

THE
CANADIAN NONPROFIT
and
VOLUNTARY SECTOR
in
COMPARATIVE
PERSPECTIVE

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FOREWORD

The findings presented in this report emerge from a body of work carried out by Imagine Canada (formerly the Canadian Centre for Philanthropy) as part of the Johns Hopkins Comparative Nonprofit Sector Project. The aim of this project is to close the gaps in basic knowledge about the nonprofit or civil society sector, and to shed light on the reasons for the significant disparities that exist in the size, composition, financing, and role of the sector in various countries and regions. To do this, the project has recruited Local Associates in more than 40 countries and formulated a common set of definitions and methodological approaches designed to yield a systematic body of comparative data. The work in Canada was guided by the conceptual and methodological approaches developed in this project.¹

Canada's participation in the Johns Hopkins Comparative Nonprofit Sector Project augments three other major initiatives already underway in Canada to expand our understanding of the nonprofit and voluntary sector: the National Survey of Nonprofit and Voluntary Organizations (NSNVO),² the 2000 National Survey of Giving, Volunteering and Participating (NSGVP),³ and the Satellite Account of Nonprofit Institutions and Volunteering.⁴ This report uses results from these studies along with data generated by the Johns Hopkins Comparative Nonprofit Sector Project on 36 other countries. The result is the first empirical overview of the Canadian nonprofit and voluntary sector and the first systematic comparison of the Canadian nonprofit and voluntary sector with similar sectors elsewhere in the world.

Funding the Canadian component of the Johns Hopkins Project was provided by the Government of Canada as part of the Voluntary Sector Initiative (VSI). The VSI is a joint undertaking between the Government of Canada and the voluntary sector to enhance their relationship and strengthen the sector's capacity to serve Canadians. As part of this initiative, the government and the voluntary sector are working together to address a number of issues, including funding practices, policy dialogue, technology, volunteerism, and research about the sector.⁵

¹ The Johns Hopkins Project was directed by Lester M. Salamon and the work in Canada was overseen by S. Wojciech Sokolowski. The work in Canada was coordinated by Michael Hall.

² See Michael H. Hall et al., *Cornerstones of Community: Highlights of the National Survey of Nonprofit and Voluntary Organizations*, Catalogue no. 61-533-XPE (Ottawa: Statistics Canada, 2004).

³ See Michael H. Hall, Larry McKeown and Karen Roberts, *Caring Canadians, Involved Canadians: Highlights from the 2000 National Survey of Giving, Volunteering and Participating*, Catalogue no. 71-542-XPE (Ottawa: Statistics Canada, 2001).

⁴ See Malika Hamdad, Sophie Joyal and Catherine Van Rompaey, *Satellite Account of Nonprofit Institutions and Volunteering*, Catalogue no. 13-015-XIE (Ottawa: Statistics Canada, 2004).

⁵ For more information on the VSI, visit www.vsi-isbc.ca.

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EXECUTIVE SUMMARY

Because of its long tradition of relying on nonprofit and voluntary organizations to address the needs and interests of its population, Canada has one of the largest and most vibrant nonprofit and voluntary sectors in the world. It encompasses “service delivery” organizations in areas such as health, education, social services, community development and housing, as well as those that serve “expressive” functions in arts and culture, religion, sports, recreation, civic advocacy, environmental protection, and through business, labour, and professional associations. Data from research conducted in Canada and 36 other countries that have participated in the Johns Hopkins Comparative Nonprofit Sector Project show that Canada’s nonprofit and voluntary sector has a number of unique features.

The nonprofit and voluntary sector is an economic force in Canada. It accounts for 6.8 percent of the nation’s gross domestic product (GDP) and, when the value of volunteer work is incorporated, contributes 8.5 percent of the GDP. If one sets aside the one percent of organizations that are hospitals, universities, and colleges, the remaining organizations contribute 4.0 percent of the nation’s GDP.

Nonprofit and voluntary organizations employ 12 percent of Canada’s economically active population, and provide 13 percent of its non-agricultural employment. Excluding the one-third of paid employees working for hospitals, colleges, and universities, the sector still employs nine percent of the economically active population and provides 10 percent of the non-agricultural employment. The entire nonprofit and voluntary sector engages nearly as many full-time equivalent workers as all branches of manufacturing in the country.

Canada’s nonprofit and voluntary sector is the second largest in the world when expressed as a share of the economically active population. It relies more on the efforts of paid employees than sectors in other countries. However, the absolute amount of volunteer effort exceeds both the average for developed countries and the overall international average, although it trails that of countries such as Sweden, Norway, the United Kingdom, and the United States.

Service activities are a more dominant feature of nonprofit and voluntary organizational activity in Canada than is the case elsewhere. About 74 percent of all Canadian nonprofit and voluntary sector workers (both paid and volunteer) are engaged in the delivery of direct services such as education, health, and housing (compared to 64 percent internationally). Health organizations employ a much larger percentage of workers in Canada than is the case in other countries. Overall, there are fewer individuals involved with organizations supporting expressive activities (e.g., arts, culture, religion, sports, recreation).

Turning to how organizations are financed, Canadian nonprofit and voluntary organizations receive more revenue from government than do those in other countries. This pattern is primarily attributable to the influence of hospitals, universities, and colleges. When these organizations are set aside, fees are the dominant source of revenue, followed by government payments.

Government funding is particularly prominent in the fields of health, education, and social services reflecting the special form that the welfare state has taken in Canada and echoing what is found in a number of European countries. Government support also plays a prominent role in the funding of civic and advocacy organizations. Fee income dominates in the remaining fields.

Philanthropy accounts for nine percent of total nonprofit and voluntary organization income and represents 20 percent when the value of volunteer input is included. It is the main source of support

in the field of environmental protection, and the second-largest source for foundations, culture and recreation, and social services organizations. The amount philanthropy contributes is less than the developed country average (28 percent).

In many ways, Canada's nonprofit and voluntary sector resembles the sectors of a group of countries that display a "welfare partnership model" of civil society development (the Netherlands, Belgium, France, Germany, and Ireland) having a similarly high level of government funding and a predominance of service activities. However, Canada differs along some important dimensions. It retains a stronger volunteer presence than welfare partnership countries and enjoys a level of private philanthropic support more in line with countries that display an "Anglo-Saxon model" of development (Australia, United States, United Kingdom). Canada thus represents an amalgam between the welfare partnership and Anglo-Saxon models.

Despite its significant role in Canadian life, the nonprofit and voluntary sector faces a number of issues that may affect its future vitality. Many organizations report difficulties fulfilling their missions because of problems planning for the future, recruiting volunteers and board members, and obtaining funding from governments and private philanthropy. Most of those that rely on external funding from governments, corporations, and foundations report serious problems. Much of this can be attributed to the challenges they have had adjusting to changes arising from the substantial retrenchment of the Canadian state that occurred in the 1990's.

Organizations report that government funding has become more short-term, more competitive, and less predictable with support being targeted to programs and projects and little funding available to support overall organizational capacity. At the same time, the administrative burden associated with acquiring funding, reporting on funding, and mandated collaborations is increasing. As a result, organizations and the people who work and volunteer with them are under considerable strain. Moreover, the ability of organizations to identify and respond to needs earlier, more quickly, and often more innovatively than government appears to be eroding.

At the same time, Canadians may have reached the limits of their willingness to support nonprofit and voluntary organizations with the donations of their time and money. Although charities enjoy a high level of public trust and credibility, the number of volunteers appears to be declining and the number of donors is not growing.

Considering the future of Canada's nonprofit and voluntary sector it is important to recognize its increasingly bifurcated nature. The character of the sector may be changing because, in the current funding environment, the larger, more professionalized, and well-resourced organizations have substantial competitive advantages over the smaller, mostly volunteer-operated ones.

Taking the broad view, the lack of a coherent policy framework in Canada for its nonprofit and voluntary sector may be one of the biggest constraints to its future development. Compared to the many initiatives that have been developed to support Canadian businesses, little has been done to improve the capacity of the nonprofit and voluntary sector to deliver social and economic benefits.

Canada is only beginning to understand how it can make the most of the civil society assets it has created. Two key questions remain unanswered. What social and economic contributions is its nonprofit and voluntary sector best able to provide? And, how can it best be enabled to make these contributions? However, current public attitudes and government interest suggest that Canada is well-positioned to reap the benefits that a vibrant civil society can provide.

INTRODUCTION

1

Canada has a long tradition of relying on nonprofit and voluntary organizations to address the needs and interests of its highly diverse population. This reliance had its beginnings in the voluntary activity of Canada's Aboriginal peoples, was formalized by the first French and English settlers, and grew with the arrival of immigrants from around the world. In the 20th century, the Canadian state built on these foundations by turning to nonprofit and voluntary organizations to deliver state-funded services. As a consequence, Canada has one of the largest and most vibrant nonprofit and voluntary sectors in the world, encompassing both service-providing agencies working in health, education, and the social services, as well as expressive organizations providing cultural, religious, and recreational activities. The main source of support for these organizations is not charity, as commonly believed. Rather, for the sector as a whole, the most important revenue source is government grants and reimbursements; and if, one excludes hospitals, universities, and colleges, the most important revenue source is earnings from fees and service charges.⁶

This report presents the major descriptive findings of this work in Canada and compares them to results from 36 countries covered by the Johns Hopkins Comparative Nonprofit Sector Project. It also outlines the major historical developments that shaped the contours of the sector and discusses legal and political issues faced by the sector today. To do so, the discussion here falls into five major parts. Chapter 2 provides an overview of the general definition and approach that guided the work. Chapter 3 summarizes the major empirical findings of the work in Canada and compares the Canadian findings to those in the other countries for which data are now available. Chapter 4 briefly examines the historical factors that lie behind these findings. Chapter 5 then outlines recent government policy towards this set of institutions and identifies some of the challenges nonprofit institutions face. Finally, Chapter 6 draws some conclusions from the data presented here and outlines the implications of the findings.

⁶ Fees and service charges do not include payments received from any level of government.

DEFINITIONS AND APPROACH: AN OVERVIEW

DEFINING THE NONPROFIT SECTOR

To be able to compare Canadian nonprofit and voluntary sector realities to those elsewhere in a reliable way, the Johns Hopkins Project began by formulating a common definition of the entities this sector contains. For a variety of reasons, none of the existing definitions of the nonprofit sector—which focused, respectively, on the sources of organizational income, on legal status, and on organizational purposes—seemed appropriate for the kind of cross-national analysis we were conducting.⁷ Accordingly, the project adopted an inductive approach to defining the nonprofit and voluntary or civil society sector, building up our definition from the actual experiences of the broad range of countries embraced within our project. In particular, Local Associates, including those in Canada, were asked to produce a roadmap of the kinds of entities that would reasonably be included in the civil society sector in their respective countries. These roadmaps were then compared to see where they overlapped and to identify the basic characteristics of the entities that fell into this overlapping area. Finally, the “grey areas” that existed on the fringes of this core concept were noted and a process created for Local Associates to consult with the core staff to determine how to treat entities that occupied these grey areas.

STRUCTURAL-OPERATIONAL DEFINITION

Out of this process emerged a consensus on five structural-operational features that defined the entities at the centre of our concern. For the purpose of this project, therefore, the civil society sector is composed entities that are:

- *Organized*, i.e., they have some structure and regularity to their operations, as reflected in regular meetings, a membership, and procedures for making decisions that participants recognize as legitimate, whether they are formally constituted or legally registered or not. This means that our definition embraces informal groups as well as formally registered ones.
- *Private*, i.e., they are institutionally separate from the government, even though they may receive support from governmental sources. This feature differentiates our approach from existing economic definitions because these definitions exclude organizations from the civil society sector if they receive significant public sector support.
- *Not profit-distributing*, i.e., they are not primarily commercial in purpose and do not distribute profits to a set of directors, stockholders, or managers. Civil society organizations can generate “profits” in the course of their operations, but any such surpluses must be reinvested in the objectives of the organization. This criterion serves as a proxy for the “public purpose” criterion used in some definitions of civil society, but it does so without having to specify in advance and for all countries what valid “public purposes” are. Rather, it leaves these decisions to the people involved, on the theory that if there are people in a country who voluntarily support an organization without hope of receiving a share of any profit the organization generates, it is very likely that there is some public purpose to the organization. This criterion also usefully differentiates civil society organizations from for-profit businesses.

⁷ For further detail on these alternative definitions and their limitations, see Lester M. Salamon and Helmut K. Anheier, “In Search of the Nonprofit Sector: The Question of Definitions,” in Lester M. Salamon and Helmut K. Anheier, eds., *Defining the Nonprofit Sector: A Cross-National Analysis* (Manchester, U.K.: Manchester University Press, 1997).



- *Self-governing*, i.e., they have their own mechanisms for internal governance, are able to cease operations on their own authority, and are fundamentally in control of their own affairs.
- *Voluntary*, i.e., membership or participation in them is not compulsory or coerced. This criterion also helps relate the definition to the concept of public purpose, but in a way that allows each country's citizens to define for themselves what they consider to be a valid public purpose by virtue of their decisions to take part on their own initiative in the organizations affected.

These five features define a civil society sector that is quite broad, encompassing *informal* as well as *formal* organizations, *religious* as well as *secular* organizations,⁸ organizations with paid staff and those staffed entirely by volunteers, and organizations performing essentially *expressive* functions—such as advocacy, cultural expression, community organizing, environmental protection, promotion of human rights, religious expression, representation of interests, and political expression—as well as those performing essentially *service* functions—such as the provision of health, education, or welfare services. Obviously, like any definition, this one cannot eliminate all grey areas or borderline cases. As these have been identified, efforts have been made to interpret them in the context of the basic thrust of the definition, and clarifications have been issued as appropriate. Thus, for example, the “not profit-distributing” criterion was included to differentiate civil society organizations from private business firms, as well as from the large-scale co-operative and mutual enterprises that dominate the banking and insurance industries in many European countries. But, when it became clear that this criterion inadvertently threatened to exclude as well an important class of community-based co-operatives serving essentially anti-poverty purposes in Latin America and elsewhere in the world, language was added to make clear that the latter institutions could be included.

APPLICABILITY TO CANADA

The structural-operational definition of the nonprofit or civil society sector fits Canadian reality quite well. Consistent with this definition, the nonprofit and voluntary sector in Canada is very broadly conceived, embracing service-providing organizations that supplement or complement public services in such areas as health, education, social welfare, and culture, and organizations that offer mechanisms through which individuals can join together to address community needs, participate in political life, and pursue individual and group interests.

In Canada, many terms are used to describe this set of organizations, including voluntary sector, nonprofit sector, charitable sector, third sector, civil society sector, and community-based organizations. We have chosen to use the term “nonprofit and voluntary,” because it avoids both a narrow focus on economic contributions and unrealistic assumptions regarding the nature of labour participation in the sector.⁹ We will use this term when discussing Canadian realities throughout this report, although the term will be used interchangeably with the terms “civil society organizations” and “civil society sector” when discussing broader international realities.

⁸ Religious organizations can take at least two different forms: (1) places of religious worship, and (2) service organizations, such as schools and hospitals with a religious affiliation. Both of these are included within the project's definition of a civil society organization, though, as noted below, where it was possible to differentiate the two, the religiously affiliated service organizations were grouped together with other service organizations in the relevant field and the religious worship organizations were identified separately. Not all countries were able to collect information on religious worship organizations, however.

⁹ For a discussion of these terms and a rationale for using this term, see Angela R. Febbraro, Michael H. Hall and Marcus Parmegiani, *The Voluntary Health Sector in Canada: Developing a Typology—Definition and Classification Issues* (Ottawa: Canadian Centre for Philanthropy, Canadian Policy Research Networks, Coalition of National Voluntary Organizations, and Health Canada, 1999).

DEFINITIONS AND APPROACH: AN OVERVIEW

2

The legal position of nonprofit and voluntary organizations in Canada is complicated by the country's federal structure and by the presence of two distinct legal systems—a common law system at the federal level and in most of the provinces, and a civil law system in Quebec, which was settled by the French and remains predominantly French both culturally and linguistically. As a general rule, the formation, operation, and dissolution of nonprofit and voluntary organizations is governed by provincial law, and the granting of special “charitable” status, which brings with it eligibility to offer tax incentives to donors and access to foundation funding, is handled at the federal level.

The five criteria of the “structural-operational definition” of the civil society sector utilized in the Johns Hopkins Project define the broad contours of the nonprofit and voluntary sector in Canada reasonably well. Canadian nonprofit and voluntary organizations can be formally incorporated or unincorporated, but they are typically thought of as “organizations” in the sociological meaning of that term.¹⁰ They are also considered part of the “private” sector, even though many receive significant public sector support, as will be noted more fully below, and operate within the boundaries of government regulation. These organizations are also restricted from distributing any surplus to their directors or officers and are expected to be self-governed by their own boards of directors.

As in the United Kingdom and the United States, with which Canada shares a common legal background, two broad classes of nonprofit and voluntary organizations exist in Canada: charitable and non-charitable. Charitable organizations must be formally registered as such with the Canada Revenue Agency. Eligibility for charitable registration status requires that the major purpose of an organization be restricted to one of the following activities: the relief of poverty, the advancement of education, the advancement of religion, or other purposes of a charitable nature beneficial to the community as a whole, including health. A broad range of other nonprofit organizations, such as social clubs, professional organizations, and recreational associations, also form part of the nonprofit and voluntary sector in Canada. These organizations, however, are not eligible for charitable status and the special tax advantages it brings.

Quite apart from their charitable status, Canadian nonprofit and voluntary organizations can be either formally incorporated or unincorporated. The principal difference between the incorporated and unincorporated organizations is that the latter lack the liability protections that incorporation affords the officers and members of the former.

Only two significant issues arise in applying the five defining features of the civil society sector to Canada, and both are resolvable. The first concerns the “private” criterion. Because Canadian hospitals, residential care facilities, higher education institutions, and social service agencies are heavily publicly funded and extensively regulated by government, they are frequently referred to as quasi-governmental organizations. Furthermore, their ability to govern themselves is not absolute, as the government has the power to dissolve, amalgamate, or prevent the dissolution of institutions in many of these spheres. Despite this, however, we believe that these organizations are appropriately considered part of the nonprofit and voluntary sector because they are generally governed by volunteer boards and benefit from substantial volunteer efforts. They therefore meet the Project's criterion of being “institutionally separate” from government.

¹⁰ See Lester M. Salamon, S. Wojciech Sokolowski and Regina List, “Global Civil Society: An Overview,” in Lester M. Salamon, S. Wojciech Sokolowski and Associates, *Global Civil Society: Dimensions of the Nonprofit Sector*, Volume Two (Bloomfield, CT: Kumarian Press, 2004), p. 9.



The second issue concerns the structural-operational definition in the context of Quebec, where organizations have evolved on a “social economy model.”¹¹ Under this model, co-operative organizations that distribute benefits to shareholders without the goal of profit maximization also belong to the nonprofit and voluntary sector. Such organizations do not meet the international definition of the Johns Hopkins Project, which excludes organizations that distribute profits, unless they serve community development purposes. A small number of co-operatives were included in this study. Most of them are small, community-based initiatives that provide services such as child care, housing, and community-based farm marketing. These co-operatives may allow members to hold shares in the organization, but typically do not seek to maximize profits.

CLASSIFYING NONPROFIT AND VOLUNTARY ORGANIZATIONS

To portray the composition of Canada’s nonprofit and voluntary sector and compare it to its counterparts in other countries, it was necessary to supplement this common definition of the sector with a classification system for differentiating among organizations within the sector. For this purpose, the Johns Hopkins Comparative Nonprofit Sector Project started with the existing International Standard Industrial Classification (ISIC) used in most international economic statistics, but elaborated on it to be able to capture the diversity of the civil society sector. Thus, for example, the broad health and human services category of ISIC was broken into a number of subcategories to differentiate the many health and human-service activities that exist in the civil society sector. So, too, a special “development” category was added to accommodate the “nongovernmental organizations,” or NGOs, common in the developing world. These organizations pursue a broad range of development purposes and often utilize an empowerment strategy that blends service and expressive functions.

Out of this process emerged an International Classification of Nonprofit Organizations (ICNPO) that, as shown in Table 1, identifies 12 different categories of civil society organization activity. Included here are essentially service functions (which include education and research; community development and housing; health care; and social services) as well as more “expressive” functions (which include civic and advocacy functions; arts, culture, and recreation functions; environmental protection; and business, labour, and professional representation). Each of these categories in turn is further subdivided into subcategories (see Appendix A for a further specification of the resulting classification system).

Table 1. International Classification of Nonprofit Organizations*

Code	Field	Code	Field
1	Culture and recreation	7	Civic and advocacy
2	Education and research	8	Philanthropic intermediaries
3	Health	9	International
4	Social services	10	Religious congregations
5	Environment	11	Business and professional, unions
6	Development and housing	12	Not elsewhere classified (n.e.c.)

*See Appendix A for additional details.

¹¹ For a discussion on the social economy model in the Canadian context, see William A. Ninacs, *A Review of the Theory and Practice of Social Economy/Économie Sociale in Canada*, SRDC Working Paper Series 02-02, 2002. Available on-line at http://www.srdc.org/english/publications/Social_Economy.pdf; Jack Quarter, *Canada's Social Economy: Co-operatives, Non-Profits, and Other Community Enterprises* (Toronto: James Lorimer & Company, 1992). Yves Vaillancourt and Louise Tremblay, eds., *Social Economy: Health and Welfare in Four Canadian Provinces* (Halifax: Ferwood Publishing, 2002).

This classification system, too, was tested against Canadian realities and found to work. At the same time, because of data limitations, it was not possible to fully differentiate the Canadian nonprofit and voluntary sector at the ICNPO sub-group level. Consequently, the data reported here are classified only by the 12 major ICNPO groups, which is consistent with the reporting format used for most other countries covered by the Johns Hopkins Project.

DATA SOURCES

The work in Canada adheres to the basic data assembly approach utilized by the Johns Hopkins Comparative Nonprofit Sector Project. This approach specifies a common set of target data items and then relies on Local Associates to decide how to gather the needed information in each country. This ensures a reasonable degree of comparability between the data generated on the nonprofit and voluntary sector in Canada and its counterparts in other countries.

In Canada, three sources of data were used. The principal data source was the National Survey of Nonprofit and Voluntary Organizations (NSNVO). The NSNVO, which was conducted by Statistics Canada in 2003, collected data from approximately 13,000 incorporated nonprofit organizations. The NSNVO excludes grassroots organizations or citizens' groups that are not formally incorporated or registered with provincial, territorial, or federal governments. It also excludes some registered charities that are considered to be public sector agencies (e.g., school boards, public libraries, and public schools).¹² Unless otherwise stated, data presented in this report are derived from the NSNVO.

The other two sources of data were the 2000 National Survey of Giving, Volunteering and Participating (NSGVP) and the Satellite Account of Nonprofit Institutions and Volunteering. The 2000 NSGVP provided data on volunteer hours. This survey, which was conducted by Statistics Canada, asked more than 14,000 Canadians about the ways in which they support one another and their communities through their involvement in giving, volunteering, and participating.¹³ The Satellite Account of Nonprofit Institutions and Volunteering provided data on the nonprofit and voluntary sector's contribution to the nation's gross domestic product. The satellite account ensures that information on the economic contributions of the nonprofit and voluntary sector are collected as part of the Canadian System of National Accounts.¹⁴

For a detailed description of the methodology used for the NSNVO, 2000 NSGVP, and the satellite account, see Appendix B.

¹² See Michael H. Hall et al., *Cornerstones of Community: Highlights of the National Survey of Nonprofit and Voluntary Organizations*, Catalogue no. 61-533-XPE (Ottawa: Statistics Canada, 2004).

¹³ See Michael H. Hall, Larry McKeown and Karen Roberts, *Caring Canadians, Involved Canadians: Highlights from the 2000 National Survey of Giving, Volunteering and Participating*, Catalogue no. 71-542-XPE (Ottawa: Statistics Canada, 2001).

¹⁴ See Malika Hamdad, Sophie Joyal and Catherine Van Rompaey, *Satellite Account of Nonprofit Institutions and Volunteering*, Catalogue no. 13-015-XIE (Ottawa: Statistics Canada, 2004).

PRINCIPAL FINDINGS

3

With the inclusion of Canada, systematic, comparative data on the scope and structure of the nonprofit sector have been generated through the Johns Hopkins Project on 37 of the more than 40 countries in which this work is proceeding.¹⁵ Included here are 17 advanced, industrial countries spanning North America, Western Europe, and Asia; 15 developing countries spread across Latin America, Africa, the Middle East, and Asia; and five transitional countries of Central and Eastern Europe.¹⁶ This gives the project a wide range of experiences to put the Canadian experience into context.

In this section, we examine the principal empirical findings from Canada and put them in context to the comparative results generated in these other countries. At times, we note the differences that are obtained in our findings when hospitals, universities, and colleges are excluded from the analysis. Although these organizations represent only a small percentage of the sector (about one percent of all organizations), they dominate economic statistics because they account for a third of all revenues and a third of paid staff. A very different picture of the Canadian nonprofit and voluntary sector often emerges when the influence of hospitals, universities, and colleges is removed.

The figures reporting the total size of the nonprofit and voluntary sector include both religiously affiliated service organizations (such as schools or social service centres) and religious worship organizations (i.e., churches, synagogues, or mosques). The latter were excluded from the cross-national comparisons, however, because data on these organizations could not be gathered for some of the countries included in these comparisons.¹⁷ This means that the comparative figures presented in this report for Canada may differ from those published elsewhere that include religious worship organizations.

A SIGNIFICANT ECONOMIC FORCE

Perhaps the most striking finding of this inquiry into the scope, structure, financing, and role of the nonprofit and voluntary sector in Canada is the sector's enormous size and economic significance. In particular, as shown in Table 2, the Canadian nonprofit and voluntary sector is:

- **A major contributor to economic activity.** As of 1999, the Canadian nonprofit and voluntary sector made a net contribution to the country's output of \$61.8 billion (Canadian), which is equivalent to 6.8 percent of the nation's gross domestic product (GDP). This standard measure of economic "value added" does not include the value of volunteer effort, estimated at approximately \$14 billion, or 1.4 percent of GDP. With the value of volunteer work included, the sector's total contribution to GDP is 8.5 percent (see Table 2). Setting aside hospitals, universities, and colleges, the remaining organizations accounted for 46 percent of the nonprofit sector's contribution to GDP and contributed goods and services valued at \$34.7 billion, which is equivalent to 4.0 percent of the nation's GDP.¹⁸

¹⁵ Data on the size of the workforce by activity area are available for only 34 countries. Revenue data are available for 35 countries.

¹⁶ As of May 2004, four of the five Eastern European countries covered by this project (Czech Republic, Hungary, Poland, and Slovakia) had become members of the European Union (EU), and Romania is expected to join in 2007. We describe these countries as "transitional" because the data we gathered cover the time period between their exit from the Soviet bloc and their EU accession.

¹⁷ For a more detailed discussion of this topic, see Lester M. Salamon, S. Wojciech Sokolowski and Associates, *Global Civil Society: Dimensions of the Nonprofit Sector*, Volume Two (Bloomfield, CT: Kumarian Press, 2004), p.14.

¹⁸ This information is based on figures released by Statistics Canada's Satellite Account of Nonprofit Institutions and Volunteering, which covers the years 1997 to 1999. The data on standard GDP reported here are for 1999, while the value of volunteer work is for 1997. The value of volunteer effort was computed by assigning to the volunteer hours an hourly wage equivalent to that of community workers. For a discussion of this procedure, see United Nations, *Handbook on Nonprofit Institutions in the System of National Accounts* (New York: 2003), pp. 69-79.

PRINCIPAL FINDINGS

Table 2. The nonprofit and voluntary sector in Canada*

With hospitals, universities, and colleges

\$75.9 billion added to national economy¹

8.5% of the GDP

2,073,032 full-time equivalent workforce

1,524,032 full-time equivalent paid employees

549,000 full-time equivalent volunteers

12.1% of the economically active population

13.2% of nonagricultural employment

Without hospitals, universities, and colleges

\$34.7 billion added to national economy¹

4.0% of the GDP

1,541,345 full-time equivalent workforce

1,016,856 full-time equivalent paid employees

524,489 full-time equivalent volunteers

9.0% of the economically active population

10.2% of nonagricultural employment

* Including religious worship organizations and volunteering (see text for details)

¹ 1997-1999 figures (see text for details)

Source: Johns Hopkins Comparative Nonprofit Sector Project, Satellite Account of Nonprofit Institutions and Volunteering, 2000 National Survey of Giving, Volunteering and Participating, National Survey of Nonprofit and Voluntary Organizations

• **A significant employer.** Canadian nonprofit and voluntary organizations employ over 2 million full-time equivalent (FTE) workers, two-thirds in paid positions and the remainder as volunteers.¹⁹ This represents about 12 percent of the country's economically active population, and about 13 percent of its nonagricultural employment.

The sector continues to be a significant employer even after excluding the one-third of paid nonprofit employees who work for hospitals, universities, and colleges. Remaining organizations employ over 1.5 million full-time equivalent (FTE) workers, which represents nine percent of the country's economically active population and about 10 percent of its non-agricultural employment.

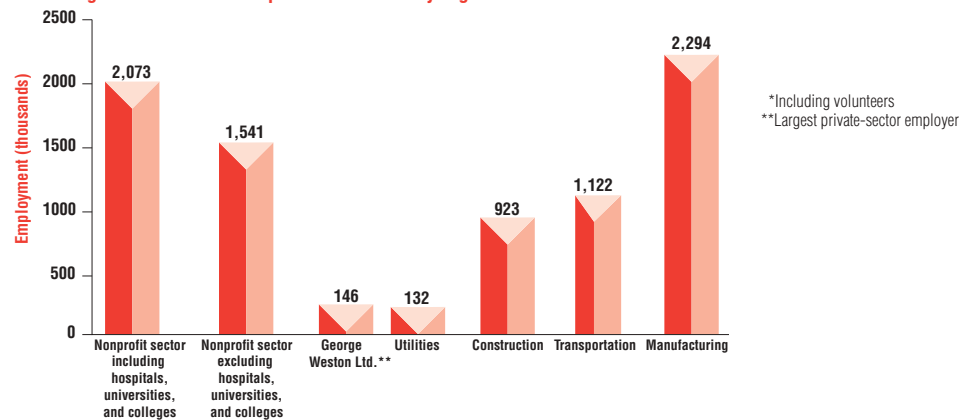
• **As significant an employer as the country's entire manufacturing industry.** As shown in Figure 1, Canada's nonprofit and voluntary sector employs almost two-and-one-half times as many workers as the country's construction industry, roughly twice as many workers as its transportation industry, 14 times as many people as Canada's largest private-sector employer, and 15 times as many people as its utilities industry. In fact, the country's nonprofit and voluntary organizations engage nearly as many full-time equivalent workers (2.073 million) as all branches of manufacturing in the country (2.294 million).



¹⁹ Data on volunteer contributions are taken from the 2000 National Survey of Giving, Volunteering and Participating.



Figure 1. Canada's nonprofit and voluntary organization workforce in context*



Source: 2000 National Survey of Giving, Volunteering and Participating; National Survey of Nonprofit and Voluntary Organizations; International Labour Organization; Report on Business Top 1000, The Globe and Mail

Even excluding the one-third of paid nonprofit employees who work for hospitals, universities, and colleges, the Canadian nonprofit and voluntary sector still employs one-third more workers than the transportation industry, more than one-and-one-half times as many workers as the country's construction industry, 11 times as many people as Canada's largest private-sector employer, and 12 times as many people as the utilities industry.

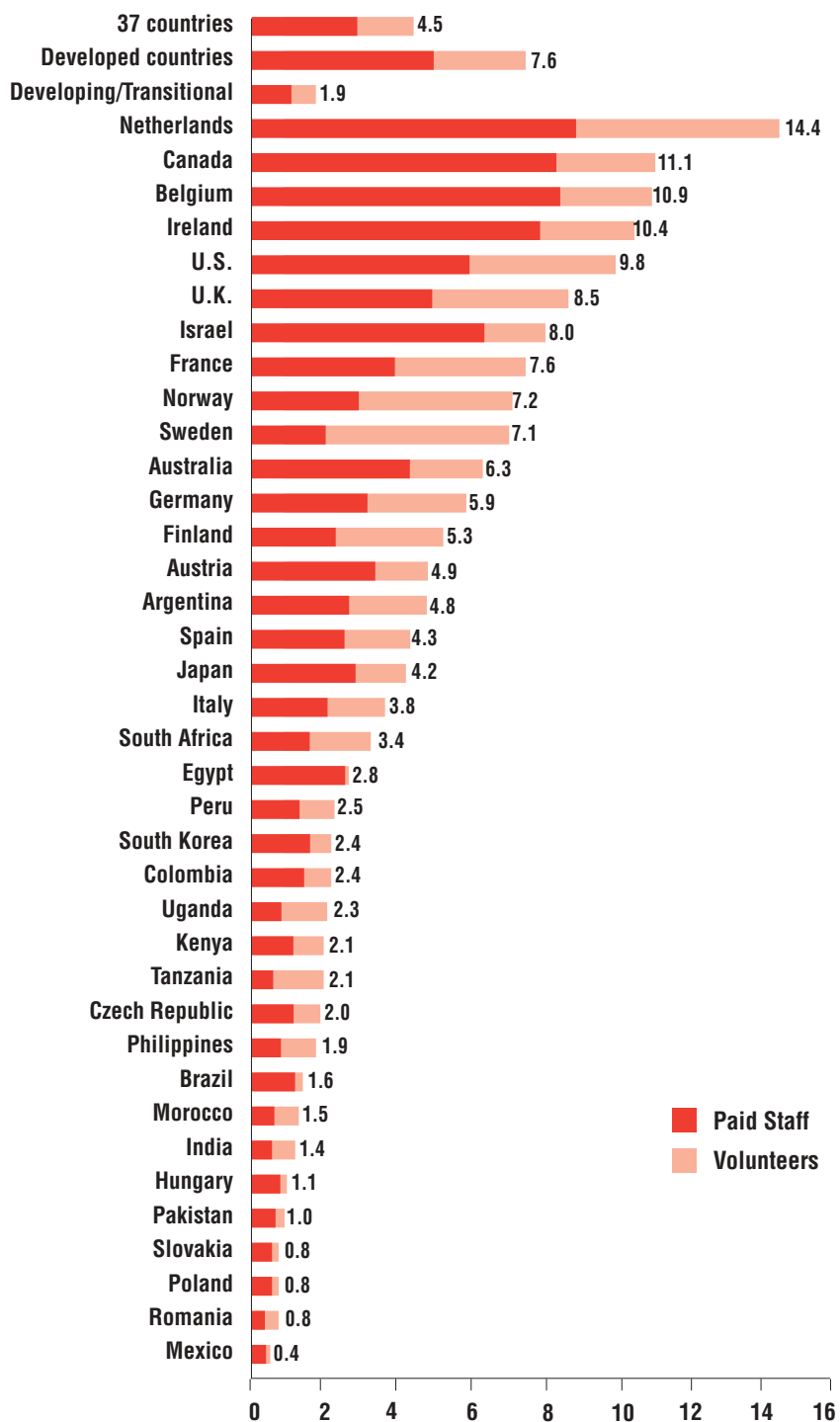
THE SECOND LARGEST NONPROFIT AND VOLUNTARY SECTOR IN THE WORLD

The nonprofit and voluntary sector in Canada is large not only relative to domestic industries, but also in comparison to similar institutions elsewhere. When expressed as a share of the economically active population, the nonprofit and voluntary sector workforce in Canada is one of the largest in the world, outdistancing that in the United States and second only to that in the Netherlands among the countries for which data are available. More specifically:

- **Markedly above the international average.** As shown in Figure 2, excluding religious worship organizations for which data are not available for many countries, the civil society sector workforce—paid and volunteer—varies from a high of 14.4 percent of the economically active population in the Netherlands to a low of 0.4 percent in Mexico, with an average of 4.5 percent overall.²⁰ The Canadian figure, at 11.1 percent, is thus higher than that of all other countries except the Netherlands, and exceeds the international average by a factor of nearly 2.5 to 1.
- **Larger than the U.S. nonprofit sector.** Measured as a share of the economically active population, the Canadian nonprofit and voluntary sector is also larger than that of the United States, long considered to be the country with the most fully developed nonprofit, or civil society sector. As shown in Figure 2, the U.S. nonprofit workforce accounts for 9.8 percent of the country's economically active population, compared to the Canadian figure of 11.1 percent.

²⁰ Although the figures reported here do not include religious worship organizations (e.g., churches, mosques, synagogues), they do cover religiously affiliated service organizations (e.g., religiously affiliated hospitals, schools, and social service agencies). For more information about the coverage of the comparative data see Salamon, Sokolowski and Associates, 2004, Appendix B.

Figure 2. Nonprofit and voluntary organization workforce as a share of the economically active population, by country

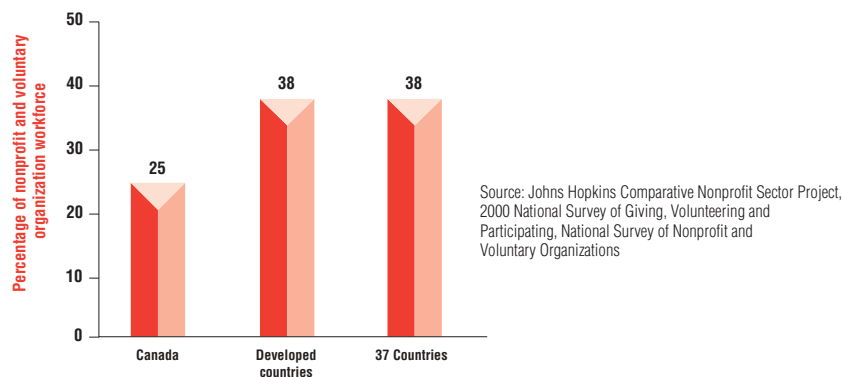


Percentage of economically active population

Source: Johns Hopkins Comparative Nonprofit Sector Project, 2000 National Survey of Giving, Volunteering and Participating, National Survey of Nonprofit and Voluntary Organizations

- **Volunteer share of nonprofit and voluntary sector workforce lower in Canada than in most other countries.** Interestingly, the volunteer share of the nonprofit and voluntary sector workforce in Canada is lower than it is both internationally and in the other developed countries for which we have data.²¹ Thus, as shown in Figure 3, only 25 percent of the full-time equivalent workforce of Canadian nonprofit and voluntary organizations are volunteers, compared to 38 percent in all 37 countries. However, this is more a result of the enormous size and pattern of development of the sector in Canada than it is of any absolute shortage of volunteer activity. When the absolute amount of volunteer effort in Canada is examined, the scale turns out to exceed both the international and developed country averages (3 percent of the economically active population in Canada vs. 1.6 and 2.7 percent, respectively, for all 37 countries and the 17 developed countries alone). At the same time, the amount of volunteer effort in Canada still trails that in a number of other countries, such as Sweden (5.1 percent of the economically active population), Norway (4.4 percent), the United Kingdom (3.6 percent), and the United States (3.5 percent).

Figure 3. Volunteers as a share of the nonprofit and voluntary organization workforce



STRONG PRESENCE OF SERVICE ORGANIZATIONS

Nonprofit and voluntary organizations are not simply places of employment. What makes them significant are the functions they perform, and these functions are multiple.²² For one thing, these organizations deliver a variety of human services, from health care and education to social services and community development. Also important is the sector's *advocacy* role, its role in identifying unaddressed problems and bringing them to public attention, in protecting basic human rights, and in giving voice to a wide assortment of social, political, environmental, and community interests and concerns.

Beyond political and policy concerns, the nonprofit and voluntary sector also performs a broader *expressive function*, providing the vehicles through which an enormous variety of other sentiments and impulses—artistic, spiritual, cultural, occupational, social, and recreational—also find expression. Opera companies, symphonies, soccer clubs, hobby associations, places of worship, fraternal societies, professional associations, book clubs, and youth groups are just some of the manifestations of this expressive function. Finally,

²¹ Developed countries for which we have data are: Australia, Austria, Belgium, Canada, Finland, France, Germany, Ireland, Israel, Italy, Japan, the Netherlands, Norway, Spain, Sweden, the United Kingdom, and the United States.

²² For a discussion of these functions, see Lester M. Salamon, *America's Nonprofit Sector: A Primer*, Second Edition (New York: The Foundation Center, 1999), pp. 15-17.

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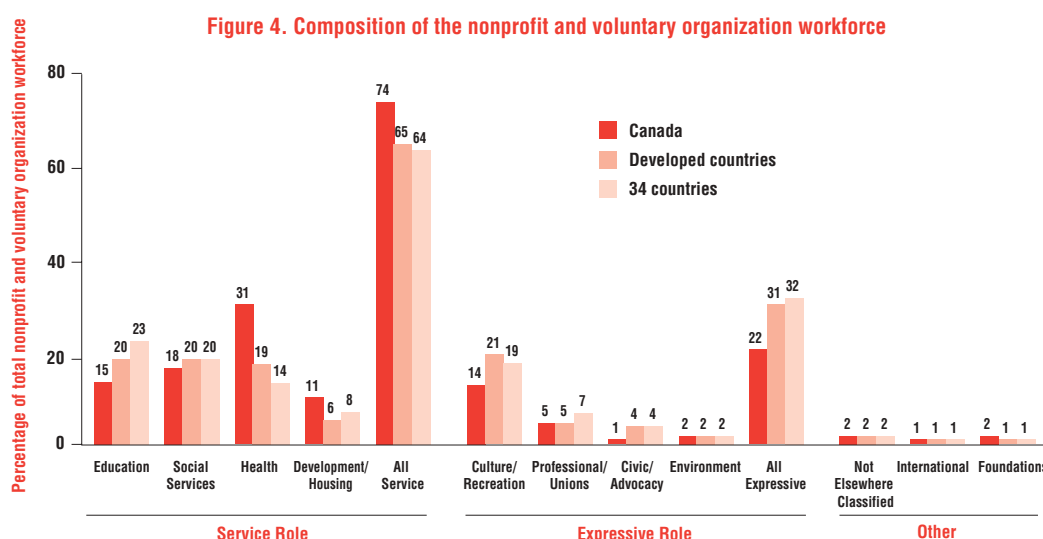
nonprofit and voluntary organizations have also been credited with contributing to what scholars are increasingly coming to call “social capital,” those bonds of trust and reciprocity that seem to be crucial for a democracy and a market economy to function effectively. By establishing connections among individuals, involvement in associations teaches norms of co-operation that carry over into political and economic life.²³

While it is not possible to divide nonprofit and voluntary organizations up neatly among all these functions, it is possible to group them into two broad categories for purposes of discussion: (a) service functions, and (b) expressive functions.

- **Service functions** involve the delivery of direct services such as education, health, housing, economic development promotion, and the like.
- **Expressive functions** involve activities that provide avenues for the expression of cultural, spiritual, professional, or policy values, interests, and beliefs. Included here are cultural institutions, recreation groups, professional associations, advocacy groups, community organizations, environmental organizations, human rights groups, and social movements.²⁴

Viewed from this perspective, the composition of the Canadian nonprofit and voluntary sector, as reflected in the distribution of its workforce by activity fields, is broadly in line with that found both internationally and in other developed countries. At the same time, it has certain distinctive characteristics as well.

- **Service activities dominate.** As shown in Figure 4, about 74 percent of all Canadian nonprofit and voluntary organization workers, paid and volunteer, are engaged in service activities. This is higher than both the overall international average and the developed country average (64 percent and 65 percent, respectively).



Source: Johns Hopkins Comparative Nonprofit Sector Project, 2000 National Survey of Giving, Volunteering and Participating, National Survey of Nonprofit and Voluntary Organizations

²³ See, for example: James S. Coleman, *Foundations of Social Theory* (Cambridge, MA: Harvard University Press, 1990), pp. 300-21; Robert Putnam, *Making Democracy Work: Civic Traditions in Modern Italy* (Princeton, NJ: Princeton University Press, 1993), pp. 83-116, 163-185.

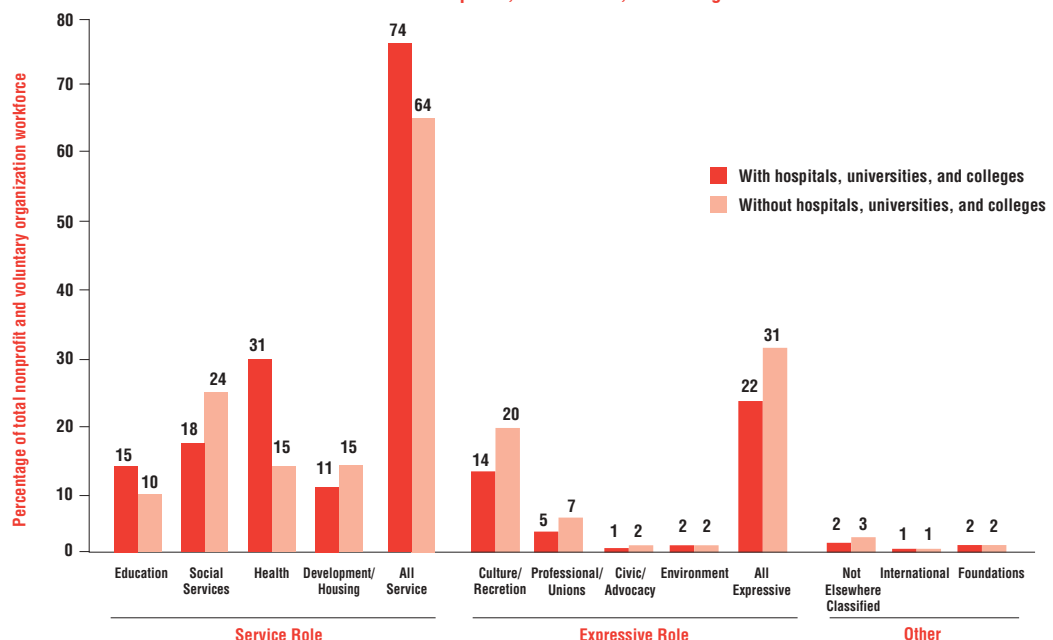
²⁴ Religious worship organizations are also included in the expressive category, but as already noted we could not include them here due to data limitations. Religiously affiliated service organizations are included, in the service category.

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- Health and housing more prominent in Canada than elsewhere.** The composition of Canadian service activities also diverges markedly from what is evident internationally. Thus both the health and housing components of the nonprofit and voluntary sector are larger in Canada than in the all-country and developed-country averages. Nonprofit and voluntary health care organizations absorb 31 percent of the nonprofit and voluntary sector workforce in Canada compared to the 14 percent average in all countries for which we have data and the 19 percent average in the developed countries. This likely reflects the highly developed public health care system in Canada, which relies heavily on nonprofit health organizations to deliver publicly financed services, a point to which we will return below. The disparities are less striking but still noticeable in the housing field—11 percent of the nonprofit and voluntary sector workforce in Canada vs. 6 percent in all developed countries and 8 percent more broadly. This likely reflects the important role that housing associations (e.g., co-operative housing associations and condominium corporations) play in the provision of housing in Canada.
- Somewhat smaller share of Canadian nonprofit and voluntary organization workers engaged in expressive activities.** Compared to the 74 percent of Canadian nonprofit and voluntary sector workers engaged in service functions, a considerably smaller 22 percent of such workers, paid and volunteer, are engaged in expressive activities. This is below both the developed country and international averages (31 percent and 32 percent, respectively). This reflects, as well, the highly developed character of the service portion of the Canadian nonprofit sector, a function, as we will see more fully below, of the role the nonprofit and voluntary sector has played in the development of the Canadian welfare state.
- Excluding hospitals, universities, and colleges does not change the dominance of service activities.** Even excluding the hospitals, universities, and colleges, Canadian nonprofit and voluntary organizations tend to focus most of their human resources on service activities. As Figure 5 shows, in the remaining part of the nonprofit and voluntary sector, 64 percent of the workforce is engaged in service activities versus 31 percent in expressive functions.

Figure 5. Composition of the nonprofit and voluntary sector workforce in Canada, with and without hospitals, universities, and colleges



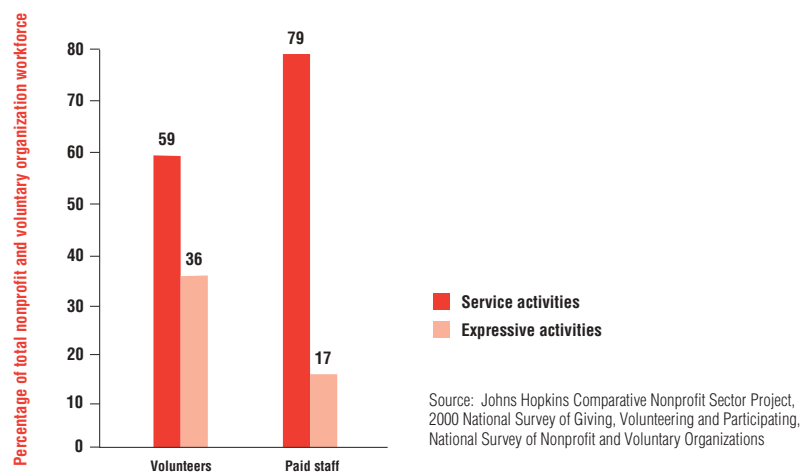
Source: Johns Hopkins Comparative Nonprofit Sector Project, 2000 National Survey of Giving, Volunteering and Participating, National Survey of Nonprofit and Voluntary Organizations

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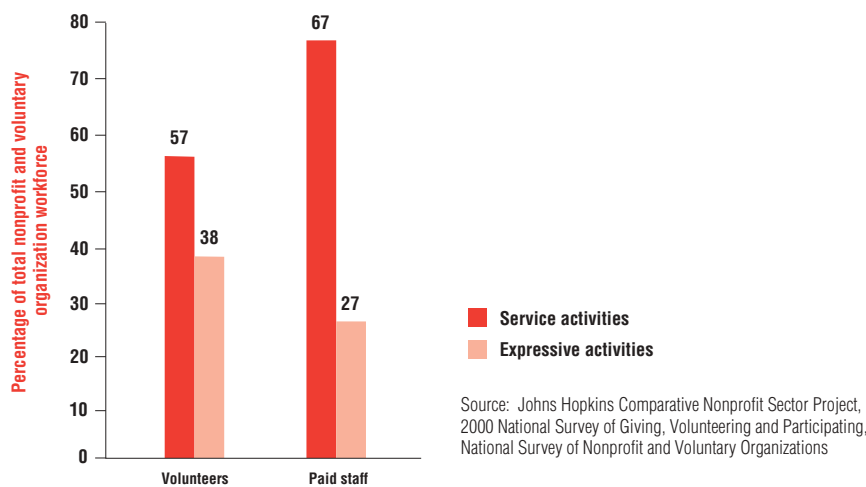
- **Paid and volunteer staff distributed differently.** This picture of the distribution of the nonprofit and voluntary workforce in Canada changes somewhat when paid staff and volunteers are examined separately (see Figure 6). While the bulk of both paid and volunteer staff effort is concentrated on service activities, volunteers are proportionally twice as likely to be engaged in expressive functions than are paid staff (36 percent vs. 17 percent).

Figure 6. Distribution of paid employees and volunteers between service and expressive activities in Canada



- **Excluding hospitals, universities, and colleges changes the distribution of paid and volunteer staff.** With hospitals, universities, and colleges excluded, the distribution of paid staff between service and expressive activities comes closer to that of volunteers. As Figure 7 shows, in this remaining part of the nonprofit and voluntary sector, the percentage of volunteers in expressive functions is still greater than the percentage of paid staff, but the difference is much less pronounced (38 percent vs. 27 percent).

Figure 7. Distribution of paid employees and volunteers between service and expressive activities in Canada, excluding hospitals, universities and colleges



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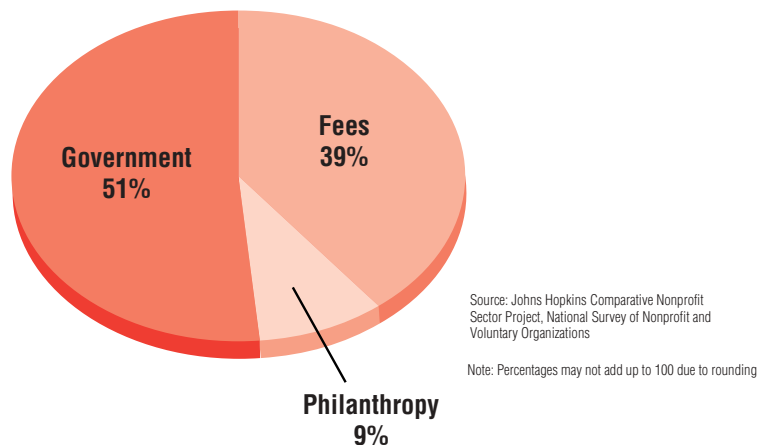
REVENUES DOMINATED BY GOVERNMENT PAYMENTS OR BY FEES

The revenue of civil society organizations comes from a variety of sources. For the sake of convenience, we have grouped these into three categories: *fees*, which includes earned income from private payments for services, membership dues, service charges, and investment income; *philanthropy*, which includes individual giving, foundation giving, and corporate giving; and *government* or *public sector support*, which includes grants, contracts, and reimbursements for services to eligible third parties from all levels of government.

Looking at the entire nonprofit and voluntary sector in Canada, government payments are the dominant source of revenue, followed closely by fees. However, setting aside the small number of hospitals, universities, and colleges reveals a sector in which fees are the dominant source of revenue, followed by government payments. Philanthropy, by contrast, is a distant third regardless of whether hospitals, universities, and colleges are included or not. More specifically:

- **Government support.** More than half (51 percent) of all nonprofit and voluntary sector revenue in Canada comes from government, as shown in Figure 8. As noted more fully below, this reflects the reliance by government on nonprofit and voluntary organizations to deliver the services financed by the Canadian welfare state.²⁵
- **Fee income.** Fees, service charges, and investment income account for another 39 percent of nonprofit and voluntary sector revenue in Canada.
- **Private philanthropy.** This means that only nine percent of total nonprofit and voluntary organization income in Canada comes from private philanthropy. Even with religious worship organizations included, philanthropy accounts for only 13 percent of Canadian nonprofit sector income.

Figure 8. Sources of nonprofit and voluntary organization revenue in Canada



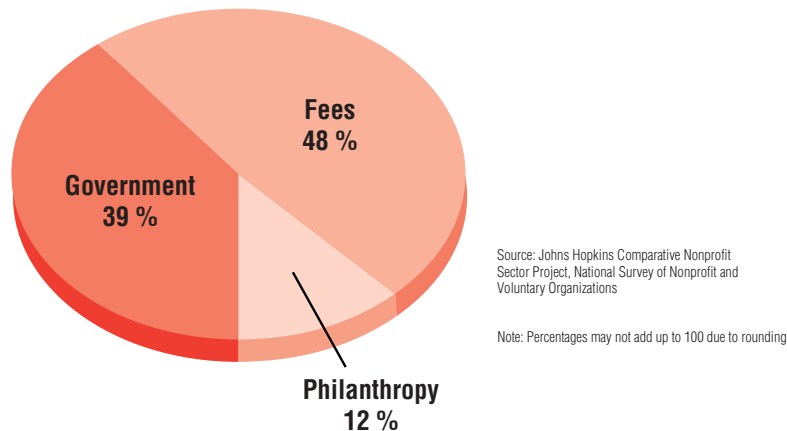
²⁵ Nonprofit and voluntary organizations receive funding from all three levels of government. Most government funding comes from provincial governments, which are constitutionally responsible for health, education, and most social services. A small amount comes from municipal governments, which are responsible for a share of the costs of health, education, and social services in their region. The smallest share comes from the federal government. See Michael H. Hall et al., *Cornerstones of Community: Highlights of the National Survey of Nonprofit and Voluntary Organizations*, Catalogue no. 61-533-XPE (Ottawa: Statistics Canada, 2004), p. 22.

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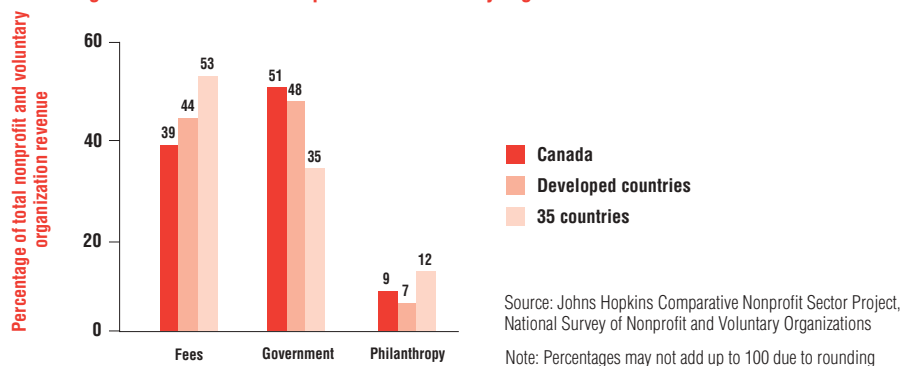
- **Excluding hospitals, universities, and colleges changes the revenue structure.** When hospitals, universities, and colleges are excluded from the analysis, government support falls to 39 percent of total revenue, fees emerge as the dominant revenue source (48 percent of the total), and the philanthropy share increases to 12 percent, as Figure 9 demonstrates.

Figure 9. Sources of nonprofit and voluntary organization revenue in Canada, excluding hospitals, universities and colleges



- **Similar to the developed country pattern.** The pattern of revenues for Canadian nonprofit and voluntary organizations is more similar to that found in developed countries than to the overall international pattern. Nevertheless, Canadian organizations rely more heavily on government and less heavily on fees. As Figure 10 shows, 51 percent of all nonprofit and voluntary organization revenue in Canada comes from government compared to 48 percent in developed countries and 35 percent internationally. In contrast, 39 percent of Canadian organization revenue comes from fees, compared to 44 percent in developed countries and 53 percent internationally.

Figure 10. Sources of nonprofit and voluntary organization revenue



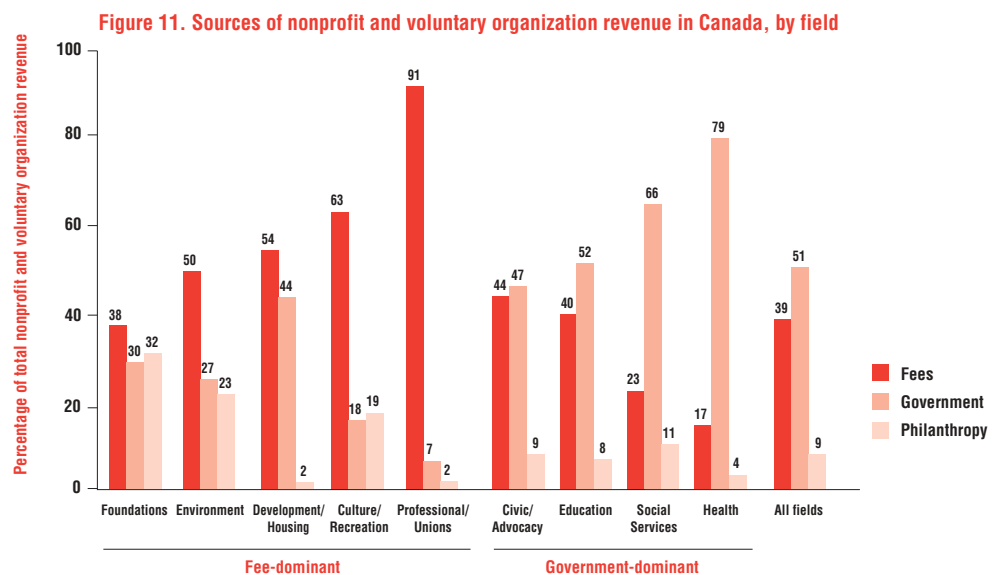
- **Revenue structure varies among fields.** Government funding plays a particularly prominent role in the funding of Canadian nonprofit and voluntary organizations in the major human service fields of health, education, and social services, where the Canadian welfare state is highly developed. Government accounts for close to 80 percent of nonprofit and voluntary sector income in the health field, 66 percent in social services, and 52 percent in education, as shown in Figure 11. This reflects, again, the special form

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that the welfare state has taken in the Canadian context, a form, as we shall see, that echoes what is found in a number of European countries as well. Somewhat more surprisingly, government support also plays a prominent role in the funding of civic and advocacy organizations in Canada, reflecting a commitment to promoting civic participation in the country.

In the remaining fields of nonprofit and voluntary organization operation, by contrast, fee income is the dominant form of funding in Canada, accounting for 91 percent of the total for professional associations and unions, 63 percent for culture and recreation organizations, and 54 percent for development and housing organizations. Even foundations and philanthropic intermediaries²⁶ receive more of their income from fees and earned income (most likely investment income) than from private philanthropy (38 percent vs. 32 percent).²⁷



Source: Johns Hopkins Comparative Nonprofit Sector Project, National Survey of Nonprofit and Voluntary Organizations

- **Volunteers significantly change the revenue structure.** The picture of nonprofit and voluntary sector revenue in Canada changes substantially when the value of volunteer input is included and treated as part of philanthropy. As Figure 12 demonstrates, adding the value of volunteer time more than doubles the philanthropy share of nonprofit revenue, boosting it from 9 to 20 percent. Even with the value of volunteering included, however, philanthropy still ranks third among the major sources of revenue for the nonprofit and voluntary sector in Canada; and the Canadian figure remains below the developed country average (20 percent vs. 28 percent).²⁸

²⁶ This includes organizations that operate in the areas of grant-making, fundraising, and voluntarism promotion.

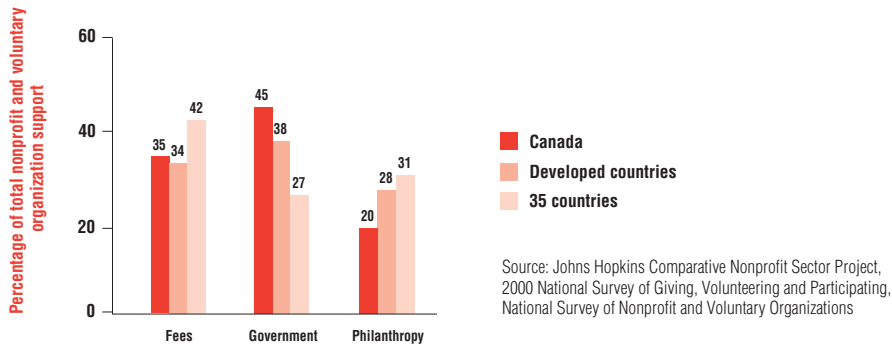
²⁷ Private philanthropy is the dominant source of support in but one field—religion—where it accounts for 64 percent of the total revenue.

²⁸ This does not necessarily mean that Canadians are less generous than others. The comparatively low proportion of revenue from private philanthropy could simply be a consequence of the comparatively large proportion from government.

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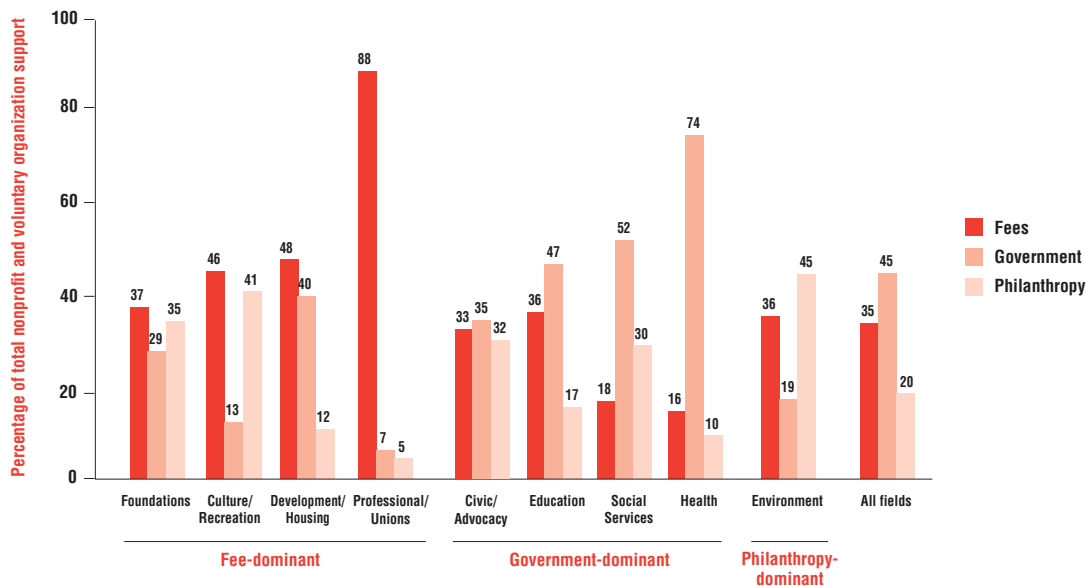
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Figure 12. Sources of nonprofit and voluntary organization support including volunteers



In some fields, however, including contributions of time as well as contributions of money boosts philanthropy's share of total support quite markedly. In particular, with the value of volunteer input included, private philanthropy becomes the main source of support in the field of environmental protection, and the second largest source for foundations, culture and recreation, and social service organizations (see Figure 13). Even with the value of gifts of time included, however, government payments still dominate the revenue base of health care, education, social services, and civic and advocacy organizations, while fee income remains the largest revenue source for professional associations and unions, development and housing organizations, cultural institutions, and foundations.

Figure 13. Sources of nonprofit and voluntary organization support in Canada including volunteers, by field



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Table 3. Canada vs. regional patterns of nonprofit and voluntary sector's characteristics*

	Canada	Welfare partnership	Anglo-Saxon	Nordic	Latin American	Asian industrialized	Eastern European	African	Other developing	All countries**
Workforce¹										
Full-time equivalent paid	8.4%	5.7%	5.2%	2.3%	1.6%	2.5%	0.8%	1.1%	1.1%	2.9%
Full-time equivalent volunteers	2.7%	2.4%	3.0%	4.1%	0.7%	0.8%	0.4%	1.3%	0.6%	1.6%
Full-time equivalent total	11.1%	8.1%	8.2%	6.5%	2.3%	3.3%	1.1%	2.5%	1.7%	4.5%
Composition of workforce²										
Service	73.8%	72.8%	69.2%	33.6%	73.9%	78.4%	44.7%	59.7%	75.2%	64.0%
Expressive	22.1%	24.2%	27.4%	63.6%	24.3%	14.9%	50.3%	28.7%	22.7%	31.7%
Other	4.1%	3.0%	3.4%	2.9%	1.8%	6.7%	5.0%	11.7%	2.1%	4.3%
Cash revenues										
<i>As percentage of total nonprofit cash revenues³</i>										
Fees	39.4%	35.8%	54.6%	59.4%	74.4%	61.8%	49.0%	55.1%	64.6%	53.0%
Government	51.2%	56.9%	36.1%	33.3%	15.3%	34.8%	31.5%	20.8%	15.8%	34.6%
Philanthropy	9.5%	7.2%	9.3%	7.3%	10.3%	3.5%	19.5%	24.1%	19.7%	12.4%
<i>As percentage of GDP</i>										
Fees	3.4%	2.4%	3.7%	2.6%	1.7%	2.9%	0.9%	1.5%	0.6%	2.0%
Government	4.4%	4.4%	2.5%	1.4%	0.4%	1.8%	0.5%	0.5%	0.1%	1.9%
Philanthropy	0.8%	0.5%	0.7%	0.3%	0.2%	0.2%	0.3%	0.6%	0.1%	0.4%
Total support (with volunteers)										
<i>As percentage of total nonprofit cash and volunteer support³</i>										
Fees	34.9%	28.4%	44.4%	35.0%	66.9%	55.7%	42.9%	40.6%	43.6%	42.2%
Government	45.4%	45.7%	29.2%	19.9%	13.85	31.6%	24.6%	13.5%	11.0%	27.0%
Philanthropy	19.6%	25.9%	26.4%	45.0%	19.4%	12.8%	32.6%	45.9%	45.4%	30.8%
<i>As percentage of GDP⁴</i>										
Fees	3.4%	2.4%	3.7%	2.6%	1.7%	2.9%	0.9%	1.5%	0.6%	2.0%
Government	4.4%	4.4%	2.5%	1.4%	0.4%	1.8%	0.5%	0.5%	0.1%	1.9%
Philanthropy	1.9%	2.1%	2.2%	3.3%	0.5%	0.7%	0.5%	1.8%	0.6%	1.5%

* See Appendix C for a list of countries included in each group.

**Workforce: 37 countries; composition: 34 countries; revenues and total support: 35 countries

¹ As percentage of economically active population

² As percentage of total nonprofit workforce (paid staff and volunteers)

³ Percentages may not add to 100 due to rounding

⁴ Figures for fees and government are the same as those for cash revenues, because value of volunteering has been added to philanthropy

Source: Johns Hopkins Comparative Nonprofit Sector Project, 2000 National Survey of Giving, Volunteering and Participating, National Survey of Nonprofit and Voluntary Organizations

CANADA VS. REGIONAL PATTERNS OF NONPROFIT AND VOLUNTARY SECTOR CHARACTERISTICS

The portrait of the Canadian nonprofit and voluntary sector that emerges from these data suggests that Canada's nonprofit and voluntary sector resembles the pattern evident in a group of countries that display the “welfare partnership model” of civil society development—one of eight patterns of the civil society sector identified in our research (see Table 3).²⁹ Included within this pattern are many of the major welfare states of Europe—the Netherlands, Belgium, France, Germany, and Ireland. As Table 3 shows, these countries share with Canada a number of striking nonprofit and voluntary sector features:

- a relatively large nonprofit and voluntary sector workforce;
- more extensive paid staff than volunteer staff;
- a decided service orientation to nonprofit and voluntary sector employment, focusing particularly on basic social welfare services (health, education, and social services); and
- extensive government support for nonprofit and voluntary organization operations.

As already noted, these features apply quite strongly to Canada. This is especially true about the significance of government support for nonprofit and voluntary institutions. Canada shares with other “welfare partnership” countries a level of government funding that exceeds 50 percent of total revenue, and is on a par with the welfare partnership average when expressed as a percent of GDP (4.4 percent). The distribution of Canada's nonprofit and voluntary sector workforce between service (73.8 percent) and expressive (22.1 percent) activities also resembles that of the welfare partnership states (72.8 and 24.2 percent, respectively).

At the same time, Canada's nonprofit and voluntary sector differs from that in other welfare partnership countries along some important dimensions. For one thing, it retains a stronger volunteer presence. Thus, for example, volunteers comprise 2.7 percent of the economically active population in Canada, which is above the 2.4 percent average for the “welfare partnership” countries. Similarly, it enjoys a level of private philanthropic support (9.5 percent of total revenue and 0.8 percent of GDP) that is more in line with the Anglo-Saxon pattern (9.3 percent of total revenue and 0.7 percent of GDP) than with welfare partnership countries (7.2 percent of total revenue and 0.5 percent of GDP). However, with the value of volunteer work included, philanthropy's share of total revenue and of GDP in Canada (19.6 and 1.9 percent respectively) are somewhat below the respective Anglo-Saxon (26.4 and 2.2 percent) and welfare partnership (25.9 and 2.1 percent) averages. Canada thus represents a kind of amalgam between the welfare partnership and Anglo-Saxon models, as might be expected given its historical background.

²⁹ For a detailed discussion of the country groupings, see Lester M. Salamon, S. Wojciech Sokolowski and Regina List, “Global Civil Society: An Overview,” in Lester M. Salamon, S. Wojciech Sokolowski and Associates, *Global Civil Society: Dimensions of the Nonprofit Sector*, Volume Two (Bloomfield, CT: Kumarian Press, 2004), pp. 36-56.

EXPLAINING THE CONTOURS OF THE NONPROFIT AND VOLUNTARY SECTOR: AN HISTORICAL OVERVIEW

4

Two broad sets of historical developments explain the pattern of nonprofit and voluntary sector evolution in Canada. The first is the country's long history of voluntary activity, which is rooted in Aboriginal traditions, was formalized by the first French and English settlers, and grew with the arrival of immigrants from around the world. The second is the country's longstanding tradition of state support for health, education, and social services. These trends combined to produce a modern Canadian welfare state that relies heavily on nonprofit and voluntary organizations to deliver state-funded services. The discussion below details these developments and shows how they have shaped the current structure of the Canadian nonprofit and voluntary sector.³⁰ In the next section, we will then turn to some of the issues that this sector now faces.

The earliest voluntary activity in Canada occurred among the Aboriginal peoples who inhabited the land for thousands of years prior to European settlement. Most Aboriginal peoples lived in small groups, called bands, which usually included 20 to 50 people. Interdependence was necessary for survival and band members worked together in collective and egalitarian ways. The concepts of giving and sharing were deeply embedded in Aboriginal culture. Necessities were shared for the sake of the band's survival, and food and other items were given to others as a way of honouring relationships and creating bonds between individuals and groups.³¹ Although the Aboriginal way of life was disrupted and fundamentally altered by the arrival of Europeans, informal giving and volunteering continue to thrive.

The formalization of nonprofit structures, processes, and services began with the establishment of the first permanent European settlements in the 17th century. In New France (later the province of Quebec), responsibility for providing education, health care, and assistance to the poor fell primarily to the Roman Catholic Church. In what was to become a model for the development of significant components of the Canadian nonprofit sector, the Church received financial support for its activities both from individuals and the state (in this case, the French Crown). After New France was ceded to Britain in 1763, formal state support for the Roman Catholic Church ended.³² The Church, however, continued to dominate the provision of education, health, and social services in Quebec until the Quiet Revolution of the 1960s. During that decade of rapid modernization, the Quebec government assumed financial responsibility for most services previously provided by the Church. Nonprofit organizations, however, including those affiliated with the Church, remained involved in service delivery.

From the late 18th century until the early 20th century Canadian history was dominated by three major trends: immigration, westward expansion, and the challenge of forging a new nation in a vast and sparsely populated land. The first major wave of non-French immigration occurred during and after the American Revolution, when those colonists who remained loyal to Britain—the United Empire Loyalists—fled north into what was left of British North America. In the 19th century, most immigrants came from the British Isles, particularly Ireland and Scotland, and the United States. They were joined in the early part of the 20th century by large numbers of Germans, Italians, Ukrainians, and Scandinavians. Immigration slowed during and between the two World Wars, but picked up again in the 1950s and 60s

³⁰ The discussion in this section draws on Lynette D'Souza, M. Easwaramoorthy, Heather Schramm and Margaret de Wit, "The Historical Development of the Civil Society Sector in Canada" (Working Paper, Johns Hopkins Comparative Nonprofit Sector Project, Canadian Centre for Philanthropy, Toronto, 2004).

³¹ See, for example: Ronald Austin Wells, *The Honor of Giving: Philanthropy in Native America*. (Indianapolis: Indiana University Centre of Philanthropy, 1998); Mindy L. Berry, "Native-American Philanthropy: Expanding Social Participation and Self-Determination" in *Cultures of Caring: Philanthropy in Diverse American Communities* (Washington, D.C.: Council on Foundations, 1999).

³² It was resumed 40 years later. See Samuel A. Martin, *An Essential Grace: Funding Canada's Health Care, Education, Welfare, Religion and Culture* (Toronto: McClelland and Stewart, 1985).

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when hundreds of thousands of people displaced by upheavals in Europe decided to make a new start in Canada. Since 1971, when Canada became the first country in the world to adopt multiculturalism as an official policy, most immigrants have come from Asia, the Caribbean, Central and South America, and Africa.³³

Each immigrant group contributed to the creation of the new nation, including its nonprofit and voluntary sector. In the 19th and early 20th centuries, the church was the centre of community life in Canada. The Catholic Church and the various Protestant denominations (e.g., Methodist, Anglican, Presbyterian) were involved in providing education, health, social, and recreational services—primarily to their own parishioners. The result, according to Samuel Martin, was that by the middle of the 19th century, “every church and every ethnic and interest group had its own charitable society or charitable foundation.”³⁴ This fragmentation continued until well into the 20th century, although examples of co-operation such as the Community Chest, a coordinated fundraising effort that evolved into the United Way of Canada, can be found.

Although the British colonial model assumed that individuals were primarily responsible for their own well-being, the needs of a growing population eventually led the governments of the colonies to begin subsidizing private welfare efforts. In Nova Scotia and New Brunswick, for example, poor laws were enacted that allowed property taxes to be collected and used to care for the poor. In Upper Canada (later the province of Ontario), a public school system supported by property taxes was in place by the middle of the 19th century. State involvement remained limited and ad hoc, however, in part because Canada’s founding document—the British North America (BNA) Act of 1867—gave the provinces power over education, hospitals, and charities, but gave the federal government access to the most lucrative sources of revenue.

From the beginning, however, the state was heavily involved in the economic development of the new nation. Canada’s westward expansion was, for example, largely planned and directed by the federal government, which sent surveyors, engineers, and the North West Mounted Police into the west to prepare the way for settlement.³⁵ The federal government also financed the creation of a national railway system, the most important component of which was the transcontinental railway, completed in 1885. More controversially, the federal government assisted the development of Canadian industry by imposing high tariffs on imported manufactured goods.

Various explanations have been offered for the willingness of Canadians to use the state to achieve collective goals. One explanation is that, due primarily to the influence of the United Empire Loyalists, Canada’s political culture is not as purely liberal/individualist as the United States. Rather, it has a collectivist “tory touch.”³⁶ Whereas liberals view society as a collection of competing individuals, Tories view society as an organic whole. Therefore, Tories are more likely than liberals to view collective (e.g., state) action as legitimate. Another explanation is that Canadians needed to use the power of the state to ensure the

³³ Valerie Knowles, *Forging Our Legacy: Canadian Citizenship and Immigration, 1900 to 1977* (Ottawa: Citizenship and Immigration Canada, 2000).

³⁴ Samuel A. Martin, *An Essential Grace: Funding Canada’s Health Care, Education, Welfare, Religion and Culture* (Toronto: McClelland and Stewart, 1985), p. 62.

³⁵ Donald Creighton, *Canada’s First Century* (Toronto: Macmillan, 1970), p. 26.

³⁶ Gad Horowitz, “Conservatism, Liberalism, and Socialism in Canada: An Interpretation,” *Canadian Journal of Economic and Political Science*, Volume 32 (1966): 143-171.

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nation's political, economic, and cultural independence from its powerful southern neighbour.³⁷ A third explanation is that state involvement was required to provide services to a small population widely dispersed across a large land mass.³⁸

Whatever the reason for Canadian's willingness to accept a high level of state involvement in the economy, the Great Depression of the 1930s led many to conclude that the state also needed to play a larger role in providing for the welfare of citizens. These ideas found a political voice in the Co-operative Commonwealth Federation (CCF), a party founded in 1933 on an explicitly socialist platform.³⁹ Spurred by public demand and the growing electoral threat of the CCF, which came to power in Saskatchewan in 1944, the federal government began laying the groundwork for the Canadian welfare state. Key developments during this period included the introduction of unemployment assistance (1940), family allowances (1944), old age security (1952) and, eventually, a publicly funded health care system (1966).⁴⁰ In the 1960s and 70s, the federal government also began providing significant funds to the arts and to "identity groups" (e.g., minority language groups, women's groups, and multicultural organizations).

From the 1960s to the 1980s, spending by all levels of government on health, education, and social services grew at a rapid pace. The direct delivery of many services, however, remained in the hands of nonprofit organizations. Nonprofit hospitals, for example, cared for the sick; nonprofit universities educated the young; and organizations such as the Victorian Order of Nurses delivered homecare services. As a result, the relationship between the state and the nonprofit and voluntary sector became increasingly complex. Many organizations came to rely on government funding, and governments, through various programs and policies, began to influence and regulate nonprofit organizations. As economic growth slowed, however, government revenues declined. Finding it politically difficult to cut services, governments at first turned to various combinations of tax increases and budget deficits. By the 1990s, the public seemed prepared to accept that these solutions were not sustainable, and governments began reducing or eliminating programs and services and devolving others to the local level. At the same time, many governments also reduced the amount of income support they provided to individual Canadians.

The retrenchment of the Canadian welfare state had profound implications for the nonprofit and voluntary sector. Levels of funding for many organizations declined—in some cases dramatically—while need and demand for services increased. The form of funding also changed. Whereas many organizations had previously received grants that allowed them to operate according to their own principles, they were often required to compete—sometimes with for-profit companies—to deliver services according to strict government guidelines. Government retrenchment brought into sharp relief both the role that nonprofit and voluntary organizations were playing in Canadian communities and the extent to which many relied on government funding to provide their services.

³⁷ Reg Whitaker, "Images of the State in Canada," in Leo Panitch, ed., *The Canadian State: Political Economy and Political Power* (Toronto: University of Toronto Press, 1977).

³⁸ Seymour Martin Lipset, *North American Cultures: Values and Institutions in Canada and the United States* (Orono, ME: University of Maine, 1990).

³⁹ In 1961, the CCF became the New Democratic Party (NDP), a social democratic party with ties to organized labour.

⁴⁰ Federal government responsibility for unemployment insurance and pensions was established by amending the BNA Act while federal spending in areas of provincial jurisdiction was accomplished via a series of shared-cost programs.

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In 1995 a group of national organizations created the Voluntary Sector Roundtable to strengthen the voice of Canada's charitable, voluntary sector. Its primary goals were to enhance the relationship between the charitable sector and the federal government and to encourage a supportive legislative and regulatory framework for organizations in the community.⁴¹ These efforts culminated in 2000 with the creation of the Voluntary Sector Initiative (VSI)—a multi-year initiative that focused on strengthening the relationship between the sector and the government and enhancing the capacity of the sector to serve Canadians. The VSI produced a number of significant accomplishments, including:

- the creation of a framework, or Accord, to guide relationships between the federal government and nonprofit and voluntary organizations, as well as non-binding codes of good practice for funding and for policy dialogue;
- the introduction of a series of regulatory reforms for registered charities;
- the establishment of the Canada Volunteerism Initiative, an ongoing program to encourage volunteerism, improve the capacity of organizations to benefit from the contributions of volunteers, and increase our understanding of volunteerism;
- the development of a variety of research initiatives to map the size and scope of the sector, its economic contributions and the giving and volunteering of Canadians; and,
- a variety of research and policy initiatives in such areas as human resource development, information technology and information management, and policy development.

Many provinces—notably Newfoundland and Labrador, Quebec, Saskatchewan, and Manitoba—also launched initiatives aimed at improving relations with the nonprofit and voluntary sector, although the exact content of those initiatives varies widely. For example, the Government of Quebec adopted a policy of explicit recognition and funding for “community action”⁴² while the government of Saskatchewan adopted a broad framework for strengthening the relationship between government and voluntary and nonprofit organizations taking an approach that is similar to the federal government VSI.⁴³

⁴¹ VSR Up-Date—November 1997 (newsletter available at <http://www.vsr-trsb.net/newsletters/news-nov97.html>).

⁴² Ginette Drouin Busque, *Community Action: A Crucial Contribution to the Exercise of Citizenship and Social Development of Québec* (Québec City: Ministère de l'Emploi et de la Solidarité sociale, 2001).

⁴³ For information on the Saskatchewan Voluntary Sector Initiative, visit http://www.cyr.gov.sk.ca/voluntary_sector_initiative.html

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Despite its size and economic force, Canada's nonprofit and voluntary sector faces a number of issues that may affect its future vitality. Many organizations are struggling with a changing external environment and with internal capacity issues that keep them from fulfilling their missions. At the same time, initiatives are underway that may help address these challenges. **Critical knowledge of the sector is being developed and mechanisms have been put in place to track both the sector's economic contributions and inputs and the availability of two key resources—private giving and volunteer time.** More importantly, the sector is beginning to be recognized as a crucial contributor to the quality of Canadian life both by the public and by Canadian governments.

In the discussion that follows, we outline some of the challenges that nonprofit and voluntary organizations are facing at both the organizational and sectoral level. Given the structure of Canada's nonprofit and voluntary sector and the economic dominance of state-funded service organizations, many of the issues the sector faces centre on the role of government and its impact on the sector.

IMMEDIATE ORGANIZATIONAL CHALLENGES

Nonprofit and voluntary organizations report that they are experiencing problems fulfilling their missions, and a substantial percentage report that these problems are serious. The biggest problems concern their ability to plan for the future, to recruit volunteers and board members, and to obtain funding from others (i.e., governments, foundations, corporations, and individual donors).⁴⁴ Those that rely on external funding from governments, corporations, and foundations are much more likely to report that they are facing serious problems. Much of this revolves around their relationship with government funders and the difficulty many are facing adjusting to significant changes in the role of government in Canada.

Impact of retrenchment on government-funded organizations. Faced with unsustainable levels of government debt in the 1990s, Canadian governments at all levels imposed radical cuts in program spending. Between 1992 and 1999, total government program spending was reduced by approximately 20 percent.⁴⁵ The reduction was most pronounced at the provincial level, where most of the government support to nonprofit and voluntary organizations is provided. To reduce overall spending, governments reduced or eliminated funding to programs and introduced a variety of cost-efficiency measures. Given the historically strong reliance of governments on nonprofit and voluntary organizations to deliver publicly funded services, this had a profound impact on the nonprofit and voluntary sector. Many organizations are continuing to struggle to adapt to changes that have included:⁴⁶

- reductions in funding;
- the need to compete for funding (particularly in the area of health and social services) with other nonprofit and voluntary organizations and, in some instances, with private business;
- a move towards project funding instead of general support for an organization's activities;

⁴⁴ Michael H. Hall et al., *Cornerstones of Community: Highlights of the National Survey of Nonprofit and Voluntary Organizations*, Catalogue no. 61-533-XPE (Ottawa: Statistics Canada, 2004).

⁴⁵ Measured as a percentage of GDP, government program spending fell from an all-time high of 43 percent in 1993 to 34 percent in 1999. Jim Stanford, "The Economic and Social Consequences of Fiscal Retrenchment in Canada," in Keith Banting, Andrew Sharpe and France St-Hilaire, eds., *The Review of Economic Performance and Social Progress The Longest Decade: Canada in the 1990s* (Montreal: Institute for Research on Public Policy and Centre for the Study of Living Standards, 2001), pp. 141-160.

⁴⁶ Michael H. Hall et al., *The Capacity to Serve: A Qualitative Study of the Challenges Facing Canada's Nonprofit and Voluntary Organizations* (Toronto: Canadian Centre for Philanthropy, 2003); Katherine Scott, *Funding Matters: The Impact of Canada's New Funding Regime on Nonprofit and Voluntary Organizations* (Ottawa: Canadian Council on Social Development, 2003).

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- the restriction of funding to direct program costs, with little provision for infrastructure or the administrative overhead associated with program delivery;
- a shortening in the length of time for which funding is provided;
- frequently changing funding priorities;
- mandated collaborations with other organizations; and,
- increasing requirements for financial accountability.

These changes have far-reaching implications. The unstable and short-term nature of government funding undermines the capacity of organizations to engage in strategic planning. It also creates constant staff turnover, which undermines the ability of organizations to develop the human and intellectual capital they require. The administrative burden associated with acquiring funding, reporting on funding, and collaborating with others has increased. At the same time, fewer resources are available to support these activities or others that are equally important, such as the management and development of the organization's paid staff and volunteers. Taken altogether, these changes have put nonprofit and voluntary organizations and the people who work and volunteer within them under considerable strain.

Current government funding practices appear to be turning many nonprofit and voluntary organizations into cost-efficient extensions of government. In so doing, they may be undermining the ability of organizations to do what they do best. Because nonprofit and voluntary organizations are often rooted in the communities they serve, they are able to identify and respond to needs earlier, more quickly, and more innovatively than their government funders.⁴⁷ They are also able to provide important perspectives for the development of public policy. However, this requires some degree of autonomy and a capacity for independent action that is difficult to achieve in the current funding environment.

PROSPECTS FOR PRIVATE GIVING

Testing the limits of voluntary contributions. Public support of nonprofit and voluntary organizations is very broad. Over three-quarters of Canadians make a charitable donation over the course of a year and more than a quarter volunteer their time.⁴⁸ At the same time, public support is dangerously shallow. Just nine percent of the population is responsible for 46 percent of all donations and 40 percent of all volunteer hours. Moreover, there are indications that this core group may be declining. Between 1997 and 2000, total volunteer hours declined by five percent and the percentage of the population volunteering declined from 31 to 27 percent. There has been a long-term trend of steadily increasing donations, but little change in the percentage of donors in the population.

Valued and trusted by the public, but increasing expectations for accountability. Research from public opinion surveys about attitudes towards registered charities shows that Canadians believe charities play an important role in improving the quality of Canadian life.⁴⁹ Most think that charities understand their needs better than government and do a better job of meeting those needs. Charities also enjoy a

⁴⁷ The responses of nonprofit and voluntary organizations to such issues as AIDS and breast cancer, far in advance of government initiatives, are often cited as examples of their ability in this area.

⁴⁸ Michael Hall, Larry McKeown and Karen Roberts, *Caring Canadians, Involved Canadians: Highlights from the 2000 National Survey of Giving, Volunteering and Participating*, Catalogue no. 71-542-XPE (Ottawa: Statistics Canada, 2001).

⁴⁹ Michael Hall, Liane Greenberg and Larry McKeown, *Talking About Charities: Canadians' Opinions on Charities and Issues Affecting Charities* (Edmonton: Muttart Foundation, Canadian Centre for Philanthropy, 2000); Ipsos-Reid, *Talking about Charities 2004* (Edmonton: Muttart Foundation, 2004).

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high level of public trust. Nevertheless, Canadians would like more information about how their donations are used and the programs that charities deliver, as well as information about the impact of their activities. In addition, an increasing number think that there is a greater need for oversight of their activities.

There have been several proactive efforts within the sector to encourage greater accountability. A national coordinating body, the Voluntary Sector Roundtable, commissioned a public panel on accountability in 1997⁵⁰ and the Canadian Centre for Philanthropy (now Imagine Canada) led the development of a code for ethical fundraising and financial accountability for organizations. Efforts to improve the ability of organizations to be more accountable are, however, hampered by the **absence of standards for financial reporting and performance measurement**. This, in turn, limits the ability of the public and others to understand how organizations are performing and the ability of donors and funders to tie funding to performance and obtain maximum impact for the funding provided.

Increasing interest from business. While Canadian businesses provide only three percent of the total revenues of nonprofit and voluntary organizations, there are signs that the role they play in supporting the efforts of these organizations will improve.⁵¹ Many corporations are recognizing the importance of demonstrating good corporate citizenship and making a meaningful contribution to Canadian communities. In addition, many Canadian business schools have started to integrate materials on corporate citizenship and corporate social responsibility into their curricula, increasing the likelihood that future business leaders will be interested in these issues.

A BIFURCATED SECTOR: NONPROFIT OR VOLUNTARY ORGANIZATIONS

The Canadian nonprofit and voluntary sector may be becoming increasingly bifurcated into a set of organizations that may be described as nonprofit organizations, and another that is perhaps best described as voluntary organizations. On the one hand there is a small set of relatively large, paid-staff “nonprofit” organizations, many of which are funded by government to provide services in the areas of health, education, and social services. The majority of these are registered charities and, as a result, are better able than some organizations to attract private donations. They also have a greater capacity to recruit and manage volunteers. On the other hand, there is a much larger set of small, volunteer-run “voluntary” organizations that depend more on earned income from nongovernmental sources and private donations.⁵² Many of these organizations serve expressive functions and operate in areas such as sports and recreation, arts and culture, and the environment, although small organizations are common in nearly all fields.

The division between these two sets of organizations is likely to increase, because the larger, more professionalized, and well-resourced organizations have substantial competitive advantages in the current funding environment. For example, larger organizations with professional staff and administrative

⁵⁰ Ed Broadbent, *Building on Strength: Improving Governance and Accountability in Canada's Voluntary Sector: Final Report/Panel on Accountability and Governance in the Voluntary Sector* (Ottawa: Voluntary Sector Roundtable, 1999).

⁵¹ Michael H. Hall et al., *The Capacity to Serve: A Qualitative Study of the Challenges Facing Canada's Nonprofit and Voluntary Organizations* (Toronto: Canadian Centre for Philanthropy, 2003); Katherine Scott, *Funding Matters: The Impact of Canada's New Funding Regime on Nonprofit and Voluntary Organizations* (Ottawa: Canadian Council on Social Development, 2003).

⁵² Excluding religious organizations, 52 percent of all organizations have no paid staff and 44 percent have annual revenues of less than \$30,000. See Michael H. Hall et al., *Cornerstones of Community: Highlights of the National Survey of Nonprofit and Voluntary Organizations*, Catalogue no. 61-533-XPE (Ottawa: Statistics Canada, 2004).

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capacity are better positioned than small, volunteer-run organizations to compete for government contracts.⁵³ Larger, well-resourced organizations are also better able to compete for alternative sources of funding such as private donations and the sale of goods and services.

The bifurcated nature of the Canadian nonprofit and voluntary sector has implications for public policy. For example, policy initiatives that address the specific needs of smaller and medium-sized organizations may be required to enable this segment of the sector to continue to contribute to Canadian society. Because these organizations tend to perform expressive functions, they may benefit more from initiatives that focus on the roles they play in this area (e.g., encouraging citizen engagement and participation) and the specific challenges they face (e.g., volunteer recruitment and development). In contrast, larger service-delivery organizations would benefit from initiatives that address the specific challenges they face as they perform their service-delivery roles (e.g., an inadequate funding environment).

CHALLENGES ASSOCIATED WITH CURRENT PUBLIC POLICIES

Taking a broader view of the sector, one of the major issues may be the lack of a coherent public policy framework for nonprofit and voluntary organizations. In its place is a patchwork of federal and provincial initiatives.

The federal government is responsible for the regulation of registered charities through the *Income Tax Act* and the regulation of federally incorporated organizations through federal corporate laws.⁵⁴ The recent Voluntary Sector Initiative (VSI) was intended to provide the foundation for the development of public policy with respect to the nonprofit and voluntary sector, however it is too early to determine whether this will have a lasting impact. More recently the federal government has committed to supporting the development of the social economy, which suggests that an alternative policy framework may be developed.

Although the provinces have constitutional responsibility for nonprofit and voluntary organizations, most of their policy initiatives are also departmentally focused.⁵⁵ In the past five years, a number of provinces have developed broader initiatives to strengthen either volunteerism or the sector's capacity, or have included the sector as part of the development of a broad social plan. Among the latter, Quebec stands out for the cohesiveness of its community action strategy. This policy clearly defines the scope of the sector (by excluding professional associations, unions foundations, and religious organizations), outlines explicit government funding practices, commits to providing support for training and professional development policies, and funds advocacy for rights.⁵⁶

⁵³ Michael H. Hall and Paul B. Reed, "Shifting the Burden: How Much Can Government Download to the Non-profit Sector?" *Canadian Public Administration*, Volume 41 (1998): 1-20.

⁵⁴ About 10 percent of nonprofit and voluntary organizations are federally incorporated. See an unpublished report by Susan Carter, Peter Broder, M. Easwaramoorthy, Heather Schramm and Margaret de Wit, "The Civil Society Sector in Canada: Policy Environment," (Working Paper, Johns Hopkins Comparative Nonprofit Sector Project, Canadian Centre for Philanthropy, Toronto, 2004).

⁵⁵ Susan Carter, Peter Broder, M. Easwaramoorthy, Heather Schramm and Margaret de Wit, "The Civil Society Sector in Canada: Policy Environment," (Toronto: Canadian Centre for Philanthropy, 2004).

⁵⁶ Ginette Drouin Busque, *Community Action: A Crucial Contribution to the Exercise of Citizenship and Social Development of Québec* (Québec City: Ministère de l'Emploi et de la Solidarité sociale, 2001).

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While policies have been developed to support the Canadian business sector, the voluntary and nonprofit sector has been largely overlooked, with few efforts made to support its economic and social contributions. Economic support is primarily limited to exemptions from paying income tax. Those organizations that are registered as charities also receive partial exemptions from the national Goods and Services Tax (GST) and benefit from tax incentives that encourage donations (i.e., they are able to issue tax receipts that provide donors with tax credits). In many parts of Canada, nonprofit organizations are also exempted from local property taxes. However, it is safe to say that the question of how to improve the capacity of the nonprofit and voluntary sector to deliver social and economic benefits has not received any sustained attention.

Definition of charity. The difficulties many organizations face in obtaining registered charity status have spurred calls for the definition of charity to be modernized to reflect the current needs of Canadian society.⁵⁷ At present, charitable status is restricted with a few exceptions to organizations working for the relief of poverty, the advancement of education, the advancement of religion, and "other purposes beneficial to the community." This latter category is narrowly defined and excludes many organizations that are widely seen as providing public benefits (e.g., environmental organizations, rights groups, organizations providing services to ethnocultural groups). While Canadian charity laws are based on the same legal precedents as those in the United Kingdom and the United States, these countries have taken a broader view of the definition of charitable purpose.

Improving the ability to engage in advocacy. Other aspects of the Canadian regulatory system have also been identified for reform.⁵⁸ One is the legal restriction placed on the advocacy activities of registered charities. Charities are limited in the extent to which they can advocate policy positions because this is not considered to be an activity that is consistent with an organization's charitable purpose.⁵⁹ However, the role of charities in policy development has become increasingly important, in part because of a substantial decrease in government policy capacity. Current restrictions place charities in the difficult position of providing services that are designed and driven by government policies while simultaneously being constrained from advocating for changes to these policies.

Addressing volunteer liability. The potential personal liability of volunteer members of nonprofit boards is also receiving some attention because it is thought by many to deter potential board volunteers. Efforts are underway to modernize the *Canada Corporation Act*, which governs federally incorporated nonprofit organizations. It is anticipated that this legislation will, among other things, provide for directors to be held to an objective standard of care similar to that to which for-profit directors are held. As well, the legislation may provide a statutory "due diligence" defence for claims of negligence against directors. A number of provinces are also introducing measures to safeguard volunteer board members from liability. For example, Nova Scotia has enacted a *Volunteer Protection Act*⁶⁰ that protects volunteers against liability claims where they acted legally and in good faith.⁶¹

⁵⁷ Charitable status confers two main advantages on organizations. It gives their donors access to tax incentives for the donations they make and it enables organizations to access foundation funding, which is restricted by law to registered charities.

⁵⁸ See Institute for Media, Policy and Civil Society and Canadian Centre for Philanthropy, *Let Charities Speak: Report of the Charities and Advocacy Dialogue* (Toronto and Vancouver: Author, 2002).

⁵⁹ Registered charities are allowed to devote 10 to 20 percent of their total resources to advocacy, depending upon the size of their annual revenues.

⁶⁰ See: http://www.gov.ns.ca/legi/legc/bills/58th_2nd/1st_read/b098.htm.

⁶¹ This discussion draws heavily on David Stevens and Peter Broder, "Legal Background: Canada," (Working Paper, Johns Hopkins Comparative Nonprofit Sector Project, Canadian Centre for Philanthropy, Toronto, 2004).

CONCLUSION

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Many Canadians will probably be astounded to learn that the nonprofit and voluntary sector that many of them take for granted is the second largest in the world. The development of civil society in Canada may indeed be one of the country's most significant accomplishments. The size and economic importance of the sector depends in no small part upon the role it has played in the development of the Canadian welfare state. After World War II, governments at all levels turned to nonprofit and voluntary organizations to deliver a variety of publicly funded services, particularly in the areas of health, education, and social services. Historically, however, the involvement of the nonprofit and voluntary sector in the provision of many community services preceded government and indeed provided the foundation for later government action. But what enabled it to provide such a foundation?

Many point to the cultural influences of the original Aboriginal peoples and the French and British who established the legal and religious institutions on which subsequent development was based. Others point to the rich multicultural population that distinguishes Canada from much of the world. Canadians, however, often point to the influence of geography—with a relatively sparse population extended across a vast and often inhospitable climate—which helped nurture a more collectivist view of society in Canada than is the case elsewhere. Undoubtedly, it is a combination of many factors.

Canada has begun to examine, in a more deliberate fashion, the role that nonprofit and voluntary organizations play in Canadian life and to consider what role it wants the sector to play in the future. The country has made significant achievements in building its body of knowledge about the sector, including:

- undertaking a comprehensive mapping of the size and scope of the sector through the National Survey of Nonprofit and Voluntary Organizations;
- institutionalizing a permanent series of surveys to track public support of the sector—the Canada Survey of Giving, Volunteering and Participating;
- making an ongoing commitment to volunteerism through the Canada Volunteerism Initiative; and,
- creating permanent mechanisms to track the economic performance and contribution of the sector via the Satellite Account of Nonprofit Institutions and Volunteering.

Canada is still in the early stages of understanding how its citizens can make the most of the civil society assets that they have created. Two central questions remain to be answered. What social and economic contributions is the nonprofit and voluntary sector best able to make? And how can it best be enabled to make these contributions? At the same time, the sector's deep historical roots combined with recent government interest in its vitality suggest that Canada is well positioned to reap the benefits that a vibrant civil society can provide.

APPENDIX A – INTERNATIONAL CLASSIFICATION OF NONPROFIT ORGANIZATIONS



Respondents to the NSNVO were asked to provide information on the primary activity of their organization. To classify these organizations, the International Classification of Nonprofit Organizations (ICNPO) was used. Although they are classified according to their primary area of activity, some organizations operate in multiple areas. An advantage of the ICNPO system is that it is widely used by other countries, allowing for international comparisons. It has also been devised specifically to reflect the range and nature of activities typically undertaken in the nonprofit and voluntary sector. The ICNPO system, developed by the Johns Hopkins Comparative Nonprofit Sector Project divides the nonprofit sector into 12 major activity groupings, each with subcategories:

Group 1: Culture and Recreation

Group 2: Education and Research

Group 3: Health

Group 4: Social services

Group 5: Environment

Group 6: Development and Housing

Group 7: Law, advocacy and politics

Group 8: Philanthropic Intermediaries and Voluntarism Promotion

Group 9: International

Group 10: Religion

Group 11: Business and Professional associations and Unions

Group 12: Not elsewhere classified

This classification system was modified at the sub-group to better fit the analytical tasks in the Canadian project. Given the need for disaggregating hospitals, universities and colleges from the rest of the nonprofit and voluntary sector (discussed on page 8 of this report), two of the major groups were divided into two subsets rather than into subgroups originally defined in the ICNPO manual. Specifically, Group 2 was divided into universities and colleges and other educational and research establishments. Likewise, Group 3 was divided into hospitals and other health institutions. However, the structure and definitions of the major groups have not been altered.

The modified ICNPO classification is outlined below.

APPENDIX A – INTERNATIONAL CLASSIFICATION OF NONPROFIT ORGANIZATIONS

GROUP 1: CULTURE AND RECREATION

Sub-group 1.1: Arts and culture

Media and communications. Production and dissemination of information and communications. Includes radio and TV stations; publishing of books, journals, newspapers and newsletters; film production; and libraries.

Visual arts, architecture, ceramic art. Production, dissemination and display of visual art and architecture. Includes sculpture, photographic societies, painting, drawing, design centres and architectural associations.

Performing arts. Performing arts centres, companies and associations. Includes theatre, dance, ballet and opera companies; orchestras; and choral and music ensembles.

Historical, literary and humanistic societies. Promotion and appreciation of the humanities, preservation of historical and cultural artefacts, and commemoration of historical events. Includes historical societies, poetry and literary societies, language associations, reading promotion societies, war memorials; and commemorative funds and associations.

Museums. General and specialized museums covering art, history, sciences, technology and culture.

Zoos and aquariums. Includes zoos and aquariums.

Sub-group 1.2: Sports and recreation

Sports. Amateur sport, training, physical fitness and sport competition services and events. Includes fitness and wellness centers.

Recreation and social clubs. Recreational facilities and services to individuals and communities. Includes playground associations, country clubs, men's and women's clubs, touring clubs and leisure clubs.

Service clubs. Membership organizations providing services to members and local communities, such as Lions, Zonta International, Rotary and Kiwanis.

GROUP 2: EDUCATION AND RESEARCH

Sub-group 2.1 Universities and colleges (modified)

Higher education. Higher learning, providing academic degrees. Includes universities, business management schools, law schools and medical schools.

Sub-group 2.2 Other educational and research (modified)

Vocational/technical schools. Technical and vocational training specifically geared toward gaining employment. Includes trade schools, paralegal training and secretarial schools.

Adult/continuing education. Education and training in addition to the formal education system. Includes schools of continuing studies, correspondence schools, night schools, and sponsored literacy and reading programs.

Medical research. Research in the medical field. Includes research on specific diseases, disorders or medical disciplines.

Science and technology. Research in the physical and life sciences as well as engineering and technology.

Social sciences, policy studies. Research and analysis in the social sciences and policy areas.

APPENDIX A – INTERNATIONAL CLASSIFICATION OF NONPROFIT ORGANIZATIONS

GROUP 3: HEALTH

Sub-group 3.1: Hospitals (modified)

Hospitals. Primarily inpatient medical care and treatment.

Rehabilitation. Inpatient health care and rehabilitative therapy to individuals who suffer from physical impairments due to injury, genetic defect or disease and who require extensive physiotherapy or similar forms of care.

Nursing homes. Inpatient convalescent care, residential care and primary health care services. Includes homes for the frail elderly and nursing homes for the severely handicapped.

Psychiatric Hospitals. Inpatient care and treatment for the mentally ill.

Sub-group 3.1: Other health (modified)

Mental health treatment. Outpatient treatment for mentally ill patients. Includes community mental health centers and halfway homes.

Crisis intervention. Outpatient services and counsel in acute mental health situations. Includes suicide prevention and support to victims of assault and abuse.

Public health and wellness education. Public health promotion and health education. Includes sanitation screening for potential health hazards, first aid training and services, and family planning services.

Health treatment, primarily outpatient. Mainly outpatient health services, e.g., health clinics and vaccination centres.

Rehabilitative medical services. Outpatient therapeutic care. Includes nature cure centres, yoga clinics and physical therapy centers.

Emergency medical services. Services to persons in need of immediate care. Includes ambulatory services and paramedical emergency care, shock/trauma programs, lifeline programs and ambulance services.

GROUP 4: SOCIAL SERVICES

Child welfare, child services, and day-care. Services to children, adoption services, child development centres and foster care. Includes infant-care centres and nurseries.

Youth services and youth welfare. Delinquency prevention services, teen pregnancy prevention, dropout prevention, youth centres and clubs, and job programs for youth. Includes YMCA, YWCA, Boy Scouts, Girl Scouts, and Big Brothers/Sisters.

Family services. Includes family life education, parent education, single-parent agencies and services, and family violence shelters and services.

Services for the handicapped. Includes homes, other than nursing homes, transport facilities, recreation, and other specialized services.

Services for the elderly. Geriatric care, including in-home services, homemaker services, transport facilities, recreation, meal programs and other services geared towards senior citizens, but excluding residential nursing homes.

APPENDIX A – INTERNATIONAL CLASSIFICATION OF NONPROFIT ORGANIZATIONS



Self-help and other personal social services. Programs and services for self-help and personal development. Includes support groups, personal counselling and credit counselling / money management services.

Disaster/emergency prevention and control. Preventing, predicting, controlling and alleviating the effects of disasters, educating or otherwise preparing people to cope with the effects of disasters, or providing relief to disaster victims. Includes volunteer fire departments and lifeboat services.

Temporary shelters. Providing temporary shelter for the homeless. Includes traveller's aid and temporary housing.

Refugee assistance. Providing food, clothing, shelter and services to refugees and immigrants.

Income support and maintenance. Providing cash assistance and other forms of direct services to persons unable to maintain a livelihood.

Material assistance. Providing food, clothing, transport and other forms of assistance. Includes food banks and clothing distribution centres.

GROUP 5: ENVIRONMENT

Pollution abatement and control. Promoting clean air, clean water, reduction and prevention of noise pollution, radiation control, treatment of hazardous wastes and toxic substances, solid waste management and recycling programs.

Natural resources conservation and protection. Conservation and preservation of natural resources, including land, water, energy and plant resources for the general use and enjoyment of the public.

Environmental beautification and open spaces. Botanical gardens, arboreta, horticultural programs and landscapeservices. Organizations promoting anti-litter campaigns; programs to preserve parks, green spaces and open spaces in urban or rural areas; and city and highway beautification programs.

Animal protection and welfare. Animal protection and welfare services. Includes animal shelters and humane societies.

Wildlife preservation and protection. Wildlife preservation and protection. Includes sanctuaries and refuges.

Veterinary services. Animal hospitals and services providing care to farm and household animals and pets.

GROUP 6: DEVELOPMENT AND HOUSING

Community and neighbourhood organizations. Improving the quality of life within communities or neighbourhoods, e.g., squatters' associations, local development organizations, and poor people's co-operatives.

Economic development. Programs and services to improve economic infrastructure and capacity. Includes building of infrastructure, such as roads; and financial services, such as credit and savings associations, entrepreneurial programs, technical and managerial consulting, and rural development assistance.

Social development. Improving the institutional infrastructure and capacity to alleviate social problems and to improve general public well-being.

Housing associations. Development, construction, management, leasing, financing and rehabilitation of housing.

APPENDIX A – INTERNATIONAL CLASSIFICATION OF NONPROFIT ORGANIZATIONS



Housing assistance. Housing search, legal services and related assistance.

Job training programs. Providing and supporting apprenticeship programs, internships, on-the-job training and other training programs.

Vocational counselling and guidance. Vocational training and guidance, career counselling, testing and related services.

Vocational rehabilitation and sheltered workshops. Promoting self-sufficiency and income generation through job training and employment.

GROUP 7: LAW, ADVOCACY AND POLITICS

Advocacy organizations. Protecting the rights and promoting the interests of specific groups, e.g., the physically handicapped, the elderly, children and women.

Civil rights associations. Protecting or preserving individual civil liberties and human rights.

Ethnic associations. Promoting the interests of, or providing services to, those of a specific ethnic heritage.

Civic associations. Programs and services to encourage and spread civic-mindedness.

Legal services. Legal services, advice and assistance in dispute resolution and court-related matters, crime prevention and public policy, as well as crime prevention to promote safety and precautionary measures among citizens.

Rehabilitation of offenders. Programs and services to reintegrate offenders. Includes halfway houses, probation and parole programs, and prison alternatives.

Victim support. Services, counsel and advice to victims of crime.

Consumer protection associations. Protection of consumer rights and improving product control and quality.

Political parties and organizations. Activities and services to support the placing of particular candidates into political office. Includes dissemination of information, public relations and political fundraising.

GROUP 8: GRANT-MAKING, FUNDRAISING AND VOLUNTARISM PROMOTION

Grant-making foundations. Private foundations, including corporate foundations, community foundations and independent public-law foundations.

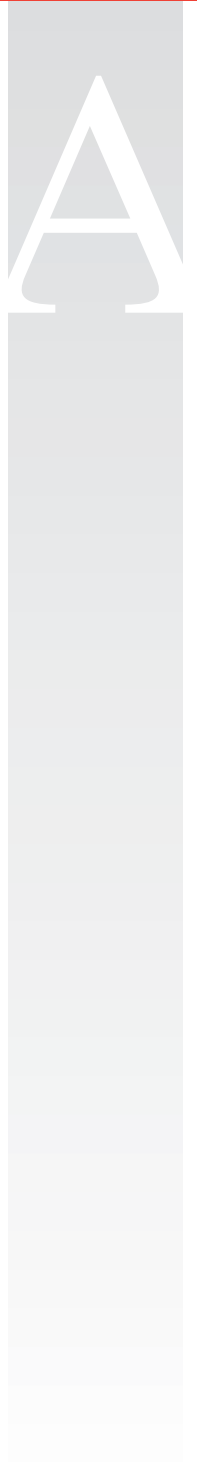
Voluntarism promotion and support. Recruiting, training, and placing volunteers and promoting volunteering.

Fundraising organizations. Federated, collective fundraising organizations, including lotteries.

GROUP 9: INTERNATIONAL

Exchange/friendship/cultural programs. Programs and services to encourage mutual respect and friendship abroad.

APPENDIX A— INTERNATIONAL CLASSIFICATION OF NONPROFIT ORGANIZATIONS



Development assistance associations. Programs and projects to promote social and economic development abroad.

International disaster and relief organizations. Collecting, channelling, and providing aid to other countries during times of disaster or emergency.

International human rights and peace organizations. Promoting and monitoring human rights and peace abroad.

GROUP 10: RELIGION

Congregations. Churches, synagogues, temples, mosques, shrines, monasteries, seminaries and similar organizations promoting religious beliefs and administering religious services and rituals.

Associations of congregations. Associations and auxiliaries of religious congregations and organizations supporting and promoting religious beliefs, services and rituals.

GROUP 11: BUSINESS AND PROFESSIONAL ASSOCIATIONS AND UNIONS

Business associations. Promoting, regulating, and safeguarding the interests of special branches of business, e.g., manufacturers, farmers and bankers.

Professional associations. Promoting, regulating and protecting professional interests, e.g., bar associations and medical associations.

Labour unions. Promoting, protecting, and regulating the rights and interests of employees.

GROUP 12: NOT ELSEWHERE CLASSIFIED

APPENDIX B – METHODOLOGY

B

For a detailed discussion of the methodologies used to generate the comparative data presented in this report, see Lester M. Salamon and S. Wojciech Sokolowski, *Global Civil Society: Dimensions of the Nonprofit Sector*, Volume Two (Bloomfield, CT: Kumarian Press, 2004).

The data on Canada were generated from three major sources: the National Survey of Nonprofit and Voluntary Organizations; the 2000 National Survey of Giving, Volunteering and Participating; and the Satellite Account of Nonprofit Institutions and Volunteering, which is part of the Canadian System of National Accounts. The discussion below details the methodologies used by these three data sources.

NATIONAL SURVEY OF NONPROFIT AND VOLUNTARY ORGANIZATIONS (NSNVO)

The National Survey of Nonprofit and Voluntary Organizations was conducted in 2003. The objective of the NSNVO was to produce empirical information on the size, scope, capacity needs and challenges of nonprofit and voluntary organizations in Canada.

The survey was conducted in two phases. For Phase 1, a sample of 20,000 organizations with no classification or size information was selected for each province individually and for the territories combined. Provinces with fewer organizations were over sampled so that sufficient sample sizes could be obtained for each province. These organizations were contacted in order to gather some basic stratification information, such as their primary activity according to the ICNPO major groupings and their size by gross revenue. For Phase 2, a second sample of approximately 20,000 organizations was selected, a portion of which had been previously surveyed as part of Phase 1.

The sample was designed so that results of the survey would be representative of each province and the combined territories, each revenue size category, and each of the ICNPO major activity groupings. It was determined that the initial sample included many public sector entities (e.g., school boards, public libraries, and public schools) that did not meet the ICNPO criteria for inclusion in the survey, and these entities were therefore removed from the sample. The sample size of survey after excluding the public sector entities is approximately 13,000. The response rate for this survey was 77 percent.⁶²

NATIONAL SURVEY OF GIVING AND VOLUNTEERING (NSGVP)

The 2000 National Survey of Giving, Volunteering and Participating was conducted as a supplement to the October 2000 Canadian Labour Force Survey (LFS). One person aged 15 or older was randomly selected from eligible LFS households. After completing the LFS interviews, the selected individuals were surveyed for the NSGVP using computer-assisted interviewing. The first set of NSGVP questions pertained to volunteer activities. A preprogrammed random selection process gave respondents who did not volunteer a 65 percent chance of being screened out of the survey at this point. The 13,449 respondents who were screened out were not included in the survey results; they were used, however, in the calculation of the final response rate of 63.2 percent. The sample size for the 2000 NSGVP was 14,724 individuals.

⁶² For more information, see Michael H. Hall et al., *Cornerstones of Community: Highlights of the National Survey of Nonprofit and Voluntary Organizations*, Catalogue no. 61-533-XPE (Ottawa: Statistics Canada, 2004), pp. 64-67.

The NSGVP furnishes the most comprehensive assessment of giving, volunteering and participating ever undertaken in Canada. It asks Canadians a series of questions about how they give money and other resources to individuals and to nonprofit and voluntary organizations; volunteer time to nonprofit and voluntary organizations and directly to individuals; and participate in organizations by becoming members.⁶³

SATELLITE ACCOUNT OF NONPROFIT INSTITUTIONS AND VOLUNTEERING

The Satellite Account of Nonprofit Institutions and Volunteering was established to measure the contribution of the nonprofit sector to the Canadian economy, putting it on an equal footing with other sectors in official economic statistics. Estimates in the satellite account were built from a wide range of data sources, including administrative files (tax records), Statistics Canada surveys, and public accounts information. The estimates were compiled according to international standards within the framework of the Canadian System of National Accounts.

Prior to the release of satellite account estimates in September 2004, extensive reconciliation analysis was undertaken to ensure that financial information collected on the NSNVO was consistent with estimates compiled in the Satellite Account of Nonprofit Institutions and Volunteering. From the point of view of the NSNVO, this analysis was important in assessing the validity of entities included in the survey sample, and helped ensure that the universe covered by the NSNVO was in conformity with international concepts.

From the point of view of the satellite account, the reconciliation analysis enabled coverage to be supplemented for certain types of organizations not well represented in the data sources used to compile the estimates. Since organizations not covered were generally small, the impact in terms of financial weight was not substantial. Coverage adjustments were concentrated in ICNPO groups for sports and recreation, business and professional associations, and social services.

Satellite account and NSNVO estimates could not be reconciled entirely, and differences remain between the two datasets. These differences are due to a range of factors, including different reference periods, conceptual and methodological differences, and varying classification procedures. Universe and coverage differences also remain in selected areas. As a result of the reconciliation analysis undertaken, however, the broad messages on the size and scope of the nonprofit sector in economic terms coming out of the two programs are largely consistent.⁶⁴

⁶³ For more information, see Michael Hall, Larry McKeown and Karen Roberts, *Caring Canadians, Involved Canadians: Highlights from the 2000 National Survey of Giving, Volunteering and Participating*, Catalogue no. 71-542-XPE (Ottawa: Statistics Canada, 2001).

⁶⁴ For more information, see Malika Hamdad, Sophie Joyal and Catherine Van Rompaey, *Satellite Account of Nonprofit Institutions and Volunteering*, Catalogue no. 13-015-XIE (Ottawa: Statistics Canada, 2004).

APPENDIX C – COUNTRY CLUSTERS

C

WELFARE PARTNERSHIP

Austria
Belgium
France
Germany
Ireland
Israel
Italy
Netherlands
Spain

ANGLO-SAXON

Australia
United Kingdom
United States

NORDIC

Finland
Norway
Sweden

LATIN AMERICAN

Argentina
Brazil
Colombia
Mexico
Peru

ASIAN INDUSTRIALIZED

Japan
South Korea

EASTERN EUROPEAN

Czech Republic
Hungary
Poland
Romania
Slovakia

AFRICAN

Kenya
South Africa
Tanzania
Uganda

OTHER DEVELOPING

Egypt
India
Morocco
Pakistan
Philippines