

**The Impact of Welfare State Restructuring on
The Nonprofit and Voluntary Sector
in Canada and the US**

Summary of Findings

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Introduction

In the last two decades social welfare policy in Canada and the US has moved away from federal government-controlled financial support for low-income families (however generous) to efforts to move those receiving social or public assistance into the paid labor force. These policy changes reflect both moral judgments about the value of work and family and efforts to reduce government expenditures and are linked to globalization, characterized as the increasing internationalization of economic and social phenomena.

Devolution of welfare services to nonprofit and voluntary sector providers and tightening of eligibility requirements are key features of welfare state restructuring in both countries. As intermediaries between government bureaucracies and people who receive public assistance, nonprofit organizations are critical but often invisible players in welfare reform. Attention typically centers either on policy and administrative changes that result from welfare reform or the effects of these changes on low-income recipients. This paper begins to compare the impact of welfare state restructuring on the nonprofit and voluntary sector in Canada and the US. Nonprofit and voluntary social service organizations in Canada and the U.S. have been traditionally seen to play innovative roles in responding to community needs. Earlier relationships with government in both countries were characterized as complementary, with services provided to a diverse range of groups through grant funding. In the past two decades the nonprofit sector has taken a more central role in the provision of government-funded social services through the introduction or expansion of contracting for services, which has changed the nature of government and voluntary sector relationships.

Methodology and Research Context

Building on a previous study in the state of Delaware and a review of research done in other locations in the US, I recently investigated the impact of welfare state restructuring on the nonprofit social services sector in two provinces in Canada, British Columbia and Ontario. Research in the US has shown that welfare state restructuring has produced unforeseen (and largely negative) consequences for nonprofit sector capacity and inter-organizational relationships. Welfare reform has increased the demand for services from the US nonprofit social services sector. Nonprofit social service

organizations in the US are less able to meet recipients' needs and contracting for services affects nonprofit and voluntary sector infrastructure, client responsiveness and public policy participation (Abramovitz, 2002; Alexander, Nank & Stivers, 1999; Bischoff & Reisch, 2000; Curtis & Copeland, 2003; Withorn, 2001).

A qualitative approach consisting of in-depth, semi-structured interviews and participant observation as well as additional literature review was used in this research. To complement the extensive field work and literature review conducted in the US (Curtis & Copeland, 2003), in-depth interviews and participant observation at nonprofit and voluntary sector organizations in two Canadian provinces were conducted. The goal was to understand and document the similarities and differences in the impact of welfare state restructuring on nonprofit and voluntary sector organizations in the two countries.

Interviews and participant observation were conducted at voluntary organizations that provide social services to low-income Canadians in British Columbia and Ontario. I also visited both provinces in 1997 and conducted a comparative study of food banks and food assistance organizations (Curtis, 1998). The recently released National Survey of Nonprofit and Voluntary Organizations (2004) reveals that Canadian social services organizations tend to depend more on government funding than their counterpart organizations (66% for social service organizations compared with an overall average of 49% of all revenue reported by nonprofit and voluntary sector organizations coming from government). Provincial governments provide significant funding for organizations that work in areas where the government has constitutional responsibility for delivery of services, such as social welfare and health. Canadian social service organizations are more likely than other nonprofits to report problems with government funding, including reductions in funding, unwillingness of funders to support core operations (e.g., long-term programs, administrative expenses), and over reliance on project funding (Scott, 2003). These are familiar issues for US nonprofits (Salamon, 1995; Smith & Lipsky, 1993). Welfare restructuring has taken place in both provinces, with Ontario experiencing one of the largest decreases in welfare rolls in Canada between 1993 and 2002 (47%), and British Columbia showing a smaller decline (25%) (National Council of Welfare, 2003). However, each province has made different welfare reform policy and

program changes, providing potential variation in the impact of such changes on nonprofit and voluntary social service organizations.

Globalization and Neoliberal Welfare Restructuring in the US and Canada

On both sides of the 49th parallel, there is clear evidence of policy decentralization, a shared move toward block grant funding, and a common erosion of social citizenship norms. In the US and Canada, Clinton- and Chrétien-era decisions replaced shared-cost federal social programs with block grants (fixed, lump-sum payments), cut spending on cash benefits, awarded greater control over social policy to sub-national governments, and stripped what remained of a national entitlement to income support based on need. The extent to which North American welfare policy at the federal level moved in restrictive directions during the 1990s, however, varied quite a bit. Provisions of the US Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) ended the AFDC program, imposed time limits and work requirements for benefits, insisted all welfare mothers disclose the paternity of their children, and offered financial bonuses to states that reduced non-marital births but kept abortion rates from rising. The Canadian Health and Social Transfer (CHST) eliminated what had been an open-ended cost sharing deal for provincial and territorial social assistance and social service programs, but contained none of the socially invasive regulations about paternity or illegitimacy contained in US reforms of the same period. Since the CHST did not prohibit the introduction of work provisions by provinces, some sub-national governments moved directly into the breach that opened up in 1996.

A national report by the Canadian Council on Social Development raises numerous concerns about funding in the social services sector in Canada (Scott, 2003). Funding Matters reports that the shift away from core funding to short-term targeted projects funding has led to “cracks” in the voluntary sector, which, if not corrected, could lead to major fractures. The report identified seven critical themes: 1) volatility – organizations experiencing significant swings in funding; 2) loss of infrastructure – losing basic infrastructure when funders do not cover the full cost of organization administration; 3) reporting overload – more multiple funders, with more reports, and multiple forms and requirements; 4) human resource fatigue – paid staff and volunteers being stretched so thinly that it is difficult to remain faithful to the mission; 5) “house of

cards” – partnerships and multiple funders. The end of one partnership could bring down the whole interlocking structure; 6) mission drift – organizations being pulled away from their primary mission to fit more narrowly prescribed funding criteria or to win government contracts; and 7) advocacy chill – where being seen as an outspoken advocate for one’s clients leads to a sense of risk and advocacy organizations are being marginalized (Scott, 2003). Similar concerns have been documented in numerous studies of the US nonprofit sector (Katz, 2001; Salamon, 1995; Smith & Lipsky, 1993; Wolch, 1990, 1999).

Provincial Welfare Reform

In quantitative terms, data show Canadian provinces as a group spent less per person on social assistance after 1995 than before, with Ontario and Alberta leading the way on cuts to welfare rates and tightened eligibility rules (Little, 1999). Prior to the 1996 federal changes in the Canadian welfare state, Alberta was the only province to tighten welfare eligibility requirements and reduce benefit rates. Alberta eliminated some supplemental benefits for single employable adults while increasing benefits for disabled individuals and enacting a job search assistance program. In 1996, Manitoba tightened eligibility, cut benefits, eliminated some supplemental benefits and instituted the Employment and Income Assistance Program, known as Taking Charge. Also in 1996, Ontario reduced benefits for all recipients, except seniors and persons with disabilities, and implemented programs to require people to work, similar to Alberta’s. In the following year, reduction or termination of funds to Ontario nonprofits affected women’s shelters, addiction facilities, services for the homeless, day care, community development and neighborhood support services. Ontario became the first Canadian province to introduce a workfare program in 1998. The program, known as Ontario Works, focuses on rapidly attaching participants to available local jobs. Similar to the US, welfare leavers face low earnings, increasingly insecure jobs, and problems in access to food and housing. Due in part to changes in federal government spending, poverty and unemployment in the Atlantic Provinces have worsened in the last five years. New Brunswick and to a lesser extent, Nova Scotia, have developed American-style “workfare” programs, characterized by short term job placements and wage subsidies, rather than education, training and subsidized child care. In 2002, British Columbia

became the first province to end the entitlement to welfare by introducing benefit time limits, requiring immediate work for employable individuals and instituting a delayed full-check sanction for families without dependent children. B.C. has also moved toward privatization by contracting with private, for-profit companies to provide job search assistance and to transition welfare recipients to work.

Ontario

Within months of the 1995 federal budget changes, a right-wing Progressive Conservative (PC) party won power in Ontario, Canada's most populous province. Under the leadership of Premier Mike Harris, the Ontario Tories slashed welfare payments by more than 20 percent directly after taking office. Next, they introduced Canada's first mandatory welfare-to-work program. Modeled on the Wisconsin Works (W2) program, the 1997 Ontario Works Act set out to "establish a program that recognizes individual responsibility and promotes self-reliance through employment" by offering "temporary financial assistance to those most in need while they satisfy obligations to become and stay employed" (Ontario Works Act, 1997).

Under the Harris regime, Ontario Works (OW) had three main components: Employment Support provided a basic range of services (computers, faxes, telephones) to help participants while they search for work; Employment Placement matched people with available jobs; Community Placement (CP), which relied on placements in nonprofit agencies, municipalities and community and environmental groups, was by far the most important statistically.

In contrast to BC and in common with many location in the US, much of the social assistance delivery machinery in Ontario rests in the hands of the local governments, the same municipalities that saw their size, authority, and policy responsibilities vastly altered during the Harris years. The financial burden on municipalities has increased from 20 percent to 50 percent of the costs of social assistance, leading to pressure to reduce standards and eligibility criteria further (Herd, 2002). Six local government units that made up the core of Canada's largest city, Toronto, were forcibly amalgamated by the Ontario Conservatives in 1998. Once cities, including Toronto, began to resist the Harris agenda on mandatory workfare, in part because of pressure from their own unionized public service employees, the Tories

decided to make fiscal transfers to cities and towns contingent on compliance with the terms of Ontario Works (Peck, 2001).

The most recent RFP for Toronto OW contracts made significant changes in the program, beginning in July 2005. The new Purchase of Employment Services Framework is comprised of three components: Divisional Employments Services – core employment programs, services and placements aimed at addressing the diverse needs of the OW clients across the city; Local Initiatives – employment programs and placements targeted to the needs of specific a community, client group, or employer; and Individualized Services and Supports – employment programs and services customized to the needs of an individual client. Divisional employment services include employment placements, training, community placements and employment services with direct links to employers; post placement job retention supports; and pre-employment development programs (life skills, budgeting, and career/vocational planning). Local initiatives consist of one-time projects intended to serve a group of clients who share common employment issues or employers who may be seeking workers who have completed specific job skills training. On a case-by-case basis, individualized services and supports may be provided to cover the cost of approved specific skill development and training services (Toronto Social Services, 2004). The overhauled framework includes substantially increased contract performance measures with regard to job placement and job retention and eliminates Community Placement as a separate program.

British Columbia

The Employment and Assistance Act and its companion the Employment and Assistance Act for Persons with Disabilities were passed in June 2002 by the Liberal government in B.C. Eligibility, benefits, and access to advocacy and appeals were significantly reduced. Documented proof of being “truly in need” increased for welfare claimants as did surveillance of assets and penalties for inaccurate reporting or non-compliance with employment plans. Total benefits were cut by as much as 40 percent per month. Parents whose youngest child was three years old were re-categorized as ‘temporary assistance’ cases and needed to seek employment. Post-secondary students were no longer eligible to apply for welfare unless disabled but able to attend full-time studies. Welfare offices and services were closed in dozens of communities. The Income

Assistance Advisory Board was abolished and the right to appeal denial or reduction of benefits was limited. Other policies and program changes meant most advocacy groups, women's centres, housing registries, and community law clinics that offer services to those on low-income had their provincial funding reduced in 2002, and eliminated by 2004 (Reistma-Street & Wallace, 2004).

The most drastic and qualitatively different changes in B.C.'s new welfare law and regulations are four types of time limits. First, there is the "three week wait" for welfare after making an official application during which claimants must continue to seek employment including those caring for children. Second, there is the "two-year independence test" meaning applicants, usually youth, must demonstrate they have worked 840 hours or earned at least \$7,000 CD in each of two consecutive years before applying, unless disabled, fleeing abuse or caring for children. Third, there is the "two years out of five" eligibility for welfare rule. Employable persons are to be cut off all assistance after two years of assistance, unless exemptions are permitted by officials, while employable parents who have claimed benefits for 24 months and whose youngest child is older than three years are to have monthly benefits reduced by at least \$100. Finally, there is the "lifetime ban on access to welfare for those convicted of welfare fraud." Ontario also passed a lifetime ban but the current Liberal government rescinded the ban following concerted public pressure. Unique to British Columbia, however, is its two year limit to benefits. Although all the provisions came into effect in September 2002, the two year time limit, named "the ticking welfare clock" by its opponents, started retroactively as of April 1, 2002 (Reitsma-Street & Wallace, 2004).

The Ministry of Human Resources contracts with nonprofit and for-profit service providers to implement several program components: Training for Jobs (skills training and employability training); Job Placement Program (employment); and Community Assistance Program (pre-employment services). The Training for Jobs and the Job Placement Program are both administered as performance-based contracts, with independence from social assistance as the critical milestone for agency payment. Employment services for persons with disabilities are also contracted through the Employment for Persons with Disabilities program.

Similar to evidence from the US and Ontario, more people are denied assistance than cut off. With the new laws, it is increasingly difficult to become eligible for welfare because of the three week wait, the two year independence tests, the asset tests, and the higher expectations for documented proof of eligibility (Reitsma-Street & Wallace, 2004). Also similar to changes in the US, BC significantly altered the assistance system for people with disabilities, tightening eligibility requirements (with the goal of moving recipients to “employable” status), re-assessing all current recipients, and limiting duration of assistance.

The Impact of Welfare State Restructuring on Nonprofit Organizations and the People They Serve in Two Provinces

Ontario

A number of local groups, including Toronto Neighbourhood Centres (2003, 2004), the Community Social Planning Council of Toronto (1997, 2004) as well as the City of Toronto’s Community and Neighbourhood Services unit (2004), have documented the impact of decreased government funding associated with welfare reform and other policy changes on nonprofit organizations in Ontario and Toronto. These studies report similar concerns to those raised by my interviewees.¹

The employment placement component of Ontario Works is administered through performance-based contracts. Agencies receive payment for employment placement, client by client, only upon successful outcomes. Similar to the findings of US studies (Curtis & Copeland, 2003; Sanger, 2003) performance-based funding has two main implications: first, it means that minimum client volumes are required to offset start-up and fixed costs, and second, the level of client job readiness is a critical element affecting program cost and likelihood of success (Lodzinski, 2000: 5). Many other provincial and federal government contracts and the other two components of OW were administered through “traditional” funding models, which provide start-up, delivery and other costs in a block format.

¹ I conducted interviews and observations at 13 nonprofit social service organizations in the Toronto area, including: Campaign 2000, Canadian Association of Food Banks, Daily Bread Food Bank, JVS Toronto, LAMP Community Health Centre, Ontario Network of Employment Skills Training Projects (ONESTEP), Operation Springboard, Opportunity for Advancement, St. Christopher House, St. Stephen’s Community House, Toronto Christian Resource Centre, Toronto Neighbourhood Centres, and YMCA of Toronto. I also interviewed staff of the Ontario Works program in the City of Toronto’s Social Services unit.

Financial analysis in an ONESTEP study indicated a range in the extent of cost recovery for OW among ONESTEP members. Agencies provided employment support services on a “break even basis” or attained a positive net position. The agencies that provided community placement did so at a deficit, while there was a considerable range in net positions for those that provided performance-based employment placement services, with higher volumes of clients and higher “success” rates resulting in positive net position (Lodzinski, 2000: 13). Similar to US studies, the provincial boom economy in the late 1990s was seen to contribute to the success of OW and the financial feasibility for some ONESTEP agencies to offer OW services.

In a subsequent study of 35 community-based training organizations in Ontario, Buchanan and Demchuk (2001) asked respondents to rank the extent to which their organizations felt negative impacts of government policy changes on aspects of their organization. A majority of managers felt that financial security was at least significantly at risk and near majorities found that strategic planning, staffing levels, and overall sustainability were at least significantly at risk (2001: 5).

A group of my interviewees were much more critical of the administration of the Ontario Works program in Toronto, its impact on their organizations, and its impact on their clients. Overall, interviewees said that OW performance-based funding prevented smaller, geographically or ethnically focused “grass roots” organizations from participating in OW. Larger organizations reported the need to internally subsidize OW work with funds from other sources. Several interviewees spoke about the advocacy chilling effect of the numerous and “draconian” Harris-era and some more recent OW changes. Some interviewees spoke negatively about the community placement (CP) component of Ontario Works, which they saw as a punitive requirement for clients that provided inadequate preparation for employment. Others saw the CP experience as valuable for clients, but complained about the administrative burden of reporting requirements and low (one-time) agency placement fee.²

Many interviewees said that the employment placement (EP) component was not sufficiently linked to local labor market conditions or the employment experiences of

² As noted earlier, as of July 2005, community placement is no longer a separate component of OW in Toronto, but may be included as a sub-component of other components (Toronto Social Services, 2004).

their OW clients. They also noted that prior to the 2005 OW changes in Toronto, job retention support, although specified as an EP milestone, was not reimbursed. In comparison with other government contracts, my interviewees were critical of the OW payment levels for skills training and employer subsidies and the types of training that OW supported. All of my interviewees reported that although initial OW operational and administrative questions and issues had been difficult, the program had evolved and matured. Some interviewees said that the community consultation process that preceded the recent OW changes had not taken their criticisms into account – “TSS listened to nothing.” Others reported ongoing communication problems with OW workers in attempting to resolve client-related issues. All of my interviewees noted that the recent Toronto OW RFP proposal requirements were time consuming and not easily understood.

A recent concern among my interviewees and other community-based social service organizations in Ontario is the spring 2005 provincial contract with the for-profit, BC based, WCG International to operate a “Jobs Now” employment placement program for OW clients in six Ontario locations, modeled on their Job Wave program in BC. There is suspicion (and some informal documentation) that the Jobs Now contract pays a much higher fee for employment placement than OW contracts with nonprofit organizations and that WCG’s operation of the Job Wave program in BC has not reached the performance levels claimed by the company. Recent competition from local school districts for skills training contracts was also mentioned by several interviewees. The move to increased accountability and performance based funding was seen as resulting from numerous federal, provincial and municipal government fiscal scandals which primarily involved for profit companies, while the new systems affect nonprofits more significantly.

British Columbia

Several local organizations and my interviews document the impact of welfare restructuring and other social policy changes on nonprofit and voluntary sector organizations in British Columbia.³ At the request of the Community Social Services

³ I conducted interviews and observations at 10 Vancouver area social service organizations, including: Association of Service Providers for Employability and Career Training (ASPECT), First United Mission Church, Greater Vancouver Food Bank Society, Kiwassa Neighborhood House, Mental Patients

Council, a forum for community services federations and provincial organizations, the Social Planning and Research Council of BC (SPARC of BC) conducted a study on the impacts of provincial government policy and funding level changes between 2001 and 2003 on the community social services sector, including multi-service organizations, women's services, child and family services, employment/training, community living, immigrant/refugee resettlement, child care and community/youth justice (Goldberg, 2004). The research found four levels of change: reduction in amount and source of funding, staff reductions and resulting morale and burnout issues, negative impacts on users of services due to benefit and eligibility cuts, and program and general funding cuts which affected their organizations.

The results of the SPARC study are consistent with those reported in other recent Canadian studies as well as my own interviews. A series of papers produced by the Community Social Planning Council of Greater Victoria documented that the following key impacts of provincial policy and funding shifts were reported by the surveyed community agencies: people seeking agency services were becoming more desperate and frustrated as cutbacks reduce their resources for meeting their survival needs; client programs and services were being reduced as a result of changed provincial ministry mandates; agencies were unable to do long-term planning in the face of continued funding uncertainty; the time and energy required for service provision and planning were being diverted to fundraising to enable agencies to continue essential services; fewer and more highly stressed staff were working harder; volunteer recruitment and retention were being negatively affected by cuts; and organizations' cost-cutting measures in response to actual or potential funding reductions were hampering service delivery (Community Social Planning Council of Greater Victoria, 2004, 2005).

In addition to the issues raised above, my interviews with nonprofit and voluntary sector organizations in the Vancouver area revealed that MHR's performance-based contracts for employment services for welfare clients are of some concern. In a recent briefing paper presented to the Ministry, ASPECT, a province-wide nonprofit association of service providers for employability and career training, made the following

Association, MOSAIC, Pacific Community Resources Society, Social Planning and Research Council of B.C, Trout Lake Community Center Food Depot, and West Burnaby United Church Food Depot.

recommendations: 1) expand funding for Community Assistance Programs for multi-barriered clients that focus on pre-employment skills; 2) adapt performance based contracts, using incremental measures, so that the performance milestones are in line with the goal of getting multi-barriered clients employed; 3) invest in assisting residents of rural communities (where service providers and employment may be scarce); 4) invest in programming for youth that includes a work experience component; 5) integrate services for persons with disabilities; and 6) eliminate impediments to employment for welfare clients by increasing transportation, child daycare, and personal (work clothing, haircuts, hygiene needs) benefits (ASPECT, 2004).

Similar to the US, performance-based contracts present particular problems for smaller organizations that are unable to cope with the infrastructure demands of delayed payments and resulting cash flow problems. ASPECT has attempted to overcome this disadvantage by serving as the fiscal/contract agent for several Training for Jobs and Job Placement Program contracts. In contrast to the US, where many states have expanded their earnings disregards, which allow recipients to combine employment and welfare assistance, MHR's employment milestone (and payment point) requires "independence" from social assistance. This is a challenge for many recipients and results in significant cash flow problems for agencies as the MHR system may not process this change for several months. Similar to the US, receiving program/contract referrals only from specific government workers can result in under participation in agency programs, with predictable financial consequences. Perceived lack of attention by MHR to contract administration is seen to have resulted from the widespread cuts to MHR staff and closing of MHR offices. Also similar to the US, organizational size also plays a role in competition among nonprofits and with for-profit employment service providers – GT Hiring Solutions (a large Canada based accounting firm) and WCG International, a large employment services provider that also has contracts in the US and Ontario – are recipients of MHR contracts. A third for-profit provider, KOPAR, is a small company based in Prince George, BC. ASPECT staff reported that GT Solutions and West Coast Group have also received large direct awards for "pilot programs," for which nonprofit providers were not eligible. Several interviewees were critical of the effectiveness of the for-profit contractors' programs and stated that many of their clients had previously been

assigned by MHR workers to a for-profit contractor's program and did not secure employment. Recently ASPECT has begun to work with these for-profit providers to discuss common contract issues, such as payment schedules, the premature closing of client files, and ratcheting back payments.

Several interviewees noted that the reliance of government on contractors has generated the a negative perception that the nonprofit and voluntary sector is now an "arm of government" and that agencies are delivering programs with many punitive conditions for recipients. This concern was also stated by recipient interviewees at several local food depots. Some of my agency interviewees were critical of several large, local nonprofits that would not allow clients who had not been referred by MHR to participate in their programs (because of how they were paid for services) and referred to them as "extensions of the welfare system." Other interviewees spoke passionately about how the Liberal government has not only downloaded responsibility for a legislated mandate (employment assistance for welfare recipients) but has also downloaded the liability for these programs to the voluntary sector.

Conclusion

Some welfare state typologies classify Canada and the US as "liberal" welfare regimes, characterized by means-tested benefits and a residual role for the state (Esping-Anderson, 1990, Myles, 1996), while others distinguish between Canada and the US on the extent to which they follow a rights-based model, in which benefits are determined by citizenship; a social insurance model, in which benefits are determined by contributions; or a residual model, in which benefits are determined by need (Ware & Goodwin, 1990).

Neoliberal welfare state restructuring, characterized by devolution to nonprofit and voluntary sector service providers, tightened eligibility requirements, and movement of those receiving social assistance into the paid labor force, has resulted in more apparent similarities in social programs in the two countries. Many analysts see a convergence of US and Canadian social welfare policies and programs, based on beliefs in personal responsibility, minimal government, and individual self-sufficiency in a "free market economy" as underlying recent welfare restructuring. Despite these similarities, one of the major Canadian analysts of the welfare state argues that "Social programs have become an integral part of Canadians' sense of identity, part of their conviction that they

have created something different on the northern half of the continent” (Banting, 1997: 267).

Neoliberal welfare restructuring assigns a key role to the nonprofit sector as an agent of the state in the production and delivery of “public goods.” The contract relationship which is being developed between the state and nonprofit organizations, however, is serving to transform the nonprofit sector, moving it away from its core mission, commercializing the sector’s operations, and compromising its autonomy. These developments have profound implications for inclusive citizenship, the health of civil society, the development of social capital, and the enhancement of social cohesion (Evans & Shields, 2000).

The nonprofit and voluntary sector plays a well documented role in the US welfare state and until recently a less documented role in Canada. In Canada and the US nonprofit and voluntary sector organizations are seen as part of a growing secondary welfare system which has emerged as the nonprofit and voluntary sector has assumed an increasing proportion of the responsibilities formerly met by public social services (Abramovitz, 2002; Bischoff & Reisch, 2000; Burnley, Matthews, & McKenzie, 2005; Curtis & Copeland, 2003; Withorn, 2001). The core values and practices associated with the Keynesian welfare state flowed from the concepts of “state” and “citizen.” In contrast, “market” and “individual” are the hallmarks of Neoliberalism. In practice, this translates into a policy framework and political culture based on the notion of self-reliance and competition. As the state removes itself from providing a social safety net, others are called upon to assist with legitimating this process of disengagement and to provide residual services.

To this end, the nonprofit sector occupies a strategically central place in the reshaping of state-market relations – of contributing to the legitimization of the market society. In essence, the successful transformation to a market society requires that human needs, typically addressed through social policy and programs, become de-politicized facilitating what is referred to in Canada as the “downloading” or “offloading” of such programs to the nonprofit sector. The process of social policy de-politicization is predicated on disentangling policy development, that is, strategic consideration of who will get what and how, from the delivery of such public goods and services.

The Neoliberal appeal to community and charity as the new basis for public welfare is seen by some nonprofits in both countries as a ruse to dismantle the state and disempower citizens (Abramovitz, 2002; Evans & Shields, 2000; Reitsma-Street & Wallace, 2004). They see the resort to charity as increasingly having become a “moral safety valve.” In the context of Neoliberal restructuring, the promotion of charity makes “it easier to government to shed its responsibility for the poor, reassuring policy makers and voters alike that no one will starve. ... It is not an accident that poverty grows deeper as our charitable response to it multiply” (Poppendiek (1998:5-6).

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