

**Resilience from the ground up:
Nonprofits' role in rebuilding communities and local economies
after COVID-19**

2021 Federal Pre-Budget Submission

Prepared for the Parliamentary Standing Committee on Finance

August 7, 2020

Executive Summary

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.

Nonprofits and charities offer programs and supports that are integral to the well-being and quality of life of Canadians. The nonprofit sector contributes over eight percent of Canada's GDP and employs two million workers. The sector has been hard hit by COVID-19 and many nonprofits may not be there for communities as they weather the long-lasting effects of the pandemic.

The majority of nonprofits have seen little relief from federal COVID measures despite experiencing, on average, a 40 percent increase in demand for service.¹ ONN recommends the urgent implementation of measures that will provide adequate support to nonprofits that are the backbone of their communities, providing jobs, meaningful volunteer opportunities, and significant social and economic impact.

Summary of recommendations:

- 1. The immediate roll-out of a \$7.2 billion-dollar nonprofit sector COVID resilience grant fund, as outlined in a proposal by Imagine Canada.²**
- 2. The adoption of the recommendations of the People-Centred Economy group convened by the Canadian Community Economic Development Network (CCEDNet), namely:**
 - **Promote local and social procurement**
 - **Enable employee- and community-based ownership succession and buyouts**
 - **Implement the Social Innovation and Social Finance Strategy**
- 3. The release of an updated guidance document on “direction and control” for charities to enable “shared platforms,” through which grassroots organizations and mutual aid networks can be mentored and sustained through existing charities.**

¹ ONN's forthcoming (August 2020) survey of nonprofits (with l'Assemblée de la Francophonie de l'Ontario) will be posted on <https://theonnc.ca/>. Of those nonprofits that were operating during the initial stages of the pandemic and state of emergency, over 40 percent indicated that they experienced increased demand.

² Imagine Canada. “More funding needed to ensure survival of charities and nonprofits.” April 21, 2020. <https://imaginecanada.ca/en/emergency-community-support-fund-response>

Introduction: nonprofits' role in inclusive local economies

Society will be best served when all sectors work together and when governments recognize the contribution that charities, non-profits and co-operatives make to economic growth, growth that is inclusive and improves outcomes in communities.

- Recommendations of the Social Innovation and Social Finance Strategy
Co-Creation Steering Group³
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Nonprofits and charities are known for their positive impact on the quality of life of Canadians, ensuring they have access to health and social services, arts and culture, sport and recreation opportunities, food security, healthy environments, communities of faith, and more. The nonprofit sector is also an economic driver, contributing over eight percent of Canada's GDP and employing two million workers. As a sector, nonprofits receive less than half their revenues from government, leveraging public investment and adding value through non-governmental funding, donations, and the efforts of our volunteers. It is hard to imagine how desolate Canadian communities would be without the enriching experiences and supports offered by nonprofits -- and the jobs they create.

But nonprofits have been hard-hit by COVID-19 and many of them may not be there for communities as they weather the long-lasting effects of the pandemic. One-fifth of the nonprofits ONN surveyed in June 2020 said they were expecting to go out of business in six months -- and another fifth said they were uncertain whether they would be operating in 2021.⁴

ONN's submission is focused on three proposals that can be implemented immediately to ensure that the nonprofit sector remains healthy and vibrant, available to support communities and local economies to rebuild in this era of global pandemics.

³ "Inclusive innovation: New ideas and new partnerships for stronger communities." 2018.
<https://www.canada.ca/en/employment-social-development/programs/social-innovation-social-finance/reports/recommendations-what-we-heard.html>

⁴ Findings from ONN's forthcoming (August 2020) survey of nonprofits (with l'Assemblée de la Francophonie de l'Ontario), to be posted on <https://theonnc.ca/>.

A sector resilience fund

The relief fundings only go to support the delivery of direct client services but not helping to address the agencies' financial hardships.

So far, there does not seem to be much help available for nonprofits specifically.

We fell in the cracks.

- Ontario nonprofit survey respondents on government COVID measures, June 2020⁵
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We begin by reiterating the call for a sector resilience fund to provide urgently-needed financial support to nonprofits and charities that have weathered the first four months of COVID-19. For vital programs and services to continue, communities require further investment in nonprofits through a Sector Resilience Grant Program, as proposed by a coalition led by Imagine Canada. Despite targeted measures offered to certain parts of the sector, the gap in broad-based federal support jeopardizes the services, social connection, and support Canadians need to recover from this crisis -- not only mental health services, job training, and housing support, but also theatre programs, child care, recreational programming, and more. The gap also puts at risk hundreds of thousands of jobs along with the contribution that nonprofits make to their local economies.

We estimate that economic losses for the Ontario nonprofit sector are in the range of \$1.8 billion in the first three months of COVID-19.⁶ ONN, in partnership with l'Assemblée de la Francophonie de l'Ontario, surveyed over 1100 nonprofits in June. The survey results paint a picture of a sector in crisis. Over a third of nonprofits have tapped their reserve funds, almost a quarter resorted to pay cuts and layoffs, and 10 percent reported using personal funds to meet the financial needs of their organizations. These desperate measures were taken at a time when 40 percent of nonprofits still operating were experiencing increased demand for services.

Government measures have not matched the scale of the crisis or the business models of the nonprofit sector. Only 35 percent of nonprofits we surveyed reported accessing the Canada Emergency Wage Subsidy (CEWS), 18 percent benefited from the business loans, and four percent benefited from the commercial rent program. Regarding funding streams targeted to the nonprofit sector, 65 percent of the nonprofits we surveyed had not received any financial assistance.

⁵ ONN & AFO sector survey, forthcoming. Survey report will be posted in August 2020 at <https://theonnc.ca/>

⁶ ONN. "Stabilizing Ontario's nonprofit sector to rebuild the economy and communities post COVID-19." May 2020. <https://theonnc.ca/our-work/covid-19-stabilization/>

Nonprofits have told ONN that broad-based measures were not well designed for our sector. For example, the CEWS required a 30 percent reduction in revenues to qualify.⁷ Nonprofits do not pay shareholders and typically operate on a break-even basis; for them, a less-than-30-percent loss can be catastrophic – not cutting into profits (as it would in a for-profit corporation) but translating directly into pay cuts, layoffs, and closures. While the wage subsidy program has been improved, the reality is that government supports have failed to reflect the size, breadth, and economic impact of the nonprofit sector and have therefore fallen far short of what is needed to help nonprofits through the crisis.

We recommend that the Government of Canada immediately roll out a \$7.2 billion-dollar, nonprofit sector COVID resilience grant fund, as outlined by Imagine Canada. The cost of inaction on this is far greater than the investment required, given the value that nonprofits provide to our society, economy, and environment in terms of reduced downstream costs (e.g., homelessness, incarceration, and pollution) and the positive social and economic effects of enhanced well-being for the communities our sector serves.

⁷ Modifications to the CEWS announced in July 2020 have addressed many concerns raised by nonprofits: <https://theonnc.ca/wp-content/uploads/2020/06/ONN-CEWS-Consultation-Submission-JUNE-2020.pdf>.

A People-Centred Economy

We ask you to consider the wider range of recommendations made by the SISF [Social Innovation Social Finance] Strategy Steering Committee and to deeply include BIPOC [Black, Indigenous, and People of Colour] leadership as you proceed in growing the social innovation ecosystem beyond social finance.

- “Stronger Together” statement from leaders in the Canadian social economy⁸
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ONN participates in the People-Centred Economy group convened by the Canadian Community Economic Development Network (CCEDNet). Like other members, ONN believes that our dominant economic model does not support community wealth or well-being. In the context of growing inequality, household debt, and climate crisis, nonprofits are joining local economic development efforts to engage people in community ownership of critical services like housing, food, care-work, and renewable energy. Community ownership removes the cost of profit from goods and services and makes life more affordable. Social enterprise and co-operative models are better adapted to challenging market conditions, and more resilient in times of economic downturn.⁹ But nonprofit social enterprises lack an enabling policy environment to help them grow and multiply.

This work has become more urgent in the time of COVID – and so has the work of ensuring that our social enterprise strategies and leadership reflect the diversity of enterprises in the social economy, especially those led by Black and Indigenous people. Building back the way the economy used to run is not an option, and neither is a strategy to foster “inclusive growth” without reallocating power to people most affected by oppression.

A Government of Canada commitment to increasing local and social procurement will ensure that the benefits of existing spending accrue to Canadian communities. Knowing that many small business owners are ready to retire, we support the call for an enabling policy environment to promote employee- and community-ownership of businesses as a succession strategy.

We join the call for the rapid implementation of all recommendations of the Social Innovation/Social Finance Steering Group report, starting with the accelerated roll-out of the Social Finance Fund.¹⁰ Nonprofit social enterprises certainly require additional support to become investment ready but this should not delay the roll-out of much needed investment finance to

⁸ Statement by leaders in the Canadian social economy. July 2020.

<https://ccednet-rdec.ca/en/new-in-ced/2020/07/17/stronger-together-solidarity-statement>

⁹ Carlo Borzaga, Gianluca Salvatori and Riccardo Bodini. [Social and Solidarity Economy and the Future of Work](#), International Labour Organization, July 2017, p. 15

¹⁰ Government of Canada. Backgrounder: The Social Finance Fund. 2018.

<https://www.canada.ca/en/employment-social-development/news/2018/11/backgrounder-the-social-finance-fund.html>

support immediate opportunities such as employee/community purchases of businesses, community land trust (CLT) purchases of rental buildings, and the scale-up of nonprofit social enterprises in areas from catering to housing development and energy retrofits.

For this reason, **ONN supports the recommendation by the People Centred Economy group that the Government of Canada:**

- **Promote local and social procurement**
- **Enable employee- and community-based ownership succession and buyouts**
- **Implement the Social Innovation and Social Finance Strategy**

Shared platforms as a critical tool for rebuilding communities

As things get harder, we show up for our neighbours.

- Parkdale Pod - Mutual Aid Network,
"Neighbourhood Pods - How-To"¹¹

In a shared platform, an established organization mentors a new project, leveraging its existing governance and administrative infrastructure and freeing up emerging leaders to concentrate on their initiative. A recent report from the UK found over 13,000 grassroots groups operating "under the radar," often relying on a larger organization to administer any grants they receive.¹² The shared platform model offers an alternative for groups undertaking charitable activities that is more accessible and efficient than incorporating and registering as a charity.

Three success stories that got their start on shared platforms:

- **Pathways to Education** was originally supported by a platform provided by Regent Park Community Health Centre.
- **Canada's private sponsorship program for refugees** was developed by a coalition of Canadian churches, including the United Church of Canada as the shared platform.
- **Not Far From The Tree**, an organization that harnesses community volunteers to pick fruit off urban trees -- sharing the fruit three ways between the tree owner, harvesters, and food security organizations -- remains supported on a platform by Makeway Foundation.

Growing awareness of systemic racism and the disadvantages faced by BIPOC communities has highlighted the urgent need for funders and nonprofits to better support these communities. Shared platforms provide an avenue for these community leaders to be supported in accessing grant funds for communities most affected by oppression.

Shared platforms are essential building blocks in creating a more supportive and equitable environment for nonprofits and community members to lead the way and support their neighbours in the pandemic era. ONN has laid out a case for support and a policy paper that outlines a more enabling environment.¹³ **We recommend that the Canada Revenue Agency begin by providing an updated guidance document on "direction and control" for charities that enables shared platforms.**

¹¹ Available online at

https://docs.google.com/document/d/1g-7_WKXo9wlh3e9g9wJ7zg78hMyDKlmkHixeO_ocfyg/edit

¹² Local Trust UK. "Below the radar: Exploring grants data for grassroots organisations." August 2020.

<https://localtrust.org.uk/insights/research/below-the-radar/>

¹³ The case for support and policy paper are available at

<https://theonnc.ca/our-work/our-regulatory-environment/shared-platforms/>

Conclusion

In the COVID era and beyond, the three sectors of the Canadian economy - public, private, and nonprofit -- must work together to address ongoing and future crises, both known (like climate change and wealth inequality) and unknown. The approaches we developed before the pandemic may need rethinking but the networks and ingenuity of the nonprofit sector will serve us well.

The Government of Canada's goals of investing in families and communities, creating good jobs, and protecting the environment can only be met in partnership with the nonprofit sector which has roots in every community across Canada. ONN looks forward to discussing how a more enabling policy environment can ensure our sector is well positioned to meet the challenges of this new era.

For more information, contact:

Cathy Taylor, Executive Director, ONN
Tel: 416-642-5786, ext. 508
Email: cathy@theonnc.ca

Liz Sutherland, Director of Policy, ONN
Tel: 647-466-5855
Email: liz@theonnc.ca