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## Research Paper

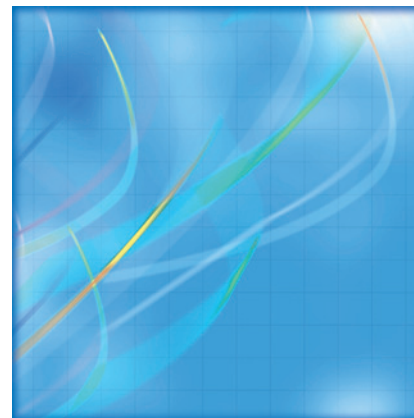
# What do we know about the voluntary sector? An overview 2000

by Erwin A. J. Dreessen

Office of the Senior Social Scientist  
20-O R.H. Coats Building, Ottawa K1A 0T6

Telephone: 1 613 951-8217 Fax: 1 613 951-6313

*This paper represents the views of the author and does not necessarily reflect the opinions of Statistics Canada.*



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One in a series of reports from the Nonprofit Sector Knowledge Base Project.

The author welcomes comments and suggestions. He can be reached via:

Telephone: (613) 951-8217

Facsimile: (613)-951-6313

e-mail: [paul.reed@statcan.ca](mailto:paul.reed@statcan.ca)

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## **SUMMARY**

For the purpose of building a knowledge base of the sector, it is appropriate to adopt a broad definition, encompassing registered charities as well as all manner of other nonprofit organizations.

Three surveys over the last twenty years have provided us with a rich data base on voluntary behaviour, particularly on volunteering through organizations. Both participation and the total volume of voluntary work have increased between 1987 and 1997, although the average number of hours per volunteers has decreased. While almost one-third of Canadians do formal volunteer work, the distribution of effort among those who do so is highly skewed.

There are very few hard data on nonprofit organizations that are not registered charities: how many there are, what they do, or what their economic or social impact is. What little we do know does clearly suggest that they are by no means a negligible phenomenon.

The state of information on charities is considerably better, but there are very large discrepancies in common understanding of the magnitude of their basic financial data. There is agreement, however, that religious organizations receive the bulk of their funding from charitable donations, whereas most other charities depend for up to two-thirds on government funding. There are no quantitative measures of outputs or of needs addressed by charities.

Between 1969 and 1996, most types of households have been making fewer charitable donations, the net effect of a large drop in the incidence of donating to religious charities and a minor increase in giving to other types of charities. Households that do donate, however, have been giving considerably more, with the net result that charitable donations (in constant dollars) have more than doubled over the period.

Understanding voluntary sector organizations helps understand the forces that make for social cohesion. There is a broad constituency for increased knowledge about the sector.

## Introduction

Various terms abound to refer to the sector of the economy and society that is neither households nor government, nor oriented to meeting “market” needs. It is often called the “third” sector, usually in the context of being seen as the “third pillar” of society<sup>1</sup>; other terms include the independent sector, the social economy, the civic sector, the commons or community sector, the nonprofit sector and the voluntary sector.<sup>2</sup> While “nonprofit” is perhaps the most commonly used term for the sector that is the subject of this paper, the term “voluntary” has been chosen for two reasons: Throughout, the aspect of voluntarism is seen as a *sine qua non* for relevance to the discussion; and, the term “voluntary sector” has achieved considerable resonance in the current political climate.<sup>3</sup>

## Defining the sector

No single definition of what constitutes the voluntary sector would be satisfactory because what definition is appropriate depends on the purpose of the analysis or development of data.

- If one’s purpose is the study of *social dynamics* (how society works), then the scope of data and analysis may have to include not only all of the activities described below, but also individual acts of volunteering or donating that take place unmediated by organizations or not accompanied by tax receipts. Such acts include, e.g., putting coins into a donations box at the corner grocery store, shovelling snow for an elderly neighbour, participating in Environment Canada’s informal network

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<sup>1</sup> Why this should be so is somewhat puzzling, since in the context of “pillars” it would seem that the conventional pillars are households, businesses and governments; that would make the hitherto less recognized sector discussed here the “fourth” pillar.

<sup>2</sup> Among the many references that could be cited, see Jacquelyn Thayer Scott, “Defining the Nonprofit Sector,” in Hirshhorn, 1997, pp. 43-51; and Paul Reed, “Defining the Nonprofit Sector in Canada: What Questions Should We Be Asking?” in the same volume, pp. 52-57.

<sup>3</sup> See e.g., Liberal Party of Canada, 1997, pp. 67-69; Public Policy Forum, 1998; Government of Canada, 1999a; and Government of Canada, 1999c.

of “Weather Watchers” and providing support to federal prisoners as performed by 9,600 individual Canadians.<sup>4</sup>

The 1997 National Survey on Giving, Volunteering and Participating (NSGVP) found that 16.7 million Canadians (71% of the population aged 15 and over) provided help to individuals outside their own household, unmediated by sector organizations.<sup>5</sup>

While unpaid work inside one’s household is not normally considered “voluntary,” it too may need to be drawn into an analysis of social dynamics because some of its components could be a substitute for or a complement to services offered by voluntary sector organizations. The 1992 General Social Survey found that, on average, persons aged 15 and over devoted 1,164 hours to unpaid work over the course of the year, of which 11.0% went to child or adult care.<sup>6 7</sup>

- Most definitions of the voluntary sector, including the definition adopted in the remainder of this paper, take a more narrow point of view by excluding such informal or unmediated acts of volunteering. That is, the sector is defined with reference to its organizations. Even then, various

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<sup>4</sup> The latter two examples are cited in Government of Canada, 1999a, Annex E, page 5.

<sup>5</sup> Hall et al., 1998, page 11.

<sup>6</sup> Statistics Canada, 1995, Tables 3.2, 4.11 and 4.12. To further put the present discussion in context, a total of 5.8% of unpaid work consisted of either volunteer work through organizations or informal help and care to persons outside the household.

<sup>7</sup> Other analyses of unpaid work also have relevance to the voluntary sector. One study under way (Stone, 2000) analyzes age cohorts from the 1986 and 1992 General Social Surveys (GSS) on time use to make selected predictions on male and female volunteer work participation; the analysis includes some data for Austria in 1991 and will be extended to 1998 GSS time use data and to comparisons with data from Norway and Finland. Two other studies are under way and two more are planned using responses to the three unpaid work questions in the 1996 Census. They will provide detailed insight in the portion of the need for child care or elder care that is met from within the household. Understanding what makes that portion higher or lower may have important implications for both commercial, voluntary and public sector supply responses, including public policy responses.

definitions are relevant, depending on the issue under consideration:

- when the focus is on renewing the *relationship* between governments and the sector, or on government *funding*, one is inclined to put aside (a), all organizations that have a well-established, separate relationship with government, such as hospitals, teaching institutions and large museums, even though they may be governed by voluntary boards of directors and may obtain significant assistance from volunteers in their operations; and (b), the myriad of associations which operate primarily for the benefit of their own members, such as trade and other business and professional organizations, trade unions, and cooperatives;<sup>8</sup>
- if one is examining *human resources* issues in the sector, involving both paid and volunteer workers, one would be amiss if one excluded mutual-benefit organizations because such issues arise in both public-benefit and private-benefit contexts;<sup>9</sup>
- an analysis of *social development* issues (including a study of Quebec's *économie sociale*) would be impossible without including, e.g., community development corporations, caisses populaires, and cooperatives;<sup>10</sup>
- if the focus is on *legal, regulatory or tax* issues, one's scope has to be all provincially or federally incorporated non-profit organizations (that is, leaving aside the thousands of unincorporated groups) or all registered charities; the latter include most hospitals,

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<sup>8</sup> For an interesting comparative analysis with precisely this government relationship focus, see Government of Canada, 2000.

<sup>9</sup> See, e.g., CPRN and CCP, 1998. The paper proposes, in principle, the entire nonprofit sector as the appropriate scope for a human resources sector study.

<sup>10</sup> Idem, page 7. See also Browne and Landry, 1996, pp. 53-58; Browne, 1996, pp. 78-81; Jenson, 1998, pp. 22-26; Lévesque and Mendell, 1999; and Graefe, 1999.

universities and many other teaching institutions;

- finally – and this is the scope of this paper – if the issue is *knowledge building*, then it is appropriate to include all of the mentioned components, that is:
  - non-profit organizations -- whether they are incorporated or not, and whether they are primarily oriented towards providing benefits for their own members or for a broader public -- but that cannot register as a charity under Canadian law;
  - registered charities, including quasi-governmental institutions that are charitable organizations; and
  - related businesses operated by either kind of organization, provided the profits are plowed back into the organization in pursuit of its collective mandate.

Organizations that fall within this broad, knowledge-building related definition have in common that, to varying degrees, they meet the following criteria:<sup>11</sup>

- a) they have some degree of organizational permanence;
- b) they are not part of nor controlled by government or any other outside entity;
- c) any profits are plowed back into the basic mission of the organization; and
- d) there is some meaningful degree of voluntary participation, either in conducting the organization's activities or in managing or directing its affairs.

None of these criteria can be applied in a hard and fast way, i.e., judgement calls inevitably have to be made, but they do assist in drawing boundaries. For example, Nav Canada (a nonprofit corporation), local airport and marine authorities and mutual insurers may meet the first three criteria but fail absolutely to meet the fourth and should therefore be excluded. The same may be true for certain cooperatives and

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<sup>11</sup> Adapted from Salamon and Anheimer, 1997, pp. 33-34.



credit unions if they are run on a purely commercial basis, even to the point of remunerating members of their boards of directors.<sup>12</sup>

In addition, however, in the context of building a knowledge base for the sector, it is wholly appropriate to identify and document certain realities that clearly do not meet these criteria:

- as already noted in the discussion of the scope of a study of social dynamics, informal volunteering and certain in-household unpaid work may be relevant;
- at the other end of the range, it is highly relevant to a study of the nonprofit sector to identify those for-profit business segments that operate in markets which overlap with not-for-profit activities.<sup>13</sup>

In conclusion, in defining the appropriate scope for a knowledge base of the sector, one is the poorer if one excludes, the richer if one includes but makes the appropriate distinction, thus allowing the student of any specific issue to capture the elements that are relevant for the purpose at hand.

### Profiles

What do we know about the sector?<sup>14</sup> In short, as a result of three national surveys, we know a

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<sup>12</sup> As a general point, however, non-financial cooperatives (such as agricultural, consumer and housing coops) and financial cooperatives (credit unions and caisses populaires) present a special case: Given that an estimated 70,000 volunteers serve on their boards of directors, it would be a mistake to exclude them altogether. The best solution would be to include them (unless they absolutely fail to meet one of the four criteria) as a category of their own.

<sup>13</sup> For an analysis of the increasing tendency of charities to engage in commercial activities, see Zimmerman and Dart, 1998. See also: Social Planning Council of Metropolitan Toronto, 1984; Ismael and Vaillancourt, 1988; Skelly, 1996; Browne and Landry, 1996, pp. 34-41; Browne, 1996, pp. 41-50; Social Planning Council of Metropolitan Toronto, 1997; and Nyp, 1999. For an in-depth analysis and case study of the evolving role of social service organizations doing contract work for government, see Rekart, 1993.

<sup>14</sup> A useful reference is Reed and Howe, 1998. The paper includes commentary on the characteristics of existing information and covers in detail relevant cycles of the General Social Surveys,

lot about volunteers: who they are, what and how much they do, for what types of organizations they do it, and why. The 1997 NSGVP, in particular, is possibly the best survey on volunteering anywhere in the world.<sup>15</sup> We also know a fair bit about donations, particularly donations to charitable organizations, both from Family Expenditures surveys and Income Tax files. (The 1997 NSGVP also offers rich data on the act of donating money, as well as on participating in civic affairs.) On the other hand, we know extremely little about organizations in the sector.<sup>16</sup> Even on charities – about which we know most – there are huge discrepancies between various studies regarding such fundamental data as total revenues. For any student of the sector, this is a most unsettling state of affairs.

This section provides some salient findings on formal volunteering, followed by a summary of the state of knowledge on noncharitable nonprofit organizations and on registered charities and donations.

### *Volunteers*

The 1997 NSGVP found that 7.5 million Canadians aged 15 or over (that is, 31.4% of the relevant population) volunteered a total of 1.1 billion hours of their time through organizations. That is equivalent to 578,000 full-time jobs or more than the labour force of Manitoba. On average, between November 1, 1996 and October 31, 1997, a volunteer contributed 149 hours. Compared to 1987, the volunteer participation rate increased (from 26.8%) but the average number of hours decreased (from 191 hours),

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the 1987 and 1997 surveys on volunteering, the Family Expenditures Surveys, certain tax data (T1 and T3010) and the World Values Surveys.

<sup>15</sup> The previous surveys were held in 1980 and 1987. See Statistics Canada, 1981; and Duchesne, 1989. Findings of the 1980 survey were further described in Ross, 1983. The 1987 survey generated over 30 short studies commissioned by the Department of the Secretary of State; Ross and Shillington, 1989; and Ross and Shillington, 1990.

<sup>16</sup> All three surveys on volunteering do provide information on the type of organization (that is, their field of activity) for which time is volunteered and, in case of the 1997 NSGVP, to which donations are made. However, these data do not reveal anything about the organizations *per se*. Without contextual information on the organizations' operations, they cannot even help to evaluate the extent to which organizations in any given field make use of volunteers.

still resulting in a net increase in total hours (from 1.0 billion hours)<sup>1718</sup>

With a few exceptions, the personal and economic characteristics of volunteers have not changed greatly compared to ten years ago. In both 1987 and 1997 the volunteer participation rate and hours volunteered were rather evenly distributed across age groups, except for those aged 65 and over where the participation rate was lower but the number of hours significantly higher; as well, the participation rate in the 15-24 age group nearly doubled between 1987 and 1997. Women volunteered slightly more than men. Married and single persons volunteered more than others but contributed fewer hours. Participation and hours increased with increasing education; the participation rate was particularly high for those with a university degree; compared to 1987, the participation rate of those with less than a high school diploma nearly doubled while their hours dropped by nearly half. Volunteers tended to be employed, especially part-time, but the highest average number of hours were contributed by those not in the labour force. Finally, the participation rate increased with household income while hours volunteered tended to slightly decrease.

Respondents who attended church weekly or who considered themselves to be very religious tended to volunteer more, both in terms of participation rate and number of hours.

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<sup>17</sup> These results and those in the next two paragraphs are taken from Hall et al., 1998, chapter 2. See also Reed and Selbee, 1999a. In that paper the data are segmented for each for five regions, three sizes of community and a self-assessed low or high importance of religious beliefs. For each of these thirty segments, 47 variables are explored, by means of logit models, to see if they allow one to distinguish between respondents who volunteered more than 66 hours (the median among those who volunteered) from those who did not formally volunteer at all. On average, the models correctly classify about 80% of the respondents. The most significant variables relate to forms and aspects of caring and contributing behaviour (such as participating in civic events, helping informally, donating to charities a.o.) and early life experiences (such as involvement in volunteering as a youth). In further descending order of importance are household characteristics, religion-related factors, education, occupation, evaluation of one's life situation and two variables relating to motivation.

<sup>18</sup> In contrast, in 1980 the volunteer participation rate was only 15.2%, representing 2.7 million persons who contributed 374 million hours, or an average of 137 hours per volunteer.

The 1997 Survey also provides detailed information about how the respondents became involved in volunteering, their motivations, the type of organization they supported, what activities they engaged in and the benefits they derived from it. All these dimensions may be compared with results from the 1987 Survey and for some (including the socio-demographic dimensions) there are equivalent results in the 1980 Survey. All data are also available by Province. Much analysis can be performed at the sub-provincial level.<sup>19</sup>

A very significant characteristic of the data is that volunteering activity (as well as donating and civic involvement) is extremely unevenly distributed. In fact, it is possible to define a “civic core” consisting of 28% of the total population aged 15 and over, which accounts for 83% of total volunteer hours, 77% of total dollars donated and 69% of all participation in civic events.<sup>20</sup> Looking at the volunteering dimension alone, again recall that nearly 69% of the adult population did not volunteer at all. Among those who did, one-third contributed 32 hours or less over the course of the year, while one-third contributed 128 hours or more; the latter group accounted for 81% of total volunteer hours.<sup>21</sup>

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<sup>19</sup> The 1997 NSGVP offers full data for at least 150 respondents in 28 Census Metropolitan Areas.

<sup>20</sup> Paul Reed and Kevin Selbee presented these findings in May 1999 to an interdepartmental network on Social Cohesion, chaired by Justice and Canadian Heritage (Reed and Selbee, 1999b.). The analysis is repeated for the provinces of Quebec, Ontario and Saskatchewan. The analysis found that 71.7% of the population aged 15 or over either did not volunteer, made no charitable donations, nor participated in any civic events, or, if they did any of these things, scored in the lowest one-third of all people who volunteered, donated or participated. Collectively, this 71.7% accounted for 16.4% of volunteer hours, 22.9% of charitable donations and 30.9% of civic participation events and was designated non-core. The others, 28.3% of the population aged 15 or over, amount to 6.7 million people. Of those, at one extreme were the 1.4% (about 333,000 people) who were in the upper two-thirds along all three dimensions; they accounted for 15.4% of volunteer hours, 10.8% of charitable donations and 4.8% of civic participation events. Another 6.4% belonged to the upper two-thirds in two of the three dimensions, collectively accounting for 31.9% of volunteer hours, 27.0% of charitable donations and 19.8% of participation in civic events. The remainder (20.3% of the population) scored in the upper two-thirds along one of the three dimensions.

<sup>21</sup> Hall et al., 1998, page 28.

Several other studies have been conducted, in Statistics Canada and elsewhere, based on the 1997 NSGVP data. One paper<sup>22</sup> provides a portrait of volunteers aged 55-64, 65-74 and 75+. It finds their participation rate in formal volunteering to be comparable to that of the population as a whole, except for the 75+ group, where the rate was lower. Hours volunteered in the oldest two age groups, on the other hand, were higher than in the rest of the population. The top three reasons for volunteering were the same as for the general population: support for a cause in which they personally believed, to use their skills and experience, and because they had been personally affected by the cause the organization supports. Most likely to volunteer were seniors in the Prairie provinces, Nova Scotia and New Brunswick or in rural areas anywhere. Again like in the rest of the population, earning higher income, being employed, having higher education, enjoying good health, and considering oneself to be very religious also increased the likelihood of volunteering.

Another paper<sup>23</sup> focuses on youth, using a shift-share technique to decompose the near-doubling of the volunteer participation rate of people aged 15 to 24 between 1987 and 1997. It finds half of the rise explained by the growing inclination of full-time students to volunteer; another third is due to a similar inclination by other youths; and 14% is due to increased full-time school enrollment. The weight of these factors varies considerably across provinces. The paper also displays participation rates, and changes since 1987, for various subpopulations; the types of organizations youth volunteers for; what motivates them; and what benefits they perceive deriving from volunteering. Finally, the paper points to differential labour market conditions facing young people and suggests that the rise in their rate of unemployment and in involuntary part-time employment may be behind the surge in volunteering.<sup>24</sup>

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<sup>22</sup> Jones, 1999. The paper also draws on time-use data from the 1992 General Social Survey.

<sup>23</sup> Jones, 2000a.

<sup>24</sup> Two other papers by Frank Jones based on the 1997 NSGVP are in preparation. Jones, 2000b, defines ten modes of community involvement and finds that Canadians aged 20 and over on average participated in 4.4 of them. Attributes when growing up – membership in a youth group, participation in organized sports, having had a parent who volunteered, and being active in a religious organization – are all found to be associated with higher levels of involvement in the community as adults.

Among studies produced outside Statistics Canada, two were commissioned by Human Resources Development Canada. One pays particular attention to the relation between volunteering and employment outcomes.<sup>25</sup> Another deals with employer support for volunteering by employees.<sup>26</sup> Also worth noting are twenty 2-page Fact Sheets available on the website of the Canadian Centre for Philanthropy; 13 of those focus on Ontario, including one for each of 9 individual cities. As well, the Centre's website offers a study on "Religion, Participation, and Charitable Giving"<sup>27</sup> and another on "Encouraging Volunteering Among Ontario Youth."<sup>28</sup>

The 1997 NSGVP was sponsored by Statistics Canada, the Canadian Centre for Philanthropy, the Non-Profit Sector Research Initiative, Human Resources Development Canada, Health Canada, Canadian Heritage and Volunteer Canada. Its public use microdata file did not become available to other parties until the fall of 1999. Other studies may therefore well become available in future.

### *Noncharitable nonprofit organizations*

Information on nonprofit organizations that are not registered charities is extremely sparse. Only two recent attempts have been made to estimate how many there are and there are some financial data on

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In Jones, 2000c, parents are found to have participated at a higher rate than the general population (38% compared to 31%) and to have done so most often if they had children of school-going age. Thirty-five percent of volunteering parents contributed 74% of all parent volunteer hours. Organizations served tended to be those benefiting children (culture and recreation, social service, and religious organizations). Seventeen percent of mothers and 12% of fathers did not volunteer and were not asked to do so, yet had time available, suggesting the existence of a significant potential pool of volunteers.

<sup>25</sup> Ekos and CPRN, 1999.

<sup>26</sup> Kapsalis, 1999. For an earlier study on this subject, which was based on nearly 1,000 responses to a questionnaire by executives, see Hart, 1986.

<sup>27</sup> Bowen, 1999.

<sup>28</sup> Febbraro, 1999.

what is undoubtedly a small subset of the total.<sup>29</sup>

In 1986-87, Don McRae of the then Department of the Secretary of State undertook to estimate the size of the noncharitable nonprofit sector.<sup>30</sup> Based on interviews with provincial officials, he estimated that there were about 60,000 such organizations in Canada, of which he believed about 25% were unincorporated. The second source is an estimate by Jack Quarter that, in 1992, there were 175,000 nonprofit corporations in Canada.<sup>31</sup> This figure includes incorporated charities<sup>32</sup> but excludes cooperatives.<sup>33</sup> Quarter's estimate was based on "information provided by the appropriate department in each of the provinces, territories and the federal government" and continues to be widely quoted.<sup>34</sup>

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<sup>29</sup> Limited surveys to obtain primarily financial data on noncharitable associations were held by Statistics Canada, covering the years 1973 and 1974. See Statistics Canada, 1975a and Statistics Canada, 1976a. The 1973 survey was a pilot study covering Industrial Associations, Professional Associations and Trade Associations n.e.c. The 1974 survey added Better Business Bureaus, Boards of Trade, Chambers of Commerce and Jaycees, thus covering all of 1970 SIC Code 891 except trade unions. The 1974 survey found a total of 2,796 organizations, with revenues of \$277.0 million and 8,787 employees.

Browne and Landry, 1996, pp. 3-34, report on a 1995 survey of 380 registered charities as well as 200 cooperatives, 50 environmental groups and 70 trade unions conducted by Ekos Research Associates for the Canadian Centre for Policy Alternatives.

<sup>30</sup> This paragraph is based on Day and Devlin, 1997, page 27. Their description, in turn, is based on a telephone conversation with Don McRae.

<sup>31</sup> Quarter, 1992, page 41.

<sup>32</sup> A small but unknown number of registered charities are not incorporated; there were approximately 65,000 registered charities in 1992, according to Day and Devlin, 1997, page 27.

<sup>33</sup> Quarter, 1992, page 15, states that there were nearly 7,000 cooperatives in the late 1980s. Government of Canada, 1999a, page 12, notes that, at the time of writing (1998/99), there were some 10,000 cooperatives.

<sup>34</sup> The quotation is from Quarter, 1992, note 2 of chapter 3, page 183. For recent references to the 175,000 figure, see CPRN and CCP, 1998, page 13, and Government of Canada, 1999a, Annex B, page 4. The Ontario Ministry of Citizenship, Culture and Recreation website, in a "Profile of Voluntarism," asserts that there are 70,000 noncharitable nonprofit organizations in Canada.

Since 1993, noncharitable nonprofit organizations with annual revenues over \$10,000 or assets over \$200,000 have been required to file an annual return with Revenue Canada (form T1044); the degree of compliance with the filing requirement is not known. The number of organizations that filed was 3,880 in 1993 and 4,490 in 1994. Only one study, which covers these two years, has been published. The following paragraphs are drawn from this one study.<sup>35</sup>

Total revenues reported on the T1044s were \$8.7 billion in 1993 and \$9.2 billion in 1994, for an average of \$2.2 and \$2.0 million per organization respectively. Total assets reported were \$11.5 billion (1993) and \$13.7 billion (1994), or an average of \$3.0 million and \$3.1 million per organization respectively. Reported total remuneration and benefits paid to all employees and officers was \$1.9 billion and \$2.9 billion in 1993 and 1994 respectively.

The data provide few clues on what types of organizations are captured here because, measured by revenues in 1993, two-thirds are in an unspecified “Other” category; Revenue Canada is reported to believe that this group is dominated by housing cooperatives and also contains religious and health services organizations. Other categories are Agricultural (10%), Professional (8%), Recreational (7%), Civic Improvement, Educational, and Arts/Cultural organizations (about 2.5% each), and Boards of Trade and Multicultural organizations (each less than 1%).

Looking at average revenues by category, agricultural nonprofits dominate with \$5.5 million each, while all other categories average \$2.0 million or less.

Two conclusions are inescapable: one, noncharitable nonprofits are by no measure a negligible phenomenon; and two, we are almost completely in the dark about even the most basic data for this segment of the sector.

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<sup>35</sup>

Day and Devlin, 1997, pp. 26-31 and Appendix D, pp. 99-105.



### *Registered charities*

As of January 1, 1999, 77,368 charities were registered with Revenue Canada (now the Canada Customs and Revenue Agency).<sup>36</sup> This number has been increasing by about 2,000 each year for the last 30 years.<sup>37</sup> Over 90% of charities are designated “charitable organizations;” the remainder are either private or public foundations.<sup>38</sup> To remain in good standing, all charities are required to file an annual information return (form T3010).

Only three studies have been published that display data from the T3010s, one showing data for 1990, a comprehensive paper by the Canadian Policy Research Networks (CPRN) which covers primarily the years 1989-1994; and another by Revenue Canada, with much more limited scope, on the 1995

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<sup>36</sup> Communication from Revenue Canada to the PCO Voluntary Sector Task Force; see Government of Canada, 1999a, Annex B, page 4. In addition, there were (as of 1998) 120 Registered Canadian Amateur Athletic Associations, about a dozen National Arts Service Organizations and a small number of organizations (such as Ottawa’s National Arts Centre) that by law are granted the same privileges and some of the same obligations as registered charities.

<sup>37</sup> About 4,000 new charitable registrations are accepted each year, but about 2,000 are de-registered, either as a result of voluntary withdrawal or on the initiative of Revenue Canada, mostly due to non-compliance with the T3010 filing requirement. (Communication from Revenue Canada to the PCO Voluntary Sector Task Force.) See also Day and Devlin, page 5.

<sup>38</sup> Under the *Income Tax Act*, foundations are required to disburse most of their annual revenues to “qualified donees,” that is, in large measure, to other charities.

returns.<sup>39 40</sup>

Serious issues of reliability of the T3010 data were raised in the CPRN study, as well as in an earlier study for the Canadian Centre for Philanthropy (CCP).<sup>41</sup> Both adding-up errors and errors in order of magnitude (where thousands of dollars were reported as dollars) were documented; the latter problem was shown to implicate the financial data for 15 universities and for hospitals in general. The CCP study

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<sup>39</sup> The report on 1990 is Campbell, 1994. The comprehensive report is Day and Devlin, 1997, pp. 5-26; Appendix A, pp. 79-88; and Appendix C, pp. 91-98. The third is Revenue Canada, 1999.

Another study, discussed below, is Sharpe, 1994, which examined the 1991 T3010 returns.

Hall and Macpherson, 1997, provided estimates for 1994 based on T3010 data but applied correction factors employed by Sharpe (refer to footnote 42 below).

See also, Smith, 1992, which includes limited quantitative data up to 1986.

<sup>40</sup> Earlier surveys by Statistics Canada, derived from the financial statements submitted to Revenue Canada by registered charities, are:

- excluding hospitals, teaching institutions and religious organizations: Statistics Canada, 1975b and Statistics Canada, 1976b. These surveys classify registered charities according to nine 1970 SIC Codes (707, 809, 827, 828, 845, 849, 877, 884 and 899);
- excluding hospitals and teaching institutions (except with regard to donations): Statistics Canada, 1982. This 1980 survey classifies charities in accordance with six major groups defined by Revenue Canada;
- religious organizations only: Statistics Canada, 1975c, Statistics Canada, 1976c and Statistics Canada, 1977. These organizations belong to 1970 SIC Code 831.

The 1980 survey covers 24,026 religious organizations with total revenues of \$2.4 billion and 15,939 other registered charities with total revenues of \$3.5 billion. This and most of the surveys of the 1970s provide breakdowns of revenues and expenses (but no assets or estimates of employment) and some size distributions. See also Ross, 1983, for further descriptions based on the 1980 survey.

<sup>41</sup> Sharpe, 1994, pp. 58-60.

concluded that an across-the-board correction factor was justified.<sup>42</sup> The CPRN study demurred, suggested various alternative correction methods but did not implement any as this would have required more resources than were available. The Revenue Canada study on the 1995 data recognized these problems and specifically verified the accuracy of the data for the 15 universities that had been found to be in error in 1991.<sup>43</sup>

Other reliability questions concern the accuracy of categorization, at the time of registration as well as over time as charities' mandates evolve. Moreover, the adequacy of Revenue Canada's categorization scheme, especially at the subcategory level, is highly debatable.<sup>44</sup>

The table on the next page displays the distribution of the 68,025 charities registered in 1995 over main categories of endeavour, and their shares of total revenues, revenues for which tax receipts were issued, and grants and payments received from any level of government.

Overall, tax-receipted donations constituted 9.3% of total revenues, whereas government grants and payments amounted to 58.1%. As the table shows, half of the donations were received by religious

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<sup>42</sup> The Sharpe, 1994, study screened out 11% of the 1991 returns because the discrepancy between Total Revenue and the sum of its components was found to exceed 2%. All remaining financial data were then multiplied by a factor 1.44 to correct for the "three zeros" problem and by a further 1.027 to bring the 1991 data up to 1993 values. The results were then supplemented by data from a survey of all 67,731 charities registered as of late July 1993. The effective response rate to this survey (usable replies as percent of net mail-outs) was 6.05%. Although the survey was completed in early October 1993, the resulting portrait of charities was presented as reflecting data for calendar year 1993. (Refer to Sharpe, 1994, pp. 61-63.)

<sup>43</sup> The PCO Task Force also received assurances from Revenue Canada that quality control of the 1995 and subsequent data has been significantly improved and that both the adding-up errors and the order-of-magnitude problems should now be largely a thing of the past.

<sup>44</sup> For example, in 1995, 6,561 of the 11,569 charities in the Welfare category were "not elsewhere classified." Many other categories have names that give little or no indication of the type of endeavour involved. Starting in 1997, charities have been asked to indicate their four most important fields of activity; this should greatly assist in categorizing them in a more useful fashion.

charities, while more than two-thirds of the government grants went to hospitals and teaching institutions.

If one puts aside hospitals, teaching institutions, religious organizations and “other” charities, 33,576 organizations remain. Of these, 16,203 (48%) reported government grants; government funding for these charities amounted to 63.2% of their total revenues.

The size distribution of charities is highly skewed. Eighty percent of charities reported revenues under \$250,000, amounting to just 5.4% of total revenues; 7% reported revenues over \$1 million, accounting for 87.7% of total revenues. \$2.1 billion (38.6%) of total tax-receipted donations went to just 625 charities; nineteen percent of charities had tax-receipted income of \$100 or less.

In 1994, charities paid employees a total of \$29.0 billion in remuneration; if one excludes hospitals and teaching institutions, the wage bill still amounted to \$9.3 billion.<sup>45</sup> Again in 1994, charities had total assets of \$78.2 billion; excluding hospitals and teaching institutions, reported assets were \$44.0 billion.<sup>46</sup>

As noted, there are serious issues of reliability with the T3010 data, at least pre-1995, and whether the T3010 data from 1995 onwards are reasonably free of inaccuracies remains to be independently validated. For purposes of assessing our state of knowledge on registered charities, the key observation is that the portrait provided in the CCP study (and in subsequent work that has used its methodology) continues to have credence. In particular, a total revenue figure of \$86.6

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<sup>45</sup> Day and Devlin, 1997, Table C-14. At an average wage in service-producing industries of \$25,940 in 1994, the \$9.3 billion wage bill would suggest that paid employment in the charitable sector outside hospitals and teaching institutions stood at a full-time equivalent of 360,132. (Sources: Statistics Canada, Cat. Nos. 71-201 and 72-005.) Sharpe’s comparable estimate for 1993 (1994, pages 36 and 38), assuming part-time employment means half-time, is a full-time equivalent of 463,850; Sharpe estimates 39% of employment outside hospitals and teaching institutions to be part-time.

<sup>46</sup> Day and Devlin, 1997, Table C-11. To put \$44.0 billion in perspective, this is 2½ times the assets of Bell Canada in 1994, 10 times those of Bombardier or 51 times those of all McDonald’s restaurants in Canada. (Source: Globe and Mail, 1995.)

<b><u>1995</u></b>	No. of Charities	Total Revenues(*)	Tax-Receipted Revenues	Govt. Grants & Payments (F/P/M)
Field of Endeavour:				
Hospitals & Teaching Institutions	5.1%	55.2%	7.7%	67.2%
Welfare	17	12	17.1	10.7
Health - other	5.9	9.5	12.7	9.3
Education - other	11.9	7.3	6	6.7
Religion	43.3	9.6	50.1	0.8
General benefit	14.6	6.2	5	5.1
Other	2.2	0	1.4	0.1
<b>TOTAL</b>	<b>68,025</b>	<b>\$58,965.1 M</b>	<b>\$5,463.8 M</b>	<b>\$34,251.0 M</b>

(\*) includes revenues received from other charities

billion for the charitable sector in 1993 is still widely quoted,<sup>47</sup> even though it is sharply at variance with a \$54.7 billion figure reported for that year on the T3010 returns. The continuing appeal of the portrait provided by the CCP study should not be surprising, because the CCP study remains the only source of information on charities for certain aspects such as paid employment, detailed sources of income and use of volunteers.<sup>48</sup>

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<sup>47</sup> See, e.g., CPRN and CCP, 1998, page 12 and pp. 27-41, *passim*; Government of Canada, 1999a, page 11 and Annex B, pp. 4-6.

<sup>48</sup> We are not aware of any Canadian studies measuring the outputs of charities, or studies that identify outcomes or needs addressed. For a discussion of the need for, and difficulties in measuring program outcomes, see Panel on Accountability and Governance in the Voluntary Sector, 1999, pp. 36- 41, which includes a reference to the benchmark approach pioneered in Oregon. Judith Maxwell has addressed the issue in a presentation to the May 1999 Third Canadian Leaders' Forum on the Voluntary Sector, organized by the Public Policy Forum; see Public Policy Forum, 1999, pp. 46-50 and CPRN, 1999, page 5.

One is tempted to conclude that the T3010 data provide a lower bound for financials on registered charities. But how close are they to the real figures? Comparison with other data for one component of their revenues – tax-receipted income – provides a clue. At the same time, this is a segue into a summary of what we know about donations, which will conclude this section of the paper.

Data from the 1997 Survey of Household Spending (successor to the Surveys of Family Expenditures) yield an estimate of \$4.82 billion in donations to charitable organizations. The 1997 NSGVP estimated donations to charities and other nonprofit organizations to have been \$4.44 billion. On T1 returns for 1997, total charitable donations claimed amounted to \$4.27 billion.<sup>49</sup> This is a remarkable convergence of estimates.<sup>50</sup>

The corresponding T1 figure for 1993 was \$3.37 billion. Total tax-receipted income (from individuals, corporations and others) reported on 1993 T3010s was \$4.99 billion; if one were to apply the proportion of receipts to individuals out of total amounts receipted as reported in the CCP study (78.7%), one would arrive at \$3.93 billion, again quite close to the number derived from the T1s and very much less than the amount (\$6.61 billion) actually reported in the CCP study as having been receipted to individuals.<sup>51</sup>

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<sup>49</sup> Statistics Canada, 1999; Hall et al., 1998, page 14; and Statistics Canada, 1998.

<sup>50</sup> While one has to await the availability of the 1997 T3010 data (and confirmation of their reliability) for definitive proof, this convergence also casts serious doubt on any belief that close to half of charitable donations are never claimed on income tax returns. See Sharpe, 1994, pp. 28-29, where some rationale is provided for this alleged discrepancy; the study offers no rationale for a similar discrepancy which would prevail for corporate donations. There is some evidence of ignorance of tax implications of charitable donations – see Smith, 1992, pp. 14-15, which reports on a 1987 Decima survey for the Imagine campaign of the Canadian Centre for Philanthropy. According to that survey, 37% of Canadians believed that donations cannot be used to reduce income taxes and 10% were unaware of the possibility. This need not be inconsistent with little discrepancy in the aggregate figures, if ignorance of tax advantages is concentrated among those who do not donate or donate very little. (The 1997 NSGVP found that 22% did not donate and that one-third of donors made contributions of \$39 or less; see Hall et al., 1998, pages 13 and 15.)

<sup>51</sup> The T1 figure is from Sharpe, 1999, Table 9, page 14; this figure corresponds exactly to unpublished data obtained in 1999 by the Department of Finance from a large-sample run and is slightly higher than the \$3.35 billion figure originally reported in Statistics Canada, 1994. The T3010 amount is

One is strongly inclined to conclude that, despite its demonstrated inaccuracies, the T3010 information is far closer to the truth than figures based on correction factors employed in the CCP study. It is not unreasonable to extend this conclusion to the T3010 data more generally.

What else do we know about charitable donations, and about gifts and contributions more generally? Data for seven years between 1969 and 1997 from the Surveys of Family Expenditures give insight in both the percentage of households that donate (the donor rate) and the amounts donated.<sup>52</sup>

First, donor rates for charitable contributions in Canada and all regions declined, from 78.9% in 1969 to 70.5% in 1996. An examination of various subgroups shows that the declines hold for all, except for household heads aged 65 and over, for which the rate increased from 76.7% to 81.7% over the period.<sup>53</sup>

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from Day and Devlin, 1997, Table C-1. The CCP data for 1993 are on page 30 in Sharpe, 1994.

<sup>52</sup> The most comprehensive data are in Reed, 1999. Displaying data for 1969, 1978, 1982, 1986, 1992, 1996 and 1997, in constant 1996 and in current dollars, for Canada and each of five regions, tables are provided for “Total giving” to persons outside the household: money gifts to persons living inside/outside Canada, non-monetary gifts, and charitable contributions to organizations (religious/other); for Canada and each of its five regions. Another set of tables provides data only for those households that made expenditures on gifts and charitable contributions. Figures for 1997 do not include information on non-monetary gifts and are partly non-comparable with figures for earlier years.

Another study based on Family Expenditures data is Jones, 2000d. This study looks at the donor rate for charitable contributions only, in 1969, 1982, 1986, 1992 and 1996, and reports on results of the logit models referred to in the text; it also draws some comparisons with the 1997 NSGVP. The Family Expenditures data unambiguously capture household behaviour and provide consistent measurement over time. The NSGVP data, on the other hand, provide more insight in the donation process because several questions are devoted to it, but reflect a mixture of individual and household donating behaviour.

Mata and McRae, 1999, present an analysis of charitable giving by Canadians born abroad, based on the 1997 NSGVP.

<sup>53</sup> The subgroups are households with No Wealth or Some Wealth; four age-of-household-head groups; each income quartile; and highest vs. lower quartiles of expenditure on alcohol and tobacco. Presence in the highest quartile of spending on alcohol and tobacco is used as an indicator of non-altruistic behaviour.

Logit models (the dependent variable being whether the household donated or not) were estimated for Canada and each of five regions. They show that, if one controls for a number of socio-demographic and other behavioural characteristics,<sup>54</sup> the declining trend in the donor rate from 1969, 1982 and 1986 to 1996 remains statistically significant almost everywhere (the only exception being a finding of no trend between 1982 and 1996 in Quebec), while the decline between 1992 and 1996 is not quite significantly different from zero.

When one broadens the analysis to “Total Giving” to persons outside the household, that is, not only charitable contributions to organizations but also money gifts to persons living inside or outside Canada and non-monetary gifts, the picture changes significantly. The decline in the rate of Total Giving was much less pronounced, from 89.7% of households in 1969 to 86.8% in 1996. Measured in constant dollars, the average level of giving increased from just below \$1,000 to \$1,700 in constant dollars, an increase from 3.3% of disposable income to 4.5%. Money gifts to individuals made up 61% of all gifts in 1996, compared to 38% in 1969 (though money gifts to individuals outside Canada, in constant dollars, fell from 13 cents of each dollar in 1969 to 7 cents in 1996). Charitable contributions (in constant dollars) increased from \$371 in 1969 to \$405 in 1996, the net effect of a small decline in contributions to religious charities (from \$276 to \$259) and a large increase in contributions to other organizations (from \$95 to \$146).

The decline in the donor rate of charitable contributions likewise turns out to be the net effect of a large drop in the incidence of giving to religious organizations and a minor increase in that of giving to other charities. Households that did make charitable contributions to religious organizations, however, on average increased their contributions from \$470 to \$683 (in constant dollars), while those making

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<sup>54</sup> The variables are: income; the possession of Some Wealth; an indicator of altruistic behaviour (see footnote 53); age, sex, education and occupation of the household head; family type; and the number of children.



contributions to other organizations increased them from \$166 to \$242.<sup>55</sup> In the aggregate, total charitable donations (in constant dollars) more than doubled, from \$2.18 billion in 1969 to \$4.41 billion in 1996.

Finally, mention should be made of academic research on the responsiveness of charitable giving to tax incentives.<sup>56</sup> The evidence from these studies is mixed. Some of the findings are that low-income taxpayers are not responsive to tax incentives, nor are donations to religious organizations. Other findings range from low responsiveness to a very elastic response.<sup>57</sup> The 1997 NSGVP also sheds light on this issue.<sup>58</sup> It found that 41% of donors or someone in their household would claim a tax credit for their donation; the percentage varied from 80% among those whose donation was \$150 or more, to 19% among those who had donated \$39 or less. Thirty-seven percent of donors said they would donate more if offered a better tax credit, with the percentage again decreasing with the level of donation, from 45% of those who had donated \$150 or more, to 30% of those who had donated \$39 or less.

### Importance of the sector

The paper concludes with a brief overview of two perspectives on the importance of the voluntary sector: First, its role and importance in the functioning of contemporary society; second, the importance to various stakeholders of knowing more about the sector.

### *Why does it matter?*

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<sup>55</sup> Looking at households making either type of charitable contribution, the average amount (in constant dollars) increased from \$474 in 1969 to \$575 in 1996.

<sup>56</sup> The studies are reviewed in Government of Canada, 1999b. See also Day and Devlin, 1997, Annex E; the four Canadian studies are reviewed on page 112.

<sup>57</sup> The latter finding refers to donations to non-religious charities; according to this result, a \$1 reduction in the cost of giving would lead to an increase of \$2.29 in such donations.

<sup>58</sup> Hall et al., 1998, page 25.

The PCO Task Force paper summarized the significance of volunteering and the voluntary sector as follows:

“Volunteerism is an important act of citizenship where individuals give their time and energy to their community by choice and without pay. ... The voluntary sector embodies and nurtures this effort. ...[T]he voluntary sector ... play[s] a vital role in our society, improving the well-being and quality of life of Canadians. It delivers key services, represents the interests of its clients and communities, and provides a vehicle for involving citizens in civic participation and public decision making. It is helping to restore legitimacy to our democratic institutions. It builds social capital, sustains social cohesion, makes a substantive economic contribution and is truly the “third pillar” of our society.”<sup>59</sup>

and:

“Voluntary activity encompasses economic, social, cultural and environmental perspectives. Many view the sector as not only strengthening, but as embodying civil society. The sector plays an important role in reinforcing social trust, educating the public, providing support for individuals, families and communities in transition, and reinforcing common values and a sense of common purpose that binds communities and gives them the resilience to cope with change. ... The voluntary sector is connected to emerging or grassroots issues and diverse communities; it is national and international in scope. ... Internationally, there is a global upswell in awareness of the value of true democracy and the role the voluntary sector plays in supporting and reinforcing democratic values and institutions. Such transformations of relative roles are surfacing in developing as well as developed countries.”<sup>60</sup>

The role of the voluntary sector is in fact integral to the increasing concern about deteriorating social cohesion – a concern that appears to emerge whenever society is gripped by “economic and social

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<sup>59</sup> Government of Canada, 1999a, page 4. See also Phillips, 1995.

<sup>60</sup> Government of Canada, 1999a, pp. 6-7. On the “global associational revolution,” see Salamon, 1999; and Salamon and Anheier, 1994.

turbulence and structural adjustment.”<sup>61</sup>

Social cohesion is most commonly referred to as a process. E.g., the Government of Canada’s Policy Research Sub-Committee on Social Cohesion defines it as:

“the ongoing process of developing a community of shared values, shared challenges and equal opportunity within Canada, based on a sense of trust, hope and reciprocity among all Canadians.”<sup>62</sup>

A closely allied concept is that of the stock of social capital, often seen as the intellectual follow-up to the earlier, well-established concepts of physical and, more recently, human capital. In fact, several definitions of social capital have their adherents – one focussing on collective activities engaged in by organized groups or individuals (akin to what is referred to as the activities of civil society); another that sees it as a feature of social organizations such as the existence of networks, norms and trust; and a third that conceptualizes social capital as “the set of implicit guarantees embedded in the social safety net.”<sup>63</sup> What matters for the present discussion is that, under any of these definitions, voluntary sector organizations play a critical role.

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<sup>61</sup> Jenson, 1998, page 8. The author links the current debate with preoccupations of Thomas Hobbes in the 17<sup>th</sup> century, Alexis de Tocqueville and Émile Durkheim in the 19<sup>th</sup> and Talcott Parsons in the 20<sup>th</sup>. It is noteworthy for purposes of the current discussion that, whether one considers social cohesion theories, classical liberalism or theories of democracy, voluntary organizations play a critical role in all; see Jenson, 1998, esp. pp. 8-13. For recent further commentary, see Bernard, 1999. For an analysis and case studies of the evolving role of the voluntary sector in a restructuring of the welfare state, see Rekart, 1993 and Saint-Martin, 1999. For an application to health and well-being, and a critique of the social cohesion model, see Muntaner and Lynch, 1999.

<sup>62</sup> Policy Research Sub-Committee on Social Cohesion, 1997, page 3.

<sup>63</sup> Maxwell, 1996, page 15. See Jenson, 1998, pages 26-28 for the various definitions of social capital cited; see also Lévesque and White, 1999. The World Bank, which has a website devoted to the concept, defines social capital as “the norms and social relations embedded in the social structures of societies that enable people to coordinate action to achieve desired goals,” and includes government, the political regime, the rule of law, the court system, and civil and political liberties. Robert D. Putnam has perhaps more than anyone popularized the concept; see Putnam, 1993, and Putnam, 1996. For critical comments on use of the concept, see Portes and Landolt, 1996 and references cited in footnote 61.

In short, in many of the debates engendered by contemporary changes in society – economic transformation as a result of globalization, polarization of incomes and weakening of the social safety net, challenges of sustainable development, maintenance of our cultural identity, reduced legitimacy of democratic institutions, and many others – voluntary sector organizations offer an extremely useful window on understanding the forces at work.

### *Who cares?*

Because volunteerism is such a widespread phenomenon and voluntary organizations play a role in such a diversity of life circumstances, it should not be surprising that, not unlike, say, knowledge about Gross National Product and its major components, the constituency for general knowledge about the sector is broad and diffuse. As the Profile section of this paper has shown, there are huge uncertainties and gaps in our current knowledge of the sector: its size, its composition, its sources of revenue, other resources at its disposal, its expenditures, its activities and outputs, the needs it addresses. All of these elements could be much better understood than they are today.

Voluntary sector leaders have long identified the need for such improved understanding, undoubtedly in the belief that, as a result, the general public as well as government and private sector decision makers will appreciate better what their organizations do.<sup>64</sup> Specifically, for example, the sector is anxious to demonstrate, and politicians and the general public are anxious to find out, what the state of financial health of the sector is, and whether it is providing services in an efficient, fair and effective manner.<sup>65</sup> These concerns are closely linked to recent tendencies by governments to download or privatize service delivery, efforts which are widely perceived as resulting in voluntary organizations being asked to

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<sup>64</sup> See, e.g., Davidman et al. , 1998; and Government of Canada, 1999c, pp. 39-42.

<sup>65</sup> See, e.g., Panel on Accountability and Governance in the Voluntary Sector, 1999, pp. 11-12 and 22-49. The matter of fairness is raised by certain segments of the business sector which compete with nonprofit organizations.

do more with less or in undermining their very existence.

For many government departments at both the federal and provincial level, collaboration with volunteers and voluntary sector organizations is essential in the fulfilment of their mandate, both in terms of program delivery and with regard to policy development.<sup>66</sup> Yet, few departments have a firm handle on the effectiveness or even the magnitude of that collaboration, or on how that manner of fulfilling their mandate compares with alternative ways. Faced with continuing demands for funding, governments also have an interest in understanding better what alternative sources of funding are feasible for sector organizations and what could be done to reduce the sector's fiscal dependency on government funding. Beyond matters of financing and expenditures, other issues before governments which intimately involve voluntary organizations include the promotion of improved governance and accountability,<sup>67</sup> citizen engagement and social integration.

Clearly, in improving knowledge about and understanding of the sector, the general public would best be served by unbiased data collection and analysis. It is equally clear that there is ample opportunity and motivation for specific stakeholders to develop data and perform analysis that suits their particular agendas. Leadership in data collection and analysis by the most highly respected authorities is therefore of prime importance.

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<sup>66</sup> At the federal level, prime examples are Health, Human Resources Development, Environment, Citizenship and Immigration, the Canadian International Development Agency and the Ministry of the Solicitor General. In September 1998, the PCO Voluntary Sector Task Force compiled an inventory of 250 initiatives involving 34 departments and agencies. For a summary, see Government of Canada, 1999a, pp. 16-18 and Annex E.

<sup>67</sup> For data on and analysis of accountability and goalsetting by sector organizations, see Rekart, 1993, especially chapter 4.

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