

Heads Up Ontario!

Current Conditions and Promising Reforms to Strengthen Ontario's Nonprofit Community Services Sector

Final Report

Peter Clutterbuck
Rob Howarth

Submitted to the
Community Social Planning Council of Toronto
In Support of the Community Social Services Campaign

Heads Up Ontario!

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Executive Summary

This report is a summary and analysis of current research on the status of Ontario's nonprofit community services organizations.

For people working in or with these organizations, the data and trends identified in this report will not be a surprise. Practitioners and researchers close to the sector have, for almost ten years now, been steadily sounding the alarm of a sector under stress. To these we add our own "heads up" to the government and people of Ontario on worsening conditions in the nonprofit community services sector across the province.

The "perfect storm" facing community service organizations results from the confluence of three trends: an increased reliance by governments upon the sector as a deliverer of services, persistent under-funding of the sector's program and administrative infrastructure, and the pressing requirement for increased service and community-building initiatives to address the impact of growing inequality, poverty and discrimination in our communities.

Despite the significant creativity and determination of organizations and workers juggling these complex challenges day-to-day, the cumulative impact has been disheartening.

- The sector is now one of the most dependent areas of our economy on part-time precarious work arrangements.
- Wage rates are consistently below those of other public and private sector comparators, and in some cases are below the poverty line. Wages and benefits have been essentially stagnant for the last decade, as inflation climbed by more than 23%. Some workers have seen absolute reductions in pension and other benefits; many others have no pension or benefits at all.
- The administrative infrastructure of organizations has been hollowed out to stretch resources to shore up programs underfunded by government.
- Large amounts of staff time that agencies used to be able to commit to community-building and service delivery are being siphoned off to attend to ever-increasing fundraising and administrative requirements.

All of this is forcing existing organizations to tread water, while struggling to continue to deliver services in their communities. While project funding has increased in some program areas over the years, most recently in the area of settlement services, there has been minimal new investment to expand community service infrastructure that is most needed to support thousands of new immigrants each year, plan for an aging population, and find creative solutions to address growing social and economic inequality.

Yet, the precarious state of our community services infrastructure in Ontario is not at present a well profiled story or broadly felt public concern. In part this is because the sector's success in maintaining community services in difficult times has come at the cost of limited public outcry.

There are solutions at hand that can stabilize and enhance the sector's ability to play a lead role in re-invigorating communities, re-imagining social policy, and reinventing the ways in which people can work effectively together.

In our opinion, what is most needed as a point of departure at this time is for the Ontario government to create a forum to explore and discuss these challenges, and to work in partnership with the sector to forge new commitments and practices that would create and sustain conditions of equity and well-being in all communities.

Findings

A) Scope and Financing of the Sector

Ontario's nonprofit sector is the largest in Canada. It includes approximately 45,000 organizations ... One in 11 Ontarians work in a nonprofit organization, and 7.8 million people volunteer for a non-profit organization, contributing a total of 791 million hours of volunteer labour each year.

At 45,360 organizations, the Ontario nonprofit sector makes up 28% of the 161,227 registered charities and incorporated nonprofits in Canada. The community and social service sector in Ontario is made up of about 9,000 organizations, which is about 20% of the total nonprofit sector in Ontario, behind only religious (23%) and sports and recreation (21%) organizations.

B) Social and Economic Contributions of the Sector

The contributions of nonprofit community service organizations are in fact much more extensive than the provision of services alone, and involve community-building and economic functions that are essential to our future success as a society.

In addition to the federal government, many local governments in Ontario and private foundation donors explicitly identify and recognize this full range of activities as the "value-added" they are seeking to mobilize through their partnering with the nonprofit community services sector. These include:

- Promoting civic participation and inclusion
- Advancing collaborative solutions to complex challenges
- Sustaining social innovation and early response
- Providing responsive high quality services
- Significant economic role of the sector.

C) Organizational Impact of Current Funding and Policy Context

Funding mechanisms to support nonprofit social service organizations have shifted over the past 10-15 years towards more funder-prescribed and project-centred investment models, which give funders more flexibility but impose burdensome constraints on fund recipients.

The combination of increased service demand, lack of internal capacity and increased reliance on project funding are all increasing the levels of strain. Key organizational impacts on the community service sector in this regard include:

- Underinvestment in agency administrative systems
- Underinvestment in agency infrastructure to address emerging needs
- Growing volatility, administrative and fundraising burdens are crowding out planning and local responsiveness
- Increased polarization and competition within the sector.

D) Impact of Current Funding and Policy Context on Workers

Community service managers and their volunteer boards are challenged with adapting to a more volatile and uncertain resource environment while still fulfilling their service mandates. Community service employees show a strong motivation to serve and contribute to community life, but they have sacrificed decent incomes to do this through the low-wage work of the nonprofit sector. Increasingly, the “intrinsic” rewards of work in the sector are being overcome by greater job insecurity, continuing poor compensation and deteriorating working conditions.

In the face of a growing labour shortage and heightened competition from both the for-profit and public service sectors, and under current funding frameworks, the nonprofit community service sector is hard-pressed to maintain and strengthen its human resource base.

Recommendations

Based on the state of the nonprofit community and social services in Ontario and the strong consensus on the major problems facing the sector that research at the national, provincial and community levels confirms, action for the sector’s vitality and sustainability is clearly needed in the following areas:

1. Establishing a Forum to Create an Accord between the Province of Ontario, the Nonprofit Community Service Sector and Workers in the Sector

Without delaying necessary action to implement reforms in funding frameworks and fair compensation, it is critical that the Ontario Government formally set up a structure and initiate a process of dialogue with the nonprofit sector, engaging organizations, unions, unorganized nonprofit workers, and communities, on major policy issues of shared concern.

2. Reforming Provincial Funding Frameworks

One of the first areas to address in provincial government-voluntary sector discussions would be the negotiation of a provincial code on funding practice as was done at the federal level. The following practices should be considered as essential components of these reforms:

- a) Supporting administrative infrastructure
 - Specific mechanisms that should be examined to achieve this goal include:
 - Core funding
 - Lead funding model
 - Full cost recovery.
- b) Establish more responsive, stable and enabling funding mechanisms
 - Specific reforms that should be examined to achieve these goals include:
 - Multi-year funding
 - Global budgeting
 - Intentionally supporting innovation and collaboration.
- c) Enable locally raised funds to be used for innovation and responding to unique community needs
- d) Index funding to cost of living
- e) Use fair and simplified accountability procedures
- f) Funding should only be provided for public, nonprofit service delivery.

3. Dedicated “Community Hub” Funding

The “community hub” model should be promoted as an effective way for funding collaborations to establish the foundations for community service capacity. The Province of Ontario must once again enter into these collaborative funding relationships in a more systematic way, and as primary partner, to ensure that new community infrastructure can be established.

4. Ensure Fair Compensation to Community Service Workers

Setting a standard wage rate for various positions within the whole community services sector is unlikely to be achieved in the near future, given the diversity of the sector. There is, however, some promise in doing comparative salary, wage and benefit studies within similar clusters of services. At a minimum, wage indexation is also critically important to make sure that compensation does not fall behind cost of living increases. Indexation should be implemented annually before parity is reached and maintained after parity has been achieved.

5. Promote More Collaborative Funding Models

An emerging consensus in social policy analysis suggests that effectively addressing complex community issues will require greater levels of collaboration and working across traditional silos. This “horizontality” will require a more strategic and intentional approach on the part of governments to supporting synergies between the government and the community sectors.

6. Set up Ongoing Mechanisms for Monitoring and Reporting on the Sector

One area of useful government-community sector collaboration in Ontario would be the design of monitoring research on the health of community services in the province. A provincial report card on critical indicators of vitality and sustainability that would track administrative burdens, staff salary rates, benefits, capacity for volunteer management, supervision, training, etc. could be produced at three- to five-year intervals.

The Costs of Not Acting

Stability and sustainability are the key issues for organizations in the sector. Current funding frameworks guarantee neither. Failure to act on the kinds of recommendations we report out of the research to date will bear costs, including:

- Inefficient use of project funding dollars on short-term initiatives without building and supporting the administrative capacity in underserved communities to use project and program funding for their intended purposes.
- Withering of the sector’s capacity for social innovation, civic engagement, and social inclusion, as funding continues to emphasize targeted service needs, and neglects the sector’s key role in contributing more broadly to the reduction of social inequities.
- Continuing to reinforce low wage, gendered employment ghettos, leading to further decline in working conditions and threatening the loss of a skilled and committed workforce.
- Failing to regenerate the sector’s employee base by attracting new workers within the context of a more competitive labour market.

In the end, the people of Ontario really bear these costs – whether community residents, service recipients, volunteers or workers. Their fate depends on the vitality and strength of the community-based organizations in which they are engaged. The Ontario government must recognize what is at stake and engage with the community sector in addressing the issues detailed in this report.

For more information on the Community Social Services Campaign and for the full report, visit <http://www.socialplanningtoronto.org>

The Community Social Planning Council of Toronto and the Community Social Services Campaign would like to acknowledge the contribution of the United Way of Greater Toronto in funding this report.

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1. Introduction

This report is a summary and analysis of current research on the status of Ontario's nonprofit community services organizations.

For people working in or with these organizations, the data and trends identified in this report will not be a surprise. Practitioners and researchers close to the sector have, for almost ten years now, been steadily sounding the alarm of a sector under stress. A sample of report titles over this time gives some indication of this concern: *Shifting the Burden: How Much Can Government Download to the Nonprofit Sector* (1998); *Motivation at the Margins: Gender Issues in the Canadian Voluntary Sector* (2001); *Passion and Commitment Under Stress* (2004); *Community Capacity Draining* (2004); *Cracks in the Foundation* (2004); *Community Service Organizations at Risk* (2006); *Pushing the Limits* (2006).

To these we add our own “heads up” to the government and people of Ontario on worsening conditions in the nonprofit community services sector across the province.

Previous studies have initiated concern and awareness of deteriorating conditions in Canada's and Ontario's nonprofit sector. For this report we examine the specific ways in which these conditions are playing out in the community service organizations as a sub-set of the broader nonprofit sector. One recent analysis notes that:

By every measure, in every study, community-based service providers are faring poorly. They have serious financing problems, reduced organizational capacity, staff and volunteer recruitment and retention problems. They struggle to meet reporting requirements, juggle short-term contracts, and improvise essential services in the face of the continual decline of necessary resources.

The “perfect storm” facing community service organizations results from the confluence of three trends: an increased reliance by governments upon the sector as a deliverer of services, persistent under-funding of the sector's program and administrative infrastructure, and the pressing requirement for increased service and community-building initiatives to address the impact of growing inequality, poverty and discrimination in our communities.¹

Despite the significant creativity and determination of organizations and workers juggling these complex challenges day-to-day, the cumulative impact has been disheartening.

- The sector is now one of the most dependent areas of our economy on part-time precarious work arrangements.
- Wage rates are consistently below those of other public and private sector comparators, and in some cases are below the poverty line. Wages and benefits have been essentially stagnant for the last decade, as inflation climbed by more than 23%. Some workers have seen absolute reductions in pension and other benefits; many other workers have no pension or benefits at all.
- The administrative infrastructure of organizations has been hollowed out to stretch resources to shore up programs underfunded by government.

¹ Lynn Eakin and Ted Richmond. *Community Service Organizations at Risk*. (www.lynneakin.com, November 2006), p. 5.

- Large amounts of staff time that agencies used to be able to commit to community-building and service delivery are being siphoned off to attend to ever-increasing fundraising and administrative requirements.

All of this is forcing existing organizations to struggle to stay afloat, while straining to continue to deliver services in their communities. While project funding has increased in some program areas over the years, most recently in the area of settlement services, there has been minimal new investment to expand community service infrastructure that is most needed to support thousands of new immigrants each year, plan for an aging population, and find creative solutions to address growing social and economic inequality.

Nonprofit and voluntary organizations in rural Ontario are facing many of the same challenges as those faced by urban organizations. Rural organizations are also too dependent on short-term project funding, leading to instability and an inability to plan; their funding has not kept pace with inflation or the demand for their services, leading them to cut services and/or spend a great deal of time pursuing alternative sources of funding; they have difficulty accessing corporate funding; grant applications are overly complex and time consuming to complete; they have difficulty recruiting and retaining staff because they are unable pay competitive salaries; and they have trouble recruiting and retaining volunteers.²

Yet, the precarious state of our community services infrastructure in Ontario is not at present a well profiled story or broadly felt public concern. In part this is because the sector's success in maintaining community services in difficult times has come at the cost of limited public outcry.

For residents in communities that have organizational infrastructure, program and staff adjustments have safeguarded many services they depend upon over the last five years. As well, under-resourced communities across Ontario are seeing some recent initiatives to create new programs, though investments needed to sustain these over time have not been committed.

Given organizations' mandates to promote the social good, and the significant commitment of their workers, the services they deliver will be the last piece of the wall to crumble.

Community organizations and their funders now need to redouble their efforts to engage the constituency of concern around the more hidden issues highlighted in this report and many others, before the structural problems overtake the sector, and its capacity is irreparably damaged.

The nonprofit community social service sector is important to the well-being of our communities. The 2001 *Accord Between the Government of Canada and the Voluntary Sector* asserts that:

The voluntary sector is one of three pillars that constitute Canadian society, together with the public and private sectors. Our quality of life, our economic strength and the vitality of our democratic institutions depend on the vibrancy of these interdependent sectors and the support they provide to one another.³

The *Accord* also notes the “greatly increased awareness of the voluntary sector and the contribution it makes to civil society in giving voice to citizens, identifying important and emerging issues, shaping poli-

² Susan Stowe and Cathy Barr. *The Capacity Challenges of Nonprofit & Voluntary Organizations in Rural Ontario*. (Imagine Canada, Rural Charitable Sector Research Initiative, 2005) p. iii.

³ Voluntary Sector Initiative. *An Accord between the Government of Canada and the Voluntary Sector* (Ottawa: VSI, December 2001), p. 2.

cies and providing important services.”⁴

More specifically, the *Accord* describes the following functions as part of why the federal government provides funding to nonprofit community agencies:

In considering their mandate, federal departments and agencies may make funding available for various purposes and activities, including: program and service delivery; strengthened sustainable capacity; strategic investment; alliances and partnerships; policy dialogue; advocacy; research; innovation; and capital expenditures.⁵

As suggested by these statements, the contributions of nonprofit community organizations are in fact much more extensive than the provision of services alone, and involve community-building functions that are essential to our future success as a society. In practice the scope of the community nonprofit sector’s contribution spans five areas of activity:

- providing community-responsive services;
- promoting civic participation and inclusion;
- advancing collaborative solutions to complex challenges;
- sustaining social innovation and early response; and
- contributing directly to economic activity.

In addition to the federal government, many local governments in Ontario and private foundation donors explicitly identify and recognize this full range of activities as the “value-added” they are seeking to mobilize through their partnering with the nonprofit community services sector.⁶

Currently, the Government of Ontario has no formal statement in place articulating the anticipated benefits of partnering with and investing in the nonprofit sector.

There are solutions at hand that can stabilize and enhance the sector’s ability to play a lead role in re-invigorating communities, re-imagining social policy, and reinventing the ways in which people can work effectively together. The final section of this report summarizes promising practices that have been proposed and some that have been implemented in other jurisdictions in this regard.

Some of the solutions for Ontario will require a significant investment to expand and better support our nonprofit community service organizational systems and workers. Other measures simply require more intentional commitments between governments and the sector to reform current conditions that cause inefficiencies and needlessly limit the sector’s effectiveness.

In our opinion, what is most needed as a point of departure at this time is for the Ontario government to create a forum to explore and discuss these challenges, and to work in partnership with the sector to forge new commitments and practices that would create and sustain conditions of equity and well-being in all communities.

The next section provides a summary of the findings and conclusions of this report. The detailed review of the research follows in sections 3 through 7. Section 7 attempts to order various proposals for reform

⁴ Ibid., p.5.

⁵ Ibid., p. 5.

⁶ See for example the City of Toronto Social Development Strategy (2001), and Toronto’s Community Partnership and Investment program guidelines. Also numerous Ontario foundation funding program descriptions (e.g. Metcalf, Maytree, Laidlaw, McConnell).

and action that would stabilize and strengthen the nonprofit community services sector so that it may thrive and fulfill its mission of service and social innovation for the people and communities of Ontario.

2. Summary of Findings and Recommendations

A) Scope and Financing of the Sector

Ontario's non-profit sector is the largest in Canada. It includes approximately 45,000 organizations ... One in 11 Ontarians work in a nonprofit organization, and 7.8 million people volunteer for a non-profit organization, contributing a total of 791 million hours of volunteer labour each year.

This massive workforce plays a vital role in the lives of Ontarians. Agencies provide a wide range of community services, particularly to those who are most marginalized, from housing and employment support to newcomer settlement and youth services, to name a few. In addition to service delivery, the sector is deeply engaged in community building activities that promote active civic participation and advance the equity goals of the province.

(Canadian Centre for Policy Alternatives, *No Time to Lose*, 2007)

At 45,360 organizations, the Ontario nonprofit sector makes up 28% of the 161,227 registered charities and incorporated nonprofits in Canada.

The community and social service sector in Ontario is made up of about 9,000 organizations, which is about 20% of the total nonprofit sector in Ontario, behind only religious (23%) and sports and recreation (21%) organizations.⁷ Key characteristics of this sub-sector include:

- Community and social services employ 268,400 people, which is 28% of the overall nonprofit workforce in Ontario. Funding instability and a more competitive labour market, however, are threatening the capacity of the community and social service sector to attract and properly train staff and retain staff.
- In Ontario, more than 620,000 volunteers are involved in community and social service organizations, contributing about 63 million hours of volunteer time in 2003. There is evidence at the national, provincial and community levels that the capacity to support this value added of volunteers is directly related to the level and stability of resources available to community and social service organizations.
- The entire nonprofit sector in Ontario took in \$47.7 billion in 2003. Social services generate the highest proportion of revenues of all sub-sectors - \$5.7 billion or 12% of total Ontario revenues. When community services from the development and housing sub-sector are added, the total rises to \$7.6 billion and 16% of Ontario's entire nonprofit sector revenues.
- There are three main sources of revenues for nonprofit organizations: Government revenue (municipal, provincial and federal); Earned income (membership fees, non-government fees for goods and services, investment income, gaming, etc.), and grants and donations from individuals and organizations (fund raising, individual and corporate donor giving, grants from philanthropic organizations and foundations, etc.).

⁷ For the purposes of this report organizations in both the social services and the development and housing classes of national surveys done by Imagine Canada and Statistics Canada are being included as "community and social services." There are about 5,000 organizations classified as social services in Ontario and 4,000 classified as development and housing.

- The provincial government is the single most significant revenue source for Ontario social service organizations, accounting for 79% of all government funding, and 54% of agencies' overall revenues.
- Government funding committed to support core operational functions has diminished. Half of all government funding (53%) is purchase of service, and an increasing portion of the remaining grants and contributions (47%) includes short-term project funding.
- Notably, the more institutional nonprofit sub-sector composed of hospitals, universities and colleges receive 70% of their total income from government, but almost totally from the provincial government (97%). The institutional sector also relies much less than community and social service organizations on purchase of service arrangements with provincial governments – hospitals with 40% of government funding from purchase of service arrangements, and universities and colleges with only 12%.
- Community and social service organizations are the most locally-based organizations in the nonprofit sector and provide services directly to people, as opposed to other organizations, at a significantly higher rate than the sector as a whole.
- Ontario's social service sector has grown at a faster pace than other parts of the nonprofit sector with more than half (52%) of its organizations operating for less than 20 years. This may reflect the growing reliance by government on nonprofit social services to provide service delivery in the last two decades.

B) Social and Economic Contributions of the Sector

As noted in the 2006 Report of the Task Force on Community Investments, the Government of Canada funds community non-profit sector organizations to achieve a wide range of policy objectives, including knowledge transfer, service delivery and to help make communities attractive places in which to live, work and invest.

The contributions of nonprofit community service organizations are in fact much more extensive than the provision of services alone, and involve community-building and economic functions that are essential to our future success as a society.

In addition to the federal government, many local governments in Ontario and private foundation donors explicitly identify and recognize this full range of activities as the “value-added” they are seeking to mobilize through their partnering with the nonprofit community services sector.

Currently, the Government of Ontario has no formal statement in place articulating the anticipated benefits of partnering with and investing in the nonprofit sector.

- Promoting Civic Participation and Inclusion

The presence of community service organizations in neighbourhoods supports civic engagement, leadership development, participation in social policy formation, and assists in the creation of accessible processes that enable collective decision-making and action. These tools are central building blocks of our pluralist society. Without meaningful opportunities for diverse participation across social, economic and political spheres, our democratic institutions cannot be sustained.

- Advancing Collaborative Solutions to Complex Challenges

Finding effective mechanisms to address complex community conditions is one of our most pressing challenges. Evidence suggests that successful approaches can no longer be achieved by single organizations, levels of government or sectors acting in isolation. Collaboration across all of these domains, referred to as “joined-up” services in Britain and “horizontality” in Canada, is being recognized as an essential feature required for successful policy development and practice.

Community social service agencies play a critical role in stewarding these holistic responses to complex issues, contributing the necessary bridging and linking social capital between governments and communities. Examples of leading-edge community-anchored problem-solving processes are now being pioneered in Ontario and across Canada.

- Sustaining Social Innovation and Early Response

Community nonprofit social service organizations fulfill a critical role as sites for social innovation, where new programs are developed and tested, existing programs are continually improved, and promising service prototypes can be studied. Many significant services we have come to value in Ontario were first developed by nonprofit community organizations. Some of these programs that have since been taken up and delivered by governments include public libraries, public health programs, outdoor playgrounds and public recreation programs.

The adaptive and responsive qualities of nonprofit community service organizations also enable them to play a central role in tracking and raising the early warning signs as new conditions emerge in communities, including taking a lead role in supporting crisis response efforts where necessary.

- Providing Responsive High Quality Services

Governments, private individuals and foundations partner with and invest in nonprofit community agencies as a way to deliver services close-to-the-ground; directly in and with communities. In this way, nonprofit community services are decentralized and deinstitutionalized mechanisms that complement the role of the family and informal community networks, providing an extensive array of service, support and care in Ontario.

A 2006 Ipsos Reid poll found that 76% of Canadians believe that charities understand the needs of Canadians better than the government does, and that charities do a better job of meeting the needs of Canadians than the government does (70%).

“Immigration is expected to contribute the majority of Ontario’s population growth in the years to come, with an estimated 90,000 to 150,000 new immigrants making their home in Ontario each year. Over that same period, the population aged 65 and over is expected to more than double from 1.6 million or 12.8% of the population to 3.6 million or 22% of the population. Both seniors and newcomers are likely to turn to community agencies in significant numbers for services and support.” (Canadian Centre for Policy Alternatives, No Time to Lose, 2007)

- Economic Role of the Sector

In 2003, the Canadian nonprofit sector generated \$80.3 billion of value to the Canadian economy (Gross Domestic Product). Ontario's share of nonprofit GDP is about 42% (\$34 billion), representing 7.4% of Ontario's overall GDP.

Within that 42%, the community and social service sector in Ontario accounts for 15% of the total nonprofit GDP, or \$5.25 billion. When the economic value of volunteer time is added to the GDP generated from paid labour in the sector, this contribution rises to \$6.45 billion, representing 1.4% of Ontario's overall GDP.

From 1998 to 2003 the nonprofit sector as a whole had average annual growth rates of 6.4%, exceeding those for the economy as a whole (5.6%). Since 1997 community and social service organizations have grown at the fastest rate of any nonprofit sub-sector.

The community and social service sector is still a low-wage sector. Compared to the public sector and to even the institutional nonprofit sector, labour is undervalued. It is particularly important to point out that women carry the main burden of this undervalued labour compensation. A recent survey found that the total workforce of paid staff and volunteers of Halton's community social service agencies contributed more than \$240 million to Halton's economy in 2006. Without the labour and volunteer time of women, however, the economic value of the sector fell to just \$30.9 million.

C) Organizational Impact of Current Funding and Policy Context

Funding mechanisms to support nonprofit social service organizations have shifted over the past 10-15 years towards more funder-prescribed and project-centred investment models, which give funders more flexibility but impose burdensome constraints on fund recipients. Key changes noted in the seminal report *Funding Matters* include:

- Funders are adopting an increasingly targeted approach to funding.
- There has been a marked shift away from a core funding model, which funds organizations to pursue their mission. The new model is project-based and is characterized by contracts that give funders increased control over what the organization does and how it does it.
- Funders are reluctant to fund administrative costs that cannot be directly tied to a project or a program.
- Funding is being provided for shorter periods of time, and is increasingly unpredictable.
- Reporting requirements have increased (Scott, *Funding Matters*, 2003).

Additionally, few funders have provided any increases to enable organizations to meet the costs of inflation, including cost of living increases for staff salary and benefits, and fixed costs such as utilities, space rental/upkeep, and insurance.

Inflation rates for the decade 1996-2006 for Canada were 23.11%. A key informant survey undertaken for this report indicates that provincial funding allocations have not increased over this period to any significant degree needed to keep pace with this inflation rate.

All increases to staff salaries or benefits must therefore come from an agency's "other fundraised" dollars, once they have paid for increased utilities and other fixed costs. In most cases this must be achieved without reducing program delivery levels in order to maintain service targets set by government.

The combination of increased service demand, lack of internal capacity and increased reliance on project funding are all increasing the levels of strain. Key organizational impacts on the community service sector in this regard include:

- Underinvestment in Agency Administrative Systems

Most available funding no longer covers core organizational costs that are necessary to operate effectively an agency such as rent, utilities, staff and volunteer training and supervision, staff supervision, volunteer co-ordination, fundraising, financial management and reporting. There is also no understanding (or room on cash flow reports) for activities related to staying connected to clients and beneficiaries, community members or other nonprofit and voluntary sector organizations.

- Underinvestment in Agency Infrastructure to Address Emerging Needs

In 1995 the provincial government unilaterally eliminated its contribution to the Community and Neighbourhood Support Services Program (CNSSP). CNSSP provided stable core funding to nonprofit agencies to cover overhead and administrative costs, build organizational capacity, and deliver programs and services to the community. In particular, small emerging ethno-specific and cultural organizations, and the diverse communities that they serve, benefited greatly from the program.

The Province has yet to re-introduce any intentional core funding program to support emerging and expanded infrastructure in the non-profit community services sector.

- Growing Volatility, Administrative and Fundraising Burdens Are Crowding Out Planning and Local Responsiveness

Funders have increased their monitoring, reporting and evaluation requirements, but do not fund agencies to do this work. There is also little consistency among application and reporting information that funders require.

This growing administrative burden has been accompanied by significantly increased fundraising pressures required to back-fill inadequately funded government programs. A 2004 analysis of 155 discretely funded programs totaling 36.5 million dollars (96% government funded) in Toronto found that service programs were under-funded on average 14%. This means that the organizations must now fundraise 14% of the costs needed to implement government-funded services in their communities. Agencies are diverting most, if not all, of their non-government “other revenues” to cover this shortfall in program funding. (Eakin, *Community Capacity Draining*, 2004)

Trends of growing volatility, greater administrative burden, and increased fundraising required to sustain basic services, demand that more and more staff time and discretionary funding must be systematically diverted from other functions, including community-building and direct service work.

- Increased Polarization and Competition Within the Sector

In adapting to the dominance of short-term project-funding contracts, organizations have had to increase their fundraising efforts, as even the smallest grants take on more importance in terms of sustaining program activities. Some government requests for proposals have also been structured

to open up bidding competitions between non-profit and for-profit organizations for service contracts, further intensifying the number of organizations competing for limited funds. In sectors such as homecare and employment and training, this has resulted in the closure of a significant number of non-profit community organizations, eliminating their contribution to local community infrastructure, and creating disruption and uncertainty for clients.

Escalating levels of competition, consolidation and polarization in turn diminish the sector's capacity for collaboration, risk-taking, integrated service planning and problem solving. A context where every organization must attend to its own survival, and smaller organizations struggle to remain afloat, is antithetical to nurturing and expanding the relationships of trust and mutual support required to creatively address new challenges.

D) Impact of Current Funding and Policy Context on Workers

Community service managers and their volunteer boards are challenged with adapting to a more volatile and uncertain resource environment while still fulfilling their service mandates. Their primary resource is their personnel, which accounts generally for about three-quarters of community service agencies' expenditures. Consequently, the cascading effect of downloading and restructuring inevitably has an impact on employees in the community service organizations.

Nonprofit community social service workers are committed to providing not-for-profit public services in communities across Ontario. Increasingly, the "intrinsic" rewards of work in the sector are being overcome by greater job insecurity, continuing poor compensation and deteriorating working conditions.

In the face of a growing labour shortage and heightened competition from both the for-profit and public service sectors, and under current funding frameworks, the nonprofit community service sector is hard-pressed to maintain and strengthen its human resource base, which is critical to the effective performance of its community role. Current research highlights the following impacts of these conditions on community service workers:

- Nonprofit and voluntary organizations in Ontario fill a greater proportion of their staff positions with temporary employees (31%), than employers in Ontario (10.9%) and Canada (12.5%) in general. Temporary and part-time staff have much poorer benefit coverage than permanent workers. Temporary work is also associated with reduced job security, high staff turnover, and contributes to a low-wage sector.
- A recent study of Halton community social service agencies found that front-line and administrative workers have significantly higher levels of temporary (17.3%) and part-time (26.4%) employment; and that smaller organizations have very much higher levels of temporary (26.4%) and part-time employment, as high as 70.6% part-time work for agencies with one to nine staff.
- The national survey data shows significantly higher levels of part-time employment in the non-profit sector in 2003 – 57% full-time and 43% part-time. The average part-time rate for all employment in Ontario in 2003 was significantly lower at 18.3%
- In five regional labour force studies of the voluntary sector between 2004 and 2007 the median annual wages of community service front-line workers was found to be consistently below average wage rates for the region, and for Ontario as a whole.

- Evidence from cross-national and Ontario community service research indicates that increasing job insecurity and workload pressures are taking a toll on the health and well-being of workers in terms of increased stress and burnout, and affecting the quality of service delivery.
- A significant proportion of survey respondents in one regional study indicated that both work overload (31%) and insecurity of non-permanent positions (29%) are two main reasons for staff choosing to leave their jobs. Similar findings are noted in the Toronto settlement agency study where 38% of employees say they are considering leaving their jobs because of “frustrating working conditions.”
- The Toronto survey of settlement workers described unmanageable workloads and resulting job stress as a serious health consequence related to underfunding. While some part-time staff raised concerns about lack of available work hours and under-employment, many full-time staff identified problems with excessive and unpaid overtime hours.
- Constituting about four out of five employees, women in the community service sector are bearing the brunt of the impact of worsening working conditions and inadequate compensation.
- Research on the racial and cultural diversity of the nonprofit workforce is in its formative stages. The *Workplace and Employee Survey* in 1999 indicates that 15.6% of the Canadian nonprofit health, education and social services workforce is made up of immigrants, compared to 18.4% of the for-profit workforce. Recent local labour force surveys show some evidence of diversity in the employee base, but do not offer highly confident conclusions about representativeness. Given the importance of immigration to the growth of the labour force in Ontario, one local report cautioned:

“There is a risk that workers from immigrant groups and racial/cultural minorities will form a larger part of the Halton nonprofit workforce in the future because of employment inequity that creates barriers to their employment in other sectors, and because they may be forced to take low wage employment, . . . A more racially and culturally diverse workforce must not result from a convenient low cost response to a labour shortage but rather from affirmative action to reflect an increasingly heterogeneous population and a commitment to respond to the social support needs of Halton’s communities in culturally sensitive and appropriate ways. (Community Development Halton, *Pushing the Limits*, 2007)

E) Summary of Recommendations

Based on the state of the nonprofit community and social services in Ontario and the strong consensus on the major problems facing the sector that research at the national, provincial and community levels confirms, action for the sector’s vitality and sustainability is clearly needed in the following areas:

- (1) Creating an Accord Between the Province of Ontario and the Nonprofit Community Service Sector

Engaging the provincial government in a dialogue on funding frameworks and policy development is of paramount importance to community and social services, since it relies so heavily on provincial government funding, more than any other part of the nonprofit sector. And, the relationship is mutually beneficial. It is as much in the provincial government’s interest that community and social services remain vital and effective as it is for the organizations themselves.

Without delaying necessary action to implement reforms in funding frameworks and fair compensation, it is critical that the Ontario Government formally set up a structure and initiate a process of dialogue with the nonprofit sector, engaging organizations, unions, unorganized nonprofit workers, and communities, on major policy issues of shared concern.

(2) Reforming Provincial Funding Frameworks

One of the first areas to address in provincial government-voluntary sector discussions would be the negotiation of a provincial code on funding practice as was done at the federal level. The following practices should be considered as essential components of these reforms:

a) Supporting administrative infrastructure

Funding instability is an issue for the entire community services sector, large or small. The health of the sector requires that the administrative infrastructure of organizations be stabilized and increased appropriately with any service expansion. Specific mechanisms that should be examined to achieve this goal include:

- Core Funding
- Lead Funding Model
- Full Cost Recovery

In this regard, studying the Quebec model of *L'action communautaire: une contribution essentielle à l'exercice de la citoyenneté et au développement sociale du Québec* could prove beneficial:

“More than half of the funding provided to organizations is through core funding, allowing organizations to develop and implement programs and services that support their missions. The program also funds organizations and umbrella groups whose sole or main mission is group advocacy through the *Secrétariat à l'action communautaire autonome du Québec*. (Canadian Council on Social Development, *Pan-Canadian Funding Practice in Communities*, 2006, p.51)

b) Establish more responsive, stable and enabling funding mechanisms

Specific reforms that should be examined to achieve these goals include:

- Multi-Year Funding
- Global Budgeting
- Intentionally Supporting Innovation and Collaboration

c) Enable locally raised funds to be used for innovation and responding to unique community needs

The report *Community Capacity Draining* concluded that:

“Expecting community agencies to make a “contribution” to government funded program is unrealistic. Funders, especially government funders, need to pay the full cost of services they need delivered in communities. They should not drain community resources to deliver their service. As government funders assume their program funding responsibilities, resources from fundraising, united way funders and foundations would be freed up to fund service innovation and addressing local needs.” (Eakin, *Community Capacity Draining*, 2004, p. 29-30)

Government should pay for the full cost of services thereby allowing agencies to use funds raised locally for innovation and responding to unique community needs.

d) Index funding to cost of living

The community services sector can no longer maintain program levels by cannibalizing its administrative capacity, or maintaining depressed wage and benefit levels. All funding to community organizations that is intended to meet similar program targets to the previous year must be indexed to the rate of inflation to cover cost of living increases in staff wages and benefits, and agency fixed costs.

e) Use fair and simplified accountability procedures

Government must simplify and streamline reporting and accountability procedures, to ensure that more agency resources can be directed to service delivery and community-building functions. The importance of such reforms have been acknowledged by the Auditor General of Canada:

“The Treasury Board Secretariat and departments, while balancing risk, control, and accountability for results, should streamline the application, reporting, and audit requirements for grants and contributions in ways that would reduce the administrative burden on recipients.” (Auditor General of Canada, 2006).

f) Funding should only be provided for public, nonprofit service delivery.

(3) Dedicated “Community Hub” Funding

In the early 1980s, the Ontario government, Metro Toronto, and the United Way of Greater Toronto collaborated to address the lack of community supports in suburban and other high need areas of Metro Toronto. Establishing the Community and Neighbourhood Support Services Program (CNSSP), this funder collaborative provided both operational and program funding to established and emerging community agencies until the provincial government withdrew its support as part of overall cutbacks in 1995.

New funding frameworks must recognize the lack of administrative infrastructure and base organizational capacity in relatively underserved communities. They should ensure that this capacity is supported simultaneously with the introduction of service, program and project funding. For example, in Toronto, supporting the development of “community hubs” in underserved areas is one way to do this, as the United Way of Greater Toronto (UWGT) is doing in the Eglinton East/Kennedy Park community in Toronto and the Ministry of Health and Long Term Care is doing in setting up community health centre satellites in the 13 high need neighbourhoods identified by the City of Toronto.

The “community hub” model should be promoted as an effective way for funding collaborations to establish the foundations for community service capacity. The Province of Ontario must once again enter into these collaborative funding relationships in a more systematic way, and as primary partner, to ensure that new community infrastructure can be established.

(4) Ensure Fair Compensation to Community Service Workers

Multiple studies at the national and community levels have now documented the human resource crisis in community social services. Inadequate compensation in the face of rising service demands, less secure employment, a more competitive labour market, all are converging not only to bear negatively on the health and well-being of workers (mostly women) but also to threaten the sector’s capacity to retain good workers and to attract new workers. More equitable wage and benefit packages consonant with the value of the work as evidenced in other sectors, education, experience and skill levels of the workforce are required.

Setting a standard wage rate for various positions within the whole community services sector is unlikely to be achieved in the near future, given the diversity of the sector. There is, however, some promise in doing comparative salary, wage and benefit studies within similar clusters of services. Several examples in the developmental services field and in community health centres offer some guidance in this regard.

Wage indexation is also critically important to make sure that compensation does not fall behind cost of living increases. Indexation should be implemented annually.

(5) Promote More Collaborative Funding Models

Horizontality suggests a more strategic and intentional approach to promoting synergies between the government and community sectors. When all parties recognize a major issue or see an opportunity to achieve shared outcomes, it makes sense to collaborate in a way that makes the best use of each party's resources.

These collaborations could occur across government departments, across public and charitable funders, across jurisdictions. Horizontality promotes expansive thinking, action and creativity to form partnerships that are strategic for shared purposes and not bound or constrained by the limitations of bureaucracy.

(6) Set up Ongoing Mechanisms for Monitoring and Reporting on the Sector

Promoting and funding both quantitative and qualitative research at the national level has been one of the major outputs of the Voluntary Sector Initiative. The knowledge base of the broad voluntary sector nationally has grown immeasurably over the last decade, and has provided a solid foundation upon which to conduct more in depth work within sub-sectors and at the provincial and regional levels.

One area of useful government-community sector collaboration in Ontario would be the design of monitoring research on the health of community services in the province. A provincial report card on critical indicators of vitality and sustainability that would track administrative burdens, staff salary rates, benefits, capacity for volunteer management, supervision, training, etc. could be produced at three- to five-year intervals.

Not only would a provincial report card on the health of the sector alert the government and the community services sector to pressing problems and unresolved issues, but it may also generate information which could be useful in promoting greater public awareness and understanding of the nonprofit community sector.

F) Conclusion: The Costs of Not Acting

Stability and sustainability are the key issues for organizations in the sector. Current funding frameworks guarantee neither. Failure to act on the kinds of recommendations we report out of the research to date will bear costs, including:

- Inefficient use of project funding dollars on short-term initiatives without building and supporting the administrative capacity in relatively underserved communities to use project and program funding for their intended purposes.

- Withering of the sector’s capacity for social innovation, civic engagement, and social inclusion, as funding continues to emphasize targeted service needs, and neglects the sector’s key role in contributing more broadly to the reduction of social inequities.
- Continuing to reinforce low wage, gendered employment ghettos, leading to further decline in working conditions and threatening the loss of a skilled and committed workforce.
- Failing to regenerate the sector’s employee base by attracting new workers within the context of a more competitive labour market.

In the end, the people of Ontario really bear these costs – whether community residents, service recipients, volunteers or workers. Their fate depends on the vitality and strength of the community-based organizations in which they are engaged.

The Ontario government must recognize what is at stake and engage with the community sector in addressing the issues detailed in this report.

3. Scope and Financing of the Nonprofit Community Social Service Sector

The Canadian community nonprofit sector has been a key delivery agent for government services and initiatives, particularly since the end of WWII. As a share of the economically active population, Canada's nonprofit and voluntary sector is the second largest in the world after the Netherlands, larger than the US, the UK or Sweden. The sector has a full-time equivalent workforce of more than 2M people and accounts for 8.5 percent of Canada's GDP, and adds \$75.9 billion to the national economy. A full 74 percent of all Canadian nonprofit and voluntary organization workers, paid and volunteer, are engaged in service delivery activities. (Task Force on Community Investments, *Horizontal Tools and Relationships: An International Survey of Government Practices Related to Communities*, 2007, p. 5)

Ontario's non-profit sector is the largest in Canada. It includes approximately 45,000 organizations. One in 11 Ontarians work in a nonprofit organization, and 7.8 million people volunteer for a non-profit organization, contributing a total of 791 million hours of volunteer labour each year.

This massive workforce plays a vital role in the lives of Ontarians. Agencies provide a wide range of community services, particularly to those who are most marginalized, from housing and employment support to newcomer settlement and youth services, to name a few. In addition to service delivery, the sector is deeply engaged in community building activities that promote active civic participation and advance the equity goals of the province. (Canadian Centre for Policy Alternatives, *Ontario Alternative Budget: No Time to Lose*, 2007, p. 16)

At 45,360 organizations, the Ontario nonprofit sector makes up 28% of the 161,227 registered charities and incorporated nonprofits in Canada documented in the *National Survey of Nonprofit and Voluntary Organizations (NSNVO)* conducted in 2003.⁸ As CCPA indicates above, within this broad and diverse population of nonprofits, community and social service organizations hold a distinctive place.

This section will provide an overview of the scope and financing of the nonprofit community and social services with a particular focus on Ontario.

1) Size of Ontario's Community and Social Service Sector

The Regional Highlights of the *NSNVO* for Ontario, indicate that almost 5,000 "social services" organizations operate in Ontario, which is 11% of all Ontario nonprofit organizations.⁹ Social services in the *NSNVO* include organizations in the following areas: children's, youth and family services, services for handicapped persons and for seniors, self-help services, temporary shelters, income support and materials assistance to low income people (e.g. food and clothing banks), immigrant and refugee supports.¹⁰

⁸ Michael Hall et al. *Cornerstones of Community: Highlights of the National Survey of Nonprofit and Voluntary Organizations*. 2003 Revised Edition (Ottawa: Statistics Canada, Ministry of Industry, 2005), p. 14. *NSNVO* data were collected by Statistics Canada via structured telephone interviews with 13,000 individuals representing incorporated nonprofit organizations and registered charities in 2003.

Katherine Scott et al. *The Nonprofit and Voluntary Sector in Ontario: Regional Highlights of Nonprofit and Voluntary Organizations*, (Toronto: Imagine Canada and Canadian Council on Social Development, 2006), p 3.

⁹ Scott et al., *NSNVO Regional Highlights*, pp. 4-5.

¹⁰ Hall et al., *Cornerstones of Community*, p. 61.

It is important to note, however, that another category of respondent in the *NSNVO* is “development and housing”, which also includes a variety of community organizations providing important social supports, such as job training programs, vocational counselling and guidance, vocational rehabilitation and sheltered workshops, social development and housing assistance.¹¹ In Ontario, there are more than 4,000 nonprofits in the development and housing class, which combined with the social service sector, brings the proportion of organizations that could be classified as “community and social service agencies” up to 20% of the entire Ontario nonprofit sector. This places community and social service nonprofits in the top tier of the overall sector behind only religious organizations (23%) and sports and recreation groups (21%).¹²

Although Ontario has the largest number of community and social service organizations of all the provinces, it has the lowest number of organizations per capita because of its large population of over 12,000,000 people. Ontario has 42 social service organizations per 100,000 population, which rises to 71 when development and housing figures are added. Quebec has the highest social service organizations per capita, 90 per 100,000 people even before adding the number of development and housing groups.¹³

As in all provinces, nonprofit organizations range from the very small to the very large. More than 70% of nonprofits in Ontario have annual revenues of less than \$250,000; 34% have less than \$30,000 in annual revenue. Although only 10% of nonprofits in Ontario have \$1 million in annual revenue or more, these organizations take up 80% of all the revenue going to the nonprofit sector.¹⁴

Table 1
Distribution of Social Service Organizations
and Share of Total Revenues by Revenue Size

Size of Organization by Total Annual Revenue	% of Social Service Organizations	% Share of Total Revenues
Under \$250,000	68.0	7.5
\$250,000 - \$999,999	21.0	18.0
\$1,000,000 and over	11.9	75.0
Totals	100.9	100.5

As Table 1 indicates, social services organizations in Ontario follow the revenue distribution pattern of the overall nonprofit sector. A much larger number of smaller and medium size social service organizations take in a much smaller share of the overall revenues than a much smaller number of larger organizations do.¹⁵

Although larger, nonprofits at the high end of this revenue spectrum employ more people than smaller and medium size organizations (53% of paid staff are in agencies with revenues of \$10 million and more), the very large number of smaller nonprofits brings the median staff size for the sector down to between one

¹¹ Hall et al., *Cornerstones of Community*, p. 62.

¹² Scott et al., *NSNVO Regional Highlights*, p. 5.

¹³ Cathy Barr et al., *Understanding the Capacity of Social Services Organizations. A Synthesis of Findings from the National Survey of Nonprofit and Voluntary Organizations and the National Survey of Giving, Volunteering and Participating*. (Toronto: Imagine Canada, 2005), p. 5.

¹⁴ Scott et al., *NSNVO Regional Highlights*, p. 15. These figures do not include hospitals, universities and colleges.

¹⁵ Barr et al., *Understanding the Capacity of Social Services Organizations*, p. 13.

and five staff.¹⁶

A distinctive strength of the nonprofit social service sector is its close connection to people and community. Barr reports:

- Almost nine in ten social service organizations (86%) serve people directly, as opposed to other organizations, which compares with 73% serving people directly for the whole nonprofit sector.
- Almost one-quarter (24%) of social service organizations indicate that non-members benefit most from their work compared to 15% for the whole sector.
- Just more than 91% of social service organizations serve their local (65%) or regional (26%) geographic area as opposed to a larger geographic area (e.g. province), which is an 8% higher local/regional service focus than the nonprofit sector in general (83%).¹⁷

Notably also, the social service sector has grown at a faster pace than other parts of the nonprofit sector with more than half (52%) of its 5000 organizations operating for less than 20 years.¹⁸ This may reflect the growing reliance by government on nonprofit social services to provide service delivery in the last two decades.

2) Sector's Employee Base

In Ontario, just under one million people (958,678) were employed in nonprofit and voluntary organizations in 2003, representing about one-sixth of all employed Ontarians.¹⁹ Social service organizations across Canada are more likely to have paid employees (69%) than other nonprofit groups (46%).²⁰ In Ontario, social services employ 13% of all paid staff (124,628) in nonprofit organizations. At 15% of the Ontario nonprofit workforce, development and housing organizations account for an additional 143,800 paid staff, to bring the combined nonprofit community and social services workforce to as high as 268,428, which is 28% of total nonprofit employment in Ontario.²¹ This amounts to about 4% of Ontario's overall workforce.

Summarizing research done on the *Workplace and Employee Survey* (WES) of employees in 463 nonprofits, Saunders indicates that paid staff are mostly women (74%), relatively concentrated in the 35-44 years age group and aging as an employee population. They are also relatively well-educated; 58.2% have a certificate or degree at the post-secondary level compared to 43.5% of employees in the for-profit sector.²² These findings are consistent with recent community survey research in Ontario, especially with respect to the domination of the workforce by women, age distribution and levels of education.²³

¹⁶ Ibid., p. 39; Hall et al., *Cornerstones of Community*, p. 37

¹⁷ Barr et al., *Understanding the Capacity of Social Services Organizations*, pp. 7-9.

¹⁸ Barr et al., *Understanding the Capacity of Social Services Organizations*, p. 10. This growth figure does not include development and housing groups, just over 4,000 organizations, which this report is combining with social service organizations to make up a total of about 9,000 community and social service organizations in Ontario.

¹⁹ Scott et al., *NSNVO Regional Highlights*, p. 35, 37.

²⁰ Barr et al., *Understanding the Capacity of Social Services Organizations*, p. 45.

²¹ Scott et al., *NSNVO Regional Highlights*, p. 38. The *NSNVO Regional Highlights* do advise caution in the use of the development and housing employee levels.

²² Ron Saunders, *Passion and Commitment Under Stress: Human Resource issues in Canada's Non-profit Sector – A Synthesis Report*, (Ottawa: Canadian Policy Research Networks, 2004), pp. 21-24; Kathryn McMullen and Grant Schellenberg, *Mapping the Non-Profit Sector*, (Ottawa: Canadian Policy Research Networks, December 2002), pp. 34-42.

²³ Community Development Halton, *Pushing the Limits: Challenges of Halton's Nonprofit and Voluntary Sector Labour Force*. Technical Report, (Burlington, On: CDH, 2007), found at www.cdhalton.ca. pp. 21-24.

There is not much national or provincial information on the racial and cultural diversity of the nonprofit labour force. The *WES* survey in 1999 reports that community-based nonprofit organizations in health education and social services better reflect immigrants in their employee base (15.6%) than the community nonprofit sector on the whole (14.1%) and the institutional nonprofit sector as a whole (14.5%), but not as well as the for-profit sector (18.4%) as a whole.²⁴

Recent labour force survey research is trying to get a better fix on the diversity of local and regional nonprofit workforces. A labour force survey in London, Ontario reports that 16.2% of nonprofit agencies employ at least one newcomer and 19.1% employ “visible minorities.”²⁵ In Halton Region, a recent agency survey reports that 38% of agencies have employees who self-identify as people of colour and almost 16% indicate that they have employees who self-identify as newcomers.²⁶

In a nonprofit field that saw relative stability in staff levels in the 2000-2003 period, social service organizations (38%) were more likely to have staff increases than other sectors (30%), and this was especially true for larger organizations.²⁷

3) Sector’s Volunteer Base

The Ontario nonprofit sector engages 7.8 million volunteers, more than 90% non-board volunteers who contributed 730 million hours of time in 2003. Board volunteers contributed an additional 62 million hours.²⁸ About 20% of all volunteer time is given to social service organizations.²⁹ In Ontario, more than 620,000 volunteers are involved in community and social service organizations, contributing more than 63 million hours of volunteer time in 2003.³⁰

Barr offers a useful summary description of the social services volunteer in Canada using the 2000 *National Survey of Giving, Volunteering, and Participating* (NSGVP):

- Mostly women (58%), although men who volunteer tend to contribute more time on average (135 hours compared to 110 hours for women).
- Primarily in their prime working and family raising years (42% in 35-54 year old group), although seniors account for 20% of volunteers and give significant hours on average annually to volunteer activity (21%).
- Well-educated with more than half (54%) having a post-secondary degree.

²⁴ Kathryn McMullen and Grant Schellenberg, *Job Quality in Non-Profit Organizations*, (Ottawa: Canadian Policy Research Networks, January 2003), p. 12.

²⁵ Shahin Daya, Mohamed Haitham El-Hourani, and Beth DeLong, *London’s Voluntary Sector Employment and Training Needs Study*, (London, Ont.: Pillar, April 2004), p. 90.

²⁶ Community Development Halton, *Pushing the Limits: Challenges of Halton’s Nonprofit and Voluntary Sector Labour Force*. Summary Report, (Burlington, On: Community Development Halton), p. 18.

²⁷ Scott et al., *NSNVO Regional Highlights*, p. 41; Barr et al., *Understanding the Capacity of Social Services Organizations*, p. 46.

²⁸ Scott et al., *NSNVO Regional Highlights*, p. 29. Volunteers tend to contribute to more than one organization in the community.

²⁹ Barr et al., *Understanding the Capacity of Social Services Organizations*, p. 37.

³⁰ Scott et al., *NSNVO Regional Highlights*, p. 32; Barr et al., *Understanding the Capacity of Social Services Organizations*, p. 39. The figure of 624,000 volunteers is arrived at by combining the proportion of volunteers for social services and development and housing organizations reported in the *NSNVO Regional Highlights*. Scott reports that non-Board volunteers in Ontario contribute 99 hours of time a year on average, while Board volunteers contribute an average of 156 hours annually.

- Just over six out of ten social services volunteers are employed, although a high proportion of top social services volunteers (42%) are unemployed and unemployed volunteers give 43% of all volunteer hours.
- A higher proportion of social services volunteers have lower household incomes (35% under \$40,000 compared to 29% for all nonprofit volunteers).³¹

Volunteer numbers in Ontario were relatively stable between 2000 and 2003, compared to other parts of Canada. Scott notes a relationship between revenue levels and volunteer numbers for Ontario nonprofits:

Ontario organizations experiencing an increase in revenues between 2000 and 2003 were also most likely to have experienced an increase in volunteers. Those organizations experiencing declining revenues were more likely than organizations with stable or increased revenues to reduce their number of volunteers (44% compared to 12% and 8% respectively).³²

Increased revenues enabled nonprofits to maintain or increase staff also and there is a relationship between increased revenues and organizations' ability to support volunteer participation in their activities. More than half of all organizations (53%) that increased paid staff between 2000 and 2003 were most likely to have also increased their volunteer numbers. The 22% of organizations that had lost paid staff over the survey period were more likely to have maintained (61%) or reduced (17%) their volunteer numbers.³³ Scott comments:

This suggests that well-resourced organizations have a greater ability to mobilize and engage volunteers, irrespective of which organizations might benefit most from more volunteer support.³⁴

This finding is consistent with previous community level survey research in the mid-1990s, which found a relationship between reduced volunteer numbers and the loss of staff in community service agencies.³⁵

4) Sector's Finances

In 2003, total revenues in the entire Canadian nonprofit sector amounted to \$111.5 billion. Ontario nonprofit organizations took in about 43% (\$47.7 billion) of the total Canadian nonprofit revenue in 2003. Social service organizations in Ontario generate the highest proportion of revenue (12%) of all sub-sectors, amounting to about \$5.7 billion in total. Development and housing takes in 4% of total revenue (\$1.9 billion), which makes the combined 2003 community and social services revenue \$7.6 billion in Ontario.³⁶

³¹ Barr et al., *Understanding the Capacity of Social Services Organizations*, p. 40-41.

³² Scott et al., *NSNVO Regional Highlights*, p. 34.

³³ *Ibid.*, pp. 43-44.

³⁴ *Ibid.*, p. 43.

³⁵ Metro Toronto Community Services, City of Toronto Planning Department, and Social Planning Council of Metropolitan Toronto, *Profile of a Changing World. 1996 Community Agency Survey*, (Toronto: Metro Community Services, 1997), pp. 27-31. This study surveyed 382 nonprofit community service agencies in Metro Toronto in 1995 and 1996. This research suggests a negative relationship between weakened nonprofit infrastructure and the capacity to maintain volunteer involvement. As funding to the surveyed agencies fell by \$11 million between 1995 and 1996, and about one third of the agencies in the sample reduced their staff complements, the proportion of the agencies' workforce made up of volunteers fell by 9%. Overall, at the sector level in the Toronto study, there was no substitute labour effect from the loss of staff and the presence of volunteers (i.e. volunteers did not fill the vacuum left by reduced staff levels). Rather volunteer loss accompanied funding cuts and staff reductions.

³⁶ Scott et al., *NSNVO Regional Highlights*, pp. 12, 14, 19.

There are three main sources of revenues for nonprofit organizations:

1. Government revenue (municipal, provincial and federal)
2. Earned income (membership fees, non-government fees for goods and services, investment income, gaming, etc.)
3. Grants and donations from individuals and organizations (fund raising, individual and corporate donor giving, grants from philanthropic organizations and foundations, etc.)

Table 2 shows the sources of revenue to the social service sector nationally and provincially using the *NSNVO* survey results and also for two recently conducted community based surveys (Toronto and Halton Region).

Table 2
Sources of Revenue for Social Services in NSNVO
and Community Survey Results

Revenue Sources	NSNVO Social Services (National) (%)	NSNVO Social Services (Ontario) (%)	Toronto Community Agency Survey (%)	Halton Community Agency Survey (%)
Provincial Gov't Federal Gov't Municipal Gov't	54 (82%)	54 (79%)	54 (75%)	54 (90%)
Total Gov't	66 (100%)	68 (100%)	72 (100%)	60 (100%)
Earned Income	20	21	14	27
Grants & Donations	11	8	11	12
Other	3	2	3	1
Totals	100	99	100	100

Sources: (Hall et al., 2005, p. 27; Scott et al., 2006, pp. 18, 20; Toronto Community and Neighbourhood Services, 2003, p. 25; Community Development Halton, 2007, p. 13)³⁷

Although Table 2 indicates some minor variations in the national, provincial and local survey results in the proportions of revenues from federal and municipal government sources and from earned income, it is clear that provincial governments are the primary source of funds for social service agencies. Halton agencies appear to receive even a higher proportion of government funding from the province (90%) than the national or provincial average.

How do nonprofit community and social services in Ontario compare to the nonprofit institutional sector with respect to revenue sources, and especially revenue from the provincial government? Figures 1 and 2 show that in overall government revenue nonprofit social services trail the hospitals, universities and colleges sector by only 2% in government revenue from all sources (68% versus 70.1%). The institutional sector, however, receives 97% of its total government revenue from the provincial government, while the social service sector gets 79% of its government revenue from the provincial level. The social services sector relies more than the institutional nonprofit sector on local and municipal governments for revenue (10.9% versus 0.8% for the institutional sector) and on the federal government (3.4% versus 1.4%).

³⁷ The Ontario percentages were calculated using data on social services from Figure 12 on page 18 and Figure 13 on page 20 of Scott et al., *NSNVO Regional Highlights for Ontario*.

Figure 1: Sources of Revenue to Ontario Hospital, Universities and Colleges, 2003
 (Provincial revenues as percent of total government = 97%)

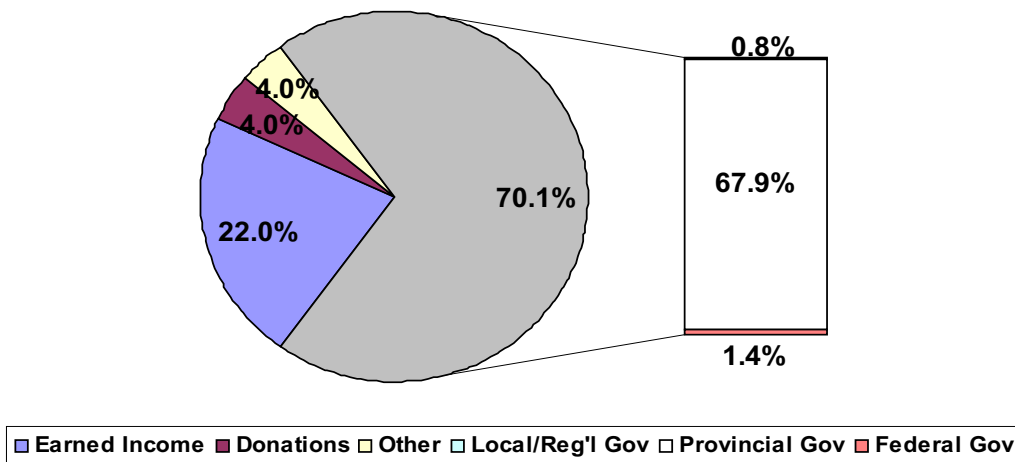
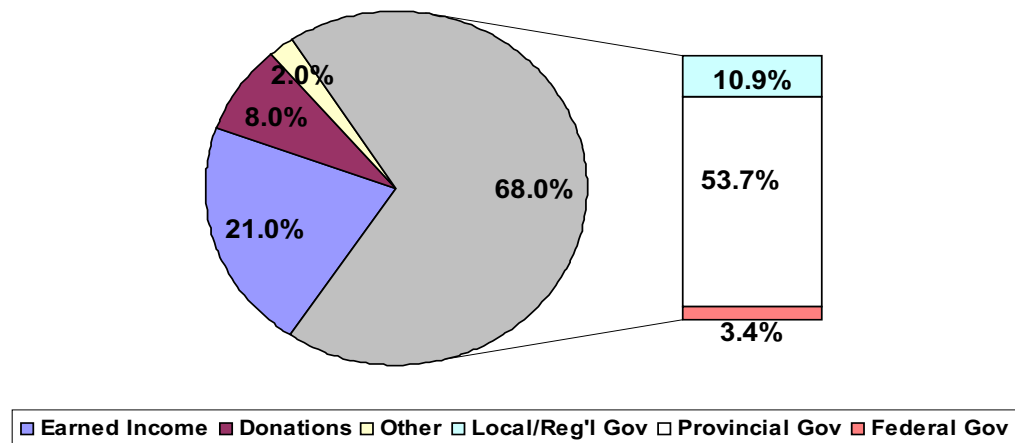


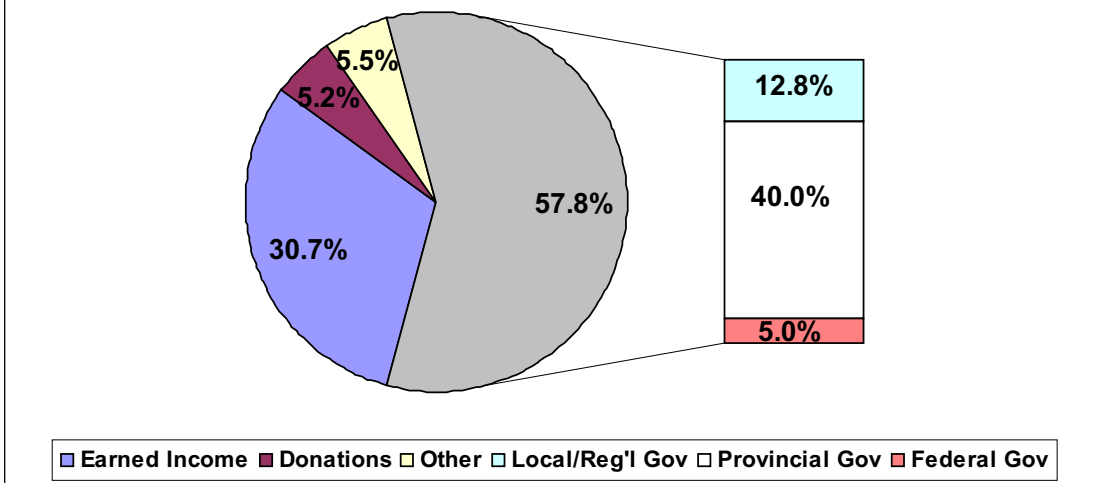
Figure 2: Sources of Revenue to Ontario Social Services, 2003
 (Provincial revenues as percent of total government = 79%)



As noted earlier, however, in addition to the almost 5,000 nonprofit organizations classified as social services in Ontario, there are an additional 4,000 community service nonprofits classified as development and housing organizations. When these are factored into the comparative revenue picture with the institutional sector as shown in Figure 3, the community and social service nonprofit sector's contribution from all government sources falls to 58% of total revenue. The provincial government share of total government revenue falls from 79% for just social service organizations to 69% when social services and development and housing groups are combined. The provincial share of total revenue from all sources falls from 54% for social services groups alone to 40% for social services and development and housing organizations combined.³⁸

³⁸ The revenue source percentages for Figure 3 were calculated using weighted values for the social services sub-sector (61.1%) and the development and housing sub-sector (38.9%) based on the number of organizations reported in Scott et al., NSNVO Regional Highlights in Ontario for each (Figure 2, p. 5).

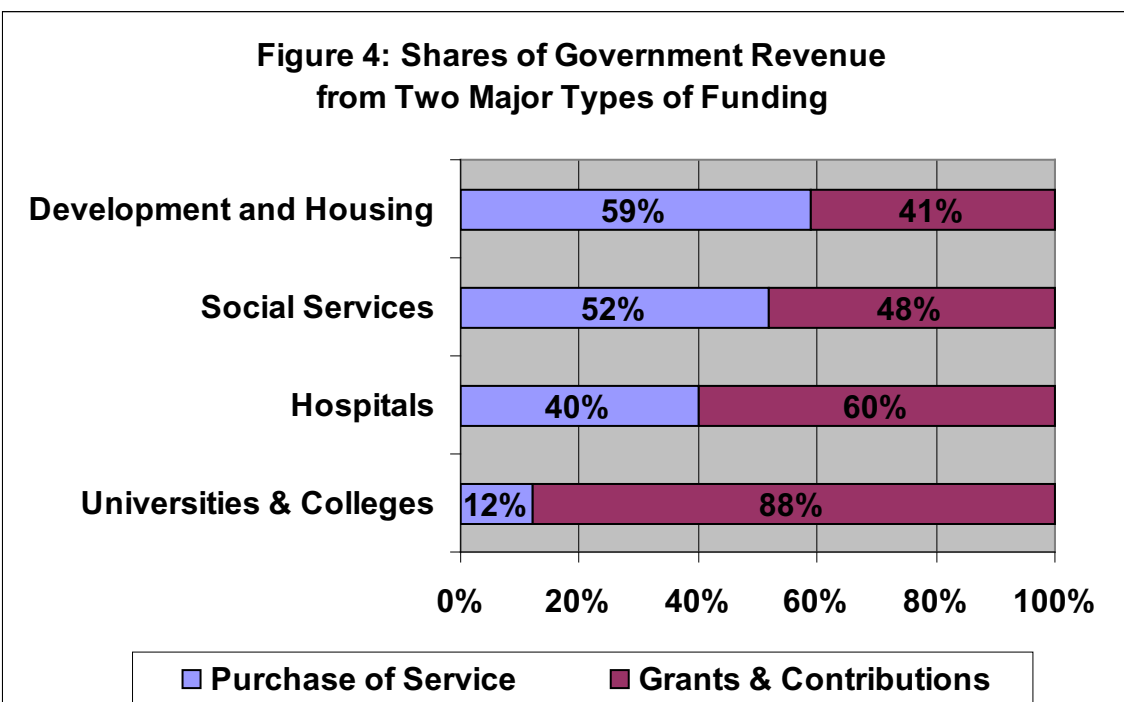
Figure 3: Sources of Revenue to Ontario Social Services & Development and Housing Orgns, 2003
 (Provincial revenues as percent of total government = 69%)



The NSNVO results also report the proportions of government funding that are grants and contributions versus purchase of services from nonprofit organizations. The latter are more tied to program-specific and targeted funding. Grants and contributions are more likely to include core or operational funding, although short-term project grant funding is likely included in this component as well.

Assuming that grants and contributions is the line item that most likely reports core operational funding to the sector, it is notable in Figure 4 that hospitals (40%) and especially universities and colleges (12%) have a significantly lower dependence on government purchase of services revenue as opposed to grants and contributions (60% and 88% respectively).

Figure 4: Shares of Government Revenue from Two Major Types of Funding



(Source: Hall et al., 2005, 27; Scott et al., 2006, 19)

Also worthy of note, given the number of community-based service organizations that fall into the development and housing category in the NSNVO results (more than 4,000 in Ontario and 12,200 nationally), is that these organizations report that 59% of their total government revenue comes from purchase of service and 41% from grants and contributions.³⁹

³⁹ Hall et al., *Cornerstones of Community*, p. 27.

4. Social and Economic Contributions of Ontario's Nonprofit Community Service Sector

The voluntary sector is one of three pillars that constitute Canadian society, together with the public and private sectors. Our quality of life, our economic strength and the vitality of our democratic institutions depend on the vibrancy of these interdependent sectors and the support they provide to one another. (*An Accord Between the Government of Canada and the Voluntary Sector*, Ottawa, 2001)

The government recognizes that community is the third pillar of socioeconomic development upon which our future rests; it must not be ignored or neglected. ... Research indicates that communities with a vibrant non-profit and/or volunteer sector are the ones most likely to prosper economically, and, as a result, they will provide the best opportunities for sustainable socioeconomic development.

(Premier's Community Non Profit Task Force, New Brunswick, 2007)

Because of the grassroots involvement, particularly in service delivery, voluntary sector organizations may become aware of trends or emerging issues before the federal government. Strengthening the sector's participation in governmental or departmental policy development processes and mechanisms...can help in the process of issue identification. Through advocacy initiatives, voluntary sector organizations can also play a key role in drawing public attention to emerging issues (*A Code of Good Practice on Policy Dialogue*, Ottawa, 2002)

Canada's Voluntary Sector initiative (VSI), and related *Accord Between the Government of Canada and the Voluntary Sector* (2001) and the *Codes of Good Practice: Funding & Policy Dialogue* (2002) reports, were among the earliest attempts, internationally, to lay the groundwork on an explicit relationship between a national government and the community nonprofit sector for collaborative work in meeting policy objectives.⁴⁰ The *Accord* identifies six "Canadian values that are most relevant" to the relationship between these parties:

- Democracy – upholding the right to associate freely, to express views freely and to engage in advocacy.
- Active Citizenship – welcoming the active involvement or engagement of individuals and communities in shaping society whether through political or voluntary activity or both.
- Equality – respecting the rights of Canadians under the *Canadian Charter of Rights and Freedoms* and the *Canadian Human Rights Act*, and the rights of individuals worldwide as defined by the United Nations *Universal Declaration of Human Rights*.
- Diversity – respecting the rich variety of cultures, languages, identities, interests, views, abilities, and communities in Canada.
- Inclusion – welcoming the expression and representation of diversity and upholding the right of each to speak and be heard.
- Social Justice – ensuring the full participation in the social, economic and political life of communities.⁴¹

⁴⁰ Task Force on Community Investments, *Horizontal Tools and Relationships: An International Survey of Government Practices Related to Communities*, 2007, p. 7.

⁴¹ Voluntary Sector Initiative, *An Accord Between the Government of Canada and the Voluntary Sector*, (Ottawa: Voluntary Sector Initiative, December 2001), p. 7.

The *Accord* also notes the “greatly increased awareness of the voluntary sector and the contribution it makes to civil society in giving voice to citizens, identifying important and emerging issues, shaping policies and providing important services.”⁴²

The federal government’s 2002 *A Code of Good Practices on Funding* describes the following reasons why the federal government provides funding to nonprofit community agencies:

In considering their mandate, federal departments and agencies may make funding available for various purposes and activities, including: program and service delivery; strengthened sustainable capacity; strategic investment; alliances and partnerships; policy dialogue; advocacy; research; innovation; and capital expenditures.⁴³

These central functions are further articulated in the 2006 *Report of the Task Force on Community Investments*:

The Government of Canada funds community non-profit sector organizations to achieve a wide range of policy objectives, including knowledge transfer, service delivery and to help make communities attractive places in which to live, work and invest. By funding sector organizations for any one of these reasons, the government contributes to the development of networks of collaboration and engages in what has been dubbed a “third party” style of investment relationship.

In practical terms, these networks provide a means to hear and respond to issues that matter to Canadians. They allow the government to enhance, leverage and mobilize community resources and provide the government with critical “surge capacity” in times of emergency, vastly enhancing its ability to respond quickly and effectively. They provide a service delivery infrastructure through which government can help citizens in ways that suit the particular needs and unique circumstances of individuals, their families, and the local communities in which they live, achieving better outcomes at far less cost than would be possible were government to deliver these services directly. ...

Finally, the community non-profit sector contributes to the building of critical social capital, that often intangible but very real force that ensures trust and engagement in civil society and makes communities places where people want to work, invest, raise families and enjoy life – a definite advantage for Canada’s overall wellbeing. Effective and mutually reinforcing relationships between governments and the community non-profit sector strengthen this advantage to the benefit of *all* Canadians.⁴⁴

As suggested by these statements, the contributions of nonprofit community organizations are in fact much more extensive than the provision of services alone, and involve community-building functions that are essential to our future success as a democratic and pluralist society.

In practice the scope of the community agency sector’s contribution spans four areas of activity that include:

⁴² Voluntary Sector Initiative, *An Accord Between the Government of Canada and the Voluntary Sector*, (Ottawa: Voluntary Sector Initiative, December 2001), p. 5

⁴³ VSI, *Code of Good Funding Practices*, p. 5.

⁴⁴ Task Force on Community Investments, *Achieving Coherence in Government of Canada Funding Practice in Communities*, (Ottawa: Human Resources and Social Development Canada, October 2006), pp. 6-7.

- promoting civic participation and inclusion
- advancing collaborative solutions to complex challenges
- sustaining social innovation and early response
- providing responsive and high quality services

These four roles along with the significant economic impacts of the sector are described in more detail below.

In addition to the government of Canada, many local governments in Ontario and private foundation donors explicitly identify and recognize this full range of activities and impacts as the “value-added” they are seeking to mobilize through their partnering with the nonprofit community services sector.⁴⁵

Through such partnerships, the unique and complementary strengths of the nonprofit and public sectors can be realized. Public policy and government-delivered programs are required to ensure universal access to essential services, while community nonprofit organizations can sustain local responsiveness, engagement and innovation. When woven together in proper measure, these combined capacities can ensure that all communities are supported by a strong and vibrant social infrastructure.

Currently, the Government of Ontario has no formal statement in place that articulates the anticipated benefits of partnering with and investing in the nonprofit sector.

1) Promoting Civic Participation and Inclusion

Civic participation is a central building block of our pluralist society. Without meaningful opportunities for diverse participation across social, economic and political spheres, our democratic institutions cannot be sustained. The importance of this role of the nonprofit sector is highlighted in the Accord Between the Government of Canada and the Voluntary Sector.

Voluntary sector organizations bring their knowledge, expertise and compassion in working with communities and individuals to public policy debates and identify priorities to governments. By encouraging people to participate and work together for common causes, the sector strengthens citizen engagement, gives voice to the voiceless, allows for multiple perspectives to be heard on a variety of issues, and provides opportunities for people to practice the skills of democratic life.⁴⁶

The presence of community service organizations in neighbourhoods can support leadership development, resident engagement in social policy formation, and assist in the creation of accessible processes that enable collective decision-making and action. An analysis of 4,000 mobilizing events in Chicago over the thirty-year period from 1970-2000 concluded that the existence and density of community organizations were a stronger predictor of increased social action in neighbourhoods than the levels of social ties, group memberships, and neighborly exchange (i.e. the more traditional measures of “social capital”).⁴⁷

⁴⁵ See for example the City of Toronto Social Development Strategy (2001), and Toronto’s Community Partnership and Investment program guidelines. Also numerous Ontario foundation funding program descriptions (Metcalf, Maytree, Laidlaw, McConnell).

⁴⁶ VSI, *Accord*, p. 2.

⁴⁷ Robert Sampson et al., *Civil Society Reconsidered: The Durable Nature and Community Structure of Collective Civic Action*. in *American Journal of Sociology*, Volume 111 Number 3 (November 2005): pp. 673–714.

This function of the nonprofit community service sector is critical for Ontario’s immigrants and refugees. Nonprofit settlement service organizations are often the first site of engagement for newcomers to Ontario as they seek to learn a new language, find employment, housing, and access public education, health and other essential services.

The 2005 research study by the Ontario Council of Agencies Serving Immigrants (OCASI) notes that:

Immigrant and newcomer service provider organizations are community leaders and are more than organizations that deliver services to their target populations; they are spaces and places where communities receive the tools they require to empower themselves, they are agents of social change and a location where participation is valued, recognized and encouraged as sites of social organization and mobilization.⁴⁸

At present, support for these critical engagement and leadership development functions provided by settlement service organizations has been affected by a narrowing of government funding guidelines that do not recognize engagement, leadership and community development practices as an essential part of successful settlement process.

Community social service organizations also provide important “bridging” opportunities that are the building blocks for negotiating differences and strengthening our common commitments to equity and inclusion.

Nonprofit organizations create essential spaces that enable connecting across cultures, classes, ages, persons with diverse sexual orientation, abilities, and other individual differences. From informal opportunities to participate in programs or community celebrations and discussions, to more intentional linking through cross-cultural and cross-generational activities, community agencies provide essential opportunities for connecting in ways that promote mutual understanding and respect.

The building blocks of inclusion result from interactions where people feel secure and appreciated, and at the same time have opportunities to reach out to those who seem less familiar. Mere physical proximity is not sufficient to create these bonds. For example, the mixing of diverse inhabitants in a single housing development does not guarantee that individuals will freely reach across traditional boundaries to connect with one another. Indeed, closeness can exacerbate divisions within groups and entrench an unwillingness to move beyond existing stereotypes. As one British academic observes:

We must move beyond proximity to conditions where people from different backgrounds are engaged in common pursuits that encourage them to connect honestly. These settings, often mediated by local community organisations, appear to hold the greatest promise of promoting inclusion.⁴⁹

2) Advancing Collaborative Solutions to Complex Challenges

Today, finding effective mechanisms to address complex community conditions is one of our most pressing challenges. Much evidence suggests that successful approaches can no longer be achieved by single organizations, levels of government or sectors acting in isolation.⁵⁰ Collaboration across all of these

⁴⁸ Ontario Council of Agencies Serving Immigrants, *When Services Are Not Enough: The Role of Immigrant and Newcomer Service Organizations in Fostering Community Leadership Development*, (Toronto: OCASI, 2005), p. 4.

⁴⁹ Ash Amin, *Ethnicity and the Multicultural City; Living with Diversity*, in *Environment and Planning*, A34(6), 2002, pp. 958-981.

⁵⁰ Peter Elson, Marilyn Struthers and Joel Carlson, *Horizontal Tools and Relationships: An International Survey of*

domains, referred to as “joined-up” services in Britain, the “whole-of-government” in Australia, or “horizontality” in Canada, is being recognized as an essential feature required for successful policy development and practice.

The latest report from Canada’s Task Force on Community Investment notes:

Most governments of countries that are members of the Organization for Economic Cooperation and Development (OECD) are either actively exploring or developing the public service and policy architecture to undertake a more integrated approach to complex policy files.⁵¹

Community social service agencies play a critical role in stewarding these holistic responses to complex issues. The Task Force observes that:

As a partner to government in horizontal initiatives, the community nonprofit sector contributes both bridging and linking social capital between governments and communities. In horizontal initiatives community organizations provide both the “on the ground resources” to “bridge” individuals across community problems through various forms of social service such as employment services and transitional education. At the same time, they are intrinsically a producer of social capital through public participation in organizational activities.

These organizations also provide the linking capacity to connect government to knowledge and resources of communities and sub-sectors, as a producer of the relationships that governments need to foster horizontal initiatives. Connections between other-serving organizations, horizontally across communities produce the professional networks that enable governments to “reach into” communities.⁵²

Multi-sectoral initiatives supported by nonprofit organizations are currently having significant impacts in Ontario. Recent examples include

- The Modernizing Income Security for Working Age Adults Task Force, which developed policy proposals for reforming the federal and provincial income security systems (some of which have subsequently been adopted by these governments).⁵³
- The Vibrant Communities Initiative, consisting of multi-sectoral “comprehensive community initiatives” to reduce the incidence of poverty in 15 neighbourhoods across Canada, including communities in Hamilton, Niagara, and Waterloo in Ontario.⁵⁴

Government Practices Related to Communities, (Ottawa: Task Force on Community Investments, January 2007) “Horizontal initiatives, those that encompass multiple stakeholders - whether in partnerships between government departments, levels of government or between nongovernmental organizations - have become a focus in Canada over the last 20 years. The Auditor General has recently prioritised improvements to horizontal practice in her 2005 and 2006 reports.”

⁵¹ Ibid., p. 8.

⁵² Ibid., p. 19.

⁵³ Task Force on Modernizing Income Security for Working Age Adults, *Time for a Fair Deal*, (Toronto: St. Christopher House and Toronto City Summit Alliance, May 2006).

⁵⁴ Vibrant Communities can be found at <http://tamarackcommunity.ca/g2.php>.

- The Action for Neighbourhood Change initiative to create local processes that support resident collaboration, visioning and action planning. This program was first initiated as a cross-departmental initiative of the federal government in five communities across Canada, and is now being implemented in Toronto's priority neighbourhoods with United Way funding support. This initiative has reinvigorated the practice of community organizing as a legitimate activity of nonprofit community agencies in Toronto.⁵⁵

These are examples of leading-edge community-anchored problem-solving processes being pioneered in Canada and Ontario. Intentional investments to enable nonprofit community agencies to act upon this role more intensely will determine our capacity to mount future multi-stakeholder initiatives to address complex community issues.

3) Sustaining Social Innovation and Early Response

Economies in both developed and to a lesser extent developing countries are increasingly dominated by services rather than manufacturing. Over the next 20 years the biggest growth in OECD countries is likely to come in health, education and care, whose shares of GDP are already much greater than cars or telecoms, steel or biotech. These are all fields in which commercial, voluntary and public organisations deliver services, in which public policy plays a key role and in which consumers co-create value alongside producers. . . Much of the most important innovation of the next few decades is set to follow the patterns of social innovation rather than the patterns familiar from sectors like IT.⁵⁶

Community conditions are in continual flux. Effective organizational structures must be attuned to changing contexts and maintain flexibility in order to creatively respond to emerging realities. These qualities are not easily maintained in larger institutional and bureaucratic settings. Community nonprofit social service organizations thus fulfil a critical role as sites for social innovation, where new programs are developed and tested, existing programs are continually improved, and promising service prototypes can be studied.⁵⁷

The *Accord* acknowledges the role of the nonprofit community service sector in building Canada's foundation of public services:

The voluntary sector has also been instrumental in the development of most of the public services we rely on today as essential aspects of a caring society – schools, hospitals, assistance to the disadvantaged, and care for children in need. All of these began as voluntary initiatives. Today, both the public and voluntary sectors are involved in the delivery of these services.⁵⁸

Many significant services we have come to value in Ontario were first developed by nonprofit community organizations. Some of these programs that have since been taken up and delivered by governments include public libraries, public health programs, outdoor playgrounds and public recreation programs.

A wide range of other innovative services pioneered by the sector are now supported directly by government funding, but still delivered by community service agencies, including: English as a second language

⁵⁵ Action for Neighbourhood Change can be found at www.anccommunity.ca.

⁵⁶ Geoff Mulgan, *Social Innovation: What it is, Why it Matters and How it Can be Accelerated* (Said Business School and the Young Foundation, Oxford, 2007), p.12.

⁵⁷ Linda Roberts, *Caught in the Middle: What Small, Non-profit Organizations Need to Survive and Flourish*, (Ottawa: VSI, December 2001), p. 7.

⁵⁸ VSI, *Accord*, p. 2.

classes (ESL) and settlement supports for newcomers, literacy and adult education programs, family counselling and support, and early childhood learning and parenting supports.

Significant program and policy innovations continue in the social service arena today. Some more highly profiled and recent examples in Ontario include:

- Pathways to Education, an innovative integration of mentoring, volunteer tutors, and scholarship supports that assists young people from economically disadvantaged communities to graduate high school and continue to post secondary programs. This model was first created in Regent Park by the Regent Park Community Health Centre. In 2006 the Province's Ministry of Training, Colleges and Universities allocated \$500,000 to support the propagation of this model in communities across Ontario.⁵⁹
- Toronto First Duty, an integrated and universal early learning and care program model that simultaneously meets the developmental needs of children to ensure they reach their full potential, supports parents to work or study, and supports parents in their parenting role. This partnership between the City of Toronto, the Toronto District School Board, and community agencies, with funding from the Atkinson Foundation and the Canadian Auto Workers, has completed a demonstration period where five sites, each sponsored by a community agency, tested a range of program innovations. The partners are now working to make integrated service delivery the operational standard for Toronto's children's service system. The Bruce WoodGreen Early Learning Centre (BWELC) will be a prototype that furthers the integration process and continues to inform the implementation of the Best Start Strategy in Toronto and across Ontario.⁶⁰
- Programs that meld the objectives of economic equity and environmental sustainability are being pioneered by community organizations working in the area of food security, including a number of innovative models incorporating community gardens, community kitchens, farmers' markets and urban agriculture practices. These programs are exploring innovations that point the way to more sustainable urban-rural relationships that will be essential for our future wellbeing.

The adaptive and responsive qualities of nonprofit community service organizations also enable them to play a central role in tracking and raising early warning signs as new conditions emerge in communities, including taking a lead role in supporting crisis response efforts where necessary.

Local nonprofit community organizations have been critical actors in a number of emergency response situations, with capacity to pick up on first signals, and mobilize into action quickly. Recent examples of their role in this regard has been noted with respect to Hurricane Katrina in the United States, the SARS outbreak, and the re-emergence of tuberculosis first noted in Toronto's homeless shelters. One commentator reflecting on the emergency response to 9/11 in New York City noted that:

The most interesting and thus far neglected story involves the work of human service agencies and their staff in the New York area. They sprang into action quickly and played crucial roles in saving lives and supporting families. These unsung heroes and heroines did valiant work. But their heroism was obscured by the bright images of courageous uniformed service workers and by media coverage that often oversimplified the human service workers' enormous challenges. Those challenges included: quickly setting up shop at ground zero; providing cash, shelter, meals and comfort to hundreds of dazed individuals and families; responding to desperate men and women

⁵⁹ Full description of Pathways to Education can be found at www.pathwaystoeducation.ca.

⁶⁰ Toronto First Duty, *Phase 1 Summary Report: Evidence-based Understanding of Integrated Foundations for Early Childhood*, (Toronto: City of Toronto and Toronto District School Board, June 2006).

seeking lost relatives; and managing relations with media people who kept asking why service and help wasn't coming faster and why the agencies didn't create overnight a common database of people they were serving. Little attention was given to what was going well. I hope that when the first anniversary of 9/11 occurs this fall, the many fabulous human service agencies and their workers will get the recognition they deserve and have not yet received.⁶¹

During the SARS outbreaks in Toronto, a number of hospitals closed out-patient services and severely restricted access to their sites. This posed significant problems for a number of residents, including people with mental health problems who were unable to access regular psychiatric services and medications, people with chronic illnesses, such as cancer, heart disease and diabetes, and others. In many cases, community-based health programs and providers filled the gaps. Community-based mental health services organized alternative psychiatric services for their clients.⁶²

4) Providing Responsive High Quality Services

Immigration is expected to contribute the majority of Ontario's population growth in the years to come, with an estimated 90,000 to 150,000 new immigrants making their home in Ontario each year. Over that same period, the population aged 65 and over is expected to more than double from 1.6 million or 12.8% of the population to 3.6 million or 22% of the population. . . . Both seniors and newcomers are likely to turn to community agencies in significant numbers for services and support. . . . Projected population trends suggest a crisis in the making for the already under-resourced community sector.⁶³

Governments and private donors partner with and invest in nonprofit community agencies as a way to deliver services close-to-the-ground, directly in and with communities. In this way, nonprofit community services are decentralized and deinstitutionalized mechanisms that complement the role of the family and informal community networks, providing an extensive array of service, support and care in Ontario.

As noted in the *Report of the Task Force on Community Investments*:

Organizations in the community non-profit sector are, more often than not, best placed to identify what needs to be done in local communities by virtue of their proximity to citizens in their daily lives and activities.⁶⁴

A 2006 Ipsos Reid poll found that 76% of Canadians believe that charities understand the needs of Canadians better than the government does, and that charities do a better job of meeting the needs of Canadians than the government does (70%). These findings were consistent with similar polls from 2000 and 2002.⁶⁵

Critical programs stewarded by nonprofit community services in Ontario include: supportive housing, day care, home care, developmental services, social, recreation and primary health supports for seniors, children, youth, families, settlement supports for newcomers, children's aid, employment services, supports for women, children and refugees fleeing violence, and emergency shelters.

⁶¹ "After 9/11, a Focus on Results" Remarks by Susan V. Berresford at the Federation for Community Planning's Human Services Institute. Cleveland, Ohio, April 5, 2002.

⁶² Ontario Home and Community Care Council, *SARS and Community Care: Impact and Opportunities*, (Toronto, November 2003), available at www.oaccac.on.ca, p. 8.

⁶³ CCPA, *No Time to Lose*, p. 16.

⁶⁴ TCFI, *Achieving Coherence*, p. 7.

⁶⁵ Ipsos Reid, *Talking About Charities*, (Edmonton, Alta: The Muttart Foundation, October 2006), p. 7.

Some services that were previously delivered directly by the public sector have been transferred to the nonprofit sector over the past decades in an effort to achieve greater service quality, responsiveness, and to effect cost savings. Key examples in this regard include the care for persons with developmental disabilities, and the transfer of the delivery of employment and skills training programs to nonprofit community organizations and for-profit firms.

A concern has been that salaries, benefits, and working conditions for non-profit sector employees delivering these services have, in many cases, been inferior to the public sector jobs that they replaced.

5) The Sector's Economic Impact

Besides supporting vulnerable parts of the population and contributing to the overall health and well-being of communities, the nonprofit sector is becoming recognized for making a significant contribution to the economy as well.

Some early research initiated an appreciation of the economic scale of the sector. Hall and Macpherson estimated in the late 1990s that the annual payroll expenditures of the nonprofit sector, excluding hospitals, universities and colleges, was more than \$20 billion and that the total value of assets in the voluntary sector was between \$44 and \$78 billion.⁶⁶ McMullen and Schellenberg estimated from the 1999 *Workplace and Employer Survey* that more than 900,000 employees work in 58,000 nonprofit workplaces of which about 73% are small work settings employing less than 10 people, which is almost equivalent to the proportion of employment for small business workplaces in the private sector.⁶⁷

In the last few years, Statistics Canada has started to measure the economic dimensions of the nonprofit sector and to create economic accounts for the sector that will track its role and economic contribution over time. These approaches not only attempt to identify the economic value of paid employment and other expenditures in the sector but also to measure the economic contribution of volunteers through their use of time in the work of nonprofit organizations. The *Satellite Accounts of Nonprofit Institutions and Volunteering* (2004, 2005, and 2006) use administrative tax file data to develop estimates of the nonprofit sector's contribution to Canada's Gross Domestic Product (GDP) for the 1997 to 2003 period.⁶⁸

The *Satellite Account* estimates indicate that the entire nonprofit sector's GDP grew from \$65.0 billion in 1998 to \$80.3 billion in 2003, with an annual average growth rate of +6.4%, faster than that of the overall growth rate of the Canadian economy for the same period (+5.6%). When hospitals, colleges and universities (the institutional nonprofit sector) are removed from these GDP totals, the remaining "core" nonprofit sector, including social services, still generates \$29.1 billion in economic activity in 2003, which was still 2.6% of the overall Canadian economy.⁶⁹ The *Satellite Account* report comments:

⁶⁶ Michael Hall and Laura Macpherson. *A Provincial Portrait of Canada's Charities*. Research Bulletin, 2 (5). (Toronto: Canadian Centre for Philanthropy, 1997).

⁶⁷ Kathryn McMullen and Grant Schellenberg. *Job Quality in Nonprofit Organizations*. (Ottawa: Canadian Policy Research Networks 2003).

⁶⁸ Gross Domestic Product (GDP) is "[t]he total unduplicated value of goods and services produced during a given period. For the economy as a whole, GDP refers to all goods and services produced in Canada's economic territory. For the nonprofit sector specifically, it refers to the sector's contribution to Canada's GDP, and is measured as its gross output less its intermediate purchases. Also referred to as value-added." From Statistics Canada. *Satellite Account of Nonprofit Institutions and Volunteering, 1997-2001*. (Ottawa: Minister of Industry, 2005), p. 47.

⁶⁹ Malika Hamdad, Matthew Hoffarth and Sophie Joyal, *Satellite Account of Nonprofit Institutions and Volunteering, 1997 to 2003*, (Ottawa: Statistics Canada, 2006), p. 9.

The significantly smaller [than the institutional sector] core nonprofit sector was nonetheless about twice the size of both the motor vehicle industry and that of agriculture. It was also larger than the entire accommodation and food services industry.⁷⁰

The core nonprofit sector grew at a much faster rate than the institutional sector between 1997 and 2003, the social services sub-sector leading the way at 12.1% growth annually.⁷¹ The latest edition of the *Satellite Account* reports:

The social services group led the pack throughout 1997 to 2003, accounting for a 25.5% share of core NPO [nonprofit organization] GDP in 2003. Development and housing consistently held second place.⁷²

This growth may reflect the increasing reliance on the nonprofit social service sector to pick up on service demand offloaded by governments in the 1990s.

The *Satellite Account* reports that social services contributed \$7.4 billion and development and housing organizations contributed \$4.8 billion to the Canadian nonprofit sector's GDP in 2004, for a combined total of \$12.3 billion in GDP nationally.⁷³ This is 41.6% of the total core nonprofit national GDP (\$29.1 billion).

What is the contribution to GDP of nonprofit community and social services in Ontario? The *Satellite Account* does not provide a breakdown of the provincial shares of GDP in the nonprofit sector. The Ontario share of revenue generated in relation to total revenue of all organizations across Canada can, however, offer the basis for estimating GDP.

In 2003, total Ontario revenue amounted to 42.7% of all Canadian nonprofit revenue. Since the *Satellite Account* does provide information on the national GDP of the social services and development and housing sub-sectors, the GDP for community and social services in Ontario in 2003 would be in the area of \$5.25 billion.⁷⁴ This amounts to 6.5% of national GDP for the nonprofit sector and about 15% of the total GDP of the provincial nonprofit sector.

In economic terms, the value-added of the nonprofit sector is enhanced by the volunteer contribution brought to the work of the sector. The *Satellite Account* also calculates the "extended value of labour compensation" produced from volunteer activity supported by the nonprofit sector. Nationally, it estimates that volunteer activity produced an additional \$14 billion in GDP for the sector as a whole in 2000, thus extending the sector's total GDP from \$65.1 billion to \$79.1 billion in 2000, an increase of 21.5% as a result of volunteer contributions.⁷⁵

⁷⁰ Ibid., p. 11.

⁷¹ Ibid., p. 16.

⁷² Ibid., pp. 13,16.

⁷³ Ibid., p. 44.

⁷⁴ Scott et al., *NSNVO Regional Highlights*, p. 19. In 2003, the Ontario nonprofit had total revenues of \$47.7 billion and the Canadian nonprofit sector had total revenues of \$111.6 billion. Hamdad et al., *Satellite Account*, p. 44. The *Satellite Account* for 2003 shows that the national GDP for social services was \$7.4 billion and for development and housing was \$4.8 billion. Applying the 42.7% revenue proportion to these amounts suggests a contribution to GDP by Ontario social services organizations of \$3.17 billion and by Ontario development and housing organizations of \$2.08 billion, combining to make an estimated Ontario GDP of \$5.25 billion for the nonprofit community and social services.

⁷⁵ The imputed economic value of volunteer time is available only for 1997 and 2000, since the data was not available for 2003 according to Statistics Hamdad et al., *Satellite Account*, 2006, pp. 8, 12.

The core nonprofit sector accounts for 86% of volunteer contribution to GDP (\$12.1 billion), which raises the GDP of the core nonprofit sector to more than \$35 billion in 2000. Volunteer contributions increased the core nonprofit sector's share of the overall Canadian economy from 2.3% to 3.5% in 2000.⁷⁶

Social service organizations contributed \$2.9 billion of this volunteer effort to the Canadian economy in 2000, second only to culture and recreation organizations in the nonprofit sector (\$3.6 billion).⁷⁷ Development and housing groups contributed an additional \$752 million to the national nonprofit GDP in volunteer time.

Ontario's total volunteers in the nonprofit sector make up 40% of national totals, 7.8 million volunteers. Combined social services and development and housing organizations in Ontario engage 8% of the provincial volunteer total, which is 624,000 volunteers. It is estimated that 95% of this total is non-board volunteers (592,800), contributing 99 hours per year of volunteer time on average and the remaining 5% is board volunteers (31,200), who contribute about 156 hours annually on average. Together they account for 63.6 million volunteer hours annually.⁷⁸ Using the Satellite Account methodology, this number of volunteer hours converts into 32,448 "job equivalents."⁷⁹ Applying the latest average Ontario hourly wage rate (\$19.06) to the number of volunteer hours given in community and social services produces a total economic value-added of \$1.2 billion.⁸⁰

When the economic value of volunteer time is added to GDP generated from paid labour in the community and social services sector, the contribution to Ontario's GDP rises from \$5.25 billion to \$6.45 billion.

Clearly, the nonprofit sector and the community and social services component within it are significant contributors to the Ontario and Canadian economies. It is important, however, to recognize that the community and social service sector is still a low-wage sector and that, compared to the public sector and to even the institutional nonprofit sector, labour is undervalued. With more equitable compensation, community and social services would make an even larger contribution to GDP.

It is particularly important to point out that women carry the main burden of this undervalued labour compensation. A local agency survey that applied the methodology of the Satellite Account to the actual financial data of 81 community service agency respondents graphically portrayed the devaluing of women's labour and volunteer time in the sector.

Figure 5 reproduced from Community Development Halton's labour force study called *Pushing the Limits* illustrates the economic impact on Halton's economy of removing women from the paid workforce and volunteer ranks.⁸¹ The total workforce of paid staff and volunteers contributed more than \$240 million to Halton's economy in 2006. Without the labour and volunteer time of women, however, the economic value of the community service sector in Halton Region would fall to just \$30.9 million. There can be no more stark statement of the economic impact of the sector and on whose effort it depends than the story these figures tell.

⁷⁶ Ibid., p. 31.

⁷⁷ Statistics Canada. *Satellite Account of Nonprofit Institutions and Volunteering*, 1997-2001. (Ottawa: Minister of Industry, 2005), p. 9.

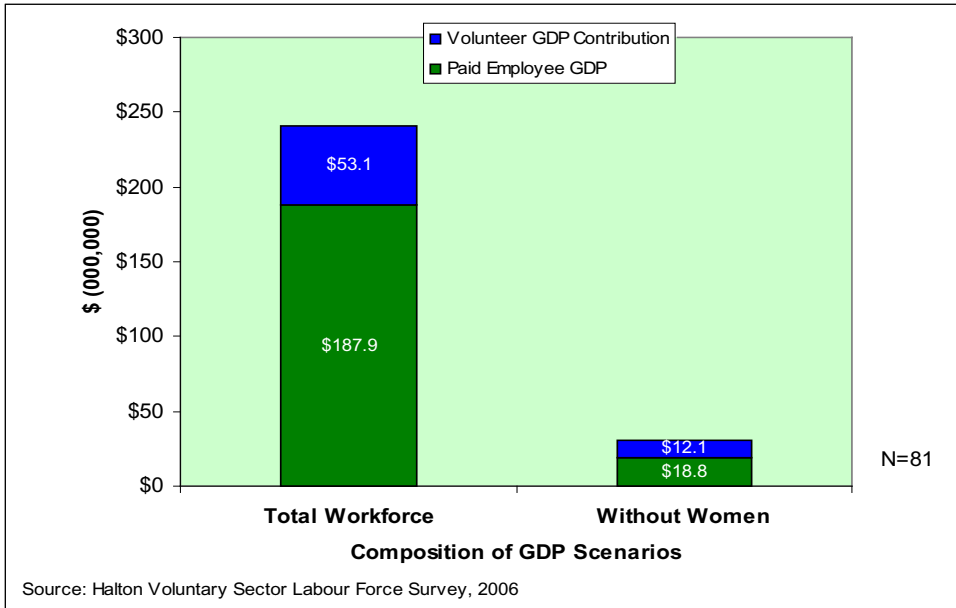
⁷⁸ Scott et al., NSNVO Regional Highlights, p. 29.

⁷⁹ Statistics Canada, *Satellite Account*, 1997-2001, (2005), p. 34. For conversion of total volunteer hours into 'job equivalents' a full-year, full-time basis of 49 weeks at 40 hours per week is used in the *Satellite Account*.

⁸⁰ Ibid., p. 39. The *Satellite Account* uses the Canadian average wage rate to calculate the volunteer component of nonprofit GDP for the national data. Statistics Canada, CANSIM, Table 281-0030 (for 2005 Ontario average hourly wage rate) Catalogue No. 72-002-X.

⁸¹ CDH, *Pushing the Limits. Technical Report*, p. 69, 78. Ninety per cent of the community services' paid labour force in Halton Region and about 75% of the volunteer base is made up of women.

Figure 5: Economic Value of Paid Labour and Volunteer Time to the Halton Economy with and without Women



5. Organizational Impacts of Current Funding and Policy Context

There is concern in the nonprofit and voluntary sector that organizations are bending themselves out of shape to conform to funding criteria. One can debate whether the priorities of funders should be paramount. Funders pay the bills, but nonprofit and voluntary organizations are closer to their communities and pride themselves on keeping in touch with community needs. An organization that can no longer fulfill its primary mission risks losing credibility with clients and with the community. (Katherine Scott, *Funding Matters Summary*, 2003, p. 13)

The contract relationship between the state and non-profit organizations, however, is transforming the third sector. This arrangement is moving nonprofits away from their core mission, commercializing the sector's operations, and compromising its autonomy. These developments have profound implications for inclusive citizenship, the health of civil society, the development of social capital, and the enhancement of social cohesion. (John Shields, *Neoliberal Restructuring and the Third Sector*, 2000, p. 1)

It is hard to imagine how government funding for community organizations could do more damage. This slow bleed of capacity, the steady deterioration of service quality and the perpetual crisis mode of operations exhausts and disheartens even the most dedicated staff and volunteers. We are losing organizational capacity in our communities through chronic neglect. Government funders have imposed for too long on the dedication, expertise and adaptive capacity of the community-based social service sector. ... A major shift in funding practice was undertaken yet funders, especially government funders, have not evaluated, monitored or managed the impact of this funding shift. (Lynn Eakin and Ted Richmond, *Community Service Organizations at Risk*, 2006, p. 5)

Downloading of responsibility for social programs began in earnest in the 1990s as governments at the federal and provincial levels responded to an economic recession and growing operating deficits and debt loads. Under these conditions and sensitive to public reaction if key public services were just completely terminated, governments began "to look at the non-profit sector either as a less expensive means of delivering social services or as a means of avoiding the complete termination of selected social programs."⁸²

Between 1996 and 1998, federal government transfers to the provinces for social services, health, and post-secondary education were reduced by \$7.0 billion; Ontario's share, \$3.6 billion, constituting half of this amount.⁸³

Contending with its own deficit problem, the Ontario government took draconian measures in 1995-96, decreasing social assistance payments to Ontario's poorest citizens by 21.6%, cutting transfer payments to municipalities, and reducing payments to community service agencies by 7.5% between 1995 and 1997.⁸⁴

The policy action of senior governments in the mid-1990s created a shock to the social support systems for the most disadvantaged parts of the Ontario population. The cascading effects of downloading from federal to provincial to municipal to community agencies played themselves out in the health and well-being of communities (e.g. Walkerton water crisis) and the lives of the people of Ontario (rising child poverty rates and increased use of food banks).

⁸² Michael Hall and Paul Reed, *Shifting the Burden: How Much Can Government Download to the Non-profit Sector*, *Canadian Public Administration*, Vol. 41, no. 1 (Spring 1998), p. 2.

⁸³ *Ibid.*, pp. 2-3.

⁸⁴ *Ibid.*, p. 3.

A report measuring how well Ontario was doing on key social, health, economic and environmental indicators showed a 13.6% reduction in the quality of life in 1997 compared to the base year of 1990, prior to the economic recession and government devolution and downloading policies. Social indicators accounted for more than half of this loss (7.3%)⁸⁵ in quality of life. Commenting on the 1997 social indicators, the report cites the economic restructuring, devolution and downloading policies and “government cuts in social programs” occurring at the time and notes that:

The impacts of these changes are felt primarily by vulnerable people: women, children, people with disabilities, and people living in poverty. These population groups are at high risk for poor health.⁸⁶

As service demands increased in the 1990s, the nonprofit community service sector started to experience shifts towards a less stable and predictable, funder-prescribed and project-centred investment model, which have had significant impacts on the sector’s organizational infrastructure and administrative capacities.

The Canadian Council on Social Development’s 2003 report *Funding Matters* was the first comprehensive analysis to document the changes in funding conditions in Canada’s nonprofit sector.⁸⁷ The report notes the general shift in relationships between government funders and the nonprofit sector:

In the 1990s, in an environment of fiscal constraints, governments cut direct financial support to many nonprofit and voluntary organizations that they had funded for decades... Organizations were told to diversify their funding base and become less dependent on tax dollars. A number of organizations that had traditionally received an annual government grant to support their work, which left them a degree of autonomy in directing their own affairs, lost all or most of that core funding.

Instead, many were left to apply for project funding targeted to certain priority areas or to enter into purchase-of-service contracts with government ministries and departments for delivery of specified programs....

Many organizations that survived government funding cutbacks of the 1990s are financially fragile because they are now dependent on a complex web of unpredictable, short-term, targeted project funding that may unravel at any time.⁸⁸

The study identified and summarized the following trends:

- Funders are adopting an increasingly targeted approach to funding

⁸⁵ Malcolm Shookner, *The Quality of Life in Ontario*, (Toronto: Ontario Social Development Council and Social Planning Network of Ontario, 1998), p. 12. The Ontario Quality of Life Reports are composites of eleven local QLI Reports done by social planning councils in their communities and can be found at www.spno.ca/qli.

⁸⁶ Ibid., p. 5.

⁸⁷ Katherine Scott, *Funding Matters: The Impact of Canada’s New Funding Regime on Nonprofit and Voluntary Organizations. Summary Report*, (Ottawa: Canadian Council on Social Development, 2003), pp. 3-4. “The findings are based on a series of focus groups held in different regions of the country and attended by more than 100 nonprofit and voluntary sector organizations, as well as roundtable discussions with funders and interviews with key informants, responses to a written survey of nonprofit and voluntary sector organizations, in-depth case studies, and a review of other research.”

⁸⁸ Ibid., pp. 3,8.

- There has been a marked shift away from a core funding model, which funds organizations to pursue their mission. The new model is project-based and is characterized by contracts that give funders increased control over what the organization does and how it does it.
- Funders are reluctant to fund administrative costs that cannot be directly tied to a project or a program.
- Funding is being provided for shorter periods of time, and is increasingly unpredictable.
- Reporting requirements have increased.
- Funders are increasingly requiring organizations to make joint submissions with project partners and to demonstrate that they have secured funding from other sources (financial or in-kind contributions) before extending their support.⁸⁹

Community agency survey results across Ontario repeat these issues as primary challenges to the capacity of community service organizations to perform their mandates, especially given increasing service demands:

A 2003 representative sample of Toronto Nonprofit Social Organizations found that 75% of available funding is now project-related, compared with 17% for core funding and 8% for seed funding. Such project funding is described as “short-term in nature, often for one year at a time, is more prescriptive in how it can be used and usually cannot be used for core costs needed to operate an agency.”⁹⁰

A lack of stable, secure core funding, fallback reserves, or endowments in combination with declining government funding and a small percentage of corporate support is [sic] contributing to a sector that is increasingly vulnerable. . . . It is also apparent that while organizations may be able to meet the needs of their stakeholders they are sometimes doing it at the expense of their overall organizational capacity and the health and well-being of the labour force.⁹¹

The findings of the survey indicate that the community agency sector in Ottawa is experiencing serious labour force challenges which, in many cases, are negatively affecting service to the community. Lack of core funding and over-reliance on short term or project funding is leading to instability and turn-over of the workforce on the one hand and excessive administrative burden on the other. . . . Salaries provided for core operations or project activities need to cover the full cost of the staff, including competitive salary, benefits (including vacation pay and reasonable sick time) and staff development funding. Longer term funding periods would encourage stability.⁹²

Changes in funding patterns toward short-term project funding has forced organizations to spend their time preparing grant proposals and hoping to receive the limited short-term funding available with insecurity looming amongst employees and volunteers. Many voluntary sector respondents emphasized the need for long-term, stable funding to cover operational costs.⁹³

⁸⁹ Ibid., pp. 3-4.

⁹⁰ Toronto Community & Neighbourhood Services (TCNS), *Cracks in The Foundation. Community Agency Survey 2003: A Study of Toronto's Community-based Human Service Sector*, (Toronto:, City of Toronto, February 2004), p. 27.

⁹¹ Centre for Community Leadership, *Niagara Voluntary Sector Labour Force Study*, (Welland, On.: Niagara College, September 2003), p. 24.

⁹² Social Planning Council of Ottawa, *Snapshot Survey of Salaries and Benefits in Ottawa's Community Agencies*, (Ottawa: SPCO, December 2005), p. 24.

⁹³ Shahin Daya, Mohamed Haitham El-Hourani, and Beth DeLong, *London's Voluntary Sector Employment and Training Needs Study*, (London, Ont.: Pillar, April 2004), p. 139.

Funding stability and sustainability is the primary concern of more than two-thirds of agency respondents (68%). Just over half of the respondents indicate that responding and adapting to population growth and emerging needs is a major issue (52%).⁹⁴

A survey of key informants with nonprofit and voluntary organizations in rural Ontario found that these agencies were facing many of the same challenges as those faced by urban organizations:

Organizations are too dependent on short-term project funding, leading to instability and an inability to plan; their funding has not kept pace with inflation or the demand for their services, leading them to cut services and/or spend a great deal of time pursuing alternative sources of funding; they have difficulty accessing corporate funding; grant applications are overly complex and time consuming to complete; they have difficulty recruiting and retaining staff because they are unable pay competitive salaries; and they have trouble recruiting and retaining volunteers.⁹⁵

Provincial funding in some areas has in fact increased significantly over the past number of years, but these increases have been almost exclusively targeted for program expansion. Few provincial ministries have provided any increases to enable organizations to meet the costs of inflation, including cost of living increases for staff salary and benefits, and fixed costs such as utilities, space rental/upkeep, and insurance.

Inflation rates for the decade 1996-2006 for Canada were 23.11%. A key informant survey undertaken for this report indicates that provincial funding allocations have not increased over this period to any significant degree needed to keep pace with this inflation rate.

Of the eight funding programs studied, two had provided modest inflation increases within the last three budget years, totalling no more than 2-4% over the last decade. The other six programs were flatlined, with no increases provided to cover inflation.

All increases to staff salaries or benefits must therefore come from an agency's "other fundraised" dollars, once they have paid for increased utilities and other fixed costs. In most cases this must be achieved without reducing program delivery levels in order to maintain service targets set by government.

Key infrastructure impacts emerging from this transition to a reliance on more targeted, insecure and inadequate project funding may be summarized as follows:

1) Underinvestment in agency administrative systems

Most available funding no longer covers core organizational costs that are necessary to effectively operate an agency such as rent, utilities, staff and volunteer training and supervision, volunteer co-ordination, fundraising, financial management and reporting.⁹⁶ There is "also no understanding (or room on cash flow reports) for activities related to staying connected to clients and beneficiaries, community members or other nonprofit and voluntary sector organizations."⁹⁷

The Ontario analysis of Statistic Canada's 2003 *National Survey of Nonprofit and Voluntary Organizations (NSNVO)* data notes:

⁹⁴ CDH, *Pushing the Limits*, pp. 15-16.

⁹⁵ Susan Stowe and Cathy Barr. *The Capacity Challenges of Nonprofit & Voluntary Organizations in Rural Ontario*. (Toronto: Imagine Canada, Rural Charitable Sector Research Initiative, 2005) p. iii.

⁹⁶ TNCS, *Cracks in the Foundation*, p. 7

⁹⁷ Scott, *Funding Matters Summary*, p. 14.

Despite the size and importance of nonprofit and voluntary activity in Ontario, many groups are struggling with a range of problems related to human resources, financing, planning and development, outreach, and infrastructure.⁹⁸

NSNVO data indicate a number of issue areas where organizational capacity issues are being reported at a much higher rate for social service organizations than that for the nonprofit sector as a whole. Table 3 shows that social service organizations' external funding challenges are most acute in the areas of "reductions in government funding" (reported by 81% of respondents), "unwillingness to fund core operations" (reported by 78% of respondents), and "over-reliance on project funding" (reported by 67% of respondents).

Table 3
Most Reported Organizational Challenges for National and Ontario Nonprofits and the Social Services Sector in Ontario

	Social Services in Ontario	All Ontario nonprofit organizations	All Canada nonprofit organizations
External Funding Issues:			
Reductions in government funding	81%	68%	65%
Unwillingness to fund core operations	78%	65%	61%
Over-reliance on project funding	67%	53%	61%
Structural Issues:			
Difficulty planning for the future	73%	60%	58%
Increasing demands for services and products	67%	41%	43%
Lack of internal capacity	65%	41%	39%

(Sources: Barr et al., *Understanding Capacity*, p. 33; Scott et al., *NSNVO Regional Highlights*, p. 56; Hall et al., *Cornerstones of Community*, p. 49)

The most prevalent "structural issue" of concern reported by social services organizations in Ontario was "difficulty planning for the future" (73%, compared with 60% reported by the sector as a whole). This is followed by "increasing demands for services and products" (67%) and "lack of internal capacity" (65%).

The most recent City of Toronto agency survey (2003) found that 34% of agencies reported they could provide supervision only sometimes or not at all to staff and 53% did not have capacity to supervise volunteers. A 2004 financial analysis of nonprofit social service funding structures found that just over half (53%) of government funded programs actually paid for any supervision costs. Overall supervision was funded at an average of 5% of program costs, a rate that only supports a supervisor/employee ratio of one supervisor to 25 full time employees.⁹⁹

⁹⁸ Scott. et al., *NSNVO Regional Highlights*, p. 45.

⁹⁹ Lynn Eakin, *Community Capacity Draining*, p.20. "Given that community programs tend to be locally based and small with high numbers of part time employees and volunteers this supervision ratio appears inadequate for many community programs... The lack of capacity of community agencies to adequately supervise front-line staff is a problem that should concern both agency Boards of Directors and funders alike, particularly following recent court decisions on residential schools that found religious institutions and government liable for staff actions that resulted

These factors are interrelated and combine to reinforce deteriorating conditions within the social service sector. The combination of increased service demand, lack of internal capacity and increased reliance on project funding are all increasing the levels of strain upon organizational systems, and in turn limiting their capacity for planning and responsiveness.

2) Underinvestment in Agency Infrastructure to Address Emerging Needs

Since the 1990s it has been virtually impossible to establish new community organizations, even when there is a demonstrated need for them. Most funders now provide short-term project funding, and do not help organizations pay for core costs such as rent, program development, volunteer development and management, and strategic planning. As a result, funders are sometimes unable to invest in essential programs and community capacity building in high need areas because of the lack of local neighbourhood organizations.¹⁰⁰

In 1985 the Ontario government introduced the Community and Neighbourhood Support Services Program (CNSSP), an innovative cost-sharing program to support administrative infrastructure for new and emerging organizations, supported by the provincial government, municipalities, and local United Ways. CNSSP provided stable core funding to nonprofit agencies to cover overhead and administrative costs, build organizational capacity, and deliver programs and services to the community. In particular, small emerging ethno-specific and cultural organizations, and the diverse communities that they serve, benefited greatly from the program.

In 1995 the Government of Ontario unilaterally eliminated its contribution to this cost-shared program. The Province has yet to re-introduce any intentional core funding program to support emerging and expanded infrastructure in the non-profit community service sector.

In some communities, recently introduced Community Health Centre Satellites funded by the Ontario Ministry of Health are providing important new anchors for expanded community health programs. As well, Ontario Early Years Centres represent valuable infrastructure supports for families with children aged 0-6. There is, however, no corresponding infrastructure program expressly targeted to support new and emerging social service and community-building organizations (e.g. agency infrastructure required to enable and sustain women's programs, youth programs, seniors' programs, immigrant service organizations, civic engagement and community development processes).

In the absence of such dedicated funding for administrative infrastructure to steward and sustain them, important new initiatives are also at risk of forgoing any intended lasting impact on community conditions. A current example of this would be the Province's Youth Challenge Fund. This fund, a significant investment of \$30-45 million over three years, is targeted to "priority neighbourhoods" in a number of Ontario communities. In Toronto, these neighbourhoods were identified as lacking in community services and organizational infrastructure.¹⁰¹

in harm to students."

¹⁰⁰ *Strong Neighbourhoods: A Call to Action. A Report of the Strong Neighbourhoods Task Force* (United Way of Greater Toronto, City of Toronto, 2005), p. 11.

¹⁰¹ See *Strong Neighbourhoods: A Call to Action*, p. 23, and City of Toronto Staff Report to Policy and Finance Committee, October 5, 2005 "Toronto Strong Neighbourhoods Strategy."

Some contributions to program spaces for youth are allowable, but the rental or purchase of new youth program spaces, or related administrative infrastructure costs are not funded under this program. See Youth Challenge Fund, Funding Guidelines, April 2007.

While the new project dollars are invaluable for supporting innovative and much needed youth programming, they are time-limited and do not enable the creation of new administrative infrastructure needed in these priority neighbourhoods.¹⁰²

The Ontario Trillium foundation is another example of significant public-allocated funds¹⁰³ that are expressly restricted to supporting time-limited projects. The Foundation's yearly allocations of \$100 million support important and innovative initiatives in arts and culture, environment, sports and recreation, and human and social services sectors across Ontario. However, this funding is strictly limited to a five-year project timeline. Structurally there is no government funding in Ontario available to sustain successful initiatives beyond this five-year period.

3) Growing Volatility, Administrative and Fundraising Burdens Are Crowding out Planning and Local Responsiveness

Not all innovations come from new organisations. Many come from existing organisations learning to renew themselves. ... Any successful organisation needs to be simultaneously focused on existing activities, emerging ones and more radical possibilities that could be the mainstream activities of the future.¹⁰⁴

Funders are adopting an increasingly targeted approach to funding with less flexibility to respond to local conditions and opportunities. At the same time funders have increased their monitoring, reporting and evaluation requirements, but do not fund agencies to do this work. There is also little consistency among application and reporting information that funders require.¹⁰⁵ Agency staff are now diverting more and more time from their community-building and service-delivery functions to address these increased administrative reporting and fundraising burdens.¹⁰⁶ The shift from longer-term core funding to short-term project funding has left many organizations without recognition of administrative costs in project budget-lines or sufficient revenue to cover their ongoing operating costs, let alone to enhance their administrative capacity to cope with added requirements from government funders.¹⁰⁷

This growing administrative burden has been accompanied by significantly increased fundraising pressures required to back-fill inadequately funded government programs.

A 2004 analysis of 155 discretely funded programs totaling \$36.5 million (96% government funded) in ten Toronto agencies found that service programs were under-funded on average 14%. This means that the organizations must now fundraise 14% of the costs needed to implement government-funded services in their communities.¹⁰⁸

¹⁰² Some contributions to program spaces for youth are allowable, but the rental or purchase of new youth program spaces, or related administrative infrastructure costs are not funded under this program. See Youth Challenge Fund, Funding Guidelines, April 2007.

¹⁰³ The Ontario Trillium Foundation is an agency of the Ministry of Culture and is governed by a volunteer Board of Directors. The Foundation receives an annual allocation of \$100 million from the Government of Ontario through the province's charity casino initiative.

¹⁰⁴ Mulgan, *Social Innovation*, p. 16.

¹⁰⁵ TCNS, *Cracks in the Foundation*, p. 7.

¹⁰⁶ 2007 survey and analysis on administrative burden in nonprofit agencies by Lynn Eakin Associates and the Wellesley Institute (pending publication).

¹⁰⁷ Task Force on Community Investment, *Achieving Coherence*, p. 20.

¹⁰⁸ Eakin, *Community Capacity Draining*, p. 12.

A similar analysis of social service organizations in Calgary found that this trend of under-funding is even more extreme for medium and smaller organizations. In the total sample of 229 programs, 72% did not receive enough funding to cover their core costs. The total net shortfall was 25% of the \$7.1 million in core costs allocated in the 229 programs. The funding gap for large organizations averaged 14%. For mid-sized organizations this rose to a gap of 25% in project cost shortfall across the three-quarters of their programs that were not fully funded. Smaller organizations were able to cover full program costs in only 19% of their programs, and had an average revenue/expenditure gap of 27% across their remaining programs.¹⁰⁹

A 2005 analysis of federal government funding programs found that 14 of the 17 programs surveyed were not funding, or were seriously under-funding administrative costs. Some refused outright to pay for the time of the executive director, program director, and other management positions. Other funders who broke down tasks in detail, refused to contribute to any activity that only indirectly benefited the program or was a shared benefit of the organization (e.g. governance, organizational management systems, or common space such as lunch room or reception). Summer student employment programs, for example, provide no administrative costs or program costs, only salary. While larger established organizations may be able to accommodate such funding, it does not work for small organizations.¹¹⁰

By under-funding these programs governments are draining community resources away from other local community initiatives. Agencies are diverting most, if not all, of their non-government “other revenues” to cover this shortfall in program funding.¹¹¹ Eakin writes:

These other revenues are meant to enhance an organization’s capacity and programs but the systemic under-funding of government and other programs takes 92% of these funds leaving only 8% of the alternatively raised funds to improve organizational capacity and meet local community needs.¹¹²

It is interesting to note that in Ontario, among organizations relying on government for more than 50% of their funding (which includes most social services organizations), 86% reported that their level of government funding had increased (48%) or stayed the same (38%) during the period 2000-2003.¹¹³ Yet, “reductions in government funding,” were still noted as the top funding challenge affecting social service organizations. This is related to the issue of funding “volatility” where constant funding fluctuations destabilize programs, and create challenges in terms of project management and planning, even while overall revenues for organizations remain stable or increase. As Scott notes in *Funding Matters*:

The sheer size of income shifts is a warning sign and an important finding of this study. A “volatile” organization was defined as one where income gains or losses were 25% or more, adjusted for inflation, over the five-year period (1997-2001). A stable organization was defined as one where the gains or losses were 10% or less. Fifty-six per cent of these organizations had income swings of more than 25%; another 25% experienced relatively stable income, and the other 19% were somewhere in between. Volatility was greatest among social service and environmental organizations.¹¹⁴

¹⁰⁹ Lynn Eakin, Matthew Kealey, and Katherine Van Kooy, *Taking Stock: Examining the Financing of Nonprofit Community Organizations in Calgary*, (Calgary, Alta.: Calgary Chamber of Voluntary Organizations, 2006), p. 16.

¹¹⁰ Lynn Eakin, *The Policy and Practice Gap: Federal Government Practices Regarding Administrative Costs When Funding Voluntary Sector Organizations*, (Toronto: Lynn Eakin and Associates, March 2005), p. 2.

¹¹¹ Eakin, *Community Capacity Draining*, p. 15.

¹¹² Ibid. p. 14.

¹¹³ Scott et al., *Regional NSNVO Highlights*, p. 27.

¹¹⁴ Scott, *Funding Matters Summary Report*, p. 12.

The increase in volatility caused by project funding undermines an organization's stability and its capacity to provide consistent, quality programs or services, to plan ahead, and to retain experienced staff.¹¹⁵

Taken together, these trends of growing volatility, increased administrative burden, and increased fundraising required to sustain basic services, demand that more and more staff time and discretionary funding must be systematically diverted from other functions, simply to maintain service delivery in communities.

At a time when we most need to rely upon the social innovation, community-building, civic engagement, problem solving, and local responsiveness of community social service organizations, fewer and fewer resources are available to support these proactive functions.

4) Increased Polarization and Competition Within the Sector

The nonprofit community services sector has always been a competitive environment as individual organizations vie for limited resources. Agencies that succeed in sustaining their work must aggressively pursue resource development, continually searching for sources of revenue or risk losing their capacity. This "entrepreneurial" approach often conflicts with their nonprofit and social missions.

The shift to project funding means that fewer and fewer funding streams are contractual over a multi-year period, most must be re-applied for annually. In some instances government requests for proposals have also been structured to enable competition between nonprofit and for-profit organizations for service contracts, further intensifying the number of organizations competing for limited funds. This was the case in the federal government's 2004-05 Human Resources and Skills Development call for proposals regarding the delivery of employment services.¹¹⁶

Present stresses have escalated levels of competition within the sector to heights that are no longer healthy. In adapting to the dominance of short-term project-funding contracts, organizations have had to escalate their fundraising efforts, as even the smallest grants take on increased importance in terms of sustaining program activities.

While a number of community service agencies have some portions of their core administrative costs covered by more stable sources of funding (e.g. United Way member agencies in Toronto,¹¹⁷ or Community Health Centres), a majority of organizations do not have access to such funds. These members of the sector are in a much more vulnerable state as they negotiate the new funding context. Most cannot easily sustain the kind of fundraising and reporting loads that are demanded of even the smallest organizations today.

At the same time, the absolute levels of funding flowing to the nonprofit sector for service delivery are increasing. However, the corresponding expectation of increased volume of service delivery often outstrips the additional funding, with nothing left over for improving wages, benefits, or infrastructure. Anecdotal evidence suggests this increased flow of project dollars in a highly competitive funding context is resulting in significant polarization and consolidation within the sector.

Organizations that currently have some core administrative supports have been able to take greater advan-

¹¹⁵ Ibid., p. 12.

¹¹⁶ *It's Your Call* Research on the impact of the HRSDC Call for Proposal process in Toronto (not yet published).

¹¹⁷ Many United Ways have moved from a "member agency" model, and now instead fund against specific community impacts. In these communities the United Way funding can no longer be depended upon in the same way to sustain portions of agency infrastructure over the long term.

tage of new funding opportunities, while smaller organizations are often losing out.¹¹⁸ Project funding is still the only mechanism available for smaller organizations to piece their budgets together year by year. If they are less successful in competing for these dollars against larger organizations, they will not be able to survive. These conditions are seriously threatening and marginalizing smaller and emerging community organizations.¹¹⁹

These escalating levels of competition, consolidation and polarization of organizations in the sector in turn diminish the sector's capacity for collaboration, risk-taking, integrated service planning and problem solving. A context where every organization must attend to their own survival, and smaller organizations struggle to remain afloat, is antithetical to nurturing and expanding the relationships of trust and mutual support required to creatively address new challenges.

The proliferation of nonprofit community service organizations in Ontario is sometimes cited as a liability from the point of view of rational planning for effective service delivery.

However a proliferation of nonprofit organizations also constitutes a positive indicator in terms of a society's capacity for service innovation, civic engagement and local problem-solving. From this perspective the diversity and continual emergence of nonprofit community organizations in Ontario should instead be encouraged as a function of civic health, enabling grassroots engagement and community renewal.

¹¹⁸ Based on a comparison of overall budget increases and decreases among an informal sample of multi-service community agencies and smaller community organizations in Toronto over the past two years.

¹¹⁹ Roberts, *Caught in the Middle*, p. 7.

6. Impact of Current Funding and Policy Context on Workers

A survey of 321 immigrant- and refugee-serving agency staff found workers had below average wages and a lack of access to benefits. Among full-time staff (which included Executive Directors and other management staff), 65% had annual earnings below \$40,000. In comparison, full-time, full-year Toronto workers have an average employment income of \$49,540 (based on 2000 income data from Census). Almost 44% of survey respondents...considered leaving their jobs in the year preceding the survey, with inadequate wages cited as the most common reason for leaving. Workers linked underfunding and project funding as main reasons for the wage problems within the sector. (Community Social Planning Council of Toronto, *Toronto for All – Income Security Consultation Submission to Community Development and Recreation Committee*, 2007)

The impacts of restructuring and downloading on community and vulnerable individuals and families in Ontario have been noted. In many ways, community service agencies functioned as a last line of defence against reduced government support for social programs. As noted though, their organizational stability has been undermined with the shift away from more continuous, stable, core operational funding to short-term project funding and highly targeted program funding with burdensome accountability procedures.

Community service managers and their volunteer boards are challenged with adapting to a more volatile and uncertain resource environment while still fulfilling their service mandates. Their primary resource is their personnel, which account generally for about three-quarters of community service agencies' expenditures.¹²⁰ Consequently, the cascading effect of downloading and restructuring inevitably has an impact on employees in the community service organizations.

This section describes the following impacts on community service workers and the implications resulting primarily from downloading and devolution policies and changing funding frameworks over the last number of years:

1. The trend to short-term, project and contract funding is creating precarious employment conditions in terms of increased temporary and part-time work in the sector and reduced job stability and security.
2. Evidence from cross-national and Ontario community service research indicates that increasing job insecurity and workload pressures are taking a toll on the health and well-being of workers and affecting the quality of service delivery.
3. Nonprofit community social service workers are committed to providing not-for-profit public services in communities across Ontario. Increasingly, the “intrinsic” rewards of work in the sector are being overcome by greater job insecurity, continuing poor compensation and deteriorating working conditions.
4. Constituting more than four out of five employees, women in the community service sector are bearing the brunt of the impact of worsening working conditions and inadequate compensation.
5. The sector's instability is reducing its capacity not only to retain good employees but also to attract new recruits, even though there is evidence that graduating university and college students hold work values consistent with the community sector's strengths.

¹²⁰ Lynn Eakin and City Community Workgroup on Core Funding. *Community Capacity Draining: The Impact of Current Funding Practices on Non-Profit Community Organizations* (Community Social Planning Council of Toronto, May, 2004), p.26.

6. In the face of a growing labour shortage and heightened competition from both the for-profit and public service sectors, and under current funding frameworks, the nonprofit community service sector is hard-pressed to maintain and strengthen its human resource base, which is critical to the effective performance of its community role.

1) Increase in Temporary/Contract Jobs and Part-Time Work

Less certain and unstable revenue streams translate into more precarious employment for staff of community service agencies. This means more temporary versus permanent jobs. Drawing from the *Workplace and Employee Survey* (WES, 1999) Saunders reports temporary employment levels at 14% in the overall nonprofit sector compared to 8% for the for-profit sector, a differential which he suggests “may reflect issues regarding scarcity and instability of funding.”¹²¹

The National Survey of Nonprofit and Voluntary Organizations (NSNVO) of 13,000 nonprofit, charitable organizations in 2003 shows even higher levels of temporary employment (35%) for the overall nonprofit sector.¹²² The NSNVO reports that the rate of temporary employment for paid staff in the nonprofit social services component of the overall sector is also at 35%.

Breaking out the Ontario nonprofit survey respondents from the NSNVO results, Scott reports:

Nonprofit and voluntary organizations in Ontario fill a greater proportion of their staff positions with temporary employees (31%), than employers in Ontario (10.9%) and Canada (12.5%) in general.¹²³

Scott also notes that the institutional sector of hospitals, universities and colleges “were somewhat less likely to employ paid staff on a temporary basis (26%) compared to other nonprofit and voluntary organizations (34%).”¹²⁴

Although partly a matter of job preference, part-time work can also be a sign of precarious employment.¹²⁵ The *WES* in 1999 again shows much higher levels of part-time employment in the nonprofit sector (25%) compared to 13.4% in the for-profit sector.¹²⁶ The *NSNVO* shows significantly higher levels of part-time employment in the nonprofit sector in 2003 – 57% full-time and 43% part-time.¹²⁷ The average part-time rate for all employment in Ontario in 2003 was significantly lower at 18.3%.¹²⁸

2) Cross-National Evidence of More Precarious Employment

Temporary (time-limited and often contractual) and part-time work are how short-term, project and targeted program funding becomes operationalized through community service organizations. With less stable funding, community service agencies look for cost savings in their personnel lines. Saunders notes that temporary and part-time staff have much poorer benefit coverage than permanent workers. He points out that “temporary work is also associated with reduced job security which, as Lowe and Schellenberg

¹²¹ Ron Saunders, *Passion and Commitment Under Stress: Human Resource Issues in Canada's Non-profit Sector – A Synthesis Report*, (Ottawa: Canadian Policy Research Networks, January 2004), p. 25.

¹²² Hall et al., *Cornerstones of Community*, p. 38.

¹²³ Scott et al., *NSNVO Regional Highlights*, p. 36.

¹²⁴ *Ibid.*, p. 36.

¹²⁵ Part-time employees work less than 30 hours per week, while full-time staff work 30 hours or more weekly.

¹²⁶ Saunders, *Passion and Commitment*, pp. 25-26.

¹²⁷ Hall et al., *Cornerstones of Community*, p. 38.

¹²⁸ Scott et al., *NSNVO Regional Highlights*, p. 36.

(2001) have demonstrated, tends to dampen employee commitment.¹²⁹

Other studies of the nonprofit sector across Canada indicate that short-term and project funding creates major human resource issues for community service agencies when employment patterns become more temporary and part-time:¹³⁰

- A study of nonprofit family and child service organizations in Nanaimo, British Columbia indicates the stressful effects on staff of job insecurity resulting from funding cuts and increased contract work.¹³¹
- A survey of agency heads in the nonprofit community service sector in Manitoba reports a worrying trend toward replacement of permanent staff with contract workers.¹³²
- Research on the New Brunswick nonprofit scene shows an increase in temporary and part-time employment over the years associated with the shift from core to project funding, which is creating stress in the nonprofit workforce.¹³³
- Scott's landmark study of funding in the nonprofit sector reports the trend to part-time and temporary employment that accompanies the shift to project funding in the sector, which affects staff morale and loyalty to continue working in the sector.¹³⁴

3) Ontario Evidence of More Precarious Employment

Major survey research now being done in Ontario strongly links changing funding patterns to deteriorating working conditions for community service employees including the trend to more temporary and part-time employment. Table 4 shows the employment breakdown by permanent/temporary and full-time/part-time employment as reported in five Ontario communities in which community service agency surveys have been conducted in the last few years, and compares these figures to the Ontario averages for all employment in the province.

¹²⁹ Saunders, *Passion and Commitment*, p. 25.

¹³⁰ Kathleen Howard, *Survey-based Studies and Other Research on Paid Human Resources in the Voluntary and Non-profit Sector in Canada, Annotated Bibliography*, (Fredericton, N.B.: Kathleen Howard and Associates, November 2004).

¹³¹ C. Burnley, C. Matthews and S. McKenzie, *Devolution of Services to Children and families: The Experience of Non-Profit Organizations in Nanaimo, B.C.* (Nanaimo, B.C.: Malaspina University College and Social Sciences and Humanities Research Council of Canada, undated).

¹³² Sid Frankel et al., *The Status of Manitoba's Voluntary Sector: An Omnibus Survey*. (Winnipeg: University of Manitoba, Faculty of Social Work, Child and Family Services Research Group, January 2003).

¹³³ Kathleen Howard and Associates Inc., *Employment in the Voluntary Sector: The New Brunswick Context*. Fredericton: Canadian Council on Social Development and Policy Link N.B., September 2003). Prepared for the Steering Committee for Labour Market Research on the Voluntary Sector in New Brunswick.

¹³⁴ Katherine Scott, *Funding Matters: The Impact of Canada's New Funding Regime on Nonprofit and Voluntary Organizations: Full Report*. (Ottawa: Canadian Council on Social Development, 2003).

Table 4
Permanent/Temporary and Full-Time/Part-Time Employment Reported
in Community Agency Surveys ¹³⁵

Community Survey Area	Permanent (%)	Temporary (%)	Full-Time (%)	Part-Time (%)
Halton Region (2005-06)	84.8	15.2	65.9	34.1
Toronto (2006)	76.2	23.8	76.9	23.1
London (2004)	54.2	45.8	59.0	41.0
Ottawa (2005)	-	17.0	42.0	41.0
Sudbury (2001)	-	30.0	38.0	30.0
Ontario Avg. for All Employment (2006)	89.0	11.0	82.1	17.9

¹³⁵, ¹³⁶, ¹³⁷, ¹³⁸

Table 4 clearly shows that community service agencies in Ontario have significantly higher levels of temporary and part-time employment than the Ontario average for all employment. While community agencies in Halton Region appear to provide the most stable employment relative to their counterparts, the Halton study provides a more detailed employment breakdown by position. This breakdown reveals two important areas where community agency employment is more precarious:

- (1) front-line and administrative workers have significantly higher levels of temporary (17.3%) and part-time (26.4%) employment; and
- (2) smaller organizations have very much higher levels of temporary (26.4%) and part-time employment (as high as 70.6% part-time work for agencies with one to nine staff).¹³⁹

In the London study, Daya et al. link the increasing trend to contract work directly to the shift from core operating funding to short-term project funding.¹⁴⁰

Further, Daya et al. note that, although there has been a recent increase in full-time positions in London's nonprofit sector, most of these full-time positions are contract rather than permanent positions.¹⁴¹ A significant proportion of survey respondents in London also indicate that both work overload (31%) and insecurity of non-permanent positions (29%) are two main reasons for staff choosing to leave their jobs.¹⁴²

A similar finding occurs in the Toronto settlement agency study where 38% of employees say they are

¹³⁵ No figures for permanent/temporary or full-time/part-time employment were reported in the Niagara Region community survey conducted by the Niagara Centre for Community Leadership in 2002.

¹³⁶ Community survey data available for immigrant and refugee settlement agencies.

¹³⁷ Ottawa survey data reported employment breakdown without specific figures for "permanent" employment.

¹³⁸ Sudbury survey data reported employment breakdown without specific figures for "permanent" employment.

¹³⁹ CDH, *Pushing the Limits*, pp. 19-20.

¹⁴⁰ Daya et al., *London's Voluntary Sector Employment Study*, pp. 66-67.

¹⁴¹ Ibid., p. 69.

¹⁴² Ibid., p. 84.

considering leaving their jobs because of “frustrating working conditions.”¹⁴³ The Sudbury community survey reports that 40% of employees regret their career choice and that:

An overwhelming 65% of employees felt their jobs were not secure due to the ever impending threat of funding cuts, 50% of the managers stated having the same fear.¹⁴⁴

Noting the increasing trend toward part-time employment in its survey results, the Social Planning Council of Ottawa writes:

The significant reliance on part-time employees, can be understood partially as a flexibility to respond to changing needs. However, the stronger message from the survey is that this trend is a result of funding frameworks which have moved to a project model, and away from core resourcing based on needs. This change in funding approaches is not based primarily on needs in the community, and indeed is negatively impacting the capacity of agencies to meet increased and changing needs. The Ottawa survey identifies the dominance of part time work as a major human resource challenge in the sector, leading to high turnover, reduction of service overall and in some cases, downgrading of qualifications.¹⁴⁵

4) Health and Social Costs of Job Insecurity

Insecure employment also bears additional costs on the personal health and well-being of community service workers. The Toronto survey of settlement workers reports:

Participants described unmanageable workloads and resulting job stress as a serious health consequence related to underfunding. While some part-time staff raised concerns about lack of available work hours and under-employment, many full-time staff identified problems with excessive and for many, unpaid overtime hours.¹⁴⁶

The London survey research projected both the social and health costs of low-wage work as follows:

Inadequate compensation for work performed combined with a lack of benefits and increasing overtime hours can lead to a lack of job satisfaction for the employee and increasing health problems. The concern lies not only in the well-being of the employee but in their ability to service clients in the best way possible. Job security is one explanation for why individuals continue to work overtime hours ignoring the fact that it is placing stress on their family life.¹⁴⁷

The Centre for Community Leadership draws a similar conclusion from its survey results in Niagara Region:

It also appears that while organizations may be able to meet the needs of their stakeholders, they are sometimes doing it at the expense of their organizational capacity and the health and well-being of their labour force.¹⁴⁸

¹⁴³ Community Social Planning Council of Toronto and Family Service Association of Toronto, *On the Front Lines of Toronto's Immigrant and Refugee-Serving Sector* (Toronto: CSPC-T, July 2006), p. 11.

¹⁴⁴ Sudbury SPC, *Human Resource Needs in the Non-Profit Sector*, p. 15.

¹⁴⁵ SPC of Ottawa, *Salaries and Benefits Survey*, p. 3.

¹⁴⁶ CSPC-T/FSAT, *On the Front Lines: Settlement Workers*, p. 12.

¹⁴⁷ Daya et al., *London's Voluntary Sector Employment Study*, p. 112.

¹⁴⁸ CCL, *Niagara Voluntary Sector Labour Force Study*, p. 24.

The community service sector can ill afford increasing levels of precarious employment. It is already commonly acknowledged to be a low-wage sector especially in its front-line and administrative support jobs.¹⁴⁹ Reporting on the WES survey results, Saunders notes that the community non-profit sector has hourly wage rates \$2-4 lower than the for-profit and “quango” sectors at median wage rate levels. Kathryn McMullen and Grant Schellenberg, *Job Quality in Nonprofit Organizations*. (Ottawa: Canadian Policy Research Network, January 2003).¹⁵⁰ The proliferation of precarious employment helps to keep wages low.

5) Unfair and Inadequate Compensation

Table 5
Comparison of Median Annual Wages in Community Service Agency Surveys with Annual Average Wages for Employees in Corresponding Communities

Nonprofit Community Service Surveys	Median Annual Wages of Community Service Front-line Workers	Average Earnings (All persons, 2000)	Average Earnings (Full-time, Full-year, 2000)
Halton Region (2007)	\$35,000	\$45,835	\$60,966
City of Ottawa (2005)	\$35,000	\$39,713	\$53,250
Niagara Region (2003)	\$30,000	\$30,750	\$42,126
City of London (2004)	\$30,000	\$32,433	\$44,072
City of Toronto (settlement, 2005)	Less than \$40,000	\$37,833	\$49,540
Ontario (2000)	–	\$35,185	\$47,299

¹⁵¹

Table 5 reports community agency survey results on annual employee wages with the average annual wages for all employees in the communities surveyed. The disparities are apparent and survey respondents feel strongly about the consequences. They attribute high staff turnover and problems recruiting new hires to the low-wage levels.¹⁵²

Focus group participants in the Toronto research on community service agencies express frustration at the lack of recognition of their work and unfair compensation:

It was perceived that the community service sector does not receive recognition as being ‘essential’ and as a result is deprived of similar salary levels, increases in salaries or adequate capital investments.... Front-line workers in particular indicated that their salaries were inconsistent with the rising cost of living in Toronto. Focus group participants pointed out that inflation rates have ranged from 1-3% annually over the past ten years, but wage rates have not kept up with inflation.

¹⁴⁹ Kathryn McMullen and Grant Schellenberg, *Job Quality in Nonprofit Organizations*. (Ottawa: Canadian Policy Research Network, January 2003).

¹⁵⁰ Saunders, *Passion and Commitment*, p. 28. Quango stands for “quasi-autonomous non-governmental organizations” and includes larger organizations that are primarily publicly funded, although still classified as nonprofits (e.g., hospitals, public schools, colleges and universities).

¹⁵¹ Statistics Canada reports two average annual earnings figures by region, one is for all person 15 years of age and over working full-time, part-time, or seasonally, which is naturally lower than the average annual earning for all persons working full-time for the full year.

¹⁵² CSPC-T/FSAT, *On the Front Lines: Settlement Workers*, p. 13; CCL, *Niagara Voluntary Sector Labour Force Study*, p. 35; Sudbury SPC, *Human Resource Needs in the Non-profit Sector*, p. 8; CDH, *Pushing the Limits*, pp. 91-95; Ottawa SPC, *Snapshot Survey of Salaries and Benefits*, p. 13.

. . . Low wages discourage individuals from entering and continuing to work in the sector, even when they are passionate and committed people who want to continue such work.¹⁵³

Commenting on its survey findings in Niagara Region, the Centre for Community Leadership reports that “[o]rganizations that have core government funding are able to provide more competitive wages and more benefits for employees.”¹⁵⁴

In general, managers in the Canadian nonprofit sector earn \$8-10 per hour less on average than in other sectors, which translates into an annual differential in managerial salaries of \$15,360 to \$19,200.¹⁵⁵ While the community surveys done in Ontario in recent years do show higher salary levels for managers, for the most part they are not comparable to salary levels for managerial positions in the for-profit or public sectors.¹⁵⁶

In its 2006 survey, Community Development Halton reports median annual salaries for middle managers in the \$50-60,000 range and for senior managers in \$60-\$70,000. These income levels are below the \$77,410 average annual income in 2000 for “management of companies” reported in the 2001 Census for Halton Region. Further, 2001 Census data for Halton Region show a difference of \$20,270 in annual income for “managers in social, community and correctional services” (\$47,522) compared to “managers in health care” (\$67,792). The Halton survey report shows even wider disparities between community agency middle and senior managers and the average annual salaries for “government managers in health and social policy development and program administration” (\$132,799) and “senior managers in health, education, social and community services” (\$101,953).¹⁵⁷

Lower incomes are not offset by better non-wage benefit packages to employees throughout the nonprofit sector, although permanent employees, especially in larger health, education and social service organizations, have better benefit packages. Compared to the for-profit sector, smaller nonprofit employers with less than 20 employees offer a wider range of benefits to all their employees but are not competitive with larger nonprofit or public sector employers.¹⁵⁸ Providing adequate retirement pension plans is a particular benefit area in which the community service sector struggles.

6) Gender Exploitation

It is not surprising that the nonprofit sector is both a low-wage sector and highly dominated by women in its employment base. Restructuring in funding patterns that negatively affects job security and working conditions, therefore, has a particularly strong impact on women. There is already some evidence of gender discrimination within the sector. Saunders notes that promotion rates for women in the nonprofit sector (26%) lag behind rates in the for-profit sector (39%).¹⁵⁹ A number of community agency surveys show that the ratio between women and men in the community service workforce starts to significantly narrow in the managerial ranks of nonprofit organizations compared to the front-line service and administrative support positions.¹⁶⁰ Research also shows salary differentials favouring men among managerial

¹⁵³ CSPC-T/FSAT, *On the Front Lines of Toronto's Community Services Sector: Improving Working Conditions and Ensuring Quality Services*, (Toronto: CSPC-T, July 2006), pp. 15-16.

¹⁵⁴ CCL, *Niagara Voluntary Sector Labour Force Study*, p. 34.

¹⁵⁵ McMullen and Schellenberg, *Job Quality in Nonprofit Organizations*, p. 50.

¹⁵⁶ CDH, *Pushing the Limits*, p. 95; Ottawa SPC, *Snapshot Survey of Salaries and Benefits*, p. 14.

¹⁵⁷ CDH, *Pushing the Limits*, p. 95.

¹⁵⁸ McMullen and Schellenberg, *Job Quality in Nonprofit Organizations*, p. 40-41.

¹⁵⁹ Saunders, *Passion and Commitment*, p. 36.

¹⁶⁰ L. Thériault and J. Scullen, *Compensation in Regina's Voluntary Human Service Agencies: A Salaries and Benefits Survey*. (Regina: United Way of Regina, June 2002); Daya et al., *London's Voluntary Sector Employment Needs Study*, p. 70; CDH, *Pushing the Limits*, p. 85.

positions in the nonprofit community sector.¹⁶¹

Hughes, Lowe & Schellenberg note the irony that the gender gap in the labour force has been closing in most respects, but not in one major area:

Whether we consider labour force participation rates, earnings, access to knowledge occupations, or union representation, women and men's working experiences seem to be becoming more alike. But there are important exceptions to this, most notably the persistent segregation of women and men into different occupations and the much higher rates of part-time work for women.¹⁶²

As a low-wage sector, nonprofit community services had a head start in terms of occupational segregation. Funding practices that increase job pressures and insecurity worsen already tenuous working conditions for women employees. Mailloux, Horak and Godin suggest larger consequences of perpetuating poor compensation practices in community sector employment:

Meagre wages paid not only cost women individually but Canadian society as well as these women age without adequate pensions or personal savings, thereby becoming dependent on government assistance.¹⁶³

The ultimate irony is that women carrying the burden of the community's caring role in social services today are well on their way to becoming the clients of the very same services tomorrow, unless their work becomes recognized and properly valued.

7) Highly Motivated Workforce at Risk

In the face of poor compensation and deteriorating working conditions, it is notable that community service workers are very highly motivated. They report job satisfaction levels in the 75% to 80% range regularly.¹⁶⁴

Other evidence indicates that young people about to enter the workforce may share values conducive to work in the community service sector. A survey in 2006 of 30,000 students on 143 postsecondary campuses across Canada finds "initial salary" ranked ninth in preference (29%) on a list of key factors in considering full-time employment following graduation. "Initial salary" falls well behind "good people to work with" (42%), "good people to report to" (41%) and "work-life balance" (37%).¹⁶⁵ These valued job characteristics would seem to be encouraging for the nonprofit sector's prospects in terms of attracting and recruiting university and college graduates.

Even more encouraging in the campus survey results is significant graduate interest in working in the public rather than the private for-profit sector. One out of ten students select the "social services" as the industry in which they would "most like to start their careers" and almost as frequently students choose the "not-for-profit" sector (9.3%) as their first job preference.¹⁶⁶ The social services and not-for-profit

¹⁶¹ CDH, *Pushing the Limits*, p. 87; Theriault and Scullen, *Compensation in Regina's Voluntary Sector Human Services*; Louise Mailloux, Heather Horak, and Colette Godin, *Motivation at the Margins: Gender Issues in the Canadian Voluntary Sector*, (Ottawa: VSI, March 2001), p. 14.

¹⁶² Karen Hughes, Graham S. Lowe and Grant Schellenberg, *Men's and Women's Quality of Work in the New Canadian Economy*, (Ottawa: CPRN, 2003), p. 2.

¹⁶³ Mailloux et al., *Motivation at the Margins*, p. 20.

¹⁶⁴ McMullen and Schellenberg, *Job Quality in Nonprofit Organizations*, p. 17; Daya et al., *London's Voluntary Sector Employment Study*, p. 114; Sudbury SPC, *Human Resource Needs in the Non-profit Sector*, p. 12.

¹⁶⁵ Eric Pooley. "Hire education." *Canadian Business*, (Toronto: Rogers Publishing Ltd., September 2006), p. 122.

¹⁶⁶ *Ibid.*, p. 122.

industries rank ninth and twelfth respectively in a list of 20 preferred industries for starting their careers, which is at least a competitive position to hold in terms of graduating students' consideration for their first employment.

Generally, “intrinsic” benefits of working in a sector that helps other people and makes a contribution to improving the community are thought to partly offset other poor “extrinsic” factors that create job dissatisfaction.¹⁶⁷ Other aspects of employment in the sector appeal to many workers as well, such as working in more personal settings with smaller groups of people and having more flexible work time arrangements, both of which are features of some parts of the community service sector.¹⁶⁸

8) Approaching a Competitive “Tipping Point”

Still, the nonprofit community service sector is dealing with a much more competitive labour market in which both the public and the private for-profit sectors have the competitive advantage in terms of the capacity to provide good compensation rewards. New recruits graduating from colleges and universities also have the very real consideration of relieving a \$25,000 student debt loan on average as they enter their first jobs (up from \$8,690 in 1991).¹⁶⁹

Even the larger community service agencies are contending with this competitive pressure. Further, the problem extends beyond recruitment to the retention of current employees. In his review of the research, Saunders offers an alert:

Particularly noteworthy in this regard is that dissatisfaction with earnings in the non-profit sector rises with age, suggesting that employees in the sector eventually reach a point where the gap between the intrinsic rewards of working in the sector (fulfilling a valued mission) and the extrinsic rewards (pay, job security) become a problem for them. Since the paid workforce in the sector is older, on average, than that of the for-profit sector, the issue may become more acute in the coming years. In other words, being able to attract staff largely on the basis of intrinsic rewards may not be sustainable over time.¹⁷⁰

Destabilizing funding patterns have contributed significantly to the worsening of job security and working conditions in the community service sector. A “tipping point” looms if the capacity of the sector to attract and retain good employees continues to be undermined by funding patterns that do not allow stable and secure and fairly compensated employment in the sector.

¹⁶⁷ McMullen and Schellenberg write that “Intrinsic Rewards” are “Interesting work,” “Sense of accomplishment,” and “Use of creativity and initiative,” and that “Extrinsic Rewards” are “Earnings,” “Benefits,” and “Job Security.” *Job Quality in Nonprofit Organizations*, p. 9.

¹⁶⁸ *Ibid.*, p. 17.

¹⁶⁹ CBC news report, August 29, 2006.

¹⁷⁰ Saunders, *Passion and Commitment*, p. 48.

7. Action for Stability and Sustainability

The move away from core to project funding has created challenges for the community non-profit sector, creating wide fluctuations in annual revenues. This, along with additional accountability requirements and the short-term nature of project funding has created stress on the ability of organizations to plan their budgets; governance, management, information technology, finance, human resources, and property management are all affected.

Some organizations are adjusting by employing various strategies including generating earned income from other activities such as museum shops, mounting additional fundraising campaigns, making revenue generating investments (if they are fortunate to have surplus cash) and seeking additional open grants from funders like the United Way. Those that cannot secure general operating support face increasing stress and financial uncertainty.

The sector's ability to provide services on governments' behalf will inevitably deteriorate unless the "full cost" of service delivery is covered in funding agreements, and the agreements themselves are longer-term and more predictable. (The Task Force on Community Investments, *Achieving Coherence in Government of Canada Funding Practice in Communities*, 2006, p. 24)

At the federal level in Canada, a series of roundtables on partnership issues between the federal government and the voluntary sector were set up shortly after the *Final Report of the Panel on Accountability and Governance* in the voluntary sector was released late in 1999. This led to the launching of the Voluntary Sector Initiative (VSI) to continue the dialogue and establish a more effective and mutually beneficial working relationship between the voluntary sector and the federal government.

There were several landmark products of the VSI. *An Accord Between the Government of Canada and the Voluntary Sector* achieved at the end of 2001 set out the values and principles to which each party subscribed in beginning a "dialogue" for a constructive working relationship. The *Accord* commits the federal government to:

Recognize and consider the implications of its legislation, regulations, policies and programs on voluntary sector organizations including the importance of funding policies and practices for the further development of the relationship and the strengthening of the voluntary sector's capacity.¹⁷¹

The *Accord* specifically identified the need for the federal government and the voluntary sector to work on establishing "codes or standards of good practice" in several critical areas including policy development and funding.¹⁷²

In just under a year, *A Code of Good Practice on Funding* was produced by the VSI. In the *Code*, the federal government recognizes the value that voluntary sector organizations bring to activity funded by the Government of Canada and acknowledges the need to "include a legitimate proportion of the cost of providing this particular value as part of the budget for a funded activity when it is integral to the project's successful implementation."¹⁷³ The *Code* also speaks to the sustainability issue for the sector including the appropriate use of multi-year funding agreements, "reasonable and flexible transition" periods when changes are being made in existing funded activities, timely payment schedules, and, importantly:

¹⁷¹ Voluntary Sector Task Force, *An Accord Between the Government of Canada and the Voluntary Sector*, (Ottawa: Voluntary Sector Initiative, 2001), p. 9.

¹⁷² *Ibid.*, p. 10.

¹⁷³ Voluntary Sector Initiative, *A Code of Good Practice on Funding: Building on An Accord Between the Government of Canada and the Voluntary Sector* (Ottawa: Voluntary Sector Initiative, 2002), p. 13.

... in proposed budgets for programs or projects to be delivered by voluntary sector organizations, include among allowable expenditures infrastructure-type costs (e.g. information management and information technology, memberships, facilities, human resources and financial management obligations (e.g. audits) that are integral to successfully implementing eligible initiatives.¹⁷⁴

Eakin has looked at federal government implementation of *A Code of Good Practice on Funding*. She found some hope in several departmental and program funding practices, but concluded there was still a way to go in terms of adequate implementation. Surveying 13 voluntary agencies using 17 federal funding programs three years after the *Code* was launched, Eakin found only three programs adequately funding administrative costs. Administrative burdens of the funding programs placed on agency staff actually created financial liabilities for 10 of the agencies. Eakin's assessment was that a serious gap remains between the federal funding policy frameworks and departmental practice.¹⁷⁵

The *Accord* and the *Code* were tested in recent years with respect to the funding practices of Human Resource Development Canada (Service Canada). As a result of a review of its Grants and Contributions program by the Auditor General, Service Canada issued directives for change in 2004 that included a Call for Proposals (CFP) for sponsors of community employment training programs. The CFP opened up funding opportunities for new sponsors, but caught many nonprofit community service providers, which had been providing employment training for years on an annually renewable basis, off guard. Many longstanding nonprofit community service providers lost their funding and had to close their employment training programs.¹⁷⁶ A coalition of community agencies raised issues of adequate information and time for planning for significant funding changes as inconsistent with *A Code of Good Practice on Funding*.

Media coverage and appeals to the Minister of Service Canada led to the creation of a Joint Service Canada/Voluntary Sector Working Group, which produced a set of recommendations that expressed agreement "in principle" on multi-year funding and the need for greater clarity and simplicity in determining eligible administrative costs for program funding.¹⁷⁷

Last year, Human Resources and Social Development Canada set up a Task Force on Community Investments (TFCI) with:

a government-wide mandate to examine federal policies and practices relating to the use of transfer payments and to make recommendations to achieve more consistent and coherent funding practices across the Government of Canada and seamless, horizontal approaches to community investments.¹⁷⁸

The TCFI produced a paper in October 2006, which includes the following proposals for discussion:

- Using flat percentage rates for administrative overhead costs consistent with the concept of full-cost recovery.
- Making provisions in funding agreements to encourage collaboration across programs, departments and jurisdictions.

¹⁷⁴ Ibid., p. 13.

¹⁷⁵ Lynn Eakin, *The Policy and Practice Gap. Federal Government Practices Regarding Administrative Costs When Funding Voluntary Sector Organizations* (Paper prepared for the Voluntary Sector Forum, March, 2005), pp. 2-3.

¹⁷⁶ Joint Service Canada/Voluntary Sector Working Group, *Report on Developing New approaches to Funding Results*, November 15, 2005, pp. 9-10.

¹⁷⁷ Ibid., pp. 4-5.

¹⁷⁸ TCFI, *Achieving Coherence*, p. 1.

- Reducing the number of cost categories in funding agreements and allowing greater flexibility for adjustment of budgets across line items.
- Developing transition policies for recipients in the event of funding termination, which allows time for planning staff and client service adjustments.
- Providing through Statistics Canada regular reporting on the state of the voluntary sector to increase public awareness of its role and importance.
- Streamlining and harmonizing audits across funding programs to avoid multiple audits for the same project or program.¹⁷⁹

The recently elected federal government included the voluntary sector in its *Federal Accountability Action Plan* by striking a Blue Ribbon Panel of three prominent community leaders to advise the Treasury Board on accountability in the government's grants and contributions programs "while allowing for their efficient management and effective access to them."¹⁸⁰ After an extensive six month consultation with stakeholders, the Panel concluded "that there is need for a fundamental change in the way the federal government understands, designs, manages and accounts for its grants and contributions programs" and that strengthening accountability depended on first simplifying administration.¹⁸¹

With respect to funding, the Blue Ribbon Panel recommended:

The Treasury Board of Canada Secretariat should:

- a) Encourage the funding of projects that are multi-year in nature;
- b) Encourage the reduction in the number of cost categories in funding agreements and allow recipients greater latitude to shift funds among categories;
- c) Identify the circumstances where core funding is a cost-effective supplement to project-specific funding; and
- d) Adopt the principle that funding levels for programs delivered through a third party should reflect the full cost of program delivery.¹⁸²

Although the path for change in federal funding practices has seemed tortuously long, there has been much study, a dialogue established, and initial steps taken. As illustrated in the first section of this report, however, provincial governments are the major public funders of community and social services. The first serious study at the federal level chaired by Ed Broadbent, which initiated the VSI, recommended that both federal and provincial governments establish a more effective working relationship with the voluntary sector. Broadbent recommended:

Both federal and provincial governments should begin to renew their relationships with the sector by entering into discussions with the sector that may lead to negotiations of a compact of good practice or creation of other means for enhancing ongoing dialogue, understanding and genuine partnership.¹⁸³

Voluntary sector leaders in a number of provinces have attempted to organize to promote a sectoral dialogue with their respective provincial governments. Eakin documents the current status of organized

¹⁷⁹ Ibid., pp. 14, 20, 21, 25, 46-47.

¹⁸⁰ *From Red Tape to Clear Results: The Report of the Independent Blue Ribbon Panel on Grant and Contribution Programs* (Ottawa: Treasury Board of Canada, December 2006), p. vi. Panel members appointed were Frances Lankin, (Chair), CEO, United Way of Greater Toronto, Ian Clark, president of the Council of Ontario Universities, and Marc Tellier, President of Yellow Pages. Business considerations prevented Mr. Tellier from serving.

¹⁸¹ Ibid., p. vii.

¹⁸² Ibid., p. ix.

¹⁸³ Ed Broadbent, *Building on Strength: Improving Governance and Accountability in Canada's Voluntary Sector. Final Report* (Ottawa: Panel on Accountability and Governance in the Voluntary Sector, 1999), p. ix.

voluntary sector voices at the provincial level across Canada in order to engage provincial governments in dialogue and action in the sector's interests. She notes that only in Quebec and Saskatchewan do provincial governments provide funding support to these sector organizations.

Quebec has the most stable province-wide voluntary sector presence. The provincial government has provided funding for a secretariat for the sector since 1995. Quebec is the only province with a deeply embedded tradition of government funding of community groups and organizations to participate in policy development with government.¹⁸⁴

The value of a formally recognized and supported government-nonprofit sector relationship is apparent from the Quebec experience. In a report on funding to the sector, the Canadian Council on Social Development (CCSD) highlights the Quebec Government's core funding provisions to the community service sector:

The most notable example in Canada is the Government of Quebec, which funds the core operations of community-based organizations engaged in service delivery and advocacy under its *L'action communautaire: une contribution essentielle à l'exercice de la citoyenneté et au développement sociale du Québec*. Through this policy, the government places community organizations at the very heart of Quebec's social practices and recognizes their role in Quebec's social and economic development, while allowing them to maintain their independence and freedom of action. The policy also harmonizes the various funding mechanisms used by government departments and agencies. More than half of the funding provided to organizations is through core funding, allowing organizations to develop and implement programs and services that support their missions. The program also funds organizations and umbrella groups whose sole or main mission is group advocacy through the *Secrétariat à l'action communautaire autonome du Québec*.¹⁸⁵

Several other provinces do have voluntary sector organizations such as Alberta, Newfoundland, Manitoba and New Brunswick that are not funded by government.¹⁸⁶ Recently, the Premier of New Brunswick set up a Premier's Community Non Profit Task Force to study and recommend "significant improvements to the working relationship between the government and the non-profit sector."¹⁸⁷ Ontario, Canada's largest province with the highest number of nonprofit community service organizations, should do no less.

¹⁸⁴ Lynn Eakin, *Advancing the Nonprofit Sector in Ontario* (Toronto: Lynn Eakin and Associates, October 2006), p. 15.

¹⁸⁵ Canadian Council on Social Development (CCSD), *Pan-Canadian Funding Practice in Communities: Challenges and Opportunities for the Government of Canada*. Final Report (Ottawa: CCSD, June 2006), p. 51.

¹⁸⁶ *Ibid.*, p. 14.

¹⁸⁷ Claudette Bradshaw, *Premier's Community Non Profit Task Force*, undated media release.

8. Recommendations

Based on the state of the nonprofit community and social services in Ontario and the strong consensus on the major problems facing the sector that research at the national, provincial and community levels confirms, action for the sector's stability and sustainability is clearly needed in the following areas:

1) **Establishing a Forum to Create an Accord between the Province of Ontario, the Nonprofit Community Service Sector and Workers in the Sector.**

The Voluntary Sector Initiative has benefited the broad voluntary sector in Canada in terms of generating research, understanding and a dialogue on areas of mutual concern. Yet, Mr. Broadbent's invitation in 1999 for extending the dialogue to provincial governments has not yet been taken up in Ontario.

Clearly, engaging the provincial government in a dialogue on funding frameworks and policy development is of paramount importance to community and social services, since they rely so heavily on provincial government funding, more than any other part of the nonprofit sector.

And, the relationship is mutually beneficial. It is the community service sector's diversity and strong direct connection to people living in communities across Ontario that explains its use by the provincial government to deliver services. It is as much in the provincial government's interest that community and social services remain vital and effective as it is for the organizations themselves.

It is also important for the provincial government to get a better appreciation for and give more recognition to the role of community services in engaging Ontarians as volunteers and contributing to Ontario's civic and democratic culture.

Finally, a shared forum would create opportunities to explore and support the unique and complementary strengths of the nonprofit and public sectors in Ontario. Public policy and government-delivered programs are important for ensuring universal access to vital services, while community nonprofit organizations can sustain local responsiveness, engagement and innovation. When woven together in proper measure, these combined capacities can ensure that all communities are supported by a strong and vibrant social infrastructure.

For these reasons, without delaying necessary action to implement reforms in funding frameworks and fair compensation, it is critical that the Ontario government formally set up a structure and initiate a process of dialogue with the nonprofit sector (community, agencies, and workers) on major policy issues of shared concern.

In Ontario, a Coalition of Voluntary Organizations of Ontario (COVO) was organized in the late 1990s but dissipated when government funding ended. More recently another initiative to create a "provincial mechanism" for the broad voluntary sector supported by funds from the Ministry of Citizenship and Immigration has been initiated under the name Strengthening Voluntarism in Ontario. Its focus and structure is undetermined at this time. This initiative will not necessarily address the particular concerns of the community and social service organizations regarding their specific funding and accountability frameworks and human resource pressures (employees, volunteers and clients).

Through collaborative sector-government processes established federally through the VSI and other joint tables such as initiated by Service Canada, some progress has been made on difficult issues. National progress, however, will always remain limited unless a dialogue is also initiated between the government and the community services sector at the provincial level in Ontario.

2) Reform Provincial Funding Frameworks

One of the first areas to address in provincial-sector discussions would be the negotiation of a provincial code on funding practice as was done at the federal level. The following practices should be considered as essential components of these reforms:

A) Supporting administrative infrastructure

Funding instability is an issue for the entire community services sector, large or small. Larger agencies might experience it as wider swings of “volatility” of 25% or so that create serious problems with maintaining consistent programs and especially with keeping and recruiting good staff. They do have some base infrastructure and administrative capacity with which to attempt to manage such fluctuations. They deserve, however, and the health of the sector requires, that their administrative infrastructure be stabilized and increased appropriately with any service expansion.

The City of Ottawa recognized its own role through its Community Funding Program in assisting both established and new community service organizations to achieve some level of stability. It moved to three-year service agreements with its established funded agencies and provided multi-year project funding for new groups, “recognizing both core operational costs and specific program costs in funding agreements.” After experience with multi-year projects, new groups become eligible for core support in the multi-year service funding program. Reporting this approach, CCSD concludes:

These programs provide a measure of stability for Ottawa community groups, even for those for whom municipal funds make up but a small proportion of overall revenues.¹⁸⁸

The City of Ottawa model is one worthy of consideration by provincial ministries, which are the major funders for the community service sector. Therefore, specific mechanisms that should be examined to achieve this goal include:

- **Core Funding**
As the Blue Ribbon Panel recommends:
“The Treasury Board should encourage funding departments and agencies to revisit the issue of whether and under what circumstances core funding is warranted to supplement project-specific funding.”¹⁸⁹
- **Lead Funding Model**
Based on her research for *Community Capacity Draining*, Eakin recommends: “Governments should use a lead funding model (funding both program and organizational infrastructure) for services that further government policy objectives in a given service area, and in order to sustain long-term community capacity.”¹⁹⁰
- **Full Cost Recovery**
The Task Force on Community Investments calls for: “Full cost recovery is a funding principle that has gained currency in Britain and elsewhere... Implementing flat percentage rates for general and project-specific administrative overhead costs -- based on the historical experience of individual programs and the concept of full cost recovery -- would remove the need for recipients to

¹⁸⁸ CCSD, *Pan-Canadian Funding Practice*, p. 51.

¹⁸⁹ Blue Ribbon Panel, *From Red Tape to Clear Results*, p. 16.

¹⁹⁰ Eakin, *Community Capacity Draining*, p. 29.

submit numerous receipts.”¹⁹¹

B) Establish more flexible, stable and enabling funding mechanisms

Specific reforms that should be examined to achieve these goals include:

- **Multi-Year Funding**
The Task Force on Community Investments reports that: “Concluding multi-year funding agreements with recipients (unless clear, documented reasons can be presented to justify the contrary) - - subject to annual appropriations by Parliament -- would provide stability in the sector and reduce transaction costs.”¹⁹²
 - **Global Budgeting**
Funders should move to global budgeting where a total budget amount is approved and the service provider can determine how best to spend the funds to achieve agreed upon service outcomes. The Blue Ribbon Panel supports this approach suggesting: “The Treasury Board should encourage a reduction in the number of cost categories in funding agreements and allow recipients greater latitude to shift funds among categories.”¹⁹³
 - **Intentionally Supporting Innovation and Collaboration**
The Task Force on Community Investments promotes: “Establishing provisions in all terms and conditions -- to facilitate: a) experimentation; b) joint collaboration across programs, departments and jurisdictions; c) unique, community-driven initiatives; and, d) emerging issues -- would provide flexibility, foster interoperability between programs and increase opportunities for community-based responses and innovation.”¹⁹⁴
- C) Enable locally raised funds to be used for innovation and responding to unique community needs

The report *Community Capacity Draining* concludes that:

“Expecting community agencies to make a ‘contribution’ to a government-funded program is unrealistic. Funders, especially government funders, need to pay the full cost of services they need delivered in communities. They should not drain community resources to deliver their service. As funders assume their program funding responsibilities resources from fundraising, united way funders and foundations would be freed up to fund service innovation and addressing local needs.”¹⁹⁵

Government funders should adopt this principle as a way to maintain and extend the innovative capacities of the nonprofit community services sector. Government should pay for the full cost of services thereby allowing agencies to use funds raised locally for innovation and responding to unique community needs.

¹⁹¹ TFCI, *Achieving Coherence*, p. 20.

¹⁹² *Ibid.*, p. 24.

¹⁹³ Blue Ribbon Panel, *From Red Tape to Clear Results*, p. 16.

¹⁹⁴ TCFI, *Achieving Coherence*, p. 14.

¹⁹⁵ Eakin, *Community Capacity Draining*, pp. 29-30.

D) Index funding to cost of living

The community services sector can no longer maintain program levels by cannibalizing its administrative capacity, or maintaining depressed wage and benefit levels. All funding to community organizations that is intended to meet similar program targets to the previous year must be indexed to the rate of inflation to cover cost of living increases in staff wages and benefits, and agency fixed costs.

Again the City of Ottawa has pioneered these practices in their grant programs to community agencies, integrating a ten-year cost of living commitment to ensure that funding levels keep pace with inflation.¹⁹⁶ This approach should be adopted by the provincial government and other local governments as a best funding practice.

E) Use fair and simplified accountability procedures

Government must simplify and streamline reporting and accountability procedures, to ensure that more agency resources can be directed to service delivery and community-building functions. The importance of such reforms has been acknowledged by the Auditor General of Canada: “The Treasury Board Secretariat and departments, while balancing risk, control, and accountability for results, should streamline the application, reporting, and audit requirements for grants and contributions in ways that would reduce the administrative burden on recipients.”¹⁹⁷

3) Dedicated “Community Hub” Funding

There are many communities without established community support organizations, or with small organizations that survive from project funding to project funding. These communities lack the strong agency base and the foundational community infrastructure to administer programs and services and to engage local members in community-building activity. Larger, more centralized agencies often attempt to provide services from outside the community. This practice is essential and within larger agency mandates, but it is difficult to serve areas consistently from the outside without strong locally based partner organizations embedded in everyday community life.

In the early 1980s, a Joint Task Force on Neighbourhood Support Services was established in Toronto to address concerns about the lack of community supports in suburban and other high-need areas of Metro Toronto. An agency survey documented the need and proposed a shared funding model for addressing it that involved contributions from the Ontario government, Metro Toronto, and the United Way of Greater Toronto.¹⁹⁸ Called the Community and Neighbourhood Support Services Program (CNSSP), this funder collaborative provided both operational and program funding to established and emerging community agencies until the provincial government withdrew its support as part of overall cutbacks in 1995.¹⁹⁹

¹⁹⁶ Health, Recreation and Social Services Committee Report 28 to the Council of the City of Ottawa, 8 February 2006. “Include an investment of **\$500,000** for consideration in the annual operating budget submission each year for 10 years, beginning in 2007, with a review after 5 years, resulting in a total cumulative base budget increase of **\$5M** by 2016, to help address identified agency staffing and operating cost budget pressures related to existing programs.”

¹⁹⁷ Auditor General of Canada, 2006, p. 198.

¹⁹⁸ Joint Task Force on Neighbourhood Support Services, *Neighbourhoods Under Stress* (Toronto: Social Planning Council of Metropolitan Toronto, 1983).

¹⁹⁹ Community Neighbourhood Support Services Association and Social Planning Council of Metropolitan Toronto *A Review of the Community and neighbourhood Support Services Program in Metropolitan Toronto* (Toronto: SPCMT, 1992).

New funding frameworks must recognize the lack of administrative infrastructure and base organizational capacity in underserved communities. They should ensure that this capacity is supported simultaneously with the introduction of service, program and project funding. Supporting the development of “community hubs” in underserved areas is one way to do this. The United Way of Greater Toronto (UWGT) is taking this approach in advancing its Strong Neighbourhoods strategy. Working in 13 communities identified as high need by the City of Toronto, UWGT is investing \$3.5 million. One of its initiatives is:

a 15,000 square-foot community hub that will provide programs and services to residents in the neighbourhood of Eglinton East/Kennedy Park in east Scarborough. The facility will house a number of social programs and services, including a satellite Community Health Centre (CHC) one of nine announced by the McGuinty government last fall targeting the 13 priority neighbourhoods throughout Toronto.²⁰⁰

This UWGT and Ministry of Health and Long Term Care partnership focuses on building base capacity and infrastructure in communities that will enable development and delivery of community supports.

The “community hub” model should be promoted as an effective way for funding collaborations to establish the foundations for community service capacity.

The Province of Ontario must once again enter into these collaborative funding relationships in a more systematic way, and as primary partner to ensure that new community infrastructure can be established.

4) Ensure Fair Compensation

Multiple studies at the national and community levels have now documented the human resource crisis in community social services. Inadequate compensation in the face of rising service demands, less secure employment, a more competitive labour market, all are converging not only to bear negatively on the health and well-being of workers (mostly women) but also to threaten the sector’s capacity to retain good workers and to attract new workers.

This human resource crisis extends into the sector’s other major strength in producing both social benefits and economic value to Ontario society. Research indicates that maintaining and increasing the volunteer base of community service agencies also appear to be related to organizational capacity and personnel for the recruitment, training, support and coordination of volunteers.

More stable, multi-year funding frameworks would help community service managers deal with these human resource pressures. Fundamentally though, more equitable wage and benefit packages consonant with the education, experience and skill levels of the workforce are required.

Setting a standard wage rate for various positions within the whole community services sector is not likely to be achieved in the near future. The sector is just too varied and diverse. Community survey research results reflect this diversity with hundreds of job and position titles being reported by agency respondents. There is, however, some promise in doing comparative salary, wage and benefit studies within similar clusters of services. Two recent examples point to this prospect.

The Provincial Network on Developmental Services developed a “business case” for increasing government funding support for “competitive compensation” for its employees. Detailing the costs to clients, workers, agencies and the overall system of wage rates 25% - 30% lower than comparative positions

²⁰⁰ United Way of Greater Toronto, *Building Strong Neighbourhoods Together*, found at www.uwgt.org/socialissues.

as identified by an independent consulting company, this labour-community coalition was able to identify benchmarks for wage increases through 2008-09. The study indicated a funding gap for wages and benefits that would require additional government investment of \$253 million.²⁰¹ A campaign within the developmental services sector drew together employers, supported individuals and their families, and workers represented by CUPE and OPSEU lobbied the Province to address this gap. The most recent provincial budget included a \$200 million increase to developmental services, including monies specifically targeted to closing the wage gap.

Community health centres (CHCs) in Ontario received no increases for salaries from 1992 until 2003, although the cost of living increased by 17% during that period. The provincial government elected in 2003 did implement a 6.65% salary rate increase over the next three years. Perhaps even more importantly, the Ministry of Health and Long Term Care (MOHLTC) announced in 2003 that CHC salary reviews would be conducted every three years. The Hay Group completed the first three-year salary review in May 2006, indicating that 14 different CHC job positions were at salary rates between 6% and 26% lower than comparative market positions. Salary increases were proposed by position to create more parity with similar jobs in other organizations.²⁰²

As of yet, the MOHLTC has not acted on the salary review study and it is undetermined what the commitment to three-year salary review for CHCs will mean as Local Health Integration Networks take over funding responsibility on a regional basis. Still, the approach of identifying sets of community service agencies working in a similar field for wage and benefit parity studies would be an evidence-based way to begin to address the fair compensation issue.

Two additional notes on this approach to establishing fair compensation:

- (a) Wage and benefit studies could establish benchmarks and targets for achieving parity. Indexation to the cost of living, however, could and should be implemented annually before full parity is reached and maintained after parity has been achieved.
- (b) More established, older, and larger community service agencies clearly have an advantage with respect to this approach to wage equity. Support for parts of the service agency community that are not as well-established and new and emerging sub-sectors should also be provided so that the whole community sector benefits from fair compensation strategies.

5) Promote More Collaborative Funding Models

Too often now, funders' requirements for partnership funding involves community service agencies making multiple applications and negotiating with several funders to piece together a full program or project. Horizontality suggests a more strategic and intentional approach to promoting synergies between the government and community sectors that can assist each in the performance of their respective mandates. If all parties recognize a major issue or see an opportunity to achieve shared outcomes, it makes sense to collaborate in a way that makes the best use of each party's resources.

Clearly, the state of the community and social services sector today requires similar collaborative funding models for the strategic purpose of stabilizing the community service base and restoring its organizational

²⁰¹ Provincial Network on Developmental Services, *Quality Supports through Competitive Compensation*, Toronto, March 2006, p. 9. The paper documents that the competitive wage rate would increase from \$22.50/hr to \$24.00/hr between 2005-06 and 2008-09. (p.8). It also recommended improvements to the benefits of DS workers up to 23% of wages.

²⁰² Hay Group, Community Health Centres of Ontario. *Salary Review Report* (Toronto, May 2006), pp. 11, 14-15.

capacity to perform effectively its dual mission of service delivery and community-building. These collaborations could occur across government departments, across public and charitable funders, and across jurisdictions. Horizontality, or the British notion of “joining-up,” promotes expansive thinking, action and creativity to form partnerships that are strategic for shared purposes and not bound or constrained by the limitations of bureaucracy.

6) Set up Ongoing Monitoring and Reporting Mechanisms

One of the benefits of a structure and process for dialogue between the provincial government and voluntary sector would be the ability to identify important areas of research on the sector in Ontario. One of the major beneficial outputs of the federal Voluntary Sector Initiative (VSI) has been promoting and funding both quantitative and qualitative research at the national level. The knowledge base of the broad voluntary sector nationally has grown immeasurably over the last decade, and has provided a solid foundation upon which to conduct more in depth work within sub-sectors and at the provincial and regional levels. For example, the *Satellite Accounts* methodology was used by Community Development Halton to determine the contribution of community service agencies to the economy of Halton.

Collaboration between the provincial government, the community sector, and organized labour would also allow the design of monitoring research on the health of community services in the province. A provincial report card on critical indicators of vitality and sustainability that would track administrative burdens, staff salary rates, benefits, capacity for volunteer management, supervision, training, etc. could be produced at three- to five-year intervals. Not only would this alert the government and the community services sector to pressing problems and unresolved issues, but it may also generate information which could be useful in promoting greater public awareness and understanding of the nonprofit community sector.

Other areas of social and economic inquiry have used the monitoring or report card method to good effect. The Federation of Canadian Municipalities (FCM), for example, spent several years developing its *Quality of Life Reporting System* for its city members, producing a series of reports since 1999 in various theme areas such as growth in the economy and incomes and shelters.²⁰³ This approach has proven informative in assessing the state of urban infrastructure among FCM’s membership.

Conclusion: The Costs of Not Acting

This alert or “heads up” for Ontario draws on what we already know about the state of the sector at the community level, in this province and across Canada. We have attempted to consolidate the existing research in order to focus some attention on what needs to be done to enable the nonprofit community social services in this province to fulfill their community missions.

Stability and sustainability are the key issues for organizations in the sector. Current funding frameworks guarantee neither. Failure to act on the kinds of recommendations we report out of the research to date will bear costs, including:

- Inefficient use of project funding dollars on short-term initiatives without building and supporting the administrative capacity in relatively underserved communities to use project and program funding for their intended purposes.
- Withering of the sector’s capacity for social innovation, civic engagement, and social inclusion, as funding continues to emphasize targeted service needs and neglects the sector’s key role in contributing more broadly to the reduction of social inequities.
- Deterioration and disappearance of services as funding fails to keep up.

²⁰³ Federation of Canadian Municipalities, *Quality of Life Reporting System Reports* can be found at www.fcm.ca.

- Continuing to reinforce low-wage, gendered employment ghettos, leading to further decline in working conditions and threatening the loss of a skilled and committed workforce.
- Failing to regenerate the sector's employee base by attracting new workers within the context of a more competitive labour market.

In the end, the people of Ontario really bear these costs – whether they are community residents, service recipients, volunteers or workers. Their fate depends on the vitality and strength of the community-based organizations in which they are engaged.

The Ontario Government must recognize what is at stake and engage with the community sector in addressing the issues detailed in this report.

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