Government and Citizen Relationship to Social Welfare Provision (2)
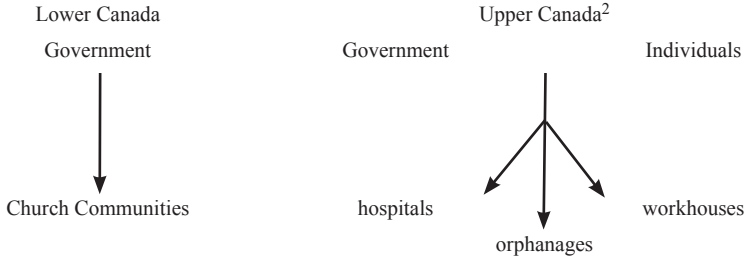
Upper Canada

The Constitution Act of 1791 divided the old province of Quebec into Lower Canada and Upper Canada and perpetuated the influence of the Catholic Church in Lower Canada. It also sowed the seeds for a much more diverse approach to supporting the needy in Upper Canada (Hall, 2006; see Figure 2). For example, grants to private welfare organizations in Lower Canada were given *only* to religious affiliated organizations, while in Upper Canada funds for hospitals and workhouses went to independent boards which operated in municipalities (Martin, 1985).

The Constitution Act of 1867 continued to exclude the Poor Law from Upper Canada. There are a number of possible reasons for this. Moscovitch and Drover (1987) feel that it was excluded because there were abundant opportunities for employment, including access to land, and only municipal grants for the deserving poor (e.g., asylums) were required. The result was an institutional shift of public responsibility for the poor from the state to the individual, the family, and private philanthropy (Guest, 2006). This is not to diminish the pioneering spirit of both immigrants and the rapid influx of United Empire Loyalists and their communal strength, but poverty was seen by many at the time as a consequence of moral failure (Guest, 2006).

This abdication of responsibility by the central government did not diminish the need for charities to address those who were sick or destitute. Reluctantly, there was a gradual resumption of public responsibility for certain categories of need and a sharing of responsibilities with voluntary organizations (Guest, 2006). In a refrain that would often be repeated, the early 1800s found charities in Upper Canada establishing programs and then requesting government support as unmet needs outweighed their organizational capacity. Ironically, the existence of a Poor Law would have made it very difficult for charities to appeal to the government for any additional funding (Valverde, 1995).

Noblesse Oblige

The establishment of charities in Upper Canada took on clear moral and evangelical overtones as, according to Martin, every church, ethnic group, and interest group had its own charitable society or foundation (Martin, 1985). Charities also met cultural and linguistic needs that were otherwise not being met. For example, a German burial society was established in Halifax in 1753. Polish immigrants founded their first mutual aid society in Berlin (Ontario) in 1872, as did Italian-Canadians in Montreal and Toronto, Lithuanians in Montreal, Toronto and Winnipeg, and the Chinese in Victoria (Lautenschlager, 1992). Long-standing organizations such as the YMCA, Community Chest (United Way) and the Hebrew Benevolent Society (Federation CJA-Combined Jewish Appeal) were established during this period, as were many Canadian branches of British voluntary health organizations, including the St. John Ambulance in 1877, the Canadian Red Cross in 1896, and the Victoria Order of Nurses in 1897 (Canadian Jewish Congress, 2002; Lautenschlager, 1992).

This fragmented approach to service delivery impeded a more comprehensive and non-partisan approach to poor relief and helped to conceal how big the problem actually was (Guest, 2006). In 1874, the *Ontario Charity Act* gave the province the right to inspect social welfare institutions and thus formalized the link between financial resources and control (Martin, 1985). This gave the government considerable leverage to scrutinize charitable activities, even in cases where government funding was minimal (Valverde, 1995).

The attitude of *noblesse oblige* certainly dominated charitable giving during this period, and service on charitable boards was seen as a precursor to either public office or a potential title from Great Britain (Martin, 1985)). The active involvement of Upper Canadians in the administration of charities also provided them with the means and the insight to make important (i.e., financial) appeals to friends and neighbours, which in turn kept these organizations solvent (Martin, 1985). In Canada, as in Britain, charities played the dominant role in the provision of health, education, and social services.

In the mid-1800s in Britain, there were so many charities that a Royal Commission was established to investigate charitable malpractice. This resulted in the *Charitable Trusts Act* of 1860 and the establishment of the Charity Commission (Davis Smith, 1995). In 1869, the Charity Organization Society was formed in Britain to coordinate the provision of charitable activities and to ensure that the "deserving poor" were appropriately served (Davis Smith, 1995). The previously noted Community Chest, established in Toronto in 1918, was designed to serve a similar purpose (Martin, 1985).

As Confederation was confirmed in 1867 and Sir John A. Macdonald became Canada's first Prime Minister, parsimonious financial support to charities was the order of the day. Given that government subsidies to charities were so modest at the time, little was relinquished when health and welfare was made a provincial

responsibility (Martin, 1985). Education, while contentious, was also delegated to the provinces as a concession to the French majority in Quebec (Martin, 1985).

Canada's Political and Social Reformation

While the period between the late 1800s and early 1900s has been described by some as the "golden age" of philanthropy, it was also a period of tight moral control and extensive worker exploitation (Armitage, 1988; Martin, 1985). A wide range of political, social, moral and economic reform movements were established, including the Women's Christian Temperance Union, the Dominion Enfranchisement Associations, and social gospel movements, which promoted moral as physical well-being (Moscovitch & Drover, 1987). These groups tackled issues related to women's education, urban public health, and sanitation and promoted the establishment of recreational opportunities in both urban and rural areas (Moscovitch & Drover, 1987).

At the same time as charities were proliferating, so were other means of providing social support. Social justice aspirations and religious ideologies were integrated into service provision for much the same reason that Jesuits priests were leading explorers in the early 1600s. The Moral and Social Reform Council of Canada is a case in point. This alliance of Anglican, Methodist, Presbyterian, and Baptist churches and the Trades and Labour Congress of Canada worked together to get the federal government to enact the Lord's Day Act in 1906 (Guest, 2006). Another example is the national social service congress in 1914, which was described as a "display case of religiously motivated, social reform thought in Canada," where speakers represented the right wing, the centre, and the left wing of the social gospel movement (Guest, 2006, 33).

On a more practical and egalitarian level, this same period gave rise to the Antigonish cooperative movement, led by Dr. Moses Coady, and St. Francis Xavier University, whereby lives were transformed through reading, discussion, and action (Boughton, Taksa, & Welton, 2004; Thomas, 2005). In December of 1900, Alphonse and Dorimène Desjardins, with the explicit support of the local parish priest and the principal of the local Catholic seminary, organized a meeting of about 100 people in Lévis, Québec, to found the Casse Populaire de Lévis (Fairbairn, 2004). As the movement grew, it was most often the local priest who informed parishioners what a *caisse populaire* was and acted as founder, secretary, or treasurer, as well as personal guarantor of this new bank (Fairbairn, 2004). Both co-operatives and credit unions became fixtures in communities across Canada during the early 1900s and continue to this day.

Until this point, citizens and religious institutions were the primary drivers of voluntary sector activities and organizations. Governments provided funding when they were obliged to under the Poor Law, but otherwise saw social services as a means to control social unrest rather than a way to increase equitable access to services and opportunities (Armitage, 1988). The prevailing view of government was that social services and opportunities for employment were there for

the taking, and it was only laziness or illness[3] that stood in the way. This "hands off" approach by government was pervasive, and it was only by political or economic necessity that social action was taken. Income security measures resulting from the Winnipeg General Strike of 1919 and financial aid programs for WWI veterans and their families signalled the first major entry by the federal government into the area of social security (Lautenschlager, 1992).

The proliferation of charities in this period fostered social status for their benefactors and moral servitude for their recipients. It also resulted in the creation of local, centralized governing bodies such as the public Social Service Commission in Toronto in 1912, which was designed to streamline charity work and impose a degree of administrative efficiency and accountability (Maurutto, 2005). This efficiency drive was instigated by private sector interests with a passion for Taylorism[4] and created considerable tension between Commission board members and charities.

In 1914, this tension led to the dissolution of the Social Service Commission and the development of the Neighbourhood Workers Association by charities to coordinate and centralize their work (Maurutto, 2005). Service delivery coordination was complemented by the development of collective fundraising agencies such as the Federation for Community Services, which was founded in 1919 and was the precursor to the United Way of Greater Toronto. By the end of the 1920s, federated fundraising organizations were formed in major centres across Canada (Maurutto, 2005).

Making Waves

Like waves of prairie grasses that ripple in the wind, two events occurred during the late 1800s and early 1900s that still resonate across the landscape of registered charities: the Pemsel case of 1891 and the *War Charities Act* of 1917.

The 1891 Pemsel case is the leading judgement and interpretation of "charitable purposes" in the context of income tax legislation. Not since the Act of Elizabeth in 1601 had a clear judgement on classification of charity been delivered (Webb, 2000). Lord Macnaghten, speaking for the majority, wrote:

> Charity, in its legal sense, comprises four principal divisions: trusts for the relief of poverty; trusts for the advancement of education; trusts for the advancement of religion; trusts for the purposes beneficial to the community not falling under any of the preceding heads [1891] AC 531 at p 583 (Webb, 2000, p. 128).

This is what lawyer and researcher Kernaghan Webb (2000) notes about the Pemsel case:

> Pemsel was important not only for its classification system, but also for its confirmation that the meaning of charity for trust purposes was relevant and applicable to understanding the meaning of "charitable" under the *Income Tax Act*. To this day, courts and administrators turn to the Pemsel decision to assist them in determinations of acceptable charitable categories (Webb, 2000, p. 129).

The recent 1999 Supreme Court decision regarding the ineligibility of the Vancouver Society of Immigrant and Visible Minority Women is an example. In their 4–3 decision, Supreme Court Judge Iacobucci, writing for the majority, wrote:

> Since the Act does not define "charitable," Canadian courts have consistently applied the *Pemsel* test to determine that question. The *Pemsel* classification is generally understood to refer to the preamble of the *Statute of Elizabeth*, which gave examples of charitable purposes. While the courts have always had the jurisdiction to decide what is charitable and were never bound by the preamble, the law of charities has proceeded by way of analogy to the purposes enumerated in the preamble. The *Pemsel* classification is subject to the consideration that the purpose must also be "for the benefit of the community or of an appreciably important class of the community" rather than for private advantage (Supreme Court of Canada, 1999, p. 3).

As identified by the National Advisory Council on Voluntary Action in 1974, and by many other legal commentators since, the Charities Directorate "routinely refuses to register a whole range of organizations which, from a social perspective, *should* be registered, but which, in the CRA's view, do not meet the common law criteria. These include organizations promoting racial tolerance, multiculturalism, sports and recreation organizations, umbrella organizations and community broadcasting groups" (Drache, 2001, p. 4).

The second major event was the introduction of the 1917 *War Charities Act* and *Income War Tax Act*. The *Income War Tax Act* was introduced because it became clear to the federal government that funds needed to support WWI veterans and their families could not be raised voluntarily (Watson, 1985). The *Income War Tax Act* provided unlimited income tax deductions for donations to designated war charities, such as the Canadian Red Cross, the YMCA, and the Canadian Patriotic Fund. The same year, the *War Charities Act* was introduced to register, regulate, and licence approved charities to prevent the operation of fraudulent unregulated charities (Watson, 1985).

As soon as the war was over, the war-time tax incentives were withdrawn (Watson, 1985). But although the portion of the *Income War Tax Act* pertaining to war charities was repealed in 1920 and the *War Charities Act* was repealed in 1927, the precedent had been set. A limited tax deduction (ten percent) for donations to hospitals, asylums, and related charities continued.

The inability of charities to raise the funds necessary to provide services only expanded during the years of the Great Depression (Watson, 1985). In the 1930s, millions of Canadians were unemployed; on the prairies farmers were devastated by a seven-year drought (Lautenschlager, 1992). Relief was sought from local municipalities, but their source of income was property tax, which was itself limited or in default. Increasingly provincial governments had to assume the responsibility for debt relief. Yet some provinces were themselves in financial straits and so they turned to the federal government for support (Armitage, 1988). The federal

government responded under duress to growing social unrest and subsequently increased its funding for employment relief measures and eventually passed an *Employment and Social Insurance Act* in 1935 (Armitage, 1988). Meanwhile, relief in the form of soup kitchens, bread lines, clothing depots, and shelters for the hungry and homeless were provided by caring individuals, religious groups, and voluntary agencies such as the Red Cross (Lautenschlager, 1992).

An amendment to The *Income War Tax Act* was moved by the federal government on May 1, 1930, and made the provision, "… that donations to the extent of ten per cent of the net income of the taxpayer to any church, university, college, school or hospital in Canada, be allowed as a deduction" (Watson, 1985, p. 7). The debate in Parliament evolved not around the justification for the deduction, which was readily acknowledged, but around the type of organizations that would benefit (McCamus, 1996). This limited (i.e., institutional) tax provision was quickly met with vigorous opposition from community funds, federated charities, and non-sectarian charities. The Act favoured Catholic charities in Quebec, which were all affiliated with the Catholic Church, over the non-sectarian charities that dominated in Ontario and the other provinces. On May 28, 1930, less than thirty days after the amendment to the *Income War Tax Act* was first introduced, the Mackenzie King government moved to substitute the named institutions with the phrase "*any charitable organization,*" as defined by British common law[5] (Watson, 1985; my emphasis). 1930 thus marked the first time that a universal tax deduction was introduced for any charitable donation in Canada (Canada Revenue Agency, 1998; McCamus, 1996).

The Rise of the Welfare State and the Voluntary Sector

The growth of Canada in general and of the voluntary sector in particular is attributable to a number of events including general overall economic growth; an expanding population due to rising birth rates and massive immigration; an expansion of social, health, and economic services at every level of government; and the engagement of citizens in civil society.

The specific growth of the voluntary sector after WWII can be traced along three policy streams: 1) a welfare state policy stream; 2) a regulatory/tax policy stream; and 3) a relational/advocacy policy stream.

The end of the Second World War may have launched a dramatic increase in industry, the economy, and immigration, but the pervasive insecurity which marked the Depression years was never far from people's minds (Guest, 1987; Lautenschlager, 1992). Canadians carried this legacy of deprivation with them as they were being asked to fight for Canada in WWII. Social security became a real focus of what soldiers were fighting for, and the federal government made plans to create post-war social security programs (Guest, 1987).

This social security strategy was influenced by similar developments in Britain where, in 1942, the Beveridge Report was released. The Beveridge Report

made headlines not only in Britain, but across the world and particularly in North America (Guest, 1987). It captured the imagination of politicians and citizens alike. As Guest (1987) describes it, "The Beveridge Report not only tapped the core of Canadian aspirations for a postwar world, but it also addressed with unaffected simplicity and directness, the anxieties engendered in urban-industrial employment, the costs associated with illness and disability, and of penury of old age or retirement" (Guest, 1987, 206–207). "Freedom from want" was the Report's main theme, but it also addressed disease, ignorance, squalor, and idleness. Freedom from want would be eliminated by a national minimum wage; disease by a universal health service; ignorance by educational reform; squalor by housing and community planning; and idleness by public planning for full employment (Guest, 1987).

The 'made in Canada' version of the Beveridge Report was the Marsh Report on Social Security in Canada, prepared by Leonard Marsh for the Advisory Committee on Reconstruction (Marsh, 1943). The Marsh Report contained six main proposals: 1) a national employment program; 2) sickness benefits and access to medical care; 3) occupational disability and care giver support; 4) a comprehensive system of old age security and retirement benefits; 5) premature death benefits; and 6) children's allowances (Marsh, 1943).

These measures were intended to contribute to postwar economic readjustment and reconstruction by providing protection to individuals and families against loss of income while also maintaining their consumer purchasing power (Marsh, 1943). The Marsh Report, like the Beveridge Report, was based on the goal of achieving a society in which there was full employment, a thriving nuclear family, and cradle-to-grave social support (Guest, 1987).

The March Report was followed in quick succession by the Haggerty Report on Health Insurance and the Curtis Report on Housing and Community Planning. While these reports, particularly the Marsh Report, received a great deal of attention, it should be noted that similar reports were commissioned on the ecological approach to managing natural resources and the role of working women (Guest, 1987). Many of these reforms were implemented, but often in a piecemeal fashion, and even more often in spite of federal government support rather than because of it (Guest, 1987). This was due to a combination of an immature federal administration, lack of public familiarity with universal social programs, federal-provincial jurisdictional issues, and a prevailing neo-liberal political ideology (Guest, 1987; Moscovitch & Drover, 1987). Social reforms were overshadowed by a sense of unbounded consumerism, driven by generous tax provisions for businesses and equally generous re-establishment benefits for veterans (Guest, 1987).

Over time, Canadians benefited from a number of universal income and social support programs, including unemployment insurance (1940), family allowances (1944), old age pensions (1952), unemployment assistance (1956), and

cost-shared hospital insurance (1958), which evolved into the *Medical Care Act* or Medicare in 1966 (Guest, 2006; Hall et al., 2005).

The greatest period of growth (see Figure 3) in health, education, and social services took place from the 1960s to the 1980s as social policies were implemented across a growing population and an expanding economy. The direct delivery of many services, such as hospital and home care, was provided by registered charities (Hall et al., 2005). The relationship between charities and government social policy was synchronous in many ways and fostered the development of an interdependent partnership. Governments needed specific types of programs and services to be provided and regulated while also maintaining a 'window' on community needs and trends (Hall et al., 2005). Compatible voluntary sector charities had similar program objectives, needed a reliable source of funds, and felt they were in a position to influence government policy (Brock, 2000). Even today this partnership is not without tension as governments shift funding priorities and demand greater levels of accountability. At the same time, voluntary organizations demand greater flexibility to meet community needs, advocate for policy changes, and diversify their own programs to reduce their dependency on government funding (Brock, Reid, & Scott, 2002; Eakin, 2001).

Figure 3: Total Social Welfare Expenditures, 1978–2003[6]

Total Social Security, Welfare, Health and Education Expenditures as a Percentage of Gross Domestic Product (GDP), 1978-1979 to 2002-2003
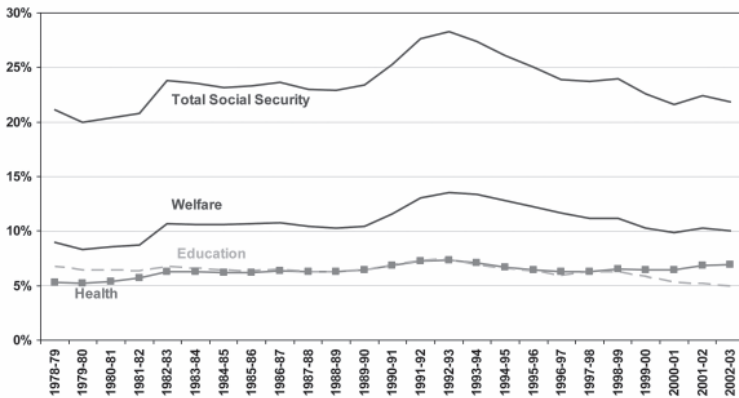
During this postwar period, voluntary organizations also became beneficiaries of government programs and continued to proliferate and to provide new services (Lautenschlager, 1992, see Figure 4). Examples include the Canadian Red Cross Society, which, supported by the St John Ambulance Brigade, started a volunteer blood donor clinic program in 1947. The Arthritis Society was established in 1948, the Canadian Diabetes Association in 1953, and Canadian Heart Foundation in 1957 (Lautenschlager, 1992). Federated appeals, once targeted to the

well-off, started to appeal to the working-class. Donations to Community Chests increased eight-fold between 1931 and 1959. There is no evidence from this time that increases in taxation which were used to fund welfare services dampened peoples' interest in making donations to charity (Maurutto, 2005). Tillotson has shown that throughout the 1930s, 1940s, and 1950s, as Canadians were paying more taxes to fund the expanding welfare state, they were also increasing their donations to federated charities such as the United Way (Brooks, 2001).

Because nonprofit organizations are registered provincially, there have been consistent challenges in calculating the total number of nonprofits and charities in Canada. A widely quoted 1992 statistic is 175,000 registered nonprofit organizations, of which 66,000 were registered charities (Quarter, 1992). The 2003 National Survey of Nonprofit and Voluntary Organizations, undertaken by the Canadian Centre for Philanthropy and Statistics Canada, is the first comprehensive national survey of its kind in Canada; it identified 80,000 registered charities and a total of 161,000 registered nonprofit organizations (Hall, de Witt, Lasby, & McIver, 2004).

The type and growth of registered charities has reflected direct federal government funding priorities as well as the priorities inherent in the social welfare transfers by the federal government to the provinces and territories. For example, between 1974 and 1990, the number of registered charities with a welfare focus increased by 175 percent; a health focus by 105 percent; an education focus by 221 percent; and a focus on general benefits to community by 170 percent (McCamus, 1996).

As government funding became more widely available, the number of registered charities and nonprofit organizations also grew. The 1960s was a particular period of rapid growth. The decade saw a proliferation of citizens' movements, many supported by government grant programs. Social advocates worked to gain support services and social justice for disadvantaged and disabled Canadians; women's groups mobilized across Canada to gain women's legal rights and push for a redefinition of women in Canadian society; and environmental advocate organizations such as Greenpeace were launched (Lautenschlager, 1992). Rather than crowding out the voluntary sector, the sector grew with and alongside government welfare services, fostering a complex and often interdependent relationship (Cairns, 1986; Salamon, 1987; Scott, 2003).

Figure 4 The Growth of Voluntary [Charitable] Organizations in Canada

	1967	1974	1980	1985	1990	1995	2000	2005
Number	31,373	35,113	44,293	53,891	63,186	69,230	71,933	72,762*
% increase/5yrs		11%	26%	22%	17%	9%	3%	1%
Average increase per year		534	1530	1920	1860	1200	540	166

* Source: (Campbell, 1994; Canada Revenue Agency, 2006b; Day & Devlin, 1997; Statistics Canada, 1980). This figure only includes registered charities that reported returns for the periods in question. Public or private foundations are not included.

While the relationship between social welfare spending and the growth in the number of service-related charities and nonprofits dominates the voluntary sector landscape in Canada (see Figure 4), it clearly does not paint the whole picture.[7] Expressive voluntary organizations,[8] such as arts organizations, sports and recreation organizations, environmental organizations, and religious organizations, are generally more financially independent, make substantive cultural and societal contributions, and are prime venues for volunteering and advocacy activities (Hall, Lasby, Gumulka, & Tyron, 2006; Hall, McKeown, & Roberts, 2001).

The Fall and Rise of Voluntary Sector-Government Relations

As the number of voluntary organizations increased after WWII, so did their reliance on government funding. Some charities, such as Children's Aid Societies and hospitals, received substantial government funding and were subject to accompanying directives and regulations regarding service provision. Many voluntary organizations actively pursue a "funding mix" and combine fundraising, fee-for-services, and government support to provide services while others eschew government funding entirely. Overall though, the voluntary sector receives half of its total funding from one level of government or another (Hall et al., 2004). The introduction of indirect and direct government funding, combined with federal-provincial cost sharing programs and the sheer increase in the number of voluntary organizations over the 1960s and 1970s, brought the voluntary sector as a whole to the attention of the federal government.

In 1974, the Secretary of State took two steps to try to boost the capacity of the voluntary sector in Canada: it created the National Advisory Council on Voluntary Action and supported the foundation of the Coalition of National Voluntary Organizations. In November 1974, at the inaugural meeting of the Coalition of National Voluntary Organizations, Secretary of State Hugh Faulkner announced the formation of a National Advisory Council on Voluntary Action that would take two years to study issues and problems affecting federal relations with the voluntary sector (Joint Tables, 1999; National Advisory Council on Voluntary Action, 1977). The Council on Voluntary Action was supported by a departmental secretariat and was asked to address a number of voluntary sector-government issues. These issues included developing a workable definition of the sector; problems associated with the recruitment of volunteers and members; the financing of voluntary associations; government use of voluntary resources; and government support to advocacy groups (National Advisory Council on Voluntary Action, 1977).

According to the Council's own report, it was prevented from exercising the full extent of its mandate. The work of the Council was hampered by bureaucratic procedures imposed by the government, instances of outright bureaucratic resistance, and a lack of access to information about the government's own programs that affected the voluntary sector (National Advisory Council on Voluntary Action, 1977). Nevertheless, the Council's Report, *People in Action,* identified a number of key sectoral issues and made numerous recommendations aimed at increasing the capacity of the voluntary sector at the time (Joint Tables, 1999). These key sectoral issues, which sound eerily familiar today, included a) the narrow definition of charity in the context of the scope of voluntary sector in the 1970s; b) sectoral funding mechanisms, including tax policies and non-financial support by government; and c) access by voluntary organizations to government information and policy consultation opportunities (National Advisory Council on Voluntary Action, 1977).

Recommendations by the National Advisory Council on Voluntary Action were made to audiences that extended well beyond the federal government. Recommendations were directed to the relationship of the voluntary sector to the media, local businesses and employers, organized labour, and educational institutions. Other recommendations were directed at the voluntary sector itself and addressed operational, governance, and financing issues (National Advisory Council on Voluntary Action, 1977).

The lion's share of recommendations were for the federal government and included recommended policies and procedures for policy advocacy; direct and indirect financial aid; support services; governance; legal and tax policies; charity registration policy and procedures; research and clearinghouse resources; and sectoral representation (National Advisory Council on Voluntary Action, 1977). Specific recommendations which have still gone unheeded included a) a re-examination of the definition of charity; b) simplified, objective, and broader registration guidelines; and c) a transfer of responsibility for charitable registration from Revenue Canada to the Secretary of State (National Advisory Council on Voluntary Action, 1977).

The Council made over eighty recommendations, almost fifty of which were directed at the federal government. Some of its recommendations were implemented, but many more fell by the wayside. The absence of a well-organized representative apex voluntary sector organization, which could have distilled and prioritized the Council's recommendations and then carried them forward, was certainly a mitigating factor in the lack of implementation. The legitimacy of the Council's observations is reflected in the fact that many of the issues identified by the Advisory Council on Voluntary Action were mirrored twenty years later by the Voluntary Sector Roundtable in 1995 (Broadbent, 1999; Hall et al., 2005).

The Coalition of National Voluntary Organizations (NVO) was also established in 1974, by several large charities at the active suggestion and encouragement of the federal government (Thayer Scott, 1992; Wolf, 1991). NVO was the only national broad-purpose sector-wide organization in Canada.[9] It existed for nearly fifteen years with nearly total reliance on government funding from the federal Secretary of State's Voluntary Action Program. It operated without a constitution or formal slate of officers and used a consensus-based decision making style (Thayer Scott, 1992; Wolf, 1991).

Over the period of its existence, NVO worked with the Canadian Centre for Philanthropy to have the universal $100 individual tax deduction eliminated, but otherwise there is no evidence that a lasting impact was made on national policies or programs related to the voluntary sector (Thayer Scott, 1992).

In 1991–1992, NVO elected a slate of officers for the first time and drafted a constitution, not on its own initiative, but because it became a condition of securing continuing federal funding (Thayer Scott, 1992). It was a case of too little, too

late. This organizational development came on the heels of the first of several announced funding cuts to interest groups. In the face of $75 million in cuts to interest groups in 1991 and $125 million planned for 1992, members of NVO wanted a vigorous and loud lobby to take place, but NVO's board of directors chose to be cautious, thinking that the cuts would be selective (Thayer Scott, 1992). They weren't.

Later the same year (1991), NVO itself faced a 75% budget cut, which was only partially rescinded after a direct appeal to the Minister of Multicultural-ism and Citizenship. NVO appealed to its members for financial support, but it was seriously wounded by its prior weak response to the federal government's planned cuts and the reliance of its own members on federal funding (Thayer Scott, 1992). NVO operated for a number of years on contract funding, and in 2003 decided to wind down its operations and work with the Canadian Centre for Philanthropy to develop a new organization, which has become Imagine Canada (Imagine Canada, 2006) .

The Policy of Retrenchment

One need look no further than the dramatic decline in growth of social welfare expenditure between 1990 and 1995 and again between 1995 and 2000 in Figure 3 to see that the welfare bubble had burst. The economic growth that had fuelled the welfare state was slowing down and the underlying welfare state assumptions of full employment, a stable nuclear family unit, and the dependence of women started to dramatically shift as unemployment rose, families broke down, and women entered the work force in droves (Manning, 1999).

The retrenchment of the welfare state in Canada saw a reversion to even tighter means testing (to identify the 'deserving' poor) and social benefits themselves were reduced. One example was the policy of reduced unemployment insurance payments, combined with longer work-period eligibility requirements (Sharpe, 1998); another was the 21.6 percent reduction in welfare payments made by the Harris government in Ontario in 1995 (McDonald, 1995). The combination of economic changes, political shifts to the right, and rising costs associated with a maturing welfare state combined to bring repeated calls to rein in mounting social welfare costs (Pierson, 1996).

This policy of retrenchment, according to Pierson, is an exercise in blame avoid-ance rather than credit claiming. Blame avoidance is important because the costs of retrenchment are concentrated and often immediate, while the benefits are deferred (Pierson, 1996). Governments, for their part, seek to obscure the impact of retrenchment on voters or diminish their own accountability for unpopular reforms (Pierson, 1996).

Brian Mulroney, in a speech to the Progressive Conservative Party in 1984, was clear that one of his priorities was a complete revision of social programs in order to save as much money as possible (Brooks, 2001). This objective was to be met by encouraging the voluntary sector to participate more in the implemen-

tation of social programs. This neo-conservative view was designed to promote volunteerism and the value of competitive contracting-out of government services while marginalizing citizenship rights and state obligations (Brooks, 2001).

The consequence of cutbacks to the voluntary sector was a double whammy. On the supply side, governments changed or eliminated funding to programs. On the demand side, demands for services in the community increased in number and complexity (Eakin, 2001; Scott, 2003). Flexible grants to meet designated community needs were replaced by short-term contracts that involved not only adherence to strict government guidelines and reporting requirements, but competition with other voluntary or private sector organizations (Hall & Banting, 2000; Hall, Andrukow, Barr, & Brock, 2003; Hall et al., 2005). In other circumstances, organizations were (and continue to be) forced to collaborate with other organizations to be eligible for funding, even when it was less effective to do so (Brown & Troutt, 2003).

Thus, federal government support to voluntary sector organizations did not escape the drive to reduce the federal deficit, which continued unabated by the Liberals throughout the 1990s. Between 1992 and 1999, total government spending as a percentage of GDP was reduced by 20 percent (Hall et al., 2005). Only the means to reduce the federal deficit changed. While the Conservatives implemented across-the-board cuts, the Liberals preferred to use selective cuts, particularly to advocacy groups (Jenson & Phillips, 1996, 2001).

This strategy served to stress the instrumental value of the voluntary sector as a means to deliver services rather than as an expressive voice for policy advocates and social justice (Jenson & Phillips, 1996). It also served to deliberately weaken the advocacy capacity of organizations that would be most critical of the cutbacks. Promoting volunteerism diffused the public impact of cutbacks, while the lack of a clear common voice for the voluntary sector only increased the sector's overall vulnerability.

The Voluntary Action Program in the Department of Heritage Canada is a prime example of the impact of these cuts. The Voluntary Action Program had a mandate to support the growth and diversity of the voluntary sector and to strengthen the independence of the sector by facilitating access to financial and technical expertise and by developing innovative financing techniques (McCamus, 1996). Over this period of relentless cost cutting in the early to mid-1990s, the budget for the Voluntary Action Program was reduced from almost $1 million to less than $30,000. The consequence of these cuts was that direct funding to voluntary organizations, such as the Coalition of National Voluntary Organizations, was eliminated, and the focus of the Voluntary Action Program became one of policy and research (McCamus, 1996).

What makes this dynamic particularly important is that the policy of retrenchment and associated accountability demands have continued unabated through changes in governments, periods of economic growth, the elimination of a fed-

eral operating deficit, growing fiscal surpluses, and a significant reduction in the national debt (Jenson & Phillips, 2001).

The culture of short-term, competitive, outcome-driven contracts has become institutionalized by all federal departments that have relationships with the voluntary sector (Eakin, 2001). The enrichment and liberalization of tax credits for charitable donations during this period was also a mixed blessing, for as the right hand was making it easier for the sector to solicit donations, the left hand was downloading programs and services to the voluntary sector (Brooks, 2001). Typically, this downloading came with numerous conditions and rarely enough funds to completely cover the full cost of service delivery (Eakin, 2001, 2005; Hall et al., 2003).

Over time, these tax provisions have also contributed to a bifurcation of the voluntary sector. On one hand, eighty percent of voluntary organizations in Canada have no staff and revenues of less than $250,000 (Hall et al., 2004). On the other hand, there is a relatively small group of very large voluntary organizations that continue to get even larger. These organizations often provide services of key interest to governments in the areas of health, education, and social services (Hall et al., 2005). As registered charities, these large organizations have a distinct advantage in attracting private donors, recruiting and managing volunteers, and competing for government contracts (Hall et al., 2005).

The service aspect of the voluntary sector continues to dominate the overall profile of the sector, as reflected in the most recent National Survey of Nonprofit and Voluntary Organizations (Hall & Banting, 2000). Service delivery organizations continue to dominate the relationship dance card as preferred government partners, while voluntary organizations that focus on advocacy lack the same degree of policy relevance and credibility (Jenson & Phillips, 1996).

An Emerging Idea of Sector

NVO was the first and only organization to represent the voluntary sector in Canada (Thayer Scott, 1992). The encouragement for its creation in 1974 and its subsequent funding by the federal government were likely due to the proliferation of voluntary sector groups, which demanded distinct audiences with government officials to discuss similar issues.

The reluctance of NVO to advocate against the series of cuts to programs and organizations in the mid-1980s was a reflection of its funding source, its lack of formal organizational structure and cohesiveness, and its degree of "professional collegialism" with government officials. Professional collegialism is a term coined by Carolyn Tuohy to reflect the ease and frequency with which health and government representatives in Canada interact due to common interests and frequent positional exchanges (Tuohy, 1999). According to Tuohy, this on-going collegialism results in an incremental pace of change, at best (Tuohy, 1999). These factors certainly contributed to the failure of NVO to define and exercise its collective will.

While NVO's voice was weak, the loss of institutional or representative voice for all voluntary interest groups started in earnest in 1990 when the Citizen's Forum on Canada's Future chose to hear from individual Canadians as *individuals* rather than as representative members of interest groups (Jenson & Phillips, 1996). This approach became the norm for national consultations and was reinforced politically by the derisive reference to "special interest groups." Voluntary sector leaders are still explicitly and consistently told that they are only to act as an individual voice on any federal task force or committee, regardless of who they may otherwise represent. The popularity of citizen engagement, directly and individually, came at the expense of collective representation and the social capital represented in that collective voice (Anheier & Kendall, 2002; Jenson & Phillips, 1996).

During the 1980s and 1990s, the voluntary sector was collectively caught in the undertow of four successive waves: 1) a desire for smaller government; 2) an era of fiscal constraint; 3) the growing popularity of citizen engagement; and 4) the division of constitutional responsibilities between the federal and provincial/territorial governments (Carter, Broder, Easwaramoorthy, Schramm, & de Witt, 2004). This dynamic created a voluntary sector-government relationship which deteriorated between the late 1980s and the mid-1990s to mutual isolation and suspicion and outright antagonism (Phillips, 2002). It was not until the mid-1990s that a relational shift started to take place.

In the absence of a strong national organization that could speak for the sector, a group of 12 national organizations created the Voluntary Sector Roundtable in 1995 (Hall et al., 2005; Phillips, 2003).[10] Funded not by government, but by a cluster of leading Canadian foundations,[11] the Voluntary Sector Roundtables' primary goals were to enhance the relationship between the charitable sector and the federal government and to encourage a supportive legislative and regulatory framework for organizations in the community (Voluntary Sector Roundtable, 1998). The Voluntary Sector Roundtable soon realized it needed to promote sectoral accountability, good governance, and public trust (Phillips, 2003). To this end, in October 1997, the Voluntary Sector Roundtable set up the Panel on Accountability and Governance in the Voluntary Sector (PAGVS), an arm's length panel chaired by former leader of the federal New Democratic Party, Ed Broadbent.

The Broadbent Panel, as it was commonly referred to, was given the mandate to explore issues ranging from the role and responsibilities of volunteers to fundraising practices and fiscal management within the sector. The Panel also examined the external regulation of the sector by governments and options for enhancing internal accountability practices (Voluntary Sector Roundtable, 1998). The Panel's 1999 report, *Building on Strength: Improving Governance and Accountability in Canada's Voluntary Sector*, not only laid out recommendations for better self-regulation and governance but also presented proposed steps for

the federal government to take in order to create a more enabling environment and stronger relationship with the voluntary sector (Broadbent, 1999).

While similar in some ways to recommendations in the 1977 *People in Action* report, there are three significant differences: 1) *Building on Strength* was funded by the voluntary sector itself, not the federal government; 2) its activities were tied to leading national voluntary sector organizations and foundations; and 3) the report outlined four immediate priorities for action: a) a good practice guide; b) the creation of a Voluntary Sector Commission;[12] c) a review of the definition of charity by Parliament; and d) a compact of good practice between the sector and governments at both the federal and provincial levels[13] (Broadbent, 1999).

Meanwhile, on the government side of the sectoral divide, a similar mood of collaboration was developing. The Liberal Party, striving to overshadow its neo-liberal fiscal policies, gave considerable attention to the voluntary sector in the 1997 election campaign program and followed though after its re-election (Phillips, 2003). This follow-through took the form of a Voluntary Sector Task Force, which was housed in the Privy Council Office. In 1999, the Voluntary Sector Task Force created three "Joint Tables" consisting of equal representation from government and the voluntary sector and joint co-chairs. The three tables had a mandate to address three key issues: relationship building, strengthening capacity, and improving the regulatory framework (Phillips, 2003). The result of these three collaborative and highly productive joint tables was *Working To-gether*, a report which closely reflected many of the recommendations in the Broadbent Report and reinforced one proposal in particular—to develop a framework agreement or "Accord," based on a similar "Compact" agreement in the UK (Phillips, 2003).

In June 2000, in response to the Broadbent and Joint Table reports and its own political priorities, the federal government announced the creation of the Voluntary Sector Initiative (VSI) (Voluntary Sector Initiative, 2006). The VSI was a five-year, $94.6 million initiative to fund the work of seven joint tables, designed on the collaboratve model created by the Voluntary Sector Task Force. These seven joint tables were: Coordinating Committee, Accord, Awareness, Capacity, Information Management and Technology, Regulatory, and National Volunteerism Initiative. In addition, two working groups on funding and advocacy were created and funded by the voluntary sector (Brock, 2005)

In its first two years (Phase One), the VSI brought together equal numbers of representatives from the voluntary sector and the federal government to work at the joint tables. Each table was co-chaired by a representative from the sector and one from government. The tables were:

- *Joint Accord Table,* which focused on developing a framework agreement between the sector and the government to articulate the vision and principles underlying their working relationship;

- *Capacity Joint Table,* which focused on building the voluntary sector's capacity (i.e., knowledge, skills, and means) to respond to Canadians' needs and enhancing knowledge about the sector, its scope, nature, and operations;

- *Joint Regulatory Table,* which examined the regulatory environment affecting the sector and worked to streamline reporting requirements and regulations;

- *Awareness Joint Table*, which focused on increasing recognition of the sector's role and its contribution to Canadian society;

- *National Volunteerism Initiative Joint Table*, which focused on promoting and supporting volunteerism;

- *Information Management/Information Technology Joint Table*, which investigated and proposed responses to the technology needs of the voluntary sector; and

- *Joint Coordinating Committee,* which provided oversight and coordination for the work of the initiative (Voluntary Sector Initiative, 2006).

The most visible Phase One event was the signing of the *Accord Between the Government of Canada and the Voluntary Sector* to coincide with the International Year of Volunteers in December 2001 (Robillard & Deboisbriand, 2001). This signing was followed by the development and wide circulation of two codes of good practice: *A Code of Good Practice on Policy Dialogue*, and *A Code of Good Practice on Funding* (Voluntary Sector Initiative, 2002a, 2002b).

The Canadian *Accord*, like the similar 1998 UK Compact[14] on which the *Accord* was based, is a policy agreement that outlines a framework and processes for a mutually desired relationship, including a shared vision of civil society and a desire for collaboration and partnership (Phillips, 2002, 12). The *Accord* outlines a shared vision, values, general principles, and a mutual commitment to building a positive future relationship toward common purposes (Robillard & Deboisbriand, 2001; Straw & Stowe, 1998).

In Phase Two, between November 2002 and March 2005, the Voluntary Sector Initiative followed up on and implemented the recommendations made during Phase One. This resulted in a series of regulatory reforms for registered charities; a Canada Volunteerism Initiative to encourage volunteering; research on volunteering and giving and the size and scope of the sector, including the establishment of a National Satellite Account; and a number of human resource related research and policy initiatives (Hall et al., 2005). At this point, however, the political will that launched the VSI ran out of steam. Implementation monitoring ceased, budgets were not renewed, and responsibility for overall co-ordination was split between three government departments, making any horizontal co-ordination difficult to achieve (Elson, 2006).

An Accord Between the Government of Canada and the Voluntary Sector (2001) - (Excerpts)

Values:

- Interrelated values most relevant to the relationship between the Government and the voluntary sector are democracy, active citizenship, equality, diversity, inclusion, and social justice.

Principles:

- The independence of the voluntary sector organizations includes their right, within the law, to challenge public policies, programs, and legislation and to advocate for change.
- Advocacy is inherent to debate and change in a democratic society.
- The actions of the government of Canada and the voluntary sector can directly or indirectly affect each other, since both often share the same objective of common good, operate in the same areas of Canadian life, and serve the same clients.
- Both the government of Canada and the voluntary sector have complex and important relationships with others, including provincial, territorial, and local governments and the private sector.
- Both the government of Canada and the voluntary sector recognize the importance of sustained dialogue and that co-operation and collaboration strengthen the social fabric of communities and increase civic engagement.
- Both the government of Canada and the voluntary sector are accountable for maintaining public trust and confidence by ensuring transparency, high standards of conduct, management, monitoring, and reporting.

Government undertakings are:

- To consider the impact of legislation, policies, and programs on the voluntary sector.
- To engage the voluntary sector in open, informed, and sustained dialogue.
- To address the issue of ministerial responsibility.

Voluntary sector undertakings are:

- To identify and act or bring to the attention of the government important or emerging trends in communities.
- To serve as a means for the full scope, depth, and diversity of the sector to be heard and engaged.
- To address the continued development of the relationship of the sector with the government.

Joint undertakings are:

- To monitor the *Accord* and report to Canadians.
- To develop codes of good practice (e.g., policy, funding).
- To meet regularly to discuss the results of the *Accord*.
- To increase awareness of the *Accord* within the sector and the Government and among all Canadians.

Source: Excerpts from *An Accord Between the Government of Canada and the Voluntary Sector*.

Contemporary Voluntary Sector-Government Relations

The contemporary status of voluntary sector-government relations can be divided into three areas: 1) the continuing impact of retrenchment policies; 2) tethered advocacy and definitional statutes; and 3) the service-expressive divide.

The Continuing Impact of Retrenchment Policies

In spite of the *Accord* and the *Code of Good Practice on Funding,* which calls for predictable, multi-year funding which recognizes core operating costs, the reality for most voluntary sector organizations is instability and uncertainty (Eakin, 2001, 2005; Voluntary Sector Initiative, 2002a). For example, when governments cut administrative core operating grants to voluntary organizations, these funds have to be offset by donations, fees-for-services, or, in the contract marketplace, by competing for service contracts in the public or private sector. Because administration fees only account for ten or fifteen percent of a contract, the overall contract has to be at least ten times as large as the core grant to recoup the loss. Thus a voluntary organization would have to receive a service contact for at least $100,000 to offset a loss of a $10,000 core operating grant. Needless to say, this is a loss which many organizations continue to struggle to recoup.

This parsimonious funding regime, established since the early 1990s, has embedded itself across all levels of government and sub-sectors in the voluntary sector (Scott, 2003). It is characterized by: 1) increased targeting of finds; 2) a shift from core to project-based funding; 3) increased and often unjustified demands for accountability and reporting; 4) funding contingent on compulsory collaboration; 5) an on-going perception that volunteers are a readily available reserve labour pool; and 6) a belief that market models will automatically lead to greater self-sufficiency (Scott, 2003). This trend has continued unabated with the recent election of the minority Conservative government. Budget cuts announced on September 25, 2006, cut a swath through the voluntary sector, decimating funding for a wide variety of policy and research initiatives and closing the door on advocacy for equality rights for women (Canadian Press, 2006; Levy-Ajzenkopf, 2006).

Unstable and short-term government funding undermines the ability of voluntary organizations to plan for the future. Short-term funding causes employment instability in the sector, which in turn forces organizations to spend a lot of resources on constantly recruiting and training new staff. Unstable funding also makes it difficult for organizations to present working in the sector as a viable career choice for trained professionals, given the lack of long-term stable funding (Hall et al., 2005; Hall et al., 2004).

The irony in all this is that the very attributes of the voluntary sector which make it such a worthy recipient of government funding are being undermined by this financing regime: accountability to multiple stakeholders; an organizational structure which balances public and private interests; a defined interest in helping those in need at a personal, community, and societal level; multiple and

independent sources of income; and a creative mix of paid and unpaid workers (Billis & Glennerster, 1998; Hall et al., 2005).

Tethered Advocacy

It is a matter of common law that charities can engage in "limited [small p] political activities" as long as they are ancillary and incidental to their charitable activities (Drache, 1980). Under the *Income Tax Act*, a registered charity cannot be involved in partisan political activities. A political activity is considered partisan if it involves direct or indirect support of, or opposition to, a political party or candidate for public office (Canada Revenue Agency, 2003). For example, a charity can release only in its entirety any report that is the basis of a presentation to a public official, and promoting the adoption of any of such a report's recommendations is considered a political act. Aims that are "contrary to [existing] public [or government] policy" are not considered to be charitable (Boyle, 1997; Canada Revenue Agency, 2006a). While Scotland and England have both liberalized their interpretation of "limited political activities," the Canada Revenue Agency has consistently taken a much narrower point of view (Charity Commission, 2004; Drache, 1980; Scottish Executive, 2004).

The capacity of charities to engage in political activities is tethered by the amount of resources that can be allocated to this type of activity and by the activity itself. Until 1978, there was considerable leniency in allowing charities to engage in political activities. At the very least, it was tolerated. In 1978, Revenue Canada issued Information Circular 78–3 in an attempt to define "political activities." There was tremendous opposition as it appeared to effectively forbid any comment about public issues, including writing letters to the editor (Drache, 1980).

The issue was raised in the House of Commons and the Senate. The circular was withdrawn, but Prime Minister Pierre Elliott Trudeau made it very clear that its withdrawal was of no consequence because the position in the circular would still represent both the law and Revenue Canada's administrative policy (Drache, 1980). The line in the advocacy sand had been drawn. Since this period, Revenue Canada has held a much more stringent view of political advocacy. While information circulars have been issued for clarification purposes, notably in 1987[15] and again in 2003,[16] any act intended to influence government policy directly or indirectly (by affecting public opinion) is considered political. As recently as the 2005 federal election, a "clarification" regarding partisan political activities was issued by the Canada Revenue Agency in response to advocacy activities by faith organizations against same-sex marriage and their simultaneous support of specific political candidates (Canada Revenue Agency, 2005).

The 10 percent rule continues to be applied to large charitable organizations (McCamus, 1996; Webb, 2000). In the 2003, Circular CPS-022, the 10 percent rule was modified to take the size of charities into account. Charities with annual incomes of less than $50,000 can devote up to 20 percent of their resources to political activities; charities with annual incomes of between $50,000 and $100,000 can allocate up to 15 percent; and charities with annual incomes of

between \$100,000 and \$200,000 can allocate up to 12 percent. Those with annual incomes of over \$200,000 are limited to 10 percent (Canada Customs and Revenue Agency, 2003).

Defining Charity

The most significant tax benefit for the voluntary sector is the advantage associated with having charitable tax status, regulated through the *Income Tax Act*. There continues to be a call for the modernization of the definition of charity and its regulation outside the Canada Revenue Agency, as first recommended by the National Council on Voluntary Action in 1974 (Bridge, 2002; Broadbent, 1999; Drache, 2001; Webb, 2000). Even those who have defended the use of the Preamble to the Act of Elizabeth in 1601 call for a more sophisticated interpretation by the Charities Directorate (Bromley, 1999, 2001). While both Scotland and Britain have modernized the definition of charity and defined "substantially all" as 51 percent of resources, the federal government has resisted all calls to date to do the same (Bellingham, 2006; Drache, 2001; House of Commons, 2005; Scottish Executive, 2004).

The issues related to advocacy and the definition of charity have been modified more in style than substance (Bridge, 2002). A 2004 notice from the Canada Revenue Agency makes this clear:

> What constitutes partisan political activity has *not* changed in any way in the new guidance [CPS-022], as the limitation on this type of activity is contained in the *Income Tax Act* at subsections 149.1(6.1) and (6.2). Partisan political activity involves the direct or indirect support of, or opposition to, any political party or candidate for public office and is clearly *prohibited* (Canada Revenue Agency, 2004; my emphasis).

In March of 2006, the Canada Revenue Agency issued CPS-024, "Guidelines for Registering a Charity: Meeting the Public Benefit Test," in which it indicated that the Canada Revenue Agency may consider new purposes charitable but only when the issue of what benefits the public has been altered through a change in legislation or stated government policy (Canada Revenue Agency, 2006a). The Justices of the Supreme Court, in making their judgement concerning the Vancouver Society of Immigrant and Visible Minority Women, were equally clear in stating that any substantial change in the law of charity must be made by the legislature (Supreme Court of Canada, 1999). Meanwhile, charities continue to live within a tethered advocacy regime which acts as a de facto muzzle on legal dissent and social justice issues (Elson, 2004).

The Service-Expressive Divide

The service-expressive divide within the voluntary sector has serious implications for the voluntary sector as a whole. Larger, service-focused organizations identify with policy issues associated with their particular domain, such as inadequate funding. The size and presence of these service organizations within the voluntary sector also means that their issues dominate voluntary sector policy

priorities with the government, while other organizations, often small to medium-sized, with more expressive or social justice mandates, are marginalized. The consequence of this trend is that, in the absence of a voluntary sector that clearly defines itself as an integration of both instrumental and expressive activities, governments continue to define the legitimacy of the voluntary sector in terms of its capacity to deliver services.

Conclusion: Terms of Engagement

With the end of the Voluntary Sector Initiative, the federal government moved on to more pressing issues, and two minority governments were elected, the latter putting the Conservative Party into power. Terms of engagement between the voluntary sector and the federal government are mixed and uncertain. Tentative steps to improve relations with the sector have been made by some federal government departments with a particular interest in, or relationship with, the voluntary sector. For example, the Charities Directorate within the Canada Revenue Agency struck a national Charities Advisory Committee, modified the 10 percent rule by size of charity, clarified its position on what constitutes "public benefit," and has modified its sanctions regarding non-compliance to regulations (Canada Revenue Agency, 2004, 2006a; Joint Regulatory Table, 2003). On-going institutional uncertainty is reflected in the recent suspension of the Charities Advisory Committee by the new minority Conservative government, a clear "advocacy chill," and substantial cross-departmental funding cuts (Carter, 2006; Levy-Ajzenkopf, 2006).

For their part, voluntary sector leaders, as a sequel to the Voluntary Sector Initiative, created the Voluntary Sector Forum. The Voluntary Sector Forum,[17] not unlike the former Coalition of National Voluntary Organizations, focuses on two major activities: integration and application of the *Accord* and codes of good practice, and regional policy development and capacity building events (Voluntary Sector Forum, 2006).

The provinces and territories, notably Newfoundland and Labrador, Québec, Manitoba, Saskatchewan, Alberta, and the North West Territories, are all engaged in various degrees of collaborative partnerships (Government of the Northwest Territories, 2006; Hall et al., 2005; INNOVA Learning, 2005; Ministère de l'Emploi et de la Solidarité sociale, 2006; Calgary Chamber of Voluntary Organizations, 2006). Correspondingly, a number of local voluntary sector networks have emerged and collaborate through the Canadian Federation of Voluntary Sector Networks[18] (Canadian Federation of Voluntary Sector Networks, 2006). In general though, current federal voluntary sector-government relations remain uncertain and undefined. It will be up to the voluntary sector to both define itself and the type of relationship it wants with government.

If the voluntary sector is to fully engage in a meaningful and on-going relationship with the federal government, it needs to understand that a policy dialogue and service partnerships are defined by more than rules and financing. Partner-

ships are not contracts (Jenson & Phillips, 1996). Meaningful partnerships improve the quality of service delivery and design, and open the door to on-going policy dialogue, but only if the partnership door is open and if the voluntary sector itself is prepared to act in a collective fashion.

In meaningful partnerships power is shared (Deakin, 1997). In recent times, the relationship between the federal government and the voluntary sector has been one in which power has been exercised by the federal government over a diverse and disparate voluntary sector and political expediency has taken second place to a mutual sense of public purpose. To move forward, local, regional, provincial and national voluntary sector networks need to build a sense of continuity, and collective purpose. The voluntary sector in Canada must see itself as a broad, diverse, fluid, and dynamic network of social movements as well as a mediator of formal and institutional relationships. The legitimacy, independence, and relevance to public policy it seeks to influence will need to be built from within the sector itself. The voluntary sector in Canada needs to value both the place of service and the importance of space for political action. If history is a guide, this endeavour will require the type of courage, perseverance, and long-term perspective that was held by those who were pioneers in the evolution of Canada.

Key Events in the History of Voluntary Sector-Government Relations in Canada

1601: The preamble to the Act of Elizabeth defines the context for the definition of Charity; it continues to do so today in Canada.

1774: The Quebec Act institutionalizes the role of the Catholic Church as the delivery agent for health, education, and social services.

1891: The Pemsel Case defines the four pillars of charitable activity: poverty relief, religion, education, and community benefit.

1917: The *Income War Tax Act* allows personal income tax to be deducted for contributions to specified war-related charities for the first time.

1930: The *Income War Tax Act* is amended to allow personal income tax to be deducted for contributions to any charity for the first time.

1943: The March Report on social security articulates the purpose and rationale for a social welfare state, which triggers a corresponding growth in registered charities.

1948: Charities wishing to issue charitable tax receipts are required to apply for recognition from the federal government.

Early 1960s: The "Quiet Revolution" in Quebec sees the massive secularization and state control of health, education, and social service agencies.

1967: All charities are required to register with Revenue Canada for the first time, giving government a means to control registration and monitor the growth of the sector.

1974: The National Advisory Committee on Voluntary Action is formed and identifies a substantial number of voluntary sector-government relations issues.

1974: The Coalition of National Voluntary Organizations, the first umbrella coalition for the voluntary sector in Canada, is formed.

1978: Revenue Canada issues Information Circular 78–3 to clarify "political activity" and, while subsequently withdrawn, it becomes the basis on which Revenue Canada regulates charities, including their eligibility for registration and their ability to engage in political activity.

1990: The Citizen's Forum on Canada's Future legitimizes the voice of individual citizens over representative organizations.

1990–1995: Retrenchment policies are introduced and eventually institutionalized; these include across-the-board and on-going funding cuts, cutbacks to voluntary organizations, and the introduction of dedicated short-term contract funding.

1995: The Voluntary Sector Roundtable establishes the Panel on Accountability and Governance in the Voluntary Sector (the "Broadbent Panel").

1999: A five-year, $94.6 million Voluntary Sector Initiative is launched.

2001: The International Year of Volunteers leads to the signing of the the *Accord Between the Government of Canada and the Voluntary Sector*. Two codes of good practice and selective voluntary sector-government initiatives and committees follow.

2003: The first National Survey of Nonprofit and Voluntary Organizations is conducted by Canadian Centre for Philanthropy and Statistics Canada. It provides the first comprehensive study of the nature, size, and scope of the voluntary sector in Canada and leads to the establishment of a National Account for the Nonprofit and Voluntary Sector.

Key Dates in the Tax Relationship Between the Federal Government and Charities

1930: The *Income War Tax Act* allows a universal deduction for donations to any registered charity for the first time.

1939: The *War Charities Act* and the Canadian Patriotic Fund are re-enacted to raise funds for the war effort. In 1939–40, up to fifty percent of net income could be donated to designated charities and deducted for tax purposes. These designated charities included the Canadian Red Cross Society, the Salvation Army War Services Fund, and the Canadian Legion War Services Fund. In 1941, the personal deduction limit was reduced to forty percent, and corporate donations first became a separate tax category. Thereafter, individual donations were capped at ten percent and corporate donations at five percent (Watson, 1985).

1948: Until this time, lists of charitable organizations were kept separately in each tax district. After 1948, charities wishing to issue receipts for income tax purposes were required to apply for recognition from the federal government (Watson, 1985).

1950: In response to the proliferation of foundations, some of which were set up to benefit the benefactor, charitable foundations were explicitly defined, and an annual income disbursal rate of 90 per cent was established (Watson, 1985).

1957: An optional standard tax deduction of $100 was introduced for individuals. It applied to charitable donations but also included medical expenses, and union, professional, or similar dues (Watson, 1985).

1958: Tax-deductible donations by individuals and corporations are limited to ten per cent of net income.

1966: The Report of the Royal Commission on Taxation (the Carter Commission) recommended that a federal supervisory body be set up to review applications for charitable registration. A registration process with the Department of National Revenue was established in 1967. Before this time, there was no mandatory requirement for a charity to obtain formal recognition from the Department of Revenue in order to issue receipts (Canada Revenue Agency, 1998).

1967: Charities are required to formally register with the Canada Customs and Revenue Agency for the first time. This saw the development of a charitable organization section within Revenue Canada and the foundation of what would constitute the lead decision-making body in the government concerning eligibility as a registered charity and accompanying regulations.

1972: A personal deduction of up to twenty percent of income in charitable donations is permitted.

1984: The standard deduction of $100 is removed after successful lobbying efforts led by the Coalition of National Voluntary Organizations and the Canadian Centre for Philanthropy (Watson, 1985).

1994: Individual donors are permitted to apply the advantageous rate of 29% for calculating their tax credit to a larger proportion of their total contribution.

1996: The maximum percentage of donations a taxpayer can claim in a year is increased from 20% to 50% of income. Donations of publicly traded securities are allowed, and capital gains on these securities are reduced by one-half (Canada Revenue Agency, 1998).

1997: The maximum percentage of donations a taxpayer can claim in a year was increased from 50% to 75% of income, with the limit of Crown gifts falling from 100% to 75% (Canada Revenue Agency, 1998). The liberalization of these tax provisions was occurring simultaneously with massive cuts in government funding to voluntary organizations.

2006: Donations of publicly listed securities to registered charities are fully exempt from capital gains tax (Flaherty, 2006).

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NOTES

1. Wolf, J. (1990) History and Overview of the Voluntary Sector (unpublished paper)

2. Wolf, J. (1990) History and Overview of the Voluntary Sector (unpublished paper)

3. Laziness and moral decay were terms that were used to describe the "undeserving poor"; widows or those with a mental illness were considered the "deserving" poor.

4. Frederick Taylor promoted principles of what he called "scientific management," primarily driven by time and motion studies. By the time of his death in 1915, he had the reputation as a major "enemy of the working man." (Morgan, 1997)

5. This definition refers back to the Pemsel Case and charity as defined by Lord Macnaghten in 1891.

6. Figure 3 source: <http://www.sdc.gc.ca/en/cs/sp/sdc/socpol/tables/figure2.shtml>

7. In the 2003 National Survey of Nonprofit and Voluntary Organizations, 74 percent of Canadian voluntary and nonprofit organizations were engaged in the delivery of services and 22 percent were engaged in expressive activities.

8. Expressive organizations include religious institutions and sport and recreation clubs as well as arts and culture, environmental, mutual organizations such as professional clubs and unions, and advocacy and civil society groups.

9. Members included the United Way of Canada, the Anglican Church of Canada, the Canadian Cancer Society, the Canadian Association of Neighbourhood Services, Friends of the Earth, and the Canadian Rights and Liberties Federation.

10. The twelve national organizations were Canadian Centre for Ethics in Sport, Canadian Centre for Philanthropy, Canadian Conference of the Arts, Canadian Council for International Cooperation, Canadian Council on Social Development, Canadian Environmental Network, Canadian Parks/Recreation Association, Community Foundations of Canada, Health Charities Council of Canada, the Coalition of National Voluntary Organizations, United Way of Canada/Centraide Canada, and Volunteer Canada. (Voluntary Sector Roundtable, 1998).

11. The Voluntary Sector Roundtables was primarily funded by the J. W. McConnell Foundation, with assistance from the Vancouver Foundation and the Muttart Foundation.

12. This recommendation was based on the position and mandate of the Charities Commission in the UK.

13. This recommendation was based on the success of the Voluntary Sector Compact in the UK.

14. The full title is: Compact on Relations Between Government and the Voluntary and Community Sector in England. Compacts in Scotland and Wales were signed within one month of each other in 1998.

15. In 1987, Revenue Canada issued Information Circular 87-1 "Registered Charities - Ancillary and Incidental Political Activities."

16. In 2003, Revenue Canada issued an Information Circular CPS-022, "Political Activities."

17. See Voluntary Sector Forum at <http://www.voluntary-sector.ca/eng/index.cfm>.

18. See Canadian Federation of Voluntary Sector Networks at <http://www.cvsrd.org/eng/federation/index.html>.