



December 19, 2017

The Honourable Charles Sousa  
Minister of Finance  
c/o Budget Secretariat  
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**Partnering with the Nonprofit Sector for a More Inclusive Economy and Society:  
*ONN Pre-budget Submission 2018***

Dear Minister Sousa:

The Ontario Nonprofit Network brings together the voices of the public-benefit nonprofit sector to engage with government in developing policy that serves the diverse communities that make up Ontario. The sector is an essential partner to the Ontario Government in building a more inclusive society, a more engaged democracy, and a more sustainable economy that leaves no one behind and shares the tremendous wealth of the province more equitably.

We seek to co-create with the Ontario government the fiscal, policy, and operating frameworks that will enable us both to promote resilience in communities so they can thrive in the context of a rapidly-changing society, economy, and climate. The sector has responded to the province's financial challenges by doing more with less and by innovating in response to community needs despite budgets that have been predominantly flat-lined for years. We are ready to partner with the 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 three key building blocks to create momentum towards a shared government-nonprofit sector partnership for a more sustainable economy and inclusive society. Thank you for considering our proposals for the 2018 Ontario Budget.

**Summary of recommendations**

- 1. The Ontario Government should facilitate a nonprofit sector workforce development strategy and greater economic impact through better data on the sector and pension regulations that reflect the priorities of the nonprofit sector:**

- Give the proposed Ontario Statistics Office a mandate to collect labour market information and economic impact data on the Ontario nonprofit sector, informed by advice from the sector
- Develop a regulatory framework for non-unionized workplaces to participate in target-benefit Multi-Employer Pension Plans, in consultation with the nonprofit sector

**2. The Ontario Government should support decent work for people working in the nonprofit sector through modernized, stable funding agreements that reflect the real cost of business:**

- Incorporate the increased labour costs associated with Bill 148 (and any further regulatory changes under the Employment Standards Act, such as the proposed elimination of exemptions from overtime pay for supervisors) into transfer payment agreements for 2018-2019 and beyond
- Incorporate routine inflationary increases for all ongoing transfer payment agreements with nonprofits across Ministries
- Promote decent work more generally in the nonprofit sector by offering longer-term funding agreements that reflect real costs, including coverage of health benefits and pension premiums, along with proportional indirect costs for critical functions such as research and program innovation
- Continue to prioritize the transfer payment modernization process to realize the promise of a reduced administrative burden for both the nonprofit sector and government in order to free up resources for planning, program design, and service delivery

**3. The Ontario Government should help build community capacity by delivering on the promise of community hubs:**

- Expand nonprofit access to capital funding and low-cost loans via the Infrastructure Ontario Loans Program so that all categories of nonprofit community hubs are eligible
- Accelerate the development of multi-Ministry, multi-program funding agreements for nonprofit community hubs
- Use the existing Nonprofit Lands Registry to make surplus public -- and broader public sector land -- available for nonprofit community groups to purchase in advance of going on the open market

**Background**

There is a growing sense in Ontario that the economy is leaving people behind, no longer ensuring that each generation is better off than the one before. Research bears out this sense

that many people are unable to share in the province's wealth.<sup>1</sup> Growing debt,<sup>2</sup> along with systemic challenges like climate change, natural wealth depletion,<sup>3</sup> the automation of jobs,<sup>4</sup> the loss of trust in institutions,<sup>5</sup> and the corruption of public debate through "fake news"<sup>6</sup> have left many Ontarians exhausted, disillusioned, and yearning for a better way. The trends contributing to this disillusionment are global and they have led to unprecedented political instability in other jurisdictions.

Nonprofits desire to channel the collective anxiety over the state of the economy, the environment, and society into legitimate processes of dialogue, renewal, and reconciliation that can involve a broad swath of Ontarians in developing collective solutions. It is time to rebuild a greater measure of local, democratic control over economies and lives. The public-benefit nonprofit sector, which brings people together to address challenges, meet evolving needs, and create jobs in the communities where we live, is an essential partner to the Ontario government in its efforts to make economic growth work for everyone.

Ontario's nonprofit sector already plays a vital role as an economic driver, generating \$50 billion in GDP<sup>7</sup> -- larger than the automotive and construction sectors. Because Ontario nonprofits receive less than half of their revenues from governments, they can leverage public investments -- via social enterprise, donations, and the hundreds of millions of hours that their volunteers donate -- into community wealth that remains in the community, providing services that meet the needs of Ontarians while creating employment locally.

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<sup>1</sup> The most recent Statistics Canada survey showed that, from 2012 to 2016, the wealthiest 20 percent of Ontario households collectively grew their net assets by \$554.9 billion while the poorest 20 percent merely reduced their net debt by \$4.1 billion (in constant dollars) (Statistics Canada. [Survey of Financial Security. Survey of Financial Security \(SFS\), assets and debts by net worth quintile, Canada, provinces and selected census metropolitan areas \(CMAs\)](#). Dec. 7, 2017). For further evidence, see: 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. United Way of Toronto and York Region (UWTYR) and McMaster University. [The Precarity Penalty - York Region \(Executive Summary\)](#). Canadian Centre for Policy Alternatives (CCPA) Ontario. [OnPolicy: Ontario's Working Poor](#). July 5, 2016.

<sup>2</sup> Canada is the only OECD country with household debt greater than GDP. Pete Evans, CBC News. ["Canadian households lead the world in terms of debt: OECD."](#) Nov. 23, 2017.

<sup>3</sup> Our global population uses up the equivalent resources of 1.6 earths annually. See [Ecological Footprint](#).

<sup>4</sup> The RSA. [The Age of Automation: Artificial Intelligence, Robotics, and the Future of Low-Skilled Work](#). September 2017.

<sup>5</sup> "In a recent Edelman poll, only 43 percent of Canadians say they trust their government — down from 53 percent a year earlier." From CBC News. ["Majority of Canadians distrust government, poll suggest." Feb. 16, 2017](#)

<sup>6</sup> Edward Greenspon and Taylor Owen. ["Fake News 2.0: A threat to Canada's democracy."](#) Globe and Mail. May 29, 2017.

<sup>7</sup> "Ontario organizations reported \$47.7 billion in annual revenues in 2003." This figure is likely much higher fourteen years later. From Imagine Canada and Canadian Council on Social Development. ["The Nonprofit and Voluntary Sector in Canada: Regional Highlights of the National Survey of Nonprofit and Voluntary Organizations."](#) p. vi.

The nonprofit sector plays a critical role as a partner to the government in rising to the challenges we face and fostering a transition to a new system -- through strengths in the areas of community service, program design and innovation, social enterprise, policy development, and volunteer engagement. With their diverse missions, nonprofits are already working to foster social and economic inclusion, collective dialogue and action, and environmental sustainability. With their community-led volunteer boards and inclusive mandates, nonprofits offer a training ground for democratic engagement. With their sectoral mandate to reinvest value in local communities, nonprofits are a key economic engine for inclusive growth. With their extensive local knowledge and networks, nonprofits are a natural ally to the government in listening to communities and delivering innovative services that respond to local needs and priorities. And with an enabling public policy environment, nonprofits could do so much more in all of these areas.

Our proposals offer concrete opportunities for government-nonprofit sector partnerships in the service of a more inclusive society and more sustainable, equitable growth for our communities.

### **1. Facilitate a nonprofit sector workforce development strategy and greater economic impact through better data on the sector and pension regulations that reflect the priorities of the nonprofit sector**

In Ontario, the nonprofit sector employs over a million workers -- or at least it did fourteen years ago when the last comprehensive survey was conducted.<sup>8</sup> Despite the size of the sector, there exists no current, sector-wide data that would help organizations plan together on challenges such as leadership transition, the gender wage gap, improving diversity, scaling the most effective programs, and communicating the sector's collective economic impact.

We know, for instance, that Toronto's arts and culture **sector** contributes \$11.3 billion to Ontario's GDP and that every dollar the City of Toronto invests in the nonprofit arts sector generates \$8.25 in earned revenues.<sup>9</sup> We know that the Thorncliffe Park Women's Committee created an engine of grassroots economic activity in its neighbourhood through park revitalization and community development.<sup>10</sup> And we know that the value of religious congregations to the wider community is approximately four to five times their annual operating budget so that, if you removed a congregation with a \$250,000 annual budget, you would need about \$1.2 million every year to sustain their economic contribution to the community.<sup>11</sup> That we

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<sup>8</sup> [Statistics Canada. Cornerstones of Communities.](#) p. 41.

<sup>9</sup> Toronto Arts Foundation. "[Toronto Arts Facts.](#)"

<sup>10</sup> Metcalf Foundation. [How the Thorncliffe Park Women's Committee revitalized their park and created an engine of grassroots economic activity.](#) 2015.

<sup>11</sup> [Halo Project.](#)

cannot tell a sector-wide story and that labour force information is fourteen years out of date hamper the sector's ability to maximize value to communities.

The Ontario Government's Fall Economic Update included a commitment to create an official statistics program through a new Ontario Statistics Office and to modernize statistics legislation. We would like to see this initiative create new opportunities for up-to-date data on the nonprofit sector, including labour market information (LMI) to support workforce development and economic impact analyses. Better data on the nonprofit sector, particularly workforce and economic impact, would enable the sector to engage in planning, workforce development, and scaling in support of local job creation and inclusive economic growth in communities. This would align with the priority identified in the mandate letter for the Minister of Advanced Education and Skills Development to [implement a provincial LMI strategy and build a highly-skilled workforce for the modern economy](#).

We also ask that your efforts to modernize the pension regulatory framework take into account the needs and priorities of nonprofit workplaces, the vast majority of which are non-unionized. In response to a 2015 consultation on a regulatory framework for target-benefit multi-employer pension plans (MEPPs),<sup>12</sup> ONN [communicated](#) to the Ministry of Finance that we were exploring the viability of a MEPP for the Ontario nonprofit sector. Since then, our pensions task force has released its [report](#) in which a MEPP featuring target benefits was highlighted as the recommended structure. Because the majority of the sector is not covered by collective agreements, a clear regulatory framework for MEPPs in this category would help advance our efforts to develop a sector-wide pension plan for Ontario nonprofit workplaces.

On June 29, 2017, the Ontario Government [announced](#) that it would introduce a new regulatory framework for target-benefit MEPPs -- and it has done so with the introduction of Bill 177, which amends the Pension Benefits Act (although regulations have yet to be introduced). We were disappointed to note that the June press release indicated that "The government will continue to explore options for a framework for non-collectively bargained MEPPs." We urge the Ontario Government not to delay further in addressing this gap.

To support the nonprofit sector's workforce development and measurable economic impact, the Ontario Government should:

- Give the proposed Ontario Statistics Office a mandate to collect labour market information and economic impact data on the Ontario nonprofit sector, informed by advice from the sector
- Develop a regulatory framework for non-unionized workplaces to participate in target-benefit MEPPs, in consultation with the nonprofit sector

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<sup>12</sup> For definitions of technical pension terms, please visit our Pensions Glossary. <http://theonn.ca/wp-content/uploads/2017/01/NonprofitPensionsTaskForce-Glossary-15June2016.pdf>

## **2. Support decent work for people working in the nonprofit sector through modernized, stable funding agreements that reflect the real cost of business**

ONN is a champion of decent work and we support the efforts of the Ontario government to improve working conditions and tackle rising precarity in the sector's employment landscape. Many of our members serve low-income and marginalized communities and we have heard overwhelming support from the sector for the recently passed Fair Workplaces, Better Jobs Act (Bill 148).

At the same time, nonprofit sector employers face pressing implementation challenges in terms of covering the costs associated with Bill 148 and regulatory changes (such as ending the exemption to paying overtime to supervisors/managers) underway as a result of the Changing Workplaces Review. These pressures are layered on top of longstanding challenges to decent work in the nonprofit sector, including funding agreements that are time-limited (often for one year at a time), that fail to cover the real cost of doing business, and that are eroded by inflation year after year.

We ask that the Ontario Government align its funding practices with its role as employment standards regulator and develop mitigating measures for provincially funded nonprofits affected by this legislation as they have for other sectors, such as small business. The recent [announcement](#) that the child care sector will receive funding, at least for the new minimum wage, was an encouraging start. Budget 2018 must set aside ongoing funds to offset the budget pressures created through Bill 148 for other provincially funded sectors. Some sub-sectors, such as child care, are most affected by the equal pay provisions for part-time workers; others, such as women's shelters, are most affected by the new scheduling rules. ONN would be pleased to convene the nonprofit sector to explore the implications of the new Employment Standards legislation for the sector's budget models and to co-design mitigating measures tailored to each sector.

To enable the nonprofit sector to better serve Ontario communities, however, the work of improving job quality and reducing precarious employment must not end with Bill 148 implementation. While the 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 job quality, the scarcity of pensions and benefits, and underinvestment in training and development for the nonprofit workforce.<sup>13</sup>

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<sup>13</sup> 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.

Concerns like these may be discouraging young people from entering (or staying in) the sector, despite the creative and meaningful work opportunities available at nonprofits. A Youth and Philanthropy Initiative 22,000-person survey reported that an 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.”<sup>14</sup> The sector relies heavily on the passion of its volunteers but, in an increasingly complex regulatory and economic environment, 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 to make a positive impact on society.

We ask that the Province address the role its current funding models play in the precarity of the nonprofit workforce by moving a greater proportion of nonprofit funding to longer-term, stable agreements that are flexible, that allow for long-range planning, and that take into account real costs, as per our Joint Funding Reform Forum’s [Vision 2020](#) document. The modernization of the investment relationship between the Province and nonprofits must continue to be a priority so that workload issues related to the administrative burden are also addressed.

To support decent work in the nonprofit sector, the Ontario Government should:

- Reflect the increased labour costs associated with Bill 148 (and any further regulatory changes under the Employment Standards Act, such as the proposed end to the exemption from overtime pay for supervisors) in transfer payment agreements for 2018-2019 and beyond
- Incorporate routine inflationary increases into all ongoing transfer payment agreements with nonprofits across ministries
- Promote decent work more generally in the nonprofit sector by offering longer-term funding agreements that reflect real costs, including coverage of health benefits and pension premiums, along with proportional indirect costs for critical functions such as research/program innovation
- Continue to prioritize the transfer payment modernization process to realize the promise of a reduced administrative burden for both the nonprofit sector and government in order to free up resources for planning, program design, and service delivery

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

It has now been two-and-a-half years since the Premier’s Advisory Group on Community Hubs published its report, *Community Hubs in Ontario: A Strategic Framework and Action Plan*. As

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<sup>14</sup> Youth and Philanthropy Initiative Canada. “[Youth Perceptions of the Not-for-Profit Sector: Sharing a Snapshot of YPI Canada’s 2014-15 Evaluation Results.](#)”

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."<sup>15</sup> The nonprofit sector eagerly awaits genuine progress on the funding reform aspect of the Community Hubs Action Plan, including access to capital investment and integrated operating agreements, and access to space for community hubs.

Nonprofits need better access to capital investment and loans if they are to offer integrated services in their communities, and yet organizations often struggle to access capital funding and loan financing for projects like community hubs. Lenders are reluctant to lend to nonprofits with few assets or uncertain or modest revenue streams and are hesitant about business models they often don't understand or appreciate. There is a central role for the provincial government to offer or facilitate capital investment, including via the Infrastructure Ontario Loans Program. Eligibility for this program was expanded six years ago<sup>16</sup> to certain parts of the nonprofit sector but it still remains inaccessible to others, including arts and culture groups, employment services, and nonprofit social enterprises. We would like to see greater availability of capital funding for community hub development and further expansion of the Loans Program so that nonprofits may more easily access funding for projects and infrastructure loans at an affordable, long-term fixed rate (up to 40 years) and redirect savings to mission and community programs.

In terms of operating agreements, ONN is pleased that through the Transfer Payment Administrative Modernization (TPAM) project the Ontario Government will introduce multi-project agreements with nonprofits in 2018 as one of several ways to reduce the administrative burden for nonprofits and government ministries. These agreements, however, will be voluntary for Ministries to adopt and cannot span more than one Ministry. We urge the Ontario Government to move more quickly on rolling out streamlined multi-Ministry transfer payment agreements that are mandatory in all but the most exceptional cases. Agreements should incorporate the full cost of program delivery (including proportional indirect costs to support such functions as partnership development, volunteer management, and research/innovation), budget flexibility, and integrated financial reporting and audit requirements across provincially funded programs delivered at that location.

Public land and buildings owned by the Province, school boards, and other public sector organizations are still too often sold to the highest bidder without consideration for the value they hold for local communities. The Ontario Government must be more deliberate about recognizing the value of public lands and engage communities on potential uses that serve the public benefit *before* they go on the market. With land prices skyrocketing in some communities,

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<sup>15</sup> Karen Pitre, Special Advisor to the Premier on Community Hubs, *Community Hubs in Ontario: A Strategic Framework and Action Plan*, 2015, p. 21.

<sup>16</sup> Eligibility was expanded to community health organizations, social services, and community-based sport and recreation organizations in 2011. See ONN's press release.

[http://theonncan.ca/wp-content/uploads/2012/01/IO\\_press\\_release\\_expandedloans.pdf](http://theonncan.ca/wp-content/uploads/2012/01/IO_press_release_expandedloans.pdf)



the Government should take every opportunity to convert surplus public lands into community services and land trusts that create permanently affordable housing and other amenities like community hubs, child care facilities, recreation centres, and community gardens.

The government's Fall Economic Update indicated that the Province would develop a Social Purpose Real Estate Strategy as part of its Community Hubs initiative to respond to community calls for keeping public lands in community hands. The recently released [Building Better Lives: Ontario's Long-Term Infrastructure Plan](#) reiterated this commitment in a brief reference: "Ontario's planned Social Purpose Real Estate strategy will help ensure that the Province reviews current and future assets from a community-needs perspective. It can also consider such factors as the need for funding or other barriers to co-locating or integrating social services" (p. 139-140). The Province should ensure that public lands and buildings are first accessible by the nonprofit sector for public benefit, today and in the long term, via mandatory inclusion of government and broader public sector lands (including schools) in the existing [Nonprofit Lands Registry](#).

To support the development and ongoing operation of integrated community hubs, the Ontario Government should:

- Expand nonprofit access to capital funding and low-cost loans via the Infrastructure Ontario Loans Program so that all categories of nonprofit community hubs are eligible
- Accelerate the process of developing multi-Ministry, multi-program funding agreements for community hubs and other multi-service nonprofits
- Make available surplus public land, including from the broader public sector, for nonprofit community groups to purchase in advance of them being put on the open market via the existing Nonprofit Lands Registry

## **Conclusion**

Ontario is no exception to international trends of rising inequality, economic disruption, and a growing sense of popular disillusionment with public institutions. The upheaval society faces means that the public and nonprofit 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 both provides jobs and offers a sense of meaning -- for workers, clients, volunteers, and community members. This shared purpose and meaning 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 well-being and wealth that stays in community hands, never to be extracted for shareholders or off-shored.

Our Budget 2018 recommendations are steps on a path towards making Ontario's economic growth more inclusive and society more fair. The Ontario nonprofit sector looks forward to demonstrating collective leadership with the Government of Ontario as we work together to meet the challenges of a changing society and economy.

Sincerely,

A handwritten signature in black ink, appearing to read 'Cathy Taylor', written in a cursive style.

Cathy Taylor, Executive Director  
Ontario Nonprofit Network

*ONN is the independent nonprofit network, with a reach of over 20,000, for the 55,000 nonprofits and charities in Ontario, focused on policy, advocacy, and services to strengthen Ontario's nonprofit sector as a key pillar of our society and economy.*

*ONN works to create a public policy environment that allows nonprofits and charities to thrive. We engage our network of diverse nonprofit organizations across Ontario to work together on issues affecting the sector and channel the voices of our network to government, funders, and other stakeholders.*