

## **Ontario Budget 2022: ONN Pre-Budget Submission**

### **Urgent investment for the recovery and future of nonprofit organizations to serve Ontario communities**

*“Ontario’s nonprofit sector is a major contributor to innovation, job creation, and the economy. Its one million professionals, driven by their mission, are experts in delivering social, economic, and environmental solutions, especially at the local community level. They enrich our quality of life by promoting mental and physical health, social equity, education, the arts, sports and recreation, the environment, child development, senior care, and much more. They serve millions of Ontarians every year in every corner of the province.*

*“Their work is indispensable and heroic, but it is all too often invisible. The COVID-19 pandemic has highlighted the remarkable contributions of the essential services provided by the nonprofit sector, which relies on funding and volunteers. Their public service deserves to be recognized and honoured.”*

- Preamble to *An Act to proclaim Non-Profit Sector Appreciation Week, 2021*<sup>1</sup>

## **Summary**

### **With large-scale changes on the horizon, Ontarians need a budget to transform**

The way Ontarians work, live, and thrive is fundamentally changing as Ontario enters a decade of significant social, economic, environmental, and technological changes. To match the scale and speed of changes to come and recover from a historic public health crisis, Ontarians need a transformational budget. Business as usual will not work.

The 2022 budget must create the conditions for a thriving economy that creates good jobs for Ontarians today and in the future. It must put workers and families first by making life more affordable and support communities to be great places to live, work, and raise families. This budget should prepare for pandemics and crises to come. A transformational budget will ensure accountability and transparency of tax dollars by investing in what matters most to Ontarians - health and well-being, communities, and a sustainable economy.

Nonprofits are trusted partners to government across the province. We share the goal of modernized public and nonprofit services that are integrated, accessible, and equitable - and that safeguard public investments in community services. We are also a big part of why people will

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<sup>1</sup> Non-Profit Sector Appreciation Week Act, 2021 (Royal Assent, Dec. 9, 2021). Ontario Legislative Assembly, Hansard, 42nd Parliament, 2nd Session.

<https://www.ola.org/en/legislative-business/bills/parliament-42/session-2/bill-9>

choose to be part of Ontario communities, whether individuals, families, or businesses. We create the conditions for improved quality of life and growing local economies.

The two-year long COVID-19 crisis and decades of neglect have taken their toll. To continue this vital role, the sector requires investment and strategic partnership by the government. Without it, there is great risk of a collapsed sector, a lost ally to the government, and most importantly, considerable harm to Ontarians for years to come.

ONN calls on the Ontario government to:

- 1. Provide stabilization funding for nonprofits to weather the Omicron wave and rebuild for future emergencies.**
- 2. Support solutions for the staff and volunteer crisis in the nonprofit sector.**
- 3. Invest in nonprofit-driven care services for long-term and sustainable recovery.**
- 4. Introduce a social enterprise strategy and commit to community benefit agreements in infrastructure and development projects.**
- 5. Create a “home in government” for the nonprofit sector.**

## **Introduction**

### *About the Ontario nonprofit sector*

With 58,000 organizations, the nonprofit and charitable sector contributes \$65 billion to Ontario's GDP,<sup>2</sup> employing 844,000 workers - of whom 77 per cent are women.<sup>3</sup> As a sector, Ontario nonprofits receive less than half of their revenues from governments.<sup>4</sup> Nonprofits reinvest all surpluses in their missions and leverage government revenues through private grants and donations, the sale of goods and services, and volunteer efforts to create additional value for the communities they serve. Through their job creation and local spending activities, nonprofits generate considerable economic impact above and beyond the extensive value of the social, cultural, and environmental programs and services they provide to Ontarians.

### *COVID-19: Continuing to serve, with increased demands and few supports*

Since March 2020, nonprofit organizations in Ontario have been at the forefront of fighting COVID-19, from emergency child care, mental health supports, meal delivery and supports for

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<sup>2</sup> Statistics Canada. 2022. Table 36-10-0616-01 Gross domestic product (GDP) of non-profit institutions by sub-sector [Data Table]. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610061601>;

Statistics Canada. 2021. Table 36-10-0221-01 Gross domestic product, income-based, provincial and territorial, annual [Data Table]. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610022101>

<sup>3</sup> Statistics Canada. 2019. Table: 36-10-0617-01 Employment in non-profit institutions by sub-sector [Data Table]. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610061701>

<sup>4</sup> Statistics Canada. 2019. Table: 36-10-0613-01 Production, income and outlay accounts of non-profit institutions [Data Table]. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610061301>

isolated seniors, vaccinating hard-to-reach populations to supporting communities through arts and sports programming. All Ontarians rely on nonprofits, especially those who have been disproportionately impacted by the pandemic - women, Indigenous Peoples, Black and racialized people, youth, seniors, and newcomers to Canada.

Over the past two years, we have seen the sector innovate with live virtual concerts to keep us connected, repurposing community kitchens for mobile food programs, telephone trees to reach isolated seniors, virtual sports programs for mental health and physical fitness, pre-loaded phones with wellness supports for Indigenous youth, and much more. Nonprofits have provided ways for people to come together in a crisis, providing safe and accessible spaces. They have done all of this through creative solutions, grassroots connections, and on-the-ground knowledge.

At the same time, our sector has faced disruption, financial hardship, and staffing crises in the wake of COVID-19. ONN's most recent survey in August 2021<sup>5</sup> found that:

- Almost two-thirds of Ontario nonprofits reported an increase in demand for programs and services. At the same time, half reported pandemic-related losses in revenue.
- Even after taking into account existing relief programs, one-third of nonprofits were projecting pandemic-related losses in 2020-21 to exceed \$100,000, with 5 per cent projecting losses to exceed \$500,000.
- Only a minority of nonprofits were supported by government emergency relief measures.

The lion's share of support came from the federal government, notably through the Canada Emergency Wage Subsidy (CEWS). Smaller organizations and those without paid staff have been left to their own devices, while larger nonprofits benefited from programs geared to employers in all sectors (like the CEWS), or targeted funds for arts and social services.

The Ontario government's flagship support program for small employers, the Small Business Support Grant, was accessed by only 1 in 20 nonprofits. Almost 7 out of 10 nonprofits did not receive any provincial supports geared toward nonprofits.

While the Ontario government has suggested the nonprofit sector benefited from the Social Services Relief Fund, our municipal colleagues estimate that 90 per cent of these funds stayed within municipal services rather than being allocated to nonprofits.

Less than 1 in 10 of our survey respondents benefited from the provincial fund intended to support nonprofits - most generally, the Ontario Trillium Foundation's Resilient Communities Fund. Of the respondents who did apply for the Fund, only half received it. There has already been extraordinary pent-up demand for further relief and recovery support - even before the Omicron variant and new shutdowns in January 2022.

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<sup>5</sup> ONN and l'Assemblée de la francophonie de l'Ontario. COVID-19: State of the sector one year later. June 2021. <https://theonn.ca/our-work/covid-surveys/>

## *Omicron and a new round of restrictions*

With the rise of the Omicron variant, our sector faces extraordinary challenges. The restrictions announced in January 2022, along with the direct impact of COVID-related staffing shortages, are having a major impact on organizations. We have included recommendations that address immediate needs to help nonprofits weather this crisis.

### **Recommendation #1: Provide stabilization funding for nonprofits to weather the Omicron wave and rebuild for future emergencies**

Nonprofits forced to close again during this wave must continue to pay their rent/mortgage, maintain their properties, and pay insurance premiums and utility bills. They must decide whether to lay off staff or keep them on the payroll. The majority of arts, culture, sport, and recreation organizations gain most of their revenues from ticket sales and registration fees, as well as fundraisers, and none of this revenue-generating activity can take place. Meanwhile, they have already incurred costs from either return-to-play, rehearsals, marketing, and staff and volunteer recruitment after the previous shutdowns. While these organizations may receive some support from the new Business Costs Rebate Program, it is only a starting point for covering ongoing operational costs.

Nonprofits that have remained open as essential services lack personal protective equipment, such as N95 masks, HEPA filters, and appropriate technology. In addition, their costs are going up with both inflation and the increased demand for services, including staffing costs, COVID safety measures, insurance, and rent/utilities/building maintenance. While some of these nonprofits deliver services on behalf of the Ontario government, few have seen their provincial funding rise in line with increased costs. Even before the pandemic, many nonprofit organizations have experienced flatlined funding for 10 - 20 years. The current variant spread is only compounding this challenge and Ontarians suffer as a result.

ONN has spent the last two years bringing these challenges to the attention of the Ontario government but we have seen no real measures to address them. There has been no strategy, no plan, and no stabilization support for Ontario's nonprofits. We are asking for an immediate end to the fragmented and inadequate provincial response to the crisis in the nonprofit sector.

- a. Provide stabilization funding for nonprofits that have been hard-hit by the COVID-19 crisis, ensuring those communities most affected receive the greatest support and are prepared for the next emergency.
- b. Provide capital funding to preserve and create community space, recognizing these spaces are required to meet urgent needs during a state of emergency. For example, increase the amount available through the Ontario Trillium Foundation's Capital Grant and/or expand the list of organization types eligible for the Infrastructure Ontario loans program.

## **Recommendation #2: Support solutions for the staff and volunteer crisis in the nonprofit sector**

Over the past few months, ONN has heard from its network that nonprofits are facing overwhelming staff and volunteer vacancies. The crisis is being driven by increased demands for programs and services, which has led to burden and unmet demand, a reduction in volunteering, and many of the sector's workers seeking higher pay and less stressful opportunities in other sectors. For instance:

- Feed Ontario has seen the single largest increase in food bank usage since 2009.<sup>6</sup>
- 4 out of 5 homelessness service providers said their mental health has declined during the pandemic.<sup>7</sup>
- Out of the top five obstacles for nonprofits across Ontario, three relate to staff: recruiting skilled employees (37.6%), retaining skilled employees (33.5%), labour force shortage (32.6%).<sup>8</sup>

Our sector is also facing a volunteering crisis as a result of the pandemic. Before the crisis, five million Ontarians donated 820 million hours of labour annually to Ontario communities, the equivalent of 400,000 full-time jobs.<sup>9</sup> Sixty-one per cent of organizations in our recent survey reported losing volunteers since COVID-19 began.<sup>10</sup> According to Volunteer Canada, 57 per cent of previously-active volunteers decided not to volunteer during COVID because of age- or health-related concerns. Their survey overall showed critical concern about the long-term impact of volunteering on nonprofit operations.<sup>11</sup>

ONN was pleased to see the recognition of volunteers in the Fall 2020 Budget<sup>12</sup> and the recent launch of a Provincial Emergency Volunteer Unit.<sup>13</sup> However, as much as this volunteer corps will

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<sup>6</sup> Feed Ontario. Hunger Report 2021. November 2021.

<https://feedontario.ca/wp-content/uploads/2021/11/Hunger-Report-2021-Digital.pdf>

<sup>7</sup> Mental Health Commission of Canada. COVID-19, Mental Wellness, and the Homelessness Workforce. 2021.

[https://mentalhealthcommission.ca/wp-content/uploads/2021/09/covid\\_mental\\_wellness\\_homelessness\\_workforce\\_eng.pdf](https://mentalhealthcommission.ca/wp-content/uploads/2021/09/covid_mental_wellness_homelessness_workforce_eng.pdf)

<sup>8</sup> Statistics Canada. 2021. Table: 33-10-0364-01 *Business or organization obstacles over the next three months, third quarter of 2021* [Data Table].

<https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3310036401>

<sup>9</sup> Government of Ontario. "Not-for-profit sector meeting report." August 2012.

<https://www.ontario.ca/page/not-profit-sector-meeting-report#section-1>

<sup>10</sup> ONN. COVID-19: State of the Ontario Nonprofit Sector One Year Later. July 2021.

[https://theonncan.ca/wp-content/uploads/2021/07/2021\\_ONN\\_State-of-the-Ontario-Nonprofit-Sector.pdf](https://theonncan.ca/wp-content/uploads/2021/07/2021_ONN_State-of-the-Ontario-Nonprofit-Sector.pdf)

<sup>11</sup> Volunteer Canada. The Volunteering Lens of COVID. Fall 2020.

<https://volunteer.ca/index.php?MenuitemID=433>

<sup>12</sup> Ontario Ministry of Finance. "Ontario Budget 2020." Chapter 1, Section 7. November 2020.

<https://budget.ontario.ca/2020/chapter-1a.html#section-7>

<sup>13</sup> Office of the Premier of Ontario. "News release: Ontario extending call to arms to businesses, volunteers, and retired health professionals." Dec. 22, 2021.

<https://news.ontario.ca/en/release/1001375/ontario-extending-call-to-arms-to-businesses-volunteers-and-retired-health-professionals>

be welcome during crises, approximately half of Ontario's nonprofits are volunteer-run and they need support to survive the uneven pandemic recovery and retool for what comes next.

No longer can organizations maintain and keep staff and volunteers, nor do they have the tools and resources they need to continue to provide services. As nonprofits reduce or cancel services and programs, governments will be left with even higher and more complex needs and costs. The time is now to prevent the worst secondary effects of the pandemic, including food insecurity, housing instability, homelessness, deteriorating mental health, child development delays, violence against women, youth unemployment, and loss of faith in public institutions.

To ensure that nonprofits that deliver services on behalf of the Ontario government can continue to offer high-quality programs and services - while providing good jobs - we recommend:

- a. Repeal Bill 124 and commit to using global funding budgets to manage costs rather than wage controls that constrain provincially funded nonprofits in their ability to attract and retain talent.
- b. Make funding longer-term and more flexible, allowing nonprofits to spend more time on their mission rather than paperwork. Ensure provincial funding agreements reflect the costs of doing business, including administrative costs, digital infrastructure costs, pay equity maintenance, and personal protective equipment.
- c. Introduce permanent paid sick days in employment standards legislation.

### **Recommendation #3: Invest in nonprofit-driven care services for long-term and sustainable recovery**

Care services are the supports that allow Ontarians, especially women who make up a majority of the nonprofit workforce, to work, grow, and thrive - from long-term care, home care, and child care, to care for people with developmental disabilities. Investment in care services fuels strong families and communities, just like investments in transportation, roads, bridges, the electrical grid, and public health. The pandemic has unequivocally highlighted that care services are essential to Ontarians and the province's economy.

The extensive waitlists for care services demonstrate that there are increasing unmet needs for affordable and quality care. The demand for care is only going to continue to grow as baby boomers age, the working age population shrinks, and women's participation in the labour market increases (as women usually take on the bulk of unpaid care work). Moreover, unlike in other sectors where technological disruption is eradicating jobs, care jobs are projected to grow in the future of work. The World Economic Forum forecasts that over the next three years 37 per cent of projected job opportunities are in emerging professions in the care economy.<sup>14</sup> However, the current supply of care workers is not enough to meet this demand.

Economic modelling across jurisdictions has found that investing in care services has far more social and economic benefits than investing in other stimulus instruments. For example:

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<sup>14</sup> World Economic Forum. "Jobs of Tomorrow: Mapping opportunity in the new economy." January 2020. [http://www3.weforum.org/docs/WEF\\_Jobs\\_of\\_Tomorrow\\_2020.pdf](http://www3.weforum.org/docs/WEF_Jobs_of_Tomorrow_2020.pdf)

- Research from the UK forecasts that investing in care rather than in construction would create 2.7 times as many jobs and increase overall employment rates by five per cent. Half the investment could be recouped by the Treasury in direct and indirect tax revenue, and the policy choice would produce 30 per cent less greenhouse gas emissions.<sup>15</sup>
- In economic modelling for the US, an annual public investment of \$77.5 billion in child care, residential care, and home health care would generate over \$220 billion in new economic activity annually and 22.5 million new jobs over 10 years.<sup>16</sup>

Investments in nonprofit-driven care services will elicit the most benefits for Ontarians. Care services should have care, not profit, as their central objective. The nonprofit business model can provide Ontarians with flexible care options that are high quality, affordable, accessible, and inclusive.

Our recommendations for care services to jump-start Ontario's recovery:

- a. Invest in communities by boosting nonprofit-driven long-term care, home care, child care, and services for people with disabilities in order to improve care quality, provide good jobs, and expand the availability of care services.
- b. Remove the profit motive from care services in a staged transition, starting with long-term care.
- c. Ensure federal child care dollars support a public- and nonprofit-driven expansion of child care services that offer a range of flexible models for quality early learning, such as centre-based and home-based care, faith-based and culturally specific care, and parent-led co-operatives.

## **Recommendation #4: Introduce a social enterprise strategy and commit to community benefit agreements in infrastructure and development projects**

In collaboration with the co-operative sector, we are proposing that the Ontario government introduce a strategy to ensure that economic growth in Ontario benefits those facing barriers to success and that new infrastructure investments provide benefits to the communities nearby.

Social enterprises and co-operatives enable people with barriers to participate in the economy by providing them with good jobs that also make communities healthier and stronger. These enterprises are engines for innovation and help communities become more self-sustaining. But like many businesses, these enterprises - caterers and couriers, charity shops and bike repair workshops, daycare co-ops, and PSW co-ops - have faced significant disruption and financial challenges during the pandemic.

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<sup>15</sup> Women's Budget Group (UK.) "A Care-Led Recovery from Coronavirus." June 30, 2020.

<https://wbg.org.uk/analysis/reports/a-care-led-recovery-from-coronavirus/>

<sup>16</sup> Time's Up Foundation. "It's Time to Care: The Economic Case for Investing in a Care Infrastructure." February 2021.

<https://timesupfoundation.org/work/times-up-impact-lab/times-up-measure-up/its-time-to-care-the-economic-case-for-investing-in-a-care-infrastructure/>

Our recommendations for social enterprise:

- a. Create a fund to support local community benefits networks and social enterprise developers (including those focused on developing diverse suppliers, e.g., women-, Black-, and Indigenous-owned enterprises).
- b. Eliminate regulatory barriers to Community Investment Organizations (CIOs) that channel local community members' resources (e.g., RRSPs) into local economies via co-operative and nonprofit social enterprises, community land trusts, and nonprofit and co-operative housing. For instance, the Ontario Securities Commission should streamline the process to create CIOs and the Financial Services Regulatory Authority should increase the threshold for capital that co-operatives can raise from their members without needing to make an offering statement.
- c. Introduce a social procurement and community benefits policy at the provincial level, ensuring that it covers Supply Ontario, the broader public sector, and all major infrastructure and housing development projects.
- d. Ensure that nonprofit and co-operative enterprises are eligible for all business investment and marketing supports currently provided to small businesses (e.g., through Digital Main Street) and that these supports are communicated well to our sector. Provide provincial loan guarantees to social enterprise start-ups if their loan requests meet the business model requirements of Community Futures.

## **Recommendation #5: Create a “Home in Government” for the Nonprofit Sector**

We recommend a home in government for the nonprofit sector that can streamline and coordinate the sector-government relationship across ministries. This could take the form of an Associate Minister for the Nonprofit Sector and accompanying Office.

Throughout the pandemic and before, thousands of nonprofits have connected individually to a range of provincial ministries, from Government and Consumer Services, Seniors and Accessibility, to Labour, as well as line ministries that fund nonprofits in the arts, sports, health care, employment/training, and social service areas. This fragmented approach, lacking responsive and direct lines of communication with government, creates great risk for the nonprofit sector's ability to continue to support communities.

This year, there have been two key developments in the Ontario government's relationship with the sector: Bill 9, An Act to proclaim Non-Profit Sector Appreciation Week, recognizing with all-party support the often invisible contributions our sector makes to society and the economy. The second is that the Ontario Not-for-profit Corporations Act (ONCA) was proclaimed in force, realizing a decade-long commitment to modernize the sector's corporate legislation.

We recommend consolidating this work of modernizing the government-sector relationship. For example, an Associate Minister would be a champion for the sector and an associated office would break down silos and coordinate across ministries to tackle problems holistically.



A home in government for nonprofits would create efficiencies and improve the government's effectiveness at tackling cross-sectoral policy issues. For example, workforce development in the nonprofit sector could be addressed systematically. A cross-ministry focus would help to advance the agenda on transfer payment modernization, digital services, and pandemic recovery and crisis resilience.

## **In conclusion**

As the province recovers from the Omicron phase of the COVID-19 crisis and prepares for the future, the nonprofit sector is a natural partner to the government to create the conditions for healthy communities and a thriving economy.

Now is the time for a rapid and robust financial response to the crisis experienced in Ontario's nonprofit sector. And once the crisis is tackled, it will be time to develop long-term investments and public policy that recognize the central role nonprofits play locally and across regions in a sustainable and equitable economy and a more inclusive society.

ONN remains committed to working with the government toward ensuring that communities can thrive and prosper beyond this pandemic.

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## **About ONN**

The Ontario Nonprofit Network (ONN) is the independent nonprofit network for the 58,000 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.