

Supporting Decent Work in the Nonprofit Sector

An ONN primer for Ontario Budget 2020

Ontario's nonprofits continue to innovate, partner, and create public value while also contributing to Ontario's economy. They provide meaningful work and volunteer opportunities, and maintain bridges between government and communities. A supportive public policy environment would enable Ontario's nonprofits to maximize their social and economic contributions.

ONN recommends that, to support decent work in the nonprofit sector, Budget 2020 should exempt community-governed nonprofits from wage restraint legislation (Bill 124). This would create a level talent recruitment playing field with for-profit corporations, and enable a sector with wages that are 29 per cent lower than the Canadian average to keep pace with inflation.

Background

For Budget 2020, ONN offers recommendations under three broad themes:

1. **RED TAPE REDUCTION:** Continue to tackle red tape that has the nonprofit sector (and government) spending too much time on paperwork.
2. **INCLUSIVE LOCAL ECONOMIES:** Build local prosperity across Ontario through nonprofit social enterprise.
3. **DECENT WORK:** Support the hard-working people who staff the nonprofits that help communities thrive.

This primer is about how Budget 2020 can support decent work in the nonprofit sector.

Opportunity: Support the hard-working nonprofit staff who help communities thrive

The nonprofit sector is at a tipping point. Now it is more important than ever for the sector to continue to deliver innovative and timely services and programs, so we can continue to contribute to the creation of an inclusive and compassionate society. Our communities, our private sector partners, and our governments count on it. But we cannot do it without a workforce that is inspired, committed, talented, and also well managed and compensated. We will not be able to compete and recruit the talent of the future if we don't get it right.

- Cathy Taylor, ONN¹

ONN is working hard to build a movement for decent work in the nonprofit sector so that organizations can recruit and retain the talent they need to achieve their missions.² We have our work cut out for us: In Ontario, almost half the nonprofit sector's workers are engaged on a part-time and/or short-term contract basis, meaning that levels of precarity in the sector are high.³ Furthermore, in 2017, the salaries of workers at community-governed nonprofits in Canada were on average \$42,500, or 29 per cent lower than the average for the Canadian workforce.⁴

ONN is concerned 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. Many young workers in the nonprofit sector want to be able to start families, enjoy housing stability, and save for retirement like anyone else. But the path to this financial stability is unclear for many workers in Ontario's nonprofit sector. The Youth and Philanthropy Initiative conducted a 22,000-person survey on attitudes toward nonprofit careers among young Canadians.⁵ The results are alarming: 63 per cent 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 competitive landscape, the sector also needs to be able to secure professional talent in the paid labour market - for front-line workers in home care, child care, and shelters, and so on, but also for accountants, marketers, human resources experts, IT professionals, and executives who could theoretically work in any sector. We need to

¹ Cathy Taylor. "The nonprofit sector as a champion for decent work." Policy Options. March 21, 2017.

<https://policyoptions.irpp.org/magazines/march-2017/the-nonprofit-sector-as-a-champion-for-decent-work/>

² ONN. "Decent Work." <https://theonncan.ca/our-work/our-people/decent-work/>

³ 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.

<https://theonncan.ca/wp-content/uploads/2011/06/ONN-Mowat-Shaping-the-Future-Final-Report-October2013.pdf>

⁴ Statistics Canada. "Non-profit institutions and volunteering: Economic contribution, 2007 to 2017." March 5, 2019. <https://www150.statcan.gc.ca/n1/en/daily-quotidien/190305/dq190305a-eng.pdf?st=f64EzeDg>

⁵ Youth and Philanthropy Initiative Canada. "Youth Perceptions of the Not-for-Profit Sector: Sharing a Snapshot of YPI Canada's 2014-15 Evaluation Results." November 2015.

<https://drive.google.com/file/d/0B8ubZBTla6QhQ0VBUGo1MDQya19sWWNaUzIxdkFiRTZacE1V/view?usp=sharing>

address job quality and level the playing field so nonprofits can compete for talent in this environment.

The sector is doing what it can to recruit and retain workers: by becoming decent work champions,⁶ by implementing leadership development strategies,⁷ and by joining shared services such as extended health benefits and pension plans.⁸ But nonprofits also need an enabling policy environment to be able to attract talent. Our recommendation is for one policy change that would support nonprofits in offering quality jobs to young people so they can sustain and enrich their communities.

Exempt community-governed nonprofits from wage restraint legislation (Bill 124) in order to create a level playing field with for-profit corporations.

Through Bill 124, Protecting a Sustainable Public Sector for Future Generations Act,⁹ the Ontario government recently created a mechanism to set retroactive wage controls on the broader public sector. Nonprofits that received \$1 million or more in 2018 from the province are also subject to the legislation; other nonprofits may be subject to these controls without warning because the legislation also empowers government to add them by regulation. The for-profit sector was explicitly exempted from this legislation, even though for-profits often receive money from the same programs as the nonprofit sector in areas like home care, long-term care, child care, and employment and training services.

As per the legislation, affected nonprofit workers will be subject to maximum wage gains of one per cent annually - a level that is approximately half the inflationary increase required to maintain an income level in relation to the cost of living. Furthermore, for many nonprofits, the province is one of several revenue streams; it is not uncommon for a nonprofit to receive funding from the federal government, municipalities, foundations, donors, and/or via social enterprise activity. Despite this variety of funding sources, Bill 124 allows one funder, the provincial government, to impose arbitrary wage restrictions across the full range of organizational activities, whether they are provincially funded or not.

A one-size-fits-all wage control penalizes lower-waged workers disproportionately: a worker earning \$29,000 a year can see an increase of no more than \$290 annually under Bill 124, while a management professional earning \$100,000 can see an increase that is more than three times higher. In the nonprofit sector, where front-line work is women-majority and more diverse in

⁶ See ONN's network of Decent Work leadership voices here:

<https://theonncanada.ca/our-work/our-people/decent-work/not-difficult/leadership-voices/>

⁷ See ONN, "Leadership Competencies." <https://theonncanada.ca/our-work/our-people/leadership-competencies/>

⁸ See for example ONN's recommended pension plan for Ontario nonprofits, OPTrust Select.

<https://theonncanada.ca/our-work/our-people/decent-work/pension/>

⁹ Government of ONTario. Protecting a Sustainable Public Sector for Future Generations Act, 2019.

<https://www.ontario.ca/laws/statute/19p12>

terms of racialized workers, but the management teams are less so, this approach to wage restraint exacerbates income inequality, and specifically has a negative impact on women's economic equality.¹⁰

ONN wrote to the Ontario government last spring, and again when Bill 124 was at the Standing Committee stage in the fall, recommending that the government manage any budget restrictions via overall funding envelopes, rather than through wage controls, because the latter negatively affect the ability of nonprofits to recruit and retain key staff. With global budgets rather than salary-level controls, provincially funded nonprofits could compete for talent on an even playing field with for-profits operating in the same economic sectors. Unfortunately, ONN's concerns were not addressed in the final version of the bill.

ONN remains deeply concerned that Bill 124 places Ontario nonprofits at a disadvantage relative to the for-profit sector, that it also undermines the authority of community-led boards of directors, and that the bill detracts from efforts to improve women's economic equality. We recommend that Budget 2020 exempt community-governed nonprofits from the scope of Bill 124 and that, in future, the Ontario government implement any budgetary constraints for the nonprofit sector via global budgets rather than through wage controls.

The ONN is the independent nonprofit network for the 58,000 nonprofits in Ontario, focused on policy, advocacy, and services to strengthen the sector as a key pillar of our society and economy. We work to create a public policy environment that allows nonprofits 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.

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¹⁰ Ontario Nonprofit Network. "Decent work for women in the nonprofit sector: Literature review." 2018. https://theonnc.ca/wp-content/uploads/2018/11/DecentWorkforWomenLiteratureReviewMarch2018_UpdatedNOV2018.pdf