‘Reinventing’ the Third Sector: Alternative Service Delivery, Partnerships and the New Public Administration of the Canadian Post-Welfare State

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a) Introduction

The neo-liberal\footnote{Neo-liberalism is a political ideology which is highly critical of the direction of post-WWII welfare state developments. It asserts that modern government, guided by a Keynesian public policy agenda, has become too large and too interventionist within the economy and society. Contemporary problems, such as substantial public sector debt loads and the difficulties faced by national economies in successfully adjusting to the new global order, are laid on the shoulders of so-called 'government failure' by neo-liberals. Their solution is to downsize the state and allow the market and individual initiative to be given freer reign. According to neo-liberals, this will mean a significant reshaping of the state's social safety net. Neo-liberals are calling for the creation of a new 'lean state' (Shields and Evans 1998). Neo-liberalism is attempting to guide society towards the creation of a new economic regime. For the public sector this entails privatization, contracting out, liberalization and more generally the application of commercial criterion to the provision of public goods which remain within a diminished public sphere (Jessop 1993: 266-7). Neo-liberalism is about transferring decision-making power away from collective/public hands to the market place. It is concerned with creating a policy environment which is driven by a corporate agenda (McBride and Shields 1997:14). It must be noted that what we refer to as neo-liberalism others have identified as neo-conservatism (Van Til 1988). For an examination of the use of the term neo-liberalism see: McBride and Shields 1997: 12-13, 33n.} assault on the Keynesian welfare state and the demand that government be 'reinvented' has come to focus increased attention upon the so-called 'third sector'. This has occurred because of the moves by neo-liberal governments to downloading former public responsibilities onto the market, nonprofit organizations and individuals; their desire to forge new partnership relationships with non-state actors like voluntary bodies in order to develop alternative
service delivery options; and the neo-liberal assertion that intrusive government has worked to undermine voluntary citizen participation, charitable giving, and self-help.

The question of the place of the third sector in a ‘reformed’ public administrative structure is of central importance to governance itself. The neo-liberal impulse to revive voluntarism and a more ‘participatory’ civic culture, and in the process transfer many social support functions to the non-government voluntaristic sector, speaks to the neo-liberal desire to disinvest responsibilities for various citizenship rights in the social and economic spheres, and in the process transform the state's role in society. Moreover, in the government's shift to develop a more contractually-based relationship with nonprofit/voluntary organizations (to set the government-third sector relationship on a more commercial footing), the political economy of the third sector itself is being significantly altered. This paper seeks to address some of these concerns; in particular it will establish the link between the role neo-liberalism sees the third sector playing in its attempt to 'reinvent government' and the implications this holds for public administration practice and governance. The roles of alternative service delivery, partnerships and contract government will be explored as they relate to the new public administration of the post-welfare state.

b) The Third Sector, the Welfare State and the Neo-Liberal Challenge

The third sector has become an increasingly important, if not always properly acknowledged, reality within contemporary society. Organizations associated with the third sector are involved in delivering vital social, health, educational, economic, cultural, research, funding and advocacy services to the broad reach of the Canadian population. Ranging from food banks, children's aid societies and immigrant services, to research centres and cultural organizations, this sector offers a surprisingly wide range of services which, in most instances, could not be adequately provided directly through the open market place or through the state. To date, a commonly accepted nomenclature used to identify this sector is lacking. A variety of terms have been employed to capture the breadth of its organizations as well as third sector; they include nonprofit, voluntary, charitable, not-for-profit, independent sector, the emerging sector, and "The Commons" (Hirshhorn 1997a: 5).  

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2 Business schools and economists have tended to prefer the term 'nonprofit' to identify this sector in recognition of the lack of profit maximizing principles guiding such organizations; sociologists have leaned towards the term 'voluntary', giving emphasis to the character of much of the labour and cooperative ethic underlying such bodies; and finally, political scientists have utilized the term 'third sector' in recognition of the distinctiveness of this segment of society in contrast to the public and market sectors.
There is general agreement that three broad sectors within society can be specified, namely the public/state sector, the private/business/market sector, and the voluntary/nonprofit/third sector (Scott 1997: 46). We can define the third sector as constituting all those private sector organizations that are prohibited from distributing profits to their stakeholders (Hirshhorn 1997a: 5). They are organizations which serve the broader ‘public interest’, bodies which rely heavily upon private donations of money and voluntary labour, and which are involved in a high degree of civic engagement. The value set which tends to guide and distinguish the ‘third sector’ from private for-profit business and the public sector proper are those of altruism, cooperation, reciprocity, equality and mutuality. Nonprofit organizations might be thought of as situated between the market and government but embodying qualities of both (Hirshhorn 1997a: 5-7; and Social Planning Council of Metropolitan Toronto 1997: 8).

Still, defining the third sector is not a straightforward task. Various bodies which have attempted to measure aspects of organizations in this sector have restricted their definition to organizations which are registered as charities with government; others have expanded this to include not-for-profit bodies which do not enjoy charitable status but which are registered with government. Broader definitions encompass "all organizations whose principal activities are of a nonprofit nature". Bodies such as hospitals and universities, under this latter definition, would be included in the third sector. However, since hospitals and universities are so heavily and directly dependent upon government grants, they should be more properly considered as part of the broader government sector. Without being either overly encompassing or restrictive, we can identify the third sector as being "comprised of formal nonprofit organizations, such as registered charities and noncharitable (i.e., unregistered) nonprofit organizations, and informal charitable organizations" (Day and Devlin 1997a: 3).

Four types of nonprofit organizations have been identified, namely: 1) "funding agencies"

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3 It should be noted, that there has been some concern expressed about the division of society into three sectors and in particular the identification of nonprofit organizations as composing a 'third sector'. Adoption of the notion of a 'third sector' is said to be an American import. In Canada, the argument goes, there are only two sectors; namely: 1) a corporate sector, and nonprofits within this sector which have utilized a corporate charitable model; and, 2) a government sector, within which there are nongovernmental organizations which receive most of their funds from the state. Acceptance of the idea of a 'third sector', according to this perspective, will only result in the promotion of the neo-liberal idea that this 'third sector' can largely replace government in providing 'public goods', resulting in the destruction of the social safety net. While we acknowledge the dangers in the way neo-liberals have often cast the questions, we maintain that it is still useful to look at nonprofit organizations as separate entities, many of which, however, are closely attached to government. We have hence employed the term 'third sector' but utilize it from a critical political economy perspective.

4 In a more detailed attempt to define the contours of this sector Salamon and Anheir assert that it "embraces a vast collection of organizations that share five common features. They are: a) formally constituted; b) organizationally separate from government; c) non-profit seeking; d) self-governing; e) voluntary to some significant degree" (Salamon and Anheir 1996: xvii)
(eg., the United Way); 2) "member serving organizations" (eg., business associations or the bar association); 3) "public benefit organizations" (eg., nursing homes, day-cares and other social service organizations, cultural institutions); and 4) religious organizations (eg., churches and religious societies). Registered charities comprise a subset of nonprofits. They are defined by Revenue Canada as organizations dedicated to "the relief of poverty, and the advancement of religion, education, and other purposes beneficial to the community as a whole" (Social Planning Council of Metropolitan Toronto 1997: 8-9). While engagement in nonprofit pursuits is a common defining factor among such bodies, in other respects the concerns and focus between organizations within these categories may be divergent. Organizations within the third sector are varied and the temptation to identify them as monolithic must be resisted.

The size and scope of the third sector are significant in Canada, although capturing its precise dimensions has been extremely difficult due both to definitional difficulties and the lack of adequate statistical measures of the sector. In 1996 there were 74,027 active registered charities in Canada (Day and Devlin 1997a: 5). Adding other types of nonprofits to this total, it is estimated that over 200,000 organizations exist within this sector (Hirshhorn 1997a: 8). An estimated 12% of GDP passes through charitable organizations (Stewart 1996:9). In terms of actual output, nonprofits conservatively contributed at least 4% of the value of the GDP in Canada. This figure, of course, ignores the value of volunteered labour which goes unaccounted for in GDP estimates. Moreover, the financial contribution of the third sector is highly concentrated in the areas of health, education and social services; at least 10% of the formally measured value of services in these areas is provided by nonprofit organizations (Day and Devlin 1997a:73, 33).

Approximately 5% of the national labour force is employed in nonprofit organizations, constituting nearly 10% of service sector employment. Furthermore, this sector is growing quickly. For example, cross-national data indicates that between 1980 and 1990 13% of job growth was generated by this sector (Salamon and Anheir 1996: xviii; and Hall 1997: 73). The third sector accounted for minimally 7% of the national wage and salary bill. Additionally, Canadians in 1987 contributed about one billion hours of voluntary labour to nonprofit organizations, which is the equivalent to the amount of labour supplied by 6% of the total labour force (Day and Devlin 1997a: 73, 38). The dollar value of donated labour time has been conservatively calculated at $13 billion in 1994 (Day and Devlin 1997b: 63). These statistics reveal the portrait of a substantial sector of society whose importance has, to date, failed to match its public recognition.

It has been commonly, but mistakenly, assumed, as the role of government expanded in society with the rise of the welfare state, that nonprofit and voluntary organizations became ever less important, their functions displaced by the expanding reach of government. In fact, the relationship between the state and the third sector has been a far more complex and symbiotic one (Salamon 1995: 2). By the mid-1970s in Canada, both the federal and provincial governments had largely reached the limits of their construction of the social welfare system. This system, however, involved a matrix of programs and services which were delivered by both - the public sector proper and voluntary and nonprofit organizations (Tucker, Singh and Meinhard 1990: 151-178).

Up until quite recently the academic literature on the modern welfare state has tended to
ignore the place and role of nonprofit and voluntary organizations. In fact, the prevailing wisdom, when the continued involvement of non-state organizations in welfare provision has been acknowledged, is that this is an example of the incomplete and haphazard character of the Canadian welfare state structure (Struthers 1994) --- a legacy of 19th century approaches to poverty relief and emergency welfare aid which the comparatively slow and conservative development of the Canadian welfare state failed to eradicate. The reality is that there exists a "complex web of relationships" which link the state sector to the third sector; it is not simply the result of anachronistic practices. The Canadian social security system is best viewed as a mixed social economy featured by: "(a) partial government subsidies to privately operated agencies and services and (b) government regulation of privately managed services" (Valverde 1995: 34, 36-7). Governments have long provided funding to privately run charities and asylums; the mixed social economy began to emerge in the last quarter of the 19th century (Valverde 1995: 37). The balance between public and private welfare has shifted over time but the mixture of these activities has remained a constant. The relationship between state welfare and charitably run welfare is blurred where each provider "does not function autonomously from the other" (Little 1995: 89). As Little observes:

‘Private welfare’ suggests that this is welfare funded and administered by non-government organizations. But many of these agencies receive state funding and are subject to state regulations regarding the administration of their services. Similarly, many 'public welfare' programs rely upon private or non-governmental agencies to help administer a welfare policy, or to compensate for policy inadequacies (1995: 106).

Historically, social liberals, arguing in support of the construction of the welfare state, maintained that it was necessary because of the failures of civil society (i.e., the family, church, voluntary groups and the like) to meet the difficulties generated by the complexities of modern industrial society. For them, the state was the only institution able to regulate the economy and society in a manner capable of addressing pressing social problems (Pal 1997: 88). The assumption was that institutions of civil society formerly charged with welfare provision receded as the state expanded.

Traditional conservatives and neo-liberals, by contrast, have argued that the state, by interfering in and attempting to regulate civil society, has served only to colonize it and sap it of vitality. For them the bureaucratic state has become the problem (Pal 1997: 88), and has worked to severely retard the growth and restrict the role of the third sector. The political right:

[using invidious stereotypes of oppressive, rigid state bureaucracies opposed to innovative, flexible, and humane voluntary organizations, ... [they], have revived the concept of a

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5 For an alternative classification of ideological models and their approaches to the role of the nonprofit sector see: Van Til 1987; and Neal and Paris 1990.
fundamental conflict between the voluntary sector and the state. In this view, the rise of the modern welfare state has destroyed or seriously jeopardized the whole array of mediating institutions, including voluntary organizations, that were formerly available to buffer the individual from the impact of impersonal, macro-institutions such as the state ... . The result, they contend, has been an alarming upsurge in anomie and despair (Gidron, Kramer and Salamon 1992b: 6).

Operating from a different vantage point, those on the political left have also counterposed the state and the voluntary sector. The left has tended to criticize "blind faith in the capacities of ineffectual voluntary action as a barrier to the establishment of a truly effective system of public care available to all as matter of right" (Gidron, Kramer and Salamon 1992b: 6). They have looked upon the nonprofit sector with great suspicion. Nonprofits have even been cast as providing a "protective layer" for capitalism by the way in which business philanthropy leads to the legitimation of corporate power. For example, the 'good' corporate image promoted by bodies such as the Rockefeller, Ford and Carnegie Foundations; these foundations, along with providing money for 'worthy' causes, are used for corporate public relations. Moreover, nonprofit and voluntary organizations are viewed as shaping the direction of social reform along non-threatening paths, reinforcing the 'false' idea that the system is in fact a pluralist one where social justice can be realized. Nonprofit funding foundations, in particular, advance an ideology which maintains that social ills are problems which are curable by social scientists and are not rooted in an inherent class conflict found within capitalist society (Roelofs 1995: 16-25). As Roelofs asserts:

Foundational ideology, disseminated through conferences, reports, and sponsored research and books, holds that radical protests are signs of inadequacies in pluralism. Disadvantaged groups such as blacks, Chicanos, women, children, and the poor need help in getting their rights. Grant money enables them to participate in the interest group-process on an equal basis with the more advantaged groups. Note that the poor are seen as just another minority group. Any idea that poverty, militarism, racism, and environmental degradation are related by-products of the capitalist system are ruled out (1995: 21).

Hence, historically, the left has tended to be suspicious of nonprofit/voluntary organizations, often characterizing their role as blocking progress towards the addressing of real social ills which can only be effectively tackled through the actions of a socialist state.

The complexity of the relationship between civil society and the state is far greater than
has generally been assumed (Little 1995: 106). Recent studies illustrate the fact that as the welfare state expanded, so too did nonprofit organizations (Tucker, Singh and Meinhard 1990). As previously noted, the third sector has been the fastest growing sector of society over the last number of decades. The modern third sector is diverse in its makeup and orientation, and has altered significantly over time. The political right's contention that there existed a “golden era” of third sector dominance and effectiveness in the past that was disrupted by the rise of the powerful welfare state” is little more than mythology. A cooperative, although not always unproblematic, relationship between the state and the third sector exists, and the size of the nonprofit sector is certainly far more extensive today than in an early period when the state was much smaller (Gidron, Kramer and Salamon 1992: 12).

The assumption, especially by neo-liberals, has been that, as taxes increased to support an expanding state, voluntary giving declined; however, the actual pattern was quite the reverse. Between 1931 and 1959 the success of fund raising appeals in Canada for central charitable agencies increased by more than eight times. Over this same period the GDP grew by less than eight times. Tax collection increased by 2.2 times from 1946 to 1959, while charitable donations increased by over 3 times. Increased taxation to support the welfare state, at least within the early and formative years of the welfare state, did not deter charitable giving. In opposition to neo liberal claims that the welfare state has sapped community involvement and giving, Shirley Tillotson in her study of the period of the 1930s to the 1950s contends that “charitable giving helped prepare the way in public culture for income tax paying as a feature of citizenship in the welfare state” (1997: 138, 141-2). In the 1930s, 40s and 50s, when Canadians were paying increased proportions of their earning to taxation to support the growth in the welfare state, the federated charities (such as the United Way) also expanded significantly. “This suggests that the willingness to give is not simply the result of a zero-sum calculation about disposable dollars, where more dollars to the taxman means fewer to charity” (Tillotson 1997: 152-3). This data offers a clear counter to neo-liberal economic assumptions.

As we are aware, driven by a neo-liberal agenda, governments have been engaged in extensive welfare state downsizing. Guided by the rhetoric of deficit reduction, cuts to social, health and educational funding, including significant reductions of financial support to the third sector, threaten to dismantle core components of the social safety net (McBride and Shields 1997; and SPC 1997). Moreover, federal and provincial authorities have engaged in downloading responsibilities onto lower tier governments and third parties. The ‘public’ social safety net is

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6 The traditional political left usefully draws attention to the way in which nonprofit organizations have been used by capital to channel reform along acceptable non-threatening paths. However, this perspective has too often glossed over the more positive roles which organizations within the third sector have often played. Some segments of the third sector have offered rigorous critiques of corporate greed and the capitalist marketplace.

7 Tillotson's (1997) study is restricted to the period of the 1930s to the 1950s, but other academic analysis indicates that the pattern of state expansion and third sector growth continued for the later half of the 20th century as well (see: Salamon 1995).
being slashed at the very time that social exclusion is on the increase (Johnson, et al. 1994; and Drache and Ranachan 1995). The nonprofit third sector is expected to pick up the slack, even as its budgets are being cut. Consequently, segments of the third sector find themselves in a state of crisis.\(^8\)

Government grants are by far the most important source of nonprofit revenue. For charities (the segment of nonprofits for which we possess the most accurate data) in 1994, fully 60.2% financing came from government transfers, the great bulk deriving from the provincial level of government. Contrary to popular belief, private sector giving constituted a mere 11.3% of revenues in 1994, with individual giving outpacing corporate giving by a factor of greater than 5 to 1. Such reliance upon state financing is by no means unique to Canada. In the United States, 30% of nonprofit funding comes from government and 19% from the private sector and in the United Kingdom the figures are 40% and 12% respectively for the 1990s. Other sources of revenue such as user fees, sales of products, and direct government purchases of services constitutes the remainder of charities' revenue base (Day and Devlin 1997a: 16).

Given the heavy reliance upon government transfers, even modest proportional cuts result in funding destabilization. A recent report by the United Way of Greater Toronto calculated that a 1% cut in government funding to nonprofits would take nearly a 50% increase in corporate philanthropy to bridge the difference. Social service agencies have reported, however, that they have been able to only raise two-thirds of the private sector funding that they did in 1995. "As resources become scarce, competition for charitable dollars is escalating dramatically in the sector, making fundraising more difficult. Moreover, changes in corporate philanthropy --- with its increasing focus on strategic marketing --- has made the fundraising environment more challenging and sophisticated, especially for smaller agencies" (United Way of Greater Toronto 1997: 6).

Faced with these circumstances, nonprofit organizations have intensified efforts directed at individual and corporate fund raising to make up lost government revenues. A new problem of "crowding out" has arisen out of this situation (Day and Devlin 1997b: 68); that is, as more nonprofit agencies compete for the limited pool of charitable dollars, many organizations are discovering that this source of revenue is actually declining. In part this has been caused by the parallel problems of donor fatigue (individuals paring back given the pressures of increased demand and the reality of the increasing incidence of stagnant and declining incomes) and the leaner patterns of corporate giving. In 1994 Canadian corporations gave $1.2 billion to charities but this was a drop of $25 million from the previous year which already was down $55 million from 1992. A good part of this drop may be because of the new lean and mean philosophy of modern corporations (Stewart 1996: 10). The overall result has been summarized in the following manner:

Government fiscal restraint has resulted in resources being rationalized, both by funders and by the agencies providing the

\(^8\) The situation has been variously described as a "system in turmoil" (Municipality of Metropolitan Toronto, et al. 1997: 46), and a sector suffering the debilitating effects of deficit stress (Hall and Reed 1995: 1).
services. While governments are cutting back funding, remaining resources are being prioritized and targeted in new or different ways. Agencies are having to make difficult decisions about what services they will provide, how they provide them and to whom (Municipality of Metropolitan Toronto, et. al. 1997: 46).

Once again, there is strong countervailing evidence to the neo-liberal assertion that the ‘excessive’ levels of government financial support to the nonprofit sector results in the crowding out of private sector charitable support.

Within Canada, Greater Toronto has been one geographical area which has had some systematic analysis undertaken on the effects of government cutbacks upon social service agencies. It reveals a pattern of increased demands for the services of nonprofit organizations alongside agency and program closures and cuts and increased levels of agency stress which has seriously destabilized the network of social supports. In 1995 and 1996, for example in Metro Toronto, 54 social service agencies were closed compared to 7 agencies in the previous two years (United Way of Greater Toronto 1997: 2), over a seven fold increase in closures over the earlier period. In 1995 in Metro Toronto a nonprofit agency survey found that of the 1,453 programs offered, 182 were cancelled that year due to government funding cuts, 115 were likely to be cut in 1996, and a further 405 were under review and threatened with possible cancellation. The survey noted that greater than half the programs in education, skills training, legal services and general community services were at risk; and half of the programs directed at youth, preschool children, women, ethno-cultural groups and low income families were also at risk (SPC 1997: 15); the cuts have had significant adverse impact upon the most vulnerable groups within society.

Nonprofit organizations are more prone to service clients on a first come needs basis. This reduces their ability to deliver universally-based services which have become especially vulnerable in this period of significant downloading. Nonprofit agencies must by necessity respond to cutbacks by reducing service. For example, the Victorian Order of Nurses (VON) has been force to cut their time per visit by 17% between 1992 and 1995. Also, the VON saves money by paying its nurses 20 to 25% less than nurses doing equivalent work in hospitals. For their part, hospitals are responding to cuts by discharging people earlier (transferring burdens on to families, and women in particular) (Hall and Reed 1995: 10-12).

Government funding cuts to nonprofit agencies have resulted in widespread staff layoffs, and ironically, contrary to neo-liberal projections, a significant drop in the numbers of volunteers. "Staff layoffs have reduced the capacity to recruit, train, and manage volunteers. Without an adequate infrastructure, the voluntary sector is simply unable to sustain the number of volunteers that governments are counting on to compensate for cuts to funding. Staff layoffs have also resulted in higher caseloads, less quality and care available to individual clients, fewer clients receiving assistance, and increased staff burn-out" (United Way of Greater Toronto 1997: 6). Neo-liberal workfare schemes also work to undermine volunteering (time freely given without financial compensation). Welfare-client placements will likely come to displace true volunteers, especially in a climate of declining supports from government to nonprofit organizations, since these organizations can accommodate only a limited number of placements.
All of this is occurring at a time of increased demand for nonprofit agency services. Poverty is widening due to government social service cuts. In Ontario this fact was especially marked by the 21.6% cut by the Conservative Government to social assistance payments. In many instances after payment for housing, families in Ontario on social assistance are left with as little as $2.50 a day to live on. About 19% of Metro Toronto residents now live below the poverty line and 8.3% in Toronto's outer ring are poor. Income polarization, more generally, in Canada is on the rise, with the poorest 20% falling more than 30% between 1984 and 1993, as the wealthiest rose by 5.2%. In Metro Toronto in 1996 there were an estimated 5,000 visibly homeless people. In the City of Toronto, estimates place the number of homeless and underhoused people at between 25,000 to 50,000. Some 135,000 individuals on social assistance are now in danger of losing their shelter because of the impact of cutbacks (United Way of Greater Toronto 1997: 2-4).

Further evidence of the growth of social deprivation is found in the rise of food banks. In 1995 there were some 456 food banks in Canada which serviced some 2.5 million Canadians a year. They are one of the fastest growing organizations in the country and there are more food banks than Macdonald's outlets. Estimates suggest that in Canada and the U.S. there are between 8 to 10% of the population which goes hungry or is at risk of hunger (Riches 1997: 5).

Food banks are symbolic of the shift away from a social rights/citizenship model of social justice, which reflects social democratic influences in the building of the Canadian welfare state, towards increasingly residual forms. Such residualism espouses a "casualty treatment" exemplified by food banks. The view is held that private solutions to public problems are preferable in that they are less costly, promote self-reliance and encourage community participation. Food banks, then, act as practical examples and perhaps most significantly, as ideological marker flags, of the way ahead for social welfare [emphasis added] (Riches 1986:117).

Governments which have adopted neo-liberal adjustment policies have moved to depoliticise the deprivation issues "by either denying that hunger exists or by downloading their public responsibilities to charity and the voluntary sector." Food banks are now one of the major responses civil society is making to hunger and non-profits "have become institutionalised extensions of the public welfare system" (Riches 1997: 7). In this sense food banks can play the role of assisting "the state in depoliticisation of hunger in that they enable governments to look the other way and deny the right to food" (Riches 1997: 7). Nonprofit organizations like food banks may unwittingly play into neo-liberal policies "by acting as the voluntary back-up to a public safety net that has fallen apart" (Riches 1986: 126). However, given the government funding cuts to this sector, its ability to continue to adequately fulfill such a role is questionable.

Governments have articulated a number of rationales for the cutbacks including moving the system from being demand driven to affordable; from public responsibility to individual and community responsibility; "from government regulation/inspection to deregulation/accreditation/self-regulation"; "from investment in public sector to public, private/partnership/competitive
marketplace" (SPC 1997: 15-6). What is clear is that the net effect has been the movement towards the commercialization and marketization of the nonprofit sector. ‘Commercialization’ involves the transfer of service delivery to for-profit organizations, while ‘marketization’ is where nonprofit organizations are compelled to become increasingly engaged in commercial activities such as the “taking of contracts, charging fees for services, and selling products to generate revenues in order to remain competitive with commercial operators and other non-profits” (SPC 1997: 7-8). A major question which arises is whether the movement to a more ‘competitive’ social service marketplace is financially coercing nonprofit bodies to become simply “merchants of care” (SPC 1997: 6)?

The movement to commercialization has been most pronounced in the areas of nursing homes, home-making, homes for special care, rest homes, and child care. Among nonprofit agencies the effects of marketization means they are spending more resources on negotiating with government, increased administrative costs with monitoring service agreements, less accountability to the community, forced shift in missions, and a decrease in their advocacy and educational work which has resulted in a lessening of their influence over public policy. Moreover, nonprofit organizations have increasingly shifted towards fees for services which has affected their clientele-base by excluding the most vulnerable (SPC 1997: 18-21). Another survival strategy for nonprofit agencies has been the movement towards mergers and joint programming in an effort to radically restructure in order to cut costs and become more “efficient” (Municipality of Metropolitan Toronto, et. al. 1977: 43).

Government fiscal restraint has resulted in resources being rationalized, both by funders and by the agencies providing the services. While governments are cutting back funding, remaining resources are being prioritized and targeted in new or different ways. Agencies are having to make difficult decisions about what services they will provide, how they provide them and to whom (Municipality of Metropolitan Toronto, et. al. 1977: 46).

Nonprofit organizations tend to be very efficient at providing high quality services. Low or lower quality services are often times, on the other hand, efficiently provided by the for-profit providers. This raises the question under the policy of marketization, of the state's commitment to the provision of quality services. Moreover, nonprofit agencies tend to provide a greater range of services tailored to various client needs (largely due to their voluntary component) where for-profits provide less variation in order to satisfy their profit derived bottom lines. Often for-profit businesses will try to weed out clients who require the greatest care and who are the most difficult, in order to increase their profit margins; they also tend to pay staff lower wages. In the private sector making a profit is the top priority whereas in the nonprofit sector service is the key (SPC 1997: 23-4). Marketization threatens to overturn this distinction. "Commercial providers will likely prevail when competition is based strictly on cost in social services. Non-profits may be forced to lower costs to service to remain competitive. But to do so, they will lower their service quality to substandard levels. Clients will suffer the consequences" (SPC 1997: 24).
Nonprofit agencies tend to have a high level of accountability to their community and clients. They are open to public scrutiny, they have community member boards which shape policy, and clients are often encouraged to have meaningful input into programming. Such community-base accountability can be threatened by marketization. For example, membership of boards tends to change, resulting in a greater emphasis upon professionals and prominent citizens, a change which is believed to help win government contracts: Democratic structures of community accountability may be regarded as too costly and time-consuming under the new commercial mandates (SPC 1997: 25). Such development may be rapidly transforming nonprofit social service agencies into "merchants of care".

Contrary to the claims by the neo-liberal state, there are distinct limitations on the downloading of government-run programs to the nonprofit sector; the nonprofit sector is prone to a number of failures which is problematic concerning broad-based government downloading. These failures can be classified into four categories:

1) "Philanthropic insufficiency" concerns the inability of nonprofit bodies to generate resources on a scale that is adequate and reliable enough to cope with needs for social services. Part of this problem is caused by the "free-rider" problem (Olson 1971). Resource difficulties are likely to be the most extreme as the need is greatest. Nonprofit organizations are also not very efficient at even geographical distribution of their services (large urban centres tending to be better serviced than rural areas, for example): State provided services can of course overcome such limitations.

2) "Philanthropic particularism" involves the tendency of nonprofit organizations to focus their attention and services to particular segments of the population. "Particularism contributes not only to gaps in coverage but also to duplication in services" (for example, services directed towards particular ethnic or religious groups, such as Catholic Children’s Aid, East Indian job training agencies, Black women's resource centres, etc.).

3) "Philanthropic paternalism" relates to the tendency for those who control the charitable resources to determine who is served and what the organization does: "In such situations, the nature of the sector is likely to be shaped primarily by those with the most resources to offer, namely the wealthy members of the community." There is a bias, under these circumstances, for greater resources to be directed towards the arts and cultural activities, which are centred on `well-to-do' audiences, over the delivery of social services, which are targeted to lower income groups.

And, 4) the problem of "philanthropic amateurism":' Large segments of the nonprofit sector rely upon the labour of "well-meaning amateurs --- people who were paid little or nothing and who possessed no specialized training, experience, or credentials". In these circumstances the services provided by nonprofit agencies may not be the most ‘efficient’, consistent, or evenly provided (Hall and Reed 1995: 5-6; also see Salamon 1995: 44-8).
Nonprofits have significant inherent weaknesses in addressing many social services needs within society. State-based programs tend to have a redistributive function; they work on the principle of equity (provision of services based upon citizenship, not upon market power). The nonprofit sector (especially in the face of significant government cutbacks) does not have the "resource base nor structural capacity to substitute for the government's traditional redistributive role" (SPC 1997: 29). However, this is not to say that nonprofit agencies do not have an important role to play within the welfare state structure. “[V]oluntary organizations are in a better position than government to personalize the provision of services, to operate on a smaller scale, to adjust care to the needs of clients rather than to the structure of government agencies, and to permit a degree of competition among service providers” (Salamon 1995: 49).

The movement for government to 'reinvent' itself, with an emphasis upon alternative service delivery, has encouraged the state to attempt to forge a new partnership with the voluntary and nonprofit sector. There is a re-alignment taking place between the state and civil society which "involves several distinct and contradictory dynamics" (Pal 1997: 89). This re-alignment means that government is both disengaging from some of its associations with nonprofit organizations but is also involved in re-engagement with other components of the 'third sector'.

With respect to disengagement, government has reduced block grants to nonprofit bodies, especially those located in the areas of health, education, social welfare, research and advocacy. This has served to destabilize groups dependent upon such block funds. Re-engagement, by contrast, entails government making strategic partnerships with nonprofit organizations, who enter into contractual relationships with government to deliver 'public' services. Part of the ‘reinventing government’ movement is, in fact, about a “celebration of voluntarism and the ‘community’. The anti-thesis to ‘big government’, in short, is not always the 'market' but the community or the voluntary sector” (Pal 1997: 93-4), at least rhetorically. So even as government cuts funding to some groups they are reconnecting with others which are more directly oriented to service provision and marketization. Moreover, while government on the one hand has cut direct tax dollars to the ‘third sector’, on the other hand, they have altered their tax policies and supported increased use of lotteries and charity casinos to encourage greater ‘charitable giving’ to nonprofits. To date this has failed to solve the funding crisis for nonprofit agencies and, given the problem of “philanthropic paternalism”, it is unlikely that increased charitable giving will be directed towards the sources of greatest social need (Useem 1987). In these ways, however, the voluntary and nonprofit sector has taken on an increased profile, and achieved greater policy importance.

The growing emphasis on contracted services from nonprofit agencies by government is having an adverse effect on the advocacy role of such organizations. The Canadian state has had a history of providing funds to nonprofit public interest organizations for the purpose of lobbying.

The shift towards the use of gambling to raise funds for social and cultural activities once funded directly by the state has raised many social problems of their own. The state's promotion of such gambling is, for example, often viewed as an extra 'voluntary' tax on those least able to afford it.
The rationale for government funding of public interest groups is embedded in the small-l liberal notion of the benefit of both a pluralistic society and pluralist state. The presumption is that strong organizations of citizens have an intrinsic value and are essential for a healthy society. Therefore, government funding to these disadvantaged constituencies adds an element of fairness in the representation of the spectrum of interests in Canadian society. It allows organizations of women, Natives, disabled, official language minorities and poor people to be heard among the voice of the economically powerful (Phillips 1991: 197).

The provision of core government funding to many nonprofit organizations who service such groups was also given with the intent that some of these resources would be used to represent disadvantaged constituencies in the policy process. In this regard nonprofits could act as "advocates, critics and participants" in policy making and setting for such groups (Phillips 1991:187). Such an advocacy role does not fit into the goals of neo-liberals who look to commercialize the social welfare state. Advocacy by disadvantaged groups in defence of the welfare state has been negatively received by neo-liberal administrations, especially when the state was picking up some of the bill for policy lobbying. In fact neo-liberals have identified such groups as 'special interests' who are attempting to usurp the true public interest. Not surprisingly, advocacy has become a major target of neo-liberal government cuts to nonprofit organizations.

Part of the interest in strengthening the "third sector" and the forging of new partnerships between governments and nonprofits is the desire to build 'social capital' by encouraging volunteers active in nonprofit organizations "to play a part in the delivery of services and to empower partner organizations and their members" (Seidle 1995: 139). “The term social capital has been used to refer to features of social life --- networks, norms and trust --- that enable participants to act together more effectively, to pursue objectives" (Hirshhorn 1997a: 20); social capital fosters citizenship and participation. Robert Putnam has found that social cohesion and strong civic communities (i.e., social capital) contribute to good government, which in turn is essential for positive economic growth (Putnam 1995). Through partnerships, it is hoped that the resources of social service organizations may be better utilized. Potentially, at least, such social partnerships offer the opportunity for nonprofit organizations to play a more formative role in both policy delivery and formulation (Seidle 1995: 157). The question is whether government moves to marketize nonprofit organizations work to build the stock of social capital, or on the contrary, operate to its detriment? The evidence of "third sector" destabilization argues strongly in favour of a negative assessment.

In fact, a partnership did develop between government and the nonprofit sector which forms a core of the modern welfare state. For nonprofit organizations, the financial contributions of government are an essential feature of their well-being. Neo-liberalism challenges this relationship in a number of fundamental ways. The call is to return the nonprofit sector to its so-called ‘traditional’ voluntary roots, pushing it towards a more competitive and entrepreneurial direction. Neo-liberalism, it can be argued, is “leading the voluntary sector away from its recent role as a
partner in public service, toward greater integration into the private, market economy" (Salamon 1995:203-4). The forces of neo-liberalism are also resulting in the increased penetration of for-profit organizations into the welfare state, resulting in a commercialization of the welfare state or what is increasingly referred to as a 'post-welfare state' regime. The dimensions of this new order may well be a three tiered social service system with: 1) a high-end, exclusively market-based service for those with means; 2) a middle range, lower quality, publicly provided service available to the broad middle and dependent upon a diminished tax base; and 3) low-end, community-based services for the poor and destitute, run by non-profits. Such a system threatens not just equity principles but the social cohesion of society (SPC 1997: 30).

Nonprofit organizations are being held out as either "substitutes for the welfare state or as agents for a new, leaner government." Neo-liberals look to the nonprofit sector to become more integrated into the a leaner state through the "web of a government-controlled contracting regime, in which government grants and contributions to public interest constituencies is replaced by fees for contracted services" (Browne 1996: 3).

As neo-liberal governments move towards contract relationships with the nonprofit sector, these organizations are pushed "into adopting new managerial standards and strategies that diverge from their traditional organizational cultures." In fact, a new "contract regime" is developing between government and the nonprofit sector. There are two aspects to this regime. First, governments contract with nonprofits to provide services not offered by the public sector; and second, other services previously provided by government are being contracted out to the third sector and for-profit organizations (Browne 1996: 41).

"From a bureaucratic point of view, the service contract is a vehicle for increasing government control over non-profit associations." In the process, their managerial styles will come to be more and more like those in other sectors of society. "The contracting regime offers the political benefit of pushing associations away from advocacy and towards subordinate status as service providers." Ideologically such contracting out for neo-liberals offers the benefit of appearing to have reduced the size of government. "Transferring services to the voluntary sector satisfies the rhetoric of community care and allows for cuts in the civil service, without diminishing government power and control. In fact, the latter may increase as the voluntary sector increasingly falls under the sway of government" (Browne 1996: 49-50).

Dalton Camp has asserted that there is an attempt to replace the social contract with a "new commercial contract" (Armstrong 1997: 61). The fact is that the language shift has become increasingly one reflecting commercial concern rather than the social contract. "Patients become customers and parents become stakeholders. And everybody but the corporations and those

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10 The social policy of the lean state aims to create "flexible" workers who will accept reduced security, wages and working conditions. This can be accomplished by eliminating those social policies which create 'labour market rigidities', hence the attack upon universal entitlement. Also, this can be done by expanding that portion of the labour force which is contingent. The second goal is to create "the ethos of the lean person, driven to maintain herself at the highest level of fitness while avoiding sloth and self-indulgence. There is, in short, both an economic and a moral side to the lean state." The public sector is increasingly turning to the "flexible sector" (non-profits) to implement lean production (Sears 1997: 6-9).
running the bond markets are defined as interest groups that do not represent the new Canada. Education and health are evaluated in value-added terms, and productivity rather than people is the focus of concern" (Armstrong 1997: 70). Hall and Reed suggest that:

... the original *raison d'etre* of our social programs in Canada was enhanced social cohesiveness and solidarity --- a strengthened citizenship based on principles of mutual support, equity and fairness of basic social conditions, and universal inclusiveness. There seems to be little mindfulness *of* this original vision in government 'program management' these days ... (1995:14).

Neo-liberalism moves us towards a post-welfare state reality --- a hollowed out and residual social support system offered increasingly through the voluntary sector. The next section turns to a concerted examination of alternative service delivery and social partnerships in an effort to draw out the implications for the welfare state, public administration and governance of neo-liberal policy innovations in this regard.

c) **Alternative Service Delivery, Social Partnerships and the 'Third Sector': Constructing the Post-Welfare State**

In April, 1997, the Institute of Public Administration of Canada and management consulting firm KPMG played host to a conference on Alternative Service Delivery (ASD) in Hull, Quebec. The purpose of this conference was to explore the conceptual and emerging practical governance issues resulting from the expanding number of service delivery mechanisms external to the state. While sessions tended to focus on questions of implementation of ASD options and a sharing of practical experience with such mechanisms, only rarely was a cautionary voice heard. Throughout Canada the Federal and to a much greater extent the provincial governments are actively resorting to alternative mechanisms for the production and delivery of public goods and services. While there is nothing inherently wrong with exploring alternative forms which genuinely contribute to and enhance citizen participation and organizational responsiveness, the current rush to move delivery and production functions outside of the state requires substantially greater reflection and analysis than has been the case to date. The process of hollowing out the federal and provincial states has long-term implications which must be fully understood, if only to make better, more informed choices respecting which delivery functions are better re-located outside of the public sector. More fundamental, however, is the relationship of this process to the integrity and maintenance of a regime of democratic governance. While portrayed as offering the promise of superior responsiveness to the demands of taxpayers for value for money and to the needs of end-users for more sensitive service, it is most unlikely that the new public administrative organizational and relational framework will genuinely contribute to a more accountable and democratic form of governance.
i) ‘Unpacking’ Partnership: Defining the Contours of Alternative Service Delivery

The fundamental message of the 'reinventing government' school is that the delivery of public goods and services must be transformed and the role of the core public service in direct production must be redefined. In short, the core government's role is to set policy while the delivery function can best be left to organizations either outside of the state-sector or operating under quasi-market conditions within a reorganized public sector. In a general sense this transformation has its origins in the collapse of national Keynesian strategies and models and the political success of neo-liberalism. Consequently, governments are no longer viewed "as the principal vehicle for socio-economic development" but rather are seen as facilitators of market-led development. What governments do, therefore, is subject to reappraisal with a view to identifying those activities which are core functions and ought to remain within the government sphere of activity, such as economic and social policy formulation, and those which are not, such as policy implementation, which may be better left to other organizations external to the state (Kaul 1996: 6).

The 'Alternative Service Delivery' movement is a product of this reconsideration of the role of the public sector and it cannot be understood outside of this context. It has been stated that "Alternative Service Delivery is part of a new public management paradigm that provides creative solutions to meeting the demands of citizens who are increasingly aware of service delivery options and value for tax dollars. ... In essence, it offers governments better insights into the relationship between the state and the citizen and provides opportunities to redefine these relations" (Ford and Zussman 1997b: 3). The project of redefining the relationship of state to citizens is what lies at the heart of this phenomenon and links the emergence of alternative delivery mechanisms to the politics of neo-liberalism and related policies of fiscal retrenchment. In this light, it is rather less a genuine search for more client-friendly and accountable services than a project to alter the trajectory of democratic governance in a fundamentally different direction.

The four policy objectives of ASD belie the view that such innovations serve to improve service quality and delivery. ASD's policy objectives have been identified as: 1) deficit and debt reduction through reductions in public expenditure; 2) reduction in the size of the core public service through devolution of service responsibility; 3) improvement in the efficiency, effectiveness and cost of public organizations; and, 4) improvement in the functioning of the core public service to meet 'taxpayer' expectations of quality (Hikel 1997: 76). How or whether such objectives contribute to the strengthening of the content of citizenship ought to be the essence of this debate. However, such objectives are more directly driven by fiscal considerations, resulting in the impoverishment of public institutions, rather than a concern with deepening democratic processes and accountability.

With respect to Canada, deep fiscal retrenchment preceded the ASD movement. An accumulated debt hovering in the range of 100% of GDP, combined with a sense of tax fatigue
on the part of middle income earners, appeared to leave few alternatives available to policy-makers (Gratias and Boyd 1995: 3-4). The new orthodoxy presents a limited range of options to governments struggling with a protracted fiscal crisis. Basically, the options available have been presented as: 1) privatization, devolution, or abandonment; 2) doing more with less which translates into contracting out and intensification of work processes; or 3) Alternative Service Delivery (Ford and Zussman 1997b: 8).

ASD offers a solution to the fiscal and political crisis of the post-war welfare state which incorporates all of these various methods for downsizing. A political and economic environment marked by growing income polarization and chronically high levels of unemployment and underemployment has ensured ongoing and increasing public demand for a range of state services. At the same time, income polarization has created the political context which informs the heightened priority given to questions of taxation. High income earners, the winners of the restructuring process, together with the mass of citizens who have seen their incomes stagnate or decline, are the paradoxical base of the neo-liberal political coalition seeking 'liberation' from tax burdens imposed by the state. This phenomenon, coupled with declining public resources, has forced a reconsideration of how public goods might be produced. Alternative Service Delivery, particularly with respect to social policy, is thus presented as the only viable option combining both cost efficiency with a commitment to continued delivery (Ford and Zussman 1997b: 3).

Hence, it begins to appear that one can have it all! Alternative delivery comes to be synonymous with less expensive delivery mechanisms, and is regarded as helping to fill the void left by reductions in public expenditure. The deliberately reduced capacity of the state to deliver important, even popular, public goods establishes a political purpose for ASD, which in essence, is to "find new structures and processes that are more appropriate to these smaller financial resources, and to see whether increased efficiency can be achieved, thereby replacing some of the service capacity jeopardized by fewer dollars. ... As budgets continue to decline, the gap between public demand and government delivery capacity grows wider. This is the space ASD hopes to fill" (Hikel 1997: 79). Hence, ASD contributes to long-term legitimation objectives of the neo-liberal lean state as well as the short-term and expedient political objectives of decision-makers engaged in budget-cutting.

The emergence of 'partnerships' with non-government organizations has been a key innovation in the movement to relocate production activities outside of the state (Kaul 1996: 53). In essence the concept and practice of partnership entails an arrangement between a state organization, a Ministry for example, and a private for-profit or nonprofit organization which agrees to jointly engage in the delivery of a public good or service. The 'partnership' model has been promoted as a form of alternative service delivery offering "empowerment, flexibility, collaboration, consultation, proactivity, efficiency and a service orientation" (Wright and Rodal 1997: 266), practices and orientations which clearly differentiate it from the rigidity, secrecy and controlling characteristics of service delivery associated with the traditional bureaucratic state. Such characterizations are indeed attractive and are further bolstered by definitions of partnership which identify power sharing and joint responsibility as critical elements of such arrangements. For example, political scientist Susan Phillips has noted that a true partnership entails "a collaborative joint action in an effort to solve a problem. It requires an ongoing commitment, acceptance of shared contributions and recognition of mutual needs and benefits. A
decentralization of power, responsibility and accountability from government to the partnership is supposed to occur" (Phillips 1991: 206).

Ken Kernaghan has built a typology of partnerships based upon the distribution of power between each partner. Kernaghan identifies four basic partnership arrangements: 1) consultative partnerships which seek advice from actors outside of the state. Such bodies are often established as ongoing committees with a focus in a defined policy field; 2) contributory partnerships which entail the provision of financing for a project and typically offer little participation beyond this; 3) operational partnerships which are characterized by "a sharing of work rather than decision-making power". In this type key strategic decision-making power is retained by the public organization sponsoring the partnership with the 'partnership' focussed upon delivery. Finally, 4) collaborative partnership which is the only arrangement which reflects fidelity to the true meaning of 'partnership' and entails the joint exercise of power in decision-making in addition to the sharing of human, financial and informational resources (Seidle 1995: 141).

It is only the collaborative form which can truly be said to be a partnership based upon a joint sharing of power. However, Kernaghan observes that such collaborative partnerships are indeed rare as they entail a certain degree of risk for the public officials surrendering some element of control to an external organization (Kernaghan 1992: 3). As Phillips wryly notes, power sharing is something which is 'supposed' to occur, which is to say that what actually occurs may be rather different. Power-sharing is critical to the emergence of genuine partnerships but for the most part it is still "driven by simple rules such as policy-making powers must always remain with the minister; officials must control program design; and only operational authority can be devolved to new mechanisms" (Langford 1997: 61).

Social partnerships, involving social-service oriented nonprofit organizations and social policy Ministries, i.e., those involved in health and social welfare, are emerging as critical institutional arrangements for the delivery of social policy. Given that social policy expenditures in Canada account for approximately two-thirds of total public expenditures, it is not surprising that the search for 'innovation' would be most keenly observed in this sector. In effect, non-profit organizations become "executing agencies for government programs" (Ford and Zussman 1997b: 7). Again, the distribution of power in constructing such partnerships is not unproblematic for both parties as:

[i]he process of developing and implementing social partnerships requires a commitment to the objective of power sharing. For public servants who may be suspicious of outside organizations ... this means rethinking concepts such as 'control'. Social sector partners also face challenges: they become party to agreements that may undermine their autonomy and social purpose; particularly if there is not true equality with the sponsoring public service organization (Seidle 1997: 96).

ii) Retrenchment, the New Public Management and Social Partnership: Implications For Democratic Governance
While promoted as part of the public sector's 'quality revolution', ASD, and, specifically, the formation of social partnerships, cannot be understood outside of the fiscal crisis and the corresponding retrenchment in public expenditures. While the policy of spinning various delivery functions out of the public sector proper has been sold as contributing to greater efficiencies, there is little empirical evidence to support this claim. Contradicting this claim is a more substantial body of evidence linking this trend to reductions, and in some cases dramatic reductions, in public expenditure (Manning 1997: 6): Budget cuts specifically target social policy expenditures not only because these typically are the largest envelopes but, in addition, from a neo-liberal perspective such expenditures shield individuals from market discipline and thus serve to impede progress toward increased competitive advantage based on labour costs. Moreover, the post-war expansion of the welfare state led to a broadening of public sector responsibilities into areas previously occupied by the family, market or community (Ford and Zussman 1997b: 3). This expansion of responsibilities has been critiqued by neo-liberals who argue that the state's capacity to administer this inflated scope of activities has exceeded its competence to do so effectively. Social services broadly defined, the areas where welfare state expansion has been most substantial, thus become a ready target. Hence social partnerships are particularly attractive because "activities carried out by public servants ... are transferred to organizations that may do the work for less cost .... [P]ersonnel and administrative costs are expected to be lower --- not least because some of the people providing services will probably be volunteers or will be paid less than public sector employees for comparable work" (Seidle 1995: 144).

From a comparative perspective, the experiences of the United States and the United Kingdom with neo-liberal restructuring of social service delivery may foretell how events may unfold in Canada. In the United States, President Reagan employed the nonprofit sector as part of his strategy to dismantle the already minimal framework of state-provided social services. Reagan's contention was based on the view that the state and the nonprofit sector were fundamentally in competition with one another and that this competitive relationship was marked by zero-sum outcomes --- that is to say one gained only at the other's expense. The post-war expansion of the welfare state, according to this view, "occurred largely at the expense of the voluntary sector" leading then President Reagan to state in 1981: "We have let government take away those things that were once ours to do voluntarily" (Gidron, Kramer and Salamon 1992b: 5). By advancing an argument that the welfare state undermined the work of the nonprofit sector and that financing for this sector derived largely from private donations it became politically possible to legitimate retrenchment in social expenditures.

Social policy in the Thatcher era in the United Kingdom was shaped by the view that market-led economic renewal was to be given priority. Social progress would follow in the wake of the economic growth thus created. A key component of this policy involved a significant withdrawal of the state from direct social service provision. The expectation was that voluntary organizations would fill the space vacated by the state; however, "voluntary organizations were not ... looking to substitute for public sector provision but rather to supplement it" (Taylor 1992: 151-153). The British voluntary sector's concern notwithstanding, it has become clear that the erstwhile complementary role of the nonprofit sector to that of the state has decidedly shifted, setting delivery of British welfare policy on a trajectory "where the voluntary and for-profit
sectors are expected to substitute for state delivery" (Taylor 1992: 156). As in the United States, the capacity of British non-government actors is exaggerated as part of the process of legitimating the delegation of service delivery responsibility outward. The question of whether this is an appropriate location for such responsibility is never posed.

The objective of neo-liberal public sector restructuring in the United Kingdom was "to create a high output/low commitment public sector workforce" (Hoggett 1996: 10). The extent to which this objective has been achieved can be attributed to "a significant shift away from vertically integrated forms of production" and through the introduction of public sector quasi-markets which have focussed on "competition around cost rather than quality" (Hoggett 1996: 13). Delivery of basic public goods such as education, health care and social services has been devolved to a host of trusts and agencies whose relationship to the central government is characterized as one of purchaser and provider (Hoggett 1996: 16). The emergence of service delivery pluralism or a 'plural mode of governance' has not resulted in a genuine arrangement of power sharing or partnership in the UK; in fact the opposite has occurred in which the control of the central government, as purchaser, is as strong or stronger than was previously the case (Hoggett 1996: 16).

In the cases of both the U.S. and U.K., there was an understanding that the nonprofit sector could and would have the capacity to fill the vacuum in social provision left in the wake of the shrinking state. Brien O'Connell, the founding president of Independent Sector, the U.S. umbrella organization overseeing the philanthropic and volunteer activities of the entire nonprofit sector, has noted that the sector has definite strengths but these are subject to limitations which are too often overlooked. These limitations include first, that the nonprofit sector cannot be expected to make up for government cutbacks; second, partnership arrangements are not immune to budget cuts given that it may in fact be easier to off-load the cuts onto partners rather than for the state to absorb these internally; third, non-profit organizations offer highly targeted programming which is both arbitrary and selective. Consequently, this sector cannot be made responsible for general welfare. The task and obligation of ensuring "that essential services are in fact funded" is the exclusive purpose of 'representative democratic government' (O'Connell 1996: 223-4). Of course, what is considered to be "essential" is being radically redefined by neo-liberalism.

The lesson to be learned is that governance is about much more than fidelity to cost control as the premier guide to policy-making. The role of government is to ensure the public interest is protected; this is a role which moves substantially beyond the role of purchaser. It is, however, impossible to avoid considering that the origins of the ASD movement generally, and partnerships as a specific expression of this, are rooted in the drive to reduce public expenditures. Consequently, it cannot be understood without reference to the larger context of the dismantling of social security entitlements and the shedding of public institutions which served to operationalize the post-war social contract. Social partnerships may be understood as symptomatic of a period in the history of social policy marked by the ascendancy of an ideology of self-reliance, shrinking financial resources, and deregulation recast as self-regulation. This, in sum, is not a formula for civic engagement as the proponents of ASD contend, but rather it creates the conditions for social separation (Yalnizyan 1997) on the one hand and creates an opportunity for governments to evade what should be their responsibility for pursuing the public
interest by retaining accountability for outcomes. Instead the difficult decisions to ration the allocation of public good and services are passed on down the line to the service delivery partners (Hoggett 1996: 20).

Within this context, however, the New Public Management posits the question whether, in the quest for greater efficiencies in the production of public goods and services, any given activity should be undertaken at all; whether the state should be the direct producer; could the state contract for its production outside of the state; or should the activity, if commercially viable, be simply left to the market to produce (Kaul 1996: 50). The New Public Management is based upon a particular analysis of the problems of the welfare state which is tied to neo-liberal notions of 'government failure' (Shields and Evans 1998). The basic challenge which the New Public Management and its various theoretical informants argue is that government and the broader public sector has become overextended and there thus is a need to refocus on core activities. And, even if it is determined that government has a role in offering particular services or public goods, they do not necessarily have to be produced by the public sector directly. Public goods and services can be produced by agents external to the state. Moreover, production which is externalized serves, through improved quality and choice for consumers, to re-establish the legitimacy of the newly defined public sector. Moreover, through partnership arrangements, a conduit for non-state organizations to input on decision-making is established, hence contributing to an improvement in the quality of outcomes in addition to products (Ford and Zussman 1997b: 10-11).

The proponents of this movement, consumed by a search for tax efficiencies, rarely consider its implications on questions of democratic governance. Cost containment may have been achieved but the price may well be a substantially eroded means of ensuring political accountability for what are fundamentally political questions --- that is, for whom and to what purposes public goods are produced. Moreover, there is a concern which speaks to the very strategy of neo-liberal restructuring, the weakening of public sector institutions. As one observer has noted, alternative service delivery became problematic precisely when it was reconceived as a universal cure rather than an option in treating public sector problems (Manning 1997: 6). The end result is likely to be a substantially weakened public sector rather than a more efficient one.

Echoing the clarion call of Osborne and Gaebler (1993) that governments must steer rather than row, much of the thinking respecting ASD and partnerships as an important sub-theme within this rubric, advocates a separation of policy from delivery as a means of facilitating a return to a more appropriate role for government --- which is setting policy while providing space for other groups to participate in the operational aspects of service provision. This, of course, its proponents contend, does not "necessarily mean reducing the role of government, but perhaps returning to a more traditional, policy-oriented role for the public service with an emphasis on innovation at the delivery stage" (Ford and Zussman 1997b: 12). The separation of policy from delivery does not facilitate the establishment of Kernaghan's preferred 'collaborative partnerships' as the only genuine partnership between the state and other actors. When the proponents of the New Public Management speak of 'partnership' what they have in mind is an operational partnership where the external agent is responsible exclusively for the delivery of a policy over which they have had no role in shaping.
The externalization of production from the state requires that decision-making authority also be decentralized and devolved to the site of production. Devolution and decentralization, as such, logically flow from the doctrine of separating policy from delivery. That is to say, policy decisions, made at the centre and apex of the administrative state, are implemented by agents acting on behalf of the state. These agents may be lower levels of government or some form of private-public partnership. Accountability for fulfilling the state policy-makers intent is ensured by means of a contract between the state and the delivery agents. Contracts, it is argued, ensure greater 'transparency' and therefore accountability in the delivery of public services (Deakin and Walsh 1996: 41). The process of 'reinvention' of the British state has entailed the reconceptualization of state functions along such lines. Specifically, this has involved "separating out a 'core' of policy making and direction and retaining only a minimal 'periphery' of residual delivery functions ..." (Deakin and Walsh 1996: 33). Delivery of the vast array of remaining functions is left in the hands of external agencies. This public administrative innovation has its theoretical origins in the nostrums of public choice theory which posits the incapacity of the state to deliver services efficiently. Therefore, the 'contract' rather than the 'state' becomes the governing regulatory mechanism for ensuring the delivery of goods and services through a constellation of potential competitive delivery agents in the nonprofit and for-profit sectors.

The critical issue arising from a clear separation of policy from delivery is that of accountability. This is particularly problematic for Westminster-style parliamentary democracies where the lines of accountability, theoretically, are accepted as running directly to the minister. In an organizationally differentiated regime, this relationship is substantially more tenuous. Not only is the question of political accountability problematic, the structure of power-sharing in these arrangements is critical to establishing the nature of the relationship. That is, is it based upon equality thereby representing a true partnership, or is it something less so?

The partnership model of alternative service delivery is sold as in part enhancing efficiency and in part as broadening and deepening democracy. Civil society and the universe of organizations of which it consists "cannot be limited to some predefined function with respect to social goals, it must play not only a monitoring or provisioning role but also be part of defining a new the social contract" (Editorial Note 1996: 3). Yet, as noted, functioning partnerships tend to be organized around achieving operational goals. Any role in setting policy --- a test of a deepening democracy --- is non-existent.

The integrity of the concept and practice of partnership requires a more rigorous foundation in our understanding of power-sharing. Unfortunately, our conceptual framework for power-sharing is itself impoverished. Contemporary applications have been characterized as 'idiosyncratic' and 'opportunistic' rather than as examples of a robust and deeply democratic alternative form of public service. Hardly representing a radical departure from the Weberian model of command and control, hierarchical and rule-driven structures, existing power sharing arrangements are "driven by simple rules such as policy-making powers must always remain with the minister; officials must control program design; and only operational authority can be devolved to new mechanisms" (Langford 1997: 60-61). Moreover, the principle of separating policy from delivery serves to reinforce a Taylorist production paradigm in the public sector by imposing a sharp differentiation between planning and production functions. Such an arrangement, of course, facilitates the depoliticization of retrenchment, achieving welfare without
politics, through the displacement of the state as regulatory agent by contractual mechanisms. While contracts, by offering a sense of linear, simplicity and a clear division of responsibility, appear more attractive than the rule-bound hierarchical state where such lines are blurred, it has been noted that as contracts come to be ubiquitous, such clarity and direct lines of responsibility also become increasingly blurred as the line of accountability is distended through a lengthening chain of primary- and subcontractors (Deakin and Walsh 1996: 42). Furthermore, the process of allocating public finances through the budget process is both politically complex and, perhaps more problematic, a process subject to public debate and analysis. Government by contract, on the other hand, offers the opportunity to avoid a more general and fundamental discussion of the allocation of societal resources.

**d) Conclusion**

Nonprofit organizations within the third sector have long played an important role within the Canadian welfare state structure. In constructing the Keynesian welfare state, nonprofit agencies became substantial participants in supplementing social welfare services in a mixed social economy. Voluntary organizations assisted in the provision of selective public welfare, contributing to the state's primary role of building a network of both universal and needs-targeted social services and programs. These voluntary bodies, however, were by-and-large heavily subsidized by the state to fulfill their role in delivering quality targeted services, education and advocacy; they were also part of a national project to build social and economic citizenship rights which helped shape the modern Canadian identity.

The political economy of the post-war third sector has been intimately tied to the project of the Keynesian state. The neo-liberal assault on Keynesian public policy and administration has also upset the structure of the third sector. Cuts in government grants to nonprofit agencies and the state's shift to a contractual relationship with nonprofit organizations are transforming the sector. This sector is in transition and important elements of it are in a state of crisis. Already over burdened, nonprofit social service bodies are being asked to step in where neo-liberal governments have retreated. All this at a time when social dislocation is growing rapidly.

Voluntary bodies are being forced to operate in new ways to forge partnerships with governments. Social partnerships have become one of the chief vehicles in the reinvention of government; especially around issues of government off-loading and alternative service delivery. However, these are not equal partnerships where power is shared but operational arrangements in which government retains total control over the program agenda. The reality of the emerging post-welfare state is that the state, through its contractual relationships, has more control over voluntary agencies and that the third sector is compelled to function more as market-centred commercial entities do. Social service provision comes to be leaner and more residual in nature, a hollow shell of its former self.
Bibliography


