



Nonprofit Sector

Building a Knowledge Base

Voluntary Organizations in Ontario in the 1990s

Voluntary Organizations in Ontario: A state of crisis or a period of transition?

Many voluntary organizations in Ontario are involved in a struggle for their survival that is changing the very nature of the voluntary sector. In the past decade, voluntary organizations across Canada experienced a lot of pressure resulting from the combined effects of budget cuts, changing public policies, and changing community demands. These pressures appear to be bringing about changes in a) the services agencies provide, b) their operating principles and c) how they organize themselves in order to carry out their mission.

One emerging feature of the voluntary sector is that its organizations appear to be operating more and more on the template of large business firms. This is changing the face of many voluntary organizations to such an extent that they fear losing some of their essential traits. By their very nature, many voluntary organizations embody an idealism-based ethos that places high priority on responding to community needs or creating social good. Voluntary organizations usually do this with deep personal connections to their community. They usually work

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co-operatively, relying largely on the involvement of lay people and community-based action. But pressures to adopt a very different operating style continue to build.

A portrait of Ontario's voluntary organizations in the last decade

Voluntary Organizations in Ontario in the 1990s by Paul B. Reed and Valerie J. Howe is the latest addition to Statistics Canada's *Nonprofit Sector Knowledge Base Project*. Reed and Howe undertook this study to understand how different kinds of voluntary organizations are coping and to ascertain the state of the voluntary sector in general in Ontario. Their focus was community-based organizations that use volunteers and respond to social needs. They excluded sports and cultural organizations and such institutions as universities, churches, and hospitals.

In a large and systematic case study, the researchers invited 40 different organizations in 8 diverse communities across the province to take part in the study. They were selected to provide a comprehensive portrait of the range in experience and operating conditions in the voluntary sector in general. The researchers met with executive directors of each organization for in-depth interviews. Participating agencies also provided supplementary information about budgets and staffing. The 40 organizations included a mix of people-focused services covering children and infants, people who are ill, disabled or elderly, people on low income, mental health, new Canadians, developmental impairment and Aboriginal people.

Statistics Canada, with financial assistance from the Kahanoff Foundation, is developing a body of knowledge on the nonprofit sector in Canada through the **Nonprofit Sector Knowledge Base Project**. These findings will be of particular interest to those researching the voluntary sector or working in nonprofit organizations.

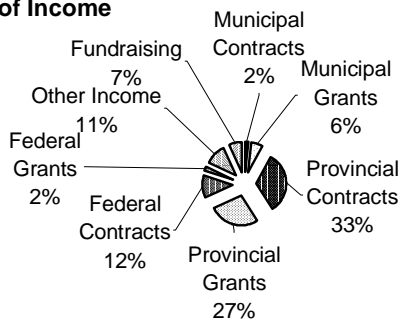
This report summarizes a study conducted by Paul Reed and Valerie Howe that was undertaken primarily to ascertain the state of the voluntary sector in one large Canadian province. It had a secondary objective as well: to identify the kinds of information that might be considered for inclusion in an ongoing national statistical program on voluntary organizations as part of a comprehensive knowledge base on the voluntary sector as a whole. The authors can be reached at (613) 951-8217 or <reedpau@statcan.ca> for additional details from the study.



The agencies were located in Central, Eastern, and near-Northern Ontario in metropolitan, mid-sized urban and small town communities. One quarter were in Toronto, one quarter in Ottawa, and the other half were dispersed among six non-metropolitan cities and towns: Sault Ste. Marie, North Bay, Peterborough, Pembroke; Smiths Falls, and Carleton Place. A distinctive feature of this study is that it is the first ever to provide a picture of volunteer organizations in rural and small urban communities as well as major centres in Ontario.

Reed and Howe's analysis indicates how voluntary organizations are becoming more formal entities, increasingly pressed to use business practices common in the for-profit world. They paint a picture of agencies struggling to maximize their organizational efficiency as they eliminate all activities not directly related to their core mission. Many of the agencies had recently implemented new organizational structures. Most are increasingly professionally-oriented entities. They select personnel and often recruit volunteers on the basis of their credentials. This is in response to a mix of pressures, as the study reveals. These agencies are being pushed by shifts in funding sources as more income is coming from contracts to provide services, mostly to governments, and less from grants or from the general public.

Sources of Income



Sources by category:

Contracts: 46%
 Grants: 35%
 Government: 81%

As government contracts and grants now make up the largest source of income, agencies find themselves in an enormously competitive environment. In a time of government spending cutbacks, they are often competing not only for limited grants and contracts, but also with each other for clients and public credibility.

The largest organization in the study works with an annual budget of over \$50 million. Several are small with budgets of barely \$50,000. Most are moderate in size, with yearly budgets of several hundred thousand dollars. Some work exclusively with volunteers; others have hundreds on the payroll. Some are single-focus agencies operating from a community resource centre; others are multi-service agencies with their own buildings. One executive director operates a completely voluntary organization from home. Others work from an office location, while half of those surveyed operate their organizations from anywhere between 2 to 30 or more sites.

Approximately 6 of every 10 agencies in the study use volunteers to work with clients directly. This is almost double Canada's overall national rate of 35% of volunteers whose volunteer activities include direct care or support of some kind. A distinctive characteristic of many organizations in this study is their constant struggle to recruit a generally rare volunteer—one who is qualified to work directly with clients.

Worrying where the money is going to come from

Not only are volunteers in short supply, but income instability is also widespread in the agencies surveyed. Those with less than \$200,000 in annual income report that they are less effective now than they were five years ago. Things are especially difficult for small organizations with fewer options for expanding their funding base. Agencies are spending more energy trying to prevent income decline at a time when many also report facing uncertain relations with funders. Many organizations report less interaction with government representatives and a deterioration of their relationships with most provincial and federal government funders in recent years. Their long-standing sense of partnership and dialogue with funders has clearly been weakened. They now report that they operate in the dark, without adequately understanding how new government policies are developed or apply to them. This greatly impedes their ability to develop new programs or to engage in longer-term planning.

Cause of the month, disease of the week?

Among the agencies surveyed, direct donations from the general public represented about 7% of their total revenues. Since these agencies receive the bulk of their funding from government as a grant or contract, the general public also provides support through their

taxes. Even so, generating this 7% is difficult especially as more charitable organizations are raising funds than ever before. Between 1986 and 1996, some 30,000 additional charities were established so that by the end of that period, there were 75,000 charities in Canada. With such an increase in the number of organizations seeking funds and support from the public, campaigns are now higher profile and often professionally run.

Public support, the study's participating agencies reported, can be changeable and tends to respond to urgent causes, 'brand-recognizable' institutions, or 'cute' subjects. Agencies acknowledge being tempted by the impact of dramatic media coverage whose effectiveness often depends on a willingness to exploit clients by, for example, showing "actual" teen moms, "real" poor people being fed, or the made-up, bruised face of an actor depicting an abuse victim. Many agencies are struggling with ethical issues concerning whether to permit such stereotyped portrayals.

Some agencies had doubled, even tripled their caseloads...

Doing more with less, or doing less with less?

Agencies of all types are now constantly searching for ways to reduce their dependency on single or unstable funding sources. Financial pressures are forcing many to market their services to firms, and many now ask clients to pay fees. Meanwhile, demands for their services are increasing.

Several agencies have doubled, even tripled, their caseloads within a 5-year span. Others insist that staff-to-caseload ratios cannot improve without a decrease in service. Between 1992 and 1997, one downtown Toronto agency doubled its client load with no increase in staff at all. As their client needs increase, most agencies devote additional attention to fundraising, partnering, reporting, computerizing. Diverting staff time to deal with these matters, especially when client issues are becoming more complex, results in great stress to everyone in these organizations.

A sense of vulnerability

Fully 85% of the organizations indicate that they feel more vulnerable now than they did five years ago. Some who do not feel vulnerable say it is only because they have been very vulnerable for a long time and have adapted to it. Half of the organizations say they feel *much* more vulnerable than five years ago, while one in four fears for their very survival.

This sense of vulnerability, they report, comes from perceived changes in government priorities. Some feel that the Canadian public is becoming less compassionate on certain issues. Then, there is the trend toward seeking funding diversity. Many agencies are involved in income-generating enterprises, and engage in extensive fundraising. Gaming was noted as a particularly enticing but ethically difficult issue for some of the organizations.

The rising pressures and costs of proving your worth

Voluntary organizations are increasingly being asked by their funders and by the general public to prove their effectiveness. More than two-thirds of the agencies say they now spend significantly more time reporting to their funders. In spite of increased record keeping and reporting, some feel that governments and other funders are not requesting the real information that is needed to gauge their effectiveness.

Eroding a precious community resource?

Agencies speak of the erosion of their community resources as they find themselves competing with each other for volunteers and donations. Smaller agencies are especially concerned about being rationalized into a larger agency serving bigger areas. It may be easier for funders and government to deal with fewer agencies and clearer reports, but the cost may be under-served communities, a reduction in community integration, and a growing sense of isolation among those few agencies that remain in smaller communities.

Struggle as a way of life and a source of optimism

Almost all of the agencies are involved in struggle, some simply to survive, others to become more effective. A common trait is the struggle to retain ideals and independence while aiming at more efficiency and effectiveness. This is the source of much stress.

Notwithstanding all this turmoil, the study found a substantial element of optimism in these organizations. Two-thirds of the Executive Directors thought their organization to be more effective near the end of the 1990s than it had been five years earlier.

Is it crisis or transition?

Many features of the voluntary sector's situation today have existed for a very long time:

- a chronic difficulty of insufficient funding relative to needs;
- a heavy, expanding workload and concern for unmet needs in the community;
- the challenge of finding volunteers and utilizing them effectively; and,
- a sense of organizational vulnerability.

But there are also some distinctive elements in the situation today:

- a shift in funding from grants to contracts;
- a growth of inter-agency competition;
- a burden of responding to frequently-changing public policies and accountability requirements;
- growing concerns about legal liability; and,
- fundamental changes in the social conditions within which voluntary organizations operate, including increasing social diversity, rising social and economic polarization, and the growing incidence of multi-need individuals and families.

Nine in every ten participating organizations say that their ability to serve clients has been significantly weakened by income instability or cuts. One-quarter say they are seeing more clients and nearly one-half say some or many clients have to wait to be seen. One out of three agencies report that they have less time for direct client contact, and half have been obliged to cancel preventive programs. Three of every four report that they now have to spend more time in crisis management for their clients.

One key finding of this study is that the challenges faced by voluntary organizations today are not the result of government cuts alone. Rather, they are a combination of shifts in sources of government funding and the rapidly changing social environment of the past decade.

Voluntary organizations say they are also coping with a constant need to procure public support and legitimacy. Agencies which provide social services and which operate outside metropolitan centres feel particularly vulnerable.

The pervasively high levels of change, stress, uncertainty, and discouragement provide a basis for judging the voluntary sector to be in crisis. Then again, that some Executive Directors report their organizations are operating more effectively than ever before may signal change for the better, indicating some of the sector's organizations may be in a period of transition and adaptation.

This is one in a series of brief reports describing research findings of the Nonprofit Sector Knowledge Base Project that can be found in both official languages on Statistics Canada's Web site <www.statcan.ca>. Contact M. Saumure at <saummar@statcan.ca> if you would like more information on this research or if you would like to receive e-mail notification as these reports become available.