



The Honourable Bill Morneau, Minister of Finance  
Department of Finance  
Ottawa, Ontario  
By email: [bill.morneau@parl.gc.ca](mailto:bill.morneau@parl.gc.ca)

June 5, 2020

Dear Minister Morneau:

On behalf of the Ontario Nonprofit Network (ONN), we are writing to you to provide insights from the nonprofit and charitable sector in Ontario on the design and implementation to date of the Canada Emergency Wage Subsidy (CEWS).

ONN is the independent network for the 58,000 nonprofits and charities 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.

Across Canada, there are over 171,000 diverse nonprofits and charities engaging in public benefit activities. The sector plays a vital role as an economic driver, generating more than 7 percent of Canada's GDP and employing over 2 million people. Nonprofits receive less than half of their revenues from governments. This means they can leverage public investments - via business activities, donations, and the contributions of volunteers - into significantly higher value in the services they deliver, all the while creating jobs locally.

As communities adapt to the new normal imposed on Canadians by the COVID-19 pandemic and economic downturn, our sector has been working hard to ensure vital services are delivered, staff are paid, and programs are preserved. From daycares to long-term care homes, shelters to food banks, faith groups to arts and culture, nonprofits and charities are on the frontlines supporting and serving communities during this unpredictable and tumultuous time.

CEWS is a welcomed support for the sector, especially the program provision that is nonprofit sector-specific (i.e., option to include government funding in revenue calculation). This program has been critical for many organizations and has meant the difference between providing services and closing their doors. **However, the current program design still does not address the unique needs of the sector and discourages nonprofits and charities to apply. Moreover, the CERB and CEWS interaction must be framed as an issue of decent work rather than CERB being a barrier to workers going back to work.**

## Challenges associated with CEWS

### **Nonprofit business models and revenue patterns not taken into account**

The wage subsidy programs do not address the variety of business models and revenue patterns we see in the nonprofit and charitable sector. For example, some nonprofits do not have a demonstrable decrease in revenue in the spring because their primary fundraising efforts are in the fall. Other nonprofits and charities may currently be experiencing a temporary increase in revenue to meet increased demand for services, but it may be restricted to the COVID19 emergency response and not be applicable to general operating costs which also may have increased to meet demand. In this case there may still be an overall decrease in revenue, especially revenue that supports general operating costs.

ONN has spoken to many organizations that have laid off staff in anticipation of late spring or fall fundraisers that would have resulted in revenue decreases coming too late for these organizations to qualify. We have been in touch with many that hired extra staff to meet demand, including the need for higher staff-client ratios and managing larger spaces, even as they saw flat or falling (less than the CEWS threshold) revenues. In addition, some have shared the difficulty in topping up the 75 per cent wage subsidy as earned revenues decrease.

### **Disbursement timing and method requires existing cash flow**

The disbursement method where employers incur costs first and then are reimbursed later poses real challenges for especially small enterprises that do not have immediate cash flow or access to the Canada Emergency Business Account to bridge human resource costs. Pre-pandemic, ONN's November 2019 360 survey highlighted that half of nonprofits do not have the bare minimum of three months reserves.<sup>1</sup>

While CEWS is retroactive to March 15, applications did not open till April 27, with first payments being received in the last couple weeks of May. ONN has been in contact with many organizations that have laid off staff because they could not wait for the subsidy.

### **Unclear direction for other funders on clawing back funds in lieu of CEWS**

Many nonprofits and charities receive funding from a variety of governmental and nongovernmental funders and it is unclear whether funders will claw back funding from those who receive CEWS (e.g., licensed child care funding in Ontario has been restructured and decreased<sup>2</sup> to maximize federal employer supports).

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<sup>1</sup> Ontario Nonprofit Network [Sector 360 Survey 2019: Taking the pulse of Ontario's nonprofit sector](#) (2019)

<sup>2</sup> Ontario Coalition for Better Child Care and Association of early Childhood Educators: [From reopening to recovery: A plan for child care reopening in Ontario and moving to a publicly funded system](#) (2020)

### Factors preventing and discouraging employers from applying

#### **Low HR capacity, especially during a crisis**

The sector consists of mostly small to mid-size enterprises which usually do not have dedicated HR capacity or expertise. For this reason, many nonprofits and charities have approached ONN to better understand program details and analysis, revenue calculation options, and recommendations in terms of including government revenue or not.

#### **Risk assessment**

Nonprofits and charities are assessing risk in applying for CEWS during a time of financial uncertainty. Lack of expertise can lead to submitting incorrect calculations, pandemic waves may cause staff absences due to illness and child care challenges, and uncertainty can impact forecasting. As a result, concerns about CRA audits and paying back CEWS when organizations may not have the funds may discourage nonprofit employers from applying.

### Comments on the Canada Emergency Response Benefit (CERB)

#### **CERB is helpful for women workers (80 per cent of the sector's workforce)**

The CERB is helpful for workers in the nonprofit sector who need to take time off to care for others (a responsibility disproportionately affecting women workers), especially given this time when schools and daycares are closed and household members may be contracting COVID-19. It is also helpful for those who do not have access to work-from-home options (e.g., residential or home care workers) or paid workplace leave. It is essential for those facing reduced hours and job loss.

#### **Broad qualification criteria captures workers who do not qualify for EI**

The broad qualification criteria is particularly critical for those nonprofit workers who do not qualify for EI (e.g., contract, freelance, gig, or self-employed workers), and for those in subsectors not currently prioritized to receive emergency COVID relief (e.g., arts and culture, sports and recreation).

#### **Earning an additional \$1000 on CERB is helpful**

The provision that enables workers to earn a maximum of \$1000 while collecting CERB gives nonprofit employers the opportunity to retain workers for reduced hours and workers the flexibility in managing household expenses and caregiving responsibilities.

### Decent Work and CEWS-CERB interactions

#### **CERB may be better for low-income workers in high-risk workplaces**

At first glance, CEWS allows for workers to retain more of their wages (75 per cent) than CERB (roughly 55 per cent and equivalent to \$13 minimum wage and for those who are able and find part-time work to earn an extra \$1000 it is equivalent to \$20/hour). However, CERB is a flat amount rather than a percentage of workers' wages which is better for low-income workers as they can generally retain more income. The increase in income that comes from returning to work

at a workplace that is receiving CEWS might not be worth the risk in high-exposure workplaces where work is low-waged and low-valued.

### **Barrier to return to work is not the CERB but lack of decent work**

The contention that CERB is making it difficult for enterprises to bring back workers should be framed as an issue of decent work for workers. Decent work includes, in the context of a pandemic, access to adequate personal protective equipment, heightened workplace safety measures, paid sick days, and living wages for essential work that is currently undervalued. Decent work, in the context of a pandemic, ensures essential service nonprofits retain staff and remain open to continue delivering services in communities.

We are seeing a growing crisis in certain parts of the nonprofit sector, particularly in human service areas that are funded by governments (outside urgent healthcare institutions) where frontline workers are risking their lives to go to work, often without adequate PPE and for wages that are insufficient to keep workers in community settings rather than opting to work in higher-paid institutional settings -- or to stop working altogether and receive federal relief. Status quo funding rates and pay structures have created long-standing recruitment and retention challenges in many nonprofit settings -- these challenges have now become a full-blown crisis.

### Proposed Adjustments

#### **Increasing CEWS complexity is manageable with clear communications**

If the CEWS program design were to be adjusted to address the unique business models and revenue patterns of nonprofits and charities (e.g. restricted increase in revenue, lack of general operating support, and fundraising seasons) the program can potentially become more complex. However, complexity is manageable if program guidelines are clear, streamlined processes are in place, and communications are plain language.

#### **A Sector Resilience Grant program can fill the gap left by CEWS**

Another way to address the needs of the sector is to provide a Sector Resilience Grant program. The proposed Sector Resilience Grant Program<sup>3</sup> would complement CEWS by providing core operating support to a wide range of nonprofits and charities, helping them to continue to serve their communities. This core support would partially offset the collapse of many revenue streams in the nonprofit sector and would be used to cover -- aside from wages -- expenses like building occupancy costs, PPE, information technology and innovative ways of delivering services while physically distanced. The difference between a Sector Resilience Grant program and the current Emergency Support Fund is that the latter was designed specifically for those providing services to vulnerable populations while a stabilization fund would have broader applicability to the entire nonprofit sector for operating expenses.

#### **Collect and share data**

As businesses apply for CEWS, we encourage CRA and the federal government to collect pertinent data to share in aggregate form with nonprofits and charities. Data will allow for better

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<sup>3</sup> Imagine Canada [A Government-Charitable Sector Response to COVID-19](#) (2020)

decision-making on federal supports and their impact on nonprofit and charities. Critical data points include:

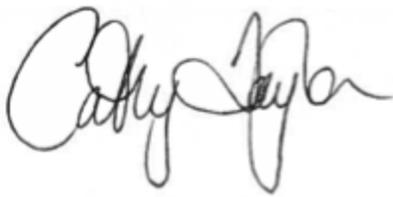
- How many applicants are nonprofits and charities?
- What proportion of nonprofit and charitable applicants are qualifying?
- How many nonprofits and charities are receiving CEWS?
- What is the average CEWS amount nonprofits and charities are receiving?

Forthcoming ONN survey will provide more insights on federal supports

ONN in partnership with the Ontario Trillium Foundation (OTF), and the Assemblée de la francophonie de l'Ontario will be launching a nonprofit and charitable sector survey on June 8th to assess how the sector is faring in Ontario as the pandemic transitions from emergency to recovery. Survey results will provide a better sense of nonprofits accessing federal programs and any remaining gaps. ONN will share our survey results with federal and provincial officials responsible for designing measures to help the sector weather the pandemic and downturn.

We thank you for the opportunity to share insights on federal supports from the perspective of nonprofits and charities employers. We welcome the opportunity to discuss the impact of federal policy on the nonprofit sector in the future.

Sincerely,



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Ontario Nonprofit Network

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