
LETTER FROM THE GUEST EDITOR

This is the second and final issue based on the theme of the voluntary sector in transition. The first issue addressed a number of the themes, not the least of which was the change in the relationship of the sector with the federal government. This issue examines a number of areas where sector organizations are meeting challenges and having to push boundaries and change practices in order to continue to move forward.

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It helps, sometimes, to remind people of their roots. The voluntary sector is active and relatively healthy because of market failure. The sector provides services and speaks up for those people and activities that have traditionally fallen in between the private and public sectors. If the sector didn't exist, many observers agree that it would create itself in order to provide the care, interaction, and advocacy that the other sectors cannot. This is one of the sector's strengths, its ability to rally people to a cause, to create organizations, and generate innovative solutions to problems.

The voluntary sector contributed to Canada's wellbeing long before Confederation and will continue to do so in the future. Sector organizations have been active participants at many of the major policy debates. Some of these debates have been relatively non-controversial, such as inoculation against disease. Others have involved more discussion and debate, such as the anti-smoking campaign. And then there have been very heated and, in some quarters, unpopular causes such as the issue of whether a husband could sexually assault his wife. The point is that the sector has played a role in Canadian policy development and will continue in this role.

Over the years, the sector has garnered interest and attention, but that attention has come in waves at the federal level. As we all know, a trough follows each wave of interest. In the 1950s and 60s, the activities of citizenship councils led to federal seed funding across the country. People came together, discussed issues, and created organizations to try to address the problems. While there were federal dollars to fund these projects, there was no organized system or program of support.

In response, the federal government brought 15 people together in 1974, creating the National Advisory Council on Voluntary Action. The result of this group's deliberations was the People in Action report released in 1977. That report saw volun-

tary activity as “a fundamental expression of the rights of Canadians to determine their own destiny” (*People in Action*, p. xiii). That kind of thinking set the voluntary sector agenda for almost 40 years. The report’s recommendations on funding led, in many cases, to core or operational funding for major voluntary groups. For some, it created stable funding for sector organizations to make their contributions to Canadian society. For others, it created financial dependency on government and led to a sense of “entitlement.”

The expanding budgets for sector organizations of the 1970s and early 1980s were followed by years of budget reductions, the most severe coming in the 1990s, in order to reduce the federal deficit. Programs were cut or reduced and questions were raised about operational support. Over the years, project and program funding replaced core or operational funding and groups were encouraged to diversify their funding base.

The next major wave of sector interest came with the Voluntary Sector Initiative (VSI). The Voluntary Sector Roundtable (VSR) started the groundwork for the VSI in 1995 in response to federal budget changes and reductions. The Roundtable organized a number of activities such as the Panel on Accountability and Governance in the Voluntary Sector and pressed the federal government for action on three major fronts: the relationship, capacity building, and regulation. This led to the 1999 report *Working Together: A Government of Canada/Voluntary Sector Joint Initiative*. A number of activities followed until, in June 2000, the federal government announced that they would provide \$94.6 million in funding over five years to a number of voluntary sector activities. This can be seen as the height of federal government – voluntary sector relations in the modern era.

The trough started before the VSI ended in 2005 and deepened with the election of the Conservative government in February 2006. We now have a very different federal government–voluntary sector relationship. Few voluntary organizations are asked to contribute to federal policy development. The rhetoric coming from federal ministers suggests that the sector is viewed more as an enemy than an ally. Women’s groups, ethno-cultural and immigrant serving agencies, social justice groups, environmental groups, international development groups, correctional and criminal justice groups, arts groups, and health groups have faced major changes in their relationship with the federal government and many have had their funding reduced or eliminated.

Over the past seven years, Canada has lost a vibrant part of its national policy voice and those advocates that remain are not part of this government’s policy process. Our history shows the need for this voice, but there are few national organizations that can take on this role without substantial funding. Some groups are reacting and trying to take leadership, but this is not an easy task. A number of provincial governments have increased their support to the voluntary sector, but few of these governments have the resources to go beyond their borders and partner with other provinces in order to address issues on a national scale.

That being said, the sector continues to grow and thrive. These program changes and budget reductions affect a small but vital part of the sector, but organizations will continue to put forward policy ideas to help make Canada a better place in which to live. The need for this policy input has not gone away. The challenge, for these and other organizations, is how to use the tools, technology, and knowledge at hand to create leaner and more nimble organizations to provide this input. Federal support for the sector goes in cycles and, in this trough, the sector needs to get on with its business regardless of the government or funding in place.

A lesson has been learned. In some ways, federal support was both too generous and too directive. Organizations followed the money to expand their activities according to the needs of the federal government. This is not said to lay blame on the groups. They did not live beyond their means. It is to realize that, in hindsight, some groups lost contact with their original constituencies. While they still had support from their constituency, the bulk of the funding came from the federal government. This funding model skewed activities toward the needs of the federal government and away from those of the member groups. As budgets shrank, the organizations found themselves in trouble. They had less federal money and funding from other sources could not cover the shortfall. It is not easy for member organizations, which struggle daily with their own funding issues, to free up money for coalition or umbrella groups. This is part of the funding model that needs to be recreated if these organizations are to come back into existence.

Funding caused dependence, both financially and ideologically. New models need to be created to be more responsive to constituents, to use technology to create leaner and more self-sufficient organizations, and to keep organizations focused on their core goals. Increased funding helps organizations only if that funding doesn't lead down paths that take them away from their constituencies and objectives.

Earned income offers one of the few areas of potential growth over both the short- and long-term. This can come from a number of sources. It can be social enterprise, where the group sells a service or product in order to finance its activities. It can also come from judicious use of the principal or capital of a foundation, trust fund, or other type of investment pool. These are not necessarily easy paths to follow. A high percentage of for-profit business ventures fail and social enterprise is subject to the same challenges. Foundations have a fiduciary responsibility to be prudent in the investment their funds. That being said, and given the current state of sector financing, it stands as an area of growth for voluntary organizations and one that remains to be tapped in order to support the sector.

Sustainable funding is not easy; one could say it's a chimera. But it can and has happened and the sector is innovating to try to create the best conditions in which it can happen. Over the years, sector organizations have continued to challenge the status quo and have worked to find new ways to organize and find support to meet their objectives. Most times, these efforts were within the boundaries of the existing structures. More and more, especially with the for-profit model with non-profit objectives, innovators are blurring the lines between sectors and are foregoing the nonprofit tax-exempt status and the charitable donation credit.

There is a healthy lack of respect for current organizational forms. Some groups are creating structures where the form is determined by the best way to solve problems and not by fitting into a preconceived box for, at times, limited returns. For years, the carrot has been nonprofit status or charitable status. Now, some groups form to solely concentrate on the goal, showing their frustration at the existing models that haven't worked well. Another part of this is in reaction to onerous accountability regimes that have less to do with rewarding effective organizations than to being seen as having rigorous funding criteria in place.

This organizational innovation is not without its detractors or without cost. Regulators do not like some of the structures, as governments tend to create boxes and categories. This is done, in part, to understand and facilitate, but it is also because of the bureaucratic instinct to control and regulate. Regulators are facing increasing pressure from the sector, not just in terms of the numbers of groups, but also in terms of the potential effect (read the perceived potential floodgate effect) of the new models on the regulatory system. Over the next few years, new models will be created and regulators will audit, examine, and review in trying to come to terms with what is happening. Bureaucracy's passion to control translates, many times, into stifling innovation. In this area at least, the new hybrid organizations, especially those that cross for-profit and not-for-profit lines, will direct a major part of the regulators' agenda.

The sector also needs to push back. It should start asking some hard questions of its funders as well. The increasing demands for accountability of financial resources and program results have become a burden on sector groups. It is time for groups to ask to see the results of this drive to accountability. How has it been used? How has it affected decisions? What changes or improvements have the results of this accountability led to in regards to funding? Has it been used at all or is it just an exercise by funders to demonstrate due diligence? Have all the accountability demands led to an onerous layer of bureaucracy that, in the end, employs accountants and lawyers, but does little, if anything, to assist groups in meeting their objectives and in solving some of Canada's intractable social problems?

This issue of *The Philanthropist* is both forward-looking and cautionary. The articles challenge organizations to go forward, but they also remind groups that they need to review their practices to ensure functionality and due diligence. Groups are asked to push at the barriers that hem them in and they are reminded that they still need to meet regulatory requirements. Organizations are prodded to change their practices, but they are also asked to check to ensure implementation of existing policies.

Tim Brodhead's article, "Innovation: Austerity's Grandchild," examines two major issues. The first is the emergence of social finance as one means toward a more sustainable funding model for voluntary organizations. It also raises the need to change the sector's narrative to place greater emphasis on prevention rather than on remedy. He argues that the sector has to challenge the idea that service provision alone will alleviate the problems addressed by voluntary organizations.

Some of the articles in this and the last issue question the structure and role of voluntary organizations in meeting their mandates. In the “What’s the Law” column, **Theresa L. M. Man** provides a timely reminder to ensure that the groups stay true to their stated objectives in her piece “Avoiding Mission Drift—A Due Diligence Approach.”

Patrick Johnston reviews one of the highpoints in the voluntary sector–federal government relationship in “A Retrospective Look at the Voluntary Sector Initiative (VSI): What Lessons Did We Learn?” The piece takes a hard look at what went right and what went wrong with the VSI and the results are very relevant in guiding current sector–government relationships.

Rachel Laforest captures the effects of changes to the support of advocacy organizations in her article “Digging Wells or Building Fences? Analyzing Federal Government Dynamics.” The article looks at the historical role of advocacy in Canada and the implications of a reduced voice from these groups in future policy discussions.

Paula Speevak-Sladowski examines the changing dynamic of volunteering in her article “Volunteering: A Catalyst for Citizen Engagement, Social Inclusion, and Resilient Communities.” The article examines the important contribution of volunteers in building their communities and how organizations need to adapt practices to fully engage these resources.

As a bit of a volunteering counterpoint, **Lori Gotlieb**, in her article “The Other Side of the Coin: A Volunteer’s Perspective” provides a reality check for groups that engage volunteers. The article suggests that organizations need to review their operations not only to see if their policies make the best use of volunteers, but that these policies are, in fact, carried out.

The need to review human resource management practices is found in **Tim McConnell’s** article “The NPO Dilemma: HR and Organizational Challenges in Nonprofit Organizations.” The text provides a commonsense and useful guide for the managers of nonprofits to look at their human resource policies.

Gloria DeSantis provides an account of research in her article “Voluntary Social Service Organizations Working on the Determinants of Health: Cause for Concern?” The results of the study raise questions about the need to develop a more comprehensive and explicit relationship with government and other funders in the provision of social services.

In the “What the Numbers Say” column, **David Lasby** looks at donor motivation and barriers to giving, using data from the Canada Survey of Giving, Volunteering, and Participating. In his article “Changes in Motivations and Barriers Around Giving: The Increasing Importance of Concerns About Charity Efficiency,” he reviews the results from three iterations of the survey and focuses on the most significant change in the barriers to giving.

Daniel G. Neely writes about the preliminary results from the enactment of California's Nonprofit Integrity Act of 2004 for the "How We Account" column. The Act requires larger nonprofits to enhance financial reporting, to review executive compensation, and to monitor solicitation practices used in fundraising.

As an addendum to **Patrick Johnston's** article on the legacy of the Voluntary Sector Initiative, here are the funding decisions undertaken by the Conservative government since their election in 2006, in respect of those groups that participated in the Voluntary Sector Roundtable.¹

With the elimination of the Canada Volunteerism Initiative (CVI) in 2006, Volunteer Canada's federal funding was reduced from just over \$6 million in 2006 to nil in 2008. The Canadian Centre for Philanthropy [now Imagine Canada] had its budget reduced from \$3.95 million in 2006 to \$112 thousand in 2008 as a result of the cancellation of the CVI. The Canadian Conference of the Arts' budget was reduced from \$537 thousand in 2006 to \$405 thousand in 2011. They closed their doors, after 67 years of operation, when federal funding ended in November 2012.² The Canadian Council on International Cooperation went from \$1.7 million in federal funds in 2006 to \$574 thousand in 2011. The Canadian Council on Social Development, which was founded in 1920, went from \$1.166 million in 2006 to zero in 2012. The Canadian Environmental Network had its funding cut from \$547 thousand in 2006 to zero in 2011.³

Of the remaining groups, the Coalition of National Voluntary Organizations merged with the Canadian Centre for Philanthropy to form Imagine Canada. The Community Foundations of Canada and the United Way of Canada were, and still are, financially independent of the federal government. The Canadian Centre for Ethics in Sport, the group responsible for promoting and monitoring drug-free sport, received \$4.981 million in fiscal year 2012–13 from Sport Canada Canadian Heritage (Canadian Heritage, 2012). Financial statements for the Canadian Parks and Recreation Association could not be found, but its newsletter reported some federal project funding (Canadian Parks and Recreation Association, 2011). No Canadian reference to the National Voluntary Health Agencies could be found. The last VSR member was a representative of faith communities. There have been a number of changes to the funding of religious groups in Canada since 2006, but they are not easily described here. An exploration of this topic deserves a separate article.

The Voluntary Sector Roundtable was an important coalition at a critical time for the voluntary sector. It was created to undertake a number of specific activities, push an agenda to engage the federal government, and then dissolve. It is unclear if such a coalition could be formed today. This government is not receptive to dialogue. A number of national voluntary associations no longer exist. A number of sector advocacy organizations no longer exist. The issues and needs are there, but the sector has to rebuild its capacity. This renewal will be a long process and one that will stress the need for independence and self-sufficiency. When that is reached, the sector may decide that the federal government is much less relevant than it used to be.

NOTES

1. Data from the Canada Revenue Agency Charities Listings database using the T3010 Registered Charity Information Returns provided financial information for Volunteer Canada, Imagine Canada, the Canadian Conference of the Arts, the Canadian Council on International Cooperation, the Canadian Council on Social Development, the Canadian Environment Network, the Community Foundations of Canada, and the United Way of Canada.
2. See also Adams (2012).
3. Additional information for the Canadian Environmental Network is from McDiarmid (2011).

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