

Federal Pre-Budget Submission 2022

# The Nonprofit Sector: A partner in building an inclusive and green recovery for Canadians

Prepared for the Minister of Finance

February 2022

*"I believe when it comes to our elders and also the very youngest Canadians, the people who are least able to speak up for themselves and advocate for themselves, I think that we should have a strong bias towards not for profit care and the not for profit system."*

*-Deputy Prime Minister and Minister of Finance Chrystia Freeland <sup>1</sup>*

## 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.

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<sup>1</sup> CBC. "The Current Transcript for April 20, 2021." April 20, 2021  
<https://www.cbc.ca/radio/thecurrent/the-current-for-april-20-2021-1.5993292/tuesday-april-20-2021-full-transcript-1.5995613>

## Summary

### With large-scale changes on the horizon, Canadians need a transformational budget

The way Canadians work, live, and thrive is fundamentally changing as Canada 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, Canadians need a transformational budget. Business as usual will not work.

A transformational budget will ensure accountability and transparency of tax dollars by investing in what matters most to Canadians - 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 choose to be part of Canadian 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 our 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 loss of supports for Canadians for years to come.

Our recommendations present ideas for catalyzing an equitable recovery in Canada.

ONN calls on the Government of Canada to:

- 1. Support the nonprofit sector to ensure its critical infrastructure is prepared for the “building back better” that lies ahead;**
- 2. Partner with nonprofits for an inclusive COVID recovery;**
- 3. Invest in a nonprofit-driven care economy and workforce strategy for long-term and sustainable recovery;**
- 4. Ensure that the agenda on women and the economy includes sectors that are traditionally overrepresented with women (such as the nonprofit sector) to advance gender equity.**

## Introduction

Across Canada the nonprofit sector plays an essential role in job creation, volunteer engagement, and programs and services that support the well-being of Canadians. The sector generates 8.4 per cent of Canada's GDP, employing 2.4 million people -- of whom 77 per cent are women.<sup>2</sup> As a sector, nonprofits receive less than half of their revenues from governments. 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 social, cultural, and ecological value they provide to Canadians.

Since March 2020, nonprofit organizations across Canada have been at the forefront of fighting COVID-19, from emergency child care, mental health supports, meal delivery and supports for isolated seniors, vaccinating hard-to-reach populations to supporting communities through arts and sports programming. All Canadians 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 by repurposing community kitchens for mobile food programs, using telephone trees to reach isolated seniors, activating virtual sports programs, offering 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.<sup>3</sup> The federal government's supports during time, notably the Canada Emergency Wage Subsidy (CEWS), has been critical. However, 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 time is now to support a sector that is a critical partner for the Government in rebuilding an equitable recovery for Canada.

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<sup>2</sup> Statistics Canada. "The Daily – Non-profit institutions and volunteering: Economic contribution, first quarter 2021." 2021. <https://www150.statcan.gc.ca/n1/daily-quotidien/210628/dq210628c-eng.htm>; Statistics Canada. "The Daily – Non-Profit Organizations and Volunteering Satellite Account: Human Resources Module, 2010 to 2019."

<https://www150.statcan.gc.ca/n1/daily-quotidien/210430/dq210430d-eng.htm>

<sup>3</sup> ONN and l'Assemblée de la francophonie de l'Ontario. COVID-19: State of the sector one year later. June 2021. <https://theonnc.ca/our-work/covid-surveys/>;

## Recommendations

### Recommendation 1: Support the nonprofit sector to ensure its critical infrastructure is prepared for the “building back better” that lies ahead

- **Enhance the Community Services Recovery Fund by increasing the amount by \$300 million, extending the timeline for use of funds to March 2023, and ensuring that all public benefit nonprofits and charities are eligible to receive funding on the basis of need.**

The Community Services Recovery Fund (CSRF) is a welcome infusion of core operating support that will help nonprofits and charities adapt and modernize to the challenges created by the pandemic. Various research studies show that small and medium sized organizations serving rural regions or specific populations (as opposed to the general public) are having a disproportionately hard time adapting. They have also been less likely to access federal emergency measures such as the CEWS and the CERS, putting the diversity of the sector at risk.<sup>4</sup> The CSRF presents an opportunity to counter this trend and bolster those organizations that most need support.

Additionally, in recognition of the value that all nonprofits and charities bring, it is important that the CSRF be open to all public benefit nonprofits and registered charities on the basis of need, rather than just those organizations providing frontline services. The scale of need in the nonprofit sector is greater than the \$400 million allocated, particularly as emergency measures expire this fall. Donation levels have not yet rebounded and it is important that organizations have time to spend the funding in meaningful ways so that the program has a truly transformative impact.

- **Provide Statistics Canada with a mandate to carry out a follow-up to the 2003 National Survey of Non-Profit and Voluntary Organizations on an annual basis and provide funding of \$5 million for 2022 plus \$1.5 million ongoing.**

There are numerous gaps in the data currently collected by the federal government about the nonprofit sector in terms of macroeconomic, human resources, and organization-level information. Evidence is key to informed decision making, and this data deficit creates challenges for policymakers and nonprofit sector leaders. Furthermore, collecting data on the nonprofit sector would advance the federal government’s recent commitments to improve its quality of life measures and the availability of disaggregated data. It is essential that we have baseline information about the number and location of nonprofits, their areas of activity and target populations, their financial and human resources, and the challenges they face.

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<sup>4</sup> Ontario Nonprofit Network. “COVID-19: State of the Ontario Nonprofit Sector One Year Later.” 2021. [https://theonn.ca/wp-content/uploads/2021/07/2021\\_ONN\\_State-of-the-Ontario-Nonprofit-Sector.pdf](https://theonn.ca/wp-content/uploads/2021/07/2021_ONN_State-of-the-Ontario-Nonprofit-Sector.pdf)

- **Strategically engage with our sector through a home in government**

Despite the sector's significance and magnitude, no strategic relationship exists between the federal government and this sector. There is no entity responsible for ensuring the well-being of charities and nonprofits as a sector. Never was this clearer than during the pandemic, when many of the federal economic relief measures initially failed to take into account the unique characteristics and revenue models of charities and nonprofits.

A home in government makes economic sense, it will strengthen the sector as a whole thus benefit the communities the sector serves. A coordinated approach to policy and engagement of nonprofits by a central body can eliminate duplicate efforts and rather harness the sector's knowledge, expertise, local insights, and data. It would create the kind of federal policy framework, programs, and investments that have been used successfully in other economic sectors like transportation, agriculture, and small business, all of which have federal department support. Moreover, it will enhance the sector's ability to access financing, offer decent work, invest in digital transformation, rely on quality data, and benefit from more enabling regulation.

## Recommendation 2: Partner with nonprofits for an inclusive COVID recovery:

- **Ensure federal transfers take profit out of publicly-funded care programs (e.g., long-term care); No federal funding to for-profit service expansion.**

As COVID has laid bare, and years of research has shown, services to people such as children, the elderly, and people with disabilities or health challenges provided by private for-profit corporations results in inferior care.<sup>5</sup> Private profits are prioritized over service provision and care suffers. Moreover, the financialization of for-profit care facilities occurs as corporations extract capital from the care facilities leaving ever growing debts and service charges for the government to pay. Canadians' care facilities ought not to be for sale.<sup>6</sup>

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

- **Strengthen the nonprofit sector's ability to meet demand for child care spaces.**

We are encouraged by the federal government's historic investment in building a national child care system that is strongly committed to limiting expansion to the nonprofit and public sectors and ensuring high quality child care jobs. It is a great example of how the care economy can

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<sup>5</sup> Ontario Nonprofit Network. "Nonprofits Deliver." 2020.

<https://theonn.ca/our-work/our-financing/nonprofits-deliver/>

<sup>6</sup> Ontario Nonprofit Network. "Not for Sale: The Case for Nonprofit Ownership and Operation of Community Infrastructure." <https://theonn.ca/our-work/our-financing/public-lands-civic-spaces/not-for-sale/>

stimulate economic recovery. Nonprofits are the best partners for governments to build and expand a Canada-wide licensed child care system that is affordable, accessible, high quality, and inclusive.<sup>7</sup> The sector is well positioned to offer a variety of flexible child care choices to parents that enhance quality of care, safety, and working conditions.<sup>8</sup>

To strengthen the sector's ability to expand, the federal government can provide investments in capital for building new licensed child care spaces and retrofitting existing ones. Also investing in start-up/scaling up of nonprofits that can function as intermediaries between nonprofit child care services and the child care spaces building process (e.g., technical assistance and capital project financing experts) can ensure the sector is prepared to meet demand.

- **Prioritize procurement from local nonprofit social enterprises and co-operatives, to create exponential positive social and economic impact.**

Public Services and Procurement Canada should continue to advance work on social value procurement across government to create access to business opportunities for nonprofit social enterprises. These enterprises reinvest surpluses back into their mission and often employ people who face barriers to employment; creating meaningful work, building economic self-sufficiency for local communities, and reducing reliance on social programs.

- **Tailor the design of the Social Innovation Strategy and the Social Finance Fund to enable the scaling up of local, community-led solutions.**

Focus the forthcoming Social Innovation Strategy, and the Social Finance Fund in particular, on supporting community-led solutions to the biggest challenges of our time. Specifically, ensure that funds are not only accessible to nonprofit social enterprises but are targeted to Black-led, Indigenous-led, and women-led nonprofits, as well as those led by people with disabilities, other racialized Canadians and people across rural regions. Nonprofit and co-operative associations/intermediaries (linking organizations) need to be supported to enable small community nonprofits to take advantage of larger-scale investment streams. The focus needs to be on building community-owned assets rather than subsidizing private capital and risk.

### **Recommendation 3: Invest in a nonprofit-driven care economy and workforce strategy for long-term and sustainable recovery**

Care services are the supports that allow Canadians 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,

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<sup>7</sup> Ontario Nonprofit Network. "Nonprofits Deliver Canada-Wide Child Care System." June 2021. <https://theonn.ca/wp-content/uploads/2021/06/Nonprofits-Deliver-Canada-Wide-Child-Care-System-Briefing-Note-JUNE-2021.pdf>

<sup>8</sup> Ontario Nonprofit Network. "Nonprofits deliver high quality, flexible child care choices." January 2022. <https://theonn.ca/wp-content/uploads/2022/01/Nonprofit-Child-Care-Models-External-JAN-2022.pdf>

roads, bridges, the electrical grid, and public health. The pandemic has unequivocally highlighted that care services are essential to Canadians and the country'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 and the working age population shrinks. 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>9</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:

- 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>10</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>11</sup>

Boosting nonprofit-driven long-term care, home care, child care, and services for people with disabilities will improve the quality of care while providing good jobs and expanding the availability of care services.

#### **Recommendation 4: Ensure that the agenda on women and the economy includes sectors that are traditionally overrepresented with women, to advance gender equity.**

Historically, women, especially Black, immigrant, migrant and undocumented workers, have been concentrated in industries and occupations that are aligned with their traditional gender roles - namely care work. These industries and occupations have a disproportionate share of low-waged and precarious work and are vastly undervalued, which significantly drives down women's economic security overall. Women's economic recovery must include multiple pathways for

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<sup>9</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)

<sup>10</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>11</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/>

women to grow and thrive in women-majority sectors. Women's economic recovery will not happen if only industries, sectors, and occupations are targeted in which women are underrepresented. Pre-COVID strategies that focus on increasing women's representation in entrepreneurship or science, technology, engineering, math (STEM) and trades, are not sufficient on their own. Our women-majority sector needs to be included in any strategy to advance gender equity because when our workforce can access decent work, it ensures economic security for a significant number of women.

## Conclusion

As Canada stands at a critical juncture of "building back better" for all or reverting to a status quo with growing inequality, nonprofits are a natural partner for the federal government. The sector's economic, social, cultural, and ecological impact on the health and well-being of Canadians is profound. Nonprofits know what's happening on the ground. They are trusted leaders in communities and their rooted infrastructure can be mobilized quickly as an intermediary for rebuilding efforts. ONN remains committed to working with the government toward ensuring that communities can thrive and prosper beyond this pandemic.

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