# Measuring Change in Welfare State – Non-profit Relationships: Towards a Conceptual Framework

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# Measuring Change in Welfare State – Non-profit Relationships: Towards a Conceptual Framework

**Tamara Daly, Ph.D.**[i]

**Abstract**

Few systematic conceptual tools that can be applied across time and space have been used to measure state involvement with non-profits. Fewer examine the latter's "place", not only vis-à-vis the state, but in the overall political economy. Current examinations concentrate heavily on measuring levels of state and other sources of funding and levels of volunteerism. The dynamism, inherent in real state – non-profit relationships, has been lost in academic translation and analysis.

The conceptual framework presented here suggests a bi-directional rather than linear analysis, and bridges theoretical work from the welfare state and health geography literatures. This framework is then applied to the case of Ontario's community support services sector. First, current state administrative, regulatory and funding policies are analysed for the ways in which they affect non-profits' roles, identities, autonomy, and viability. First, Pierson's (1994) programmatic retrenchment and Atkinson and Coleman's (1989) and Coleman and Skogstad's (1990) concepts of state coordinating capacity and autonomy are used to investigate the following questions regarding state policy change in the home support sector. Second, pioneering insights from health geography (Kearns and Gesler 1998; Williams 2002), which privilege the concept of place, help us to critically interrogate how changes to the level of the state's involvement administering, funding and regulating this sector changes non-profits' sense of "place" relative to the state and others

The case of the state - non-profit relationship in Ontario's community support services sector illustrates that it is important to consider sectoral and sub-sectoral change in the analysis of the relationship. Since 1990, the state has become very autonomous and coordinated in this sector. The state is at once more and less involved with non-profits. Autonomy has enabled it to implement regulatory and policy changes, which enhance its ability to "monitor" non-profits. While overall funding to the sector has increased, its commitment to fund certain services and organizations has diminished. The result is uneven state funding support, which privileges some services and organizations over others. This privileging has implications for the type and nature of the non-profit organizations that continue to provide services.

Community support nonprofits' sense of place, in the overall political economy, has shifted. Organizations that have persisted through the policy changes are more health care and less social care oriented. They view their experiences as dislocated from centralized Ministerial decision-making. They perceive that their voice is more muted than the past, and see their own advocating power as diminished. Their sense of uniqueness is gone and their creativity has been stifled.

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## I. Introduction

Few systematic conceptual tools that can be applied across time and space have been used to measure state involvement with non-profits. Fewer examine the latter's "place", not only vis-à-vis the state, but in the overall political economy.[ii] Current examinations concentrate heavily on measuring levels of state and other sources of funding and levels of volunteerism.[iii] The dynamism, inherent in real state – non-profit relationships, has been lost in academic translation and analysis. State - non-profit relationships need to be theoretically re-oriented.

With the focus on process issues such as the rates of volunteering, accountability, and the levels of state funding, the potential impact of other state policies which change the nature of the relationship in meaningful ways, for instance, by limiting eligibility, by concentrating authority, by limiting access, or by changing what services are funded, are not normally considered. The conceptual framework presented here suggests a bi-directional rather than linear analysis, and bridges theoretical work from the welfare state and health geography literatures. This framework is then applied to the case of Ontario's community support services sector.

Non-profit organizations have made significant contributions to welfare services delivery, depending on the welfare state and the sector. In many sectors, public funding combined with private delivery by non-state, often non-profit actors, played a major role in welfare state expansion. This is particularly true over the past quarter century in the areas of health and social services. It is certainly the case in Ontario's community support sector, which provides services such as meals-on-wheels, transportation to medical appointments and social gatherings, and friendly visiting to its frail elderly and adult disabled populations (Daly 2003b). In the past decade, uneven state funding support, and growing regulatory requirements in the community support sector, privileges some services and organizations over others. This privileging has implications for the roles and identify of the non-profit organizations that continue to provide services.

Current state administrative, regulatory and funding policies are analysed for the ways in which they affect non-profits' roles, identities, autonomy, and viability. First, Pierson's (1994) programmatic retrenchment and Atkinson and Coleman's (1989) and Coleman and Skogstad's (1990) concepts of state coordinating capacity and autonomy are used to investigate the following questions regarding state policy change in the home support sector.

- How have changes to state administrative configuration, regulatory and funding

policies resulted in more or less state autonomy and state coordinating capacity?

- Is the state role more expansive, or has there been state retrenchment as measured by the programmatic retrenchment construct? If the state role is more expansive, how has it impacted the state – non-profit relationship?

Second, pioneering insights from health geography (Kearns and Gesler 1998; Williams 2002), which privilege the concept of place, help us to critically interrogate how changes to the level of the state's involvement administering, funding and regulating this sector changes non-profits' sense of "place" relative to the state and others.

- How do non-profits' role(s) and identities change with more or less state involvement administering, funding, and regulating?

Finally, how can these constructs help us to frame questions about how the state's level of involvement has changed in a policy sector characterized by a high degree of public funding and private non-profit delivery of service? This bi-directional analysis of policy change provides a framework for how to measure change in state non-profit relationships over time, and across space.

To be clear, we are not posing fundamental, but normative, questions about whether the state or non-state actors *should* deliver, fund, and allocate services. We focus instead on conceptual questions about how to apply tools to gauge if the state is more or less involved in a sector with a traditional mix of public funding and private delivery and also about how state actions affect non-profits sense of place in a given sector.

It is important to consider whether state involvement, in the form of funding commitments, and administrative and regulatory requirements, foster or hinder the ability of non-profits to provide the types of services that they do for several reasons. Non-profits fill a place between more formal state services such as publicly funded home, hospital and long term institutional care, and informal, unpaid networks of family and friends that provide care work to frail elderly and disabled individuals. When the state changes its relationship to non-profits in this sector, it impacts individuals' ability to remain independent of some more formal parts of the public (and private, commercial) system, and total reliance on the unpaid care provided by family and friends.

It is likewise important to consider non-profits' place within a given sector, that is, their roles, identity, autonomy, and viability. Non-profits typically rely on donations of time and

money to maintain programs and services beyond what the state funds. Consequently, non-profits are more formal in the organizational sense, but still rely heavily on a large cadre of informal work provided by volunteers. In the community support (CS) sector, non-profits fill the gap between what is more, though not completely, funded by the state (e.g. home care and long term institutional care), and the private contributions of individuals.[iv] It is therefore important to understand how state involvement with non-profits shifts their sense of place in this sector. In other words, what role(s) do non-profits play, and what defines non-profits' identity, vis-à-vis the state? Is their role more or less autonomous? When and how are organizations' viability threatened? While this paper focuses specifically on the state - non-profit relationship, equally important is the place of non-profits with respect to unpaid care work provided by individual families, neighbours, and friends. Analysts have paid too little attention to this former relationship and further work needs to be conducted.

After identifying the method, the next section addresses the dominant debates in the literature, and introduces measurement constructs borrowed from welfare state theory and health geography. Section IV applies these constructs to measure the state-non-profit relationship in Ontario's home support sector. Section V discusses the extension of the study's theoretical findings beyond the present case.

i) Method

Data are drawn from a longitudinal, embedded single case study of the state – non-profit relationship in the home support sector, in Ontario from 1990 – 2001, combined with an in-depth look at seven community support (CS) non-profits operating in Waterloo and Wellington-Dufferin (WWD) Regions, which are a part of a single District Health Council in South Western Ontario. Another three organizations investigated for the study are run by local municipalities in the regions. This geographic area is comprised of both urban and rural communities. Demographically, the population is very homogeneous.

Policy analysis was conduced at the provincial and regional levels, and linked to organizations' issues and responses at the provincial (sectoral), regional and individual organizational levels. Six data sources were used to triangulate the study's findings in order to ensure converging lines of inquiry.[v] [vi]

Using an historical institutionalist framework, it is possible to operationalize the dynamic state - non-profit relationship in Ontario's CS sector. Historical institutionalism has been used to explain the dynamics of *policy change* in the welfare state (Hall 1992; Pierson 1994) and in various sectors including health care (Immergut 1992; Tuohy 1999), labour

markets and employment policy (Rothstein 1992; Weir 1992). Analyses have focused on the role of institutions in structuring the influence of pervasive ideas and interest groups in the policy process (Hall 1992; Immergut 1992; Thelen and Steinmo 1992; Weir 1992). Thee analyses privilege multiple configurations of causes, operationalized at the inter-organizational or inter-institutional level. The framework permits scholars to simultaneously consider that causes should be consistent with plausible accounts of individual agency, within the constraints that derive from the *channelling effects* of institutional structures within which humans interact. Institutions are defined as both formal organizations and the informal rules, norms and procedures that structure conduct. They can include the entire gamut of state and societal institutions and the impact that these institutions have on structuring people's actions and their relations of power to other groups (Thelen and Steinmo 1992: 2). This theoretical framework, supports a concentration on multiple units of analysis focused at the level of intermediating societal institutions, as well as on the state institutions that wield power (Pierson and Skocpol 2000).

## II. Measuring State Involvement with Non-profits: The Debates

Empirical studies conducted in liberal welfare states, so defined according to Esping-Anderson's Three Worlds model (1990), reveal two things: That non-profits proliferated in tandem with more state funding; and that the state is the largest source of income for the majority of non-profits (Mishra, Laws et al. 1988; Wolch 1990; Rekart 1993; Salamon 1995; Browne 1996; Hall and Reed 1998; Hall and Banting 2000; Jenson and Phillips 2000; Brock and Banting 2001; Brooks 2001). It is an increasingly interdependent relationship. Amongst these contributions, there is general agreement that, as the state expanded to play a more integral role in social service provision, non-profits swelled in rank in response to available state money to provide more specialized services (Mishra, Laws et al. 1988; Wolch 1990; Rekart 1993; Salamon 1995). Instead of a residual role for non-profits, predominant in theories of government and market failure, theorists began to focus on the complexity inherent in their relationships with the state. These same studies documented how, in exchange for funding, non-profits' relationship with the state changed, for instance, contracting with the state accompanied the imposition of more rules and norms. But the outcome and impact of a high degree of state funding and of accompanying rules and norms on the viability and autonomy of non-profits remains controversial.

Theorists do agree on several points. In most cases, the state (at all levels) is the largest contributor to non-profits' finances. As well, in many countries, non-profits enjoy

favourable tax status. Given the close relationship between the state and non-profits, it is important to understand how changes in state policies impact on the ability of non-profits to persist and to pursue goals.

Current streams of analysis emphasize either an expanded state role – one that has absorbed the activities of non-profits or infringed on their autonomy (Wolch 1990; Rekart 1993) -- or a retrenched state that no longer meets its financial commitments to non-profits (Salamon 1995). The question of state retrenchment, and its inverse of state encroachment, are fundamental but divided debates (Wolch 1990; Rekart 1993; Salamon 1995). Interestingly, these positions are not mutually exclusive. The very nature of a relationship – a connection between one or more things -- requires us to assess it from multiple vantage points. Given that it is a close relationship, what is seldom discussed is the quality and nature of how the state and non-profits actually relate. When we focus our attention at sectoral and sub-sectoral levels, there may be evidence of both an expanded and retrenched state, and a relationship that changes significantly over time.

Despite several common assumptions about the relationship, there is little consensus about how to measure changes to the state's level of involvement with non-profits over time, or on how state policies impact non-profits' sense of place within a given sector. Most analyses focus on readily available statistics such as measuring levels of state funding, and/or levels of voluntarism with some attention to the impact of regulatory policies, though this is more limited. Internal state changes, particularly sectoral level changes to administrative structures, have not been a focus. Some analysts do look at the unevenness of the impact of state policies on different types of non-profits (Saxon-Harrold 1990; Wolch 1990), but the link with sectoral level state funding, regulatory and administrative change is still less developed. Cross-sectoral or macro level analyses of the relationship are the norm.

i) Tools to Measure Change in Welfare State - Non-profit Relationships

In assessing the impact of state actions on non-profits, we must consider how the boundary of the state – non-profit relationship has changed. In other words, who does what and who pays for what? And, as Wolch (1990) and Saxon-Harrold (1990) argue, are there uneven impacts of policy change on different non-profits? Drawing from welfare state literature, Pierson's framework argues for a more nuanced understanding of the ways in which state retrenchment may be uneven not just across broad programs but also *within* them. To apply the insights to the state - non-profit relationship, we must look beyond assessments of state funding levels, to include degree of regulation, and the ability of the

state to change policies with relative autonomy. But, we need to also analyse the ways in which the state is more or less involved in the (day-to-day) operation of non-profits, and the multiple ways in which non-profits construct and deconstruct their identities and role(s) in a given sector.

Many assessments of state involvement focus at a broad policy sector level. For instance, health care programs, have been examined which often concentrate on physician and hospital services (Immergut 1992; Pierson 1994; Tuohy 1999). Focus on discreet sectors within larger programs is becoming more prevalent, as with the case of home care which has been shown to have less resiliency to state retrenchment in some cases than the health care sector overall (Deber and Williams 1995; Baranek 2000; Browne 2000; Jenson and Phillips 2000). The point is that state retrenchment and encroachment may be an uneven process not just across broad state policy sectors but also *within* programs.

Operationally, understanding this complex relationship requires linkages between multiple levels of analysis. In other words, sectoral and sub-sectoral analyses must be firmly grounded in a solid contextual analysis. At a broad country level, Pierson (1994) argues for analysis of systemic retrenchment across sectors. In other words, are there system level changes, which alter funding, support and direction for a given policy approach (e.g. shift from Keynesianism to no-liberalism)? These shifts are important, and often provide the policy context within which smaller sectoral and sub-sectoral alignments in administration, funding and regulation occur. Although this paper does not permit the space to document the larger context in which changes to CS services in Ontario have occurred, the health and social care logics at play in provincial and federal policies between 1958 and 2001 are analysed elsewhere (Daly 2003a).

In order to get at specific dynamics at the level of a given sector or sub-sector, two state level and two non-profit level constructs need to be assessed: 1) state involvement measured by the level of state autonomy and coordinating capacity, 2) state retrenchment or expansion at a program level. Non-profits' sense of place measured by 3) Identity including the level of non-profit autonomy, and 4) non-profits' role with analysis of the degree of viability. At sectoral or sub-sectoral levels, grasping state level changes requires measuring the degree of state autonomy and coordinating capacity compared with other stakeholder groups (Coleman and Skogstad 1990). In other words, to what degree is the state able to unilaterally implement policy, or to what degree must it compromise or relinquish power to dominant interest groups? To measure program level change, Pierson's (1994) concept of programmatic retrenchment needs to be balanced with an

assessment of programmatic expansion.

Given the relationship between the state and non-profits, it is important to consider both funding and regulatory / policy changes that influence the relationship dynamic. A balanced analysis must examine not only the outcomes on non-profits, as dependent upon change in state level policies, but also shifts engineered by non-profits. The concept of place is a useful way to conceptualize non-profits' shifting notions of where they belong. John Eyles (1985) argues that "place" is an interactive relationship between daily experience of a local place and perceptions of one's place-in-the-world. Sense of place, understood as an amalgam of experience, roles, and identity, represents a potentially important construct for understanding the shifting relationship with the state from non-profits' individual and collective perspective(s). These ideas draw upon some of the pioneering insights of a "reinvented medical geography", which "put[s] health into place" (Kearns and Gesler 1998). When the non-profit role in the relationship is viewed through the lens of place, understood as a social construction where human interactions are mediated and moderated, it can help to frame and contextualize the ways in which staff of non-profits construct and deconstruct their identities, view their experience(s), their decision making power, and their advocacy role. In the next section, we will look at how the flux in the home support sector has jeopardized non-profits' sense of identity and understanding of their role vis-à-vis the state. For instance, where do non-profits sit on the continuum between being state contractors (a commercial term most organizations would certainly reject), and partners identifying gaps and opportunities to service real humans' needs?

## III. Home Support Policy Changes: The Framework in Motion

Several state rules, regulations, and policies enacted since 1990 alter i) the level of state involvement and ii) shift non-profits' place in Ontario's CS sector. Services include health and social care services provided outside of hospital. Our focus is on home care and home support services. Figure A indicates where community support services fit within Ontario's Long Term Care continuum. It is comprised of both home care and home support services. Home care is provided by professionals and includes nursing, personal support and rehabilitation services, while home support services are primarily provided by volunteers and staff of non-profit organizations and include services such as meals on wheels, transportation, home help, friendly visiting. In this sector, non-profits and some municipalities provide home support.

i) Level of State Involvement in Flux

Several points support the contention that the level of state involvement in this sector is in flux. First, there is more state autonomy and coordinating capacity compared with the past resulting from consolidated state administrative power, and regulatory and funding authority. The Ministry of Health has formally been involved in the administration of state home care since 1958. Beginning in 1993, the Ministry of Health assumed sole responsibility for the administration of both home care and home support services. It was eventually re-named the Ministry of Health and Long Term Care (MOHLTC) to acknowledge Long Term Care services under its jurisdiction. Previously, the Ministry of Community and Social Services was responsible for home support services. With authority consolidated, the state was able to establish and apply more standardized rules, stringent budgeting, and reporting requirements than before to non-state organizations providing health oriented home care and/or social care oriented home supports. These new rules and requirements, manifest in almost yearly editions of the Ministry's *Planning, Funding and Accountability Manual*, increase the state's direct involvement in the day-to-day activities of non-profits. For example, new rules sanction only certain organizations to provide services. As well, funded organizations can no longer use state funds to cover core expenses such as fundraising, donor management, volunteer recruitment, and advocacy. Previously, state funding enabled organizations to cover all of the associated costs with operation, including core costs. Currently, organizations must direct all state funds to the provision of service. In combination with the prohibition on using state funds for core functions, organizations are required to maintain their level of fundraising, particularly if they used fundraised dollars to support service provision in the past.

Further consolidation between home care and home support services was accomplished by the state with major shifts in home supports funding. The state raised the percentage threshold at which it would fund non-profits from a flat 70 percent of organization expenditures, to "up to" 100 percent, but it reduced the services and expenses eligible for funding. Also, it introduced a single funding envelope, which simultaneously de-insured home care from OHIP, and pitted home support services, home care and other long term care services such as supportive housing in direct competition for a capped budget of funds.

Second, state programmatic retrenchment and expansion has occurred simultaneously, with state funding allocated unevenly across the province depending on the organization and service. States may accomplish programmatic retrenchment by cutting expenditures,

and/or shifting programs to a residual category to be funded either through voluntary or individual means (Pierson 1994). While there have been constraints on funds compared with demand, and funding has not grown steadily, this sector has not experienced overall cuts to expenditures. In fact, absolute levels of funding have increased (Browne and Keil 2000), which seems counter to the argument that programmatic state retrenchment is occurring (Daly 2003b). Ontario provincial government expenditure on home care services, reported in 2000 constant dollars, have grown from $1,089,363,739 in 1994/95 to $1,521,766,419 in 2000/01, which represents an average annual growth rate of just below six percent (Browne and Keil 2000). However, other changes may be moderating the effect of increases to funding for home supports. For instance, the state no longer funds some services and organizations. The unevenness in funding is apparent when comparing provincial funding growth with regional trends for each individual service (Figure B). There is clearly expansion of funding for some services and retrenchment in others. The state funds some organizations at much higher levels than before, while still others have just begun to offer services or enhanced their services in response to historical geographic inequities such as between northern and southern Ontario communities. As well, higher demand for services have tempered budget increases. Consequently, there are fewer actual state funded services and organizations today compared with prior to 1990, however there has been an expansion of service provision so that it is more widely available across the province.

Third, inherent programme features can predispose certain programs and services to retrenchment more easily than with others. For instance: the state's ability to shift the funding burden to other groups, organizations and individuals; the lag between when funding cuts or administrative and regulatory shifts occur and when there is an impact on an organization or client group; and the ability of the state to make decremental cuts by holding real costs constant or imposing small program cuts. In this sector, the propensity of the state to burden shift, exploit lag time effects, and engage in decremental funding cuts is high owing to the state's reliance on non-profits and municipal organizations with social care missions and highly client-centred foci.

State funding policies have impacted organizations' viability, because the state is their most important funder. But it has not fully absorbed the funding withdrawn by local governments as a result of the provincial / municipal restructuring that began in 1997 in Ontario, and shifted responsibility for long term care, including community support services, to the province. For instance, Figure C shows that the average revenue received by

organizations from the provincial government has increased from 60.6 percent to 62.2 percent -- not nearly enough to offset the amount lost from local governments (who are now no longer responsible for long term care after the provincial municipal reallocation of responsibilities). As well, user fees have increased – shifting the onus of payment onto individuals. The amount received from user fees has increased from 16.3 percent to 19.9 percent. This amount is more than enough to compensate for the loss in fundraising revenue. Levels of state funding directed to home support organizations varies greatly depending on the organization. This represents a shift in the last decade in favour of user pay.

As well, the amount of support coming from the provincial government has grown wider over time: the average revenue received from the provincial government as a proportion of total revenue ranged between 45 percent and 73 percent between 1988 and 1995, but increased to between 37 percent and 80 percent in the years 1996/97 to 2001 (Figure D).

Interestingly, organizations that began with a higher percentage of revenue from the provincial government -- as a proportion of their overall revenue -- have managed to maintain this level while other organizations that started out with a heavier reliance on fundraising and/or user fees have needed to maintain that focus (Figure D). Ministry funding regulations state that organizations can be funded “up to 100 percent“, but are required to maintain outside sources of funding, as the Ministry will not compensate for losses in these areas.

Municipal organizations tend to rely more heavily on user fees, while charitable organizations seek support from fundraising. Variation in the percentage of state funding is impacted by both of these categories of revenue. Furthermore, some services, such as Meals on Wheels and Day Programs, lend themselves more easily to collecting user fees. Organizations agree that charging user fees for programs such as friendly visiting is more difficult due to the nature of the relationship that is meant to develop between the volunteer and the client.

Figure D shows that between 1990 and 1993/94 only meals on wheels organizations were funded consistently below the provincial average. After 1994/95, other non-meals non-profits “H” and “D”, shown to do well at fundraising to support deficits in state funding, also dropped below the provincial funding average. It is interesting that once these organizations engaged in more fundraising, their provincial funding averages never returned to the former level.

In summary, the consolidation of authority in the Ministry of Health, the implementation

of stringent regulatory requirements, and non-profits' high degree of reliance on state funding to operate shows that the state has retained a high degree of autonomy and coordinating capacity. This is also due at least in part to the fragmented nature of the network of interests in this sector. Interest groups in the home care sector have remained fragmented. When they have come together, it has been for issue specific purposes (OHHCPA, OCSA et al. 2000; OHHCPA and OCSA 2001); their alliances break down depending upon the issue (Interview 052302). This diversity of interests within the policy community contributes to its fragility, and lacking strong, cohesive interest associations, the state has demonstrated considerable autonomy in this policy sector. State involvement in this sector exhibits signs of retrenchment and expansion. It is more involved regulating the sector on the one hand. On the other, it no longer funds some services or organizations at adequate levels. A focus only at a broad, sectoral level can miss some of the important incremental policy changes that are important for understanding the relationship. For instance, though overall funding for community support services has increased in the past five years, some services and organizations are no longer supported. This is important, because many of these services and organizations had received support since the early 1980s.

ii) Non-profits' Sense of Place

The place of organizations, within the sector, has been impacted by changes to the rules and regulations by which they are governed. Place is a social construction where human interactions are mediated and moderated. It links the identity of an organization and its staff. Place helps to frame and contextualize the ways in which staff of non-profits view their experience as dislocated, their own decision-making power as less autonomous, their power more constrained in their local role advocating on behalf of the elderly in their communities, and their voice more muted criticizing the policies of the state. In examining the sense of place of non-profits, we address several themes that emerged in the key informant interviews and the policy and planning documents.

First, organizations that have persisted with increasing percentages of state funding are more health care oriented, and less social care oriented than before. Their identity has changed to reflect where the institutional rules and norms of the dominant funder. This reflects the fact that the services that the state has continued to fund are more health care oriented, though they retain some elements of social care. Interviewees uniformly indicated that the "basket of services" to which they are restricted is rigid and has narrowed the focus of home support organizations away from prevention programs in favour of health care

services for people who are likely already ill or increasingly frail. This is sometimes referred to as the health / social care divide. Up until 1990, this divide was represented institutionally in the division between the Ministry of Health and the Ministry of Community and Social Service.

A study of Waterloo Region Community Care Access Centre home care clients concluded that recipients of homemaking / personal support work tended to be "older, female, widowed, living alone, less able to get out of the home, more disabled, more cognitively impaired, longer term clients and at higher risk of institutionalization compared with non-recipients" (Hirdes, Dalby et al. 2001). The vulnerability of the clients receiving personal support poses potential consequences for decisions to restrict access to these services.

In WWD when the only focus of an organization was social care for the well elderly, it did not remain viable. Organizations that have been successful at establishing some measure of balance between social and health care still note that there is tension when trying to provide social care in a health care model. One interviewee representing a nonprofit summed up her organizations' experience making choices about how to provide the service as follows:

> …the people we have couldn't get on (public transportation). They can't even get in and out of the van.…the only people we're serving right now are those who need an escort. And, …if they need an escort, they probably need an escort to get in and out of a hairdressing place, too, but we've had to limit it to medical appointments and … urgent …court or legal things…I'd LIKE to be able to … take people to more than just doctors appointments. Like I'd like to be able to take them to the hairdressers or to the … funeral home, or to the … nursing homes, cemeteries or wherever they wanted to go (Interview 041802B).

Another interviewee representing a municipal organization noted that transportation to social events were given the same priority in their organization.

> Now I've always made it clear in my budget that whether the Ministry recognizes this or not, prevention is something that we will always try and keep on our table. We have a philosophy in this organization that to have a ride to the hairdresser is as important as having a ride to the cardiologist. And we try and live that… certainly if we have one driver, that driver would have to go to the cardiologist, we have no choice. But we do try to keep these other things on the table as far as we can. (Interview 051402).

In dealing with clients with greater health care needs, organizations report they are too stretched financially to provide a lot of the social care services that are still required, but are no longer a part of the approved services funded by the Ministry. Moreover it is difficult to advocate for softer preventive services when clients are not even receiving enough health care.

> …a lot of what you're doing is a social service. It really is. It is not…wounds dressings, any of those kinds of things, that … people often associate with health care…A lot of people originally in the field have a lot of social service background. I can see why they did switch us over to health, because they wanted to have a more integrated service delivery model. And with the best of intentions they've started out with that, but I don't think they've achieved anywhere near what they set out to do, and why they moved us over and how things got blended. I don't think it was a success at all. (Interview 032802B)

As a consequence of Community Care Access Centre (CCAC) expenditure controls in Waterloo in 2001/02, the levels of service to individual clients dropped, and clients were not getting as much service as their assessed need. Non-profits note they are facing higher demand for their services, as a result of i) more CCAC referrals, particularly for individuals on CCAC waiting lists, and ii) from greater health needs and a high acuity level amongst existing clients. And, as CCACs continue to be constrained from providing service to clients at the level of assessed need, there is a growing gap of clients not being served by the CCACs, but whose needs are too great for non-profits to meet (Interview 051402; Interview 051402B). This places increased strain on family members and friends who provide care work.

Interviewees identified the complexities inherent in trying to provide both home *health* and *social* care. Reflecting the shift to service clients with multiple and more complex health care needs, organizations have begun to try to attract more professional baccalaureate and community college trained individuals, with backgrounds in non-profit management, gerontology, and personal support work. One problem is that non-profits typically remunerate at a low level, making it difficult to attract new people that already have management or clinical training and experience (Interview 032802B). The inability to compensate well impacts organizations' ability to attract skilled staff. Low pay levels is not a new issue for this sector. The novel aspect is the amount of education and skill level that is required of staff. Combined with a low pay level, this requirement makes it very difficult for organizations to fill vacancies. This problem has a direct impact on organizational viability and will become an increasingly prevalent issue as the current group of executive directors, most of whom started the organizations, are ready for retirement.

Second, organizations view their experience as dislocated. They feel disconnected from the Ministry and bureaucratic decision-making. The relationship with the MOHLTC is the most important and thus most difficult for organizations. Organizations with a local focus accustomed to local decision-making are confronted with decision-making that is being conducted at an entirely new level. In the past, regionally located Ministry program consultants, the Ministry's representatives, seemed to be more involved in working with

organizations to develop local programs and to meet state requirements.

There is wide variation in the level of direct involvement in organizations by the consultants. Many interviewees indicated that the consultants are not as involved in communicating with their organizations as they were in the past, and may be too removed from what organizations do on the ground (Interview 032702A; Interview 032802; Interview 032802B; Interview 040202; Interview 040302; Interview 041202; Interview 041802B).

> …we don't have as much involvement face to face, or talking…on the phone even, as I did even when I was with MCSS, but more paper involvement. More reporting… how reliable and accurate those reporting mechanisms are, it remains to be seen. But…we definitely have much more paper (Interview 040202).

The high level of communication and partnering between organizations and the Ministry is far less evident in the current period.

Many organizations noted that the role of consultant had changed over time, from one of counselor to gatekeeper. One interviewee summarized the change in this way:

> …back then they were program supervisors, now they're consultants. And they were really good at…helping us find the funding and … to fill out the forms and to do it so we could get the funding. And for a while there it didn't seem that way, it seemed like our consultants were people who were there … to … limit the amount of money the government gave out. Instead of being there to help us access the money that is available. It was more like they were there to put blockers on … and find ways to stop our requests. Or find ways why our expansion proposals (weren't) quite up to snuff to get money. So there was sort of a change in the feel of what the consultants were really doing (Interview 041202B).

One of the problems that organizations have identified is the high degree of turnover in program consultants. Some have worked with three or four different consultants in as little as five years. This stands in contrast to the period prior to 1995 when there was a significant amount of continuity at the consultant level.

> …unfortunately with the turnover of Ministry consultants, it really makes it difficult…for them to get a grasp of the agency. Because as soon as they do get a good grasp, they're gone again. And then we have to re-educate…re-establish the relationship…prove ourselves (Interview 032702A).

Ministry consultants do not necessarily facilitate reporting and planning tasks of organizations. As a result, organizations report that they often "feel lucky" to get whatever funding they can. In addition the way that decisions are made is not clear to organizations. They report putting in expansion and enhancement budgets year after year. Only rarely do these budget requests get funded and it is not clear to organizations what makes one budget more "fundable" than the next. They feel that there is a relationship between available money and crises.

Organizations reflected on their sense of purposelessness after putting in expansion and enhancement budgets, because Ministry consultants do not respond to them unless they are to be funded. Criteria for receiving money are considered opaque. Despite standardized requirements laid out in the PFA, interpretation and regional variations between different area offices are still perceived to exist (Interview 040202).

Third, non-profits feel that their voices are muted, and their power to act on behalf of their local communities is constrained because so many of the decisions are centralized. Organizations feel their ability to advocate and negotiate with the state is circumscribed because decisions for long term care are made centrally at the corporate level in MOHLTC. Even at a provincial level in this sector advocacy is difficult since the OCSA represents a very diverse set of organizations (e.g. rural / urban small / large) whose interests do not always coincide. At an individual level organizations fear speaking out may jeopardize their government funding. In many instances, they hover below the radar screen, and are thankful for any funding that they receive from the state. In addition, feelings of powerlessness and the inability to access decision makers have impacted organizations' proclivity to participate in grassroots action and circumscribed their inclination to advocate on behalf of their clients out of fear of losing funding.

The relationship between organizations and the state is highly conflictual at times. The ability of the state to burden shift by providing less funding and counting on the organization to find other pockets of money to fund services was noted. Organizations have filled the funding gap left by the withdrawal of state funds.

> …some agencies are really hurting, and I think that's because they have let (the Ministry) wiggle out of certain things…and the Ministry has come along and said at different points – "we've had some really tough negotiations. We really can't afford that. We're looking at cutting back."…and then (organizations have) fundraised more (Interview 032802B)

Most organizations expressed fear, anxiety or a sense of futility over speaking out, which could then jeopardize their government funding. In many respects, organizations figure that if they refrain from complaining the situation cannot worsen.

Interestingly, municipalities seem less constrained than non-profits by centralized decision making for a number of reasons. Municipally run organizations – typically offices within a larger municipal structure -- can rely on their councils to reject provincial rules and regulations if they are too constraining on their actions and activities. They can fall back on their local governments if they need financial or administrative assistance. They can team up with the municipality in purchasing supplies, equipment, hardware and software to

capitalize on enterprise purchasing volume discounts. And since wages are protected by municipal staff contracts and agreements, the state is limited in its ability to burden shift too greatly or impose too many wage constraints. None of these conditions applies to non-profits, who are typically stand-alone agencies that require all of the same administrative and management tools, and whose boards are not powerful enough to stand-up to the provincial government. In some ways, this gives municipalities an autonomy advantage that may be lacking for the majority of non-profits unwilling to stand up to the state.

Fourth, in tying funding to standard measurement and regulation, organizations' sense of uniqueness has been diminished. With more stringent state reporting, budgeting and accountability requirements in place organizations that receive state funding tend to be more similar, driven by common service definitions, benchmarks and budgeting rules. This has affected the viability of small organizations, since the budgeting and quarterly reporting and tracking hinders those lacking in administrative expertise and human resources from continuing to operate. There has been consolidation in the sector; now there are with fewer organizations across province per service category (Daly 2003b).

In order to understand the sheer weight of administration on very small informal organizations, one must recognize that some organizations still try to submit their budgets to the Ministry in pencil (Interview 051502). Some have just now acquired their first personal computer. Few have email, though most do have fax machines. Staff are expected to multi-task:

> "[i]n some cases, the Executive Director sorts the mail, assesses the clients, mixes with local politicians, co-ordinates the volunteers and stuffs envelopes. These organizations are small and client focused. When it comes to dealing with the administrative requirements, such small, client focused organizations can be overwhelmed" (Daly 2003b: 99-100)

Local ingenuity and insight – previously hallmarks of organizational success and connection with their communities – have been superseded with the logics, norms, rules, and measurement practices of a distant bureaucracy. Across the province, common terminology, program focus, definitions and measurement requirements are used by the province to enforce accountability and contract compliance. "Sameness" of services is being equated with equity, though the two concepts bear little resemblance.[vii] In fact, why should a community support service be delivered in the "same" manner in Wawa and Toronto, Waterloo and Timmiskaming? Accountability is only measured by the state in terms of contract compliance and the provision of state-sanctioned services, not

responsiveness to multiple, specific community needs. Some services "common", in function if not form, are no longer funded. An example would be a "grandparents program", which links seniors in adult day care, with children in day care to come together for specific things like story–telling or arts and crafts. Individual programs and activities such as this one, that were unique to organizations, have been cast aside by many, as the state no longer provides funds. Of the services that remain publicly funded, the state has pared back to include only those considered most palatable to being "publicly funded". What are lost are the intangible aspects of unique local services that helped keep organizations regularly in touch with their elderly clients. As well, the services that have kept public funding tend to reflect a health care orientation more than a social care one.

Another impact of increased state regulations is the growth in organizations' overhead and administrative expenditures. For six of the ten organizations, growth in overhead and administration exceeds total organizational growth (Figure E). As well, for half of the organizations, overhead and administration expenses experienced the highest rate of growth between 1996/97 and 2000/01 after the state put into practice new regulatory requirements. All of these organizations are located in Waterloo Region, which is a more urbanized centre when compared with Wellington-Dufferin. In interviews, it was clear that organizations try hard to stretch limited funds, and to fund programs and services creatively. Given the meager budgets, organizations try hard to limit the amount spent on administration and overhead to maintain per unit service costs, so the fact it has grown is important.

## IV. Discussion

Two issues need to be discussed. First, how useful is this conceptual framework for analyzing the state – non-profit relationship at sectoral and sub-sectoral levels? Second, how can the findings of the case study of the community support services sector be applied to other organizations operating across Ontario and other provinces in Canada?

This paper makes the assumption that it is nearly impossible to tell, just simply from analyzing figures reporting funding levels and rates of voluntarism, the ways in which the nature and quality of how the state and non-profits relate has changed. Analysis of more than state funding needs to be conducted. Furthermore, without asking non-profits how they view the relationship, or what has changed, it is a one-sided analysis of state involvement, not of the state-non-profit relationship.

This analysis has shown that the following state policies impact non-profits' place in a

sector: state administrative policies which shift its institutions and centralize power; regulatory policies which may change the level of state involvement; changes to funding policies which may change the level or form of support for non-profits. All of these changes occur in a broader policy context, which can shift the institutional logics and the critical junctures when policy change can occur.

While theorists do look at regulatory policies, their analyses are lacking in tools others can usefully apply to assess differences in other times and spaces. Some analyses mirror early welfare state theories that relied heavily on expenditure models and did not consider the type and impact of programs and the context within which particular programs developed. Non-profit theorists have not sufficiently located analyses fully within the reinforcing and synergistic patterns of administrative configuration, regulatory and funding policy flux. As a result, their analyses render the state – non-profit interdependent relationship more static because they do not enable measurement of dynamic changes to the relationship over time. The constructs of state autonomy and coordinating capacity aid analysis of the state's ability and capacity to implement policy change.

As well, non-profits' evolving roles have been narrowly cast in the language of state withdrawal or retrenchment -- either from contracting service delivery to non-profits and other organizations outside of the state (Wolch 1990; Rekart 1993), or from providing adequate funding levels for organizations already under contract to provide state services (Salamon 1995). With the exception of Wolch's argument, that the new funding arrangements have signalled an expanded state presence in regulating the affairs of non-profits that now deliver services on behalf of the state, the literature focuses on state retrenchment of service delivery equated with either more contract funding to conduct services *on behalf of* the state (Wolch 1990; Rekart 1993; Browne 1996), or non-profits' loss of state funding (Salamon 1995).

In marked contrast to the voluntary sector literature, Pierson's (1994) assessment of retrenchment highlights the uneven nature of retrenchment across and within programs. Program features, which enable the state and policy makers to shift the burden for funding a service outside of the state; to capitalize on a lag time effect between when cuts are made and their impact; and affect the state's ability to a make decremental cuts allowing either stagnation or negative growth, all contribute to the ability of the state to retrench. (Pierson 1994). In the case of state funded services delivered by non-profits, state retrenchment is potentially influenced to some degree by the state's ability to burden shift. This may seem to be a rather nuanced issue, but it is an important policy matter since

states are increasingly contracting out to non-profits and other organizations to deliver state funded services.

Broad system level changes may contribute to retrenchment by changing who does what in the state. Canada's federal system and complex transfer payment schemes present many systemic retrenchment opportunities. However, programs within the welfare state have shown a remarkable resilience to retrenchment. The addition of Pierson's (1994) hypotheses about state retrenchment at a programmatic and systemic level can inform conclusions about retrenchment founded primarily on analysis of funding loss and/or a change in type of funding found in the voluntary sector literature. Pierson's framework elicits several potentially rich avenues for investigation.

The "place" construct yields a dynamic element to analysis of the relationship. When we pause to look at the impact of state administrative, regulatory and funding policies on non-profits sense of what their role is and how they fit, we find that changes in state involvement state involvement are accompanied by a host of strong reactions. There is a strong case that non-profits operating in this sector are far less autonomous than in the past. Overall, non-profits view their identity as more health care in orientation, their advocacy roles as dislocated, their voices muted, their power constrained and their decision making power as less autonomous from the state. With respect to administrative policies, the centralization of decision-making has removed the ability of organizations to *negotiate* on their own behalf. The relationship with the Ministry is marked by less communication, but more reporting obligations. Organizations indicate that reporting and budgeting processes are more onerous but not of high value. The stringency of regulations for individual services and for fundraising and user fees represents a loss of flexibility and limits the "other" services that organizations can provide in their communities, which hampers their ability to operate at a grassroots, responsive level. Finally their accountability relationship with the state is limited to "quantitative measurement" of the number of services that they provide, the number of volunteers, expenditures and unit costs, all measures that may reveal basic data about what they do, but which do not lay a foundation for a good understanding of how the services they provide make a difference. Furthermore they report that the excessive amount of time spent on being "accountable" to the state detracts from organizations' client service focus since they have inadequate numbers of staff to address both the state's administrative requirements and clients' and volunteers' needs.

Second, how do the findings drawn from organizations operating in WWD relate to other community support organizations across the province? The region of WWD exhibits

a high degree of collaboration and cooperation between its home care programs run through the Community Care Access Centres, the individual home support organizations, and the District Health Council. There is a long history of strong social planning for the region. In many respects, this region represents a best case scenario in terms of well-integrated home support organizations. The rationale for choosing this site for the in-depth study was that if we could find systemic issues in this community, we could assume that the issues were likely more acute in other parts of the province. Informal monitoring of the Ontario Community Support Association listserv hosted by the interest group representing home and community support service organizations, interviews conducted outside of WWD, and reading the grey literature from organizations like the United Way of Greater Toronto confirms that organizations across the province are facing similar issues. Thus the conclusions I have made about individual organizations operating in WWD are likely relevant across the province, with obvious adjustments to account for things such as more heterogeneous communities; northern communities; and communities that are largely suburban bedroom communities, where a significant number of people commute (long) distances to work. Typically, these communities have more difficulty supporting voluntary organizations due to the inability to draw volunteers.

The relevance of these findings to non-profits operating across Canada depends upon a number of factors. The amount of interaction between the state and non-profits over time needs to be identified. Contextual factors are very important. For instance, the effect of federal policies such as the "cap on Cap", the ceiling placed by the federal government on the "have" provinces of Ontario, British Columbia and Alberta, may be important, since in Ontario, it prompted the province to put home support within the health care administrative, funding and regulatory framework. The historical context of the relationship between the province and non-profits is also an important consideration. For instance, organizations in Ontario came into existence through community initiative, not in response to government contracts (Hastings and Mosley 1964; Mishra, Laws et al. 1988). As well, Ontario has historically led the country in its state funding of home care and home support services. The level of state involvement in these sectors varies across the country.

In other provinces – and British Columbia is a good example – non-profits increased their numbers in direct response to the availability of government contracts according to Josephine Rekart (1993). Non-profit consolidation and growth in organizational size occurred in Ontario.

## V. Conclusion

Despite the growing body of literature examining the state - non-profit relationship, a conceptual framework, which measures the dynamic state – non-profit relationship across time and space is required. It would facilitate more in-depth comparison across jurisdictions and within policy sectors, where there may be differences in levels of state involvement.

Tools are lacking that may be applied systematically across time and space and dynamically measure changes in state involvement with non-profits. Current examinations of relationships primarily measure changes to levels of state funding – whether funding has increased or decreased -- thus concealing other potential sources of change resulting from policies which may, for instance, limit non-profits' eligibility to access funds, concentrate state authority and regulation of non-profits' non-state activities like fundraising, or change what services the state will fund. The foci on state funding, and to changes to regulations to a more limited extent, have limited the ability of analysts to comparatively assess how changes in relationships have evolved in different periods and places.

Some studies have begun to disaggregate the impact of state policies, showing some organizations are impacted differently than are others (uneven impact), some sectors are more or less interdependent with the state, and in some sectors, non-profits have more control than in others (Wolch 1990). However, the factors that account for these differences have been under-theorized.

New concepts and ways of measuring are required if we are to create a more dynamic analysis of change in state involvement over time and to reveal what other contextual factors may affect a policy sector in which non-profits operate. Analysis of the state – non-profit relationship needs to account for the insights presented about the role of institutions in mediating the state-non-profit relationship in home care (Jenson and Phillips 2000), and the role of "administrative" policies in contributing to re-design of welfare state programs and institutions. It needs to also account for how non-profits roles and identity changes.

The conceptual framework proposed integrates insights from welfare state and health geography literatures, into analysis of the state – non-profit relationship. Sectoral and sub-sectoral analyses need to assess the broader policy context for the national and provincial / state level "logics" that channel policies. State involvement in individual programs needs to be assessed, because state retrenchment and expansion in administering, regulating and funding services can occur simultaneously. The ability of the state to act autonomously and in a coordinated capacity compared with the ability of non-profits to engineer change also

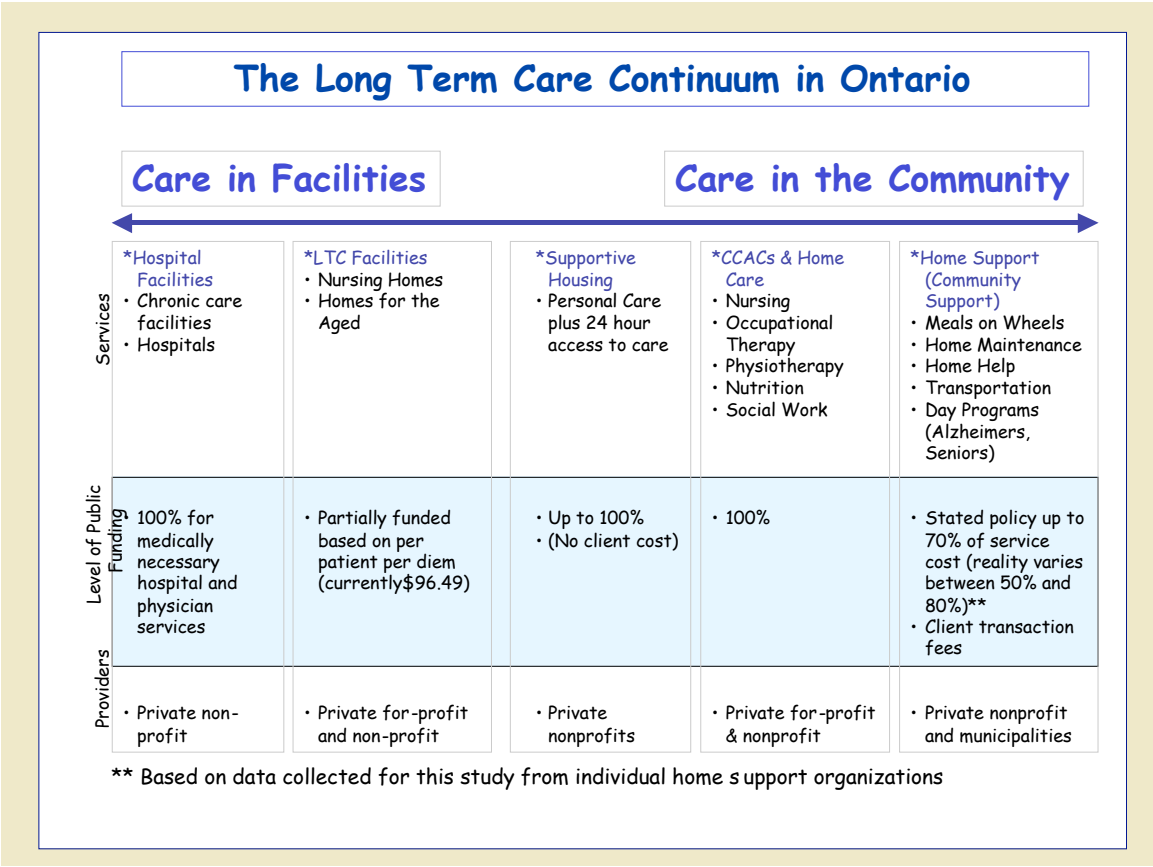
needs to be assessed.

Good work has been done analysing the relationship using mostly quantitative data from large survey data sets. As the field moves forward, analysts, especially those doing comparative work, need to focus increasingly on sectoral comparisons, and look beyond commonly available statistics, such as funding and voluntarism levels. Finally, organizations and their staff's sense of place, including feelings about their role in the overall political economy, their identity, their autonomy to make decisions, and their ability to persist under the institutional rules and norms created by state policies are all important for understanding the state – non-profit relationship.

The case of Ontario's community support sector shows that if we simply looked at funding levels, we could easily conclude that no state retrenchment has occurred in this sector. However, consolidation of state administrative power and the increase in its rules and regulations have expanded the state's involvement with non-profits organization. Nonprofits sense of place in this sector has shifted.

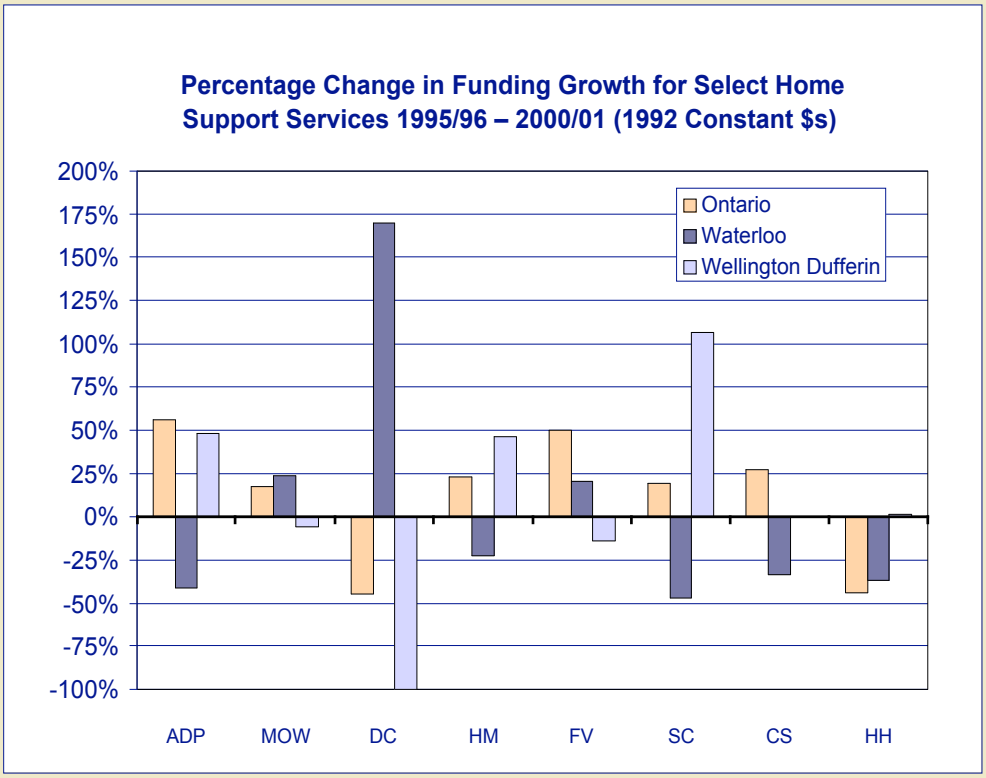
## VI. Figures

Figure A




Source: Daly, T. (2003). The Grassroots Ceiling: The Impact of State Policy Change on Home Support Non-profits in Ontario and in Waterloo Region ~ Wellington-Dufferin (1958 - 2001). Department of Health Policy, Management and Evaluation, Faculty of Medicine. Toronto, University Of Toronto: 342.

Figure B




Source: Analysis of Community Support Services Database Ontario Ministry of Health and Long Term Care 2002
* Waterloo caregiver support funding based on 1995/96 – 2001/02

Key to Programs

ADP = Adult Day Programs

MOW = Meals on Wheels

DC = Diner's Club

HM = Home Maintenance

FV = Friendly Visiting

SC = Security Checks

CS = Caregiver Support

HH = Home Help

Figure C

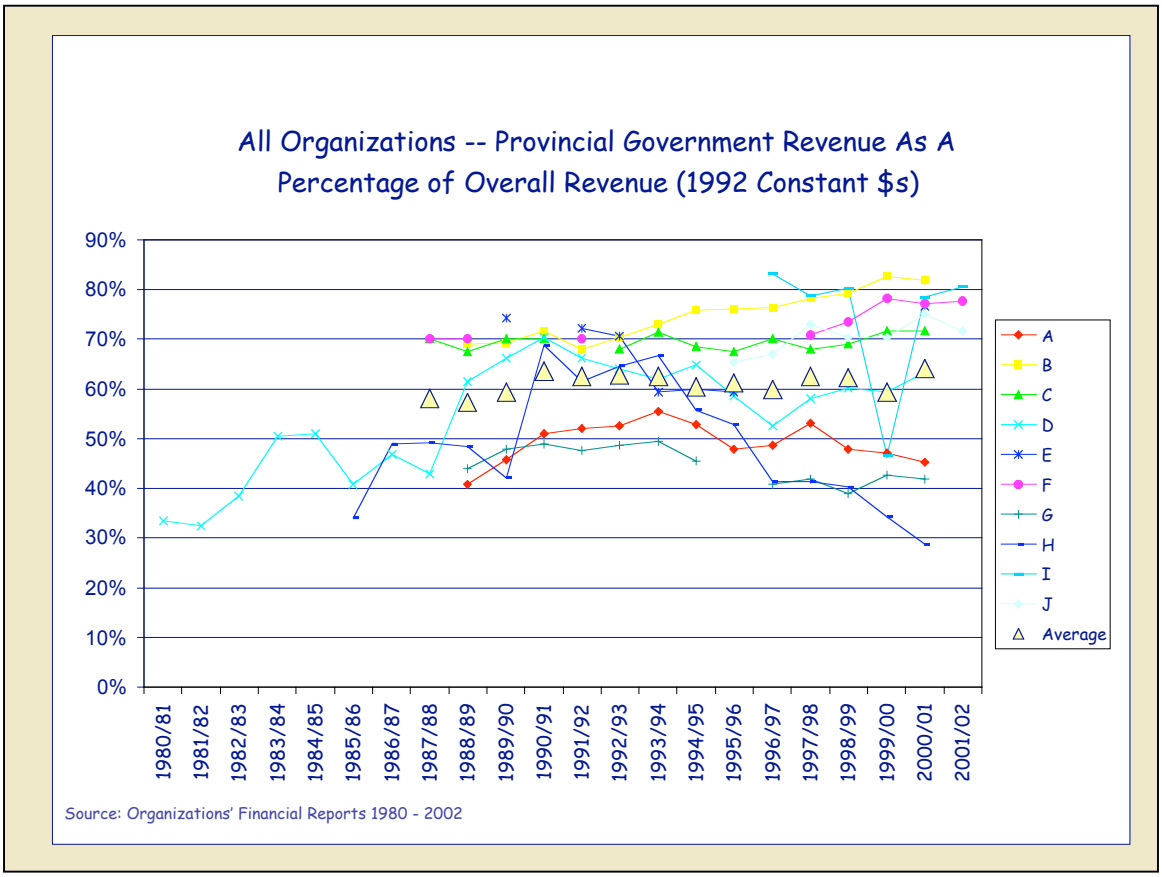
**Average Revenue by Source**
**1988/89 – 1995/96 Compared with 1996/97 – 2000/01 ****

| | Average 1988/89 - 1995/96 * | Average 1996/97 - 2000/01 |
|---|---|---|
| Provincial Government | 60.6% | 62.2% |
| Federal Government | 0.9% | 0.4% |
| Local Government | 7.0% | 3.0% |
| Other Nonprofits | 2.8% | 2.5% |
| Fundraising/ Donations | 10.5% | 8.9% |
| User fees | 16.3% | 19.9% |
| Interest | 0.5% | 0.2% |
| Savings | 0.6% | 0.0% |
| Other | 0.9% | 1.4% |

Source: Analysis of Audited Financial Statements and Service Plans for Waterloo & Wellington-Dufferin Region Organizations 1988 – 2001
(*"F", "I" & "J" are not reflected in 1988 – 1995/96 period due to insufficient data. ** 1992 Constant Dollars

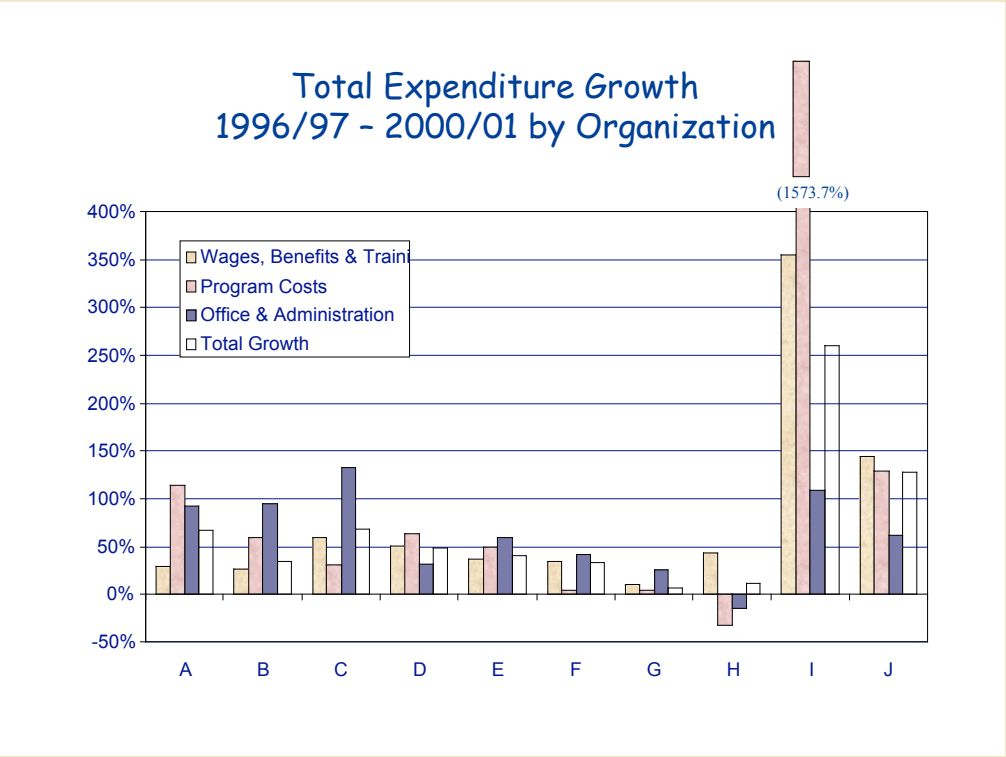
NB: Individual organizations in WWD are represented with the letters A – J.

Figure D




NB: Individual organizations in WWD are represented with the letters A – J.

Figure E




NB: Individual organizations in WWD are represented with the letters A – J.

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Interview 032702A.

Interview 032802.

Interview 032802B.

Interview 040202.

Interview 040302.

Interview 041202.

Interview 041202B.

Interview 041802B.

Interview 051402.

Interview 051402B.

Interview 051502.

Interview 052302.

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## VIII. Endnotes

[i] Tamara Daly is currently funded as a CHSRF / CIHR Postdoctoral Award Fellow, working with Dr. Pat Armstrong and Dr. Marcia Rioux at York University's Centre for Health Studies. This paper is drawn from her doctoral thesis work, conducted while at the University of Toronto, under the helpful guidance of Dr. Raisa Deber and Dr. Rhonda Cockerill. The study was supported financially by an NHRDP / CIHR Doctoral Fellowship #*72017093*, University of Toronto Open Fellowships, and transcription was aided through a M-THAC Research Facilitation Grant. All omissions remain the author's sole responsibility.

[ii] Jennifer Wolch does an excellent job of denoting where non-profits sit, but concentrates less on "place", understood as non-profits own sense of where they belong.

[iii] The author acknowledges the excellent work being conducted by the Comparative Non-profit Sector Project (http://www.jhu.edu/~ccss/). However, these projects tend to focus on broad statistical analyses of countries, using National Income Data Sources, and therefore miss some of the more nuanced ways in which the state and non-profits interact at the sectoral / sub-sectoral levels.

[iv] I have benefited from several conversations Dr. Pat Armstrong's doctoral candidate Nancy Clarke.

[v] Six sources of primary and secondary data were gathered: 1) Forty-eight key informant interviews were conducted, transcribed and analysed with NUD*IST software. 2) The financial and service statistics (mid 1970s – 2001) of 10 organizations in Waterloo Wellington Dufferin were analysed. Figures were converted into 1992 constant dollars and analyses of growth and change were conducted. 3) Analysis of the Community Support Services Administrative Database was conducted for home care nursing and paraprofessional services and for all home support services for the years between 1995 and 2001. As well, the number of organizations providing services in each category were tracked and analysed. 4) The history of state administrative configuration, regulatory and funding policies was reconstructed using a complex time series chronology case study methodology using provincial and regional policy and planning documents from the mid 1980s to 2001. 5) Archived directories were used to reconstruct the number of organizations providing each category of service starting as early as 1973 in WWD. And, 6) secondary published data were converted into 1992 Constant dollars and re-analysed for growth and change.

[vi] This paper draws on findings from a larger study for the period between 1958 - 2001, which documents changes in state administrative, regulatory and funding policies and their impact on the viability and autonomy of non-profits that provide home support services through contract with Ontario's provincial Ministry of Health and Long Term Care Daly, T. (2003a). The Grassroots Ceiling: The Impact of State Policy Change on Home Support Nonprofits in Ontario and in Waterloo Region ~ Wellington-Dufferin (1958 - 2001). Department of Health Policy, Management and Evaluation, Faculty of Medicine. Toronto, University Of Toronto**:** 342.

. It addresses three broad issues: policy context, state policy change, and the impact of state policy change on non-profits.

[vii] I have benefited enormously from several conversations with Dr. Pat Armstrong on the topic of state treatment of "equity equating with sameness".