

January 26, 2016

The Honourable Charles Sousa, Minister of Finance
Government of Ontario
c/o Budget Secretariat
Frost Building North, 3rd Floor
95 Grosvenor Street
Toronto, ON M7A 1Z1
Via: submissions@ontario.ca

**Ontario Budget 2016
ONN Pre-budget Submission**

"I want you to be **bold**. On retirement security, on community benefits and social procurement, on pushing for open government and open data, on the environment — your leadership is critical to our plan to build a stronger economy and a fairer, more prosperous Ontario."

-- Premier Wynne to ONN Conference Attendees, October 2015

Dear Minister Sousa:

Thank you for the opportunity to provide input into the development of the 2016 Ontario Budget.

Summary of recommendations:

1. Decent work and a decent retirement

- a) Support the development of nonprofit sector labour market information and expand business development supports to the nonprofit sector.
- b) Build ORPP employer premiums into funding agreements with nonprofits, support nonprofit engagement with other funders (including federal and municipal governments) to do the same, and work with the nonprofit sector to help build pensions literacy amongst Ontarians.

2. Community benefits and social procurement

- a) Develop a cross-government policy framework to support the community benefit principle enshrined in the *Infrastructure for Jobs and Prosperity Act*.
- b) Develop a social procurement strategy for Ontario.

3. Community hubs and funding reform

- a) Enable nonprofit access to capital by expanding the Realty Disposal Publication Website to include the broader public sector, expanding eligibility for Infrastructure Ontario loans to include a broad range of community hub operators, and facilitating access to capital grants.
- b) Work with community hubs to pilot-test integrated and sustainable funding agreements across multiple provincial program streams as part of the Transfer Payment Administrative Modernization project.

The Ontario Nonprofit Network (ONN) is a 7,000-strong provincial network for the 55,000 nonprofit organizations across Ontario that make communities more vibrant, innovative and inclusive. We bring the diverse voices of Ontario's nonprofit sector to government, funders, and the private sector to influence systemic change. Our work is guided by the vision that a strong nonprofit sector leads to thriving communities, and in turn, a dynamic province.

We are encouraged by your government's interest in tackling issues that affect our sector as a whole, most notably precarious work and retirement income security, transfer payment modernization, and community hubs. We are pleased with the passage of the *Police Record Checks Reform Act* (Bill 113) which provides consistency on police record checks and the *Infrastructure for Jobs and Prosperity Act* (Bill 6) which enshrines community benefits as an important principle for infrastructure investments.

Budget 2016 comes at a pivotal time for Ontario, given the competing demands for investment following years of restraint, the potential for alignment between levels of government, the need to make up for lost time on mitigating and adapting to climate change, and a fragile economic recovery still finding its feet while entire sectors are transformed by accelerating technological change. The nonprofit sector faces an equally challenging landscape: our funding is being transformed in the context of multi-year budget freezes and increasing competition for resources; our workforce management demands a rethink so that we may offer more of our employees decent work and a decent retirement; and our governance models face new demands for collaboration, innovation, and accountability.

Our Budget 2016 proposals take into account the landscape of continued restraint while pointing to opportunities for alignment between the Ontario government's policy agenda and the well-being of our community organizations. This is not the year for tweaking at the edges of the system. It is a time for responding to a rapidly-changing environment with informed risk-taking and genuine investment in the long-term health of our communities. There are concerns throughout Ontario that community social infrastructure has been eroded by flat-lined investment and strained by the shedding of quality jobs, most notably in the manufacturing sector.¹ Nonprofits are incredibly diverse, but what unites them is the commitment to their social missions and a drive to contribute to the well-being of their communities. It is time to recognize the existence and potential of the community nonprofit sector as a sector in its own right: a \$50 billion economic driver, a sector that employs a million people, but above all, a sector that sustains the social infrastructure of Ontario in the face of unprecedented pressures.

Please consider our pre-budget submission as a response to Premier Wynne's call for boldness. We believe the time has come for the public and community nonprofit sectors to be **bold** on decent work and decent retirements, on community benefits and social procurement and, for that matter, on community hubs and the transformation of nonprofit funding and finance. To that end, we have **six bold recommendations** to offer:

1. Decent work and a decent retirement

a) *Decent work*

The community-governed nonprofit sector is large and diverse, and it is sustained by people who are deeply invested in their work delivering community programs. In Ontario, the sector employs over a million workers, almost half of whom are engaged on a part-time and/or short-term contract basis.²

ONN has been supporting the development of a labour force strategy for the nonprofit sector over the past three years. We were pleased to be a partner with Mowat NFP on their recently-released report, [ChangeWork: Valuing decent work in the not-for-profit sector](#). The report found that while the nonprofit sector is fortunate to employ many passionate workers there are growing concerns about precarious work, the scarcity of pensions and benefits, and underinvestment in training and development for the nonprofit workforce.³

The Youth and Philanthropy Initiative recently released a report on attitudes toward nonprofit careers among young Canadians.⁴ The results of its 22,000-person survey are alarming: 63 percent of youth would not consider a career in the nonprofit sector, with many giving reasons related to “not being able to earn a living working in the sector.”

By adopting a Decent Work agenda, the Ontario community nonprofit sector is embracing its responsibility to create quality jobs and career paths for the people who are our most valuable asset. We can't do it alone, however—this is an objective that can only be pursued in partnership with the Ontario government and our other funders. It will require policy changes that create a level playing field across sectors by increasing employment standards for all. It will mean having strategic conversations with our boards and funders about “overhead”—which inevitably supports elements of Decent Work, such as employee benefits and professional development. And it will mean taking a hard look at our grants and funding agreements to see whether they support our commitment to Decent Work—or undermine it.

We are currently building a movement of nonprofits eager to work with us to take the next steps on our Decent Work agenda. **At this stage, we have two sub-recommendations for the Province to assist us in this work:**

- **support the development of labour market information that would allow for evidence-based decision-making and benchmarking on employment practices and compensation trends in the nonprofit sector; and**
- **expand access to business development supports that are currently available to the private sector to foster innovation and accelerate productivity.⁵**

b) A decent retirement

Most of our sector's workers have no workplace pension plan⁶ and, after a lifetime of serving the public good, more and more of our workers will have to delay retirement or face a significant drop in income as senior citizens. Alongside the rise of precarious work and a related decline in savings rates among younger workers, this absence of retirement income security is troubling.

ONN supports the introduction of the Ontario Retirement Pension Plan (ORPP) and we look forward to working with the Ontario government on its implementation. This plan will certainly contribute to the future retirement income security of our sector's workers.

Staffing costs are, however, the largest cost for nonprofits with paid employees. An increase in staffing costs resulting from the implementation of the ORPP cannot simply be absorbed into the budgets of

nonprofits. Furthermore, the ORPP will impose new costs on nonprofits at a time when many of these organizations will have endured several years of funding freezes. This might force some nonprofits to reallocate limited resources intended to serve client and community needs to cover the increased cost.

We recommend that transfer payment agreements, grants and contracts through which the nonprofit sector delivers services on behalf of government should reflect the increased cost of doing business associated with implementing the ORPP. We would furthermore ask the Ontario government's support in appealing to other levels of government and other funders to recognize the cost of ORPP employer premiums for funding purposes—especially the federal government and Ontario municipalities.

We would also like to partner with the Ontario government in the broader project of increasing financial and pensions literacy among Ontarians, millions of whom are connected to the nonprofit sector as workers, volunteers, or clients. Too often, people are taken by surprise when they realize that public programs will not allow them to maintain their standard of living or their private savings have been eroded by administrative and investment fees.

We should also point out that, while the ORPP is necessary, it may not be sufficient for, or adequately tailored to, the conditions of the nonprofit labour force. The ORPP aims to replace 15 percent of a worker's average income after contributions of 40 years. Even combined with other public pension plans and programs, this may still mean a steep drop in income for nonprofit workers who have experienced years of non-standard work arrangements—a pattern which is not unusual in the sector.

To address the remaining gap, ONN recently established the Task Force on Nonprofit Pensions to explore options for introducing a sector-wide pension plan (as nonprofits in Quebec have done). The mandate of the task force is to provide advice on nonprofit-sector ORPP implementation issues and to develop a roadmap for the sector-wide plan. The task force will announce final recommendations by October 2016. We will engage the Ontario government in discussions about the development of the sector-wide pension plan in 2016-2017, well in advance of the introduction of the ORPP for most nonprofits (with 50 or fewer employees and no workplace plan) in 2019.

2. Community benefits and social procurement

a) Community benefit agreements (CBAs)

We have two recommendations for the Ontario government on CBAs and social procurement. The first is a recommendation to **develop a cross-government policy framework to support the community benefit principle enshrined in the *Infrastructure for Jobs and Prosperity Act, 2015 (IJPA)*.**

Infrastructure projects that include community benefits are able to leverage public dollars that are already being spent to benefit Ontario communities, aligning the Government's infrastructure spending with other policy goals such as creating jobs and training for marginalized populations, fighting poverty, promoting social enterprise and small businesses, integrating newcomers, and supporting affordable housing. Community benefit agreements have been put in place in several cities, including Toronto.

Last May, Premier Wynne confirmed the Province's commitment to community benefits in her keynote speech to the United Way-McMaster University's Precarity Penalty Symposium. Noting that community

benefit agreements “advance our core values,” the Premier pledged, “With another decade of historical infrastructure investments ahead, we want to duplicate this model as part of our work together.”⁷ Adopting a cross-government approach to support the community benefits principle enshrined in the IJPA would be an excellent way to build on this model. Indeed, with the Government of Ontario planning to spend \$134 billion in public infrastructure over the next 10 years,⁸ and the newly-elected federal government planning to spend nearly \$125 billion on infrastructure projects over the same timeframe,⁹ there is a historic opportunity to scale up the community benefits process and its enormous social and economic value to Ontarians.

b) A social procurement strategy for Ontario

Our next recommendation is to **develop a provincial strategy on social procurement**. While a policy framework on community benefits focuses on the spin-off effects of large-scale infrastructure projects, a provincial strategy on social procurement would cast a wider net in terms of government and broader public sector purchasing. Capital and salary dollars aside, the Ontario government will spend an estimated \$3.77 billion on services, \$406 million on supplies and equipment, and \$347 million on transportation and communications in 2015-16.¹⁰ At this scale, a targeted social procurement strategy could significantly grow community wealth creation opportunities for Ontario’s budding social economy (including social enterprises, nonprofits, and co-operatives).

An Ontario social procurement strategy can build upon the Government’s pilot program of the 2015 Pan Am and ParaPan Am Games to help social enterprises be part of games procurement. It could also leverage current efforts through the Ministry of Government and Consumer Services to adopt and adapt procurement processes and policies from other jurisdictions, notably the Scottish government’s groundbreaking work on public procurement reform, while respecting international trade agreements.¹¹

A broader strategy would need to be developed in consultation with social procurement and social economy experts, including representation from the 80 percent of Ontario social enterprises that are operated by nonprofits.¹² Pending the outcome of consultations, however, the strategy should include:

- a. aligning Government of Ontario and broader public sector procurement policies with social procurement objectives;
- b. ensuring that nonprofit social enterprises have access to a level playing field in terms of legislative/regulatory modernization (notably, rules around earned income) and access to capital investment; and
- c. investing in a social procurement intermediary responsible for “match-making,” supplier accreditation, capacity building and evaluation.

3. Community hubs and nonprofit funding reform

In August 2015, the Premier’s Advisory Group on Community Hubs published its report, *Community Hubs in Ontario: A Strategic Framework and Action Plan*. The report focuses on how the Province can support community planning, integrated service delivery, and the community infrastructure needed for a vibrant network of community hubs across Ontario. ONN was pleased to be involved in the Advisory Group’s consultation work and continues to engage with the newly-created Community Hubs Secretariat as it plans for cross-government implementation of the hubs agenda.

The benefits to Ontarians of a successful hub strategy are clear: a community-level single window entry point to a wide variety of programs and services, including referrals to off-site services. A network of hubs would go a long way to providing more seamless, integrated, and citizen-centred service and community outreach/engagement across a range of sectors (health, social services, recreation, literacy, arts, etc.) for people in the communities where they live.

ONN has made a number of recommendations to the Advisory Group and the Hubs Secretariat. For Budget 2016, we would like to focus on our top two priorities:

a) Access to lands and capital

One way to find space for a community hub is to repurpose surplus Crown lands or property sold by school boards and other parts of the broader public sector. These properties often hold high value for their communities and should remain in community hands wherever possible. ONN maintains a registry for eligible nonprofits to access provincially-owned properties listed on the Realty Disposal Publication Website, managed by Infrastructure Ontario, before they are listed for public sale. **We recommend that the Realty Disposal Publication Website be expanded to include surplus lands from the broader public sector, including municipalities, universities, colleges, and (especially) school boards.**

We also recommend that under the community hubs strategy, the Province finds a way to **ease access to capital funding for organizations collaborating to launch a community hub**. Whether for space purchase/renovation, building maintenance, IT or other systems/equipment, capital funding will be critical for the launch and sustainability of community hubs. **In particular, we would support expanding eligibility for Infrastructure Ontario (IO) loans to all types of community hub operators and facilitating access to capital grants from the Province.**

b) Work with community hub initiatives to pilot-test integrated and sustainable funding agreements across multiple provincial program streams

In Budget 2015, the Ontario government announced the Transfer Payment Administrative Modernization (TPAM) project, noting that “a modern and efficient relationship between the government and service-delivery partners, including hospitals, schools, municipalities and others that carry out work on behalf of the Province, will result in less time spent on administration and more time spent on delivering services to Ontarians.” The nonprofit sector welcomed the announcement and has been actively engaged with the TPAM office to advance the funding reform agenda.

One of the key pieces of a modernized funding relationship would be the adoption of an umbrella funding agreement for nonprofit organizations that receive funding to deliver services through multiple provincial streams. These modernized agreements would ideally rest on the optimization of data gathering and sharing (“collect once, use many times”), budget flexibility, full-cost accounting for program funding (including administrative costs), and streamlined reporting mechanisms across funding streams.

Many existing community hubs receive multiple streams of funding to offer a range of services. The agreements and reporting requirements that accompany these funding streams often create significant administrative burdens for both the nonprofit sector and for funders. The community hubs agenda provides a clear opportunity to test new provincial funding agreements that would reduce the burden for both sectors while providing integrated accountability mechanisms. Premier Wynne herself drew this connection when she spoke of the two initiatives in her address to the 2015 ONN Conference: “It is why I am so excited about the Community Hubs Strategy we released this summer and about the work we are doing together to transform how transfer payment arrangements work. Together, we are asking the right questions, finding innovative solutions and ensuring that our collective resources are being used most effectively to strengthen our communities.”

Our recommendation is that existing community hub operators receiving funding from multiple provincial ministries should therefore be offered the option of entering into integrated, place-based umbrella agreements with a lead ministry that covers ongoing hub costs (operating and capital) as well as adequate, sustainable delivery costs for the provincially-funded programs those organizations administer. These agreements should incorporate the full costs of program delivery, reasonable budget flexibility, and integrated financial reporting and audit requirements across provincially-funded programs delivered at that location. Operational funding should include compensation (salaries, benefits and pension contributions) for hub staff functions, such as service planning and coordination, communications, and community engagement. It would also ease the administrative burden for hubs if functions such as reception, facilities management and financial/administrative management were covered under dedicated hub funding rather than asking multiple organizations to estimate their use of these and divide the costs accordingly.

Some of Ontario’s oldest community hubs—our network of settlement houses—are now over a hundred years old. In light of a new wave of settlement just beginning in Ontario with the arrival of a large number of refugees from the Syrian civil war, it is timely to reflect on the benefit that hubs provide to our communities when they are given the right support. While the Advisory Group’s report emphasized how the Province can support the creation of new hubs, the success of the community hubs strategy will also depend on supporting the sustainability of existing community hubs.

Conclusion

In closing, we would like to return to another moment from Premier Wynne’s video address at the 2015 ONN Conference: “Your work interacts with every community in Ontario and with every part of our government everyday — so it is my job to ensure we are supporting you.” Our sector is pleased to have your government’s support as we work together to make progress on issues that affect communities across the province. It is time to address the barriers nonprofits face to being truly innovative and responsive to the evolving needs of our communities. Our diverse sector is a source of jobs and economic growth as well as community well-being, but it could do so much more with the right enabling conditions that sustain these efforts. Our recommendations for Budget 2016 reflect a growing realization among nonprofit leaders that we can no longer endlessly “do more with less” but instead must stand together as a \$50 billion sector and insist on co-creating with government the fiscal, policy and operating mechanisms that will let us “do more”—period. More decent work, more community benefits, more growth in the social economy and more integrated and responsive community services.



Nonprofits have the community governance that grounds us, the networks that allow us to partner in the service of broader community goals, and the desire to innovate in response to our communities' changing needs. We look forward to being an engaged partner as the Government of Ontario strategically manages the transformations we are witnessing in our economy and our society.

Sincerely,

A handwritten signature in black ink, appearing to read "Cathy Taylor".

Cathy Taylor
Executive Director

Endnotes

- ¹ The Mowat Centre. “How Ontario Lost 300,000 Manufacturing Jobs (and Why Most Aren’t Coming Back.” July 29, 2014. <http://mowatcentre.ca/how-ontario-lost-300000-manufacturing-jobs/>
- ² The Mowat Centre and Ontario Nonprofit Network. “Shaping the Future: Leadership in Ontario’s Nonprofit Labour Force.” Final Report on Human Capital Renewal Strategy: Phase One. September 2013.
- ³ Jamie Van Ymeren and Lisa Lalonde. “Executive Summary.” *ChangeWork: Valuing decent work in the not-for-profit sector*. Mowat NFP with Ontario Nonprofit Network and the Toronto Neighbourhood Centres. p. 1. http://theonnc.ca/wp-content/uploads/2015/11/Report_Changework_ONN-Mowat-TNC_Atkinson_2015-11-25.pdf
- ⁴ Youth and Philanthropy Initiative Canada. “Youth Perceptions of the Not-for-Profit Sector: Sharing a Snapshot of YPI Canada’s 2014-15 Evaluation Results.” <http://www.goypi.org/images/pdfs/Youth%20Perceptions%20of%20the%20Non-Profit%20Sector%20-%20YPI%20Student%20Survey%20Snapshot%202014-2015.pdf>
- ⁵ As the Mowat Centre has noted, “expanding eligibility for these programs makes sense at a time when the sector is being asked to be more innovative and achieve more with less.” Mowat Centre. *A Federal Economic Agenda for Ontario*. May 2015. P. 28-30. <http://mowatcentre.ca/wp-content/uploads/publications/FederalEconomicAgendaForOntario.pdf>
- ⁶ Approximately 30% of small nonprofit employers (with fewer than 10 employees) offer a pension plan, compared to 65% of large nonprofit employers (with more than 100 employees) in Canada. Elson, Peter. “Nova Scotia Nonprofit Sector Pension Plan Feasibility Study.” Institute for Nonprofit Studies, Mount Royal University. 2012. p. 7.
- ⁷ Remarks by the Honourable Kathleen Wynne, MPP, Premier of Ontario, at the United Way-McMaster University “Precarity Penalty Symposium.” May 22, 2015.
- ⁸ The Honourable Charles Sousa, MPP, Minister of Finance. “[2015 Economic Outlook and Fiscal Review](#).” Nov. 26, 2015.
- ⁹ Liberal Party of Canada. “[An Historic Investment Plan](#).” August 2015.
- ¹⁰ Ontario Ministry of Finance. “[Operating Summary: Summary of Total Operating by Standard Account \(Expense\)](#)”. Expenditure Estimates Volume 1, 2015-16.
- ¹¹ Government of Scotland. [Public Procurement Reform Programme](#).
- ¹² Paul Chamberlain, Kelly Gillis, Taralyn Prindiville, Olivia Bechard, Muska Ulhaq, Peter R. Elson, Peter V. Hall. [Enterprising Change: Report of the 2015 Social Enterprise Survey for Ontario](#). The Canadian Community Economic Development Network, MaRS Centre for Impact Investing, Simon Fraser University, Mount Royal University. December 2015.