

# **Globalization at the Level of the Nation-State: The Case of Canada' Third Sector**

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**Abstract** - *This paper examines how globalization-inspired policy and institutional changes bring about a redefinition of citizenship and a reconstitution of modalities of political and collective action. By examining the case of Canada's third sector, it is argued that the combined forces of globalization and neoliberal ideology are resulting in the mercerization and co-optation of the third sector into a quasi-autonomous government body to deliver public services. In the process, social citizenship rights of Canadians are being redefined. As well, the state's concern for freeing itself of interest group politics in order to push its market-oriented policies is resulting in restricted avenues of democratic participation for Canadian citizens. In an era of market hegemony, it is imperative to strengthen the third sector's role as intermediary between the market, state and citizens to ensure that globalization works for people and not for profit alone. An alternative to the existing welfare and labour market approaches is needed which would embody the principles of social responsibility, democracy, and transparency, and yet be innovative enough to meet the challenges of the new global order.*

## **Introduction**

Non-market relations at the meso level of society are key to gauging the nature and depth of the globalization process as it affects the daily lives of real people. The past decade has seen an increase in academic debates on the effects of globalization and neoliberalism on nation-states. Globalization is a phenomenon which is characterized by massive transnational flows of capital and labour, and dominated by multinational corporations. This, combined with advances in new technology, particularly in communication, has spurred social changes in nation-states. These social changes seem to affect the economic, political, cultural and environmental aspects of social life. However, the

globalization paradigm in academic literature has yet to address how current shifts in governance are fundamentally altering nation-states at the domestic level. The third sector consists of intermediary institutions lying between the market and the state that are non-profit in nature, and are primarily involved in service provision and in mediating between the state and its citizens.

Social policy changes in nation-states as a result of globalization have accentuated the reforms to the welfare state. The third sector, which had been involved in some form of public services in most democratic welfare states, began to face many challenges as a result of the retrenchment of the welfare state. The impact of this on the sector varies from country to country, depending upon the nature and depth of welfare state retrenchment and the relationship between the third sector and the state. Given the lack of adequate empirical information on the sector and the great diversity within the sector, it is difficult to fathom the extent of the impact on the sector itself.

The third sector performs essential and diverse roles in the welfare state. The institutions of the third sector connect citizens to each other and to political, economic, and cultural systems. One valued role of the third sector is to provide a forum for democratic participation of citizens in the public policy process. A wide range of individuals, such as the poor, who might not otherwise have been able to access the state on their own, can do so through the third sector. In addition, research by Robert Putnam has shown that the associations and networks found in the third sector build trust and co-operation, which are important components for the effective functioning of the economy, politics and society.<sup>1</sup> This social capital building role of the third sector is important for social cohesion, together with the sector's role of protecting citizens from the excesses of the state. In Canada, as in some other countries, the third sector has had a significant additional role in fostering the citizenship identity of Canadians.

Over the years, the third sector has become an integral part of the political economy of countries throughout the world. In fact it "constitutes a powerful economic force in settings as diverse as highly

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<sup>1</sup> Robert Putnam, *Making Democracy Work: Civic Traditions in Modern Italy* (Princeton, NJ: Princeton University Press, 1993).

centralized France and Japan and highly decentralised Germany and the United States.”<sup>2</sup> The third sector is an important stakeholder in the nation-state, and it is therefore critical to understand the interface of globalization with the third sector. This raises two overarching questions: how have the imperatives of globalization permeated the domestic level in nation-states; and is there convergence or divergence in the third sector because of globalization? These are important questions that require a larger comparative study. However, given the limitations of existing scholarly research on the third sector, smaller contributions to these questions could come from case studies of various countries to see how the imperatives of globalization play out in third sectors.

This paper is a modest attempt at understanding the impact of globalization on the real lives of citizens. The central question addressed in the paper is: how do globalization-inspired policy and institutional changes bring about a redefinition of citizenship and a reconstitution of the modalities of political and collective action? By using the case of Canada, this paper will attempt to show how the combined forces of globalization and a convergence toward the neoliberal ideology are fundamentally transforming the third sector. In this process, social citizenship rights of citizens are being redefined and the democratic sphere of Canadians is being reduced.

Historically, the third sector has existed since the formation of the nation-state, but scholarly research and public debates have not paid much attention to it until recently. Therefore, there are few definitive concepts, theoretical frameworks, or classifications of this sector. The sector has been conceptualized by social scientists as an intermediary between the organized economic interests of market and labour, and the political interests of state agencies and their constituencies. Alternatively, the third sector has been viewed within the framework of institutional choice as a result of either market or state failure.

The increasingly complex interactions between the formal and informal public and private economies in the current global environment require a more comprehensive framework to study the third sector. The political economy approach is deemed best to address the central

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<sup>2</sup> Lester Salamon and Helmut Anheier, *The Emerging Non-profit Sector: An Overview* (Manchester and New York: Manchester University Press, 1996), 115.

question of this paper as it not only refers to economic and political systems, but it also refers to historical legacies as well as social, cultural, and ideological systems. From the political economy perspective, the third sector is located within the complex structures of unequal power relations, in a specific historical time, marked by political ideology and dominant economic interests. The sector is seen as characterized by the tensions arising from the domain between the government and the market, called the free space, in which collective democratic and social rights are pursued or need to be pursued<sup>3</sup>. The third sector has contradictory roles in the capitalist welfare state: it is viewed as both necessary for a capitalist society mitigating inequalities of society arising from the unequal distribution of economic resources, and also as the result of struggles for equality and justice by the working class and other interest groups.

The above political economy approach is informed by the analytical frameworks of feminists as well as emerging voluntary organizations. Feminist theorists have positioned the role of the state at the centre of the restructuring debate.<sup>4</sup> Some emerging analytical frameworks on the non-profit sector view the role of politics and the design of dominant political institutions as important factors in determining the nature of the voluntary sector.<sup>5</sup> The centrality of the state in determining the political economy of third sector institutions is critical to understanding sectoral dynamics at the national and international levels. Using the state-centred political economy approach, the state is viewed as having relative autonomy over its policies toward the third sector. The state-centred approach suggests that the third sector is

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<sup>3</sup> This concept of “free space” or the third sector is influenced by Robert K. Fullinwider, ed., *Civil Society, Democracy, and Civic Renewal*, (Lanham, MD: Rowman & Littlefield Publishers, Inc., 1999); Jürgen Habermas, *The Structural Transformation of the Public Sphere* (Cambridge: MIT Press, 1989).

<sup>4</sup> Issabella Bakker, ed., *Rethinking Restructuring: Gender and Change in Canada* (Toronto: University of Toronto Press, 1996). Bakker argues that there was nothing within the sphere of public finance that prevented the state from promoting growth and equity. Janine Brodie, *Women and Canadian Public Policy* (Toronto: Harcourt Brace & Company, 1996).

<sup>5</sup> Jennifer Wolch, *The Shadow State: Government and Voluntary Sector in Transition* (New York: The Foundation Centre, 1990); Steven Smith and Michael Lipsky, *Non-profits for Hire: The Welfare State in the Age of Contracting* (Cambridge: Harvard University Press, 1993).

important to democratic welfare states since the essence of democratic ideology is the liberty to act collectively, on a voluntary basis, to advocate social change. It is this theoretical perspective that guides the analysis in this paper.

Canada is a good case study for examining the impact of globalization at the meso level of the nation-state, as it is very vulnerable to the vagaries of global economic markets. It is a trading nation that is heavily reliant on imports for its manufacturing industry when compared to other major industrial countries, which exposes it to the fluctuations in international markets.<sup>6</sup> The Canadian state faces tensions at its domestic levels, which are manifested in its decentralized federalism and in issues of linguistic, regional, and social pluralism. Some scholars have argued that globalization and the neoliberal ideology have “worked to magnify the pre-existing cleavages” in Canada.<sup>7</sup> In addition, in the past three decades, the third sector in Canada has been undergoing a major transformation in its role and its relationship with the state.

A direct comparison between this study and studies of other countries poses major empirical challenges given the diversity of third sector-state relationships globally. However, the analytical framework of this study may be adapted to examine how globalization and/or the social policy changes implemented under the rubric of globalization are affecting third sectors in other countries. Such studies would provide important insights into the relationship between social policy changes and globalization. This paper addresses the broad changes in the third sector at the national level in Canada and their subsequent impact at the local level, while recognising diversity in the sector at provincial and municipal levels.

The paper is divided into two sections. The first section provides the historical context of the third sector. It identifies the historical role of the sector in providing a sphere for democratic participation and in fostering Canadian identity. The next section addresses the interface

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<sup>6</sup> Keith Banting and Richard Simeon, “Changing Economies, Changing Societies,” in *Degrees of Freedom: Canada and the United States in a Changing World*, eds. K. Banting, G. Hoberg, and R. Simeon (Montreal: McGill-Queen’s University Press, 1997), 23-70.

<sup>7</sup> Stephen McBride and John Shields, *Dismantling a Nation: The Transition to Corporate Rule in Canada*, 2d ed. (Toronto: Fernwood Publishing, 1997).

between the domestic sphere of nation-states and globalization by examining the impact of social policy changes on the third sector.

### **The Historical Connection: Citizenship and the Canadian Third Sector**

In Canada, in the absence of state- or employer-funded benefits in the mid-nineteenth century, self-help and mutual assistance groups emerged largely through the effort of working class groups, which were generally based on ethnicity or religious affiliations.<sup>8</sup> In addition to these groups, isolated philanthropic activities were also being carried out by the wealthy who felt it was their responsibility to assist the poor. However, the availability of this form of assistance was never guaranteed. The nature of charitable organizations “waxed and waned” and “fostered crisis-oriented” approaches to community services.<sup>9</sup> This was hardly the golden era of volunteerism as claimed by neoliberals, in that the civil institutions of the third sector were only able to meet the social service needs of citizens in a paternalistic, sporadic, and temporary manner.

The post-war era was characterized by economic growth and the expansion of state social welfare programs in most western democratic countries. The Canadian government instituted several programs based on a mix of universal and means-tested assistance. For Canadians living in a large, decentralized federal state, these programs became a symbol of their national identity. The development of the welfare state did not eliminate or reduce the growth of the third sector. In a number of countries, such as the United States and the Scandinavian countries, there was unprecedented growth in the third sector; most of the growth in the sector has occurred recently.<sup>10</sup> In Canada, the number of registered charities more than tripled between 1969 and 1996.<sup>11</sup> The strong growth

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<sup>8</sup> Janet Lautenschlager, *Volunteering: A Traditional Canadian Value* (Ottawa: Multiculturalism and Citizenship Canada, 1992).

<sup>9</sup> Dennis Guest, *The Emergence of Social Security in Canada*, 2d ed. (Vancouver: University of British Columbia Press, 1985).

<sup>10</sup> Lester Salamon, “The Results Are Coming In,” *Foundation News* 25:4 (July/August, 1984): 16-23; Stein Kuhnle and Per Selle, *Government and Voluntary Organizations* (Vermont: Ashgate Publishing Limited, 1992).

<sup>11</sup> Kathleen Day and Rose Devlin, *The Canadian Non-profit Sector*, Canadian Policy Research Networks (Ottawa: Reneouf Publishing Co. Ltd, 1997). In

of the third sector in many countries is directly attributed to governmental support.<sup>12</sup> In Canada, government funding constitutes the largest proportion of the revenue of charitable organizations at 60.2 per cent in 1994.<sup>13</sup>

The Canadian post-war consensus was built on the principles of active state intervention in the market to maximize economic stability, and the provision of publicly guarded social welfare for all citizens as a right of citizenship. It also included the necessity of public support for community organizations in the third sector, and an accessible public sphere for Canadians of all backgrounds. This post-war consensus formed the basis of the Canadian citizenship regime. Jenson defines the citizenship regime as including “the institutional arrangements, rules and understandings that guide and shape state policy; problem definition employed by states and citizens; and the range of claims recognised as legitimate.”<sup>14</sup> Marshall traces the evolution of citizenship rights historically from state recognition of civil rights to political rights, and finally to social rights.<sup>15</sup> For Canadians, social rights were of critical importance, as they guaranteed all citizens the right and freedom to participate in society with state support to alleviate impediments to participation such as poverty and other inequalities. Thus, it defined the relationship between the state, the market, and the civil society. The Canadian citizenship regime was a matrix of historical construction, composed of economic, social, and political factors. The displacement of one of the constructs displaces the coherence or functioning of the

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1998, there were 75,455 registered charities according to Revenue Canada’s Charitable Division. In addition, there are over 100,000 other non-profits not registered as charities (Jack Quarter, *Canada’s Social Economy* [Toronto: James Lorimer & Company, 1992]). The total revenues of registered charities in 1994 was CAN \$90.5 billion (Michael Hall and Laura Macpherson, *Provincial Portrait of Canada’s Charities: Research Bulletin 4* [Toronto: Canadian Centre for Philanthropy, 1997], 2).

<sup>12</sup> Salamon and Anheier, *Emerging*, 63.

<sup>13</sup> Hall and Macpherson, *Provincial Portrait*.

<sup>14</sup> Jane Jenson, “Fated to Live in Interesting Times: Canada’s Changing Citizenship Regimes,” *Canadian Journal of Political Science* 30 (December 1997): 631.

<sup>15</sup> Thomas Marshall, *Class, Citizenship, and Social Democracy* (Chicago: University of Chicago Press, 1977).

matrix.<sup>16</sup> Pressures from globalization for convergence have changed this matrix of Canadian citizenship.

Third sector organizations were very much a part of the Canadian citizenship regime. The Canadian government sought the partnership of various voluntary groups to foster the Canadian identity and to organize training for citizenship. The Department of the Secretary of State provided financial assistance to voluntary organizations as early as 1951 to deliver programs to foster Canadian citizenship.<sup>17</sup> These voluntary organizations, including Social Services and those involved in various social movements, represented constituencies such as people with disabilities, cultural and racial minorities, aboriginals, and women.

### **Globalization, the State, and the Third Sector**

Globalization precipitates socio-economic changes, but any convergence or divergence in nation-states due to policy changes depends on two main factors: the dynamics at the domestic level and the strategies adopted by states in restructuring their policies. The rapid integration of the global economy in the recent two decades was accompanied by the spread of the neoliberal ideology, particularly in the United States, Canada, and the United Kingdom. The focus of this ideology is to replace the active welfare state that had emerged in the post-war Keynesian era with the free market doctrine. The essential features of neoliberalism are to reduce the state, increase market mechanisms, and emphasize individual rather than collective approaches to economic and social problems.<sup>18</sup> Successive governments in Canada since the 1980s have used the rubric of globalization to implement largely neoliberal policies.

#### *Reconstructing Social Programs: A Convergence of Ideology*

Public social programs in Canada provide significant support to a broader range of the population and provide more varied means-tested

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<sup>16</sup> Janine Brodie, “*Glocal Citizenship: Lost in Space?*” (paper presented at a conference, *Rights to the City*, held at York University, Ontario, June 26-28 1998).

<sup>17</sup> Leslie Pal, *Interests of State: The Politics of Language, Multiculturalism, and Feminism in Canada* (Montreal and Queens: McGill – Queen’s University Press, 1993).

<sup>18</sup> McBride and Shield, *Dismantling*, 18.



programs than the United States, another liberal democratic welfare state.<sup>19</sup> An important feature of the Canadian welfare state is that to Canadians, social programs signify the social and economic rights of Canadian citizenship, and provide a site for national identity in a loose federal state system. The notions of collective responsibility and social justice underpin Canadian social programs, although the Canadian programs are not as generous as those of social democratic states.

In Canada, social programs are provided by a mix of three tiers of government (national, provincial, and municipal), the private sector, and the third sector. The Canadian third sector is a smaller stakeholder in the provision of social programs when compared with the state sector, and its essential role is in social development and advocacy. The government sector is largely involved in the national and regional provision of health, education, and social services, either directly or through transfer payments. The provincial and municipal governments are also key providers of social programs. Thus, the private sector is generally involved in providing more specialized but limited programs such as long-term care and home care. There appeared to be a comfortable, albeit far from perfect, symbiotic relationship between the three sectors until the major restructuring of social policies in the 1980s.

The discourse of deficit reduction and global competitiveness has been used by successive Canadian governments to retrench the welfare state by dramatically reducing social spending and by decentralising, contracting out, and privatizing public services. Social programs have borne an enormous share of the reduction in state expenditures since they have been constructed as contributing to the high accumulation of public debt. In reality, the combination of high interest rates, lower employment rates and economic growth rates has been largely responsible for the rise in public debt.<sup>20</sup> The neoliberal ideology postulated that the public services that were supposed to help the poor and the needy were only enriching the bureaucracy that was responsible for administering the programs. Thus, the third sector institutions that were relying on state funding were seen as part of the broader public service malaise, and consequently had their state funding reduced.

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<sup>19</sup> Gøsta Esping-Anderson, *The Three Worlds of Welfare Capitalism* (Princeton, NJ: Princeton University Press, 1990).

<sup>20</sup> Bakker, *Restructuring*.

The rise of interest group politics in civil society, particularly equity-seeking groups was seen as defining the state's social policies. These groups were also seen as a threat to the government in its newer thrust toward market-dominated policies. Despite the business sector's lobbying for favourable policies and regulations, and public subsidies, it was not seen as a part of interest group politics. The non-profit sector's vital role as a forum for democratic participation by Canadian citizens, especially those that are marginalized, is being subsumed under the concern for freeing the state from interest group politics. At the same time, the state saw an opportunity to redefine third sector service institutions and use them for delivering some of the public services, which it was withdrawing. The Canadian State undertook several measures in order to meet its agenda based on a global market ethos and neoliberal ideology.

### *Shifting Responsibility Downward*

The convergence toward a smaller state has resulted in many countries, including Canada, shifting the provision of public services onto lower tiers of governments and the third sector. In Canada, shifts in social policy are compounded by the complexities of the Canadian federal system, which is also undergoing change. Social policy in Canada is jurisdictionally divided between the federal and provincial levels of government, and in some areas it is heavily embroiled in debates on agreements and cost sharing. The Canadian federal government provides resources for the provision of social services to the provinces through transfer payments and cost-sharing arrangements. However, since 1995, federal transfer payments to the provinces for health, post-secondary education, and welfare programs have been dramatically reduced. The federal government has been devolving some programs to the provinces, which in turn passes on these cuts to the municipalities. The implications of these shifts in policy between different tiers of government for the third sector are confounding, since the sector receives financial support from each level of government.

The action of devolving responsibility to lower tiers is not necessarily only about budget constraints, but it is also about the new moral order of neoliberals wherein individuals, families and the community should take responsibility for their own problems. The shifting of social services to lower tiers shifts the costs of these services

and often comes without increased budgets.<sup>21</sup> Moreover, this shifting is done with little understanding that third sector organizations first need the appropriate resources, which come largely from the state sector, to build their capacity to take on major public services. However, for Canada, the role of the federal government in social programs is crucial in fostering the national identity and in promoting equity across the country for all citizens.

### *Repackaging Philanthropy*

The neoliberal ideology asserts that state intervention in public programs hampers charitable giving, and at the same time, it promotes the virtues of the voluntary sector. As a clear case of convergence of social policy ideology, in the 1980s the Reagan administration in the United States, the Thatcher government in the United Kingdom, and the Mulroney government in Canada all reduced government funding to third sector institutions. This reduction in funding was accompanied by the expectation that the sector would survive on voluntary labour and charitable donation. The cuts to the sector were done with little understanding of the sector's heavy reliance on state funding, and even less knowledge about charitable giving in these countries. In Canada, the third sector receives very limited charitable donations. For example, nationally, only 14 per cent of revenues come from 'private giving,' and regionally this varies from 9 per cent to 18 per cent.<sup>22</sup>

With regard to voluntary labour supplementing reduced government funding, it has been pointed out that levels of voluntarism have not grown at the same rate as the expansion of services in the third sector. Reasons for this have not been studied in detail, but may be attributed to longer working hours and a general alienation from public life.<sup>23</sup> In addition, the new work arrangement of low-wage, temporary, or contract jobs has fragmented the social order. Moreover, globalization has accelerated capital mobility, thus reducing commitments from corporations to local communities.

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<sup>21</sup> Michael Hall and Paul Reed, "Shifting the Burden: How Much Can Government Download to the Non-profit Sector?" *Canadian Public Administration* 4:1 (1998): 1-20.

<sup>22</sup> Hall and Macpherson, *Provincial Portrait*.

<sup>23</sup> Robert Wuthrow, *Acts of Compassion* (Princeton, NJ: Princeton University Press, 1991).

Not all countries converged in reducing financial support for the third sector because of globalization. The French Socialist government of the 1980s used a divergent strategy. It used the third sector as a more positive social policy tool by creating a *Charter of Social Economy*. The Charter formally acknowledged the existence of a non-profit sector. The third sector became the vehicle through which the government administers welfare and employment programs.<sup>24</sup> However, the impact of this change in policy on the third sector's role in France has to be determined.

### *Mercerization of the Third Sector*

The use of purchase-of-service agreements for the delivery of services allows governments to “downsize” the state apparatus by contracting private or third sector organizations to deliver services. Purchase-of service has become the primary method of financing and delivering personal social services in the United States,<sup>25</sup> and this method is increasingly being utilized in Canada as the state's policy of public programs directly converges with that of the United States. In Canada during the 1980s, the Social Credit government of British Columbia devolved service delivery to the non-profit and private sectors. Privatization is contrary to the principle of universal access to services (in health care), which has been a cornerstone of the Canadian identity. Furthermore, privatization is not necessarily efficient; research in the United States has shown that for-profit management does not appear to improve the efficiency of health care institutions.<sup>26</sup>

While purchase-of-service agreements allow organizations in the third sector to remain afloat, they deprive the third sector of the freedom to act independently. Non-profit organizations must weigh the consequences of disagreeing with government policy against obtaining future contracts.<sup>27</sup> This further constrains the ability of the third sector to monitor public policy and advocate on behalf of the marginalized. States

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<sup>24</sup> Lester Salamon and Helmut Anheier, *Defining the Non-profit Sector: A Cross National Analysis*, (Manchester: Manchester University Press, 1997).

<sup>25</sup> Ralph Kramer, “Voluntary Agencies and the Contract Culture: Dream or Nightmare?” *Social Service Review* 6:1 (1994): 33-60.

<sup>26</sup> Health and Welfare Canada, *Privatization in the Health Care System: Assertions, Evidence, Ideology and Options* (Ottawa: Health and Welfare Canada, 1985).

<sup>27</sup> Smith and Lipsky, *Non-profits for Hire*.

that utilize purchase-of-service agreements or contracting out to deliver human services may find that social services will come to be largely in the domain of the private sector. Richardson and Gutch, in their study of the contracting of social services in the United Kingdom, argue that the real threat of contracting may be competition from for-profit organizations.<sup>28</sup> They suggest that in the United Kingdom non-profits are vulnerable to for-profit competition without having the same level of charitable subsidy as in the United States. This is perhaps also true for the Canadian third sector, which receives limited charitable donations.

A good example of how mercerization of the third sector can occur when public programs are opened up for competition is the Community Care Access Centres (CCACs), which were established in Ontario in 1996 by the provincial government in order to provide centralized long-term care services. The CCACs contract out services based on the market model of competition, in which non-profit and for-profit organizations compete. As a result, some non-profit organizations, which were previously providing services, are being pushed out of business<sup>29</sup> by for profit organizations. The other strategy of mercerization of public services is to compel the deliverers of public services to adopt a market model of provision of services. If they do not meet a “market test,” they are vulnerable to allegations of being ineffective or inefficient.<sup>30</sup> While there is a definite need for third sector organizations to become more effective and efficient, using the measure of a “business bottom-line” does not work in measuring care, empathy and human services.

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<sup>28</sup> James Richardson and Richard Gutch, “Fears betrayed: Initial Impressions of Contracting for United Kingdom Social Service,” in *The Privatization of Human Services: Public Policy and Practice Issues*, eds. M. Gibelman and H. Demone (New York: Springer Publishing Company, 1997).

<sup>29</sup> The latest incidence was reported in *The Toronto Star*, “Home-care Nurses Rally Draws 250 to Queen’s Park” (26 August 1999, A4). The article reported that the Victorian Order of Nurses had lost its contract for home-care services to a for-profit organization in the Windsor-Essex area of the province of Ontario.

<sup>30</sup> Lester Salamon, “The Non-profit Sector at a Crossroad: The Case of America,” *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations* 10:1 (1999): 5-24.

## **Counteracting Convergence and Divergence**

The global economy shapes the general context within which the nation-state develops its policies, but it is the domestic social and political environment that may ultimately have a direct impact on social policy. In Canada, successive governments at the federal level, regardless of their political ideology, have favoured neoliberal policies. Some provincial governments, such as those in Alberta, British Columbia, and Ontario, have followed the same ideology. A number of constraints have been placed on these governments at the domestic level, which have tempered drastic policy shifts, and the third sector has played a prominent role in placing these constraints.

The third sector in Canada has become diverse since the post-war era. It includes an increasingly wider range of groups representing cultural and racial minorities, women, the disabled, seniors, low-income families, and historical communities of aboriginals and francophones. These groups have been staking claims for improved social rights. They have been demanding inclusion in the policy and decision-making processes. In the post-war era, the Canadian federal government actively supported public policy participation of these groups usually through the provision of funding. This provided a unique opportunity for many groups, particularly the marginalized, to engage in public policy debates.

These advocacy groups provided a certain degree of constraint on a government intent on converging more fully toward the market ethos of the global economy. Consequently, the federal and provincial governments sought varied strategies to counteract advocacy groups. One common strategy was to reduce funding to advocacy groups and to discredit these groups as ‘special interest’ groups. As such, citizen groups representing the interests of their membership are seen as representing a parochial view and benefiting only a small constituency consequently, undervaluing their opinions. This then justifies a reduction in state funding. Moreover, service provision is being given preference over advocacy in funding decisions. An essential part of democracy is the right to monitor and respond to policy issues and debates, but this has become a challenge for the Canadian third sector. In Canada, organizations registered with Revenue Canada as charities are not allowed to participate in “political advocacy.” The definition of “political advocacy” is being used to the advantage of current neoliberal

governments in Ontario and Alberta. Such attempts to thwart advocacy indicate that only a select and privileged few are encouraged to voice opinions and needs. For Canadian citizens, particularly the poor and marginalized, access to the state is becoming increasingly constrained and their democratic sphere is being reduced considerably.

### *Reconstructing Citizenship Rights*

The relationship between the state and the third sector is critical to the growth and viability of the sector. In Canada, numerous studies have shown that the voluntary sector's viability is dependent on state support through both policy and funding.<sup>31</sup> Since the 1980s, the funding cuts to the Canadian third sector, implemented because of the convergence toward neoliberal ideology, have created a great degree of uncertainty and difficulty for the sector. In Metropolitan Toronto (Ontario), the cumulative effect of cuts by federal, provincial, and municipal levels of governments has resulted in the widespread cancellation of programs, reduced services, the increased frequency of user fees, and reduced paid staff hours. Reduced funding limits the ability of organizations effectively to interface in public policy matters, and also inhibits the sector's role in fostering Canadian citizenship. The third sector has been a point of access to the state for citizens in Canada; with reductions in services, access to the state, which is a democratic right of representation, is reduced for citizens, particularly for those who are most vulnerable.

Surveys by the Social Planning Council of Metropolitan Toronto highlighted that the programs and services experiencing the biggest impact as a result of the cuts were those for vulnerable and marginalized populations such as low-income families, women, refugees, and immigrants.<sup>32</sup> Furthermore, their subsequent further marginalization is

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<sup>31</sup> Paul Leduc Browne, *Love in a Cold World: the Voluntary Sector in an Age of Cuts* (Ottawa: Canadian Centre for Policy Alternatives, 1996); Social Planning Council of Metropolitan Toronto, *Voluntary Sector at Risk: Trends in Government Support of the Voluntary Sector* (Toronto: Social Planning Council of Metropolitan Toronto, 1981); Day and Devlin, *The Canadian Nonprofit Sector*.

<sup>32</sup> Social Planning Council of Metropolitan Toronto, *1995 Community Agency Survey Metropolitan Toronto* (Toronto: Metro Community Services, Social Planning Council of Metropolitan Toronto, and City of Toronto, 1996); Social Planning Council of Metropolitan Toronto, *Voluntary Sector at Risk: Update*

problematized as a social order issue. For example, the lack of adequate programs and facilities for the mentally ill has resulted in many of these citizens becoming homeless; as ‘street people,’ they become a social order problem that must be taken care of by law enforcement agencies. In the new moral order based on the market ethos, it seems that those citizens who are perceived as economically non-productive members of a society have their social citizenship rights redefined and reduced.

International convergence toward the increasing use of user fees for social welfare programs is one of the key products of globalization and neoliberal policies. A study conducted by the Johns Hopkins Comparative Non-profit Sector Project of seven countries throughout the world found that user fees were the single most important source of revenue.<sup>33</sup> The Canadian third sector has had to resort to user fees in some service areas in order to supplement reduced government funding; a clear outcome of convergence. User fees connote that those who are economically able to pay for the services have access to them, and others who cannot afford the services are not of concern to the state. The conceptualisation of post-war citizenship that gave all citizens the right to a certain quality of life, free from the impediments of poverty and inequality, now no longer seems to apply.

## Conclusion

Is globalization responsible for the financial cuts to the third sector and for the increase in user fees? A liberalized climate for international capital is a key characteristic of globalization. It is thus responsible for spurring the restructuring in national economies. The Canadian government made the choice of reducing social spending in various areas probably because globalization provided an ideal excuse to reduce the state’s role in public services. The deficit discourse in Canada was constructed as being largely due to “out-of-control public programs.” As argued convincingly by Stanford, spending on public programs had reached its peak in the mid-seventies “when budgets were still routinely balanced and public debt as a share of GDP was lower than

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1983 (Toronto: Social Planning Council Metropolitan Toronto, 1983); Social Planning Council, *Voluntary Sector at Risk*.

<sup>33</sup> Salamon and Anheier, *The Emerging Nonprofit Sector*.



at any other time in the post-war era.”<sup>34</sup> The deficit discourse “played a crucial role in legitimizing the abdication of government responsibility for social injustice.”<sup>35</sup>

The state has other alternatives to reducing funding for public programs in order to manage its fiscal problem, including raising taxes, a more visible method of obtaining revenue. In Canada’s case, the state’s decision to reduce social spending, devolve programs, and reduce funding to the third sector all seem to give priority to the market over the state’s post-war consensus on social rights and social justice for all citizens.

This decision was based on the neoliberal ideology that lower taxes attract investment and provide a more competitive business environment, which is favoured by the national and international markets. However, as Weiss points out, there is little macroeconomic evidence that lower taxes attract investment.<sup>36</sup>

Has globalization resulted in the convergence of social programs between the United States and Canada? There is no definitive answer to this question. The restructuring discourse of social programs and services in the early 1980s has created a complex pattern of convergence and divergence between the two countries. According to Banting, “the broadest trend has been incremental divergence, with the traditional differences between the two countries growing more marked in certain areas - for example, in health care, in the broad balance between universal and selective income transfers, in the role of public pensions, and in the redistributive impact of the state.”<sup>37</sup>

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<sup>34</sup> Jim Stanford, “The Rise and Fall of Deficit Mania: Public-Sector Finances and the Attack on Social Canada”, in *Power and Resistance: Critical Thinking About Canadian Issues*, 2d ed., eds. W. Antony and L. Samuelson (Halifax: Fernwood Publishing, 1998), 39.

<sup>35</sup> Lisa Phillips, “The Rise of Balanced Budget Laws in Canada: Legislative Fiscal (IR) Responsibility,” *Osgoode Hall Law Journal* 34:4 (1996): 722.

<sup>36</sup> Linda Weiss, *The Myth of the Powerless State* (Ithaca, NY: Cornell University Press, 1998).

<sup>37</sup> Keith Banting “The Social Policy Divide: the Welfare State in Canada and the United States,” in *Degrees of Freedom: Canada and the United States in a Changing World*, eds. K. Banting, G. Hoberg, and R. Simeon (Montreal: McGill-Queen’s University Press, 1997), 303.

In terms of the role of the third sector in Canada, there are indicators of a convergence with the role of the third sector in the United States. In Canada, a gradual co-optation of the sector into a quasi-autonomous governmental body is occurring through such mechanisms as purchase-of-service agreements, conditions attached to funding, use of the market model of accountability, reduced funding, and competition with the private sector for public service contracts. In the current environment, in which the nation-state's autonomy in many policy areas is being ceded to power structures outside its borders, the role of monitoring public policies that affect its most vulnerable citizens is very essential. This role remains largely in the domain of the third sector, but it remains to be seen whether increased advocacy will be tolerated by the state. Nevertheless, the third sector must play a critical role in ensuring that the market does not supersede Canadian society's post-war conception of the collective good and social justice. At the same time, third sector organizations need to grapple with issues of fiscal solvency, accountability, and management. Otherwise, these issues will continue to obscure the critical role of the sector in monitoring and advocating on behalf of policy issues.

The question of "social responsibility" is still viable for states in the current era of global competitiveness. One of the primary purposes of the state is to ensure that the national and international economies enable the majority of its citizens to enjoy a good quality of life. The Keynesian welfare state was founded in a particular historical, political, and economic time period when it was deemed most useful for the state to intervene in the economy and to provide social welfare support to its citizens. It also rested on the premise of a gendered model of the workplace and household. There has been a breakdown in the support structure and systems associated with the Keynesian welfare state in the past few decades. In particular, there has been a breakdown of the mode of family wage, which has been replaced increasingly by dual income families to support a nuclear family. The return to Keynesianism is not a viable option because of the massive structural changes in the forms and practices of the state as well as changes in the political economy.

The Canadian value system continues to demonstrate support for many of the concrete benefits of the Keynesian era. However, it is suggested here that an alternative to the existing social welfare and labour market approaches is needed which would incorporate the

strengths of the welfare state and yet be innovative enough to meet the challenges of the new global order. The principles of social responsibility, democracy, and transparency are fundamental to alternative governance. Otherwise, when the market “goes too far in dominating social and political outcomes, the opportunities and rewards of globalization spread unequally and inequitably - concentrating power and wealth in a select group of people, nations and corporations, marginalizing the others.”<sup>38</sup> Without a strong third sector, there is a danger that the infirm, the elderly, and the poor will have nowhere to turn to. It is equally important to have a strong national government that supports and promotes social citizenship so that there is a comprehensive public framework for redistributive social security that is geared toward the varied needs of citizens to protect the poor and others who are adversely affected. The state can continue to promote social responsibility and collective good through providing some services directly and other services through stable financial and regulatory support to third sector institutions.

It is often forgotten that globalization does interface with real people and communities in the nation-state. In the new globalized society there is a real danger that third sector institutions will be increasingly co-opted by the dominant political and economic structures, which will result in a fragmented and weak civil society. Therefore, it is important to examine the impact of globalization on the third sector so that policies can be created which ensure that globalization works for people, and not solely for profit. It is difficult to generalize from the Canadian experience alone about a sector that is characterized by both regional and global diversity. The dynamics between globalization and the domestic sphere vary from nation to nation. However, the key notions of democracy and social justice, which are so closely associated with the civil institutions of the third sector, are deemed to be universally valued. In today’s world of ‘borderless’ nations, increased social fragmentation, and political alienation, the third sector offers the social glue that brings citizens together through shared understandings. Therefore, it is imperative that

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<sup>38</sup> United Nations Development Programme, “Globalization with a Human Face,” *Human Development Report 1999* <<http://www.undp.org/hdro/99.htm> 1999>.

efforts be made to strengthen the third sector's role as an intermediary between the market, state and citizens in order to address the profound and complex problems affecting society today.