



January 25, 2017

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 email: submissions@ontario.ca

**Investing in a more inclusive economy:
*ONN Pre-budget Submission 2017***

Dear Minister Sousa:

“The nonprofit sector, in particular, is perfectly situated to help us transition to a different economic landscape...While the public looks at nonprofits as do-gooders, I’m looking at the structure of not-for-profit corporations as business entities. Because they’re not for sale, because they’re not shareholder- or share-value-maximizing companies, what they end up doing is promoting revenue and the exchange of value and the circulation of money, which revives a whole economy rather than enriching the few.”

-- Douglas Rushkof, Author, *Throwing Rocks at the Google Bus: How Growth Became the Enemy of Prosperity*¹

The Province of Ontario is at a critical juncture. We run the risk of witnessing rising inequality turn into widespread disengagement among marginalized segments of society. With economic disruption only accelerating, we must work to ensure that disengagement does not turn into alienation from our public institutions in Ontario. We know that your government seeks to differentiate itself by addressing these pressing challenges through support to community initiatives that are creatively and proactively working to put us on a better path. On the verge of eliminating the *budget* deficit, the Ontario government now has the opportunity to focus on our *social* deficit. Together we can create sustainable prosperity for *many more* people than the mainstream economy can by growing the sector that exists for social purpose, rather than profit. The nonprofit economy, however, needs a regulatory environment that supports it so that nonprofits, including social enterprises and cooperatives, can provide more jobs, more sustainable prosperity, and an antidote to inequality and disaffection.

As the network serving the 55,000 nonprofits in our province, we see that the time is right for genuine re-investment in the economic sector that holds our communities together in the context of economic, technological, and environmental disruption. Our nonprofit sector stands as a \$50 billion sector that seeks to co-create with the Ontario government the fiscal, policy, and operating frameworks that will enable our sector’s massive potential. Our sector has responded to our province’s financial challenges by doing more with less and by innovating to respond to

¹ Ruth McCambridge. “The Sustainability Prerogative: Nonprofits in the Future of our Economy.” Interview with Douglas Rushkof. *Nonprofit Quarterly*. April 27, 2016. <https://nonprofitquarterly.org/2016/04/27/the-sustainability-prerogative-nonprofits-in-the-future-of-our-economy/>

community needs in an era of restraint. We are ready to partner with government on delivering a re-investment agenda so we may continue doing the vital community-building work that matters to the people of Ontario and to your government. We propose four key building blocks to create momentum towards a more inclusive economy. Thank you for giving serious consideration to our proposals for the 2017 Ontario Budget.

Summary of recommendations

1. Grow the social economy through a nonprofit sector labour market strategy

- Develop a robust labour market strategy for the nonprofit sector, starting with better labour market information (LMI) and an annual social economy jobs report.

2. Support decent work for people in the nonprofit sector

- Provide funding agreements that enable nonprofits to offer decent work.
- Fund pension premiums in transfer payment agreements and sector-wide pensions literacy training for nonprofit workers and board members.
- Reduce the administrative burden for nonprofits by scaling up successful pilots for transfer payment modernization across government.
- Reflect the real and current cost of delivering programs in transfer payment agreements, and index agreements to the cost of living, starting with a 2.5 percent increase in 2017.

3. Build community capacity by delivering on the promise of community hubs

- Offer matching seed funding for business case development to nonprofits working to create a new community hub.
- Offer a capital funding stream for community hub development and ease access to loans.
- Offer integrated operating agreements for multi-service nonprofits.

4. Reverse the 21.7 percent reduction in base funding for the Ontario Trillium Foundation

- Reinstatement of the \$25 million that was reallocated in 2016 from the OTF budget for Ontario150 programs so as to return the Foundation's base funding to \$115 million.

Recommendations:

1. Grow the social economy through a nonprofit sector labour market strategy

Research shows that many people are being left behind, unable to share in our province's wealth.² The trends contributing to rising inequality and disaffection are global and they have led to unprecedented political developments in other jurisdictions. The nonprofit sector, which creates jobs in the communities where people live, could play a significant role in the Ontario

² See for example Poverty and Employment Precarity in Southern Ontario (PEPSO) Alliance, *The Precarity Penalty: Employment Precarity's Impact on Individuals, Families and Communities and What to do about It*. May 2015. <https://pepso.ca/2015/05/21/new-report-launched/> United Way of Toronto and York Region (UWTYR) and McMaster University. *The Precarity Penalty - York Region (Executive Summary)*. <http://www.unitedwaytyr.com/file/FINAL-Precarity-Penalty-Summary-York-Region-2016Mar21.pdf>. Canadian Centre for Policy Alternatives (CCPA) Ontario. *OnPolicy: Ontario's Working Poor*. July 5, 2016. <https://www.policyalternatives.ca/publications/reports/onpolicy-ontarios-working-poor>

government's efforts to make economic growth work for everyone, starting with the Province's innovation and workforce development agendas.

Ontario's nonprofit sector already plays a vital role as an economic driver, generating 5.2 percent of Ontario's GDP. Because Ontario nonprofits receive only 45 percent of their revenues from government, they can leverage these investments--via social enterprise, donations, and the hundreds of millions of hours that their volunteers donate--into community wealth that can *never be extracted to shareholders or off-shored*. Nonprofits ensure that community wealth remains in the community, providing services that meet the needs of Ontarians, while creating jobs locally.

The labour force of the nonprofit sector, however, faces critical challenges. To begin with, our sector needs better labour market information (LMI) to undertake workforce planning and development and meet the growing needs of our communities. The 2016 mandate letter for the Minister of Advanced Education and Skills Development committed the ministry to developing a Workforce Planning and Development Office and specifically to developing a provincial LMI strategy. ONN is interested in working with this office to ensure that our sector is included in the Province's efforts to improve workforce planning and development.

The sustainability of the services our sector provides and the jobs we generate depends on nonprofits being empowered to undertake workforce planning and development. We therefore ask for support from the Ontario government to grow the social economy through a nonprofit sector labour market strategy, with the following as an essential building block:

- **Develop a robust labour market strategy for the nonprofit sector**, starting with labour market information (LMI) and an annual social economy jobs report.

2. Support decent work for people in the nonprofit sector

"The economy of care and craft and creativity is a place rich in the participation of women. Often underpaid and chronically under-valued, these sectors are nonetheless vital to our health, security and wellbeing."

-- *Tim Jackson, Professor for Sustainable Development, "[An economy that works](#)."*³

As part of a shift to an economy that works for all, it is imperative that the Province work with nonprofits to address the quality of jobs in our sector. While our sector is supported by professionals dedicated to their missions, the 2015 report [ChangeWork: Valuing decent work in the not-for-profit sector](#) found that there are growing concerns about precarious work, the scarcity of pensions and benefits, and underinvestment in training and development for the nonprofit workforce.⁴

³ Centre for the Understanding of Sustainable Prosperity, University of Surrey, UK. December 1, 2016

⁴ Jamie Van Ymeren and Lisa Lalande. "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

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.⁵ Job quality and earnings in the nonprofit sector will have a significant impact on our ability to recruit and retain workers in the coming years. There are concerns, however, that young people are discouraged from entering (or staying in) our sector, despite the creative and meaningful work opportunities available at nonprofits because they are not convinced the sector can provide them with decent work opportunities. The Youth and Philanthropy Initiative recently released a report on attitudes toward nonprofit careers among young Canadians.⁶ The results of its 22,000-person survey are alarming: 63 percent of youth would not even consider a career in the nonprofit sector, with many giving reasons related to “not being able to earn a living.” Our sector relies heavily on the passion of its volunteers but, in an increasingly complex regulatory and economic landscape, the sector also needs to be able to compete for professional talent in the paid labour market. Above all, we want to encourage, rather than discourage, young people who are motivated by giving back and making a positive impact on society.

By adopting a decent work agenda, the Ontario nonprofit sector is embracing its responsibility to create quality jobs and career paths for the people who are our most valued asset. We can only succeed, however, if we have the support of the Ontario government and other funders. Aside from improving employment standards for all, this will require an update to our grants and funding agreements to ensure that they reflect the Province’s commitment to eliminating the gender wage gap and supporting quality jobs in our changing economy.

We ask that the Government of Ontario commit resources to supporting decent work in the nonprofit sector through the following:

- **Funding agreements that enable nonprofits to offer decent work:** Support decent work practices via transfer payment agreements, including market wages that allow the nonprofit sector to compete for talent and help to address the gender wage gap in female-dominated sectors.
- **Retirement income security:** Fund pension premiums in transfer payment agreements (whether workers are unionized or not) and sector-wide pensions literacy training for nonprofit workers and board members.
- **Reduced administrative burdens:** Provide resources to scale up the successful transfer payment modernization pilots across government so that nonprofits with a track record of high performance can benefit from global budget flexibility, multi-year agreements, and a reduced reporting burden. This will free up nonprofit resources so they can plan and adapt to evolving community needs.
- **Fund the real cost of program delivery:** Reflect the real and current cost of delivering programs in transfer payment agreements, and index agreements to the cost of living, starting with a 2.5 percent increase in 2017. For far too long, most provincial funding levels have been frozen and the decline in their real value has translated into depressed wages in the sector and constraints on the ability of nonprofits to adapt to evolving community needs. No longer can nonprofits subsidize government contracts by short-

⁵ 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.

⁶ 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>

changing their workers or their clients. It is time for government to pay for the real cost of the services they engage community nonprofits to deliver.

3. Build community capacity by delivering on the promise of community hubs

It has now been a year and a half since the Premier's Advisory Group on Community Hubs published its report, *Community Hubs in Ontario: A Strategic Framework and Action Plan*. As the Premier's Special Advisor wrote in her report, "Leaders of community hubs say they face...a maze of incompatible policies and processes for service delivery integration and capital planning."⁷ The nonprofit sector eagerly awaits genuine progress on funding reform for community hubs. In particular, ONN has three priorities in this area:

- **Offer matching seed funding for business case development to nonprofits working to engage community partners, developers and citizens on a new community hub.** Many nonprofits have explored the creation of a hub in their community. Some have accessed municipal funds or private donations to get the process underway. An investment from the Province would help to level the playing field for communities actively seeking to develop community hubs.
- **Develop a capital funding stream and ease access to loans for community hub development.** There remain significant financial challenges for organizations to launch new community hubs. We ask that the Province support (1) a dedicated community hubs capital investment stream and (2) expanded eligibility for Infrastructure Ontario loans so that these loans are available to all types of community hub operators.
- **Offer integrated operating agreements for multi-service nonprofits.** Last year, the Open Government Office in Treasury Board Secretariat hosted a design lab to develop prototypes to reduce the administrative burden for community hubs, including a coordinated impact agreement - a type of umbrella agreement. We understand the prototype is undergoing further study and development. We ask that the provincial government build on this work by introducing an umbrella agreement for community hubs as part of its ongoing commitment to reducing the administrative burden for nonprofits. Agreements should incorporate the full cost of program delivery, budget flexibility, and integrated financial reporting and audit requirements across provincially-funded programs delivered at that location.

These measures would go a long way to advancing the Premier's community hubs agenda while alleviating the administrative burden for hubs to free up resources to better meet community needs.

4. Reverse the 21.7 percent reduction in base funding for the Ontario Trillium Foundation

In 2016-2017, \$25 million was reallocated from Ontario Trillium Foundation's (OTF) granting streams to support Ontario150 grants -- this represents a 21.7 percent reduction from its \$115 million base funding.

OTF plays a critical role in building a healthy, vibrant nonprofit sector in Ontario. It is the Province's major funder supporting the diverse array of community-initiated, nonprofit activities throughout Ontario. Not only does a cut have real impact in communities, it also sends a clear message that our sector is not among the government's priorities. Given the nonprofit sector's

⁷ Karen Pitre, Special Advisor to the Premier on Community Hubs, *Community Hubs in Ontario: A Strategic Framework and Action Plan*, 2015, p. 21.

role in building a more inclusive society, we hope to see stronger support for the Foundation. There are very few provincial funding streams available to smaller organizations, particularly to those nonprofits that do not have charitable status, to arts and sports organizations, and to organizations seeking capital funding. Strengthening the OTF's role as a community builder, rather than simply as a funding administrator, would go a long way to recognizing the pivotal role OTF plays as a springboard for community well-being initiatives. We have one simple Budget recommendation with respect to the Foundation:

- **Reinstate the \$25 million to Ontario Trillium Foundation's budget** that was reallocated last year to Ontario150 programs so that its base funding returns to \$115 million ongoing.

Conclusion

Ontario is no exception to international trends of rising inequality, economic disruption, and a sense of popular disaffection from our public institutions. The upheaval our society faces means that different sectors must work together to ensure that the system is, and is perceived to be, fair and equitable. We propose that rebalancing the economy in favour of social inclusion and community empowerment is a critical move in responding to the major upheavals we face and in creating a fair system that works for everyone.

This is the role of the nonprofit sector: the sector that exists for social purpose, as opposed to profit, that is based in community ownership and community governance. The nonprofit sector provides both jobs and a sense of meaning - for workers, volunteers, members, and clients - that builds social inclusion and gives people a sense of control over their own lives. Because nonprofits more than double the investments they receive from government via earned income and donations--not to mention volunteer hours that are unaccounted for in the GDP--they can leverage public investment into community wealth that stays in community hands, never to be extracted for shareholders or off-shored.

Our Budget 2017 recommendations are steps on a path toward making Ontario's economic growth more inclusive. The Ontario nonprofit sector looks forward to demonstrating collective leadership with the Government of Ontario as we work together to meet the challenges of our changing economy.

Sincerely,



Cathy Taylor, Executive Director
Ontario Nonprofit Network

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.