

# Student Public Policy Essays

November 2006, Issue 4

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## Undergraduate

The Effects of Religion on Subjective Well-being:  
An International Comparison

*Brayden Gulka-Tiechko*

*University of Regina*

## Graduate

Rehabilitating the Voluntary Sector Initiative:  
Rethinking Accountability and Creating Capacity

*René Boudreau*

*University of Regina*

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Saskatchewan Institute of Public Policy

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# STUDENT PUBLIC POLICY ESSAYS 2005-2006

In an effort to engage the student population at the University of Regina, University of Saskatchewan, and the First Nations University of Canada and to better utilize the pool of talent that exists in this province, the Saskatchewan Institute of Public Policy (SIPP) developed the annual Student Public Policy Essay Contest. Essays from both graduate and undergraduate levels are judged by an independent group of scholars and policy practitioners. The two winning submissions are made available to the public through this publication.

Essays must address a significant issue of public policy in areas such as social and/or economic public policy, health studies, rural studies, Aboriginal policy, environmental policy, governance, or citizenship and must result from a course assignment.

SIPP is pleased to present the following winning submissions from the 2005-2006 SIPP Student Essay Contest:

## Undergraduate Essay

*The Effects of Religion on Subjective Well-being:  
An International Comparison*

by Brayden Gulka-Tiechko  
University of Regina

## Graduate Essay

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Full details regarding the Student Public Policy Essay Contest and a link to download a free copy of this year's essays are available on SIPP's website at [www.uregina.ca/sipp](http://www.uregina.ca/sipp).

Saskatchewan Institute of Public Policy  
University of Regina, 2nd Floor  
Gallery Building, College Avenue Campus  
Regina, SK S4S 0A2

Phone: (306) 585-5777  
Fax: (306) 585-5780  
Email: [sipp@uregina.ca](mailto:sipp@uregina.ca)

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D'INTÉRÊT PUBLIC  
DE LA SASKATCHEWAN

THE EFFECTS OF RELIGION ON SUBJECTIVE WELL-BEING:  
AN INTERNATIONAL COMPARISON

BY BRAYDEN GULKA-TIECHKO

SIPP 2005-2006 UNDERGRADUATE ESSAY CONTEST WINNER

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## I. INTRODUCTION

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Everyone wants to be happy. The American Declaration of Independence states “We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable rights, that among these are life, liberty and the pursuit of happiness.” If happiness is of such importance then it no doubt drives some part of an individual’s decision-making processes.

This paper will present a framework in which religions can be viewed as firms selling religious goods and believers as consumers buying these goods with time and money in order to maximize their well-being. However, these religious firms are far from homogenous. Buddhism sells much different values, lifestyles, beliefs and traditions than does Christianity. It would seem quite logical, then, that different religions would have different effects on well-being.

It will be argued that perhaps it is an individual’s ability to choose from varying religions which promotes happiness. On the contrary, perhaps a greater variety of religions within a nation sets up the potential for conflict between these groups, fostering unhappiness. The impacts of various religions on happiness as well as the impact of religious diversity on happiness will therefore be tested. For this, a sample of 54 countries will be studied for happiness and a sample of 53 for life satisfaction.

The paper is structured as follows: The second section of the paper will look in depth at the motivations for studying happiness. The third section will give an overview of how religion can be studied through an economic framework, as well as its connection to happiness. The fourth section is a brief overview of the work that has been done in both happiness and religious economics which pertains to the question at hand. The methodology used to study this problem will be presented in section five. The sixth section is the empirical results. The final section is a summary of the conclusions and further questions that arise from this work.

Current research in religion, economics and happiness tends to be centered on either happiness and economics, or religion and economics. This study is unique in as far as it considers the effects of different religions and religious diversity on happiness within a multinational economic framework. It is also unique in applying a polarization index to the study of happiness and religion.

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## II. HAPPINESS AND ECONOMICS

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It has long been the tradition of economics to shy away from studying happiness and other subjective measures in favor of more “scientific” pursuits such as utility and preferences. GDP per capita has long been the preferred measure of well-being in a nation, with the occasional Gini coefficient thrown in for some semblance of distributional well-being. After all, happiness is a measure of subjective well-being and is thus at the mercy of interpretation. The idea that two different individuals in the same objective state may experience different utilities is hardly revolutionary – individuals are assumed to have different tastes and preferences. The issue with happiness is not, however, that two different people may report two different happiness levels in the same objective state. Rather, respondents may report whatever value they deem fitting using their own happiness yardsticks which are unobservable. This lack of precision, coupled with an individual’s prerogative to change his or her happiness value based solely on mood, leads some economists to deem happiness ‘unscientific,’ and leave its study to other social sciences. Interestingly enough, this distrust of an individual’s ability to report an accurate value flies in the face of one of the most basic economic assumptions: individual rationality.

At this point it would be prudent to point out a key distinction between measures of subjective well-being. The first measure is happiness. The second, perhaps just another type of happiness, is life satisfaction. It is likely simpler to draw comparisons between the two than to attempt conclusive definitions. Whereas happiness has a much smaller time horizon, life satisfaction has a broader scope. For instance, if one’s dog were to die today the owner would be unhappy, though they may still be relatively satisfied with their life in general. Conversely, if they just won a big hand of poker they may be happy, though still dissatisfied with an otherwise unfulfilling life. The key distinction between the two is scope. Happiness has a narrower scope, both in time and significance. Life satisfaction is broader and deals more with the key underpinnings of one’s life. Frey and Stutzer (2002a) note that happiness tends to be biased towards emotional states of mind while life satisfaction is biased towards the more cognitive elements of life. This distinction will become more important during the empirical section of the paper.

Frey and Stutzer (2002a) give an excellent overview of why happiness should be studied by economists. They summarize some of the key reasons why happiness is indeed important. Perhaps most evidently, happiness is important in and of itself. “Virtually everybody wants to be happy” (Frey and Stutzer, 2002a).

Pareto-optimal decisions are practically impossible to apply from a policy standpoint, as virtually no decision is so simple that no individual or group will suffer a loss because of it. As such, some measure of net utility would be helpful. Happiness data can potentially provide such a measure.

It is not only economic conditions that affect an individual’s well-being. Institutions, freedoms, constraints and sociological conditions also play a role. Happiness research can shed light on how these factors affect well-being. As such, happiness studies can provide a more comprehensive array of policy prescriptions than can economics alone.

Happiness is itself a relative measure. This is in fact quite fitting for a theoretical grounding in human decision making. We live our lives in relatives. Robert Scitovsky asserts that “we value income not only for the goods it will buy, but also as the proof of our usefulness to society” (in Kaun, 2005 pg. 162). But what indication of usefulness does this salary or wage impart if it is not put in the context of other members of society? Knowing that society values one’s work at 30,000 units means little if one has no information regarding the salary of others or of one’s own past income. Ng (2002) points out that humans have been biologically bred to value relative successes. There was no threshold of attainment for which males were suddenly allowed to mate with females, as if some absolute threshold had been met. Dominant males were granted reproductive access to the females, and dominancy is a relative state. Nature is not the only conditioning factor; nurture has its role as well. Humans are conditioned from a young age to compete. A sports team can play a great game and still lose. It is not being good that is important, it is being better. As such, taking into account subjective, and therefore relative, measures of well-being (happiness) could prove fruitful for analyzing human behaviour.

Finally sociologists and psychologists have long asserted that human behavior is not necessarily founded on strict rationality, but that both biological and environmental factors also influence decision making. Schwartz (2002) gives an excellent overview of why human choice is not always rational. If, however, these environmental and biological influences manifest themselves in happiness rewards, then a framework based on happiness directly takes into account these factors the framework measures happiness outcomes, rather than perceived preferences, and leaves room for human error.

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### III. THE CONNECTION BETWEEN RELIGION, HAPPINESS AND ECONOMICS

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One potential factor influencing happiness is religion. Intuitively, the connection between religion and happiness should not be elusive. All major religions profess to impart some manner of happiness or satisfaction to their followers. Christianity, Judaism and Islam promise Heaven to those who dutifully follow their teachings. Hinduism and Buddhism promise eternal bliss once you shed the shackles of reincarnation. Moreover, they all offer spiritual teachings which promise to enrich the everyday lives of their followers.

Religions also have more to do with economics than may appear at first glance. Though Karl Marx and Sigmund Freud may have looked at religiosity as irrational behavior, there is a stunning amount of rationality to be found in religious institutions. Religions sell 'religious goods,' from the supernatural miracles and the afterlife, to the more broad values and beliefs and the omnipresent 'meaning of life.' In most developed nations people are free to choose which religious beliefs, if any, they subscribe to. What emerges bears resemblance to a market. This analogy has established firms (organized religions), goods (the aforementioned religious goods) and consumers (the would-be believers) who buy their religions goods, presumably to increase happiness or life satisfaction. However, people do not change religions frequently, nor is it commonplace for children to practice differently than their parents. To say the same thing a different way, organized religion is a market where there is considerable 'brand loyalty,' even inter-generationally.

If one were to take this analogy further, one would have to ask what are these religious agents maximizing? Believers maximize expected utility, whether in this life or the next. They buy this utility with donations of time and possibly income. The question of what the 'firms' or religious institutions maximize is more ambiguous. The most intuitive answer would be that they maximize the number of souls saved; however, if this were the case, all religions would actively recruit. This is not the case. Strictly speaking, you cannot convert to Hinduism. If one were meant to be a Hindu, one's soul would be reincarnated into a Hindu home. Judaism is also not nearly as active as many other religions in its recruiting practices.

Even if a country professes to have free access to religion, this does not guarantee religious practitioners equal access to a variety of religious services. Though Italy may allow its citizens to choose their faith freely, a real choice is not necessarily available. An Italian would have a more difficult time becoming a Buddhist than becoming a Catholic. Perhaps, then, a higher level of 'competition' in a religious market can improve happiness levels of people by offering them a broader selection of religious services. Some of the 'products' or 'goods' which religions sell include values and lifestyles. Different religious values and lifestyles are liable to conflict with one another, and so too are the individuals and groups who adhere to different religious beliefs. These tensions are a source of possible unhappiness.

*Religions sell 'religious goods', from the supernatural miracles and the afterlife, to the more broad values and beliefs and the omnipresent 'meaning of life'. ...What emerges bears resemblance to a market.*

#### IV. PREVIOUS LITERATURE

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Modern scholarship on happiness and economics did not begin to take hold until the latter part of the 1970s and 1980s. The seminal work on the topic is Frey and Stutzer (2002a), as they summarize the theoretical and empirical work conducted on this topic in the past quarter-century. Based on these studies, they split variables affecting happiness into three groups. The first group is economic factors, such as inflation, GDP growth and unemployment. The second is factors relating to individual and group freedoms. These include political freedoms, such as the right to vote and involvement in the policy-making process, as well as the quality of a society's institutions. The third group of variables is socio-demographic in nature. Notable in this category are age, gender, educational attainment, health and religion.<sup>1</sup> Ovaska and Takashima (2006) find two variables in particular to be of economic and statistical significance. Health levels are positively related to happiness, as are levels of economic freedom. Other studies, such as Gerdtam and Johannesson (2001), find unemployment, the male gender and urbanization to be negatively related to happiness, while health levels and income to be positively related.

Modern research into religion and economics emerged in Azzi and Ehrenberg (1975). A fairly comprehensive, though Western-biased, introductory survey of the subject can be credited to Iannaccone (1998). He asserts that religion and economics interact and can be studied in three basic ways. First, through the economic impacts of religion, second through the economic analysis of religion and third, through a religious interpretation of economics, whereby religious practitioners can tailor economic policy to not conflict with the rules of their particular religions. This paper as a whole is an example of the study of the economic impacts of religion, as its aim is to decipher the impact of religion on happiness. The economic analysis of religion could develop along the lines of the framework earlier used to liken religious institutions to firms and believers to consumers.

Previous works examining the economic impacts of religion, with which this paper is chiefly concerned, examine both the effect of individual religions on economic activities, and the impact of a pluralistic society with multiple religions on the economy. Guiso et al (2003) examine different religions' impacts on people's economic attitudes. The authors present two non-mutually exclusive hypotheses regarding why different religions may variably affect economic attitudes. The first hypothesis is simply that a characteristic of a particular religion causes an economic trait within its followers or a society. The second is that a historical factor highly correlated with a particular religion has a causal force in an economic attitude or institution. Though the difference may seem uninteresting from a historical perspective, it has great implication for policy makers. If the first hypothesis proves dominant, there is little one can do to change its effects save changing a society's dominant religion or changing an aspect of the religion itself. If the second hypothesis prevails, then perhaps the effect will fade over time without religious reform. The distinction between these two explanations is not easy to make.

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<sup>1</sup> For a more in depth look at these groups and how they affect happiness, see Frey and Stutzer (2002).

Guiso et al (2003) also find that, on average, all religious beliefs are good for market economies. This statement does come qualified, however. Religious people are found to be more intolerant of others. All Christian sects are generally found to be more conducive to economic growth, while Protestantism specifically is disproportionately supportive of democratic systems. Islam is found to have a slightly negative affect on economic growth. These findings shed light on how these religions affect happiness, if only through the secondary influences they have on economic and freedom-based variables which in turn affect happiness.

Iannaccone (1998) asserts that depth of religious belief is positively correlated with measures of life satisfaction. Moreover, increased religious attendance rates are correlated with increased health levels and lower levels of most forms of deviancy. Further evidence of a positive correlation between religiosity and health levels can be found in Soydemir et al (2004). If health levels are a large predictor of happiness, then it may also be a catalyst through which religion affects happiness. It should not be inferred, however, that the happiness imparted by a religion is simply through its secondary effects on economics or socio-demographic variables such as health. A challenge faced by cross-sectional studies is that the data on depth of faith and attendance rates by religion and country are not widely available. Much of the happiness caused by a religion can likely be attributed to the consumption of the religious goods offered by religions. Unfortunately, this is akin to knowing how many people are consuming a good without knowing how much.

Another way religion has been studied is by examining not just the proportion of various religions within a society and their direct effects on economic variables, but also by measuring the level of religious diversity within a society. Montalvo and Reynal-Querol (2003) differentiate between two different key forms of religious diversity. The first is religious fractionalization which measures the plurality of religion within a society. The author's calculation for a society's fractionalization index is:

$$FRAC_i = 1 - \sum_{j=1}^J \left( \frac{n_{ij}}{N_i} \right)^2$$

Where FRAC is the index of fractionalization, J is the number of religious groups within the society and  $n_{ij}/N_i$  is the proportion of people belonging to religion  $j$  within society  $i$ . This index can be interpreted as the probability that two randomly selected people within a society will be of two different religions. For instance, Nigeria is 50% Catholic, 40% Islamic and 10% traditional religions and therefore has a fractionalization index of .58.<sup>2</sup> This sort of religious diversity index can be viewed in a similar way to an industrial concentration index. It shows, in effect, the level of competitiveness in a religious market. This index is also used by Mookerjee and Beron (2005) in their explanation of a connection between religion and happiness.

*Iannaccone (1998) asserts that depth of religious belief is positively correlated with measures of life satisfaction. Moreover, increased religious attendance rates are correlated with increased health levels and lower levels of most forms of deviancy.*

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<sup>2</sup> The calculations for Nigeria's fractionalization index are:  $1 - [.5^2 + .4^2 + .1^2] = .58$ .

The second measure of religious diversity is religious polarization. This measure is derived by Montalvo and Reynal-Querol (2002) from a simple rent-seeking model. The authors find that religious polarization performs better empirically than do measures of religious fractionalization for explaining economic variables. The index is constructed by calculating:

$$POL_i = 1 - \sum_{j=1}^J \left( \frac{.5 - \pi_{ij}}{.5} \right)^2 \pi_{ij}$$

Where  $\pi_{ij}$  is  $n_{ij}/N_i$  (the proportion of religion  $j$  in society  $i$ ). Contrary to the FRAC index, this index is at its maximum of one when there are but two competing religious groups of equal size within a society. Conversely, the index is at zero when there are an infinite number of infinitesimally small religious groups. This index sets out to measure the potential for conflicting interests within a society due to the polarization of large groups with vested interests in society. For instance, Nigeria's religious polarization index, where the population is 50% Catholic, 40% Muslim and 10% traditional, is calculated at .92.<sup>3</sup>

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<sup>3</sup> The calculations for Nigeria's polarization index are:  $1 - [((.5-.5)/.5)^2 + ((.5-.4)/.5)^2 + ((.5-.1)/.5)^2] = .92$ .

## V. METHODOLOGY

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The variables to be explained in this paper, happiness and life satisfaction, come from the World Value Survey waves 2, 3 and 4, conducted throughout the 1990s. The happiness and life satisfaction data used are the averages found over this period. A major advantage to using averaged data is that it mitigates the effects of seasonal biases and large shocks (whether economics, military, etc.) which might otherwise skew the data in ways that the independent variables cannot account for.

Both happiness and life satisfaction have been measured on a ten-point scale. Though happiness was originally measured on a four-point scale, they have been transformed to a ten-point scale for ease of comparison. The study covers 54 economically, geographically and culturally diverse countries for happiness and 53 such countries for life satisfaction. The distinction between happiness and life satisfaction becomes hypothetically quite important while studying the effects of religion on these variables. Different religions may affect the cognitive or emotional aspects of subjective well-being quite differently.

One difficulty of this study is the classification of religions. Guiso et al (2003) found that Protestantism was more conducive to capitalism than other religions. Unfortunately, religious data from various countries do not always distinguish between different sects of Christianity. Another problem is the use of the category 'Other'. While ideally a variable for non-religious practitioners could have been included, this was made impossible by the grouping of "other or no religious belief" for some countries. As such, the lines drawn between religions, especially between Traditional and Protestant Christian sects, are not always as clear-cut as would be preferred. The distinction is important, however, because of previous findings showing significantly different attributes for these two distinct groups.

The descriptions and expected regression signs of the variables are listed in Table 1. The model to be tested is formulated as:

(i) Happiness or (ii) Life Satisfaction =  
 $\beta_0$ : Constant +  
 $\beta_1$ : Economic Variables (GDP per capita, Unemployment, Inflation) +  
 $\beta_3$ : Socio-Demographic Variables (Life Expectancy, Urban Populations as a % Total) +  
 $\beta_4$ : Freedom Based Variables (Trust in Official Institutions, Perceived Freedom and Control Over Life) +  
 $\beta_5$ : Religious Variables (Traditional Christian, Protestant Christian, Islam, Buddhist, Hindu, Religious Fractionalization Index, Religious Polarity Index) +  
The Error Term

**Table 1. Variable Explanations and Expected Signs**

Variable	Explanation	Expected Sign
<i>Happiness</i>	Self-reported happiness of individuals on a ten-point scale. Aggregated to a national average.	Dependent Variable
<i>Life Satisfaction</i>	Self-reported satisfaction of individuals with their lives, on a ten-point scale. Aggregated to a national average.	Dependent Variable
<i>GDP per capita*</i> (Thousands of \$)	The ability of individuals to procure goods and services. More goods and services make individuals happier. See Frey & Stutzer (2002)	+
<i>Inflation (%)</i>	Inflation causes unexpected loss in purchasing power. Individuals are unhappy to find themselves economically worse off. Essentially, inflation represents instability, which makes people unhappy.	-
<i>Unemployment (%)</i>	Employment gives individuals a sense of self-worth and accomplishment. High unemployment translates to more unhappy individuals.	-
<i>Life Expectancy</i>	This is used as a proxy for health levels within a society. Healthier people are more inclined to be happy. See Ovaska & Takashima (2006)	+
<i>Trust in Official Institutions</i> (Four-Point Scale)	Trust in the police, judiciary systems and government in general leads to fewer feelings of insecurity, injustice and volatility. Happier and more satisfied citizens result.	+
<i>Perceived Control and Freedom in Life</i> (Four-Point Scale)	Higher control and freedom over one's life leads to fewer feelings of helplessness and futility, and more perceived opportunities and optimism occur. Optimistic, free and empowered people are happy and satisfied people.	+

\* This sample is tested for a linear relationship between income and happiness. Frey and Stutzer (2000a) make note of the fact that there appears to be a linear relationship between income and happiness below a certain threshold. It is found that diminishing returns set in between \$20,000 and \$30,000 per year. Hirvonen and Mangelaja (forthcoming) also find evidence of a linear relationship between income and happiness. The data set in question has a mean income of \$11,514 and a median income of \$7,644. Therefore a linear relationship is tested. Further evidence supporting this decision can be found in Appendix 1.

Table 1. Cont'd

Variable	Explanation	Expected Sign
<i>Urban Population as % of Total Population</i>	Though there exists better access to amenities and sanitation in urban settings, crowding and reduced family ties may have a negative impact on happiness.	Uncertain
<i>Traditional Christians as a % of Total Population (Includes Catholic, Orthodox, etc.)</i>	Virtually all religions profess to endow happiness on its members. The effects on life satisfaction are anticipated to be larger than on happiness, as virtually all religions involve some manner of self-sacrifice. Self-sacrifice may not endow as much happiness as satisfaction.	+
<i>Protestant Christians as a % of Total Population (Includes Anglican, Calvinist, Evangelical, etc.)</i>	See above.	+
<i>Muslims as a % of Total Population (Includes all Subdivisions)</i>	See above.	+
<i>Buddhists as a % of Total Population (Includes all Buddhist Sects, including Shinto Practitioners)</i>	Countries which are predominantly Buddhist tend to be Asian. As has been discussed in Ovaska and Takashima (2006), collective cultural attitudes can cause an underreporting of happiness. As such we could expect Buddhism's reported effect on happiness to be slight. Life Satisfaction should not fall prey as easily to this effect. A positive effect on both is still anticipated.	+
<i>Hindus as a % of Total Population.</i>	See Traditional Christians.	+
<i>Religious Fractionalization Index</i>	Loosely interpreted as the competitiveness of religious "goods". Mookerjee and Beron (2005) use this index in their study of the effects of religion on happiness. More competition means more choices for individuals, societal acceptance of alternative choices and a higher quality of religious "goods" as religions are in competition. A high value translates to higher happiness and life satisfaction.	+
<i>Religious Polarity Index</i>	As it is derived from a competitive rent-seeking model by Montalvo and Reynal-Querol (2002), it assumes adversarial tendencies between large organized groups. I have adapted it for the study of religion on happiness. The index increases as the probability for confrontation increases. A higher value should decrease happiness and life satisfaction.	-

## VI. FINDINGS

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Happiness and life satisfaction were both tested against the same battery of independent variables to increase comparability. This practice seemed most prudent when faced with the hypothesis of religions affecting life satisfaction and happiness in different ways. Overall, the specified model provides a reasonably good fit for explaining both life satisfaction and happiness. In a cross-sectional model including over 50 countries, the independent variables were able to explain between 58% and 76% of total variation in the dependent variable. Tables 2 and 3 summarize the regressions.

The most consistently significant religion is Islam. It was statistically significant in each regression in which it was incorporated. Furthermore, it repeatedly had the highest regression coefficient of all religions. A 1% increase in the number of Islamic followers in a country yielded a 0.2% increase in the happiness of that nation. It should be noted that Islam's affect on life satisfaction was not as statistically significant nor was the coefficient as large. None of the other religions consistently displayed statistical significance. It should be noted that in Equation 1 all of the religious variables except Protestantism were significant in explaining happiness.

There are a few possibilities to explain this finding. The first is that Muslims are more inclined to be happy because of a greater depth of religious belief. While a devout Christian may pray every night and attend church each Sunday, devout Muslims pray five times a day and observe much stricter dietary restrictions. A religion which actively permeates nearly all aspects of an individual's life may have a larger impact than a less-structured religion on an individual's well-being.

Table 2. Estimates of Happiness of Various Countries, 1990s Averages

Dependent Variable - Self Reported Happiness

Equation	1	2	3	4	5	6	7	8
Constant	-0.222 (1.732)	0.976 (2.123)	1.207 (2.158)	0.381 (2.141)	0.575 (2.171)	-0.245 (1.815)	0.491 (2.189)	0.389 (2.166)
GDP per Capita Thousands \$	0.043*** (0.014)	0.029** (0.014)	0.031** (0.014)	0.016 (0.014)	0.031* (0.017)	0.028** (0.012)	0.023 (0.014)	0.022 (0.014)
Inflation	-0.037 (0.038)	-0.061 (0.046)	-0.053 (0.046)	-0.048 (0.047)	-0.056 (0.047)	-0.043 (0.040)	-0.054 (0.048)	-0.055 (0.047)
Unemployment	0.012 (0.013)	-0.004 (0.015)	-0.003 (0.015)	-0.002 (0.015)	-0.006 (0.015)	0.003 (0.013)	-0.004 (0.016)	-0.005 (0.015)
Life Expectancy	0.001 (0.017)	0.007 (0.019)	0.006 (0.020)	0.021 (0.019)	0.009 (0.021)	0.019 (0.016)	0.014 (0.020)	0.015 (0.019)
Urban Population % Total	0.017*** (0.005)	0.012* (0.006)	0.011* (0.006)	0.011* (0.006)	0.011* (0.006)	0.012** (0.005)	0.011* (0.006)	0.012** (0.006)
Trust in Official Institutions	0.807** (0.370)	1.173** (0.447)	1.131** (0.448)	1.044** (0.459)	1.162** (0.461)	0.868** (0.389)	1.128** (0.463)	1.107** (0.461)
Perceived Control and Freedom	0.503*** (0.081)	0.355*** (0.090)	0.358*** (0.090)	0.363*** (0.092)	0.379*** (0.097)	0.468*** (0.081)	0.356*** (0.093)	0.354*** (0.092)
Tradition Christian % Total	0.007* (0.004)	-	-	-0.003 (0.002)	-	-	-	-
Protestant Christ. % Total	0.004 (0.004)	-	-	-	-0.003 (0.003)	-	-	-
Muslim % Total	0.021*** (0.004)	-	-	-	-	0.014*** (0.003)	-	-
Buddhist % Total	0.014** (0.006)	-	-	-	-	-	0.002 (0.005)	-
Hindu % Total	0.015** (0.006)	-	-	-	-	-	-	0.006 (0.006)
Fractionalization Index, Religion	-	-0.544* (0.285)	-	-	-	-	-	-
Polarity Index, Religion	-	-	-0.487* (0.271)	-	-	-	-	-
Adj- R <sup>2</sup>	0.74	0.61	0.60	0.59	0.58	0.71	0.58	0.58
Observations	54	54	54	54	54	54	54	54

Standard Errors reported in parenthesis. \*\*\*, \*\*, \* denote significance at 1, 5 and 10% The White test was conducted on all models, yielding no evidence of heteroskedasticity.

Table 3. Estimates of Life Satisfaction of Various Countries, 1990s Averages

Dependent Variable - Self Reported Life Satisfaction

Equation	9	10	11	12	13	14	15	16
Constant	-6.771** (2.591)	-6.103** (2.720)	-6.075** (2.762)	-6.414** (2.676)	-6.224** (2.699)	-6.858** (2.563)	-6.298** (2.712)	-6.417** (2.668)
GDP per Capita Thousands \$	0.054** (0.020)	0.040** (0.018)	0.040** (0.018)	0.031* (0.018)	0.046** (0.021)	0.041** (0.016)	0.038** (0.018)	0.037** (0.017)
Inflation	-0.050 (0.062)	-0.071 (0.064)	-0.068 (0.064)	-0.059 (0.064)	-0.068 (0.064)	-0.057 (0.061)	-0.065 (0.065)	-0.064 (0.064)
Unemployment	0.016 (0.019)	0.003 (0.019)	0.003 (0.019)	0.005 (0.019)	0.002 (0.019)	0.008 (0.018)	0.004 (0.019)	0.002 (0.018)
Life Expectancy	0.028 (0.025)	0.037 (0.025)	0.038 (0.025)	0.046* (0.024)	0.035 (0.026)	0.044* (0.023)	0.039 (0.025)	0.041* (0.024)
Urban Population % Total	0.010*** (0.008)	0.005 (0.008)	0.004 (0.007)	0.004 (0.007)	0.005 (0.008)	0.005 (0.007)	0.004 (0.008)	0.006 (0.008)
Trust in Official Institutions	1.606*** (0.554)	1.883*** (0.573)	1.864** (0.573)	1.780*** (0.574)	1.890*** (0.573)	1.671*** (0.549)	1.858*** (0.574)	1.823*** (0.568)
Perceived Control and Freedom	0.862*** (0.123)	0.740*** (0.117)	0.741*** (0.118)	0.751*** (0.117)	0.766*** (0.123)	0.824*** (0.117)	0.744*** (0.118)	0.743*** (0.116)
Tradition Christian % Total	0.004 (0.005)			-0.003 (0.003)				
Protestant Christ. % Total	0.001 (0.007)				-0.003 (0.004)			
Muslim % Total	0.015** (0.007)					0.010** (0.004)		
Buddhist % Total	0.010*** (0.008)						0.002 (0.006)	
Hindu % Total	0.015 (0.009)							0.009 (0.008)
Fractionalization Index, Religion		-0.259 (0.365)						
Polarity Index, Religion			-0.181 (0.348)					
Adj- R <sup>2</sup>	0.76	0.73	0.73	0.74	0.73	0.76	0.73	0.74
Observations	53	53	53	53	53	53	53	53

Standard Errors reported in parenthesis. \*\*\*, \*\*, \* denote significance at 1, 5 and 10% The White test was conducted on all models, yielding no evidence of heteroskedasticity.

Another explanation is that there is some historic factor highly correlated with Islamic participation which causes the increased happiness. There could be quite literally hundreds of other explanations for happiness and life satisfaction, and a significant one could be highly correlated to Islamic participation rates.

Hinduism and Buddhism were statistically significant in predicting happiness when taken with other variables, and Buddhism was also significant in predicting life satisfaction. The explanation for their statistical significance is similar to Islam's in that they both have aspects which permeate nearly all aspects of life. The Hinduism findings are likely the result of the religion's unique ties with Hindu culture and lifestyle. Buddhism displays many qualities consistent with a philosophy of life which would affect followers' world views more generally. The fact that Buddhism and Hinduism were not consistently significant could largely be due to the sample size. Only three of the 54 countries had measured Hindu followers, and only four had Buddhist followers. Nevertheless, the fact that they proved statistically significant indicates a potential connection. It should be noted that they displayed their hypothesized positive signs as coefficients within a range consistent with themselves and the other religions. An increase in the sample size which included more of these two religions would certainly help to relieve any ambiguity. Also, a breakdown of the "other religions" category listed for many countries may have revealed Buddhist and Hindu followers in existing nations, thereby increasing sample size and accuracy.

The lack of any significance for the Christian sects could be largely attributed to a lack of a "depth of faith" qualifier. While many would profess to be Christian, this does not necessarily indicate the omnipresent effect which other religions had on their followers. This lack of a qualifying factor is likely why scant significance is achieved. Islam, Hinduism and Buddhism may involve themselves more in the daily activities of their believers than do Christianity, and are more consistent in delivering their religious goods. No doubt more detailed breakdowns of religions are required to further investigate this problem.

A quick glance at the simple correlation matrix in Appendix 2 provides some reaffirming evidence that attempting to separate the two Christian groups was correct, as they showed different signs of correlations between the same variables. For example, Traditional Christianity is negatively correlated to GDP, whereas Protestantism is strongly correlated with it. The same holds true for both happiness and life satisfaction.

Ovaska and Takashima (2006) use a simple dummy variable for both Islam and Christianity. Their findings, however, are opposite to the findings of this paper. While Islam is not found to be statistically significant, Christianity is. Moreover, Islam is not found to be significant in explaining happiness, but life satisfaction. One advantage this methodology has over theirs is that while theirs is measured by a simple dummy variable, this study measures religious participation rates. As such, these findings should be more accurate. Also, the fact that Christianity has not been subdivided between Protestant and Traditional Christian likely skewed the results. As mentioned earlier, the correlation matrix provides ample cause to split Christianity into two.

The religious fractionalization and polarization indices did not perform as expected. First it should be noted that the two indices were very highly positively correlated with

one another. This is likely due to the fact that both indices required that individuals be easily grouped into one religious category or another.

Both indices were consistent in their negative sign. Both indices were significant in explaining happiness, but insignificant in explaining life satisfaction. This result is interesting in that the hypothesis of improved competition of “religious goods” making people happy was quite wrong. The opposite occurred. This is consistent, however, with the findings of Mookerjee and Beron (2005), who also find the concentration index to have a negative coefficient. Perhaps this is because of how rarely people convert. Switching between competing regular goods is a smaller step than switching between religious goods. Therefore, more religions within a society do not necessarily create more competition within the market for religious goods themselves, but this condition creates more competition between those religions for influence over the values, structures and beliefs to which society in general adheres. This finding is interesting and should be the subject of future study.

The cause and effect relationship between the different religions and happiness should not be ambiguous. Why would happier people be more likely to be Islamic? It is far easier to imagine a religion affecting an individual’s happiness than it is an individual’s happiness affecting their choice of religion? The same holds true for religious concentration and polarization. It would be hard to justify unhappiness in a country causing more religious diversity. Again it comes down to the rigidity in which people hold their religions. The causality between, say, favourite clothing color and happiness may be ambiguous. Does wearing black make you unhappy or is it your unhappiness which causes you to choose black? Switching shirt colors, however, is simple and relatively uninvolved. A happy country does not decide to wear the color “Islamic.” The last sentence sounds bold and politically incorrect because changing religions is a much more significant affair than changing a shirt.

Of the non-religious factors, GDP per capita fairly consistently explained both dependent variables. It consistently displayed the hypothesized positive sign. The magnitude of its regression coefficient, however, was not large. A thousand dollar increase in income would result in a mere .04 increase in happiness and a .05 increase in life satisfaction on a ten-point scale. It would appear that money can buy happiness, just not very much. These findings are consistent with Ovaska and Takashima (2006). More appropriately, they are consistent with Hirvonen and Mangelaja (Working Paper), who find evidence of a linear relationship between happiness and income. Theory would suggest that the causality between income and well-being would flow from income to well-being. The purpose of income is to provide the necessities and amenities of life to a household. Presumably these goods and services improve well-being.

Inflation and unemployment, the two other economic variables, performed quite poorly in explaining happiness and life satisfaction. Inflation consistently displayed the hypothesized negative sign. Unemployment, while being negative in explaining the happiness variable, was not statistically significant. Furthermore, the size of the coefficient was repeatedly miniscule. Other studies, such as Ovaska and Takashima (2006) and Gerdtham and Johannesson (2001), find that unemployment is statistically significantly related to happiness in a negative way.

Life expectancy displayed its hypothesized positive sign, however, it was seldom found to be significant. Life expectancy was statistically significant in only three of sixteen cases. This makes some intuitive sense in that public health levels would certainly factor more significantly into one's cognitive sense of well-being as apposed to one's emotional sense. While this finding is not in direct opposition to other studies done, it does not support the results of Ovaska and Takashima (2006) or of Gerdtham and Johannesson (2001) who found that health levels are one of the most significant aspects affecting subjective well-being.

Trust in official institutions and perceived control and freedom in life were the two variables that best explained both happiness and life satisfaction. Not only were they strongly statistically significant in explaining both measures of subjective well-being, but they displayed very strong coefficients as well. A 1% increase in trust in official institutions resulted in a .64% increase in life satisfaction. A 1% increase in perceived control and freedom yields a .34% increase in life satisfaction. In addition, these two variables were significant more often and with higher coefficients for life satisfaction than for happiness.

Urban population as a percentage of total population was consistently significant in affecting happiness, and was once significant in affecting life satisfaction. It consistently displayed a positive sign, though with a relatively small coefficient. A 1% increase in the urban population results in a .17% increase in happiness. It is certainly interesting that high levels of urbanization foster slight increases in happiness but not necessarily life satisfaction. This could result from the higher level of amenities found in urban settings. While increased access to movie theatres, sanitation and a wider array of goods may make one happy, it is not likely to make one more satisfied with his or her life. These findings are contrary to those of Gerdtham and Johannesson (2001), who find that urbanization has a negative impact on reported happiness. It should be qualified, however, that their study was focused solely on Sweden and was conducted at the micro level. As such, it is possibly something intrinsic to Swedish society that yields their results.

## VII. CONCLUSIONS

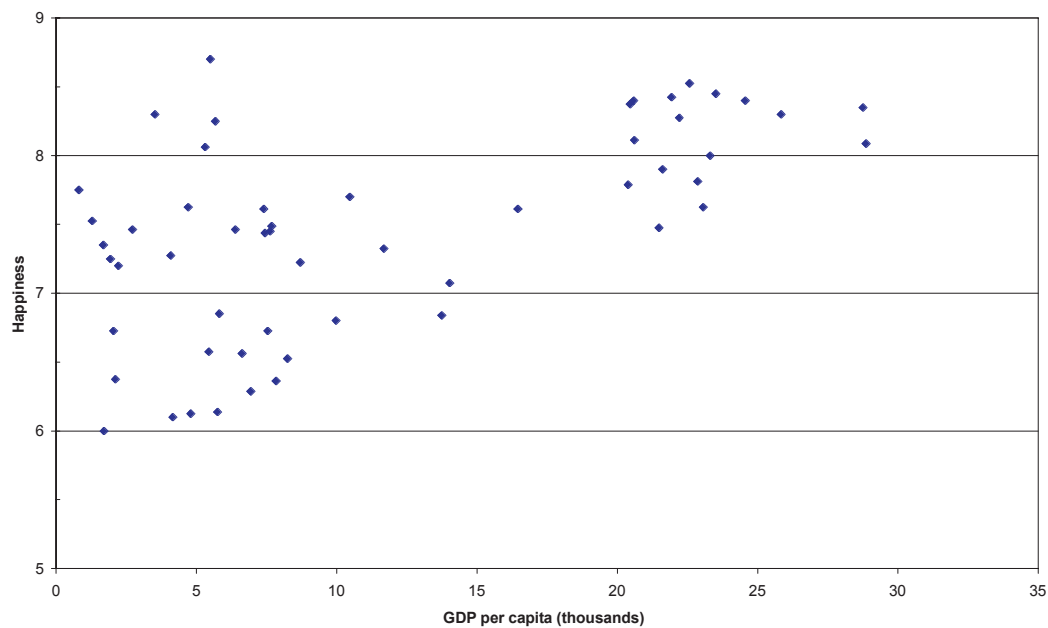
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This paper has been aimed at studying the effects of religion on the self-perceived level of well-being through an economic framework. In a sample of up to 54 countries, religions - whether taken individually or as a market concentration – were shown to have an effect on happiness and life satisfaction. This is a unique study in as far as it has considered the effects of different religions and religious diversity on happiness across a sample size of up to 54 countries. It is also unique in applying a polarization index to the study of happiness and religion.

Islam's consistent ability to positively affect happiness may be due to its relatively high level involvement in the daily activities of its followers. Buddhism and Hinduism also proved to positively affect subjective well-being, though not as consistently as Islam. Increased religious diversity of a country proved to decrease its happiness. This is perhaps due to the fact that people do not easily convert religions, and increased competition causes, instead, increased friction amongst groups competing for influence over the values, lifestyles and beliefs of their society.

Of the non-religious variables, income, perceived control and freedom in life, trust in official institutions and urbanization consistently positively affected happiness. This study did not find that health levels, inflation or unemployment rates affected happiness in a statistically significant way. The significance of religious variables confirms that religiosity plays a factor in well-being. A broader and more consistent measure of religious participation rates by country would help to establish better estimates for the various religions. This would also yield more accurate polarization and fractionalization indices which would be less likely to be as positively correlated with one another. Having this data available would greatly improve research possibilities.

# APPENDIX 1. HAPPINESS / GDP SCATTER PLOT



## APPENDIX 2. LIST OF COUNTRIES

Argentina	Estonia	Norway
Armenia	Finland	Peru*
Australia	France	Philippines
Austria	Georgia	Poland
Azerbaijan	Ghana	Portugal
Bangladesh	Hungary	Romania
Belarus	Iceland	Russia
Belgium	India	South Africa
Brazil	Ireland	South Korea
Britain	Italy	Slovenia
Bulgaria	Japan	Spain
Canada	Latvia	Sweden
Chile	Lithuania	Switzerland
China	Macedonia	Turkey
Colombia	Mexico	Ukraine
Croatia	Moldavia	Uruguay
Denmark	Netherlands	United States of America
Dominican Republic	Nigeria	Venezuela

\* No life satisfaction data is available. Omitted from these equations.

### APPENDIX 3. SUMMARY STATISTICS

	<i>Happiness</i>	<i>Life Sat.</i>	<i>GDP</i>	<i>Inflation</i>	<i>Unemp.</i>	<i>Life Exp.</i>	<i>Urban</i>	<i>Trust</i>
Mean	7.45	6.63	11514.20	89.74	8.64	71.80	67.03	2.48
Standard Error	0.10	0.16	1171.97	24.23	0.67	0.95	2.27	0.03
Median	7.48	6.75	7644.14	12.94	8.02	73.20	67.45	2.43
Standard Deviation	0.74	1.14	8612.21	178.08	4.92	7.00	16.67	0.22
Range	2.70	4.59	28050.43	649.64	29.73	29.60	74.17	1.37
Minimum	6.00	3.72	796.10	0.75	0.82	51.10	22.85	1.99
Maximum	8.70	8.31	28846.52	650.39	30.55	80.70	97.02	3.35

	<i>Control</i>	<i>Catholic</i>	<i>Protestant</i>	<i>Muslim</i>	<i>Hindu</i>	<i>Buddhist</i>	<i>Frac</i>	<i>Pol</i>
Mean	6.42	54.42	17.59	8.52	1.81	3.59	0.37	0.55
Standard Error	0.11	4.90	3.70	2.98	1.51	2.17	0.03	0.03
Median	6.28	63.50	4.65	1.25	0.00	0.00	0.30	0.56
Standard Deviation	0.78	36.03	27.17	21.91	11.13	15.96	0.24	0.26
Range	3.45	98.00	95.00	99.80	80.50	84.00	0.92	0.94
Minimum	4.56	0.00	0.00	0.00	0.00	0.00	0.00	0.01
Maximum	8.01	98.00	95.00	99.80	80.50	84.00	0.92	0.95

### APPENDIX 4. CORRELATION MATRIX OF DEPENDENT AND INDEPENDENT VARIABLES

	<i>Hap.</i>	<i>Life</i>	<i>GDP</i>	<i>Infl.</i>	<i>Unem.</i>	<i>Life</i>	<i>Urban</i>	<i>Trust</i>	<i>Cont.</i>	<i>Cath.</i>	<i>Prot.</i>	<i>Muslim</i>	<i>Hindu</i>	<i>Bud.</i>	<i>Frac.</i>
Happiness	1														
Life satisfaction	0.872	1													
GDP/Capita	0.635	0.599	1												
Inflation	-0.429	-0.442	-0.388	1											
Unemployment	-0.163	-0.115	-0.170	-0.092	1										
Life Expectancy	0.456	0.466	0.770	-0.306	-0.010	1									
Urban Pop. %	0.355	0.312	0.575	0.043	0.011	0.641	1								
Trust in Officials	0.200	0.210	-0.155	-0.219	-0.263	-0.488	-0.504	1							
Control Over Life	0.546	0.726	0.274	-0.236	0.010	0.217	0.206	0.110	1						
Catholic	-0.353	-0.264	-0.251	0.249	0.285	0.030	0.094	-0.355	-0.047	1					
Protestant	0.443	0.451	0.570	-0.237	-0.153	0.225	0.310	0.155	0.401	-0.551	1				
Muslim	0.049	-0.144	-0.319	0.041	-0.157	-0.382	-0.395	0.320	-0.343	-0.380	-0.196	1			
Hindu	-0.029	-0.005	-0.186	-0.077	-0.033	-0.224	-0.401	0.253	-0.085	-0.246	-0.103	0.121	1		
Buddhist	0.057	0.042	0.036	-0.112	-0.249	0.137	-0.100	0.030	-0.074	-0.317	-0.132	-0.082	-0.038	1	
Frac.	0.043	0.103	0.169	-0.110	-0.020	-0.040	0.119	0.139	0.137	-0.340	0.110	-0.159	-0.034	0.013	1
Pol.	0.018	0.085	0.156	-0.038	0.022	-0.069	0.085	0.104	0.133	-0.289	0.134	-0.207	0.012	0.031	0.912

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## ABOUT THE AUTHOR

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Brayden Gulka-Tiechko convocated with his B.A. Honours in Economics in October 2006. Using the University of Regina as his base, Brayden completed his language credits at the École de Français, Université de Montréal in 2003. In 2005, he participated in a University of Regina exchange program, studying for a semester at Charles Sturt University, Wagga Wagga, New South Wales in Australia. Brayden was active in student affairs at the University of Regina, serving as president of the Economics Student's Association in 2004-2005, as well as the Vice President of the Golden Key Honours Society that same year. Brayden plans to study law beginning in 2007.

REHABILITATING THE VOLUNTARY SECTOR INITIATIVE:  
RETHINKING ACCOUNTABILITY AND CREATING POLICY CAPACITY

*By RENÉ BOUDREAU*

SIPP 2005-2006 GRADUATE ESSAY CONTEST WINNER

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## INTRODUCTION

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Since the late eighties, in reaction to the tightening of the public purse and the emergence of “New Public Management” practices, governments in Canada have downloaded a growing portion of their service delivery in many sectors to a wide range of non-governmental organizations (NGOs). What is coined in some writings as “the third sector” or “civil society” is now playing a large role in implementing government programs through either contracting arrangements, grants or contributions. In reaction to this shift of paradigm, NGOs have requested increased capacity and opportunity to influence governments in relevant public policy spheres. The separation of policy development, still firmly in the hands of governments, and policy implementation, now shared with a wide variety of players, has created a problematic situation where the former has become disconnected from the latter. While both parties seem to understand the importance of bridging that gap to attain better results, the nature of the Westminster model of government and its accountability regime has made it difficult to create an effective policy dialogue.

This situation created the need for a new type of partnership between NGOs and governments. The concept of governance quickly filled this gap. Governance is presented as “a transition from a paradigm of “government” - of government departments unilaterally setting policy and contracting for services - to one of “governance” in which governments work collaboratively and horizontally with other governments and with voluntary and private sector partners” (Phillips, 2003, p.17).

In 2001, the Government of Canada and representatives of voluntary organizations came together to try and address this issue. They launched a collaborative undertaking, the Voluntary Sector Initiative (VSI), that led to the crafting of an overarching accord between the two parties. They also agreed on two codes of good practices, one on funding mechanisms and one on policy dialogue, meant to help guide the implementation of the accord and reach a new equilibrium between the partners. In the following pages, the postulate that the VSI created the environment necessary for the emergence of an innovative and transformative policy dialogue between the two parties in Canada will be tested. One suspects that the VSI had laid the groundwork for a more productive relationship but that the mounting pressures of accountability in today’s political and bureaucratic environment have significantly compromised progress.

## THE EVOLUTION OF THE VOLUNTARY SECTOR IN CANADA

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Over the last decades, a sustained growth of the third sector can be observed all over the world (Salamon, 1995, 244-249). This growth has been fuelled in part by the financial challenges faced by states as the postwar “welfare state” paradigm shifted towards the need for fiscal restraint. In reaction to these factors, governments have quickly moved to capitalize on the existing strengths of non-state actors to help them deliver essential social services that governments felt they could no longer afford to do inside the state bureaucracy. In Canada, the effects of these reforms are self-evident when one considers that Canada houses the second largest non-profit sector in the world when expressed as a share of the economically active population (Hall et al, 2005).

It is not only in the interest of fiscal restraint that governments have moved aggressively to partner with the third sector. Governments have an interest in partnering with the voluntary sector as it can remain in control of the policy development in a democratic fashion while leaving the delivery to organizations that are closer to the realities of the community (Salamon, 1995, p.43). As will be shown, Canada’s historical development made it a fertile ground for this type of cooperation.

According to Hall, the historical building blocks of our non-profit sector are the result of the meshing of Aboriginal traditions, French and English cultures and the arrival of immigrants from around the world. This diversity created a cooperative model between the state and voluntary organizations that is a fusion of “the welfare partnership most notably found in continental Europe and the Anglo-Saxon models” (Hall and others, 2005). This historical setting might explain governments’ heavy involvement in the support of voluntary organizations in many sectors. In Canada, governments fund the more traditional sectors of health, education and social services, but they also support civic advocacy and the promotion of a certain form of organized dissent from voluntary organizations (Hall and others, 2005).

*According to Hall, the historical building blocks of our non-profit sector are the result of the meshing of Aboriginal traditions, French and English cultures and the arrival of immigrants from around the world. This diversity created a cooperative model between the state and voluntary organizations.*

Presently, according to the data compiled in the John Hopkins Comparative Nonprofit Sector Project, Canada’s volunteer sector accounts for 6.8% of its gross domestic product (GDP) and 8.5% when the value of volunteer work is considered (Hall et al, 2005, iv). The same analysis finds that 74% of the workers in this sector work in the direct delivery of social services such as education or health care. This situation is mirrored by the government bureaucracy if one considers that in 2001, there were more than 300 joint initiatives identified between voluntary organizations and 34 different federal departments and agencies (Embuldeniya, 2001, vii). The shift in paradigm alluded to by Phillips certainly seems to be reflected in the actual state of the non-profit sector in Canada. In this kind of environment, it is not surprising that the issue of greater and more effective collaboration between the state and voluntary organizations became a priority.

With this reality came a new definition of the role assumed by the voluntary sector. The more traditional notions of provision of charity and social justice in lieu of the state for a minority of the population were replaced by the need to respond to a more universal clientele in a new fashion. Evans and Shields present us with the following

“modern” roles for the non-profit sector: (i) service delivery, what they qualify as the evolution of the traditional charitable role played by organizations, (ii) advocacy, in which they include both public education and direct lobbying, (iii) mediation, which they explain as the building of networks of people with common interests to encourage social cohesion and (iv) building citizenship, which is presented as creating opportunities for direct citizen involvement in the development of their communities (Evans and Shields, 2000, 4-7).

The evolution of the relationship between the state and the voluntary sector has been seen as beneficial to both. Salamon indicates that the relationship has grown from a “situation of power and dependence” to a “pattern of interdependence in which both sides have significant bargaining advantages” (Salamon, 1995, p.102). Others are quick to criticize certain aspects of this partnership, most notably the growth of service delivery in cooperation with governments and the consequent reduction or silencing of the other roles considered essential to a participatory democracy (Evans and Shields, 2000, 12). However, this raises the question, have these organizations lost their voice in their close relationship with governments or have they simply found a new and more effective way to influence public policy and consequently their traditional constituents?

This brings us to make the distinction between “government” and “governance”. Susan Phillips, who has studied the evolution of this relationship throughout her career, gives these conditions for success:

“Whereas governing through a paradigm of government is centred on control, governance involves collaboration and co-ordination, both across sectors and across policy areas. While government works on the strength of hierarchy, governance necessitates horizontality. The advantage of traditional government is the ability to deliver uniform programmes unilaterally to a broad segment of an eligible population; in contrast, governance recognizes difference and the value of flexibility. Whereas the legitimacy of government flows from its authority, that of governance derives from its credibility with citizens and partners. While the success of government hinges largely on programming, governance depends on relationship building.” (Phillips, 2001, p.183)

Even with Canada’s long history of volunteerism and the critical mass of non-profit/government partnerships, the challenge of realizing this shift from government to governance remains. Creating the conditions for this ideal relationship in Canada’s Westminster parliamentary democracy has not been easy. A system that values secrecy and centralized decision-making coupled with clear political and administrative ministerial accountability is not necessarily well-suited to this type of development.

## ADVOCACY OR JOINT-POLICY DEVELOPMENT: IS THERE A DIFFERENCE?

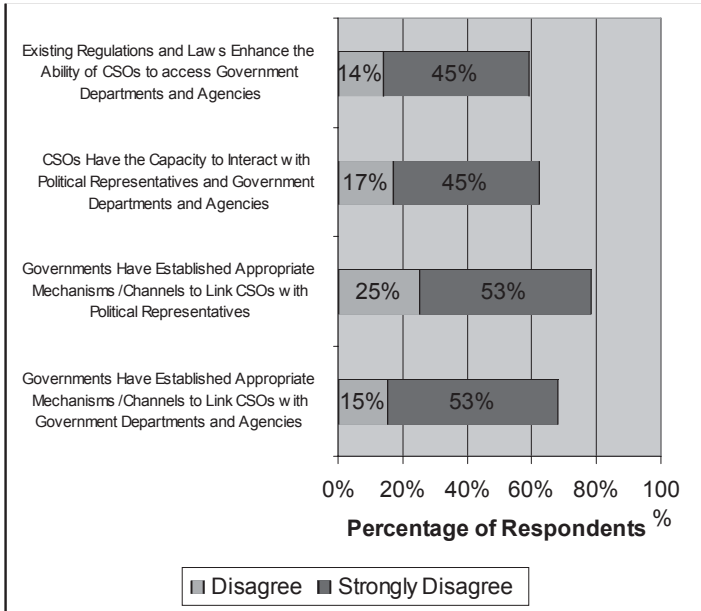
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One of the challenges posed by the “governance” paradigm is reconciling the traditional advocacy role of many of the non-profit organizations participating in this new partnership. While government downloaded the delivery of programs that affects the constituents of these non-profit organizations to these same organizations, it kept a firm hand on the development of policies. The non-profit sector has the responsibility to deliver the programs but is seen as a “less than equal partner” in the policy equation (Levasseur and Phillips, 2004, p.452). This occurs at a time when government is seen to have lost “considerable policy capacity” through a lack of program experience and a growing reliance on contracting policy advice when needed (Harvie, 2002, p.8). If, in governance, the sector not only delivers services but provides input in the policy development process (Phillips, 2001, p.183), there is a need to define more clearly how this takes place and under what conditions. Furthermore, since the non-profit organizations have their own constituents and also play a role in representing sectors of civil society, there is a need to determine what to do when policy input is not taken into consideration or when there is no feedback explaining resulting choices.

This brings us to question when policy input become advocacy. The voluntary sector has a very simple answer to this question: there is no difference between the two (Harvie, 2002, p.3). However, this view is not wholly shared by governments who have traditionally held advocacy in a different light. The restrictions of the Canadian Income Tax Act, which allow a registered charity to devote up to 10% of its resources to advocacy (Basok and Ilcan, 2003), seem to convey a certain view of advocacy: that it be constrained rather than encouraged.

Whatever the label, this situation places the non-profit sector in the difficult position of delivering programs to their constituents that they consider ineffective while being limited in their opportunities to advocate for change (Hall and others, 2005, p.29). Throughout this uneasy transition, there is a need to ensure that society does not lose one of its most important sources of innovation in public policy, the non-profit sector (Salamon, 1995, p.218; Brock, 2001, p.210; Basok and Ilcan, 2003; Harvie, 2002, p.1). Citizens also seem to feel strongly about this role and, more importantly, about the extent to which charities understand their needs. “Surveys indicate that 88 to 93 percent of Canadians strongly support charities engaging in advocacy and almost 80 percent believe that charities understand the needs of Canadians better than government” (Harvie, 2002, p.6).

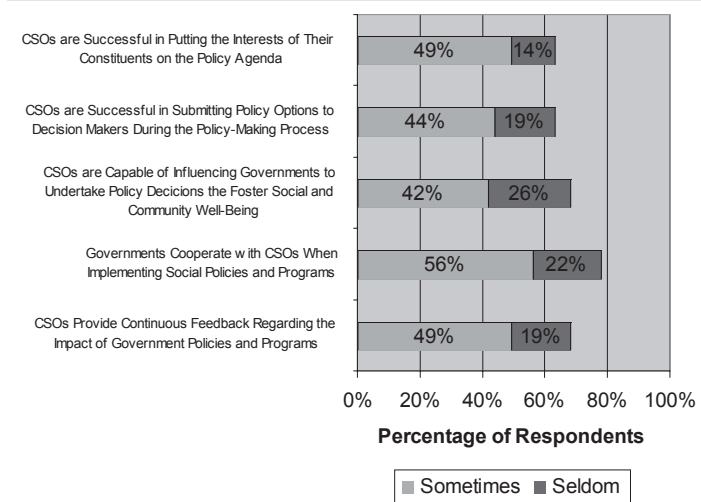
The situation as described by Embuldeniya in 2001 (seen Figure 1 and 2 on the following page) in a national survey of what he calls “Community Service Organizations” (CSOs) shows clearly that government policies and consultation processes were ineffective in engaging these partners. This led him to call for a more prominent non-profit sector role in policy development (Embuldeniya, 2001, p.36).



**Figure 1**  
Opinion About Links to Government

(Embuldeniya, 2001, p. 20)

As we can see by these results, not only did the CSOs feel that they did not have the ear of the political tier of government, but they also felt that they had limited influence with government itself through the existing policy and decision-making process.



**Figure 2**  
Opinion About Impact on Public Policy

(Embuldeniya, 2001, p. 30)

The above factors set the stage for an innovative policy development, spearheaded by both governments and the non-profit sector, which would seek to redefine their relationship.

## THE VOLUNTARY SECTOR INITIATIVE: BRIDGING THE POLICY GAP

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In the midst of a rocky relationship between the government and the non-profit sector, the 1997 election brought with it a promise in the Liberal election platform to address the role of the sector (Brock, 2001). The sector did not wait for answers, but instead launched its own panel, led by Ed Broadbent, to look into the issue. Among a host of recommendations, one would grab the attention of both governments and the non-profit sector:

“Both the federal and provincial governments should enter into discussions with the sector to establish mechanisms, such as compacts or other ongoing forums, for promoting understanding and agreement on appropriate conduct and the future of the relationships between the sector and governments.” (Broadbent, 1999, p.86)

This notion of a compact, which would later become the *Accord Between the Government of Canada and the Voluntary Sector*, was taken almost directly from the existing English and Scottish models of cooperation between the non-profit sector and central governments. This model had taken root almost a decade before, following the election of the Blair government, with the object of rehabilitating relationships with the third sector, after the extensive reorganization of social service under Thatcher (Phillips, 2003, p.26-27). The Compact was a joint undertaking by both the British Government and the voluntary sector in Britain that laid out not only the principles under which their partnerships would now take place, but also specific measures to realize this partnership. Canada’s model was based on this approach, but differed in some respects, most notably in the more timid level of engagement from the government to agree to specific measures. However, it built on the importance of revisiting the principles under which the sector and the government were working together under the auspices of the “governance” paradigm.

The non-profit groups in Canada encouraged the creation of a similar joint undertaking with the Government of Canada that would seek to build a new sector/government relationship, strengthen the voluntary sector’s capacity, and improve the regulatory environment in which the voluntary sector operates (VSI Website, 2005). This process led to the creation of three joint government/sector tables that created and guided what is now called the Voluntary Sector Initiative. The work that has been undertaken was divided into two phases. Phase I, from June 2000 to October 2002, saw the creation of the Canadian version of the British Compact, the Accord between the non-profit sector and the Government of Canada, and Phase II, from November 2002 to March 2005, was meant to be the first wave of implementation of the Accord (Ibid. 2005).

In December 2001, the Accord was launched with the following words from the joint chairs, in the transmittal letter, speaking to the clear shift towards governance: “The purpose of the Accord is to strengthen the ability of both the Government of Canada and the voluntary sector to better serve Canadians. We believe that this Accord moves the two sectors toward greater mutual understanding and provides the framework within which the relationship can develop and evolve” (Government of Canada, 2001, iii). The Accord touched on five aspects most important to the relationship between

the partners: (i) autonomy, by reiterating the independence of the sector, (ii) advocacy and consultation, by recognizing the right to challenge public policy, (iii) funding, by including a limited guarantee of consideration of the impact of legislation and policy, (iv) inclusion and (v) accountability, which included some monitoring of the results of the Accord but much less than could be found in its British counterpart (Phillips, 2003, p.39). Each one of these challenges, taken individually, could be the subject of research. The following analysis will concentrate on the second one, advocacy and consultation, with a thought to the interplay with the last subject, accountability.

In comparison with its cousins in England and Scotland, the VSI Accord falls short on consultation and advocacy (Ibid., 2003, p.41). It does not establish a clear process to engage the non-profit sector in a sustainable way. The Accord, however, does entail agreed-upon principles that could lead to a more constructive policy relationship in the future. In Canada, implementation became the key to the realization of the goals of the Accord, enabled by the *Code of Good Practice on Policy Dialogue* (Ibid. 2003, p.35). The Code went further in defining the steps to developing the policy relationship in a more “concrete, specific and comprehensive” manner (Ibid., 2003, p.43). It now rested on the shoulders of both the government and the sector to follow through with implementation.

A question put forth by Brock in the early stages of the Accord reflects one of the key challenges of the VSI in its response aiming to establish a policy dialogue: “Does the VSI represent a real opportunity for change to the structures and operation of parliamentary government or is it merely window-dressing, policy-making by elite invitation?” (Brock, 2001, p.217). In this same article, Brock writes positively about the potential of this new approach in Canada, arguing that the VSI would most likely strengthen policy access and capacity for the non-profit sector (Ibid. p.219). Moreover, Brock discounts the view that the sector would be somehow shackled in its advocacy role, arguing that the increased resources afforded by the initiative and the ever growing non-profit sector would actually reinforce their ability to advocate for better public policy (Ibid., p.220). It is mostly from this positive viewpoint of most actors in this process that the Accord started to move forward.

In 2005, the Voluntary Sector Forum,\* representing the non-profit sector in this partnership, engaged in a review of one of the largest components of the VSI, the Sectoral Involvement in Departmental Policy Development (SIDPD). The SIDPD is a series of joint tables from different policy fields brought together to test the “governance” paradigm. This review is one of the few insights into the evolution of the relationship between the partners from a non-governmental source. The review was created to “enable government and voluntary sector organizations and other key stakeholders to benefit from and use the lessons learned to date” (Voluntary Sector Forum, 2005, p.1).

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\* The Voluntary Sector Forum is a pan-Canadian body that provides leadership and coordination on horizontal, sector-wide issues. It is comprised of lead organizations with responsibility for horizontal or cross-cutting functions/issues, plus regional and grassroots members to ensure a diversity of perspectives at the table and reach into the sector across the country (VSI website, 2005).

One of the first indications of the road ahead was that throughout the VSI's implementation to date, "the majority of the activities occurred around process - there was limited input into actual policy development" (Voluntary Sector Forum, 2005, p.6). However, the participants in the review go on to say that this is a positive development in itself because it enabled a great deal of learning and appreciation of the public policy process, which they found essential to moving forward (Ibid.). The SIDPD was in some ways the trailblazer for this new kind of cooperation. Another comment from a government employee in the report exemplifies the challenge that lies ahead: "The realization is emerging that the answer to this dilemma does not lie in expanding command and control, but in learning how to come together as a community, combining interests and integrating our efforts" (Ibid., p.4). Even in the face of limited progress, the overall tone of the report was very positive, illustrating a perceived shift in the relationship between partners and a shared learning experience (Ibid. p.7-8). The only dissonant notes were about the distinct lack of innovation by the government in creating new ways to engage the sector in policy development, a lingering feeling that the sector was still seen as providing non-objective advice, and the usual complaints regarding the administrative processes (Ibid., p.11-12).

Though the SIDPD is perceived by partners to be well on its way, it does seem to lack the kind of results one would hope for after four years of implementation. It could also be argued, in all fairness, that changing attitudes does take time, and government attitudes are solidly imbedded in the very structure they serve. Indications of the difficulties caused by this structure were seen early in the project, when government refused to delegate official representation to the working group responsible for addressing the regulation of advocacy. The same can be said of the working group on funding mechanisms (Brock, 2001, 221). These actions could be explained by the fact that these two issues have a greater potential to affect the public purse directly, the impact of discussing funding mechanisms being self-evident and the overhaul of advocacy regulations carrying the possibility of extending tax breaks to a whole new sector of Canadian society. Interestingly, even today, a lack of progress on both these fronts can be observed.

In 2005, studying two major Canadian surveys of the non-profit sector,\*\* Michael Hall illustrated once again the negative impact felt by non-profit organizations stemming from the regulations on advocacy. The non-profit sector is still calling for a clearer definition of advocacy in Canada and, moreover, the sector is feeling a lack of "interest and responsiveness on the part of government" to their issues (Hall and others, 2005, p.19). This reaction, in the wake of the Accord, seems to indicate that the positive feelings experienced by those organizations sitting on the SIDPD do not extend to the entire non-profit sector. Once again, it may be that such a considerable values shift towards governance cannot reach the whole sector in so short a timeframe. It does, however, underscore the relevance of Brock's fears of mere "window dressing" or

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\*\*The National Survey of Nonprofit and Voluntary Organizations (NSNVO) conducted by Statistics Canada in 2004 and the National Survey of Giving, Volunteering and Participating (NSGVP) also conducted by Statistic Canada in 2000.

“policy-making by elite invitation” alluded to earlier. Are some of the perceived shortcomings in terms of results in the VSI simply a function of the time needed to effect the values change? Has the government or the sector simply not played their roles in the implementation process? Or, is the political system and its accountability regime not suited to the reforms that were a necessary part of the VSI in its shift towards “governance”? As the analysis will show, these three factors could be playing a part in slowing down progress.

## THE ACCOUNTABILITY ROADBLOCK

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“The doctrine of ministerial accountability, which holds that ministers must be accountable in the House of Commons for policy and management in their departments, places uncertain boundaries around the openness of the governance process. These boundaries are flexible but can tighten suddenly in the midst of political controversy.” (Brock and Banting, 2001, p.11)

Before the creation of the Accord, Phillips stated the need for four major institutional reforms to ensure the conditions of success in order for “governance” to become reality in Canada: (i) giving the sector the capacity to become a governing partner, (ii) creating a genuine dialogue to address the gap between policy development and implementation, (iii) ‘elasticising’ the accountability regime in order to fully realize the first two reforms, and (iv) creating lasting governing machinery and not simply relying on processes to deal with the horizontal nature of government (Phillips, 2001, p.185). It is interesting to note that most of the reforms rest on the need to ‘elasticise’ the current accountability regime.

According to Brock, Canadian Westminster Parliamentary democracy is characterized by a strong executive with clear lines of accountability, by a representative government and by a strong tradition of dissent (Brock, 2001, p.204). There is a creative tension between the former and the latter characteristics of this system that are reflected in the implementation of the VSI. The same power of dissent afforded by the system to the opposition in Parliament is what the VSI seeks to propagate, in a responsible manner, in civil society organizations. However, the Westminster style was not meant to accommodate external policy input, and many events in the last decade have served to seriously tighten the traditional accountability lines in the system.

*Governments have adequately funded the delivery of services by the non-profit sector. However, they have fallen short in ensuring that the sector can hold its end of the policy development bargain by tying monies directly to program delivery outputs and limiting the amount that can be oriented towards research that could enable them to become equal partners.*

In order for governance to work, the non-profit sector needs to have the capacity to participate in determining how policy implementation will take place. It is one thing to have a process, and another to have the means to participate in the process. The ever rising stock of accountability creates problems in funding these means. Governments have adequately funded the delivery of services by the non-profit sector. However, they have fallen short in ensuring that the sector can hold its end of the policy development bargain by tying monies directly to program delivery outputs and limiting the amount that can be oriented towards research that could enable them to become equal partners. Governments at the same time decreased core funding in relation to project funding, thereby further limiting these activities (Basok and Ilcan, 2003). As Phillips underlined, the Accord and its underlying principles “will need to be squared against another idea that has a central claim on all federal departments that deal with the sector, accountability” (Phillips, 2003, p.47).

Whether it be the Red Cross blood supply scandal or the alleged HRDC billion dollar scandal, recent events have left a stain on the government/non-profit sector relationship in the eyes of the public and, consequently, the politicians (Pross and Kernaghan, 2003, p.66). In the early nineties, an MP by the name of John Bryden led the charge against what he called “government funded special interest groups” which played a part in creating a momentum to reign in these organizations (Ibid.). Moreover, repeated calls by the Auditor General of Canada to increase the number of checks and guidelines for government granting agencies and departments has

significantly contributed to this trend (Brock, 2001, p.205 and Phillips, 2001, p.194). These events, and the general mood of politicians and public alike in the late nineties, created the impetus for a fundamental change in the way governments would fund the non-profit sector. What were grants with few strings attached quickly became contribution agreements with central direction and stringent reporting, leading Phillips to comment that, “in the current environment, it probably seems absurd to most public servants to even discuss the concept of more elastic accountability” (Phillips, 2001, p.194). This statement certainly still holds true today. Even if the more recent Sponsorship Scandal was not in any way linked to the non-profit sector, one can only imagine that the reaction to it would not include a loosening of accountabilities in any funding relationship. In fact, the opposite reaction is a more likely outcome.

Though accountability is usually associated more directly with the funding issues of the non-profit sector, as is seen, it also affects the dialogue between the parties. Over the last decade, the government’s use of tools such as contractual obligations, funding cut-backs, the shift from core-funding to project funding and a tightening of procedures, have severely limited the sectors’ advocacy capacity (Pross and Kernaghan, 2003, p.109). The emergence of these new tools, focused on tying monies to achievable and measurable results, made it difficult to justify advocacy and public policy input activities. How does one account for the impact of a non-profit organization’s advocacy activities in an accountability regime that looks at yearly results and that favours projects limited in time? Social change is hard enough to measure, while measuring what part an organization played in it is near impossible (Harvie, 2002, p.26). Without at least some help from the government, voluntary organizations simply do not have the means to participate in the policy dialogue to the extent necessary for governance to become a reality (Phillips, 2001, p.193 and Hall et al, 2005, p.42). By limiting autonomy and independent action, the funding environment may also have limited the opportunity for the sector to play one of its most important roles, contributing in a real fashion to policy development (Hall and others, 2005, p. 26).

The VSI has given both the means and the plan for government to address the current difficulties associated with the accountability regime. Levasseur and Phillips propose a three-pronged process to liberate the potential of the VSI by addressing the accountability question head on.

“First, recognizing that the current accountability regime is a product of crisis management and thus an overreaction ... The second step is to engage the accord machinery in this issue ... Finally, an important lesson from the U.K. experience with the compacts is the requirement of a good reporting process that is based on solid research into the state of the relationship and that is candid about which departments or parts of the sector have initiated better practices and where major problems still exist.” (Levasseur and Phillips, 2004, p.470)

These steps or similar meaningful endeavours to address this central question have not yet been taken in Canada. Both the political situation that the federal government now faces in the wake of the more recent scandals and the lasting impact these have had on the bureaucracy have created an environment in which they cannot even address the first step necessary to move forward.

As Phillips has noted, “The depth of the partnership necessary to realize the full potential of the governance paradigm needs to transcend simple consultation and engage the non-profit sector at all stages of policy development” (Phillips, 2001, p.189). The inherent limits of the existing accountability regime seem to have limited the development of policy capacity in non-profit organizations to the extent that it somewhat negated the effect of the policy dialogue created by the VSI. This is a dialogue that still needs to occur in a meaningful fashion if we want to ensure that the non-profit sector can infuse public policy with innovative, networked, community-based solutions; the very elements that the VSI sought to bring forth (Phillips, 2001, p.194 and Levasseur and Phillips, 2004, p.459).

## THE ROAD AHEAD: RETHINKING ACCOUNTABILITY AND CREATING POLICY CAPACITY

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“Tensions abound as the two traditional cultures clash in the changing policy environment. Among the most prominent struggles are the attempts to combine the two traditions of accountability, and the attempt to create a more co-operative relationship with respect for difference and independence.” (Brock, 2001, p.204)

Notwithstanding the aforementioned challenges, it is still in the interest of both governments and the sector to try and find a way to move ahead on the issue of creating a more meaningful partnership between these partners. Indeed it is important for governments, because of their stake in continuing the delivery of services provided by third parties. This model continues to hold its clear advantages (Salamon, 1995, p.114). The creation of a cooperative relationship with government is also important for the non-profit sector, for as we have seen, they are also fully vested in this model of governance.

Whatever difficulties lie ahead, there are clear paths to overcoming the challenges of the present accountability regime. The first part of the equation, the process of policy dialogue, seems to be coming together. The non-profit sector seems satisfied with the direction that this dialogue is taking. Both partners are profiting greatly from the exchange of ideas, at least in the institutions directly related to the VSI. It is the second part of the equation that is taking its toll on the relationship: the strain put on the resources available, whether by regulations or the funding regime, to the sector's ability to sustain a meaningful policy dialogue. The VSI still holds many of the solutions but, most of the sections on accountability are still to be realized. As we have previously noted, the current political and bureaucratic situation does not bode well for resolving this issue in the foreseeable future. Two steps seem to be essential in order to overcome the challenges in the years ahead: rethinking accountability and creating policy capacity.

### *Rethinking Accountability*

Governance requires more than words in order to become reality and realize its potential. It requires a sustainable policy tool that will not only create process but will embed progress in the relationship between governments and the non-profit sector. A new funding mechanism developed above and beyond the traditional grants and contribution tools that currently exist in government is required. Ideally, this tool would take into account the specificity of the relationship between the actors. Phillips suggests a starting point for developing this tool: “At minimum, it should be based on the principle that some risk is acceptable in the interests of innovation; provide stable funding over a multi-year period; be sufficiently flexible to acknowledge that specific outcomes and products may need to be clarified along the way” (Phillips, 2001, p.191). This kind of agreement would be a good start to better harnessing the energies of the non-profit sector in both development and implementation of public policy. There is a need for imagination in order to transcend existing process and procedures that seem to be at odds with the objective both partners are trying to achieve.

*Governance requires more than words in order to become reality and realize its potential. It requires a sustainable policy tool that will not only create process but will embed progress in the relationship between governments and the non-profit sector.*

### *Creating Policy Capacity*

The second step should directly address policy capacity in the sector. A partial solution to this issue can be found in Savoie's answer to the limited participation of parliamentarians in policy development in *Breaking the Bargain: Public Servants, Ministers and Parliament*. In this work, he presents a similar challenge, in which the traditional Westminster style of government clashes with the new reality of governing in a horizontal world with many policy players. To address the importance of policy input in this new world, while maintaining the traditions of ministerial accountability, Savoie suggests tightening the traditional policy process between the civil service and Cabinet concurrently with increased support of competing policy capacity among the disenfranchised Parliament (Savoie, 2003). In this approach, he recognizes that changing the fundamental characteristics of the Westminster model of governance might be a daunting task with limited chances of success. At the same time, the changes brought about by a free-for-all on the policy field could have negative consequences on the government's ability to govern effectively. In creating competing policy capacity outside formal processes, Savoie finds a way to ensure that the tradition of dissent lives on in a meaningful way while keeping the traditional structure of accountability in the Westminster model relatively unscathed.

As already discussed, governments will tend to tighten accountability lines when they are under increased public scrutiny, whatever the impact on policy processes. It is simply the way the system is structured and we can expect more of the same regardless of the new funding model that would be advanced. Instead of trying to alter the fundamentals of the system by creating policy dialogue processes that risk being ignored or scaled back in times of political crisis, new funding arrangements need to create a situation in which, regardless of the consultation processes in place or the political or bureaucratic situation, the partners have the capacity to articulate their ideas on the marketplace. This shift from concentrating on policy process to concentrating on policy capacity could ensure that the feedback loop will remain intact whatever the situation of the day. This does not mean that government/non-profit sector work on building better public policy processes is useless. It only seeks to ensure the existence of quality policy input from the non-profit sector whether inside or outside of existing consultation processes.

Once again, these paths are not easy ones to take. One can hope that the existing dialogue will allow for these kinds of innovations in the near future and ensure that a new equilibrium, one that respects the precepts of governance while being adapted to the particularities of the Canadian government, is reached.

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## ABOUT THE AUTHOR

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René Boudreau is originally from New Brunswick and has been living in Saskatchewan for the last five years. He obtained a Bachelor of Arts degree with a major in Political Science from the Université de Moncton and has studied Philosophy in Montpellier, France. He is now completing his Masters degree in Public Administration on a part-time basis at the University of Regina.

Over the years, Mr. Boudreau has worked in Francophone and Acadian community organizations in many different capacities. More recently, he was Saskatchewan's Liaison Officer for the Office of the Commissioner of Official Languages. Currently he is the Director of the Office of French-language Co-ordination with the Saskatchewan Department of Government Relations.

He lives in Regina with his wife Amy and daughter Maïka.



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Saskatchewan Institute of Public Policy  
University of Regina, 2nd Floor  
Gallery Building, College Avenue Campus  
Regina, SK S4S 0A2

Phone: (306) 585-5777  
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Email: [sipp@uregina.ca](mailto:sipp@uregina.ca)

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