



Third Sector Restructuring and the New Contracting Regime: The Case of Immigrant Serving Agencies in Ontario

By **Ted Richmond and John Shields**

Issue Government Restructuring, Third Sector Funding, and Immigrant Serving Agencies

Background

There has been little analysis of the causes and costs of the decline of advocacy and community development in non-government organizations (NGOs) or the “third” sector. Under the banner of “building partnerships”, governments have restructured NGOs, which include immigrant serving agencies (ISAs).

This paper argues that these “partnership” contracts are moving the NGO sector away from its mission as an independent

advocate for the community, and towards a commercializing of the sector’s operations. The implications for citizenship, civil society, and community development are significant.

Knowledge Gaps in NGO Research

Currently there is no thorough survey on the size, scope, and health of the non-profit sector. Even less is known about sub-sectors, such as settlement services. What we do know comes from the following:

- Semi-quantitative local or regional based surveys (Clutterbuck & Howarth, 2002; United Way of Greater Toronto, 1997);
- Case studies (Owen, 2000; Ng, 1996); and
- Informal reports from frontline staff.

Without more research and policy attention, non-profits are unlikely to get the support they deserve and need so that they can play a constructive role in society.

NGOs and the Political Economy of Change

An environmental scan reveals that the following political and economic changes have affected the NGO sector:

- Public sector restructuring and socio-economic developments related to globalization; and
- The politics of competitiveness.

Governments have shifted responsibility downward, including the contracting out of service delivery to NGOs and, in some cases, to for-profit organizations. At the same time,

SUMMARY

This paper analyses government restructuring of non-government organizations (NGOs), or the third sector, including Ontario’s immigrant serving agencies (ISAs), through the:

- Shift from “core” to “program” funding;
- De-legitimization of community development services for funding; and
- Introduction of accountability procedures as evaluation measures.

The authors examine the costs of restructuring including the:

- Growth of monopolisation within the NGO sector;
- Cutbacks in the diversity of service options; and
- Decline of public education and community development.

Research suggests that funding restrictions are increasing government control of NGO sector activity. The sector’s community advocacy role is declining, while its operations are more commercialized. This has major implications for citizenship and a democratic society.

To link to the original paper
<http://www.rverson.ca/cvss/WP24.pdf>

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income polarization (Canadian Council on Social Development, 2003), poverty, homelessness (Evans, 1998), and youth exclusion (Marquardt, 1998) have deepened.

Recent immigrants, despite higher education and skill qualifications, have seen their labour market position worsen (Statistics Canada, 2003). Evidence indicates that poverty is increasingly linked to race in cities like Toronto (Galabuzi, 2001; Shields, 2003). The erosion of the Canadian social safety net and the effects of globalization and technological change are expanding these problems. The result is an increased demand for social services, including newcomer settlement supports.

Analysis

Issue 1: Restructuring Non-Profit Sector Funding

About 60% of funds to non-profits come from governments, with the provincial governments contributing the major portion (Canada West Foundation, 1999: 2). Social service agencies are even more dependent. In Ontario in the 1990s, they received 89% of their funding from governments, with again, the provincial government providing most of the funding (Eakin, 2001: 5).

However, governments have now not only cutback on funding but also changed “core” or base funding to “contract funding”. Contract funding involves the purchase of defined services with specified outputs and controlled funding, often with increased accountability requirements with

little or no flexibility in program delivery or funding (Eakin, 2001: i). Often non-profits must come up with “matching contribution funding” from other sources.

... I always found the notion of voluntary sector ‘inefficiency’ curious. ... the fact [is] that voluntary organizations consistently deliver more outputs per dollar of input than either business or government ... If only business and government could learn to be equally ‘inefficient’. Key Policy Informant

Contract funding follows the neoliberal theory that under-funding of NGOs allows the public to choose what services to support. It lets governments specify outputs and control spending. It would also supposedly bring the rigours of business to perceived service “inefficiencies” among non-profit organizations (Eakin, 2001: 2).

The results for non-profits have been (Reed & Howe, 2000: 11-16):

- Income loss but with more demand for services;
- Increased income instability;
- Reduced effectiveness because of the need to maintain income levels; and
- Deteriorated relationships with government funding agencies.

Introducing business practices that focussed on cost control/reduction and efficiency strategies meant that other business practices that might have benefited NGOs were ignored. With a decrease in volunteers and volunteer training resources, volunteers can no longer be relied on to make up for

funding shortfalls. Increased competition among NGOs for non-governmental resources creates another burden for community organizations.

Issue 2: Growing Sources of Stress for Non-profit Workforce

Increased workloads and the changing nature of the work have added great stress for the non-profit sector. Some key factors for this are:

- Increased competition for funding;
- Need to work in multi-partner projects;
- More accountability reporting required;
- Fewer volunteers;
- Clients with more complex problems; and
- Need to computerize.

The result is an increase in demand with no proportional increase in staff and administrative support (Reed & Howe, 2000: 21-22).

A study on job quality (McMullen & Schellenberg, 2003) revealed that workers in the sector are older, more likely to be employed in casual or contract jobs, better educated, and have less benefits but heavier workloads. Managerial, professional and trades at NGOs earn less per hour than those in the for-profit sector.

... restructuring in the non-profit sector has strained the capacity of many community organizations to their very limits. Nowhere have these pressures manifested themselves more acutely than in the non-profit workforce. Authors

The “sacrifices of exploited staff” (Canada West Foundation, 2000:6) make public social services possible. Given this situation, keeping quality staff will become a major problem. Another study (Reed & Howe, 2000: 45-48) found that resource reductions were *not* the major concern. The way funds are provided to NGOs, or contract funding, is the crucial issue.

Issue 3: Redefining the Mission of Non-profits – Accountability¹

Reinventing the welfare state is about reshaping the social welfare tasks shared by government and society. To ease state fiscal burdens and increase efficiencies, many responsibilities have been downloaded to the family and the non-profit sector. Accountability requirements have added to the responsibilities in the non-profit sector and shifted the focus as to whom the NGOs serve in terms of their mission and program quality. Accountability has become a major concern as the NGO sector undergoes restructuring.

A number of issues complicate the understanding of “accountability,” including confusion between administrative accountability and evaluation, and between service accountability and public accountability. Service providers recognize the need for appropriate forms of administrative accountability and the value of monitoring systems that contribute to program outcome evaluation.

¹ Accountability is an obligation to explain how a responsibility for an assigned task has been carried out (Canada West Foundation, 1999: 8).

A broader framework for evaluation, however, requires macro-level analysis of service needs and demographic and labour market trends that are beyond the capacity of a single program or agency. As well, it requires an understanding of the goals and complexities of settlement services. The issue of agency accountability is used to deflect attention from the major concern of public accountability for providing adequate planning and resources for public services, including newcomer settlement.

Many [voluntary sector organizations] now find themselves with little or no reserves, thereby reducing their capacity to manage cost changes while operating programs year after year that are routinely funded below cost recovery. Lynn Eakin (2002: 7)

The following outlines some of the important issues for attention:

- Funders must provide NGO service agencies with resources to implement accountability systems, and to track short- and medium-term service outcomes that contribute to a global evaluation;
- Funders must provide resources and coordination (for example, with academics and evaluation experts) to develop global evaluation of service outcomes;
- Service delivery NGOs need a single, agency-specific evaluation and accountability system corresponding to their mission, their administration resources, and the

accountability requirements of multiple funders;

- Funders and agencies need training in scientific methods of accountability and evaluation – sampling and qualitative methods must be promoted;
- Funders’ legitimate concerns for accountability cannot compromise client confidentiality. Ethical issues are fundamental to social service delivery; and
- For true public accountability, elected politicians and government functionaries must be held responsible for providing resources and long-term planning in social services, including settlement programs.

Accountability and evaluation systems are, in the end, political. As such they must be debated publicly, rather than negotiated privately between individual agencies and funders.

Issue 4: Assessing Impacts on the Settlement Sector

The labour market and public social services play major roles in the successful integration of immigrants into society. However, restructuring has weakened the ability of these key institutions to integrate newcomers. Settlement services (counselling and referral services on issues such as housing, employment, and language training) for immigrants and refugees should be part of the social services offered by government.

While cuts have affected all service delivery, it is settlement services that have been most negatively impacted by cutbacks (Omidvar and Richmond, 2003: 8). Cutbacks and NGO restructuring in Ontario have included the shift from core funding to competitively tendered contracts. The loss of services and programs such as employment equity and anti-racism initiatives has resulted.

The impacts of this restructuring of the NGO sector can be seen clearly with respect to the current situation of community-based immigrant service organizations (ISOs) and the general crisis of settlement services in Canada. Authors

The relationship between the three levels of government and the non-profit sector also has impacted settlement services in Canada. For example, the lack of an agreement on sharing funding for settlement services between the federal government and Ontario has resulted in funding instability and service gaps. The federal government cannot constitutionally deal directly with municipal governments in spite of the urban nature of the settlement process. This further complicates the situation.

Cutbacks to immigrant services for employment training and job placements have created shortages as demand has soared (Simich, 2000: 12). The restructuring of Employment Insurance (EI) and EI-based programs has hampered immigrant access to employment supports (Shields, 2003). As well, the broader social program

restructuring – such as cuts to child care, public housing, language classes in public schools – has affected immigrant communities the most.

The survivors of these cuts have generally been the larger multi-service organizations who have greater resources to devote to restructuring. We are seeing growing monopolisation within the NGO immigrant services sector and the loss of diversity of alternative services. Restructuring has meant that many community-based settlement services, particularly ethno-specific agencies, have curtailed their services, or even closed their doors.

The settlement process also includes “social inclusion,” or the degree to which newcomers feel welcomed and accepted in their new country. The fact that most recent newcomers are visible minorities means that appropriate settlement services are a major component of a pro-equity and anti-racist perspective in Canada today.

... Canada doesn't do very well in terms of bringing its various sectors together to learn from each other. Although it is true that the non-profit sector has much to learn from business, it is also true that the business sector has a great deal to learn from the non-profit sector Julie White (1996: 4, 8)

To this end immigrant serving agencies (ISAs) and networks have promoted equity and combatted racism and anti-immigrant attitudes. However, the ability of

ISAs to continue this advocacy work is threatened by restructuring and the crisis in the settlement sector. Providers must do more with less. The advocacy work of ISAs on behalf of Canada's newcomer communities is at risk.

Policy Implications

Government contract funding and accountability procedures have limited the independence of NGOs. They are now more dependent on short-term, restrictive government grants for services. It is not clear if this has improved the quality of service delivery. But what is evident is that a main mission of NGOs – their advocacy role based in community development and public education – is threatened. This threat is not only the result of reduced funding, but also of changed conditions of funding.

Government policies and administrative regulations now:

- Influence the operations of NGOs;
- Intensify the work load of already stretched organizations;
- Threaten NGO autonomy; and
- Work against a lively independent civil society.

From this analysis, the authors conclude with the following suggestions for consideration:

Restoring Advocacy to NGOs

Rather than tailoring funding to short-term projects, funders must return to their public responsibility to support the missions of the NGO sector through “core” or long-term funding. Agreements on

accountability must respect the autonomy of NGOs. Evaluation criteria need to be based on scientific principles that also consider the resources of NGOs. But there are some signs of progress. In Quebec, NGOs have negotiated agreements with the provincial government that recognize their importance and autonomy (Quebec, 2002). The federal government's Voluntary Sector Initiative is developing "best practices," including those related to the governing of funds. If this initiative is followed by all levels of government funders, it could change a one-sided controlling "partnership" into a collaborative one.

The problem is that our society is awash with markets but in need of substantive community with public values. Robert Ware (1999: 307)

Developing Policy for NGOs

The role and nature of NGOs needs greater clarification. The revival of survey research and policy analysis in this area is a welcome addition to a neglected policy debate (Canadian Policy Research Networks, 2003; Eakin, 2002). This work needs to be explored for new information and analyzed for policy implications.

It would be valuable to discuss terms – for example, defining the differences between "volunteer" and service-providing community-based agencies, and between different advocacy activities, including those flowing from equity-based services.

Analysing Government Attitudes

We need to look more closely at the motivations and attitudes of public servants and elected officials. This research presents neoliberalism and the crisis of the welfare state as the force behind the restructuring of social services. Other explanations, though, may be pertinent.

One explanation is that the perceived rivalry of public interest groups in alliance with government bureaucrats threatens politicians. This allowed Ontario's Progressive Conservative government (1995-2003) to restructure social services.

Elements of this explanation are supported by a recent federal parliamentary study (Bennett et al., 2001) that focused, among other issues, on the contradiction between accountability to government bureaucrats and accountability to the federal Parliament. Analysis of the attitudes of politicians and public servants could deepen our understanding of NGO restructuring.

Presenting Issues to the Public by NGOs

We must examine how NGOs in Canada present public interest issues and what resources are available to do this effectively. Although NGOs provide an alternative view to that of government and mainstream media, it is not clear if the way that they do this is successful.

Assuming that funding is available for community development and public education, should this funding be separated from service

delivery with respect to delivery mechanisms and accountability? This is a vital question to ask at a time when various levels of government in Canada are raising concerns about the "democratic deficit" while, at the same time, slashing funds for the independent advocacy for NGOs which still survive.

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Launched in 1996, the **Metropolis Project** aims to improve policies for managing migration and diversity by focusing scholarly attention on critical issues. It involves policymakers, researchers, and NGOs in all project initiatives.

Metropolis' goals are to:

- Enhance academic research capacity;
- Focus academic research on critical policy issues and policy options;
- Develop ways to facilitate the use of research in decision-making.

Structured as a partnership, the project has both Canadian and international components. **Metropolis** encourages communication between interested stakeholders at the annual national and international conferences and at workshops, seminars, and roundtables organized by project members.

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