

PRIVATIZATION AND GAMING: THE IMPACT UPON
THE NON-PROFIT SOCIAL SERVICE SECTOR

By

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ABSTRACT

The demise of Keynesianism and the advent of monetarism has had a profound impact on the Canadian 'welfare state'. In British Columbia, as in other provinces, monetarist policies have included a 'down-sizing' of government, and a resurrection of a strategy of privatization in the social service sector. In some instances, privatization has meant abandonment; that is, the government has both shed its responsibility for providing many public sector social services and either reduced or eliminated funds which were directed into the non-profit sector through the system of 'contracting-out'.

With the loss of revenue, many non-profit social service agencies have been forced to seek alternative sources of funding. The contents of newspaper stories and other articles indicated that some had turned to gaming in order to raise funds. Therefore, recent developments in the gaming industry in British Columbia were explored in order to provide some insight into their relevance for, and impact on, the non-profit social service sector. In addition, a survey was undertaken in order to determine the impact of these developments on a sample of non-profit social service agencies in the Greater Vancouver area. The results indicate that certain trends are emerging across the non-profit sector. Agencies reported an increased demand for services and, for some, the proceeds from either bingos or casinos

have been crucial in both maintaining current levels of services and providing other benefits. The implications of this development are explored; for example, in some agencies, fund-raising has reduced the staff hours spent in direct service while otherwise increasing workloads; some agencies are becoming more 'entrepreneurial' in order to provide necessary social services; and, it may be that certain client groups are paying for their own social service programs.

While non-profit social service agencies are turning to gaming in order to provide programs and services which the government will no longer support, the government's public statements regarding the future of the gaming industry, and its actions in this area, have been ambiguous. On the one hand, policy-makers have made public statements to the effect that there will be no extension of legalized gambling beyond that which is provided by non-profit groups. On the other hand, the government is moving to increase its gaming revenues through direct means, such as establishing casinos, and indirect means, such as increasing licence fees levied on non-profit organizations wishing to conduct gaming events.

It is contended that neither privatization nor gambling are 'immoral'. However, what is perhaps problematic is the recent marriage of the two phenomena. By reducing direct services, as well as curtailing funding to the non-profit sector, the government has restrained its expenditures. When

non-profit organizations turn to gaming, they become a source of revenue for the government, while simultaneously providing the vital social services which the government has abandoned.

TABLE OF CONTENTS

Approval		
Abstract		ii
List of Tables		vii
Acknowledgements		ix
Dedication		x
I	Introduction	1
	The Structure of the Thesis	4
II	Origins and Transformation of the Welfare State	9
	Origins of the Welfare State	10
	The Development of Social Security Programs on the Continent	17
	The Legacy of the Speenhamland Act	19
	The Poor Law Reform Act of 1834	20
	Canada After Confederation	25
	The Emergence of the Canadian Welfare State	27
	The Nature and Functions of the Welfare State	32
	The Crisis of the Welfare State	37
	The Post Crisis Period	45
	The Post-Welfare State	48
III	Privatization	56
	Models of Privatization	62
	Agencies Involved in the Provision and Production of Social Services	64

	Privatization in British Columbia	74
	The Search for Funding in the Face of Government Cutbacks	81
III	Gambling	84
	An Historical Overview	84
	The Origins of Modern Lotteries	87
	Gambling in Canada	90
	Gambling in British Columbia	95
	The Government and Gambling	114
	Funding Social Services from the Proceeds of Gambling Activities	115
V	Method	121
	The Research	121
	The Subjects	122
	Procedures	124
	Procedural Difficulties and and Other Problems	128
VI	Results	130
	The Agencies	130
	Gaming and the Non-Profit Sector	137
	Levels of Funding	143
	Levels of Service Delivery	145
	Impact of Fund-Raising on Agencies and Staff	146
VII	Implications	154
	Gaming and Non-Profit Sector	157
	The Challenge of the 'New Reality'	169

LIST OF TABLES

Table 3:1	Community Grants, British Columbia, 1970-85	77
Table 4:1	Summary of Revenues, Expenditures, and Lottery Fund Balances: 1982-85	117
Table 5:1	A Breakdown of Those Questionnaires That Were Returned	128
Table 6:1	The Groups Which Received Services and the Number of Programs or Services Provided by Agencies	132
Table 6:2	The years in Which The Agencies Were Established	133
Table 6:3	Numbers of Full-Time, Part-Time, and Voluntary Personnel Employed by Agencies	134
Table 6:4	The Size of Agency Budgets	135
Table 6:5	The Sources of Agency Funding	136
Table 6:6	The Years in Which Agencies Began Conducting Gaming Events in Order to Raise Money	137
Table 6:7	The Reasons Why Agencies Began Conducting Casinos or Bingo Activities	139
Table 6:8	How Agency Staff Perceive the Effect of Losing Gaming Revenues	141
Table 6:9	The Funding Arrangements of Those Agencies Reporting No Decreases in Funding Since 1983	145

Table 6:10	The Individuals Involved in Agency Fund-Raising	148
Table 6:11	The Effect of Fund-Raising on Staff of the Agencies	149
Table 6:12	The Utilization of Those Revenues Generated through Conducting Gaming Activities	151
Table 7:1	The Number of Licences Issued to Non-Profit Organizations	159

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DEDICATION

TO:

PURPOSE

Chapter I

INTRODUCTION

The problems and transformations which began to affect the international economic system during the 1970's, and which ultimately manifested themselves as a world-wide recession, have had a profound impact on the Canadian economy at both the federal and provincial levels. The Province of British Columbia was particularly vulnerable to the effects of the recession due to its heavy dependence on exporting its natural resources of lumber, copper and coal (Magnusson et al, 1984). When other countries began implementing policies of monetary restraint, levels of provincial exports dropped. As the reduced demand for natural resources drove down prices, revenues from provincial natural resources fell from \$1,319. million in 1979-80 to \$544 million in 1982-83 (Schofield, 1984). In addition, as levels of unemployment jumped from 6.5 percent in 1980 to 12.1 percent in 1982, personal spending slowed and reduced the amounts of personal and sales tax revenue flowing into government coffers.

Like the governments of Great Britain and the United States, both the federal and provincial governments of Canada faced increased demands for direct transfer payments. In 1980-81, the British Columbia Ministry of Human Resources (now the Ministry of Social Services and Housing) spent \$378.9 million (50.2 percent of its budget) on income assistance and GAIN

payments to the handicapped. By 1982-83, this amount had risen to \$609.2 million or 55.7 percent of the Ministry's budget. By 1983, provincial government expenditures were said to be outstripping revenues to such a degree that British Columbia would soon be on the brink of financial disaster (Magnusson et al, 1984). Whether, in fact, a 'fiscal crisis' had appeared in the province has been subject to considerable debate (Allen and Rosenbluth, 1986; Magnusson et al, 1984).

It was against this backdrop that, upon their re-election in 1983, the Social Credit government introduced the first restraint budget. Although the need for moderate restraint measures was generally recognized, most British Columbians were unprepared for the simultaneous assault on labour, the public sector and social welfare programs and services. The various restraint measures, which were purportedly aimed at combatting the budget deficit in the face of the on-going recession, included 'downsizing' the government through, for example, privatization; wage reductions; de-regulation; employment through mega-projects; concentrating power in Victoria; and, reducing expenditures on education (Allen and Rosenbluth, 1986). The subsequent implementation of each of these measures has had far-reaching effects on the economy of British Columbia.

Although the 1983 budget provided for a 12.3 percent increase in public sector spending, the increased expenditures would eventually be absorbed by increasing income assistance payments and projects aimed at stimulating the construction industry (Redish et al, 1986). While more money was to be made available for construction projects, other areas of public spending were to be subject to considerable restraint. There was a re-allocation of funds away from social welfare services and programs and toward mega-projects which were to provide employment.

Of particular concern for many individuals, both those who worked within the social welfare sector and those who benefitted from its programs or services, was the plan to privatize many social welfare programs. The privatization of social services such as rehabilitation programs for juveniles, and adult and youth residential care facilities, was viewed as a direct attack on the social services component of the provincial 'welfare state'.

The government strategy for meeting the increased demand for direct income assistance transfer payments also included curtailing or eliminating many services that were provided by the public sector. At the same time, government revenues that had previously been distributed to the non-profit social service sector were also redirected to direct transfer payments. As a result, while many non-profit organizations

have experienced increased demands for service, they have been forced to seek out alternative sources of funding. Although fund-raising by non-profit organizations is not a new development, of specific interest was the fact that some non-profit social service organizations appeared to be turning to gaming as a way of raising funds to offset cuts in government funding.

The Structure of the Thesis

The aim of this thesis is to present a case study of the process and outcomes of restraint and privatization, as exhibited in a sample of non-profit social service agencies which have turned to gaming as a source of revenue. These agencies have followed this course of action in order to either supplement cuts in government funding or remove (or reduce) their dependence upon this source of financial support. In order to show the relationship of this case study to prior policy developments, the latter are examined in some detail.

The current shift to what is more accurately described as 're-privatization' would seem to herald a return to an earlier 'residual' concept of social security. The thesis begins with an examination and review of the origins of the welfare state which suggests that the development of social welfare policies is, indeed, moving full circle. Insofar as

economic policies have underpinned the establishment and expansion of the 'welfare state', the implications of the abandonment of Keynesian economic theory in favour of monetarism are reviewed in detail. The nature and the role of the 'welfare state' are examined through a discussion of, what Drover and Woodsworth (1978) have labelled, "welfare paradigms".

Having outlined the economic and ideological context within which privatization was introduced, the thesis turns to a theoretical discussion of the phenomenon. It cannot be automatically assumed that the privatization of social services must be a negative development, or one that is detrimental to a nation's citizens. For example, if politicians and government policy-makers are developing social policies based on the premise that citizens are entitled to be protected from the cycles of the market system, and government has a role to play in providing that protection, it is not necessary that the services be actually produced or provided by government employees. Mechanisms such as 'contracting-out', coupled with the implementation of stringent regulation through the establishment and enforcement of minimum standards, may result in a system of social service delivery that is as equally satisfactory as a system wherein only the government produces the necessary services.

However, in British Columbia, as in other countries, the concept of privatization has been introduced and interpreted within a neo-conservative ideological framework. Consequently, privatization measures were not accompanied by a concern for advancing collective ideals or humanitarian principles regarding the inequalities that accompany a capitalist economic system. Rather, what has been re-introduced is the classical liberal perspective that focussed on individual initiative and drive, operating within a competitive market system. One major consequence has been a restoration of the old notion that the provision of social welfare does not fall within the purview of the state. Chapter three provides a brief overview of the advent and subsequent development of privatization in British Columbia and concludes with an examination of its impact upon the non-profit sector.

Given the ideological framework of privatization and the use of gaming as a mechanism for raising funds by private non-profit social service organizations, it is critical to monitor the effects of these developments on programs and services. This thesis provides a start in this direction since it will explore developments in the gaming industry which have had a direct impact upon non-profit organizations; the extent to which non-profit agencies have been involved in the industry; and, the consequences of this development.

These issues are examined in depth in chapters four, five and six.

Chapter four provides an overview of developments in the gaming industry which have occurred over the past four years. These developments are significant in that they have had a critical impact on those non-profit organizations which are already dependent upon gaming revenues to support a variety of social, recreation, cultural, sports and social service programs. In addition, the government has recently turned to gaming to provide increased revenues for its own activities. As well as extracting licence fees from non-profit organizations, the government has installed slot machines on ferries and is investigating the feasibility of establishing world class casinos at tourist destinations. The implications for non-profit organizations of a government encroachment into the gaming industry are discussed.

The research procedures and the results of the study are presented in chapters five and six. Although this was a small preliminary study, the results indicate that the majority of organizations that participated began conducting bingos and casinos after 1983. The two reasons cited most often to explain agency involvement in gaming were: (i) the agency could not obtain funding from any other source; and (ii) the agency was refused government funding for a new or innovative program.

At the same time as non-profit organizations are being forced to turn to gaming as a way of raising funds, the government appears to be less than supportive of the non-profit sector. While lottery tickets are sold, and gaming is justified, on the basis that the revenues are used to support non-profit and community groups, the government is diverting some of the funds away from such groups and into general revenues. The implications of such a development, for the non-profit sector, are examined.

The thesis concludes by examining the notion that, in conjunction with changes in the larger economic system, the non-profit social service sector may be undergoing a metamorphosis. It is argued that non-profit organizations are being forced to become more 'entrepreneurial' in order to continue to deliver the social services that have become even more necessary as a consequence of both the recession, and the government's subsequent restraint measures.

Chapter II

THE ORIGINS AND TRANSFORMATION OF THE WELFARE STATE

Many analysts have recently argued that the 'welfare state' in most Western capitalist nations has experienced a profound crisis (Gough, 1979; Gilbert, 1983; Taylor-Gooby and Dale, 1981). Writers contend that this situation has arisen as a consequence of two significant developments which have had a marked impact on state policy-making; namely, the emergence of the 'fiscal crisis' of the state, and the rise and rapid growth of a neo-conservative ideology (Taylor-Gooby, 1985; Gilbert, 1983). This chapter will review both the origins of the welfare state and the economic policies and ideology which underpinned its development in Canada. In addition, both the role of social welfare in an industrial society and the causes and implications of a welfare state 'in crisis', will be examined. This discussion will provide the context for an examination of 'privatization'; one of several restraint measures introduced by governments in order to 'downsize' the public sector.

The term 'welfare state' generally refers to the complex system of publicly funded and operated social welfare, health, education, and allied services and income transfers, as well as to the regulation of private activities through legislation (e.g. minimum wage and hours of work). Currently, the welfare state has an impact upon the life of

every Canadian citizen, through the payment of cash benefits or the provision of services (Djao, 1983). In addition, the welfare state has an indirect impact on citizens through the imposition of tax deductions or the granting of tax benefits (Flora and Heidenheimer, 1981). Citizens expect that, among other things, their health needs will be met through universal medical schemes; their children will be educated in public schools; they will be protected from exploitation in the work place; and, that 'old age' income security programs will provide a modicum of protection against poverty when they are too old to work.

Origins of the Welfare State

The development of the welfare state is a relatively recent phenomenon in the history of nation states. Its advent has been linked to industrialization occurring within both a capitalistic economic system and a democratic political framework (Gough, 1979, Armitage, 1975). It cannot be assumed, however, that these factors together (capitalism and democracy) are necessary prerequisites for the development of a welfare state. Flora and Heidenheimer (1981) point out that, initially, social welfare policies and institutions did not develop among the most democratic and advanced capitalist European societies. For example, in 1881, the Emperor of the German Empire provided the impetus for the implementation of social security legislation. After 1917,

social welfare programs were developed in non-democratic and non-capitalist Russia. "Thus, the welfare state seems to be a far more general phenomenon of modernization, not exclusively tied to its 'democratic-capitalist' version" (Flora and Heidenheimer, 1981; p. 23).

Although it is generally accepted that the Beveridge Report in Britain (1942), and the Marsh Report in Canada (1943), laid the foundation for the development of the modern welfare state in those countries, the initial attempts at developing a formal system of poverty relief were embodied in the Poor Laws of Elizabethan England. These were passed in 1531 and were supplemented, at various intervals thereafter, until 1601 (Pound, 1971). It is important to consider both the intent and the social context of these, and other, early precursors of our current social assistance schemes since the modern welfare state bears their distinctive hallmarks. In addition, such a review highlights how current solutions to old problems continue to have their roots deeply embedded in history.

In England, when the feudal system broke down in the fourteenth century, and workers were freed from serfdom, the necessity for some form of poverty relief arose. Feudalism, while enslaving the worker, had at the same time, provided a modicum of economic security during times of unexpected crisis. It was the landowner's responsibility, and in his or

her best interests, to maintain the workers at a level which allowed them to be productive.

As the old system crumbled, men and women began travelling across the country for a variety of reasons: to assert their independence from their former owners; to obtain their livelihood by begging; to go to war; and, to migrate to the cities where they might be employed within the various industries. However, by the middle of the fourteenth century, famine and plague had decimated the population and reduced the labour pool, and as a result, wage levels were driven up. As a response to this supply/demand problem, Parliament enacted the Statute of Laborers in 1349 (de Schweinitz, 1943).

The Statute of Labourers was an attempt to redress the problem created by workers who either refused to work or who insisted on excessive wages in the face of a labour shortage. The solution was to "compel the unattached man to work for whoever wanted him, by forbidding the labourer to travel, and by stopping alms to the man who, if he could beg, would presumably refuse to work" (de Schweinitz, 1943; p. 6). In this regard, history can be seen to be repeating itself. As recently as six months ago, the British Columbia government announced that individuals who refused to work, especially single mothers, or who insisted on more than a minimum wage,

were swelling the income assistance rolls. It was suggested that those individuals who refused offers of employment, which would be extended by the government, would be denied income assistance.

Before the government formulated the first of the series of laws, which later came to be known as the Elizabethan Poor Laws, there were both organized and unorganized systems of relief. Poverty was not a new condition for the majority of the people. Some of the poor coped with their poverty through begging, an activity which had been endorsed by the Christian religion. There existed a firm belief that the 'natural order' of society was one in which there would always be two 'classes' of people: the rich and the poor. The poor had an important role to play in the natural order since the rich, through charitable deeds which would benefit the poor, could demonstrate their worth as candidates for salvation.

More organized efforts for poor relief were provided by the guilds, private philanthropists, and the church. The members of the guilds, while emphasizing self-help and brotherhood, undertook such "works of charity" as distributing food and providing shelter to the needy (de Schweinitz, 1943; p. 15). Many of the modern day service clubs are reminiscent of the old social guilds in that, although members come together for fellowship, or around a common interest, they also raise and

donate money to many non-profit organizations or charities.

During this time, private philanthropy also flourished. "At the time of the Reformation, there were in England not less than 460 charitable foundations" (de Schweinitz, 1943; p.15). Gifts and bequests were used for both poverty relief and public works. Complementing both the actions of the guilds and private philanthropists, church parishes and the monasteries completed the organized systems of poverty relief. As long as individuals could beg and the guilds, philanthropists, and churches could adequately contend with the needs of the poor, social order was ensured. The government could remain detached from the problems and the needs of the poor.

Between 1520 and 1640, the two most outstanding problems were poverty and vagrancy (Pound, 1971). As the population increased, events such as land enclosures and harvest failures swelled the numbers of the poor. "Between one-quarter and one-third of the population of most English towns were below the status of wage-owner, and at any moment their numbers were liable to be swelled by a slump in any one of the major industries" (Pound, 1971; p. 25). Of equal significance was the increase in the numbers of roving vagrants who formed bands and moved across the countryside. Both the roving bands of vagrants and the large numbers of

poor began to be perceived as a threat to the fragile public order.

The 'Poor Law' Statute of 1531 first attempted to deal with these dual problems by distinguishing between the 'impotent' poor, (i.e. the aged and the infirm) and the 'unworthy' poor, (i.e. those who were professional vagrants). Although this statute made no provision for those who were prepared to work but who could not find jobs, the "impotent poor ... were allowed to beg (but) only within their own community" (Pound, 1971; p. 39). However, actions against able-bodied vagrants who were caught begging were punitive. Any able-bodied vagrants who were caught begging were to be whipped and returned to their communities. Those who harbored them would be fined.

The inadequacies of this first attempt to provide for the 'impotent' poor by giving them exclusive begging rights were quickly apparent and, in 1536, parish and municipal authorities were given full responsibility for providing for the 'impotent' poor "in order to prevent them from wandering around as beggars" (Pound, 1971; p. 40). Each parish was to raise money on a voluntary basis to provide for the local indigent. However, measures taken to control the vagrant population became even more repressive. The immense fear of insurrection by the poor, which must have prevailed during this time, was evidenced by the steps which were taken in

order to keep the vagrant bands from increasing in size. Two convictions of vagrancy, (i.e. being without means and unemployed for three or more days), resulted in the individual being branded on the forehead with a "V", before being returned to his or her home parish (Pound, 1971). Generally, public order was fragile and precarious. There were no organized police forces and few jails when compared to the large number of poor and vagrant. To become more punitive was a natural reaction on the part of those individuals who were attempting to maintain social order.

By 1601, the Poor Law had been expanded to include more stringent definitions of vagrancy, prescriptions for appropriate punishments, and the provision of workhouses. It also invested "overseers of the poor" with the duty and power to set rates and collect taxes from those with means (Pound, 1971). In addition, poor children could be bound as apprentices; in the case of girls until they were 21, and in the case of boys, until they were 25. However, girls could be freed from such apprenticeships if they married before they reached age 21. The elderly were provided for by making them the responsibility of their families. Money raised by local authorities also provided pensions for wounded soldiers (Pound 1971).

The Elizabethan legislation also included two Acts which

provided for the erection of hospitals and workhouses for the poor and defined the law of charitable trusts (Pound, 1971; p. 55). The significance of these particular developments was that they recognized the importance of private charity for supplementing the activities of the state. Also, they "encouraged private benefactors who might wish to found and endow almshouses, houses of correction and similiar institutions for the use of the poor" (Pound, 1971; p. 55). The Elizabethan Poor Law of 1601 remained in place for approximately 250 years and continued to influence the thinking of subsequent policy-makers.

The Development of Social Security Programs on the Continent

England was not alone in attempting to formulate a means by which the problem of growing numbers of poor could be addressed and social order maintained. In 1535, the town of Ypres, in Flanders, implemented a plan to organize private charity as a means of maintaining the poor. Although the scheme ultimately influenced developments in the rest of Europe, it was also controversial since it prohibited begging. Such a development threatened the Mendicant Orders who had historically depended on begging to maintain themselves. The Mendicants appealed to the faculty of the Sorbonne who upheld the Ypres plan providing that: the poor were not further impoverished by the ban against begging; the wealthy who gave to the common relief fund did not feel that such action discharged their total charitable obligations;

and, the Mendicant Orders could continue to beg (de Schweinitz, 1943).

In 1536, Vives, a renowned thinker and scholar, formulated a plan for poverty relief at the request of the Mayor of Bruges, also in Flanders. He proposed that "Senators, by twos", visit the poor, who resided at home or in hospitals, so as to determine their need and to register them (de Schweinitz, 1943: p. 32). Everyone should be set to work or, if unable to find work, be assigned to an artisan. Upon becoming proficient, they could be granted government contracts for a variety of public works (e.g. building roads and bridges, or manufacturing hospital supplies). Vives was of the opinion that the cost of poverty relief could be reduced through job creation - an idea that remains relevant today.

There were certain elements common to all the sixteenth century poverty relief schemes. The eradication of poverty was never the primary goal of any of the schemes. Although they recognized the need to maintain the infirm or legitimate poor, at the same time they provided for the coercion and punishment of able-bodied rogues and beggars. The actions taken under the early schemes were justified on Christian principles; however, the shifting of responsibility for the poor from the individual to the municipal level signalled the beginning of the secularization of poverty relief. In each

poverty relief scheme, there was a degree of paternalism; while the 'worthy' poor required spiritual and economic guidance, the 'unworthy' poor had to be disciplined.

The Legacy of the Speenhamland Act

The English Speenhamland Act of 1795 was another legislative landmark which significantly affected the direction taken in the country's development toward modern social security systems. Land enclosures, industrialization, costs associated with the war with France, and a series of poor harvests had successively exacerbated the position of the poor. The magistrates of the day met at Speenhamland to consider two proposals: apply a minimum wage or "supplement the income of the labourer" (de Schweinitz 1943; p.72). They chose to supplement the workers' wages and drew up a schedule of the amounts necessary to maintain an individual or family, based on the current price of bread. The Act allowed individuals to receive relief in their homes and remained the primary method of administering relief for the next generation (de Schweinitz, 1943).

The Speenhamland plan for supplementing wages was a failure. The reasons that it failed are often used as arguments in current debates concerning the provision of a guaranteed annual income. Wages were driven down as employers, knowing wages would be supplemented, offered lower wages or began using the impoverished workers who received a wage supplement

over those who were independent. More workers were forced onto the plan of supplemental relief, and as increased numbers of workers accepted relief, the tax rates escalated. The Speenhamland plan was considered to be responsible for killing the labourers' motivation to work, or work efficiently, because regardless of what they produced, they received their minimum wage each week. In reality, the primary reason the plan failed was because it was conducted at the municipal level and was not accompanied by any other labour market regulation. In addition, the art of government administration was in its fledgling days (de Schweinitz, 1943).

In England, throughout the sixteenth and seventeenth centuries, the level and extent of poverty among the lower classes had not changed appreciably. In addition, the approach taken to the problems of the poor and the methods of administration did not parallel the rapid economic changes that began to occur as a result of the introduction of machine power. The poor laws had been an attempt to provide work for the poor, relieve the infirm poor, prevent any increase in the numbers of 'undeserving' poor, and maintain social order.

The Poor Law Reform Act of 1834

Until the reformulation of the poor laws in 1834, poor relief

continued to be administered at the local level and parishes had responded to the burgeoning numbers of poor by joining together to build workhouses. Although the workhouses were initially intended to house indigents, provide work, and cut down on outdoor relief, they became more punitive in an attempt to deter idleness and vagrancy (Taylor, 1969). The increase in the cost of poor relief and numbers of poor had continued to climb throughout the eighteenth century. Between 1776 and 1786, costs of poor relief were estimated to have increased as much as 33 percent, and in 1802, one out of every nine people was on poor relief.

By 1832, the poor were driven to burning crops and rioting in order to demonstrate their dissatisfaction with land enclosures and the introduction of machine power. A Royal Commission was formed to investigate "the administration and practical operation of the poor laws" (de Schweinitz, 1943; p. 117). There were several criticisms levelled at the previous attempts at poor relief. For example, the Poor Laws were said to contribute to the creation of poverty by removing the motivation to work. Public philanthropy was attacked using the Malthusian argument that poor laws and philanthropy encouraged poverty and increased the numbers of poor by providing them with the resources necessary to allow them to reproduce. In 1798, Malthus, had argued that the poor, who were kept alive by charity, would reproduce at a rate which could not be sustained by the current level of

agricultural production, thereby increasing their numbers and worsening their situation in the long term. He maintained that the Poor Laws should be abolished so as to teach the poor to depend upon themselves. Although his argument flew in the face of tradition, it coincided with the thinking of those individuals who did not wish to put additional money into poverty relief.

After a two year investigation, the Royal Commission's recommendations were embodied in a statute that was more repressive than any of its predecessors - the Poor Law Reform Act of 1834. The primary vehicle for reducing the cost of poor relief, and deterring those who may wish to apply, was the workhouse, which was to be regulated by standards set at the national level. Jeremy Bentham, a Utilitarian and contemporary of Malthus, had envisioned the possibility of a perfect society. He based his system of "morality, law, economics and politics on the strength of positive universal laws of nature" (Greenberg, 1981; p. 256). Utilizing such natural laws, the Utilitarians imagined that they could construct a science of society as exact as Newton's explanation of the physical universe. According to Mishra (1984), the social scientists of the 1960's also focussed on formulating a science of society in order to better understand the current social problems.

Bentham, along with Malthus, had criticized the old Poor Laws. He had suggested the answer to poverty relief was a network of workhouses established on the principles of 'less eligibility'. The conditions inside the workhouse had to be carefully calculated to remain less beneficial than conditions on the outside, thus ensuring that only those who could not secure relief from any other source would seek them out. The Royal Commission's recommendations incorporated the notion of 'less eligibility' and also applied it to the individual. The condition of the poor person must always be less desirable or comfortable than the condition of the lowest paid worker who was not receiving any form of poverty relief (de Schweinitz, 1943).

The Poor Law Act of 1834 dissolved any idea that the state had an obligation to support the able-bodied (or employable) poor. While a decision to not provide poverty relief, especially to the old or infirm poor, would have been tantamount to advocating murder, the employment of the principle of 'less eligibility' was a way to circumvent the moral issues which would have arisen if relief had been withdrawn altogether.

Polanyi (1964) points out that the Poor Law Reform Act was the mechanism that provided for England's transition to a market economy and, therefore, marks the starting point of modern capitalism in that country. For example, certain

conditions were necessary for the development and reproduction of industrial capitalism, notably: (i) a labour market consisting of workers who could survive only by selling their labour; (ii) predictability and rationality embodied in a legal system that could reproduce order; (iii) the concept of private property; (iv) private ownership of the means of production; (v) unequal exchange which produced surplus value (profits) for the owners of the means of production; (vi) a legitimate state regulating social conditions and facilitating international trade; and (vii) an ideology of 'individuality' as opposed to 'collectivity'. While most of these conditions had been partially or completely met in England by 1834, the Speenhamland Act had effectively prevented the formation of a labour pool by removing any impetus to work in order to satisfy basic needs. While the Speenhamland Act had charged the parish or community with the responsibility for maintaining the poor, the Reform Act of 1834, administered at the national level, attempted to make relief available only inside the workhouse and thereby effectively shifted the responsibility for personal maintenance to the individual who had to rely on his or her own devices.

The legacy of the Elizabethan Poor Laws, and subsequent legislation, which was brought to Canada by resettling Anglo-Europeans, was composed primarily of the following elements:

(i) the family was primarily responsible for the well-being of its members, (ii) if the family could not provide, the poor were the responsibility of local government; (iii) the belief that the value of any assistance, which was received by the poor, must be below any prevailing minimum wage; and, (iv) the belief that there were 'worthy' and 'unworthy' poor (Clague et al, 1984). Current reference to 'welfare bums' and the fact that present day assistance levels are kept below the minimum wage provide compelling evidence that old ideas 'die hard'.

Canada After Confederation

In Canada, a system of social welfare benefits evolved slowly and was a reflection of both historical factors and the prevailing economic, political and ideological circumstances. Guest (1985) points out that, well into the twentieth century, individuals who experienced unemployment or economic crisis in their families had two alternatives. They could seek relief from their extended family members or turn to the private market-place for employment, credit or loans. Although the British North America Act of 1867 had turned the responsibility for the indigent over to individual provinces, relief remained at the municipal level. "More often than not, the individual would be referred to some charitable agency for temporary help, as municipal departments of public assistance were the exception rather than the rule" (Guest, 1985; p. 1).

This 'residual' concept of social security, or the notion that relief was to be given to an individual only when all other avenues were exhausted, continued into the 1920's. The prevailing ideology supported and reflected the belief that the industrious individual could satisfy his or her needs through the market-place and that it was only necessary for the individual to practice the "habits of industry and thrift" (Guest, 1985; p. 3). The belief that social security programs should play a residual role complemented the prevailing laissez-faire theory of political economy; that is, "the least government is the best government" (Guest, 1985; p. 2). This classic, liberal ideology stressed the value of the personal efforts and self-reliance of the individual within a free market which operated with minimum government interference.

Although some reformers recognized that a large percentage of people were forced to live below the poverty line (not because they were slothful, but rather, as a result of the vagaries of the market economy) it took the depression of the 1930's and the advent of World War II to force a change in prevailing attitudes regarding residual poverty relief (Guest, 1985). As the depression worsened the economic situation of large numbers of individuals (through no fault of their own), the division of the poor into two categories

(i.e., the 'deserving' and the 'undeserving'), broke down (Turner and Turner, 1981).

The concept of institutional welfare developed partly as a result of the ideological transformation which followed these two major world events. The institutional approach "resulted from the growing recognition that because of the nature of social organization in an urban-industrial society, the risks to an individual's social security are part of the social cost of operating a society" (Guest, 1985; p. 2). Therefore, the social cost of progress should be borne by the collective as opposed to the individual.

The Emergence of the Canadian Welfare State

The 'welfare state' was as much a child of certain political and economic developments as it was the result of a populist notion encompassing egalitarian and humanitarian ideals. The devastation reaped on the Canadian populace by the depression of the 1930's has been both documented in official statistics and recorded in the oral histories of the period. Following on the heels of the depression, "the war precipitated a massive industrial mobilization, organized and co-ordinated by the state, which restored the validity and dynamism of world capitalism with a rapidity inconceivable at the height of the depression" (Wolfe, 1984; p. 46). The traditional view that the state should play only a limited political and economic role was replaced by a consensus that, in order to

minimize any periods of low employment and to avoid recession following the war, the state should remain actively involved in managing the economy.

Born from the consensus among labour, business and government, the 'welfare state' was theoretically justified by Keynes' macro-economic policies. Businessmen softened their laissez-faire stance when they counted the huge profits that they had accumulated as a result of the government's direct intervention during the war. Labour looked to government to guarantee the jobs and wages which had resulted from the full-scale mobilization of industries. The government, fearing the labour unrest which may have been fulminated by the increased size and strength of the labour force, "engineered a dramatic change in policy with respect to planning for post-war reconstruction and the introduction of social welfare programs" (Wolfe, 1984; p. 50).

Canada was one of the first advanced capitalist countries to employ the principles of Keynes' theory; however, "government leaders and their economic policy-advisors fashioned a unique Canadian synthesis of the more general Keynesian theory with the traditional staples approach to Canadian economic development" (Wolfe, 1984; p. 48). Traces of Keynesian theory can be detected in government budgets as early as 1938. However, by 1943, Prime Minister Mackenzie King had

employed a group of young Keynesian economists who would eventually disseminate the theory throughout the federal bureaucracy.

The depression of the 1930's had refuted the prevailing free market and price theory, and although Keynes' theory included these concepts, it also focussed on the aggregate factors of gross national product, national income, investments, government expenditures and volume of employment. Keynes contended that depression was caused by a deficient, aggregate demand; that is, the combined expenditures of government and the private sector were too small to create universal employment (Gamble and Walton, 1976).

The two crucial factors in Keynes' equation for economic growth were consumer spending and investment. Consumer spending would, quite simply, increase as incomes increased. However, if doubtful investors failed to invest, economic growth would either slow or not occur at all. When economic growth slowed, an injection of capital would stimulate investment and production, which would ultimately provide more employment; as a consequence, national incomes would rise.

Eckstein (1965) explains the effects that government spending has on national incomes in very simple terms. Any increase in government spending will raise the gross national product

by an amount determined by the 'multiplier effect'. If the government spends one extra dollar by purchasing goods or services, the dollar is received by households as income in the form of wages, rents or interest; by the businessman in the form of profits; and, a portion is returned to government as taxes. However, each party, while retaining some portion of their share of the dollar, will put the balance back into circulation and another spending cycle will begin. To use Eckstein's example, assume that households/individuals receive sixty cents of the original dollar while government and business receive forty cents. The households spend ninety cents of each additional dollar while business and government spend none of their extra income. Consumers will spend fifty-four cents out of the first sixty cents they receive. Provided that the fifty four cents is divided in the same manner as the original dollar, the second round of spending will yield households an additional thirty-two cents. If the spending cycle continues in the same pattern, the original dollar spent by government on goods and services will increase the gross national product by \$2.18 (Eckstein, 1965; p. 86).

Likewise, Eckstein points out, any increase in taxes reduces the gross national product by the size of the 'multiplier effect'. However, using the same example, the gross national product is reduced by only \$1.18. This is because, although

spending on the first round was reduced by taxation in the same proportion as spending on the first round was increased by the government purchasing one dollar of goods and services, "the initial round of tax payment was simply a transfer of purchasing power, which does not count as gross national product" (Echstein, 1965; p. 87).

Since investment is crucial to the investment-spending-investment cycle, Keynes proposed that the state should assume the responsibility for reviving interest in investment during the critical times when investors were holding back their money. Keynes suggested that, in order to fill the demand for investment capital, the government should undertake projects by borrowing money from the banks, which would be repaid at a later date with tax money. In addition, Keynes' theory not only justified higher wages for workers on the basis that such wages sustained levels of aggregate demand, it also "legitimated higher levels of spending on social insurance, not as charity, but as automatic stabilizers built into the economy, which would buoy up aggregate demand in periods of cyclical downturn" (Wolfe, 1984; p. 48). Therefore, the 'welfare state' was, in part, a concrete and logical extension of the Keynesian model.

The post-war reconstruction plans of the King administration were outlined in the Throne Speech in 1944. It was declared that "the primary object of post-war domestic policy would be

social security and human welfare" (Wolfe, 1984; p. 54).

According to Wolfe:

"The government committed itself to aim for the establishment of a national minimum of social security with regard to such matters as employment, nutrition, housing, and protection from unemployment, the effects of accident, ill health, and old age. In sum, the speech was far-reaching and innovative in the degree of government involvement it promised in order to ease the transition from wartime to peace, to guarantee full employment in the post-war economy, and to provide a national minimum of social security for all Canadians" (Wolfe, 1984; p. 54).

Post-war reconstruction planning continued and, in 1945, the government issued the White Paper on Employment and Income. The White Paper was the first public document to record the government's adoption of the Keynesian principles "of counter-cyclical fiscal policy and the idea that it should construct its budgets with an aim to safeguarding the economy against recurrent inflation and deflation" (Wolfe, 1984; p. 54). However, it also stressed Canada's reliance on maintaining high levels of exports in order to ensure full employment and economic growth. Keynesian economic policies continued in favour until 1975 and, during this time, a 'welfare state' based on the original post-war reconstruction plans, continued to endure and to expand.

The Nature and Functions of the Welfare State

Accounts of the nature and functions of the modern welfare state have been offered by writers whose views reflect

different ideological perspectives. Drover and Woodsworth (1978) refer to these different accounts and ideological perspectives as "welfare paradigms".¹ For example, a popular and (perhaps dominant) view of social welfare considers it to be an humanitarian attempt to improve the quality of life in a society. This quest is based on a number of values including, "concern for the individual, faith in man, faith in democracy, equality and equity, and social justice in the community" (Armitage, 1975; p. 1). Several ideologies underpin the work of contributors to this 'benign' view of social welfare and, in turn, these ideologies are reflected in the attendant theories of social welfare.

On the other hand, the benign view is criticized by neo-Marxist theorists who contend that social welfare systems serve to legitimize the capitalist state and capitalist system as well as serving a "social control" function (see, e.g., Gough, 1979). A welfare state is necessary in order to compensate for the blatant inequalities which are spawned by the capitalist system (O'Connor, 1973).

The first "welfare paradigm" to be examined has been variously labelled: "rugged individualism" (Djao, 1983), "anti-collectivist" (George and Wilding, 1976) or "welfare economics" (Drover and Woodsworth, 1978). This perspective focusses on individual initiative and drive, operating within a competitive private enterprise system. It clearly reflects

its origins in classic liberalism since the individual is deemed to be pre-eminent. Competition among individuals is viewed as a means of creating happiness, and unfettered exchange within the market place is considered the best vehicle for ensuring the maximization of welfare. Consequently, social welfare does not fall under the purview of the state. In fact, the role of the state is that of "rule-maker and umpire, defining and enforcing private property rights, providing a stable monetary framework, preventing the formation of monopolies, and providing the necessary goods and services that cannot be consumed individually, but which necessarily benefit all members of society (i.e. defense and national Security)" (Djao, 1983; p. 38).

A second welfare paradigm has also been variously labelled as "modified individualism" (Djao, 1983), "reluctant collectivism" (George and Wilding, 1976) or "liberal welfarism" (Drover and Woodsworth, 1978). While this paradigm upholds the central tenets of individualism, liberty, and competitive capitalism, the perspective includes a concern for the undesirable effects of capitalism on the individual. Beveridge, in Great Britain, and Marsh in Canada, epitomized this perspective with their concern that individuals be free from want, disease, ignorance, squalor and idleness. It is recognized that capitalism creates and

perpetuates inequality and the role of the government is to regulate capitalism and provide a safety net for individuals affected by the cyclical vagaries of the economic system.

Within this paradigm, the "technological determinism" or "modernization" theory provides an explanation for the growth of the welfare state. The theory suggests that industrialization is a natural process in the development of the human race (Djao, 1983). As a natural by-product of industrialization, social welfare serves to ameliorate the effects of industrialization and urbanization on the individual. Although the rate and pace of industrialization may be different in various societies, the development of social welfare policy will parallel the growth of industrialization.

Finally, a third, major welfare paradigm that bears examination is that of social democracy. The extension and growth of social welfare programs is seen as paralleling the extension of "civil", "political" and "social" citizenship among members of a society (Rochefort, 1981; p. 572). Civil citizenship, the most elemental form, includes "the basic rights of individual freedom, such as freedom of speech and religion, the right to own property and to receive equal justice" (Rochefort, 1981; p. 572). This developed during the 18th century. "Political" citizenship developed during the 19th century with the beginning of what later became

universal enfranchisement. T.H. Marshall, a proponent of this particular perspective, suggested that the concept of citizenship finally expanded to include the "right to share to the full in the social heritage and to live the life of a civilized being according to the standards prevailing in society" (Rochefort, 1981; p. 572). As the concept of citizenship progresses through its various stages, the concept of social welfare expands and becomes more liberal and less stigmatizing. Although not explicitly stated, it would appear that at each stage in the development of citizenship, the role of the state would expand and its functions would be modified.

Titmuss championed the social democratic position. He suggested that the "possessive individualism of market capital" is unacceptable in the social welfare field (Titmuss, 1977). Altruism, on the part of each individual in a society, would promote the individual's sense of worth and promote the feeling of community, thereby reducing alienation. Within social democracy, the state plays a major role in redistributing benefits, regulating the economy and providing cohesion for a society fractured by capitalism.

One of the most powerful critiques of the welfare state to emerge recently has been that offered by neo-Marxists theorists. This position has been epitomized by the work of

Ian Gough (1979). In Gough's view, the welfare state is a contradictory phenomenon that satisfies the imperatives to which the state is obliged to respond as a consequence of its place in the structure of capitalism. While conventional views of the welfare state highlight the humanistic and civilizing aspects, for neo-Marxists there is another, somewhat darker, side to the coin. Since the capitalist state is required to simultaneously maintain order, legitimize both itself and the capitalist economic system, and establish the conditions necessary for capital accumulation (potentially contradictory tasks), the state employs all means available to achieve its structurally determined goals. In this regard, the public welfare component of the state's infrastructure is exceptionally useful since it can simultaneously satisfy all three goals.

The Crisis of the Welfare State

In the 1970's, a series of world events converged and manifested themselves as a global recession. Mishra (1984) has enumerated the signs of trouble which were apparent throughout the welfare states of Western industrialized countries: (i) high unemployment coupled with inflation; (ii) the end of economic growth; (iii) a fiscal crisis of the state; (iv) a reduction in the resources allocated to social services; and, (v) a general feeling of dissatisfaction with the government.

Although Canada, for example, had experienced some slow growth or recessionary periods since the war, the deep troughs and spiralling highs of the "boom-bust" cycles of capitalism had been somewhat smoothed through the application of Keynesian counter-cyclical fiscal policies. Keynes' theory, which he had advocated be used only during difficult economic times, had been applied whenever the slightest threat to the economy had arisen. However, in the mid-1970's, a set of economic and social factors converged to create a situation which, according to economic theorists, was highly unlikely: simultaneous high levels of unemployment and inflation (i.e., 'stagflation').

In Great Britain, the United States, and Canada, the strategy for coping with a growing budget deficit involved severe reductions in government spending fortified by the emergence of a neo-conservative ideology. Unfortunately, the need to reduce government spending coincided with other factors such as severe unemployment (which conceivably had been engineered as a strategy for coping with inflation). In these countries, the government faced pressure from various sources: (i) the demands to reduce government expenditures to control debt in order to deal with the fiscal crisis; and, (ii) an increased demand for public services, especially direct transfer payments such as unemployment insurance and welfare. Additionally, there was a demand, not only for

traditional services, but also for more recently developed programs which also consumed resources; for example, human rights, legal aid, ombudsmen, and services to various ethnic groups. The government was also faced with the task of revitalizing the economy. These multiple demands were met, in part, by adopting a combination of monetarism and supply-side economic policies.

The general principle of monetarism is that inflation is linked to the rate at which the supply of money grows. Specifically, if a state bank increases the money supply in excess of the growth of the output of goods and services, prices will increase. However, if the money supply is kept below the value of goods and service output, prices will decline. Therefore, stability in the economy flows from pegging the money supply to the value of the output of goods and services.

While inflation holds the center stage, monetarists consider unemployment to be a market problem. As unemployment increases, workers will accept employment that pays lower wages and, in any event, there exists a 'natural' level of unemployment. Massive unemployment must be tolerated in order to control inflation and the implementation of unemployment insurance programs and minimum wage legislation interferes with the market forces (Crane, 1981). According to the theory, if the market is 'free', (i.e., constrained

only by minimal legislation), it will control and balance itself over the long term. In this regard, contemporary monetarists echo the suggestions made by Adam Smith in the 1800's.

From the late 1940's, until the demise of Keynesian policies in the mid-1970's, the Canadian government had, from time to time and on a limited basis, implemented certain principles of monetarism. For example, from the late 1940's onwards, developments in the Canadian economy reflected the country's dependence on maintaining its pre-war level of exports in order to sustain continued growth. By the 1950's, Canada was exporting 20 percent more of its total resources to the United States. At the same time, "the rising level of exports was accompanied by a large amount of United States direct investment in the Canadian economy" (Wolfe, 1984; p. 60). The United States investment was accompanied by a high volume of imports, and the combination of United States investment and imports, created a inflationary cycle. In 1954, fearing an economic downturn but reluctant to apply Keynesian principles for fear of increasing the rate of inflation, the government began to "place a greater reliance on monetary policy as a supplementary instrument of stabilization" (Wolfe, 1984; p. 61).

The Governor of the Bank of Canada blamed inflation on the

large amount of American investment dollars which were flowing into Canada. Consequently, he began to curb the money supply to restrict the amount of money available. "The success of this policy produced a decline in the rate of inflation by 1957; however, it coincided with a fall in the rate of investment, which signalled the onset of the first major post-war recession" (Wolfe, 1984; p. 61). The recession ended in 1963 and by the mid-1960's, Liberal government policy-makers once again adopted more expansionary economic policies and turned their attention to achieving the goal of full-employment. Although, previously, there had been several such attempts to curb the money supply, in 1975, the government officially adopted monetarism as the primary economic strategy. This event signalled the end of the Keynesian era (Wolfe, 1984). The monetarists, who had been waging war against Keynesian economic policies since the mid-1960's, finally moved to the forefront of economic policy making.

By adopting monetarist economic policies, Canada was following the lead of governments in other parts of the world. Although Thatcher, in the United Kingdom, has consistently favoured monetarism since her election in the 1970's, at the beginning of his term, Reagan implemented economic policies which reflected a mixture of supply-side and monetarist principles. Supply-side economics originated in the 19th century with the French economist Jean Baptiste

Say. He contended that "there can never be a shortage of purchasing power in the economy, because supply creates its own demand" (Crane, 1981; p. 3). Keynes had rejected "Say's Law" because he foresaw that both productivity and unemployment could stabilize at very low levels. Supply-siders suggest that economic recovery will flow from: (i) reducing personal and business taxes in order to stimulate savings and investment; and, (ii) government de-regulation, which will promote entrepreneurial activity. Any deficit which is initially incurred through reducing personal and business taxes will be compensated for by the speed with which new economic development will occur.

Although both monetarists and supply-siders suggest that their theories hold the key to promoting economic growth, they employ some methods which are diametrically opposed. By tightly controlling the supply of money, the monetarists deliberately attempt to produce a slow, but sustained, growth over the long-term. While income is redistributed upward to those in higher-income brackets and toward capital, the efficiency of the labour market is increased through tightly controlling such direct transfer payments as Unemployment Insurance. By keeping wages down, the demand for goods is reduced and inflation is kept under control. On the other hand, the supply-siders would flood the market with goods in order to create demand which, subsequently, would encourage

investment and development.

Although Keynesians and monetarists "offer rival political-economic strategies for managing the most important contemporary economic problem - inflation", the split between them "has become a disagreement over the nature and role of the state sector and threatens the maintenance of the consensus on running the mixed economy" (Gamble and Walton, 1976; pp. 63 and 64). Keynesians are of the opinion that the government should play an interventionist role in order to control inflation and maintain full employment. However, monetarists place their faith in a free and competitive market and the emphasis on controlling the money supply. Monetarists insist that present governments have become so large that they are unwieldy and, therefore, must be 'downsized'. However, alleviating unemployment is not the responsibility of any government, no matter what its size. Economic policies remain the domain of the market place which, if left alone, will continually self-adjust.

To summarize, the adoption of a combination of monetarism and supply-side economic policies resulted in a radically different approach to the problem of 'stagflation' from that taken by Keynesians. In the monetarist's system, there is a very limited place for a social welfare system aimed at redistributing wealth to the poor, and based on concerns for the individual, equality and equity, and social justice. The

role of the state no longer encompasses the provision of 'welfare' (in the broad sense), but is restricted to controlling the money supply, balancing the budget by spending what it can raise through taxes, and reducing social expenditures.

The legitimation for the adoption of monetarism and supply-side economics was provided by a neo-conservative ideology which is often referred to as the "New Right". Conservatism as a philosophy predates liberalism and the conservative period of history was marked by the authoritarianism of the state, a concept of the 'natural order' of things, mercantilism, and a distinct and relatively inflexible class structure. This was the period when the philosophy of the pre-eminence of the individual (classical liberalism) had not yet emerged. However, as Resnick (1984; p. 6) points out, "in one of those interesting ideological reverses, neo-conservatism has come to identify itself with the values of individualism and liberty which are anything but conservative in origin". The neo-conservative ideology reflects classic liberalism, or what was identified earlier as "rugged individualism". Both classic liberalism and neo-conservatism repudiate the collective (Resnick, 1984), propound the primacy of the individual, and uphold a free market system unhampered by any interference from the state.

The neo-conservative politicians have been elected (in Great Britain, United States and Canada) by a segment of the population who have become disenchanted with huge governments which were seemingly ineffective in dealing with the critical issues of inflation and unemployment. Although politicians in, for example, the United States and British Columbia, were elected on the basis of a general dissatisfaction with the prevailing economic situation, governments were not given a specific mandate to slash social security expenditures or social services. However, once elected, such Administrations could tap into an underlying dissatisfaction with certain aspects of the welfare system, and meet with minimal resistance when reducing expenditures for certain programs (Piven and Cloward, 1982). For example, Taylor-Gooby and Dale (1985) point out that the Thatcher Administration in the United Kingdom, has enacted policies which have increased unemployment levels and, at the same time, cut programs upon which the unemployed depend. Yet election results have shown that such policies "may actually generate enthusiastic support" (Taylor-Gooby. 1985; p. 1). Closer to home, the British Columbia Social Credit government was recently re-elected in spite of its previous unprecedented assault on the social welfare system.

The Post-Crisis Period

The continuing discussion of the 'crisis' of the welfare state has hinged around the dichotomy between, on the one

hand, those supporting welfare ideals, and, on the other, the neo-conservatives. "On the one hand stands the old welfare state, with its commitment to universal and comprehensive social programs and to social rights generally ... and on the other, stands its arch enemy neo-conservatism, with its doctrine of monetarism and the gospel of free market, hell bent on demolishing the social welfare system" (Mishra, 1986; p. 1). What emerges is an "all or nothing" view of the future of the welfare state. Mishra (1986) suggests that, in the face of economic problems, the broad range of available policy options are overlooked. Mishra also suggests that, although those on the right may wish to adopt a policy of dismantling the welfare system by abolishing programs, tightening up program eligibility, withdrawing or restricting funding and reducing the public sector, successful implementation of the policy within the democratic system is another matter. For example, the susceptibility of the politician to public opinion was evidenced in 1985, when Prime Minister Mulroney proposed a de-indexing of the 'old age' pension rates. The ensuing backlash from voters was successful in convincing him to reconsider his decision to take such action.

In fact, Therborn and Roebroek (1986; p. 1) argue that, "as long as democracy prevails ... the welfare state is an irreversible major institution of advanced capitalist

countries". Data, compiled to support their argument, show that "although the average yearly growth of social security expenditure declined in almost all Western countries under review between 1975 and 1981 (16 countries were surveyed), social security expenditures continued to grow at a respectable rate" (Therborn and Roebroek, 1986; p. 327).

An examination of the data from the neo-conservative Thatcher and Reagan Administrations after 1981, indicates that under Thatcher, public expenditures on social security and personal benefits grew from 26.336 million pounds in the fiscal year 1978/79 to 28.444 million pounds in the fiscal year 1982/83. Between 1980 and 1983, the Reagan Administration increased social security programs, which provide elderly, disability and survivors' benefits, by 15 percent (in real terms). However, this Administration did slash some means-tested programs. Therborn and Roebroek (1986) do not deny that, in spite of these increases, Western countries are, for the most part, taking the same measures; namely, (i) de-indexing; (ii) implementing more stringent entitlements to income supplement programs; (iii) shifting towards privatization; and, (iv) shifting responsibility for social welfare from the state to the family. However, they suggest that, so long as the democratic framework exists, there are far too many people receiving benefits for a major dismantling of the welfare state to occur. Despite the restructuring that appears to be occurring, the 'welfare state' will endure.

Indeed, Therborn and Roebroek (1986) argue that certain socio-economic variables will propel expansion of the welfare state in certain areas. For example, as the population ages, there will be increased demands for health care. Even if the creation of the economic conditions necessary to attain full employment becomes less likely, there will be increased pressure to implement programs (other than those of an income assistance nature), in order to deal with the problem. These authors further suggest that, in some countries, the need to stimulate a move away from zero population growth will create increased pressure for additional social welfare programs. At the same time, political support will come from those in the 'aging' population, the unemployed, and others affected by various socio-economic variables. It is on the basis of this evidence and argumentation that the authors contend that the current debates on the 'crisis' of the welfare state are an "ideological fad" which cannot be taken seriously.

The Post-Welfare State

While the welfare state in Canada may have been 'downsized' through the implementation of various strategies (e.g. the privatization of certain social services), it has not been 'dismantled' to the extent which was, perhaps, envisioned by the neo-conservatives and apprehensive social workers. The welfare state was the product of both ideological and

economic developments which occurred on a grand scale. It cannot be immediately transformed or completely discarded since, while economic circumstances may change relatively rapidly, ideology is not as susceptible to rapid transformation. Rather, there is a slow evolution of thought and belief that carries the threads of old ideas into the future. An established ideology, and its material consequences (e.g. the welfare state), cannot be discarded abruptly unless they can be simultaneously replaced by something equally, or more, appealing and effective. Although the 'social safety net' may be torn in places, it cannot be completely unravelled from beneath a country's population of citizens if economic, political and social stability are to be maintained.

Whether the welfare state represents a minor triumph in the struggle for human rights for the majority of individuals, or whether the welfare state serves primarily the needs of the capitalist class, will not be argued here. The system is far from being adequate, both in the level of services it provides and the methods utilized to deliver such programs. However, through developing the welfare component of the state, policy-makers seemed to be accepting the notion (at least implicitly), that the state had an obligation to provide for those individuals who were unable to provide for themselves in the market place, or who were victims of the 'boom-bust' cycles of capitalism.

When Keynesian economic policies were abandoned in 1975, because policy-makers considered them inadequate to combat the high levels of unemployment and inflation which stemmed from the global recession, they were replaced by monetarist policies. The policy-makers anticipated a different role for the state vis-a-vis social welfare services. Responding to advocates of the old classical liberal ideology and laissez-faire market system, they began suggesting that non-productive social services could no longer be afforded (Calvert, 1984). The policy-makers "argued that these services absorbed too much of the nation's resources - both human and material - and placed an excessive tax burden on the 'productive' private sector" (Calvert, 1984; p. 11). At the same time, monetarists called for the church, the community and the family to move to provide various services which had been dismantled.

If, as some individuals argue, the welfare state may be shown to be "bankrupt in terms of (its) limitations and degradation of human dignity and potential" (Wineman, 1984; p. 25), a brief historical review has provided some evidence that, prior to the emergence of the welfare state, society was generally equally 'bankrupt' since the majority of individuals were denied social, political and civil rights. Clearly, basic problems such as poverty, were not eradicated

with the emergence and expansion of the welfare component of the state.

However, from the perspective of developing adequate levels of social welfare services in a post-industrial society, an important question must be posed. Has the recent adoption of monetarist economic policies and the accompanying ideological shift to neo-conservatism served only to expose the frailty and inadequacy of a welfare system that was more a concrete and logical extension of an economic model, than a system built on a consensus regarding the necessity for guaranteeing that certain basic social economic and political rights be maintained?

It would appear that the answer is yes. While the voting power of the middle-class may be the major reason why social welfare programs or payments to this group will, perhaps, remain intact, those groups with less 'political' power, such as the low-income or disadvantaged, may see their existing benefits eroded. In fact, whenever it appears politically expedient, it is conceivable that the social welfare bill will be increased further by expanding benefits to those classes which are more powerful at the polls, while low income or politically insignificant groups receive less, and sink even further below the poverty line.

In 1983 and again in 1986, the British Columbia government

introduced restraint budgets which were purportedly aimed at combatting the on-going recession. They proposed to implement such restraint measures as: downsizing government, wage reductions, de-regulation, employment through mega-projects, concentrating power in Victoria, downgrading education and social programs, and privatization of both social welfare and other types of services (Allen and Rosenbluth, 1986). For those involved in social service delivery the 're-privatization' of such social services as rehabilitation programs for juveniles, and adult and youth care facilities, coupled with a "reduction, weakening or elimination of a wide range of services benefitting mainly those with low incomes" (Allen and Rosenbluth, 1986; p. 126), was viewed not only as a direct attack on the social welfare component of the state but also suggested that such policies would recreate the situation that existed before the advent of the welfare state.

In addition, the government suggested that non-profit, voluntary groups, religious organizations and the family would move to provide the various services which had been erased. According to the political pundits, if these groups failed to provide the services, it was evidence that the services had not been really necessary. However, at the same time, the government significantly reduced or eliminated grants to various non-profit community groups which may have

been successfully mobilized to provide increased levels of services.

We turn now to a discussion of privatization and the alternatives available to non-profit groups which have experienced budget reductions in the face of rising demands for service.

NOTES

- 1: When it was first published in 1962, Kuhn's book, The Structure of Scientific Revolutions, created a revolution within the philosophy of science and, subsequently, it sparked a great deal of debate.

Kuhn challenged the logical empiricist view of science as an accumulation of knowledge or facts which ultimately revealed the truth. He argued that each scientist is socialized into, and works within, a particular paradigm which prescribes the conceptions of the nature of the theory to be used to guide research, the types of problems to be investigated, appropriate research methods and, perhaps, acceptable instrumentation. Kuhn suggested that while the accumulation of knowledge plays a role in the advance of science, the truly major or landmark changes come about as a result of revolutions. His model of scientific evolution may be simply represented as follows:

PARADIGM I -> NORMAL SCIENCE -> ANOMALIES
-> CRISIS -> REVOLUTION -> PARADIGM II

During the period of 'normal' science, the scientist searches for facts to match the theory which is currently embraced within the paradigm. However, anomalies may begin to appear, continue to crop up, and accumulate to a point at which they cannot be overlooked. The period of crisis begins when scientists, faced with the need to explain the anomalies, begin to reconsider the paradigm itself. Revolutions occur when the period of normal science is disrupted by the process of discarding one paradigm for another. Once the paradigm has gained ascendancy, ways are sought to expand the intellectual 'territory' of the paradigm (Kuhn, 1962).

Although Kuhn applied his analysis to the natural sciences, many psychologists, sociologists and other theorists began examining their disciplines from the Kuhnian perspective, looking for both paradigms and revolutions. They asked questions such as: is our discipline a science; how is our knowledge developed and what is it worth; are we in a pre-paradigmatic or paradigmatic state; and what are our paradigms?

Kuhn argues that, as a result of the existence of a dominant paradigm, the scientist is able to accept basic assumptions of his field without question. Although Kuhn talked only about scientific paradigms, it is possible to apply the concept of paradigms to ideology in a limited way. For example, if one accepts some particular prevailing ideology as his or her own, such as the desirability and necessity for the continued growth of the welfare state, it may be that the person is 'blind' to the limitations and contradictions that are inherent in such a system.

Chapter III

PRIVATIZATION

At the federal level, monetarism was adopted as the official economic policy in 1975 (Wolfe 1984) and, as early as 1978, there were signs that the provincial government of British Columbia was following the lead already set by policy-makers at the federal level. However, the budget brought down in 1983 by the Social Credit government articulated a plan for "restraint and recovery" which was clearly based on certain monetarist principles.

One of the primary restraint measures prescribed by the 1983 budget was 'privatization'. This was described as the means by which to effect less government and lower expenditures (Allen and Rosenbluth, 1986). As a restraint measure, privatization was considered to be a highly effective method of realizing the overall broad objectives of the government, which were to: (i) reduce the cost of government services; (ii) reduce the size of the public sector employee complement by 25 percent; and (iii) increase the effectiveness and efficiency of programs by exposing them to the competitive marketplace (Harrison and Gosse, 1986).

Very often, discussions regarding privatization are muddled by the fact that the concept of privatization is linked to the current restraint measures being undertaken at both the

provincial and federal levels of government. However, in order to evaluate the merits of privatization, it is important that these two issues not be confused (Perryman, 1984). Various authors (Kolderie, 1986, Leat, 1986) have discussed the ambiguities that often surround discussions of privatization and, in this regard, Kolderie (1986) provides a simple, but useful, series of definitions that clarify the concept.

Government can institute action, the end result of which is to provide for its citizens. On the other hand, the action taken may serve to produce the services the government has decided to provide. When a service is publicly provided, the decision whether or not to have it, as well as who should have it, is a political decision. In addition, the recipients of the service do not usually have to pay for the service directly; however, the government chooses the producer of the service. Services are privately provided when individuals or non-governmental organizations make the decision to offer the service. If an individual wishes to receive a privately provided service, he or she will both personally choose, and pay, the producer (Kolderie, 1986).

There are, of course, many variations in the way a service may be provided to, used by, and paid for by consumers. Services may be provided to some or all individuals,

financing costs may be wholly or partly borne by government, or the service may be produced by the government or by private organizations. The government may also provide regulations which are designed to guarantee, for example, minimum environmental health and safety standards. Although the government may not assume the responsibility for undertaking the day-to day tasks necessary to maintain the standards, government personnel may play a 'policing' role.

The essence of government lies in the provision function and if the provision function is privatized, "government would simply withdraw from (or reduce) its role as buyer, regulator, standard setter, or decision maker" (Kolderie, 1986; p. 288). In other words, the government abdicates any strong policy role regarding what it will provide its citizens. The privatization of the provision function can occur in several ways. For example, the government may withdraw from the provision of a service and transfer the responsibility for it onto the private sector. It may also begin charging fees for services it had previously provided free, while continuing to produce the service (e.g. health clinics staffed with government personnel and charging user fees).

Surprisingly, support for the privatization of the provision of services has come from disparate political circles. On the one hand, the monetarists claim that present governments

have become so large that they are unwieldy, and therefore, must be 'downsized'. The provision of certain services, especially those of a social service nature, place too great a demand on the state which, because of increased taxation, negatively affects the productive private marketplace. Analysts such as Milton Friedman suggest that paternalistic welfare programs weaken the family structure, reduce the incentive to work, save and innovate, reduce the accumulation of capital, and limit individual freedom (Friedman and Friedman, 1980).

At the same time, those who may be described as politically more 'left leaning' suggest that the 'welfare state' has evolved partially as a consequence of the destruction of communities (Wineman, 1984). They maintain that many programs have worked to enhance and enlarge bureaucratic structures, rather than promote and enhance the health and welfare of individuals. The extension of law and regulation are perceived to be robbing individuals, families and communities of the right "to care for themselves and for each other in ways that private communities always have" (Kolderie, 1986; p. 289).

The production of a service is merely that; producing those goods, services, equipment, facilities or labour that are prescribed by government policy. Production may be

privatized in a variety of ways. For example, the provincial government recently announced that it was open to privatizing any or all of its Crown Corporations; that is, they were all 'for sale'. In this context, privatization is the selling off of companies that were previously publicly owned, and which produced those goods and services which the government had decided to provide. The publicly owned company may be sold to a single buyer, or a consortium, or shares in the company may be placed on the market for sale to the public. In the event that those Crown Corporations which produce essential goods or services are placed in private hands, the government may choose to protect the public from future exploitation by introducing regulatory mechanisms.

The government may choose to forego producing any of the goods and services it has decided to provide by contracting-out with private producers. Generally, the debate around privatizing the production of services hinges around cost effectiveness, efficiency, the value of competition, 'creaming', and the potential for corruption. Proponents for contracting-out services argue that privately managed companies are more efficiently managed and this, coupled with competition, serves to keep organizations cost effective. On the other hand, privatization of the production of services is said to result in 'creaming', wherein, only when it is profitable to produce certain goods or services will they receive the attention of the private market. Any

'unprofitable' enterprises will be neglected.

The contracting-out for the provision of social welfare services, either from non-profit or for-profit agencies or organizations, is not a new development in the history of social service delivery. Once again, English history provides an example. Although workhouses, poor-houses and almshouses had been prevalent long before the eighteenth century, the Law of 1722 authorized overseers and church wardens to establish workhouses. These institutions were to be the sole source of poverty relief. Any individual who refused to enter the workhouse was, of course, denied any form of assistance. What was unique about this development was that the operation and maintenance of these workhouses were to be contracted-out by tender to private individuals.

The contractor would be paid for providing the services in any one of several ways that are familiar to those individuals involved in social service delivery today. He or she may have been paid on a per person basis, been given a flat sum with which to operate the house, or given a sum of money to maintain all the poor in the parish (de Schweinitz, 1943; p. 58). Of course, whatever the arrangement, it was to the contractor's advantage to keep costs down. Consequently, in the absence of regulation, the contractor was free to 'economize' on food or other essentials. As a result, the

conditions within the workhouse were often unsavory and deleterious. Apparently, it was even standard practice for the operator of the workhouse to pay some poor folk a small amount of money not to enter the workhouse (de Schweinitz, 1943).

Contracting-out is not only rooted in history, it has long been a prevalent practice in provinces such as British Columbia. In the past, many large, well known, non-profit organizations have provided the government with various social services. However, what is new to British Columbia, and other provinces, is the advent of for-profit companies prepared to deliver social welfare services. In addition, although contracting-out is not a new development, recently the government has appeared to be shifting the responsibility for both the provision and production of social services from the public to the private sector by severely cutting back or eliminating grants, or cancelling contracts to a wide variety of social welfare agencies (B.C.G.E.U., 1985).

Models of Privatization

Because the term 'privatization' is often used ambiguously, it is useful to discuss possible models of privatization, or the way the concept may be employed in practice. Utilizing the concepts of provision and production, it is possible to construct the following model.

Production 2

<u>Provision 1</u>	Government produces <u>no</u> social services	Government produces <u>some</u> social services	Government produces the complete range of services necessary to maintain acceptable social and economic standards of living for all
Government provides <u>no</u> social services	A*		
Government provides <u>some</u> social services	B	C	D
Government provides the complete range of services necessary to maintain acceptable social and economic standards of living for all	E	F	G

* Abandonment rather than privatization.

¹Provision: The government assumes responsibility for the maintenance of the health and welfare of citizens (mechanism - social policies).

²Production: The goods and services are produced by government; i.e., government employees working in government offices produce goods or services.

As the model demonstrates, there are a variety of ways in which privatization can be implemented. For example, as indicated in Cell A, the government may formulate a policy to provide no social services and, at the same time, produce none. Churches and charities step in to provide poor relief. Action of this nature may be more accurately described as abandonment, rather than privatization. As indicated in Cell D, the policy may be to provide some social services and produce a complete range of services. Government offices and employees producing the services might be subsidized by user fees or through increased taxation. It is also possible for the government to provide for a full range of services and either produce some or all of the services (Cells F and G). On the other hand, all services may be contracted-out and produced or supplied by non-profit or for-profit organizations (Cell E).

Agencies Involved in the Provision and Production of Social Services

Since the advent of the welfare state, both government agencies and the various types of non-profit and voluntary societies have played an integral part in the provision and delivery of social services (Weddell, 1986). In 1966, the Canada Assistance Plan, implemented by the federal government, provided for, among other things, "federal sharing of costs of activities and programs which foster the participation of consumers of welfare services" (Guest, 1985:

p. 159). This plan provided the monetary impetus for the provincial governments to employ non-profit agencies to delivery ancilliary services, the costs of which would subsequently be cost-shared by the federal government. Although Guest (1985) points out that most of the welfare rights groups, which sprang up in the 1960's, developed without the benefit of government assistance, it is safe to say that many non-profit societies took advantage of this funding opportunity.

Funding mechanisms have included fee-for-service contracts, purchase-of-service agreements, core funding arrangements or program grants (Langford, 1983). On the other hand, some non-profit societies have relied on corporate and private donations, the entrepreneurial efforts of volunteers and staff, or financial support from such fund-raising agencies as the United Way, to provide valuable social services without the assistance of government funds.

Beck (1970) suggested that in order to discuss and evaluate the performance of the private non-profit sector within the social service field, it was necessary to delineate the qualities and organizational structures of the agencies involved. Beck sets out a tri-partite typology of private agencies that have played key roles in the delivery of public services in the United States but which is also relevant to

an analysis of the private non-profit sector in Canada. The first type, Beck contends, is the quasi-non-governmental agency. Although incorporated as a non-profit independent society, this type of agency is "entirely or almost entirely dependent on government support for (its) existence" (Beck, 1970: p. 149). The non-profit society is governed by its Charter through a Board of Directors; however, the agency's dependence on government funds influence the actions of the governing members, the roles of the staff, and the delivery of services. While these kinds of agencies may have been established completely independent of government, they have become progressively more dependent on government funding. Alternatively, many may have been established solely at the behest of government and with government funds.

The second type of organization is the "truly voluntary agency characterized by actions taken by private citizens on their own volition, not for profit, and outside the initiative and authority of the government" (Beck, 1970: p. 149). Beck suggests that this type of agency is significantly different from the quasi-non-governmental agency by virtue of the fact that the association and the individuals involved act outside the political sphere. In other words, this type of organization may serve the "needs of individuals" while quasi-non-governmental agencies "must serve public purposes" (Beck, 1970: p. 150). The Lions Club exemplifies this particular type of organization. Utilizing

a variety of methods, the Lions Club membership raise money which is used to fund direct services by their own volunteers, is donated to other community groups, or is used to support public health facilities; for example, purchasing a kidney dialysis machine for a local hospital. The group members provide a variety of direct services to other individuals or groups, ranging from transportation and reading services for the blind to hosting special events for residents of long term care institutions.

According to Beck, the third type of agency is the non-voluntary or private service agency. A self-perpetuating Board of Trustees, with no responsibility to a membership of any kind, governs the actions of a paid professional staff. "Such organizations are legitimized in society by the social utility of their program rather than by their status as the representative organs of defined bodies of citizenry" (Beck, 1970: p. 150). Currently, Foundations and Philanthropic Trusts provide examples of this type of agency.

Finally, there is the recent emergence of the large-scale private for-profit companies and large corporations into the social service arena (Social Planning Council, 1984). Although private companies, through various types of government contracts, have always played a major role in both building railways, highways and other public utilities and,

providing direct service in areas such as refuse removal, the emergence of large private companies in the health care and social services fields is new and has generated extensive debate. "Advocates of the welfare state are inclined to agree that the caring and aiding objectives of social welfare programs are better served by public and private non-profit agencies than by profit-making organizations" (Gilbert, 1983: p. 10).

In his critique of privatization, Gilbert (1983) reiterates the moral, empirical and theoretical grounds for the basis of the arguments promulgated by advocates of the welfare state. Morally, it is considered wrong for someone to profit from a disadvantaged individual's need for vital services. Traditionally, social welfare services, especially those that focussed on children, the elderly, and the disabled, were performed by the family and "inspired by love and the sense of personal commitment that bonds family life" (Gilbert, 1983: p. 10). Historically, this state of affairs may have been true for the wealthy sector of society. However, it is highly likely that many families were too poor to provide assistance to other family members. Consequently, this particular aspect of the moral argument appears somewhat questionable.

The economic argument levied against private for-profit companies or corporations is that "competitive markets do not

work well" with social welfare types of services and that they will be "ineffective and inefficient in the social market" (Gilbert, 1983: p 11). Empirically, it is difficult to show that non-profit agencies provide better quality services than for-profit private organizations. Gilbert suggests that, because "social welfare programs often serve objectives that are impalpable and multiple" (Gilbert, 1983: p. 11), gathering empirical data to substantiate claims as to the superiority of non-profit agencies is difficult. He points out the conundrum in assessing the success of marital counselling, planned parenthood or other similiar programs, and questions whether the quality of nursing home care should be measured by the "attentiveness of staff, gracious ambience, or the nitty-gritty of how many times a week the sheets are changed" (Gilbert, 1983: p. 11).

Gilbert suggests that empirical data, with which to make informed decisions as to the effectiveness or ineffectiveness of both the for-profit private agency and the non-profit agency, are lacking. What is required is a complete comparative analysis of similiar services provided by both types of agencies. As a result of this lack of substantive information, arguments in defense of the non-profit agencies hinge on "speculative theoretical considerations" (Gilbert, 1983: p. 14).

One of the major arguments mounted in defense of the non-profit agency is that, because of their organizational structure and methods of service delivery, the non-profit organization can be more responsive to and, indeed, reflect the social service needs of the particular community in which it operates. Although the Board of Directors may be comprised of business and professional people selected because of their potential for attracting or obtaining funds, and while their "definitions of the commonweal" may not be congruent with those of the individuals who comprise the community, the governing structure and organizational features of the non-profit agency provide efficient mechanisms for ensuring that the Board of Directors is responsive to community needs. Gilbert, and other analysts (Guest, 1985) point out that as a result of the citizen participation movements which became popular in the 1960's, it is quite common for representatives of the client group to sit on governing boards. "This development has strengthened agency accountability to both the community at large and the agency's clients within the community" (Gilbert, 1983: p. 15).

In contrast, it is argued that the goal of the governing body of the for-profit organization is to maximize profits for its investors. The degree to which such an organization will be sympathetic to community needs is thought to be circumscribed by the bottom line on the profit and loss statement.

However, accountability may be increased by the direct market transaction that takes place between the buyer and seller of services, provided that the consumer purchases the service of the for-profit agency. If the purchaser of a service is not satisfied, he or she may not return.

Both for-profit and non-profit agencies may be rendered less accountable by virtue of the third-party payment structure. The consumer does not pay for the services and the purchaser does not consume the service. As a result, both types of agencies become more accountable to the purchaser of the service than to the consumer.

Another argument for the desirability of non-profit agencies, as opposed to for-profit organizations, is that the non-profit society's Constitution or Charter (as well as the government regulations pertaining to non-profit agencies), prohibits profiteering. Although surplus monies can be accrued by non-profit agencies, profits cannot be distributed to the individual members of the organization. The prohibition against distribution of profits is considered the mechanism for preventing abuses in specific instances where: (i) there are third-party payment arrangements; (ii) "the complexity and non-standardized character of services such as marital counselling, child care, and rehabilitation of the physically disabled make it difficult for consumers to

compare and judge their quality and value"; (iii) services involve coercion, (e.g., the care of children or psychiatric patients); and, (iv) because of a lack of services, the consumer has no choice (Gilbert, 1983: p. 16).

Finally, the remaining theoretical argument for the superiority of non-profit agencies over their profit-making counterparts is that their "charitable ethos is likely to exercise a positive influence on the quality of response to social welfare needs" (Gilbert, 1983: p. 17). However, non-profit agencies are, as indeed they must be, as concerned with maximizing savings and accruing profits as are profit-making organizations. Although constrained from distributing profits directly to individual members, profits may be distributed indirectly to staff and members through large salaries, extended benefits, or honorariums. It is naive to suggest that all individuals involved in non-profit organizations are impelled by a "charitable ethos" or that there is a common ethical ground.

In the final analysis, Gilbert suggests that the point is not to decide which type of agency is universally superior but, rather, to ascertain the circumstances under which one type of agency would prove to be superior over another. First, consideration should be given to the nature of the service. Standardized services, such as inoculations, x-ray services, or blood, visual and auditory tests, are amenable to

evaluation in terms of cost, efficiency and delivery. Therefore, the for-profit agency may provide the optimal vehicle for the provision of such types of services.

A second consideration is the level of competence of the client seeking service. Children, the mentally handicapped, the mentally ill, and the elderly infirm are highly vulnerable individuals who can be exploited easily. In addition, these groups often find themselves in care situations which have a coercive component. Under such circumstances, it is imperative that there be a high degree of public accountability in order to counter the potential for abuses. In fact, recent exposes of abuses occurring in the nursing home industry have provided an empirical basis for the argument against the desirability and efficacy of private for-profit companies in the health care field (Social Planning Council, 1984).

As we have seen, privatization is not a recent phenomenon, nor has discussion about its relative merits or shortcomings been absent. Weddell (1986) points out that "the clarion call for privatizing public sector services is not new"; over a decade ago, it was "suggested that the purpose and appropriate role of government is to make decisions, not do tasks required" (Weddell, 1986: p. 15). However, in the early 1980's, the discussions regarding the various forms of

privatization became a raging debate when governments, arguing that they faced severe budgetary problems, embarked upon various restraint measures consistent with a new (and more global) economic strategy (i.e., monetarism) and legitimized by a neo-conservative ideology.

Privatization in British Columbia

In 1972, the New Democratic Party was successfully elected after promising to implement extensive reforms throughout the British Columbia government (Morley et al, 1983). Although the N.D.P. planned extensive policy changes generally, and also within certain ministries, some analysts suggest that they had not formulated an overall comprehensive plan for revamping government administration (Morley et al. 1983; Clague et al, 1984).

The N.D.P. mandate for change extended to the province's social service system. There was a general consensus among both those involved in the field of social services and the consumers of such services, that the system was inadequate, inconsistent and fragmented. Although the Party had policies on specific issues such as day care, again, there was "no formal policy with respect to reorganization of services" within the social services sector (Clague et al, 1984; p. 30). In the absence of a well formulated, detailed overall plan, the more general goals of attaining decentralization, integration, and local accountability became the focus

(Clague et al, 1984).

As the N.D.P. program for reform took shape, there evolved plans to, among other things, "encourage non-statutory preventative services in non-metropolitan areas through the device of community grants" (Clague et al, 1984; p. 37). Community resources societies, which would ultimately be transformed into Community Resources Boards, would administer the grants. A full discussion of the evolution, experience and policies of the Community Resources Boards is provided elsewhere (see Clague et al, 1984) and this demonstrates that community grants were an extremely important mechanism in the overall plan of promoting decentralization and encouraging local participation. They were to provide communities with the resources which would enable them to develop new services designed to meet local needs.

In order to facilitate the use of community grants, their administration passed from the Provincial Secretary's office to the then Department of Human Resources. Prior to 1973, grants to communities for innovative, useful, or possibly experimental non-statutory social services were practically non-existent (Government of British Columbia, 1974). The 1973 Annual Report of the Department of Human Resources clearly articulated the goal of involving local communities through increasing the money flowing directly to communities.

The grants were extended to all categories of consumers; namely, families and children, "services for everyone", special needs, and seniors. They provided funds for a wide and diverse network of services such as transportation programs for both handicapped and seniors, multi-service agencies, Indian friendship centers, volunteer bureaus, anti-poverty programs, family and child support programs, youth programs, and crisis lines.

In 1975, the Social Credit Party replaced the N.D.P. and, one year later, passed legislation to dissolve the Vancouver Resource Boards (Clague et al, 1984). In the Department of Human Resources Annual Reports from 1973 to 1977, the introduction to the Community Grants Section clearly stated that the goal of the grant program was "to encourage and support community-operated voluntary social programs and services not guaranteed by statute". However, in 1978, three years after the N.D.P. had been replaced, and long before the restraint budget of 1983, the commentaries in the Annual Reports reflected a change in the policy and a movement toward a more extensive use of privatization.

At that time (1978), a Community Projects Division was formed to provide for the integration and co-ordination of community-based preventative and rehabilitative social services delivered by non-profits and volunteers to special needs groups (Government of British Columbia, 1979). The

Ministry of Human Resources Annual Report also stated that "a new policy was developed which emphasized the identification of short-term projects and longer term projects, some of which are suitable for purchase of service" (p. L61).

The following table (Table 3:1) indicates clearly how the community grants mechanism flourished under the N.D.P. reign and how it has diminished in the ensuing years. Community grants increased dramatically in 1974-75, but were slashed in 1976-77. They have been maintained at the same level to 1984-85, despite inflation.

TABLE 3:1
Community Grants

<u>Fiscal Year</u>	<u>(Current Dollars)</u>
1970-71	\$ 212,864
1971-72	242,678
1972-73	737,850
1973-74	2,871,707
1974-75	9,313,165
1975-76	8,092,303
1976-77	5,856,612
1977-78	6,129,519
1978-79	5,919,600
1979-80	6,335,730
1980-81	6,614,862
1981-82	6,628,428
1982-83	6,786,647
1983-84	6,004,385
1984-85	5,195,469

Source: Government of British Columbia, Ministry
(Department) of Human Resources Annual Reports.

Although community grants never again reached their 1975 levels, between 1978 and 1983, there were other developments in the social service field. MacDonald (1984) describes it as a period "characterized by the expansion and consolidation of services in British Columbia, delivered both at the public and private levels". For example, a family support program was introduced to provide counselling programs for families and children. The goal of the program was to reduce the numbers of children coming into the care of the Ministry. Extensive and specialized child abuse programs were introduced, and were followed by the installation of a province-wide Zenith line available for the counselling of abused children and the reporting of child abuse cases.

Following these developments, the government introduced child care workers into schools. Taking direction from teachers, these child care counsellors worked with handicapped and 'at risk' children in order to facilitate the retention of the children in a regular classroom (MacDonald, 1984). Further, as MacDonald points out, the Ministry was also "taking steps in co-operation with associations for the mentally retarded to facilitate community living placements for large numbers of young people and adults who had resided for years in government institutions" (MacDonald, 1984; p. 9).

However, as badly needed and as valuable as these various

programs were, their implementation was not contrary to the adoption, by government, of a more general policy of privatization. The programs were consistent with a policy of avoiding the more costly route of custody or institutionalization. The relationship between de-institutionalization and privatization, both part of the same economic package, has been documented by various American authors (see Lerman, 1982; Scull, 1977; Warren 1981) and there is every indication that the same holds true for Canada (Lightman, 1986).

MacDonald suggests that there are three models of privatization and that the development of privatization in British Columbia reflects aspects of each, rather than being patterned after any specific model. Firstly, the extreme concept of privatization "as applied to social services would seem to imply the abdication of government responsibility for funding and delivery of services previously located in the public sector, together with a withdrawal of governmental funding to non-profit societies and private service providers" (MacDonald, 1984; p. 9). Social services would be provided by non-profit agencies supported by voluntary contributions, and private for-profit agencies and entrepreneurs on the basis of fees. Utilizing the model of privatization which was presented earlier, government action of this nature would fall into Cell A. As was suggested, such a development is better described as abandonment rather

than privatization.

According to MacDonald's second model, the government "continues to assume major funding responsibility for social services while transferring to non-profit organizations and private service providers sufficient funds to administer and maintain services at existing levels" (p. 9). Such government action can be seen to correspond to Cells B, C, E, and F of the earlier model. The government may provide for some, or a complete range of social services, and plan for none, some, or all to be produced by government employees

The final model suggests that government may assume responsibility for only statutory services and any preventative or remedial social services are considered to be the responsibility of voluntary non-profit or entrepreneurial for-profit agencies. This development would correspond to Cell C, which indicates that the government assumes responsibility or both providing and producing some social services.

MacDonald further suggests that, in view of the cuts made to non-profit agencies during the 1983-84 fiscal year, it would appear that the government is retreating from providing government support to the non-profit social sector. He further states that "these actions seem designed either to

eliminate certain programs or re-direct non-profit societies toward alternative non-governmental sources of funding" MacDonald, 1984; p. 13). In other words, and applying the general model set out earlier, the government is not only not going to produce social services, it is not going to provide them.

The Search for Funding in the Face of Government Cutbacks

For the non-profit society, alternative funding may come from the corporate sector, individual donations or through its own entrepreneurial efforts. Entrepreneurial efforts may include, among other things, conducting bingo, hosting dances, holding raffles, selling chocolate bars or holding bake sales. While such activities usually yield a very low return for the major investment of time that is required, the extent to which such activities currently fund school programs, for example, has been recently outlined (in a newspaper article) (The Vancouver Sun, October 1986).

In his survey of British Columbia schools, Dr. Norman Robinson, a professor at Simon Fraser University, discovered that "bingo games, door-to-door chocolate bar sales, raffles, car washes and other fundraising activities are helping fund B.C.'s school system to the tune of about \$6 million a year" (The Vancouver Sun, 1986). According to educators, the fundraising activities were necessitated by the need to offset recent Ministry of Education budget cuts. The revenues

generated through fund-raising were being used for such core items as library books, computers and supplementary work books.

Although in the past, many non-profit groups have raised money through the conduct of activities such as bingo and raffles, more recently 'casino nights' have proved to be equally important. Over the past three years, the content of press releases, articles, and stories in various local newspapers would seem to indicate that a greater number of non-profit groups are using the proceeds of gambling activities to either supplement or totally comprise the core funding required to mount their various programs. For example, when a large new bingo hall opened up in Kelowna, 14 charities leased space. The fact that the owner of the hall was prepared to hold two bingos a day, seven days a week created a controversy among non-profit organizations in the area. Up until this particular bingo parlour opened, the total amount raised through bingo operations, by charities in Kelowna, was \$200,000 annually. It was prediced that, in the first year of operations, charities in this one hall alone would raise one million dollars annually (Vancouver Sun, August 3, 1985).

Earlier this year, the immediate past chairman of the Canadian National Institute for the Blind stated that, in

1985 and 1986, this organization had raised \$185,000 and \$750,000 respectively, through organized bingo games. On this basis, the C.N.I.B. spokesman suggested that perhaps the United Way should consider gambling as means of raising funds for community groups (Vancouver Sun, April 30, 1987).

In light of this information, it would seem that the non-profit sector is utilizing gaming revenues to a greater degree than has been the case in the past. It may also be the case that 'privatization' is forcing those non-profit organizations that provide social services to become involved in the gaming industry. The questions are, how many such agencies have turned to gaming and what effect has this had on the agencies? In this regard, a survey of non-profit organizations was undertaken in order to ascertain whether, at the present time, more social service groups are utilizing gambling proceeds to fund their programs than was the case three years ago, and also the effect that undertaking such activities may have had on staff or service delivery.

However, before proceeding to a review of the findings of the research, a brief discussion of gambling generally, a review of recent developments in British Columbia's gambling industry, and a discussion of how these developments have had an impact upon the non-profit sector will be provided.

Chapter IV

GAMBLING

Introduction

If, as a result of government restraint measures, the non-profit sector has recently more often turned to, or become more dependent on gambling activities to provide an alternate source of funding, it is important to know something about the phenomenon of gambling itself. It is also necessary to be familiar with the structure and organization of the gaming industry in order to appreciate how recent developments within the industry have affected the participation of non-profits, and therefore, the revenue available to them from this source. This chapter will provide a brief historical overview of gambling, examples of how specific gambling games have been used to raise funds and a discussion of the development of the gaming industry in British Columbia.

An Historical Overview

Gambling is rendered a particularly fascinating form of human behaviour by its universality and recorded presence throughout the history of mankind. Indeed, attempts to deter people from gambling by moral or legal sanctions have been largely unsuccessful. Currently, gambling may involve a variety of activities; notably, the lottery, pari-mutuel (or horse race) betting, slot machines, card games, dice games, wheel games, sports pools, numbers games, and bingo.

However, in the past, many different forms of gambling have existed.

Some writers, who have traced the history of gambling, argue that the origins of modern gambling lie in the religious rituals of primitive man (Martinez, 1983; Cohen, 1970, Greenberg, 1980; Garmon, 1966). By throwing dice, cards and lots, humans hoped to foretell the future by supernatural means. Although these activities can be considered to be the earliest games of chance, the divination was to be carried out within a religious or spiritual context. The element of chance was crucial in these early rituals "in order to render the ritual a legitimate act of divination; without the possibility of losing, winning would not make sense" (Martinez, 1983; p. 15). The shaman, or priest, of a community cast lots to ascertain the will of the gods, the guilt or innocence of a suspected criminal, and to predict the future. Although the chance inherent in the outcome of the throw was thought to be under the control of a supernatural power or god, shamans tried to influence the outcome by chanting or singing (Martinez, 1983). Presently many gamblers continue to invoke rituals and superstitions in order to influence 'lady luck'.

The early tools of divination were easily reproduced and by the time the Christian religion was established, gambling was

widespread among the 'common people'. However, the 'commoners' gambled to gain material resources rather than for "cosmic" reasons (Martinez, 1983; p. 17). Although the Christian church denounced divination through lots, cards and dice because it involved a supernatural power or false god, theologians have pointed out that The Bible does not admonish individuals to abstain from gambling. Rather, theologians assert that gambling is contrary to the biblical attitudes regarding work. According to The Bible, man must commit himself to honest wages through honest labour. It was considered morally wrong to 'get something for nothing' and to prosper from idleness (Howington, 1966). This view still prevails.

In the 18th and 19th centuries, stock exchange transactions were considered a form of gambling since many transactions were illegal and poorly regulated. Additionally, the insurance industry of today has its roots in gambling. The earliest record of marine insurance is a document dated 1613. This early insurance was not taken on by 'professional' underwriters, but by private individuals. The origins of the prestigious insurance company - Lloyd's of London - can be traced to a group of individuals who met at Lloyd's Coffee House and who did not confine themselves to gambling on the safe arrival of ships. Wagers were placed on such diverse happenings as whose wife would have the first baby, the longevity of Bonaparte, the outcome of elections or

chessgames, and (a favorite) the horse races (Ashton, 1898; Sasuly, 1982).

Various forms of gambling, then, have been present throughout the history of mankind and both moral and legal attempts to prevent gambling have been unsuccessful. Because of its universal and persistent nature, gambling has been described as an inherent aspect of the human disposition and, perhaps even a necessary part of human and cultural evolution (Cohen, 1970; Ashton, 1898). Further, Cohen (1970) suggests that Man's readiness to tolerate uncertainty (an inherent feature of a 'gamble') was a selective factor in human evolution. If this is indeed the case, and people will always seek out ways in which to gamble, any attempts to deter or prohibit gambling activities may prove unsuccessful.

The Origins of Modern Lotteries

A lottery is a method of distributing either goods or prizes among a group of people by lot or chance. The origins of the popular and widespread modern day lotteries, from which such gambling games as 'bingo', 'keno' and 'numbers' have been derived, can be traced to ancient times. The Old Testament makes reference to kings and leaders being selected, duties being assigned, lands being divided up, and property and slaves being given away on the basis of drawn lots. In the appropriately named Book of Numbers, we find that the 'Lord'

instructed Moses to take a census of the people of Israel and divide the land among them by lot:

"Notwithstanding the land shall be divided by lot: according to the names and of the tribes of their fathers they shall inherit, According to the lot shall the possession thereof be divided between many and few."
(Numbers, Ch. 26, Verses 55 and 56)

Perhaps one of the best known lotteries occurred when Roman guards threw dice for Christ's cloak. The following passage has been vividly portrayed in most of the biblical epics:

"An when they crucified him, and parted his garments, casting lots; that it might be fulfilled which was spoken by the prophet, They parted my garments among them, and upon my vesture did they cast lots."
(Matthew 27:35)

Lotteries, in particular, have been a favorite form of taxation. Throughout history, governments have attempted to use lotteries to raise money in order to fund a variety of enterprises. For example, European records reveal that as early as the 15th century, towns held lotteries to raise money to fortify defences as well as provide for the poor. La Lotto de Firenze, which was held in Florence in 1530, is thought to be the first public lottery that offered currency as a prize (Scarne, 1974). The enterprise proved so successful that the practice of holding such lotteries spread rapidly throughout Italy, as well as to France, Germany, Spain and England (Johnson, 1976).

Queen Elizabeth I approved the first English lottery in 1569 for "the purpose of repairing harbours" (Johnson, 1976; p.

640). Subsequently, both private and public lotteries proliferated in England until lotteries were finally prohibited. In an essay written in 1771, the anonymous author described the four types of lotteries which had been common until that time (Unknown Author, 1771).

First, a lottery may have been set up by an individual or Society without any authority from the government. Subscriptions to the lottery were collected, divided into prizes and disbursed by drawn lots or tickets. The second type of lottery were those that had been authorized by a Crown patent or Charter for the purposes of engaging in some public work or charity. However, by the late 18th century, this particular type of lottery had lost its popularity. Third, a lottery could be authorized by an Act of Parliament for the purposes of undertaking charitable or public works which were independent of government. For example, the proceeds of such a lottery may have been used to make interest free loans to the poor. Several of England's famous landmarks were built or acquired with the proceeds from this kind of lottery; for example, the Westminster Bridge and the British Museum in London (Johnson, 1976).

Finally, the most common type of lottery in 18th century England was the State Lottery. State lotteries differed from those lotteries which resulted from Acts of Parliament in

that the revenues from state lotteries were to be used for the express purposes of the government. King William III introduced state lotteries in 1694. Apparently, after implementing customs, excise, land and poll taxes and levying taxes on births, burials, marriages and batchelors, the King turned to lotteries in order to gather further revenue.

The conduct and outcome of the 17th and 18th century lottery schemes were rife with problems and abuses. Even the state lotteries were no exceptions. For example, once it was declared that a state lottery would be held, individuals or groups applied to the First Commissioner of the Treasury for tickets. Sales of tickets continued throughout the year preceding the draw. However, once buyers received the tickets, they often placed them in the hands of brokers who resold them. As the draw date of the lottery approached, tickets were exchanged quickly and at inflated prices. In addition, the practices of reselling tickets and placing side bets or insurance, generated income to which the State had no access. Due to allegations of abuse and fraud, together with the argument that lotteries encouraged mass gambling, the lotteries were finally prohibited in England in 1826.

Gambling in Canada

Currently, the regulation and licencing of gambling activities falls within the purview of the individual

provinces. The present situation evolved as a consequence of several changes made to the Criminal Code of Canada. In order to understand the legal framework at the federal and provincial level, it is important to understand the definition of "lottery scheme" provided in the Code (Canada Council, 1981).

The Concise Oxford Dictionary defines a lottery as "an arrangement for distributing prizes by chance among purchasers of tickets". However, according to the Code, the term "lottery scheme" encompasses all games of chance including lotteries and raffles (or any derivative thereof), wheel games, card games, and pari-mutuel betting. It specifically prohibits dice games, three card monte, punch boards and coin tables as well as such activities as bookmaking, pool selling and making or recording bets.

The pertinent part of the Code (Part V, Sections 179-192 Disorderly Houses, Gaming and Betting) has its origins in English statute law and is, therefore, a product of parliamentary rather than common law (Osborne and Campbell, 1986). Before the confederation of Canada, the Gaming Act of Great Britain banned lotteries and games of chance. After Confederation, English gaming laws were incorporated into the first Criminal Code of 1892 as a "general Act relating to lotteries and gaming" (Osborne and Campbell, 1986; p. 3). It

was illegal to keep a common gaming house, gamble in public conveyances, cheat at play or conduct lotteries (with some limited exceptions).

The revision of the Code in 1953 saw definitional, rather than substantive, changes made to the gaming sections. From the mid-1930's onward, Quebec had actively lobbied for the legalization of lotteries. Although Quebec had passed provincial legislation which would have permitted the conduct of lotteries, the province was constrained by the contents of the Code. The issue of legalizing lotteries was reviewed in 1934 and 1954, and debated throughout the 1960's.

Pro-lottery public sentiment gathered momentum during the late 1960's. In December, 1967, Ms. Mary English, a private citizen, actively lobbied for the legalization of lotteries on the basis that \$100 million was being spent annually on foreign lotteries which took the money out of the country. She presented the Justice Department with a 300,000 signature petition in favour of legalization. Later in that same month, the Commons gave a first reading to a Bill which proposed that either federal or provincial lotteries be permitted. "This provision was directed primarily at the provinces which would be able to licence religious and charitable organizations to operate lotteries" (Canada Council, 1981; p. 2). Although Quebec was in favour of the Bill, it was opposed by the Attorneys-General of Ontario and

British Columbia, as well as various protestant religious groups. As a consequence of the change of government following the 1968 election, this legislative proposal died on the order paper.

In 1969, Section 190 of the Code was amended to permit both the Government of Canada and the provinces to conduct or authorize lottery schemes. The amendments permitted charitable and religious organizations that had obtained a licence from the Lieutenant Governor in Council of a province, to conduct and manage lottery schemes provided that the proceeds generated were used for charitable or religious purposes. Subsequently, each of the provinces drafted their own regulations vis-a-vis the licencing of lotteries and gambling activities. Additionally, the governments in Quebec, Ontario, Manitoba, Saskatchewan, Alberta and British Columbia introduced the sale of lottery tickets.

In 1973, Ottawa introduced an Olympic Lottery. The proceeds of this new scheme were to be used to finance the 1976 Olympic Games. Ottawa had undertaken the lottery on the understanding that, in future, Quebec would not approach the federal government with additional requests for financial support for the games. In 1976, the federal government announced the establishment of Loto Canada, a Crown Corporation that would continue the Olympic Lottery beyond

the conclusion of the games.

It was envisioned that the largest proportion of the revenue generated by the extended lottery would be used to reduce the Montreal Olympic Games deficit and fund the 1978 Commonwealth Games (82.5 percent); 12 percent would be distributed to the provinces on the basis of ticket sales, and five percent would be retained by the federal government and used to fund sports, recreational and fitness programs. With the exception of Quebec, the provinces objected to an extension of the federal lottery on the basis that it would affect the revenues of the provincial lotteries (Canada Council, 1981).

Following a protracted dispute between the provinces and the federal government around control over lottery jurisdictions, the federal government agreed to withdraw from the lottery market on December 31, 1979. However, this agreement was not formalized until 1985. Ultimately, the provinces agreed to pay the federal government \$24 million a year (indexed), and to contribute \$100 million to the Calgary Winter Olympic Games. In addition to withdrawing its participation in the lottery ticket market, the federal government was to proclaim further amendments to the Code no later than December 5, 1985.¹

As a result of this agreement between the federal government and the provinces, the Criminal Code (Lotteries) Amendment

Act, 1985 was passed. The Code no longer makes reference to the lawfulness of lotteries conducted by the Government of Canada. "The provinces now have sole jurisdiction over lotteries and other specific gaming operations, and that jurisdiction is now much broader than the initial grant of power in 1969" (Osborne and Campbell, 1986).

Gambling in British Columbia

In British Columbia, individuals may gamble by purchasing lottery and raffle tickets, engaging in pari-mutuel betting, playing bingo or attending casinos events. During casino events, gambling is limited by provincial regulations to playing the card game blackjack, and betting on roulette wheels. However, at most casino events, wheels of chance are regularly included among the games which are available. The focus here is on lotteries, bingos and casinos.

Lotteries

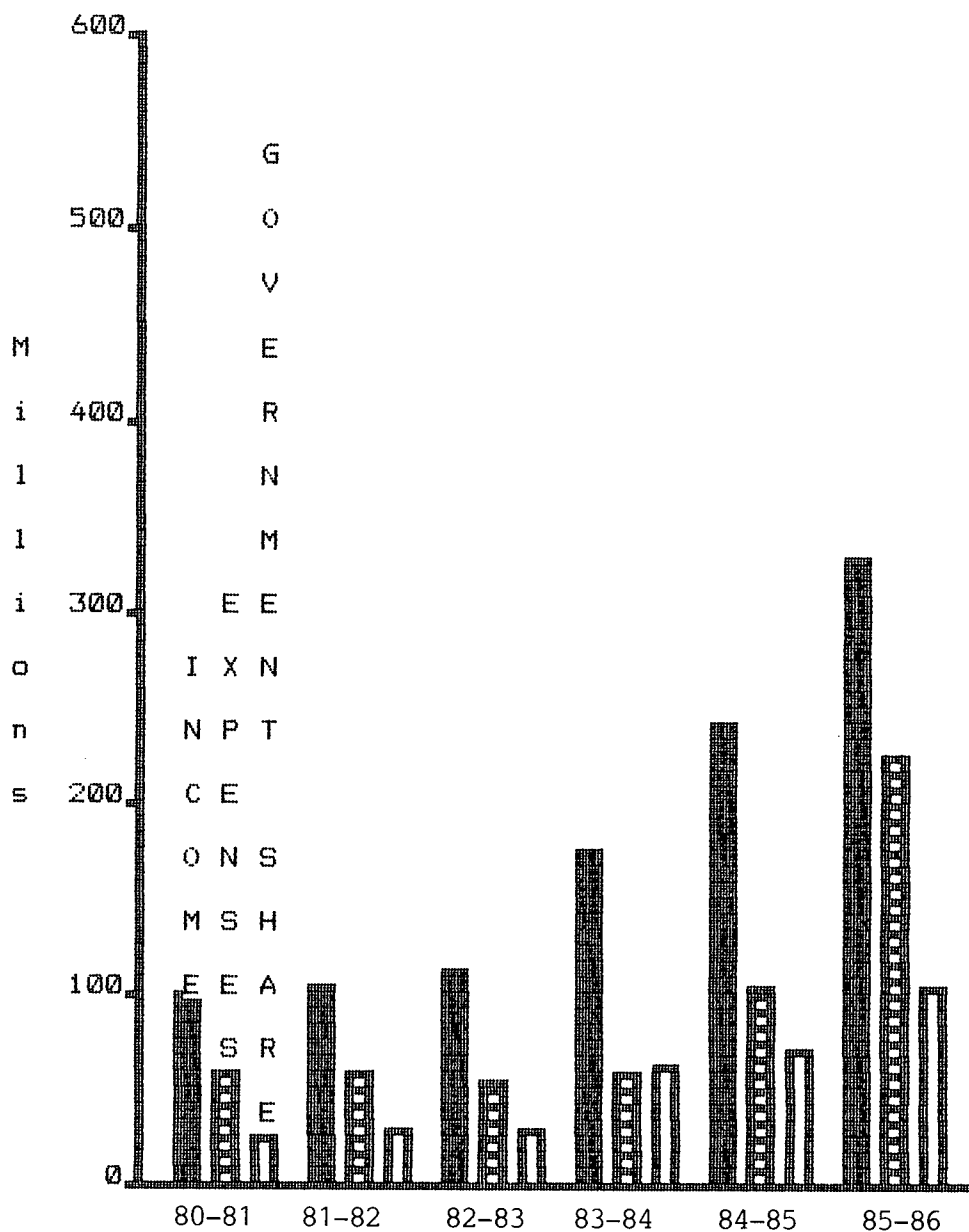
The Western Canada Lottery Foundation (W.C.L.F.) was formed in 1974 to administer the major lottery games in Manitoba, Saskatchewan, Alberta, British Columbia, the Yukon, and later, the Northwest Territories. In 1984, British Columbia withdrew from the Western Canada Lottery Foundation after the other provinces refused to agree to move the Foundation's headquarters from Winnipeg to Kamloops. The province formed the B.C. Lottery Corporation which: (i) continued to provide

the variety of games previously provided by the Western Canada Lottery Foundation; and, (ii) represented the province of British Columbia to the Inter-provincial Lottery Corporation which administers those lottery games that are available nation-wide. In spite of having to replace computer terminals (previously provided by the W.C.L.F.), rent and improve a new headquarters in Kamloops, and hire and train staff, the then Provincial Secretary predicted increased revenues to the province as a result of the new arrangement.²

By 1985, "lottery fever (was) reaching epidemic level(s) in British Columbia" (Vancouver Sun, April 15, 1985) and it was expected that revenues from lottery tickets in fiscal 1984-85 would be twice what they had been two years previously. As shown in Figure 4:1, sales for the fiscal year ended March 31, 1986 were \$330 million; an increase of 34.7 percent over the previous year (B.C. Lottery Corporation, First Annual Report 1986).

For each dollar spent on a lottery ticket, the provincial government receives approximately 34 cents. The balance of the dollar is divided (unequally) among prizes, administration, retailers, fees/bonuses and the federal government. For the fiscal year ended 1985-86, net revenues to the Province of British Columbia from the sale of lottery tickets were \$104 million, while the Government of Canada

Figure 4:1



LOTTERY TICKET SALES IN BRITISH COLUMBIA
INCOME AND EXPENDITURE COMPARISON

Source: British Columbia Lottery Corporation,
First Annual Report 1986
The Vancouver Sun (April 15, 1985)

received \$9 million (British Columbia Lottery Corporation, First Annual Report 1986).

The provincial government's share of the lottery dollar is deposited in the Lottery Fund Account. This fund was established in 1974 and it provides revenues to cultural, recreational, heritage, health and other non-profit and charitable organizations. While Ontario and the western provinces earmark lottery profits for funding these kinds of activities, organizations, and special programs, in Quebec and the Atlantic provinces, lottery revenues are absorbed into general revenues (Livernois, 1986).³

In just over a decade, lottery ticket sales have mushroomed. In fiscal 1970-71, the revenues generated from lottery ticket sales in Canada amounted to approximately \$116 million, in constant 1971 dollars. By 1979-80, ticket sales, nationally, had reached \$637 million, in constant 1971 dollars, or \$1.5 billion in 1979-80 dollars (Canada Council, 1981; p.8). In 1984-85, lotteries generated \$2.2 billion in current dollars (Livernois, 1986).

For some individuals the "controversy concerning the equity and morality of lotteries" has persisted (Canada Council, 1981; p. 8). Those in favour of lotteries argue that, because individuals will always gamble, the provision of gambling activities by government both controls illegal

gambling activities and increases revenue flowing into provincial coffers rather than to illegal, gambling syndicates. Those opposing the government's involvement in the gambling industry argue that the government is encouraging individuals to gamble to a greater degree than they normally would. This argument has become even more cogent as the marketing for lottery tickets has become more polished and pervasive.

In addition, the government is accused of "breeding false hope and complacency" (Vancouver Sun, April 26, 1985) which, in turn, reduces "the moral fibre of society" (Johnson, 1976; p. 644). However, aside from these moral arguments, lotteries are considered by some to represent a regressive (albeit voluntary) tax which is ultimately more expensive to administer than other forms of taxation (Johnson, 1976).

There is also disagreement as to whether a government-owned lottery should, in fact, be considered a form of taxation. On the one hand, if lottery tickets are considered a consumer item, they cannot be considered from a tax viewpoint. On the other hand, insofar as the profits from lottery ticket sales are returned to the state, "it is therefore appropriate to evaluate their source by the usual tax standards" (Weinstein and Deitch, 1974; p. 83). Livernois (1986) argues that, not only are lotteries a regressive tax, but also, in the western

provinces, they redistribute income from the lower economic classes to higher economic classes.

Livernois (1986) begins his argument by pointing out that the Crown, with responsibility vested in the provinces, has the monopoly on lottery ticket schemes. The lottery industry is clearly operated by a cartel which effectively prohibits any other competition in the market. The price that consumers currently pay is the difference between the ticket price and the expected value of the ticket. However, "if this good were supplied by a perfectly competitive industry, then in the long run this price would equal the minimum average cost of supplying the good" (Livernois, 1986; p. 3). Therefore, the price charged by the cartel includes a monopoly rent component. In addition, if lottery tickets were supplied from private sources, they would be subject to an ad valorem sales tax (i.e. a tax in proportion to the estimated value of goods), in all provinces except Alberta (a province that does not levy sales tax).

"The monopoly rent component of a price charged to consumers can be viewed as an implicit tax since this is the amount in excess of the competitive price that consumers are forced to pay" (Livernois, 1986; p. 5). Livernois calculated the ad valorem tax rates which are implicit in the prices of lottery tickets by taking the ratio of sales revenue to the total cost. At a competitive price, the ratio would equal unity

and the "implicit tax rate would be zero" (Livernois, 1986, p. 5). Utilizing this method, he found that in 1984-85, the implicit tax rates ranged, across the provinces, as follows: 55 percent (Quebec), 44 percent (Ontario and the Atlantic provinces), and 52 percent (western provinces). Livernois concluded that lotteries are among the goods which are most heavily taxed by the provinces.

In attempting to determine the regressivity of lottery tickets, Livernois reviewed four studies which had been conducted in the United States. In a study by Spiro (1974), a questionnaire was used to obtain data from the winners of lotteries in Pennsylvania. Although the findings indicated that "the lottery is regressive among that subset of the population that purchases lottery tickets, that subset is not necessarily representative of the population" (Livernois, 1986; p. 6). Three other studies by Brenner and Clotfelter (1975), Suits (1977) and Clotfelter (1979) surveyed the general population in various American states and found "overwhelming evidence of regressivity" (Livernois, 1986; p. 6). For example, the Brenner and Clotfelter study reported that, in Connecticut, families among the lower income groups spent .55 percent of their annual income on public lotteries while higher income families spent only .06 percent of their annual income.

In order to determine the regressivity of Canadian lotteries, Livernois conducted a survey of 545 randomly selected Edmonton households. After applying several statistical tests to his data, he found that Canadian lotteries were regressive; however, they were slightly less regressive than those in the United States. Nevertheless, "compared to other types of taxes in Canada, the implicit tax on lotteries is above average in regressivity" (Livernois, 1986; p. 9).

A slightly different perspective on the issue of regressivity is provided by Suits (1979). He maintains that the 'take-out' rate of any gambling game is related to its degree of regressivity. The take-out rate is that part of the proceeds that goes to the state, the charity or other organizer and, therefore, is not divided among the winners of the game. For example, American state lotteries have take-out rates higher than 50 percent and are considered by Suits to be highly regressive. Because the Canadian state enjoys a monopoly, it is free to set the take-out rate arbitrarily, regardless of the numbers of bettors or winners.

Livernois (1986) comments on the equally controversial issue of redistribution. While lottery revenues in Quebec and the Atlantic provinces are directed into general revenues, the lottery revenues in all other provinces are used to support cultural, recreational, sports, health and other programs. Therefore, in these provinces, "lotteries result in a direct

transfer of income from the consumers of lotteries to the consumers of the designated activities and programs which are supported by lottery profits" (Livernois, 1986; p. 9). Given that the consumers of cultural, recreational, sports and other programs are more likely to be from higher economic classes, Livernois argues that lotteries redistribute money from the lower economic groups into services that benefit those individuals in higher economic groups. Based on his findings, he recommends that ticket prices be lowered in order to reduce the implicit tax rates and that all provinces direct their lottery dollars into general revenues.

Bingos and Casinos

Since 1969, bingo sessions and casino events occurring in British Columbia have been conducted solely by non-profit, charitable or religious organizations. Both bingo and casino gaming are defined under the 'Terms and Conditions Respecting Licensing of Lottery Events in British Columbia'. Bingo is defined as "the game known as bingo" while casino gaming is defined as the "games known as blackjack and roulette and approved forms of wheels of fortune played at a function held by a licensed organization".

Bingo

Bingo was once perceived as a benign game played in church basements by housewives and grandmothers; however, it has now

become big business. As a form of gambling, bingo has often been dismissed lightly because of the perception that only small amounts of money were involved. For example, there was a ceiling on wagering in that the individuals involved spent a fixed sum of money to purchase a number of cards that would be played for the evening. There was also a limit on how many cards the individual could reasonably play. However, this view is inaccurate. It is safe to say that, presently, many individuals spend upwards of \$50 per bingo session. In addition, the increase in the number of bingo parlours has made it possible for an individual to play all day and most of the night.

In British Columbia, bingo sessions have always been conducted for the benefit of charities, and the activity has always been lucrative. In the past, there were fewer charities conducting bingo sessions than there are now. Very little competition existed between them and there was an 'easy going' relationship between the managers of the bingo sessions and the Lottery Inspectors employed by the government to enforce the provincial regulations (i.e., British Columbia Lottery Regulations (B.C. Reg. 265/78)). The Regulations were vague in some instances, but the inspectors interpreted them satisfactorily (albeit, arbitrarily) at the local level. There was, perhaps, dishonesty on the part of some individuals and the public often received less than a fair share of the gross revenues;

however, generally the charities had a source of revenue and bingo players had relatively few choices as to how and where they played the game.

In 1984, several events occurred, in quick succession, which drastically changed the foregoing situation and signalled the emergence of the so-called 'bingo industry' in British Columbia. Private entrepreneurs invaded the territory which had previously been dominated exclusively by charities. Whereas bingos had been held in church basements, small community halls or service clubs, businessmen began to build or refurbish 'bingo palaces' which could seat between 500 and 1,000 people. With the installation of the latest electronic equipment, bingo moved into the age of 'high tech' gambling.

Although these businessmen were prohibited by the prevailing Regulations from actually applying for licences or conducting the bingo sessions, they rented the new or refurbished halls to non-profit organizations. The halls were rented both afternoons and evenings, seven days a week. The rental fees ranged from \$300 for an afternoon bingo session, to between \$500 and \$850 per evening. In addition, revenues were generated by concession facilities. Businessmen estimated that their annual revenues from any one of these buildings would be, minimally, a half a million dollars (Vancouver Sun, August 3, 1985).

There were suggestions that the larger bingo parlours owned by private entrepreneurs were squeezing out the smaller, traditional bingos (Vancouver Sun, April 3, 1985). The commercial bingo halls, besides being more attractive, charged higher prices but offered larger prizes. For financial or other reasons, many of the operators of the smaller traditional bingos could not compete. Almost overnight, the face of the bingo industry changed dramatically.

In August, 1985, investigative reporters with the Vancouver Sun published articles addressing the "bingo controversy" and the so-called "bingo wars". They disclosed that some of the big commercial parlours were owned or backed by familiar political personages. It was even suggested that the then Premier of the province had a distant interest in the bingo industry in that a store owned by his family had been converted into a "bingo barn".

The non-profit organizations were divided on the significance of these new developments. Those charities that had operated the small bingos complained that they were being squeezed out. However, other charities reported that they were generating up to three times their previous revenue. Some groups, who had rented sessions in the new commercial halls but who had withdrawn, alleged that the owners of the

commercial halls were attempting to control the bingo sessions, in violation of the Lottery Regulations.

As a result of the controversy surrounding the bingo industry, the adequacy of the existing Regulations governing the obtaining of lottery licences and the conduct of the bingo sessions, was examined. In June, 1986, the newly created B.C. Public Gaming Control Branch issued new "Policy Directives Respecting the Licensing of Lottery Events in British Columbia", which superseded the Lottery Regulations (B.C. Reg. 265/78).

The new Policy Directives contained several noteworthy features which have both affected the bingo component of the gaming industry and increased the revenues flowing to the provincial government from this source. First, the eligibility requirements for those non-profit organizations that could receive licences were made more stringent. As a result of the new Policy Directives, licences to conduct bingo sessions are issued to charitable and religious organizations only if they have been both registered under the Society Act (R.S.B.C. 1979, c.239) and providing a service to the community for a period of 12 months prior to the date of application. In addition, the organization had to have a charitable object or purpose; namely, "the relief of poverty, advancement of education or religion, and for

other purposes beneficial to the community". These new eligibility requirements effectively prevented the establishment of organizations solely for the purpose of raising money through the conduct of bingo games.

Second, the new Directives stipulated that no more than 60 percent of the gross proceeds could be given away as prize payouts at any bingo event. They also indicated (as did the previous regulations) the total amount of the gross proceeds that must be retained by the organization. For example, where the aggregate value of the prize awards in a license year exceeds \$60,000, a minimum of 25 percent of gross proceeds must be given to charity. On the other hand, where the aggregate value of the prize awards in a license year does not exceed \$20,000, a minimum of 15 percent of gross proceeds must be given to charity.

Since the larger halls could seat more people, and therefore garner higher gross proceeds, their prizeboards (or 60 percent of the gross revenues) were considerably larger than those found in smaller halls. This "60 percent rule" has had a negative impact on charities holding bingo sessions in smaller halls in that they cannot offer the higher prizes that are simultaneously offered in the larger halls. Indeed, a number of smaller bingo halls, which either could not match the prizeboards of the large halls or keep step with the changing nature of the industry, have closed.

Third, in addition to the old rule that no jackpot for any single game could exceed \$1,000, the Policy Directives stipulated that there was to be a \$7,500 ceiling on the total amount of prize money given away in any one bingo session. Previously, operators could offer as many \$1,000 games in each bingo session as their gross proceeds would allow. For example, one organization offered 10 games, all paying between \$700 and \$1,000 per game, for a \$35 entrance fee. At the end of the evening, the organization had paid out approximately \$10,000, and netted \$14,000 for the charity. It was calculated that the rate of return was \$160 for each minute of work.⁴

The "\$7,500 maximum rule" has also significantly affected the rate of return to winning players. Those players who were attracted to these 'high rolling' sessions presently drive to Washington State to play in games where jackpots may reach as much as \$100,000 each.

Fourth, in order to more effectively control and regulate the bingo industry, the Policy Directives stipulated that any bingo operation with a prizeboard of over \$1,000, must use paper cards that had been purchased from the provincial government. Previously, bingo operators were able to offer either disposable paper cards or the traditional re-usable

hard cards. By implementing this stipulation (with some exceptions), the provincial government created its own monopoly in bingo paper while, at the same time, increasing the operating expenses incurred by the organizations conducting the bingo sessions. The operators no longer had the freedom to use hard cards which could be re-used, and that, therefore, reduced operating costs. In addition, the 'free market', in which the prices of bingo supplies were kept down by the forces of competition, was removed. By creating and then controlling a monopoly, the provincial government assured itself of a source of continuous revenue.

Fifth, under the new Policy Directives, the cost of the bingo licence to non-profit organizations has increased substantially. The cost was increased from one percent of the total prize money awarded in any one session, to one percent of the gross revenues generated from the session. Since the Directives also established a ceiling for the prizeboard for any session (a fixed \$7,500), the revenue from licence fees would have been limited. Therefore, the licensing fee had to change and by setting the fee at one percent of the gross revenue, the ceiling on the cost of the license to non-profit organizations has been raised considerably. Clearly, licence fees for non-profit groups, especially those with large bingo operations, are a significant source of revenue for the government.

Casinos

The "Policy Directives Respecting Licensing of Lottery Events in British Columbia" (effective June 3, 1986) apply to the licensing of casinos as well as bingos. Like bingo licences, casino licences may only be held by non-profit organizations. Each non-profit organization may apply for three licences in any year. Each licence allows the organization to operate a casino for up to three nights.

Although, at one time, non-profit organizations would host and manage their own 'casino nights', for the past several years the usual procedure has been for a non-profit agency to obtain a casino licence and then contract with a private, commercial casino operator. The commercial operators undertook responsibility for securing a location, providing the necessary gaming equipment and personnel, placing advertisements, and generally organizing and conducting the events.

In May, 1986, the Provincial Secretary announced that in order to curtail and to protect the growing gaming industry from 'organized crime', it was necessary to implement more stringent regulations. As a consequence, the following policies were adopted:

- * betting limits were dropped from \$5.00 to \$2.00;
- * the hours of operation were limited to any period

of six hours after 6:00 p.m.;

- * the policy that the casino had to be held as an adjunct to a social event would be enforced;
- * a maximum of 12 licences per week were to be allocated within the Greater Vancouver Regional District; and
- * non-profit groups were to receive 50 percent rather than 35 percent of the gross proceeds.

When the new Policy Directives were introduced, non-profit groups expressed concern that the lower betting limits and shorter hours would have a severe impact on the gross revenues generated at casino events. Although the charities were to be given 50 percent, instead of 35 percent, it was anticipated that, overall, the increase in the percentage flowing to non-profits would not compensate for the lower gross revenues which would result from the lower betting limits (Vancouver Sun, May 3, 1986).

Those individuals who were involved in the fund-raising activities of the non-profit organizations formed themselves into a coalition and proceeded to lobby policy-makers in order to have the betting limits once again raised to \$5.00. In April, 1987, the provincial government announced new casino regulations which were to be effective on May 1st. The maximum bet was once again increased to \$5.00. The charities would continue to receive 50 percent of the gross proceeds. However, at the same time, the government

increased its share of the gross proceeds from five percent to 10 percent. The government announced the formation of a Gaming Commission and charged the members with the responsibility for compiling a report on gambling in British Columbia. At the same time, a moratorium was declared on the issuance of any new casino licences until November, 1987, at which time the Commission was expected to submit its report (Vancouver Sun, April 2, 1987).

Currently, three groups are interested in effecting a 'liberalization' of the gaming regulations (Vancouver Sun, March 18, 1987). The non-profit organizations have effectively lobbied to have casino betting limits increased in order to maximize their percentage of the gross proceeds. However, because no more than 12 casino licences are granted each week in the Greater Vancouver Regional District, and those licences are distributed through a lottery, many non-profit organizations are excluded from the opportunity to raise money by holding a casino. In order to enhance tourism, the private sector are interested in seeing "world class" casinos established in resort areas such as Whistler. Finally, the government is interested in both regulating the gaming industry and increasing the revenues which flow to the province from this source.

The Government and Gambling

Throughout the recent evolution of the gaming industry in British Columbia, the government's position vis-a-vis legalized gambling has been ambiguous. On the one hand, policy-makers have made public statements to the effect that there will be no extension of legalized gambling beyond that which is provided by non-profit groups. On the other hand, the government has moved to extend the opportunities to gamble on lottery tickets and in casinos. For example, in an attempt to boost revenue, the B.C. Lottery Corporation has permitted the sale of 'pull tabs' in licenced premises and bingo parlours.⁵ In the Fall of 1986, the Attorney-General announced the government's intention to both establish casinos and introduce slot machines on two of the ferries which run between Victoria and Seattle. By early May, 1987 slot machines had been installed and were operative.

The views taken toward gambling have changed over time. Historically, gambling has been regarded as 'evil', 'sinful', and 'criminal'. More recently, excessive gambling has been labelled as a disease (Conrad, 1981; Blaszczyński, 1985; Custer, 1979; Dickerson, 1981). Generally, the activity has been (and still is) seen as an undesirable pursuit. Therefore, in order to justify any expansion in the field of legalized gambling, the government must provide a sufficiently persuasive rationale.

In the past, the arguments in favour of expanding gambling opportunities have included: taxes on gambling activities provide a significant source of revenue for the government; money from gambling activities can be diverted to highly desirable activities undertaken by cultural, recreational, educational or charitable community groups; extending opportunities to gamble legally curtails illegal gambling activity; certain gambling activities (particularly casinos) will enhance tourism; B.C. dollars will be kept in the province rather than lost to gambling establishments which are located in the United States; and, the gaming industry will provide new employment opportunities.

The government has actively pursued opportunities to increase its revenues from gambling activities by introducing more opportunities to gamble. The developments have included new lotteries, the introduction of slot machines, and plans for floating casinos. Higher revenues are also anticipated from the creation of the monopoly on bingo paper and increased licence fees. However, at the same time, the government has reduced the revenues flowing to non-profit agencies through the imposition of increased regulation of bingo and casinos.

Funding Social Services From the Proceeds of Gambling Activities

Although the foregoing discussion has been very broad-

ranging, there are several issues which deserve closer attention. While the government has continued to offer a larger variety of lottery tickets to a broader market (Canadian lottery tickets are now marketed in the United States), it has partially justified its actions on the basis that the revenues which were generated were to be used for the benefit of communities and non-profit organizations. However, an examination of the Government of British Columbia's Public Accounts for the fiscal years ended 1982 through 1985 reveals that, although revenues from the sale of lottery tickets are increasing each year and non-profit and community groups have received increased amounts through the Lottery Fund, each year a significant amount has been left in the fund (Table 4:1). If sales are being encouraged on the basis that such groups are to benefit from the proceeds of the sale of lottery tickets, should all the revenue not, in fact, be disbursed to them?

In May 1987, the government finally installed 103 slot machines on board two British Columbia Steamship vessels. Although a spokesperson for non-profit groups stated that the proceeds of the machines had been promised to charity, according to the British Columbia Steamship general manager, revenues generated by the slot machines would be used to reduce the steamship company's deficit and not be disbursed to charitable organizations (Vancouver Sun, May 6, 1987).

TABLE 4:1

Summary of Revenues, Expenditures and Lottery Fund Balances

	Fiscal Year Ended			
	1982	1983	1984	1985
Revenue from Lottery Ticket Sales	\$25,913,997	28,137,960	60,021,992	84,493,299
Lottery Fund Grants	16,132,831	28,658,227	56,761,841	49,175,942
Other Expenditures	1,461,355	1,565,627	1,729,605	3,025,350
Balance	\$29,999,659	27,913,765	29,444,311	61,736,318 *

* Balance of Lottery Fund at March 31, 1985
includes \$13,282,332 recoverable advance
to the B.C. Lottery Corporation

Source: Government of British Columbia Public Accounts,
1982-1985.

Presently, the government is moving to expand both its direct involvement in the gaming industry and increase its revenues through such indirect means as setting higher licencing fees for non-profit organizations and the creation of monopolies on such goods as bingo paper. The situation is further complicated by the interest of private entrepreneurs in the gaming industry. What effect will these encroachments upon an area previously dominated by non-profit organizations have on their ability to meet funding shortfalls through conducting gaming activities?

Gambling has always been a controversial and contentious issue, with many of the arguments based on moral sentiments. However, a recent article in the Vancouver Sun (March 26, 1987) touched on what are, perhaps, several of the paramount issues surrounding what is currently happening vis-a-vis the expansion of the gaming industry in British Columbia. The article pointed out that, to date, the government has failed to make a coherent statement regarding its policy vis-a-vis the expansion of legalized gambling. In addition, steps are being taken to expand the opportunities to gamble (e.g. through installing gambling facilities on ferries) in the absence of any public debate. Although, ultimately, citizens may choose to have expanded opportunities to gamble, it is the citizens who should choose - but only after considering all the ramifications of such a development, not only to non-profit organizations, but also to society generally.

Finally, for those non-profit organizations that have recently turned to, or that are already heavily dependent upon gaming to generate funding shortfalls, are there moral issues that should be considered? For example, lotteries and bingo have been rated as regressive (on a scale which runs from 'highly regressive' to 'progressive' (see, Suits, 1979). If a significant number of purchasers of lottery tickets or bingo players are persons on limited incomes, and non-profit

organizations are being forced to rely upon funds from these sources as a result of government funding cuts, what long-term effects will this have on non-profit agencies? Are the disadvantaged, in reality, paying for their own social welfare programs? Is 'privatization' forcing some non-profit social service groups to depend, for funding, on many of those individuals whom they serve?

In order to provide an empirical basis for a discussion of these and other issues, we turn now to the research and the findings.

NOTES

- 1: A discussion of the legality and constitutionality of this contract between the levels of government has been discussed elsewhere (see, Osborne and Campbell, 1986).
- 2: It was predicted that the new arrangement would significantly reduce British Columbia's share of the amount due to the federal government under the provincial/federal agreement over jurisdiction (Vancouver Sun, April 15, 1985).
- 3: In British Columbia, not all funds are channelled into the Lottery Fund Account for disbursement to charitable organizations. Since 1981, the entire proceeds from one particular lottery game - Lotto 6/49 (renamed B.C. Expo Lotto) - have been earmarked for eliminating the Expo '86 deficit. Lotto 6/49 has proved so popular that it has garnered a major portion of the lottery market. As Lotto 6/49 revenues increased, sales of nearly all the other lottery tickets decreased (Vancouver Sun, April 15, 1986).
- 4: The organization that conducted this particular session is a non-profit society based in New Westminster. However, many other groups conducted similar sessions in other bingo parlours. It is not known whether these other sessions have been as financially successful.
- 5: Pull tabs are a highly regressive lottery game whereby, if the individual pulls the various tabs on the card and uncovers matching symbols, he or she wins.

Chapter V

METHOD

The Research

As a result of 'privatization', many non-profit organizations have experienced a reduction in, or complete elimination of, government funding. The empirical research component of the thesis constituted an attempt to ascertain whether non-profit social service organizations have tried to counterbalance such budget deficits with funds generated by conducting gambling activities.

Given the exploratory nature of the research, specific hypotheses were not tested. Rather, the research was guided by the following questions.

1. Has there been a change in the types of non-profit agencies raising money through the conduct of gambling activities such as bingo and casinos?
2. Were more social welfare programs being funded in this manner at the end of December, 1986 than was the case in December, 1982?
3. Have the agencies who received lottery licenses in 1986 experienced reductions in funding received from government or other sources?

4. Have any funding reductions been adequately counterbalanced by revenues gained by conducting gambling activities?
6. What effect, if any, has such fund-raising efforts had on staff, and the level or type of service which the agency offers?

The Subjects

Initially, the following definitions and rationale were employed to select non-profit social welfare agencies for research purposes. Non-profit agencies included in the study would be those which were registered under the Society Act (R.S.B.C., 1979, c. 390). However, since non-profit societies may provide a variety of services or serve various functions, which may or may not be considered social welfare services, a further set of criteria for selection was employed.

Beginning in 1983, the Provincial government directly, (through fiscal restraints) or indirectly, (through manpower reductions) reduced services or discontinued programs. The following were directly affected: the Family Support Worker Program, Mental Retardation Co-ordinators, Child Abuse Assessment Teams, Transition Houses for Battered Women, Post Partem Counsellors, Child Care Workers, the Provincial In-

service Resource Team, Public Health Clinics, Legal Aid Programs, Planned Parenthood, and the Women's Health Collective. In addition, benefits available under the GAIN program were reduced and the health care budget was increased by only two percent, during a time when the inflation rate was five percent (Magnusson et al, 1984; B.C.G.E.U., 1986).

Consequently, if the non-profit sector was utilizing alternate funding to provide those services previously provided by government, there should be an increase in the number of non-profit agencies that deliver services in any of the areas outlined above. Therefore, any non-profit agency delivering services to children, youth, handicapped, seniors or low income groups were considered to be social welfare agencies for the purpose of this research.

It is worth mentioning that the B.C. Gaming Control Branch refused to participate in the project. Consequently, the following original research design had to be amended. Every non-profit agency that conducts bingos or casinos in British Columbia is required to obtain a licence from the B.C. Gaming Control Branch. The licence form contains a section which requests information regarding the charitable nature of the agency and, specifically, the types of services which are provided. By examining this section of the licence form, it would be possible to categorize agencies into different

types; i.e., sports clubs, service clubs or social service agencies.

This information would have enabled the researcher to conduct a comparative analysis of the types of agencies that utilized gambling revenues to fund their activities in both 1982 and 1986. Therefore, a letter (Appendix 1) was sent to the Director of the B.C. Gaming Control Branch to request the Branch's assistance in providing this information. However, the Branch refused to both provide the information and to allow the researcher access to the files in order to personally compile the information. As a result the following procedures were followed.

Procedures

Locating the Sample

In an attempt to locate those social service agencies that use gambling revenues to supplement their budgets, the Directories of Services for both Vancouver and Burnaby, were culled. From the description of the service provided, those agencies that offered direct services to children, youths, handicapped, seniors or low income groups were identified. Religious groups, hospitals, organizations to promote research, thrift stores, housing projects or tenants' groups, human potential development organizations, primarily social and recreational groups, arts, travel, tourism or self-help groups were not included. A card file of 225 agencies was

compiled.

Subsequently, the researcher (and an assistant) telephoned each agency. The nature of the study was explained to the Executive Director or other appropriate individual, and he or she was asked if the agency was involved in hosting bingo or casino events, whether the agency received money from the Lottery Fund, or if raffles were utilized as a means to raise funds. If the individual responded in the affirmative, he or she was asked to participate by completing a questionnaire.

Utilizing this method, 101 agencies out of 225 were identified as receiving revenues, either directly or indirectly, from various gambling activities. Because of the method employed to locate the agencies, the final sample is not comprehensive and is restricted to Vancouver and the surrounding areas. Consequently, no consideration is given to the extent to which social services in other areas of the province are involved in conducting gaming activities.

An eight page questionnaire (Appendix 2) was designed to gather information regarding: (i) the size of the agencies; (ii) their sources of funding; (iii) reductions in budgets since 1983; (iv) increases in service since 1983; (v) why the agency began raising money through hosting bingo or casino events; (vi) the persons involved in agency fund-raising; and

(vii) any effects that the holding of gaming events may have had on both the staff and the levels of services which the agency offered.

The limited time available for the completion of the research precluded any extensive pre-testing of the questionnaire. However, it was circulated among several individuals employed in managerial positions within non-profit organizations and, on the basis of their suggestions, some minor modifications to the questionnaire were made.

The questionnaire guaranteed both confidentiality and anonymity. Consequently, agency personnel who completed the questionnaire could do so without identifying either the agency or themselves. Approximately three weeks after the questionnaires were mailed, those agencies that had agreed to participate, but who had not responded, were contacted by telephone and asked whether any problems or difficulties had been encountered in their attempts to complete the questionnaire. This helped to increase the response rate.

Of the 225 agencies that were polled by telephone, the personnel in 101 agencies indicated that their agency received money directly from gaming activities, lottery funds, raffles, or indirectly, from other groups that conducted such events. Questionnaires were sent to 98 of these agencies, as personnel in three declined to participate

before seeing the questionnaire. For two of the three respondents who declined, lack of time and staff were cited as the reasons for a refusal to participate.

Table 5:1 provides a breakdown of the questionnaires that were returned. Sixty-three questionnaires were returned (64 percent response rate), and of these, 35 indicated that the agency was directly involved in conducting bingo or casino events. Five indicated that the agency received money from the conduct of raffles, the Lottery Fund or the Senior's Lottery, and six indicated that the agency had submitted an application to conduct bingo or casino events and would begin once their application had been approved.

Eight of the 63 completed questionnaires were discarded for the purposes of this study, primarily because the agencies had either received in-kind donations or the amounts involved were insignificant. Eight incompletd questionnaires were returned with explanations. Agency staff refused to complete them either because of the time required, or because they (or the agency board) were unwilling to disclose the level of information requested. One questionnaire, that indicated that the agency conducted casino events, was spoilt because it was incomplete. Of the 63 questionnaires received, only 46 were considered relevant for the purposes of this study.

TABLE 5:1

A Breakdown of Those Questionnaires That Were Returned

Number of agencies directly involved in conducting casinos or bingos	35
Number of agencies which have applied for bingo or casino licences	6
Number of agencies which raise money through raffles, or receive money from either the Senior's Lottery or Lottery Fund	5
Questionnaires discarded	8
Number of agencies which returned uncompleted questionnaires	8
Questionnaires spoilt	1

n = 63

Procedural Difficulties and Other Problems

The B.C. Gaming Control Branch's refusal to assist in the research was announced after a protracted period of time. Consequently, the alternative strategy was hastily devised and subject to extreme time constraints.

Some of the agencies found the questionnaire onerous, especially since it arrived during a period when budgeting

for the next fiscal year was a major concern. It may be that the period from January to April is not the optimum time during which to distribute questionnaires. Given that agency staff are involved in budget submissions and negotiations, it is reasonable to assume that questionnaires would have a lower priority than might otherwise be the case.

For many individuals, gambling generally remains a controversial topic. In addition, as a result of the apparent instability within the gaming industry, agency personnel may have felt the need to be guarded in their communications regarding the agency and its involvement in gambling activities. In any event, some agencies were reluctant to disclose the level of information which was requested. Possibly, it would have been helpful to undertake personal interviews in order to supplement the data gathered through questionnaires.

Chapter VI

RESULTS

The following is a compilation and analysis of the data that was gathered from those agencies which participated in the survey by completing and returning the questionnaire. Because the agencies were so diverse, it was not possible to construct a typology. However, a description of the agencies and their programs and services is provided. The extent to which the non-profit social service organizations in the sample are involved in gaming, and the reasons they became involved, are examined. A discussion of the extent to which an involvement in gaming has had an impact upon both the agencies and their staff follows.

The Agencies

The completed questionnaires from 46 agencies indicate that the non-profit sector is diverse. As shown in Table 6:1, thirty-five agencies provided between four and six services or programs, and served a variety of client populations. This would seem to indicate that agencies were not 'specializing'. This development may result from either agency personnel attempting to meet perceived community needs or the availability of funding for specific programs. The multi-target group agencies deliver a wide variety of programs. For example, one agency provided counselling for families or individuals; a crisis line and suicide follow-up

services to the general population; meals-on-wheels to seniors and shut-ins; a therapeutic work program for the psychiatrically disabled; a volunteer bureau serving the general population and other agencies; and, food aid for the low-income.

Although four agencies began operating in the 1930's or before, as Table 6:2 indicates, only one agency began operating after 1984. While eleven agencies were established between 1961 and 1971, only seven began during the 1972-75 period, when the N.D.P. formed the government. The fact that only one agency has been established since 1983 would seem to suggest that the establishment of agencies which are semi-independent of government has been curtailed by the restraint measures of 1983.

However, there may have been an increase in the number of non-profit societies established solely to provide services under purchase-of-service contracts. For example, if an agency was established primarily to bid on a government purchase-of-service contract and was subsequently successful in its bid, it is likely that such an agency would have no need to fund-raise. Consequently, such agencies would not appear in the sample.

TABLE 6:1

The Groups Which Received Services and the Number of Programs or Services Provided by Agencies

	Target Groups										Multi-Target Groups
	Women	Youth Children	Elderly	Mentally Handic.	Physical. Disabled	Psychiat. Disabled Adults	Chem. Dep. Adults	Native/Ethnic	Learning Disabled	Family	
Number of programs/ services provided by agency											
1 - 3	1	5		1		1	2			1	1
4 - 6	1	2	1	2	3	2		1	1		2
7 - 9		1									5
10 - 12					1						2
13 - 15											1
Over 15			2	1	1			1			5

TABLE 6:2

The Years in Which the Agencies Were Established

Pre 1950	6
1951 - 1960	6
1961 - 1971	11
1972 - 1975	7
1976 - 1980	11
1981 - 1983	4
1984	1
1985	0
1986	0

n = 46

As the data in Table 6:3 indicate, the agencies varied in size from the very small, with no full-time staff, to the very large, with between 100 and 199 full-time staff. Of the 44 agencies that provided information regarding the numbers of full-time, part-time or volunteer staff, the largest group of agencies (20) employed between one and nine full-time staff. Eight agencies employed between 10 and 19 full-time staff, ten employed between 20 and 34 full-time staff, and two employed between 35 and 49 full-time staff. Three agencies employed between 100 and 299 full-time staff.

TABLE 6:3

Numbers of Full-Time, Part-Time and Voluntary Personnel
Employed by Agencies

Number of Staff	Full Time	Part Time	Volunteer
0	2	8	4
1 - 9	20	25	6
10 - 19	8	3	9
20 - 34	10	6	4
35 - 49	2		3
50 - 74		2	4
75 - 99			4
100 - 299	3	1	6
500			1
1000			1
Varies			1

n = 46

Multiple responses permitted

Forty-one agencies reported serving approximately 349,440 individuals during their last accounting year. The combined budgets for all the 46 agencies during the fiscal year 1985-86, or the calendar year 1986, totalled \$36,941,199. Twenty-seven of the 46 agencies had budgets under \$449,000 while 19 had budgets over \$500,000 (Table 6:4).

TABLE 6:4
The Size of Agency Budgets

Under \$100,000	6
100,000 - 199,999	7
200,000 - 299,999	7
300,000 - 399,999	5
400,000 - 499,999	2
500,000 - 599,999	0
600,000 - 699,999	4
700,000 - 799,999	0
800,000 - 899,999	0
900,000 - 999,999	1
1 Million - 1.5 Million	6
1.6 Million - 2 Million	4
Over 2 Million	4

n = 46

Of the 46 agencies, only 12 received 70 percent or more of their income from one source and only 25 agencies received over 51 percent of their budget from one source (Table 6:5). Twenty-one agencies were involved in purchase-of-service contracts and 19 received provincial government core funding. When an agency has a variety of funding sources, there is of course, less reliance on any one source. However, it may require more staff time to cultivate and maintain those sources.

TABLE 6:5

Sources of Agency Funding

Source	Percent of Budget										
	Under 1	1-10	11-20	21-30	31-40	41-50	51-60	61-70	71-80	81-90	91-100
Prov. gov. purch. of services		5	4		1	2	1	2	2	1	3
Prov. gov. core funding	1	6	2	2		2	2	1		1	2
Federal gov. purch. of services	1	8	3		2	1					
Federal gov. core fund.	1	2	2				1	1	1		
Municipal grants	3	16	3	3	1			1			
Philanthropic trusts	3	8	1	1							
Client fees	3	17	4	3				1			
Casino or bingo	9	15	6	3				1			1
Lottery fund	1	3									
Senior's lottery	4										
Raffles	4	4		1							
Donations from indiv. or businesses	16	19	3	1		1				1	
Service clubs	14	3	1		1						
Agency generated - rents, membersh. etc.	6	4	2	1		2					
Income from other agencies or organizations	3	6	4		1						
Miscellaneous - interest income, etc.	3	8	1								
United way		8	4	6							
Fed. government employment programs	1	3	1		1		1				
Other fund raising	1	10	3	3				1			
In kind donations		1									

n = 46

Multiple responses permitted

Gaming and the Non-profit Sector

Thirty-five agencies reported being directly involved in either conducting bingos or casinos, or both. In addition, some of these agencies hold raffles to raise money, or sell provincial government lottery tickets (for which they receive a commission of five cents on the dollar). Although raffles have long been a source of revenue, 18 agencies began conducting casinos from 1983 onwards (Table 6:6). During that same period, 24 agencies also became involved in conducting bingos.

TABLE 6:6

The Years in Which Agencies Began Conducting Gambling Events
in Order to Raise Money

	Casino	Bingo	Raffles	Sale of Lottery Tickets
Pre 1960			4	
1961 - 1965				
1966 - 1970		1		
1971 - 1975			5	2
1976 - 1980	3	2	3	3
1981		1		
1982	2		1	1
1983		4	2	3
1984	2	3	2	
1985	7	10	1	
1986	9	7		

n = 35

Multiple responses permitted

Agencies that began conducting casino and/or bingo events in 1982 or before, reported that they had done so because they:

(i) wished to broaden their funding base; (ii) could not obtain funding from any other source, (iii) wished to augment current funding; or, (iv) wished to become more self-supporting (Table 6:7).

While those agencies that began conducting casino and/or bingo events during 1983 and after cited some of these same reasons, none began operations in order to broaden their funding base (Table 6:7). Rather, they reported that: (i) they had lost all or part of their provincial or private funding; (ii) they had identified the need for new services but had been refused government funding; or, (iii) the agencies' core funding had not increased to keep up with inflation.

The 35 agencies directly involved in conducting bingo and casino events garnered anywhere from below one percent to as much as 92 percent of their total annual budget for fiscal year 1985-86 (or calendar year 1986) from this source. When asked what effect losing this source of revenue would have on the agency, only four of the 31 agencies that responded, indicated that such a development would have no significant impact on the agency. The bingo and casino events conducted by these agencies contributed less than one percent to their total budgets.

TABLE 6:7

The Reasons Why Agencies Began Conducting Casino or Bingo Activities

	To broaden funding base	Agency could not obtain funding from any other source	Agency lost part or all of its provincial funding	Agency lost part or all of its private funding	Agency retained levels of govt. funding but wished to augment funds	Agency designed new program(s), but was refused government funding	Agency core funding not increasing commensurate with increases in inflation	Agency wished to become more self- supporting
Those who began during 1982, or before	1	1			4			1
Those who began during 1983, or after		13	9	2	9	11	8	2

n = 35

Multiple responses permitted

However, for those agencies whose gaming activities generated over one percent of their total annual budget, such revenues were considered vital. Agency personnel expressed their perceptions of the impact that losing such revenues would have on the agency. The respondents used words such as 'problematic', 'disastrous' and 'hardship' to describe the effect that losing gaming revenues would have on the agency. From this information, it is apparent that, even in cases where revenues from gaming may have been small, the extra funds were critical, and could make the difference between the agency continuing to operate or being forced to close.

For example, an agency which generated 2.3 percent of its revenues from gaming events described the effects of losing such gaming revenues as "catastrophic - resulting in severe cutbacks in service delivery". Two agencies, which generated 17 and 92 percent of their revenues through gaming, responded that they would close if they lost these funds. Table 6:8 indicates how agency personnel perceived the effect of losing gaming revenues.

TABLE 6:8

How Agency Staff Perceive the Effect of Losing
Gaming Revenues

No significant impact on agency	4
Would force agency to develop other methods of raising funds	2
A reduction in 'extra' money	2
A reduction in core funding	1
A reduction in staff	3
A reduction in services/programs	5
A reduction in both staff and programs	4
Hardship, disastrous, problematic	8
Agency would close	2
No response	4

n = 35

The questionnaire sought to determine what effect the loss of gaming revenues would have on the agencies, and the respondents provided subjective answers which may have been influenced by a number of variables. For example, the personnel of an agency which has a diversified source of funds may feel less dependent on any one source. There is the likelihood that a loss of revenue from one source may be counterbalanced by increases in another. The longer an agency has been involved in fund-raising of a particular type, the more the agency is likely to be dependent upon that

source. As the revenues become more predictable year after year, there is a likelihood that they will become an integral part of the agency budget.

Agency personnel, who have already trimmed all excess expenditures from the budget, realize that there are no other economizing measures which can taken. In this instance, all funds become crucial to the operation of the agency. In addition, agency personnel who have investigated all other sources of funds unsuccessfully will, perhaps, perceive gaming as the only means left to provide for agency operations. In addition, certain social services may fall victim to shifting political winds. For example, special interest groups, economic variables or press coverage of a particular problem may result in some services being favoured (and funded) over another, at any particular time. At the present time, personnel of agencies which do not provide services that are amenable to government purchase-of-service contracts may feel more urgent about cultivating and maintaining alternative sources of funding.

Six agencies have applied for either bingo or casino licenses, or both, and plan to commence conducting such activities sometime in 1987. Three of the agencies reported that, although they had not experienced budget cuts, government funding had not kept pace with inflation. It was

hoped that fund-raising, through gaming, would allow the agency to subsidize current programs in order to maintain existing levels of service. One agency had lost part of its provincial funding and hoped to make up the shortfall in order to retain one half-time staff person. This same agency has needed an additional full-time worker for three years.

The two remaining agencies were planning to fund-raise only to augment current funding. A successful outcome was not considered crucial to maintaining levels of staff or services.

Having described the agencies and their involvement in gambling, we turn now to an analysis of their responses to the issues of funding levels, service delivery and the effects of fund-raising.

Levels of Funding

Of the 44 agencies that provided information regarding reductions in funding which have occurred since 1983, 23 reported having experienced reductions from either their government or private funding sources. Fourteen agencies reported that they had experienced a partial decrease in provincial or federal funding since 1983. Of the 14, nine agencies, which delivered services to Native Indians, the elderly, psychiatric clients, the physically or developmentally disabled, children and the general

population, had their budgets reduced by as little as seven and as much as 70 percent.

However, multi-service agencies were particularly hard hit. Five multi-service agencies lost between five and 49 percent of their provincial funding. In addition to the 14 agencies reporting a partial decrease in provincial or federal funding, four agencies, which delivered services to Native Indians, the elderly, and the general population, reported losing 100 percent of their provincial funding. In addition, five agencies reported experiencing a reduction in funds received from various other non-governmental sources.

Of the 44 agencies providing information regarding decreases in levels of funding since 1983, 21 reported that there had been no decrease. As the data in Table 6:9 indicate, six out of the 21 received no government funding. While one other agency received no government funding, personnel reported that agency income was not keeping pace with inflation. Of the nine agencies that received core funding grants from the provincial or federal governments, four reported that, although there had been no decrease in levels of funding since 1983, there had been no increase commensurate with rates of inflation or demand for services. Six of the agencies that reported no decrease received purchase-of-service contracts. Given such an arrangement, it is assumed

that, as service levels increased, agency income would also increase proportionately.

TABLE 6:9

The Funding Arrangements of Those Agencies Reporting No
Decreases in Funding since 1983

Agencies that received no provincial or federal government funds	6
Agencies that received provincial or federal core funding	9 *
Agencies fulfilling purchase-of-service contracts	6

n = 21

* 4 agencies reported that, while there was no decrease, funding was not keeping pace with inflation or demand for services.

Levels of Service Delivery

Agency personnel reported that there had been an increase in demand for service since 1983, and 41 out of 46 agencies were providing increased levels of service. These agencies indicated that levels of service had increased anywhere from five percent to 230 percent. In some instances, agencies accomplished the task of providing higher levels of service through the more efficient use of volunteers, by giving

clients less time, or re-distributing the agency resources; for example, curtailing a recreation program in order to balance the budget.

Impact of Fund-Raising on Agencies and Staff

When an agency decides to become involved in any fund-raising venture, whether of a short-term or long-term nature, the decision may result in a variety of consequences. Involvement in fund-raising may affect, either positively or negatively, the productivity of employees, the levels or quality of services provided, or the types of services which are provided. However, the impact of fund-raising on the agency and staff will be tempered by a number of variables; namely, the size of the agency; who is involved in the fund-raising; how necessary it is to raise funds; the amount of revenue generated; and, the way in which the revenue is utilized by the agency.

In order to raise funds, an agency must have at its disposal the necessary human resources. In 34 out of the 35 agencies currently conducting bingo or casinos, staff are directly involved on a continuous basis (Table 6:10). Twenty-one agencies reported that members were involved in fund-raising, nine reported client involvement, and 33 agencies reported involving volunteers. Only four agencies reported using professional fund-raisers to conduct the gaming events.

If, for example, an agency employs few staff, and those staff must become and remain involved in fund-raising, in addition to fulfilling their regular duties, eventually either levels of direct service will be affected or the agency will suffer from high levels of 'burn out' and increased staff turnover. As indicated in Table 6:11, 24 agencies reported that the conduct of bingos or casinos had resulted in increased workloads for staff. One agency reported that fund-raising had also increased the workloads of personnel not directly involved in the enterprise, but who had responsibility for the associated administration and accounting tasks. In addition, 11 agencies reported that staff time for the delivery of direct services had been reduced.

In those agencies with larger staff complements or volunteer pools to draw from, the amount of time individual staff are involved in fund-raising activities may be reduced substantially. Therefore, the impact of fund-raising on the agency, the staff or programs may be minimal.

Also, on the positive side, fund-raising may serve as a mechanism for bringing staff, members, clients and volunteers together in the pursuit of a common goal. In addition, bringing individuals together to work toward a goal may serve to strengthen their commitment to both one another and the goals of the agency.

TABLE 6:10

Individuals Involved in Agency Fund-Raising

	Number of Agencies
Staff	34
Members	21
Clients	9
Volunteers	33
Professional fundraisers	4
n = 35	
Multiple responses permitted	

The revenue generated through fund-raising may be used for a variety of purposes; namely, to supplement core funding; to reduce the agency deficit; purchase land, buildings or equipment; hire additional staff; provide for salary increases; and to develop and evaluate new programs. In those agencies where fund-raising efforts are absolutely necessary to the continued existence of the agency, fund-raising may not be viewed in a positive manner. It may, because of its very necessity, be considered a negative and onerous enterprise. Five agencies reported that there had been a decline in staff morale as a result of the involvement in fund-raising. Table 6:11 sets out the various ways in which the staff of the agencies have been affected, both directly and indirectly.

TABLE 6:11

The Effect of Fund-raising on the
Staff of the Agencies

	Number of Agencies
Staff hours involved in direct service is reduced because of staff involvement in fundraising	11
A decline in staff morale	5
An improvement in staff morale	9
Increased workloads for staff due to the direct or indirect involvement in fundraising	24
Additional staff have been hired with revenues generated through fundraising	11
No response	4
n = 35	
Multiple responses permitted	

Some agencies reported that fund-raising was absolutely necessary to merely sustain staff and programs at current levels, rather than allowing them to either expand staff or services or generate a financial surplus. For example, as shown in Table 6:12, nine agencies reported that levels of funding had not changed, since additional income only replaced other funding cuts. For two agencies, fund-raising had not generated sufficient revenues to counterbalance cutbacks in provincial funding. One agency used the revenues generated through fund-raising to supplement the agency's

requirements. Three agencies reported using the additional revenues to reduce their deficit.

Fund-raising had more positive benefits for other agencies. Twelve reported that increased revenues had allowed the agency staff to develop new programs (Table 6:12) and eight agencies had used the revenues to mount and evaluate short term programs. One agency was able to increase both salaries and services, while another used the funds for capital expenditures.

In summary, the non-profit social service agencies which participated in this study were diverse, both in size and the types of programs and services which they offered. Although the study was small and preliminary in nature, the results indicate that, as a result of the implementation of 'privatization' measures, non-profit social service agencies are turning to gaming in order to raise funds.

The B.C. Gaming Control Branch refused to participate in the research project. Without being able to obtain access to the Branch files, it was impossible to conduct a comparative analysis of those agencies which were conducting gaming events in 1982 and 1986. Therefore, it was impossible to draw any firm conclusions as to whether, over the years, there has been a change in the types of non-profit

organizations raising money through the conduct of gambling activities.

TABLE 6:12

The Utilization of Those Revenues
Generated through Conducting Gaming Activities

Additional revenues have allowed staff to develop new programs	12
Additional revenues have allowed staff to mount and evaluate short-term programs	8
Levels of service have not changed because additional revenues replaced other funding cuts	9
Additional revenues have enabled the agency to increase both levels of service and salaries	1
Levels of service decreased because gaming income has not been sufficient to replace money lost as a result of government funding cuts	2
Additional funds used to supplement core funding	1
Additional funds used to reduce agency deficit	3
Additional funds used for capital expenditures	1
No change, amount of revenues generated was too small to make a difference	3
No response	4

n = 35
Multiple responses permitted

Although the results indicated that considerably more than half of the 35 agencies currently involved in gaming have become involved since 1983 (with several other agencies planning to become involved in 1987), without the co-operation of the B.C. Gaming Control Branch it was also not possible to determine, with any certainty, whether more social welfare programs were being funded through gaming in 1986 than was the case in 1982.

For most of the agencies which have become involved in the gaming industry, bingo and casino events have become a vital source of income. Without such funds, many agencies would be forced to reduce or eliminate services, lay-off staff, or even close. Other agencies are able to use the funds to reduce the agency deficit, purchase equipment, or offer and evaluate new programs.

Of particular interest was the fact that almost all the agencies reported that they had experienced an increased demand for service. Levels of service had been increased from between five and 230 percent. For over half the agencies, this had occurred in the face of reductions in funding received from either government or private sources. In view of this increased demand for service, it is likely that even if revenues from bingo and casinos adequately counterbalanced funding reductions, they may not have

counterbalanced increased operating costs and the costs of new services.

The staff of the agencies have shouldered the responsibility for the fund-raising. Although, in some agencies, staff hours involved in direct service have been reduced, or there has been an increase in the workloads of staff due to the involvement in fundraising, for the most part, there has not been a decline in staff morale. Such a development speaks to the high levels of commitment found among staff in the non-profit social service sector.

Chapter VII

IMPLICATIONS

The abandonment of Keynesian economic theories in favour of monetarism, a development which has been legitimized by a neo-conservative ideology, has had far-reaching effects on most Western welfare states. In British Columbia, these developments have affected the drafting of social policy and, consequently, the delivery of social welfare programs. It may be that, as a result of changes which are occurring within the broader economic system, and the resurrection of privatization and gaming as methods of reducing budget deficits, the social service sector in British Columbia is also undergoing a significant transformation.

As unemployment levels soared in 1982-83, more people were forced to seek income assistance. As a result, a larger percentage of the provincial Ministry of Human Resources' budget was given over to direct transfer payments. In order to accommodate the increased demand for income assistance, revenues were shifted away from the areas of welfare and education and the provision of direct services and programs (Government of British Columbia, 1980-82, 1985). In addition to reducing the levels of service it had previously provided, the Ministry either severely curtailed, or eliminated altogether, funding to many non-profit social service organizations (B.C.G.E.U., 1985). It could have been

predicted that this combination of events would result in the non-profit sector facing increased demands for service, coupled with, in many instances, reductions in government funding.

By withdrawing its funding, the government appeared to be forcing non-profit agencies to seek alternative sources of funding if they were to continue to operate. Indeed, neo-conservative politicians suggested that if the eliminated services were really necessary, the community, family or church would intervene to provide them. Such a suggestion does not, of course, speak to the issue of whether the supposed alternatives are actually available for these groups. The government was pursuing a course of action that included both privatization and abandonment (Magnusson et al, 1984).

Although the number of agencies which were surveyed in the course of the research for this thesis was not large, they were diverse in both size and the services which were being provided. This is significant in that the trends they report are, perhaps, taking place across the spectrum of non-profit social service organizations. Agency personnel reported that since 1983, their agencies had experienced an increased demand for services. They cited a variety of factors as being responsible for the increased demand which, in some

instances reflected the nature of the client group being served: "the population was ageing"; "seniors were living longer"; "hospitals were discharging patients sooner"; "facilities had longer waiting lists"; "increased awareness of rights"; "more women working"; "better programs"; "public awareness of the agency"; "high unemployment"; "lack of provincial government support"; "the economy"; and, "the inability of the traditional safety net to meet human needs".

In addition, not only had there been an increase in the demand for services since 1983, agency personnel reported that they had been successful in providing increased levels of service. However, less than one-third of the agencies received over 70 percent of their funding from any one source. Due to the limitations of the research, it is not possible to draw firm conclusions; however, it may be that reductions in government funding have forced non-profit social service agencies to seek income from a variety of sources, or to adopt what has been described as a 'shotgun' approach to securing funds (i.e. obtaining smaller amounts of funding from a greater number of sources).

While fund-raising is not new to most non-profit groups, it is, perhaps, taking on greater significance. In the face of decreasing budgets and increased demands for service, many agency personnel are becoming keenly interested in exploring alternate ways of raising the funds necessary to supplement

their agency budgets. Indeed, there are signs that an 'entrepreneurial' spirit, born of necessity, may be pervading the social service sector. For example, some agency personnel, who are assuming that the economic system is unlikely to change in the near future, are investigating the possibility of establishing small businesses to provide the agency with additional revenue. A community college is currently planning a series of seminars designed to provide information regarding the opportunities and pitfalls involved in non-profit organizations becoming more "entrepreneurial".

If, in fact, a more pressing need to raise funds is taking non-profit social service agencies into new, less traditional areas, they will be faced with a host of challenging issues that will require resolution. These issues will be analyzed further but, first, it is necessary to examine the area of 'entrepreneurial' activity that has been the focus of this thesis; namely, gambling.

Gaming and the Non-Profit Sector

In the past, many sports, service, recreational or religious groups have conducted bingos, casinos or raffles in order to raise funds. The Annual Reports of the Provincial Secretary's Office reflect the fact that, since 1979, the number of non-profit organizations that have applied for, and been granted licences to conduct such events has increased

(Table 7:1). However, in addition to this overall increase in the number of non-profit agencies that use gaming events to raise funds, the results of the research indicate that the majority of those non-profit social service agencies that participated have become involved since 1983.

Some agency personnel indicated that the proceeds from either bingo or casinos have been crucial to maintaining current levels of services, as well as providing other benefits. For example, one Executive Director stated that "since our casino has been so effective, the Board of Directors has been able to turn their attention away from fund-raising for a time and actively do some short and long term goal planning for the agency". However, without the on-going revenue from their bingo, this agency "would be barely able to exist".

Such a development has broad implications, from both a moral standpoint and in view of the developments which are taking place within the gaming industry. It is necessary to address the broader issues of the way in which gambling is perceived generally, and whether developing the industry is desirable, before moving on to consider the ramifications of non-profit social service organizations relying on gaming proceeds in order to provide services.

TABLE 7:1

The Number of Licences Issued to Non-Profit Organizations

	<u>1979</u>	<u>1982</u>	<u>Fiscal Year Ended</u> <u>1983</u>	<u>1984</u>
Ticket Lotteries	1,394	1,495	1,696	1,802
Casino Licences	591	543	615	656
Bingo Licences	916	1,017	1,223	1,381
Concessionaire Licences	17	1	8	7
Social Clubs	32	37	28	39
Agricultural Fairs	5	18	19	27
Total	2,955	3,111	3,589	3,912
	<u>\$ Millions</u>			
Estimated gross revenue by organization	\$9.18	35.0	75.2	94.0
Estimated charitable donations by organizations	2.97	10.0	22.5	25.0
Licence fees collected	.31	.34	.41	.56

Source: Ministry of Provincial Secretary Annual Reports

Despite the fact that gambling has always been widespread throughout societies, for undetermined reasons, gambling has never been perceived as a totally legitimate activity, especially for certain groups of people. In addition, there have always been attempts to control and regulate gambling by imposing moral and legal sanctions. However, it appears that

gambling among the 'upper classes' has never been as problematic as gambling among the 'lower classes'. Martinez (1983) points out that in ancient Egypt, the common people who gambled too much were put to work on the pyramids.

Ashton (1898) cites an English edict, dated 1190, as evidence of the prevalence of gambling among all classes at that time. The edict pertained to the Christian army under the command of Richard the First of England and Phillip of France, during the Crusade. It prohibited "any person in the army, beneath the degree of knight, from playing at any sort of game for money" (Ashton, 1898; p. 13). What is interesting about this edict is that, although it prohibited gambling among the lower ranks of the army, the two Monarchs and their entourage of knights retained the privilege of playing whatever games of chance they pleased.

Downes et al (1976; p. 34) argue that the revision in gambling laws, in nineteenth century England, reflected "the concern over the 'example' set the poor by the profligacy of the rich; and the perception, then tentatively expressed, that the latter mattered less, morally or socially, than the indulgences of the poor". Supposedly, this concern over the morality of the poor was an underlying theme in the formulation of gaming laws.

Some interesting hypotheses can be generated as to the possible reasons for the apparent double standards which have been applied to the rich and the poor throughout history: (i) in ancient times, gambling by the masses may have represented a secularization of religious practices; (ii) it was not to the benefit of the aristocracy that 'common' people should spend their time gambling instead of working; and, (iii) 'common' people should not expect to improve their economic position through activities other than work. These double standards of morality have not been totally eradicated with the passage of time. The argument that unlimited gambling opportunities are undesirable, forms one of the main justifications for continued government control of the gaming industry. However, the argument appears somewhat fallacious in view of the government's recent move to install slot machines on cruise ships; the plans to install casinos on these same ships; and, the consideration being given to "the desirability of policy for destination resort and tourism orientated gaming activities" (Vancouver Sun, April 2, 1987).

In addition to issues regarding the desirability or undesirability of gambling generally, agency personnel are faced with other concerns. As we have seen, both lottery tickets and bingo have been rated as regressive gambling games (casinos are less so). The questions that were posed were, if a significant number of purchasers of lottery tickets or bingo players are persons on low incomes, and non-

profit organizations are being forced to rely on funds from these sources as a result of government funding cuts, what long-term effects will this have on agencies? Are the disadvantaged paying for their own social welfare programs? By encouraging individuals to spend what little money they have on gambling, are non-profit agencies contributing to the problems of certain members of their client groups?

Obviously, there are no clear-cut answers to these questions. If, as Livernois (1986) suggests, the government take-out rate on lottery tickets was lower and the revenues were distributed to general revenues, they would be a less regressive form of taxation. In addition, it may well be argued that the numbers of chronic poor will not remain poor because they attend bingo several times a week. Rather, they are poor because of the conditions prevailing in the larger social and economic structure. Perhaps there is substance to the argument that, like the sixteenth century poverty relief schemes, the 'welfare state' never had the complete elimination of poverty as a goal. The provision of opportunities to gamble may not contribute to the problems of certain groups of people. For example, bingo parlours may provide the setting wherein individuals can socialize, and support community organizations while they entertain the prospect of winning some 'extra' money.

The uncertainty surrounding these kinds of issues may have deterred some agencies from becoming involved with gaming. Although the research did not involve an in-depth examination of this particular aspect of the non-profit social service sector's involvement in gaming, the fact that some agencies had concerns came to light during the initial telephone survey. When agency personnel were asked whether the organization was involved in gaming, they responded to the question in a number of ways: "the Board says no, its a moral issue"; "the Board has adopted a policy of no gambling, its a moral issue"; "the organization is opposed to gambling"; "gambling doesn't fit with providing services to the community"; and, "we won't take money from the poor".

Only 10 out of 41 agencies that were surveyed responded by indicating that there had been controversy among staff regarding the moral issues around gambling, and the specifics of the issues were not disclosed. In some instances, a differentiation was made between bingos and casinos; that is, bingo was seen as a "social event", while casinos were gambling. The recent changes in both the perceptions of bingo and the bingo industry generally have been discussed. Although, according to the Criminal Code, both bingo and casino events are considered gambling, the long involvement in bingo by the Catholic Church has, perhaps, caused this activity to be viewed as the more benign and 'legitimate' of the two.

Conducting bingos and casino events can be very lucrative and the money very appealing. While members of Boards of Directors may initially be reluctant to become involved in gaming events, they may be won over by the financial returns. Although gambling generally, and, in particular, the non-profit social service sector involvement in the activity, may present no moral or other issues for many individuals, others may choose not to deal with any of the questions simply because they perceive no other viable methods of raising the needed revenues. One respondent commented that "we cannot afford to worry about the morals of gambling, it brings us needed funds with the least possible expenditure of time and effort".

Since people always have and always will gamble, any attempts to deter the activity altogether may prove as unsuccessful as Prohibition. Because people enjoy gambling games like lotteries, they have long been a popular way for non-profit groups and religious organizations, as well as the state, to raise funds. Therefore, an argument could be made that there are no reasons, other than those of a moral nature, why non-profit social service organizations should not provide the opportunities for people to gamble. However, the issue of whether or not non-profit social service agencies should become involved in the gaming industry is complicated by the

fact that the government has moved to shift the responsibility for many social services onto the non-profit and private sector. It would appear that some non-profit agency personnel feel that they have no choice as to whether or not to be involved in gaming if they wish to continue to provide services to the groups for which the government will no longer accept responsibility. It is, perhaps, the wedding of 'privatization' and gaming that represents the paramount moral issue.

At the same time that increased numbers of non-profit organizations (both within and outside the social service sector) have become involved in gaming in order to support their various activities, the government's position regarding the direction of gaming in British Columbia has been ambiguous and its actions contradictory. While lottery ticket sales are promoted on the basis that the funds support community organizations and programs, large sums remain undistributed at the end of each year. However, over \$13 million was removed from the Lottery Fund and "lent" to the B.C. Lottery Corporation for start-up expenses. The amount was still outstanding as of March 31, 1986 (British Columbia Lottery Corporation Annual Report, 1986).

Earlier this year, when it was proposed that slot machines be installed on government-owned cruise ships, the Premier promised that the money would be disbursed to charities. In

May, 1987, he said "he was wrong when he promised ... that (the) profits ... would go to charities" (Vancouver Sun, May 13, 1987). According to the Attorney General, "for the moment, the profits will be put toward the corporation's debt and the \$400,000 renovation cost for building mini-casinos on board" (Vancouver Sun, May 13, 1987).

The statements made by these senior Cabinet ministers suggest that while the government is reducing services and eliminating grants to the non-profit social service sector with one hand, it is busy shifting gaming revenues away from the non-profit sector and into general revenues, with the other. The shifting of lottery funds away from the non-profit sector and into general revenues may not, in itself, be problematic. For example, Livernois (1986) argues that when lottery funds are not transferred into general revenues, but are used to support designated recreational or cultural activities and programs, "the expenditure of lottery profits is slightly progressive in that it benefits high income groups proportionately more than low income groups" (p. 10). However, what is problematic is the duplicity that is apparent in recent government announcements and actions regarding the gaming industry.

Over the past five years, substantial changes have affected both the bingo and casino components of the gaming industry

and the nature of the developments were outlined in an earlier chapter. The impact of these developments is reflected in the estimated gross revenue and charitable donation figures of the non-profit organizations involved in bingos and casinos (Table 7:1). For example, at the end of fiscal 1982-83, organizations raised \$75.2 million and, after meeting expenses, the groups were left with \$22.5 million for their charities. However, in fiscal 1983-84, and in spite of gross revenues of \$94 million, the organizations were left with only \$25 million after expenses. The minimal increase in net revenues, despite an almost \$20 million increase in gross revenues, reflects the fact that groups paid out larger prizeboards as the bingo industry became more competitive.

The government is able to control and curtail the activities of the non-profit sector and, therefore, the revenues which flow to those groups. Previously the government was able to control the activities of the non-profit sector through dispensing or withholding grants or contracts. By encroaching into an area previously dominated by non-profits while, at the same time, curtailing their activities through regulation, the government is ensuring that agencies will always be dependent on the government, as either a direct or indirect source of funds. In the past, the government has been able to control the types of service provided by the non-profit sector by refusing to fund programs which were less 'politically' attractive. It is conceivable that, in

future, gaming licences may only be granted to those charitable organizations which are deemed to be providing 'worthwhile' or 'necessary' services. Non-profit organizations may always be forced to sway in the political winds.

The final point is perhaps the most startling. As Table 7:1 indicates, each year government revenues from gaming are increasing. It is expected that government revenues will increase to an even greater degree as a result of, in particular, the increased cost of bingo and casino licences to non-profit organizations; the government monopoly on bingo paper; the introduction of slot machines; and, eventually casinos. Insofar as non-profit agencies will continue to remain involved in gaming in order to raise the money necessary to provide the social services for which the government will no longer accept responsibility, these non-profit organizations will continue to provide increasing revenue for the government. One could say that the government gets "two bites of the cherry". By reducing direct services, as well as reducing funding to the non-profit sector, the government has curtailed its expenditures. When non-profit organizations turn to gaming, they become a source of revenue, while simultaneously providing the vital social services which the government has abandoned.

As an increasing number of non-profit organizations have sought alternative sources of revenue as a result of reductions in government funding, their requirements have been met, to a significant degree, by revenues generated through gambling. It would appear that in view of the neo-conservative approach being taken with regard to privatization (i.e., the shifting of responsibility for many social services onto the non-profit sector), the government should be making every effort to ensure that all gaming revenues are disbursed to non-profit social service or other charitable groups. Clearly, it is neglecting to do so.

The Challenge of the 'New Reality'

In addition to the various problems outlined above, there are some more general concerns associated with non-profit organizations raising funds through entrepreneurial activities. For example, if a "non-profit" organization establishes a small business in order to generate funds, can the agency sustain its humanitarian values in the face of having to make decisions based on the need to maintain profitability? If the enterprise is profitable, should wages be higher than minimum wage, especially in the event that raising salaries reduces the profit margin? If the enterprise were to become highly profitable, would the agency be exploiting its employees if only the minimum wage was paid? Is paying minimum wage justifiable on the basis that the agency is both using profits to provide social services

and creating jobs? At this point, these perplexing questions remain unanswered.

However, there are various positive aspects to a non-profit organization becoming involved in operating a business enterprise. For example, any business may be developed on the basis of profit-sharing by the agency and employees. In addition, as non-profit organizations become less dependent upon government funding (and, less susceptible to government controls), they will be able to adopt a stronger advocacy role on behalf of their client group. As non-profit social service agencies move into the business sector, their efforts will be fortified by the ability to be creative in their approach to both business and the delivery of social services.

At the same time, while some social service workers may accept what perhaps may be thought of as a "challenge", and seek out non-traditional ways of raising funds, others may feel that such a development will compromise the ideals and values of the agency. In such an instance, it is possible to predict a clash of ideologies - between those individuals who accept the challenge created by the so-called 'New Reality', and those who do not.

In summary, it is clear that the adoption of a strategy of

privatization - one of the tactics flowing from the adoption of monetarist economic policies - has involved more than simply the transfer of responsibility for the production of social services from the public to the private realm with the government continuing to provide financial support. Privatization has involved a measure of "abandonment" since, for many non-profit social service agencies, funding has either been reduced in real terms or withdrawn altogether. Rather than discontinuing their activities, many non-profit organizations have chosen to secure funding through conducting gambling activities.

This development raises a number of important issues and implications. For example, can private agencies, which have traditionally relied on government financial support, adapt to a new "entrepreneurial" environment? If they do, how will they resolve the moral conflict embedded in the clash between the business objective of profitability and the social service objective of answering unmet needs? More importantly, can private non-profit organizations resolve the moral and practical dilemmas associated with gambling? If they do so, to what extent are they unwittingly discharging the government's responsibility to provide services to those in need while, ironically, acting as the gatherers of revenue which is channelled into the coffers of a government that refuses to use the money to meet the needs of the disadvantaged? These kinds of questions deserve further

consideration and research, particularly if the experience of non-profit organizations in British Columbia is but a reflection of the situation in other provinces.

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APPENDIX 1

APPENDIX 2

IF YOU WISH TO COMPLETE THIS QUESTIONNAIRE ANONYMOUSLY, YOU
MAY LEAVE THIS SECTION BLANK.

Name of Non-Profit Agency: _____

May I contact you if I require any additional information:

Yes _____ No _____

(If yes), name of Contact Person: _____

In what year did your agency begin operating? _____

Is the agency a branch of a national organization? _____
 a branch of a provincial organization? _____
 an autonomous agency? _____

Briefly specify the kinds of programs/services that are
offered and the group to whom they are targetted:

<u>Program</u>	<u>Target group</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Total Number of Programs _____

What was the total number of individuals served by all
the agency programs during your last accounting year? _____

How many full-time staff, both clerical and professional, are
employed by the organization? _____

How many part-time staff, both clerical and professional, are
employed by the organization? _____

How many volunteers are used on a regular basis? _____

What was the total annual budget for all programs offered by the agency during the fiscal year 1985/86 (or the calendar year 1986?) _____

Please provide a breakdown of the above figure by source (a best estimate will be sufficient):

Provincial government purchase of service contracts	\$ _____
Provincial government annual core funding grants	_____
Federal government purchase of service contracts	_____
Federal government annual core funding grants	_____
Municipal grants	_____
Grants from philanthropic trusts	_____
Client fees	_____
Casino licenses	_____
Bingo license	_____
Lottery Fund	_____
Senior Lotteries Association	_____
Raffles	_____
Donations from private individuals	_____
Donations from private businesses	_____
Donations from other non-profit groups. Please list the agency.	_____
_____	_____
Donations from service organizations (e.g. The Lions Clubs, Kinsmen, Rotary). Please list the service organization.	_____
_____	_____
Other (please specify)	_____
_____	_____
TOTAL	=====

Since 1983, has your agency experienced a reduction in funding from any of the sources mentioned above?

<u>Source</u>	<u>% Reduction</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Since 1983, has your agency experienced an increased demand for service?

Estimated % increase in demand in 1984 (over 1983) _____
Estimated % increase in demand in 1985 (over 1984) _____
Estimated % increase in demand in 1986 (over 1985) _____

In your judgement, has the agency significantly increased its levels of services since 1983?

<u>Target group</u>	<u>% Increase</u>
_____	_____
_____	_____
_____	_____
_____	_____

In your opinion, what is the major reason(s) for this increase?

In your judgement, has the agency significantly decreased its levels of services since 1983?

<u>Target group</u>	<u>% Decrease</u>
_____	_____
_____	_____
_____	_____

In your opinion, what is the major reason(s) for this decrease?

When did staff, members of the agency, or others begin raising money through -

Year

Holding casino events	_____
Holding bingo games	_____
Conducting raffles or lotteries	_____
Selling Lottery Tickets	_____

Please indicate what prompted the individuals involved to begin raising money through hosting bingo or casino activities:

The agency could not obtain funding from any other source _____

The agency lost part or all of its provincial funding _____

The agency lost part or all of its federal funding _____

The agency lost part or all of its private funding _____

The agency retained its levels of government funding but wished to augment available funds _____

The agency recognized a specific need and designed a new program, but was refused government funding for the new service _____

Other/Remarks

Who is involved in the agency's fund raising efforts:

Staff _____
Members of the agency _____
Clients _____
Volunteers _____
Professional fund raisers _____

How did you, the staff, or others involved with your agency, become aware of the opportunity to raise funds through gambling or lottery activities?

If you began to raise money through holding gambling events because of reductions in funding, please answer the next question; if not, please leave blank and continue.

Have any funding reductions been adequately counterbalanced by revenues gained by conducting gambling activities:

Yes _____ No _____

Comments:

What effect, if any, has the holding of gambling events had on the staff of the agency?

Staff hours involved in direct service are reduced because of staff involvement in fund raising _____

A decline in staff morale _____

An improvement in staff morale _____

Controversy among staff regarding moral issues _____

Increased workloads for staff due to their involvement in fund raising _____

Increases in funding allowed agency to hire more staff _____

Other, please explain/comments: _____

What effect would losing the revenues from gaming have on the agency?

What effect, if any, has hosting gambling events had on the level or types of services which the agency offers?

Increased revenues have allowed staff to develop new programs _____

Increased revenues have allowed staff to mount short-term innovative programs in order to ascertain their effectiveness _____

The levels of service have not changed because the additional income replaced other funding cuts _____

The levels of service have decreased because the income generated through gambling events has not been sufficient to replace money lost through government funding cuts _____

Other, please specify: _____

Does your agency donate any of the proceeds that are raised through gaming to other non-profit agencies? If so, would you please list them.

Can you list any other agencies that, to your knowledge, have turned to alternative sources of funding after experiencing cut backs in funding from provincial or federal government sources?

Agency

Alternative Source of Funds
(e.g. hosting gambling activities,
other fund-raising activities, more
emphasis put on private donations,
implementing a fee structure)

Can you list any other agencies that, to your knowledge, have been forced to close after experiencing cut backs in funding from provincial or federal government sources?

Agency

Approximate Date of Closure

THANK YOU FOR TAKING THE TIME TO COMPLETE THE QUESTIONNAIRE.

IF THERE ARE ANY ADDITIONAL COMMENTS YOU FEEL YOU WOULD LIKE TO MAKE, PLEASE FEEL FREE TO DO SO.

[illegible]