

**The Voluntary Sector:
A Productive Force in the New Economy**

A Discussion Paper Prepared for Industry Canada

By

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The Centre for Voluntary Sector Research and Development is a partnership of Carleton University and the University of Ottawa that works in collaboration with the voluntary sector to enhance research and its use in the sector.

The opinions expressed in this report are those of the authors and do not necessarily represent the views or positions of Industry Canada or its officials.

Executive Summary

Purpose of the Discussion Paper

The voluntary sector has an important, if so far largely unrecognized, role to play in the New Economy. This role supports and reinforces that of the private sector, but it is also distinctive and important in its own right. The full contribution of the voluntary sector to the New Economy will not be realized, however, through inattention or neglect. Just as the Government of Canada has taken an active part in assisting the business community adapt, compete and contribute to a more vibrant, innovative economy and enhance the quality of life for all Canadians, so, too, it has a role in assisting the voluntary sector to do the same.

The purpose of this discussion paper is to provide a better understanding of how the voluntary sector can contribute to the New Economy and of the factors that affect whether it participates fully and successfully in this environment. It identifies what we know about the extent to which these contributions and challenges are being met based on a scan of existing research. From this basis, it outlines a research and action agenda for Industry Canada as to how it might work with the voluntary sector in helping it fully realize its potential contributions in the knowledge-based economy.

Contributions and Challenges

The potential contributions of the voluntary sector to the New Economy are significant and include:

- Economic impact;
- Innovation in service delivery;
- Building social capital and social cohesion;
- Building networks; and
- Participation in public policy.

As the survey of the literature reveals, however, there are major challenges in realizing the full potential of the sector in being a productive force in the knowledge-based economy. First, there is a need to develop human capital. Second, the capacity of the sector for innovation could be significantly strengthened through investment in technology, better access to capital and promoting social entrepreneurship. A third challenge lies in knowledge creation and knowledge transfer. Finally, the voluntary sector needs strong governance and an enabling regulatory and legal environment in which to flourish in this economy.

Toward a Research and Action Agenda

When we recognize that the voluntary sector is an important force in the economy, as well as in promoting the quality of life in Canadian communities, then helping the sector contribute to the full extent possible to the New Economy and work in partnership with business and government in this task is a natural extension of the mandate of Industry Canada. Indeed, it could well assist the Department in achieving its mandate and

pursuing Canada's Innovation Strategy. To this end, a nine point research and action agenda is proposed that includes:

- Supporting Research and Development
- Fostering Innovation
- Fostering Technological Innovation
- Investing in Skills, Education and Employment
- Enhancing Network Capital
- Encouraging Social Entrepreneurship
- Promoting Good Governance and Self-Regulation
- Supporting Community Development
- Building a Stronger Relationship with the Voluntary Sector

The Voluntary Sector: A Productive Force in the New Economy

It is in our communities and neighbourhoods that the abstract idea of "quality of life" takes on a real meaning – where good transportation and information networks, entrepreneurship, public spirit and shared creativity come together to make Canadian communities more prosperous and more attractive places to live, work and raise families.

Speech from the Throne, 2001

Innovation is not just the job of government or the private sector.
Innovation is everybody's business.

Achieving Excellence:
Canada's Innovation Strategy, 2002

Introduction

Improving the quality of life of Canadians and their families has been one of the top priorities of the Government of Canada. Following concerns that the slow growth in Canada's standard of living was reflecting low levels of productivity, the federal government launched Canada's Innovation Strategy in 2002. Its goal is to help Canada succeed in the New Economy – an economy in which knowledge, innovation, technology, human capital, networks and permeability to international forces are much more important than in the past and where the pace of change has accelerated. It is widely recognized that several challenges must be met for countries to support the New Economy and be competitive in it. These involve: 1) investing in knowledge creation and knowledge transfer; 2) attracting and developing human capital – "the knowledge, skills, competencies and attributes embodied in individuals that facilitate the creation of personal, social and economic well-being;" 3) spurring innovation; and 4) enhancing the quality of life in local communities so they continue to be magnets for investment and opportunity.

A strong, open and competitive private sector is obviously a key player in such investment and innovation. But, it is not the only one. Governments are essential in establishing appropriate business and regulatory environments and in helping to maintain strong communities that are such a vital factor in attracting the highly mobile workforce of today. The Government of Canada has actively committed to building a stronger, more competitive economy and enhancing the quality of life in Canada communities by making knowledge performance, skills, innovation and community support top priorities in its Innovation Strategy. Innovation and success in the New Economy is thus wisely unfolding as a partnership of business and government. This picture is missing the vital third important pillar of Canada's economy and society, however. From the time that Canada was a small staples-based economy, the voluntary and nonprofit sector has

worked to enhance the quality of life in our communities, large and small, and to improve the services enjoyed by all Canadians. The sector has also been at the forefront of policy decision making in communities around complex issues such as homelessness, environmental management, long-term unemployment and increasing inequality. The sector touches on virtually all aspects of our lives, from health and environment to sports, arts and culture. It is the basis of the formation of social capital and the quintessential network builder, both of which are recognized to be important conduits for knowledge transfer in the New Economy.

How the voluntary and nonprofit sector performs in the New Economy is therefore critical to the overall performance of the Canadian economy and the quality of life in communities. The voluntary sector needs to be a key partner along with the public and private sectors in helping Canada flourish in the New Economy. The other partners cannot afford to ignore its potential or its needs and limitations in this new environment. Yet, very little research and policy attention has focused on the power of the voluntary sector as a fundamental, productive force in the New Economy.

The purpose of this discussion paper is twofold. First, it provides a better understanding of how the voluntary sector can contribute to the New Economy and of the factors that affect whether it participates fully and successfully in this environment. Second, it outlines a research and action agenda for Industry Canada as to how it might work with the voluntary sector in helping it fully realize its potential contributions to the knowledge-based economy. Specifically, the paper addresses four questions:

- What are the potential contributions of Canada's voluntary sector in the context of the New Economy, and what would it take to realize its full potential?
- What does existing research tell us, in general and in specific terms, about the voluntary sector's contribution to Canada's economic and social well-being, and what are the primary gaps in research?
- What are the key components of a research and action agenda aimed at enhancing the role of the voluntary sector in the New Economy?
- How does this agenda fit with the mandate of Industry Canada and how might it act strategically within its mandate to support stronger participation by voluntary organizations in the New Economy?

The Scope of the Voluntary and Nonprofit Sector

The voluntary and nonprofit sector in Canada is both large and diverse. In developing the Accord between the Government of Canada and the voluntary sector, the Voluntary Sector Initiative (VSI) defined the sector as comprised of organizations that:

exist to serve a public benefit, are self-governing, do not distribute any profits to members, and depend to a meaningful degree on volunteers. Membership or involvement in these organizations is

not compulsory, and they are independent of, and institutionally distinct from the formal structures of government and the private sector. Although many voluntary sector organizations rely on paid staff to carry out their work, all depend on volunteers, at least on their boards of directors (Government of Canada/Voluntary Sector, 2001: 3).

In Canada, the sector is estimated to encompass over 175,000 organizations, of which almost 80,000 are registered charities able to issue tax credit receipts for donations. Overall, the sector includes organizations that are closely allied to the public sector, such as universities, hospitals and museums, and those that have one foot in the private sector, such as business and professional associations. Some parts of the sector are focused mainly on service delivery, others on participation in the public policy process. Helping people less fortunate may be the main rationale for some organizations, while others are centred on self-help or mutual aid. Some are strictly local in nature and particularistic in their concerns, while others operate provincially or nationally or even look more globally. Just as in the business community, one source of the collective strength of the voluntary sector stems from its diversity. And, as with analyzing the private sector, we need to be cautious about over generalizing or, at worst, penning a caricature of the sector. Nevertheless, in thinking about the economic contributions of the voluntary sector, as a sector, some generalizations are necessary.

Contributions of the Voluntary Sector to the New Economy

Our first task is to consider the potential contributions of the voluntary sector to the New Economy. Some of these are long standing contributions of the sector, but they have taken on new significance as the nature of the economy has changed.

Economic Contributions

The size of the voluntary sector is impressive and it is a major player in the economy. When the health and education sectors are included, the voluntary sector has annual revenues of \$90 billion, assets of \$109 billion, and generates over 12 percent of Canada's GDP (Sharpe, 1994; Picard, 1996). In terms of employment, it is estimated that 900,000 people were employed in 1999 in the voluntary sector, accounting for \$22.1 billion dollars in payroll expenditure, and over \$40 billion in salaries and benefits. According to McMullen and Schellenberg (2002: 36), this represents almost 7 percent of all payroll expenditures made by employers outside public administration, selected primary industries and religious organizations. This is comparable to total employment in sectors such as construction, mining and the oil and gas industries. Based on these data, employment in the voluntary sector accounts for between 6 and 9 percent of full-time

equivalent employment nation wide.¹ Moreover, it is estimated that between 1980 and 1990, the sector was responsible for 13 percent of the job growth.

The economic contribution of the volunteer component of the sector is equally impressive. According to the latest data obtained from the 2000 Canadian Survey of Volunteering, Giving and Participating (CGSVP), 6.5 million volunteers contributed a total of over 1 billion hours in 2000 and 78 percent of Canadians made charitable gifts (with the average amount of gifts increasing over time). There is reason for concern in the sustainability of volunteering, however, as the 2000 Survey shows a decrease of 56 million hours and a decrease of 1 million volunteers from 1997.

Volunteerism is important not only for the services provided, but it acts as a segue way for many into the paid labour market (see Ekos, 2002). Voluntary organizations enhance economic growth by providing workers and volunteers, especially youth and transitional workers, with valuable skills that help them enter the labour market. They in effect train productive and innovative workers for the economy at large. Given that over 32 percent of all jobs in Canada are now part-time, short-term, temporary, contractual or self employed and that job growth is expected to occur increasingly in "non standard" types of work, the voluntary sector is making an increasingly valuable contribution in the New Economy, adding to the overall pace of innovation and contributing to productivity in the rest of the economy.

Innovation in Service Delivery

One of the first things that comes to mind when we think of what voluntary organizations do is that they provide services. In every community in Canada voluntary organizations provide important and useful services – ones that neither the market nor government could do well. Indeed, one of the voluntary sector's strengths in the New Economy lies in its ability to identify and respond to new needs in communities.

In the process of service delivery, voluntary organizations have had to be innovators. As states downsized, they have had to take on increasing responsibility for the provision of social and other services. They have had to adapt to an environment of constrained resources, and learn to do more with less. They have proven time and time again how much can be accomplished with few resources. They are creative and innovative in finding new or alternative solutions to problems or crisis situations. They have also had to be innovative in their delivery styles, and they have successfully developed governance and management tools to meet these new demands.

¹ The estimates provided by McMillen and Schellenberg based on the WES data put employment in the voluntary sector at about 6 percent of the Canadian total. This is a conservative estimate, however. Sharpe (1994; 2001) estimates that charities alone employ 9 percent of the Canadian labour force providing 1.3 million jobs in Canada.

In many respects, then, voluntary organizations have been rising to the challenge of the New Economy and shifting away from standardized services, towards individually tailored services and programs. Already, the sector's ability to perform these tasks is recognized and relied upon by governments at all levels. Nevertheless, issues of capacity and the growth of the contracting culture are requiring the voluntary sector to re-examine its role and its approach to delivering services. Growing evidence of the effects of contracting out indicate that the restrictions imposed by contracts, coupled with the limited capacity of the voluntary sector, is seriously hindering its ability to remain innovative.²

Building Social Capital and Social Cohesion

While in monetary terms, the voluntary sector contributes economically through provision of services, as well as through salaries, taxes, spending and capital acquisition, the human contributions and the social products of voluntary organizations are also important to acknowledge. Research has demonstrated that both economic and social factors affect a country's growth rate and productivity levels (Banting, Sharpe and St-Hilaire, 2002). It is therefore essential to recognize other contributions made by the voluntary sector which may not be readily quantifiable.

The contributions of the voluntary sector to the social fabric of Canada – for example, to promoting volunteerism, creating social capital and social cohesion, enhancing civic participation, and building strong communities – have been well documented (Jenson, 2002; Putnam, 2000; Portney and Berry, 2001). Social capital is defined as “the features of social organization, such as networks, norms and trust, that facilitate coordination and cooperation for mutual benefit.” (Putnam, 2000). The importance of social capital is that it generates trust and reciprocity among the participants and, as a byproduct, produces more effective government and greater satisfaction on the part of citizens with it.

In this process, voluntary organizations have a role to play in reducing the societal risks associated with the New Economy. Despite overall positive news regarding GDP growth in recent years, there is still considerable public concern over issues such as economic security, health, poverty, social cohesion and overall individual and social well-being. With its commitment to social issues, voluntary organizations can contribute to narrowing social inequality and promoting social justice.

Building Networks

Most of the discussion around social capital has focussed on its value in increasing levels of trust. As important in the context of the New Economy is the value of the networks themselves. Indeed, we might call this “network capital.” Such networks serve as

² The literature on the ‘contracting culture’ is mainly British and American. On the former see Taylor, (1992), Harris (2001) and Treasury, UK Government (2002); on the latter, see Smith and Lipsky (1993) and Smith (2002). On the Canadian literature see Panet and Trebilcock (1996) and Juillet et al. (2001).

vehicles for learning and for the diffusion of innovation and ideas across different parts of the sector and across locales. The voluntary sector and the various social movements that are part of it have proven to be particularly good at connecting globally, a process that is made even easier by technology. In addition to promoting learning, networks are valuable, especially in emerging occupations and policy fields, because they elevate the stature of the occupation and enhance public awareness of the field more broadly. They can thus contribute to making young people aware of the voluntary sector as a potential career path.

Participation in the voluntary sector also helps to build bridges with the private and public sectors over which new ideas and innovations can flow. Most volunteers, be they board members or program participants, have full-time employment outside of the voluntary sector. In their capacity as volunteers, they are likely to bring new ideas, technologies or practices from their sector of employment to the voluntary sector, increasing its exposure to new ways of doing things. And, the process is likely be reciprocal, as volunteers take back ideas and innovations from the voluntary sector back to their work environments.

Networks form for different reasons and purposes in the voluntary sector as in the private sector. Networks can be conceptualized along two dimensions: whether they are primarily vertical or horizontal, and whether they are directed at connecting organizations or individuals. Vertical networks are those intended to connect a subsector with itself, for instance umbrella organizations that bring together local branches with provincial/national and possibly international ones working in the same service or policy field or professional associations that connect individuals in the same profession. Horizontal networks purposively bridge differences, for instance, being inclusive of any voluntary organization in the same city or a community of inquiry that brings together people to address broad cross-cutting issues in the sector. These are illustrated in the table below.

Types of Networks

Connecting:	Vertical	Horizontal
Organizations	Umbrella Organizations; Sector Councils	Chambers of Commerce (or of Voluntary Organizations)
Individuals	Professional Associations	Community of Inquiry

Participants in Public Policy

Coterminous with the development of the New Economy has been the emergence of a new style of governing – often referred to simply as ‘governance.’ The defining feature of governance is that, like the New Economy, it is horizontal in nature, involving partnerships and networks rather than hierarchies (Salamon, 2002; Webb, 2003). Governments have come to realize that they cannot go it alone on most issues and that solutions to complex problems necessarily involve the private and voluntary sectors. In

addition, governments are more likely to make use of a variety of governing instruments. Because these instruments and the nature of policy is more likely to involve a number of departments, there is thus a greater need for horizontal management within government.

The voluntary and nonprofit sector has long had an important role in public policy, but under a governance model, this role becomes more significant. In particular, when services are contracted-out, there is a greater distance and a subsequent loss of information feedback between the policy decision maker and the agent responsible for implementation. In these cases, a government's best ear to the ground may be the voluntary organizations that are actually providing the services. In particular, voluntary organizations are valuable in policy development because they are:

- sources of expert information;
- sources of experiential knowledge, that is, what communities are experiencing, what they value or how they interpret particular issues;
- parts of networks that can share information and organize consultations efficiently and effectively; and
- voices for their communities that generate a sense of political efficacy within these communities.³

A central aspect of the VSI has been to strengthen the participation of voluntary organizations in policy development and their ongoing collaboration with departments. Under the Initiative, this is being led by a series of projects, collectively known as Sectoral Involvement in Departmental Policy Development (SIDPD). The effectiveness of the SIDPD process is currently being evaluated.

It is important to stress that that the participation of voluntary organizations in public policy is of benefit not just to governments, but to communities in general. They have been important sources of education and influence in shaping the behaviour and opinions of the public, for example in taking up recycling, undertaking environmental stewardship or respecting the rights and cultures of minority communities. The result is that Canadians have a very high degree of trust and respect for the voluntary sector, higher in fact than for governments or the business community (Husbands, McKechnie and Leslie, 2000).

Realizing the Potential: The Challenges

The key challenges to enabling the voluntary and nonprofit sector to realize fully the main contributions to the New Economy discussed above – economic, social, innovation, networking and public policy – are similar to those needed to produce a more competitive economy in the first place.

³ The importance of strong networks of voluntar organizations to creating strong communities has been demonstrated quite clearly by Berry, Portney and Thompson (1993).

The Development of Human Capital

Human resources have been identified as the greatest strength of voluntary organizations. If the sector is to contribute fully to the New Economy, several challenges of human capital need to be met (Canadian Centre for Philanthropy et al., 2003):

- There is a shortage of paid staff with specialized skills and a problem retaining staff due to uncompetitive salaries and the short-term, unpredictable nature of project funding;
- Board recruitment needs to attract the right mix of people and skills and, once recruited, training and retention strategies are needed;
- More volunteers, especially those willing to take on longer term commitments or leadership and administrative roles are required, and this involves more effective approaches to recruitment, management, training and retention.

The Capacity for Innovation

The freedom to experiment is one of the reasons that voluntary organizations are so critical to democratic societies, and they have long been very good at such innovation (Frumkin, 2002: 32). As in the private sector, innovation does not just happen – it needs to be nourished, encouraged and supported. Several types of capacity are essential to providing such nurturance:

1. **Technology:** Canada is one of the leading countries in building information and communication technology infrastructure, although the voluntary sector remains behind the public and private sector in the use of information technology (Pargmegiani and Sachdeva, 2000). Due to the VolNet Program, run by Industry Canada, and the IM/IT Joint Table of the Voluntary Sector Initiative, major advances have been made in our knowledge about the technology needs of the sector and in promoting its use in recent years. Significant challenges remain, however. As outlined by the IM/IT Table (2002), these include: the sheer diversity of the sector; limited familiarity of board members, staff and volunteers with IM/IT; financial and other barriers to acquiring IM/IT; limited means for organizations to communicate and network; and problems in sustaining efforts to make effective use of IM/IT.
2. **Access to Capital:** The opportunity to innovate often takes ‘slack’ resources, that is financial and human resources that are not fully committed in pre-specified ways to a particular projects or programs. The longstanding challenge for the voluntary sector is that, overall, it is under-capitalized. An even greater problem is that the increased reliance on contracts and project funding means that funding horizons are short term and that the nature of the inputs as well as the quantity and

quality of the outputs are often set by the contracting authority, leaving no discretion on the part of voluntary organizations for experimentation or innovation. Indeed, it is widely acknowledged that the single greatest impact of the contracting culture is that it is risk adverse and stifles innovation. This is compounded by the fact that in an increasingly competitive fundraising environment, foundations and the public also become more likely to stay with the tried and true, making it difficult to raise money to do new things or to do them differently. Access to some amount of ‘venture capital’ is thus as important to the voluntary sector as it is to the private sector.

- 3. Commercialization and Social Entrepreneurship:** Until recently, entrepreneurship was a dirty word in the voluntary sector. This had changed dramatically as nonprofits have had to compete directly with for-profits, as they seek additional revenue streams through sale of products and fee for services, and as social enterprise is seen to be a valuable and sometimes more effective way of accomplishing the mission. The social economy, as the name implies, encompasses social aspects as well as economic aspects of enterprises. It encapsulates the idea that a business-like approach to selling services can be combined with an explicit social objective in the same organization, and provides an alternative form to organize work. Particularly in Quebec, social economy is heralded as an innovative way to use resources in order to meet social needs or deliver social change and as a valuable tool in fighting social exclusion.

Even in the absence of a formal system of social economy, there is a growing recognition in other parts of Canada of the value of social entrepreneurship, “activities encouraging more entrepreneurial approaches in the not-for-profit sector in order to increase organizational effectiveness and foster long-term sustainability.”⁴ It is by no means clear that increased commercial activity and social entrepreneurship is the best way for voluntary organizations to maximize both their contributions to the New Economy and pursuit of their missions, but it is an option that needs more attention and research in Canada.

Knowledge Creation and Knowledge Transfer

Research and Development (R&D) is the backbone of the knowledge-based economy, and knowledge performance is a high priority for Canada’s Innovation Strategy. By all accounts, knowledge performance lags behind in the voluntary sector, again largely due to the constraints of the contract culture described above. As Banting et al.(2002) have argued, “The private sector invests in research and development and does not insist that R&D divisions be productive within short time horizons. The drive for ‘efficiency’, however, leaves little tolerance for similar investments in the public and voluntary

⁴ Canadian Centre for Social Entrepreneurship, *Social Entrepreneurship*, Discussion Paper No.1, February 2001. For a discussion of social enterprise in the voluntary sector, see Frumkin (2002), and Dees (1999).

sectors.” Yet as the voluntary sector is called upon to deliver a wider range of goods and services, it “is not financed to conduct the serious research and evaluation required to constantly refine and improve the services it provides.” Increased R&D and knowledge transfer in the sector will depend on three things:

- 1. Expanding Research:** The first challenge of knowledge creation is to expand research *on* and *in* the voluntary sector. Within the academic community, research and education on the voluntary and nonprofit sector in Canada lags far behind that of other developed countries, notably the USA and the UK. It is a telling comparison that in the USA some ninety universities offer programs in nonprofit management and there are a large number of well-funded university based research centres on the nonprofit sector and philanthropy (Mirabella and Wish, 2001). In Canada, there are only a handful of such centres and degree based programs, none of which are financially well endowed. Although the Social Sciences and Humanities Research Council (SSHRC) in collaboration with the Kahanoff Foundation made a major advance in supporting research on the voluntary sector through a new Strategic Granting stream, this was time limited and is now ended. The sector itself is not well supported to conduct extensive research. Even the voluntary organizations with any significant capacity for research, such as the Canadian Centre for Philanthropy, are highly dependent on project and contract funding will all of the attendant restrictions on subject matter and stability of support. Few organizations have the financial capacity, expertise or time to conduct research, even in an applied context of improving their programs.
- 2. Performance Assessment:** One of the greatest pressures on voluntary organizations is to demonstrate their effectiveness to their funders, donors, users and other stakeholders (PAGVS, 1999). Effective evaluation and the capacity to use it to improve programs and governance is a critical part of a high performing organization. The first ever national Canadian surveys of the evaluation practices of voluntary organizations and of funders, conducted by the Voluntary Sector Evaluation Research Project (VSERP) in 2001, revealed that there are indeed rising expectations for evaluation, particularly for outcome measurement.⁵ Voluntary organizations report a serious lack of capacity, however, to conduct and make effective use of evaluation. So, too, do funders as less than half said they do not make good use of the evaluations they require. In addition to lack of time and money, a major barrier to more effective performance assessment is a lack of skills and knowledge.
- 3. Knowledge Transfer:** Networks are important vehicles for knowledge sharing in the New Economy, and network building can be a major contribution of the voluntary sector to this economy. Attention needs to be

⁵ VSERP is a five year initiative begun in 2000 as a partnership of the Centre for Voluntary Sector Research and Development at Carleton University, the Canadian Centre for Philanthropy and several other national voluntary organizations. Its ongoing work is supported by a Community-University Research Alliance (CURA) grant from SSHRC and by the Max Bell Foundation.

directed to ensuring that both the vertical and horizontal and both the organizational and individually oriented networks within the sector are as strong as possible. In some respects these networks are very vibrant indeed, and in others they are seriously under developed (Canadian Centre for Philanthropy et al., 2003). Canada has long had a healthy system of intermediary, umbrella organizations that provide vertical connection and policy leadership. During the 1990s, however, the funding for many of these umbrellas was cutback quite dramatically, and their capacity needs to be regained. There are currently several attempts to bolster the strength of horizontal networks in the sector. These include the creation of: a national policy leadership mechanism, the Voluntary Sector Forum; cross-cutting networks at the urban or provincial level (modelled loosely after the Chamber of Commerce); a pan-Canadian federation of these local networks, known as the Federation of Voluntary Sector Networks; and a network of individuals aimed at knowledge sharing that is called the Voluntary and Nonprofit Sector Community of Inquiry.⁶ All of these fledging networks are at a critical stage of their development and although they have strong participant interest, but they have as yet limited means of sustainability.

Governance and an Enabling Environment

Just as strong and transparent corporate governance has been on the agenda of the private sector, so too has it been important for the voluntary sector. The 1999 report of the Panel on Accountability and Governance laid out a number of recommendations for enhancing self-regulation and governance in the voluntary sector. Although the sector had begun the long term task of addressing these issues, the attention of many of the national organizations leading these initiatives has been diverted in recent years by their participation in the VSI. Serious attention to governance and self-regulatory matters needs to be taken up again, and there is much in this that can be learned from the business community.

A regulatory and legal framework that enables the voluntary sector to meet its full potential in the New Economy and to maintain public trust and confidence is as essential to this sector as it is to the private sector. Considerable progress was made as part of the VSI in addressing specific regulatory matters – such as related business, legislation governing incorporation and directors' liability – but there remains a challenge of continuing to work on outstanding issues and on maintaining a good working relationship with government departments on such matters so new needs and improvements can be anticipated. The impact of the international trade and regulatory environment is also of

⁶ The Community of Inquiry grew out of partnership of the Centre for Voluntary Sector Research and Development, the Canadian Centre for Philanthropy and the Coalition of National Voluntary Organizations with support from HRDC. The strong interest that the network attracted, with a membership of over 200 in a matter of months indicates the need for strong knowledge-sharing networks among individuals working in the voluntary sector as a supplement to more vertically based professional associations.

growing importance for the sector, and this topic is beginning to find inroads in the Canadian research community.⁷

In sum, while it is evident that the voluntary sector makes significant contributions to Canada's competitiveness in the New Economy, it also appears that its potential is not yet being fully realized. In the next section, we explore how much we know about the voluntary sector's contributions to the New Economy and the ways in which the challenges outlined above are being addressed.

What Do we Know?: Knowledge and Knowledge Gaps

It is one thing to say that the voluntary sector has the potential to make valuable contributions to the New Economy, but it is another to know the extent to which they are being realized. The second objective of this discussion paper is to survey existing research on the voluntary sector to identify knowledge strengths and gaps, leading to the development of a framework for further research and action.

The Contributions of the Voluntary Sector

For each of the five major contributions of the voluntary sector to the New Economy, we examined the research that has been conducted or is underway in Canada. What is evident from this survey is that there are enormous differences in what we know and do not know about the extent of the current contributions of the sector.

1. Economic Contributions

Until the mid 1990s, the economic contributions were seldom discussed and there were little data at all on the economic impact of the sector. In recent years, a number of studies commissioned by the sector have given a composite snapshot of the revenues, assets, expenditures and employment in the sector.⁸ This economic portrait will be significantly enhanced once the Statistics Canada Satellite Account is in place as part of the System of National Accounts, scheduled for late 2003. The Satellite Account will provide standard economic statistics for the voluntary sector comparable to those available for other sectors of the economy, and will make Canada one of the leading countries in the world in regard to such information. It will also attempt to put a monetary value on unpaid voluntary activity. With this information available on an annual basis, the overall economic impact of the sector will be well documented, although there may still be a need for more detailed analysis of the contributions of particular subsectors.

⁷ A study on international trade agreements on the Canadian voluntary sector is being undertaken by the Canadian Council for Social Development. For further work in this area, see Dow (2003).

⁸ The original economic portrait of the sector was compiled by David Sharpe for the Canadian Centre for Philanthropy in 1994; More recently, Jack Quarter and colleagues (see www.nonprofitscan.ca) has added to this by including the role of volunteers. CPRN has led research on employment in the sector.

2. Innovation

The literature on the contract culture, which is mainly American and British in origin, makes a strong and consistent case that innovation in service delivery has been significantly retarded in recent years due to the control exerted by contract and project funding regimes. There is no solid body of empirical work on trends in innovation in the Canadian context, however.

We know little about the process and extent of innovation in the voluntary sector in Canada, little about best practices, and have no benchmarks to document trends. What we are beginning to understand better are the impact of the various means of funding voluntary organizations on the overall capacity of the sector. Several pieces of research commissioned by the VSI will be important in this regard:

- The National Survey of Nonprofit and Voluntary Organizations (NSNVO) is a two year research initiative that will for the first time profile the size, scope, composition, and activities of the sector and its need for capacity building.⁹ The goal of the survey is to gather comprehensive data on the number of voluntary organizations in Canada, the nature of their activities, their management practices, the size of their budgets, the number of paid staff and their volunteer base. The first stage of qualitative results were released in May 2003 and the full results should be available in 2004.
- A national study on funding, conducted by the Canadian Centre for Social Development and the Coalition of National Voluntary Organizations, will release its report in June 2003.
- The Johns Hopkins Comparative Nonprofit Sector Project will include Canada among its analysis of the scope and structure of the sector, providing a comparison with more than 30 countries.

Although understanding the strengths and limits of capacity within the sector and the impact of various funding arrangement is critically important, it is only the start to a good understanding of innovation in the voluntary sector and how this contributes to the New Economy. There remains work to be done on the process and extent of innovation *per se*.

3. Social Capital and Social Cohesion

Ever since Robert Putnam made the case that Americans are increasingly ‘bowling alone’ – that there has been a sharp decline in social capital – there has been a keen interest in comparative analysis of levels and trends in social capital. Good measurement of social capital necessitates data on three types of variables: volunteering and participating; social trust; and associational activity. In many cases, there is an additional interest in understanding the impact of social capital on outcome measures of social, health and economic well-being. Canada is quite well placed with knowledge about all of these.

- The Canadian Survey of Giving, Volunteering and Participating (CSGVP), a household survey conducted every three years by Statistics Canada (in partnership with voluntary sector organizations and other federal departments), provides information on the rates of volunteering, giving and

⁹ The NSNVO is led by the Canadian Centre for Philanthropy working in partnership with a consortia of universities and voluntary sector organizations. The actual survey will be conducted by Statistics Canada.

civic participation in Canada. It also produces data on the attitudes and motivations underlying these and on what kinds of activities and causes are supported.

- The Canada Volunteerism Initiative (CVI) which began in 2003 includes a major applied research component. The knowledge centre on volunteering (the responsibility of the Canadian Centre for Philanthropy) provides research funding to voluntary organizations and academics for specific projects designed to be of direct application to the understanding and promotion of volunteering.
- The NSNVO will contribute to our knowledge of the numbers and types of associations in Canada. Whether it can over time provide information on trends in association membership will depend on the availability of institutionalized funding.

In addition to these projects, there is considerable research ongoing in Canadian universities on social capital and trust.¹⁰

4. Building Networks

Not surprising, the study of networks has attracted significant attention in recent years. The resulting research has given us a rather selective analysis of networks, however. There is a solid and growing amount of work on the transnational connectedness of voluntary organizations and a more globalized civil society, and there is a substantial literature on policy networks in specific fields. What is missing is detailed analysis of networks at the sectoral level in Canada. For instance, research on intermediary associations and their impact is less developed in Canada than elsewhere, and little is known of the value or needs of some of the emerging cross-cutting networks that are developing in the sector. The contribution and operation of networks within the voluntary sector is clearly a candidate for more research in Canada.

5. Participation in Public Policy

The constructive role of the voluntary sector in the new governance is more rhetoric at this stage than it is a demonstrated reality. How much governments involve voluntary organization in public policy development, whether they do so effectively and what impact it has on public policy are not well understood. Although the issue of regulation of advocacy has attracted considerable attention in recent years, there is little empirical work of recent vintage in Canada on the effectiveness of various advocacy strategies on shaping public policy or public behaviour.¹¹ If a new style of governance is to accompany and support the New Economy, there is a clear need to know more about how – and how well – the voluntary sector participates in it.

¹⁰ See for instance, the work of John Heliwell on social capital and well-being and that of Neil Nevitte on trust and values. The *Rethinking Citizen Engagement* project of Ekos Research has also added important data on trends in values and trust.

¹¹ An exception is the recent study by Pross and Webb (2003).

This brief survey shows that there have been or are about to be considerable advances our understanding of the strengths and limitations of the voluntary sector's contribution to our economy and society. In particular, the creation of the National Satellite Account on nonprofits and the NSNVO should make it easier in the future to measure the economic contributions of the voluntary sector broadly and of particular sub-sectors, as well as providing longitudinal data on the growth of the voluntary sector – information that is not available at the moment. These data, once available, could be used in the future for developing Industry Canada's policy in relation to the voluntary sector *as a sector* of the economy. In areas related to innovation, network building and public policy participation, however, there remain significant gaps in our knowledge.

Meeting the Challenges

How well are voluntary and nonprofit organizations succeeding in meeting the challenges to their full participation in the New Economy? Again, there are some major gaps in our knowledge and understanding. In this section, we examine only those areas in which there have been important new developments in research and practice, some of which point out the critical need for further work.

1. Human Capital Development

In terms of the human resources capacity of the sector, we know very little about work in the voluntary sector.¹² Recent research and projects on human resource development in the sector point to the enormity of some of the challenges related to human resources.

Statistic Canada's Workplace and Employee Survey (WES) has recently begun to provide information on voluntary sector organizations and their paid staff. The latest data that came out in the fall 2000 provided never before available insights on human resources and workforce issues in the sector. Based primarily on these data, the Canadian Policy Research Network (CPRN) has launched a research series on Human Resources in the Non-profit sector around five themes: mapping the non-profit sector; the quality of work; training and skill development; human resource practices and organizational change; and recruitment and retention. Their first report entitled *Mapping the Non-Profit Sector* (McMullen and Schellenberg, 2002) provides a lot of information on the structure of employment in the voluntary sector. It reveals that employment in the sector is concentrated in the middle-age groups; a large proportion of workers possess some university education; the jobs in the sector are in professional and managerial occupations; and one-fifth of the workforce have children under the age of 12 at home. This series provides valuable information on characteristics of employees and the distribution of employment in the voluntary sector, and will be complemented by data from the NSNVO.

¹² Davidman et al. (1998); see also Browne (1996). To date, most of the information generated on these organizations comes from information obtained on registered charities through the Canada Customs and Revenue Agency. However, over half of voluntary organizations are not registered charities.

A major project of applied work in this area, called the *Developing Human Resources in the Voluntary Sector*, was launched by the Joint Capacity Table of the VSI. It is aimed at strengthening the ability of voluntary sector organizations to attract, support and keep skilled and committed employees. It provides a web portal (www.hrvs-rhsbc.ca) for voluntary organizations to access information on good human resource practices, human resources assessment and planning, management training opportunities, and other tools to promote effective and sustainable human resources management. Some of the initial results point to the enormity of the task of human capital development in the sector, however, as indexed by salary scales and the fact that less than half of the workers in the sector have access to employer pension plans. Given the magnitude of the issues embraced by the project, a major challenge for the project itself will be sustainability as the VSI money runs out.

The third piece of new work is the National Learning Initiative led by the Coalition of National Voluntary Organizations and the Association of Canadian Community Colleges. Its goal is to develop skills and training for staff in the voluntary sector by identifying a common set of skills and competencies for senior people. It will also create an inventory and assessment of training and education opportunities for workers in the sector, including those in post –secondary institutions and those offered by national voluntary organizations. The project is funded by the VSI through 2003.

2. Technology and IM/IT

The Government of Canada and Industry Canada have already developed programs designed to assist voluntary sector organizations in accessing technology, including support for internet connectivity, acquisition of computer equipment and new information technologies, and internet skills development.¹³ This has been led in Industry Canada first by the VolNet program and the Information Highway Applications Branch, and later by the Department's support to the IM/IT Joint Table of the VSI.¹⁴

As a result of these programs, the use of information technology has changed the way voluntary organizations work and network. In 2001, LeClair and Tam (2001) estimated that 87 percent of voluntary organizations had a website and that it had been active for over three years. This stands in stark contrast to the report by EKOS in 2000 which estimated that 76 per cent of charitable organizations with revenues of less than \$100,000 did *not* have a website.

While it can greatly enhance the work of an organization, there can be very high costs associated with the maintenance of the technology. The study conducted by LeClair and Tam revealed that 56 percent of voluntary organizations surveyed use external sources to

¹³ For more information on Industry Canada's VolNet program, which fulfilled and surpassed its mandate at the end of March 2002, see www.volnet.org. Other examples include Industry Canada's Community Access Program, Smart Communities Program, and the Community Learning Networks under Human Resources Development Canada's (HRDC's) Office of Learning Technologies.

¹⁴ In addition to the VolNet program, Industry Canada has promoted the use of technology the use of information and communication technologies in new and innovative ways to empower rural and urban communities across Canada. through programs such as Community Access Programs, Smart Communities and SchoolNet.

build or maintain their internet presence. As a result, it can become quite expensive. In fact, 46 percent of the respondents indicated that they spend more than \$10,000 annually on their websites and other internet related expenses, while 22 percent spend more than \$30,000 annually.

Thanks to information technology, voluntary organizations can be more responsive, cater to a much larger base of users and donors and across a wider territory. Nevertheless, their success and their ability to thrive in an information age will depend on their capacity to develop the requisite skills to exploit the technology effectively, to sustain it and to make its use relevant to their work. A 2001 survey by PRA Inc. provides an environmental scan and literature review of information management/information technology and identifies general trends, opportunities and gaps in information technology for voluntary organizations. This survey raises the issue of knowledge and skills required in the sector to ensure long-term sustainability of connections, staff training and technical support. It also underscores the importance of communications and networking in order to build technological capacity. In fact, in another survey, internet related training topped the list of what charitable organizations identify as their primary need regarding their ability to take full advantage of the internet (Ekos, 2000).

In light of this research and the underlying challenges associated with the use of technology in the voluntary sector, the IM/IT Joint Table made five recommendations:

- Create a campaign to encourage funding agencies to change their current policies and procedures to permit investments in IM/IT;
- Foster access to IT planning, hardware and software, training and technical support to help voluntary sector organizations have ongoing access to IT planning and expert advice, as well as to current hardware and software appropriate to their needs; provide training to keep up with technology, and technical support at the lowest possible rates;
- Build a voluntary sector portal, a website containing voluntary sector-related information and providing a meeting place for the exchange of ideas and the sharing of best practices;
- Create a funding exchange, a web-based interactive funding service to connect funding agencies with organizations requiring funding. and,
- Launch a technology awareness campaign, to raise awareness among voluntary sector boards and managers regarding the benefits of technology and provide information on how organizations can use IT effectively.

Now that the infrastructure has been enhanced to some degree in the sector, a key challenge is to promote and sustain the production and dissemination of high-quality, diverse content. In addition, a better understanding is needed of how technological tools can support the learning process within organizations.

3. Social Entrepreneurship and the Social Economy

Interest in the social economy and social entrepreneurship has grown markedly in recent years. In particular, the Government of Quebec (2003) sees the social economy as an

important source of job creation and a means to achieve the goal of full-employment. It is hoped that the creation of these forms of enterprises will create a new niche for social investment. The Government of Quebec has identified three key policy directions in order to strengthen the role of social economy in Quebec: access to appropriate funding and capitalization; recognition and development of markets; revision of legal status of nonprofit organizations.

Interest in promoting the role of social entrepreneurs is growing not only in Quebec, but in other provinces and internationally as well. Many industrialized countries, such as the UK, Spain, France, Australia and New Zealand, have begun to turn to the voluntary sector as a key actor in economic growth and develop strategies to strengthen the role of social entrepreneurs in the economy. In the UK, for example, the government has committed to strengthening the role of social enterprises and introduced several initiatives to date to support these enterprises and create opportunities for them in the New Economy. These include the creation of social enterprise unit in the Department of Trade and Industry to identify issues and take down barriers to growth in the market. A Fund has been established to help social entrepreneurs raise capital for their ventures. UK Enterprise (the Business Link service that gets businesses to learn from each other and share information on best practices) has launched a new program for social enterprises. This program is aimed at promoting knowledge development and sharing in core areas such as customer focus, business planning, raising finance, marketing, leadership, exploring new markets and social accounting. Finally, the UK government also recently announced exemption from tax duty for all commercial property transactions, the Community Investment Tax Relief and Bridges Community Ventures.

In Canada, interest in research in social entrepreneurship and the social economy has been sparked in universities with research centres or projects now established at the University of Alberta and l'Université du Québec à Montréal. In spite of growing interest, research and practice in this field are still in their infancy.

4. Knowledge Transfer

Several innovative national projects have been undertaken in recent years to enhance network building and knowledge transfer in the sector.

- The Policy Internships and Fellowship Program (PIAF) funded initially by the VSI is designed to enhance inter-sectoral understanding around policy development and facilitate networking building by providing managers in the voluntary sector and the Government of Canada an opportunity to spend a placement of up to ten months working in the other. Early results from the pilot project which is beginning its second year in 2003 have been very positive. The main challenge for the program will be sustainability as most voluntary sector organizations cannot cover the backfill costs of a lost staff member for any length of time.¹⁵

¹⁵ The pilot project, which is managed by the Centre for Voluntary Sector Research and Development at Carleton University (in partnership with the Centre for Public Sector Studies at the University of Victoria), has attempted to devise a variety of options, including two-way exchanges, to promote sustainability.

- The Federation of Voluntary Sector Networks is an attempt to bring together the newly formed urban and provincial networks to facilitate pan-Canadian learning, mutual assistance and increased awareness of issues of common concern.
- The Community of Inquiry was launched in 2003 as a cross sectoral knowledge sharing network of individuals, led by the Centre for Voluntary Sector Research and Development, the Canadian Centre for Philanthropy and the Coalition of National Voluntary Organizations. Development work on the project, including the first national symposium on research in the sector, had been funded by HRDC and the next phase of network development is pending decisions on further funding. In contrast to the Federation, the Community of Inquiry is a network of individuals not organizations.

This brief overview highlights that there are a number of projects and mechanisms underway that should improve the sector's capacity to participate more fully in the New Economy. While some are ongoing and independent, many have been funded by the VSI and will need ongoing means of sustainability once the VSI support has ended. More than financial support, however, there is a need for strategic and integrated thinking about what else remains to be done as part of a coordinated strategy to enhance the participation of the voluntary sector in the New Economy. We turn to such a strategy in the next section.

A More Productive Voluntary Sector in the New Economy: A Research and Action Agenda for Industry Canada

Industry Canada has already done a great deal to promote the development and use of technology in the voluntary sector and to ensure that communities are connected to the information highway. This has been an important first step and technology will need ongoing attention in the sector. If the Government of Canada wishes to make the voluntary sector a true partner in competing and succeeding in the New Economy, there is much more that Industry Canada, working in collaboration with other departments could do. The research and action plan outlined in this section is fully compatible with and, indeed, would help Industry Canada fulfill its departmental mandate.

A Fit with the Mandate of Industry Canada

The mandate of Industry Canada is to help build a strong, dynamic and innovative economy. It has identified five strategic areas:

- Innovation;
- Connectedness;
- Marketplace;

- Investment; and
- Trade.¹⁶

Through various policies and programs, Industry Canada aims to improve conditions for investment, support business growth and foster job creation. The Innovation Strategy is an important vehicle for helping Canada succeed in the New Economy and does so by enhancing: quality of life; advancement of knowledge; and sustainable job creation and economic growth.¹⁷

When we recognize that the voluntary sector is an important force in the economy, as well as in promoting the quality of life in Canadian communities, then helping the sector contribute to the full extent possible to the New Economy and work in partnership with business and government in this task is a natural extension of the mandate of Industry Canada. Indeed, it could well assist the Department in achieving its mandate and pursuing Canada's Innovation Strategy.

Enhancing the capacity of the voluntary sector is a key objective of the Government of Canada more broadly and it has been at the heart of the VSI. The work of the voluntary sector and its relationship to government touches in some way upon the mandate of virtually every department of the federal government and there thus are a variety of programs in different departments aimed at supporting the voluntary sector, including: the Canadian Volunteerism Initiative, the development of social partnerships through HRDC and the new unit at the Department of Canadian Heritage that will coordinate the completion of the VSI. There is currently a gap in this array of programs, however. None aim specifically to prepare the voluntary sector to compete and contribute to the New Economy. Rather, this is the distinct mandate of Industry Canada. Should Industry Canada include the voluntary sector as part of its innovation agenda, it naturally would need to work in collaboration with other departments to ensure its actions complement and reinforce other initiatives and programs.

A Research and Action Plan

Based on our analysis of the potential, challenges and knowledge gaps of the economic productivity of the voluntary sector, we suggest that a Strategic Research and Action Plan should include the following nine elements:¹⁸

1. Supporting Research and Development

One of the top priorities is to promote research about a wide range of issues in the voluntary sector that can be linked to and translated into practice. The development of a Strategic Granting theme on the nonprofit and voluntary sector at SSHRC had been a

¹⁶ <http://www.ic.gc.ca/cmb/welcomeic.nsf/ICPages/Mandate>

¹⁷ See Government of Canada, *Achieving Excellence: Investing in People, Knowledge and Opportunity and Knowledge Matters: Skills and Learning for Canadians*, 2002.

¹⁸ No attempt been made to rank order these elements in order of importance.

good start in the direction of building a greater body of knowledge about the voluntary sector and could be renewed. As *Achieving Excellence* observes, it is time to take knowledge performance to the next level. The next step in advancing research on the sector could be the creation of a **Centre for Excellence on the Voluntary Sector**. The Centre could advance R&D and serve as a resource for voluntary sector organizations in Canada (and world wide) in their efforts to promote innovation and affect knowledge transfer. It could also help to institutionalize better connections between universities and voluntary organizations which are so lacking compared to the private sector.

2. Fostering Innovation

R&D is a key component to fostering innovation, but it is not sufficient. Organizations also need to have the capacity to innovate and be situated in a culture that values and fosters innovation. A '**Voluntary Sector Venture Capital**' Fund could provide support to voluntary organizations with ideas for innovations. This would enable them to experiment, with the expectation that not all attempts at innovation work out, in ways that the restrictions of contracts and contribution agreements do not allow them to do. Development of an **Innovation Resource Centre** could share the experiences of the process of innovation as well as the outcomes across the sector. As in business, there will be failures as well as successes, and knowledge about both is valuable in inculcating a culture of innovation. In order to recognize the value of and successful efforts at innovation, Industry Canada could also sponsor an annual **Award for Innovation** that would recognize the innovators in the voluntary sector – whether small or large, local or national, organizations or individuals – and that would celebrate their achievements and inspire others.

A particularly important component of improving performance is being able to effectively assess performance. Support for research and best practices in **evaluation and performance assessment** could be a distinctive and valuable role for Industry Canada. It would of course need to be coordinated with the departments that have large grants and contributions programs.

3. Fostering Technological Innovation

Industry Canada has a longstanding interest in supporting the use of internet and communications technology in the voluntary sector. An important challenge for the voluntary sector is the possibility of creating a “digital divide” between organizations in rural and urban areas. By using voluntary organizations as delivery agents, the VolNet Program has effectively created support within these communities for technology solutions and has fostered some level of networking. The IM/IT Joint Table of the VSI has also made a number of recommendations that would enable voluntary organizations to better access information through technology and develop stronger linkages and communications across the sector. There appears to be a continued need for government to have a hand in a **technology strategy for the voluntary sector**, and this could be further developed to ensure that organizations can adapt quickly to the information technology demands of the New Economy. Small grants could help voluntary organizations design and launch websites that facilitate access to their information and services, thereby expanding their outreach to communities, users and donors.

4. Investing in Skills, Education and Employment

Meeting the skills challenge is an essential part of Canada's Innovation Strategy. The skills challenge is felt as acutely, if not more so, in the voluntary sector than in business. The federal government needs to **invest in human capital development** in the voluntary sector if the sector is to be a full player in the New Economy. Industry Canada is well positioned to contribute to work force development in the voluntary sector by creating educational and training opportunities for workers in the sector. Many of these might be seeking to improve their skill base and expand their marketability. Industry Canada could also invest in social entrepreneurs by offering key leaders in the voluntary sector the opportunity to stand aside from their work for a period of time for study, research, or to meet with other social entrepreneurs and their projects.

5. Enhancing Network Capital

In the New Economy, networks are a primary means of knowledge transfer and the diffusion of innovation. As part of its Innovation Strategy, Industry Canada could provide **support to a variety of the existing and emerging networks** in the voluntary sector. Networks, by definition, are light on infrastructure, but they nevertheless need some human resource support for coordination and funding for communication and knowledge sharing activities. The support that is required, however, is usually minimal and cost effective. The creation of a **voluntary sector council**, akin to the existing industry sector councils, would provide a mechanism for strategic thinking regarding the economic role of the voluntary sector and its relationship to other sectors and government. In addition, Industry Canada could promote cross-sector learning by **promoting exchanges, secondments and other placements** for staff between the public, private and voluntary sectors.

6. Encouraging Social Entrepreneurship

The federal government plays a key role in recognizing and thus encouraging the entrepreneurs who create jobs and economic growth in Canada. Such entrepreneurship happens in the voluntary sector as well as in the private sector, although the ends and dynamics of social entrepreneurship may play out differently. The first step to encouraging social entrepreneurship is to know more about it in the Canadian context by **supporting both academic and applied research**. A second step is to **create the capacity** for such activity in the sector. Industry Canada can encourage financially self-sufficient or profitable social ventures within the voluntary sector through such measures as providing business planning assistance and access to the investment community. It can also improve conditions for investment within communities. Access to capital can prove more arduous for social ventures especially where projects are too large to finance through equity, too small to interest venture capitalists, and too risky for the banks. Industry Canada could, for example, increase the supply of available venture capital through the creation of funds which would support investment in social enterprises.

Related to social entrepreneurship is commercialization of products and ideas. This is, of course, a very tricky issue for the voluntary sector for several reasons: commercial activity is believed to pose risks to the core missions of voluntary organizations; it

potentially creates unfair competition with the private sector; and it may run afoul of regulations on related business. Nevertheless, the pressures of commercialization are being acutely felt by voluntary organizations. Industry Canada can play an important part in **increasing our understanding of the risks and benefits of commercialization** in the voluntary sector and helping the sector meet the challenges that are all too real.

7. Promoting Good Governance and Self-Regulation

It takes strong governance as an organization and as a sector to take the risks of innovation and meet the challenges associated with adapting and contributing to the New Economy. Although the regulation of registered charities is governed by the *Income Tax Act* and administered by the Canada Customs and Revenue Agency (CCRA), Industry Canada has a role in maintaining a good legal framework for the sector through the legislation governing nonprofit incorporation. More importantly, the Department has enormous expertise in working with the private sector on matters of corporate governance and self-regulation. Although neither governance nor self-regulation in the voluntary sector works in exactly the same way as in the private sector, there is much that can be learned. One role for Industry Canada would be to **assist the voluntary sector in its own efforts at enhancing governance and self-regulation**, and work collaboratively with the sector and with the Charities Directorate of CCRA and Canadian Heritage, among others, to determine how best to do this.

8. Supporting Community Development

By **supporting community development initiatives**, Industry Canada can help support stronger communities and extend connectedness to all parts of Canada (such as rural, remote, northern and Aboriginal communities). Specific initiatives to be considered could include programmes that stimulate civic participation and e-inclusion across sectoral divides. Another goal would be to provide enhanced access to information in the regions to enable professionals to upgrade their skills. By investing in programmes in communities, Industry Canada can contribute to closing digital and social divides.

9. Building a Stronger Relationship with the Voluntary Sector

Finally, Industry Canada, like other departments, needs to continue the work begun by the VSI of building a stronger relationship with the voluntary sector and encouraging its participation in public policy development. This is part of the reality of the new style of horizontal governance as well as a contribution to the New Economy. Development of a departmental strategy to ensure adherence to the Accord between the Government of Canada and the Voluntary Sector, and the two associated codes of good practice (related to Funding and Policy Dialogue) would be a first step. Industry Canada could go beyond well mere adherence to the codes, however, by **being a leader in working collaboratively with the voluntary sector**, as it is with the business community, in creating a strong, dynamic and innovative economy and in enhancing the quality of life in Canadian communities.

Conclusion

The voluntary sector has an important, if so far largely unrecognized, role to play in the New Economy. This role supports and reinforces that of the private sector, but it is also distinctive and important in its own right. The full contribution of the voluntary sector to the New Economy will not be realized, however, through inattention or neglect. Just as the Government of Canada has taken an active part in assisting the business community adapt, compete and contribute to a more vibrant, innovative economy and enhance the quality of life for all Canadians, so, too, it has a role in assisting the voluntary sector to do the same. Such a role fits squarely with the mandate of Industry Canada and could arguably help the Department fulfill its mandate. The research and action agenda outlined in this paper is intended to serve as a kick-off to a broader discussion about bringing the voluntary sector in as a full partner in Canada's innovation and economic strategy.

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