



December 18, 2014

The Honourable Deb Matthews  
President of the Treasury Board  
Room 4320, 4<sup>th</sup> Floor, Whitney Block  
99 Wellesley St. West  
Toronto, ON M7A 1W3

Respecting:

**Bill 8, An Act to promote public sector and MPP accountability and transparency by enacting the Broader Public Sector Executive Compensation Act, 2014 and amending various Acts**

Dear Minister Matthews,

Over the years, the nonprofit sector has been a strong partner of the Government of Ontario in delivering programs and services to meet the needs of Ontarians. We are a strong, *independent and volunteer-led community-based sector* serving Ontarians, along with government and private sectors. We operate high quality, cost-effective, efficient, transparent and accountable services.

As you know, ONN is the provincial network for Ontario's 55,000 nonprofits and charities. With a 7,000-strong network and volunteer base of over 300, ONN engages, advocates and leads with- and for- nonprofit organizations that work for the public benefit in Ontario.

ONN's network, comprised primarily of "core"<sup>1</sup> community nonprofit sector organizations, falls outside of the broader public service organizations identified in Bill 8 3. (1) 1-8. This is an important distinction that we recognize and appreciate your government for making.

However, we remain very concerned about the precedent the Ontario Government is establishing in this legislation to allow for direct government regulation of the internal affairs of independent corporations. The legislation, section 3. (1) 9., leaves the door open for your government or subsequent governments to extend, by regulation, the reach of this legislation to nonprofit corporations at any time with senior executive compensation over \$100,000.

Our concerns are the following:

- 1. There is no evidence of excessive salaries that would justify the need for legislation to regulate the salaries of community nonprofit organizations in Ontario.**

Most government transfer payments to the nonprofit sector go to charities.<sup>2</sup> Using the Canada Revenue Agency's 2012 annual reports filed by each of the 29,569 Ontario-based charities<sup>3</sup>, data on the top 10 salaries of these charities show that high salaries are a rare occurrence. Eighty-seven percent of the top ten salary earners make less than \$80,000 and ninety-seven percent make less than \$160,000.

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<sup>1</sup> "Core" nonprofit sector excludes hospitals, colleges and universities

<sup>2</sup> There is no comparable data on nonprofit organizations (that are not registered charities in Ontario).

<sup>3</sup> Blumberg's Snapshot of the Ontario Charity Sector 2012, Blumberg Segal LLP, Toronto, Ontario 2014  
[www.canadiancharitylaw.ca](http://www.canadiancharitylaw.ca)



Only 421 people (0.44%) make over \$300,000, which is less than half of the estimated 1% of hospitals, and universities included in the charity data. We understand most of these organizational leaders making over \$300,000 are part of broader public sector organizations.<sup>4</sup>

When viewing salaries, it is important to note that total revenues for the charitable sector were more than \$90 billion<sup>5</sup>, with 682,449 full-time employees and a similar number of part-time employees.

**Salaries of top ten employees of Ontario Charities (2012)**

*Charities are required to report their top ten salaried staff across nine salary ranges. 94,853 employees were included in the salary reporting.*

Salary	Number of employees	Percentage of employees at this salary level
Less than \$80,000	82,427 employees	86.90%
Less than \$160,000	91,821 employees	96.8%
More than \$200,000	1,299 employees	1.3%
More than \$300,000	421 employees	0.44%
More than \$350,000	233 employees	0.24%

**2. Legislation permitting the Lieutenant Governor in Council to establish and regulate compensation frameworks within these independent charitable and nonprofit corporations sets a dangerous precedent and is excessively intrusive. (Bill 8 3(1) 9.)**

Ontario's core nonprofit organizations are independently incorporated corporations with voluntary Boards of Directors and multiple revenue streams. The Ontario Government enters into transfer payment agreements for services with these organizations, thereby controlling the amount of funding it transfers and for what purpose these funds are to be used. Government has the tools it needs in the transfer payment process to manage funding amounts. There is no need to also control the internal affairs of these corporations, or to permit future governments to intrude into the internal affairs of these independent corporations. Indeed, in many instances, provincial government funding may be only a proportion of the funding received by these organizations. These organizations typically have earned revenues, charitable donations and contracts with other levels of government, or other parties. It is the Board of Directors' primary responsibility as employers to determine appropriate salary structures for its employees and ensure it has the resources to compensate them.

<sup>4</sup> Canada Revenue Agency charity classification system is not aligned with the international classification system used for much sector data collection.

<sup>5</sup> Blumberg's Snapshot of the Ontario Charity Sector 2012, Blumberg Segal LLP, Toronto, Ontario 2014 [www.canadiancharitylaw.ca](http://www.canadiancharitylaw.ca)



**3. Furthermore, the legislation is inconsistent in that it wholly exempts for-profit corporations (Bill 8, 3. (2) 4.). Yet, for-profit corporations in some instances are providing services in the same fields and through the same transfer payment programs as nonprofit service providers (such as health care, child care, etc.).** This effectively embeds a double standard and will disadvantage the nonprofit sector in its work in communities as for-profit counterparts will have fewer restrictions and be in a stronger position to recruit and retain due to higher salaries – for the same work. The nonprofit sector is already challenged to attract and retain skilled staff, as the compensation in the broader public service and business sectors is significantly higher in comparison. The nonprofit sector does not need to be further disadvantaged relative to the municipal and for-profit sectors, especially since the sector is the leading service partner with government providing responsive, high quality, cost effective services while also fostering civic engagement in their communities.

As independent organizations, decisions around compensation plans for community nonprofit organizations should be left to community-elected volunteer Boards of Directors. Over the years, and through many periods of fiscal restraint, the sector has demonstrated its ability to innovatively find effective and efficient approaches to carry out programs and provide value-for-money in contractual agreements with government.

The Drummond Report made it clear that the nonprofit sector is already very efficient, and in the long-term, compensation restraint has proven to be ineffective in achieving its stated goals. The Drummond Commission recommended that the government should “reform funding practices in the non-profit sector to increase flexibility and reduce costs by focusing on measuring outcomes rather than inputs”. The nonprofit sector, through the convening work of ONN, is actively working to achieve this objective with your government and we are concerned that Bill 8 has the potential of undermining the very practices we are striving to improve.

**We urge you to explicitly provide in writing assurances that your government will not use the regulation to extend the reach of the Act to community nonprofit organizations. This, along with reforming funding practices with the sector, will help to strengthen the capacity of community organizations partnering with government and build a strong and resilient Ontario.**

We are committed to working with your government to find the best approaches to address the province’s fiscal challenges and improve services for all Ontarians.

Sincerely,

  
Cathy Taylor  
Executive Director

  
Jini Stolk  
Chair, Board of Directors