

# **A Recovery-Free Zone:**

**The Toronto Bulletin**

July 2010

**Produced by Social Planning Toronto**



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As members of the SPNO research team, Social Planning Toronto staff had the pleasure of working with our sister social planning councils from across Ontario on a province-wide survey assessing the impact of the economic downturn on nonprofit community social services. The Toronto Bulletin presents the local results based on this research project.

The provincial report, **A Recovery-free Zone: The Unyielding Impact of the Economic Downturn on Nonprofit Community Social Services in Ontario**, is available at [www.spno.ca](http://www.spno.ca) and [www.socialplanningtoronto.org](http://www.socialplanningtoronto.org)

Social Planning Toronto is a nonprofit community organization committed to building a civil society in which diversity, equity, social and economic justice, interdependence, and active civic participation are central. SPT works with diverse communities, promotes civic engagement, engages in community-based research and conducts policy analysis with an aim of improving the quality of life of all Toronto residents.

## Funding Support

This project was made possible through the financial support of:



## **A RECOVERY-FREE ZONE:**

### **The Toronto Bulletin July 2010**

The Toronto Bulletin presents local results from *A Recovery-free Zone*, a one-year province-wide follow-up survey conducted by the Social Planning Network of Ontario (SPNO) on the impact of the economic downturn on nonprofit community social service agencies in Ontario.

#### **The Toronto Story – A Summary**

One hundred and nine Toronto agencies took part in the 2010 follow-up survey.

##### *Demand Rising*

- 56.3% of agencies reported mostly an increase in service demand over the past 12 months
  - 87.9% of these agencies attributed the increase, primarily or in part, to the economy
- 59.6% of agencies are experiencing a greater demand now than before the economic downturn began in September 2008

##### *Unable to Meet the Need*

- Among the agencies that identified up to two key program areas that had experienced increases in demand: 93.7% faced an increase in the number of clients seeking services, 47.6% provided more crisis management and had less time for preventative programming, and 63.5% reported an increase in complexity of client needs
- Almost half of agencies were unable to respond to the increased demand for service despite taking actions to meet the need – supporting more people with the same staff, increasing volunteer hours, fundraising more private dollars, expanding program staff time and service hours, and increasing overtime hours

##### *Surpluses Down*

- 30.5% of agencies posted a surplus in 2009 compared to 43.4% in 2008

##### *Revenues Falling*

- 44.4% of agencies experienced funding cuts in 2010 compared to 22.2% of organizations that reported a funding increase
- Reductions from private donors (50.8% agencies affected), foundations (37.5%) and self-generated revenues like user fees (40.0%) were most common
- More than one in four agencies reported federal funding cuts and one in five experienced provincial funding cuts

### *Coping Strategies Unsustainable*

- A combination of cost-cutting and resource-stretching measures was used by the agencies as a response to the reduction in revenues such as: increasing fundraising efforts, supporting more people with same staff, increasing unpaid management overtime, applying for funding from another source, laying off staff, using reserve funds, and increasing volunteer hours

### *Gloomy Outlook*

- Agencies are not very optimistic in regards to their funding situation for 2011: 29.5% of agencies anticipate further declines in revenues in 2011 compared to 19.7% that expect increases
- While half of the agencies expect no change in overall revenues in 2011, one-quarter of these organizations experienced a decline in overall revenues in 2010 – and expect no recoup in losses in 2011
- Nearly one-quarter of agencies expect cuts from federal and provincial government in 2011
- Almost half of agencies (48.7%) agree or strongly agree that the economic downturn will have a lasting impact on their organizations; 44.9% are not sure and 6.4% disagree or strongly disagree

### *Communities Hard Hit*

- 89.9% of agencies agree or strongly agree that the communities that they serve continue to be affected by the economic downturn; the remainder are not sure; no agency disagreed with the statement
- The majority of agencies disagreed or strongly disagreed with the statement that the impact of the downturn is lessening on the communities that they serve; just over one in five agreed or strongly agreed that the impact was lessening
- 33.6% of agencies are seeing more people seeking services who have exhausted their Employment Insurance (EI) benefits and 32.7% reported that they've seen an increase in the number of EI exhaustees who are now applying for Ontario Works

### *Workers Caught in the Squeeze*

- The one-two combo of increased service demands and falling revenues is taking its toll on agency staff in the form of decreased employee morale, rising stress levels and increased incidence of burnout – none of which serve the needs of struggling communities

**Recommendations:** 1) Invest in people through a nonprofit employment program and improved access to and benefit levels for EI and social assistance; 2) Don't balance the books on the backs of the most vulnerable – austerity measures to get back in the black are sure to hurt those still reeling from the impact of the downturn

## **The Toronto Story – A Detailed Account**

### **Background**

In April 2009, the Social Planning Network of Ontario (SPNO) conducted a survey to monitor the impact of the economic downturn on Ontario nonprofit community social service agencies. Results were captured in *Hard Hit: Impact of the Economic Downturn on Nonprofit Community Social Services in Ontario* released in October 2009. The report showed that the surveyed organizations were experiencing an increased demand for services while their funding levels were falling.

The SPNO's second province-wide study, *A Recovery-free Zone*, presents the results of a follow-up survey conducted in April 2010, one year later, to assess how nonprofit community service agencies are faring in the current economic climate. The provincial report is available at [www.spno.ca](http://www.spno.ca) or [www.socialplanningtoronto.org](http://www.socialplanningtoronto.org)

The Toronto Bulletin presents local results from *A Recovery-free Zone*.

### **Survey Basics**

A research team of the SPNO, including Social Planning Toronto, conducted a second survey in a series aimed at documenting how Ontario's nonprofit community social services are faring in the current economic climate. The 2010 research was expanded to include a survey of non-governmental funders and foundations.

The agency survey focused on changes in service demands, changes in revenue, and organizational responses to service demands and funding realities.

The foundation survey focused on revenue and granting allocation levels, requests for funding, changes in revenue levels, responses to changes in revenue and future planning directions.

For both surveys, the responses were collected in April 2010.

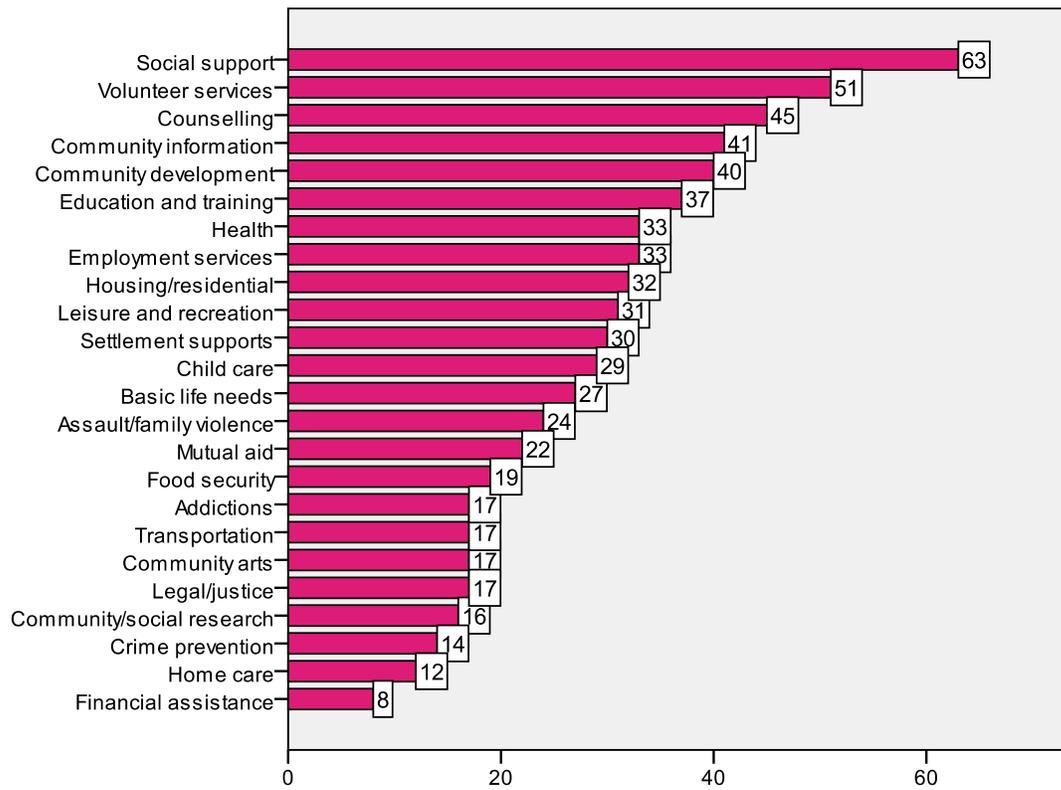
## Toronto Findings

One hundred and nine agencies took part in the survey.

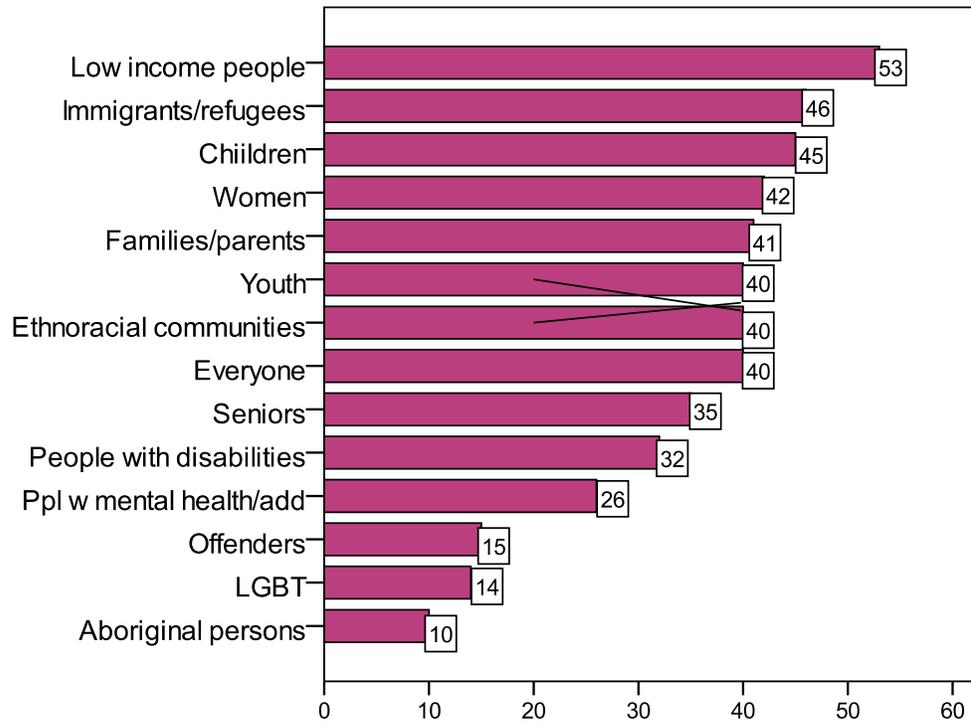
### Areas of Service

Participating agencies were similar to the 2009 survey with regard to area of service and groups and communities served. Figure 1 and 2 show the breakdown for the 2010 survey participants.

**Figure 1. Survey Respondents by Area of Service**

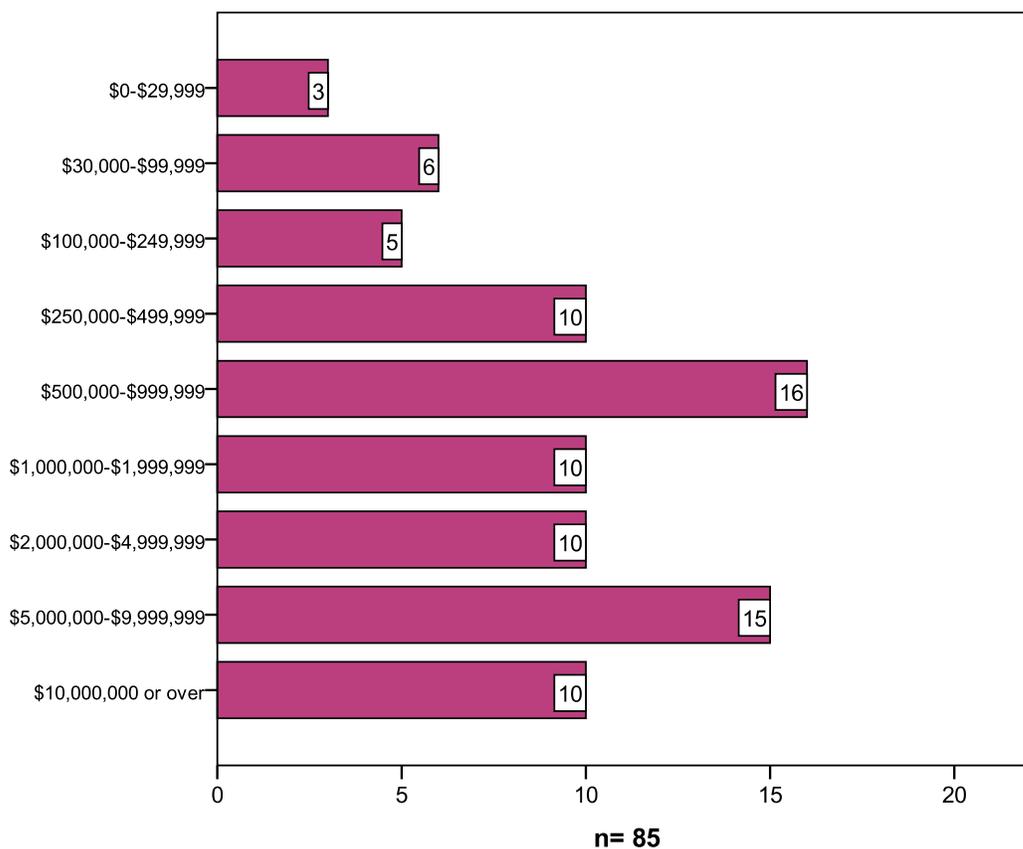


**Figure 2. Groups and Communities Served**



As shown in Figure 3, a range of organizations took part in the study with respect to annual revenues. Small agencies are likely underrepresented in the survey.

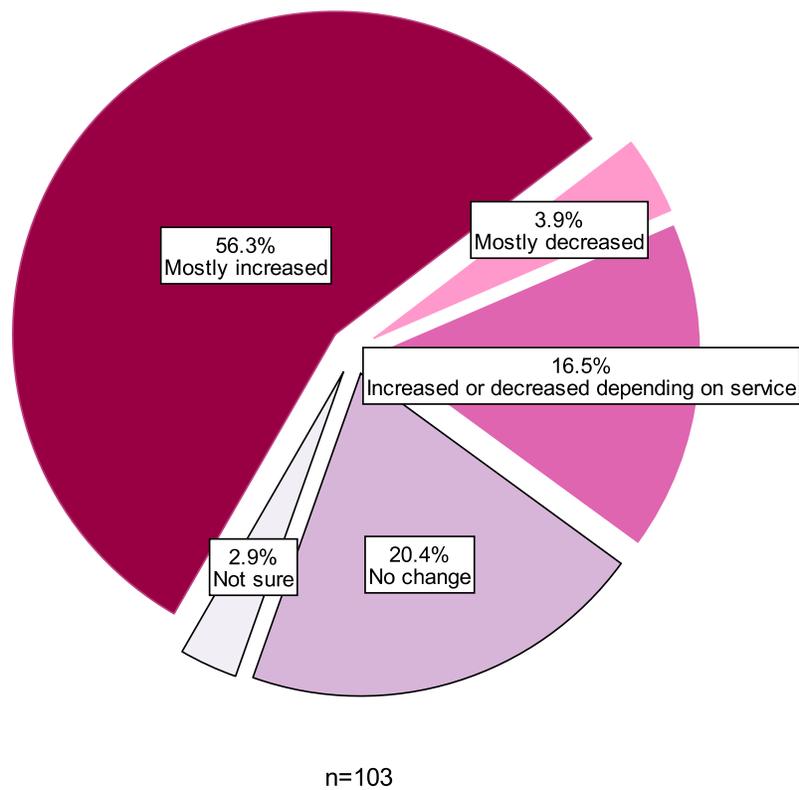
**Figure 3. Total Budgeted Revenue**



### ***Changes in Service Demands***

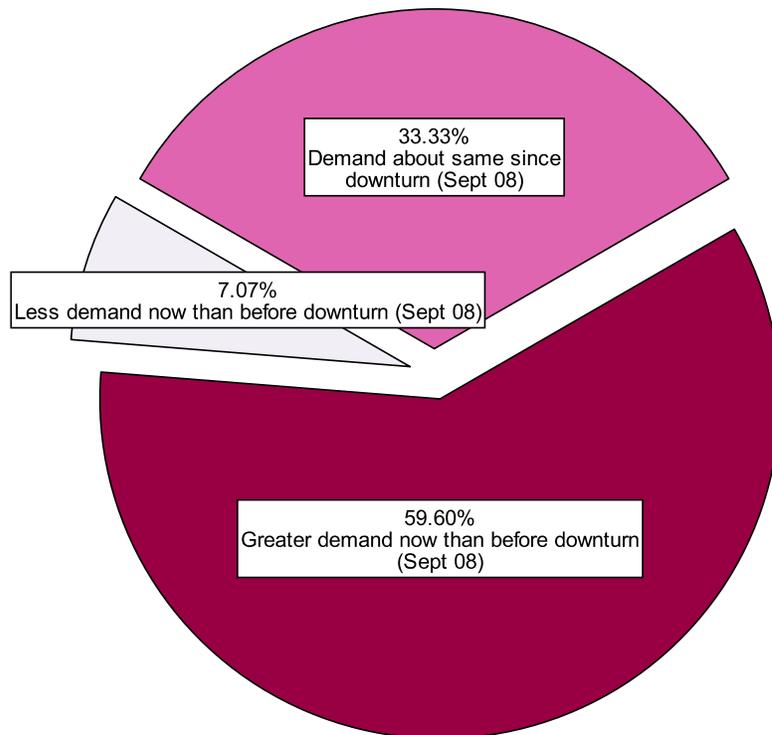
Organizations were asked how service demands have changed, if at all, over the past 12 months. As shown in Figure 4, more than half of Toronto's agencies reported that they experienced an increase in service demands. Among agencies that reported mostly an increase in service demand over the past 12 months, 87.9% considered the economy, primarily or in part, as the reason for increased demands.

**Figure 4. Changes in Service Demands over the Last 12 Months**



Agencies were also invited to report on the change in service demands over time. As shown in Figure 5, about 3 out of 5 agencies are experiencing an increased demand for services now compared to the pre-recession period prior to September 2008.

**Figure 5. Change in Service Demand Over Time**



n= 99

Respondents were also asked to identify if there were changes in the number of people seeking services because they had exhausted their Employment Insurance (EI) benefits or changes in the number of people who were applying for Ontario Works because they had exhausted their EI benefits. Among the 107 Toronto agencies reporting on these issues, 33.6% stated that they've seen an increase in the number of clients accessing services because their EI benefits had expired. As well, 32.7% were seeing more EI exhaustees who were applying for Ontario Works.

Agencies were invited to report on up to two key program areas that had experienced increases in demand over the past 12 months. Out of the 63 organizations that responded:

- 93.7% experienced an increase in the number of clients seeking services
- 47.6% provided more crisis management and had less time for preventative programming
- 63.5% reported an increased complexity of client needs

In an open-ended question, agencies were requested to describe how their organization has been affected, if at all, by the economic downturn since 2008. The qualitative responses we gathered portrayed not only the increased need agencies are experiencing but also the need to support a growing number of people with complex needs: more community members who need to file for bankruptcy or have other consumer debt issues, people seeking employment assistance, increased poverty among service users affecting their need for basic support such as food security and TTC fares. All of which are taking a toll on the emotional well-being of community members.

“Our programs have seen an increase in applicants with employment (job loss and withheld wages), consumer debt, bankruptcies and mortgage foreclosures.”

“Unemployment particularly among newcomers has been extreme, resulting in increases in many families being split because one spouse has returned to their home country to work.”

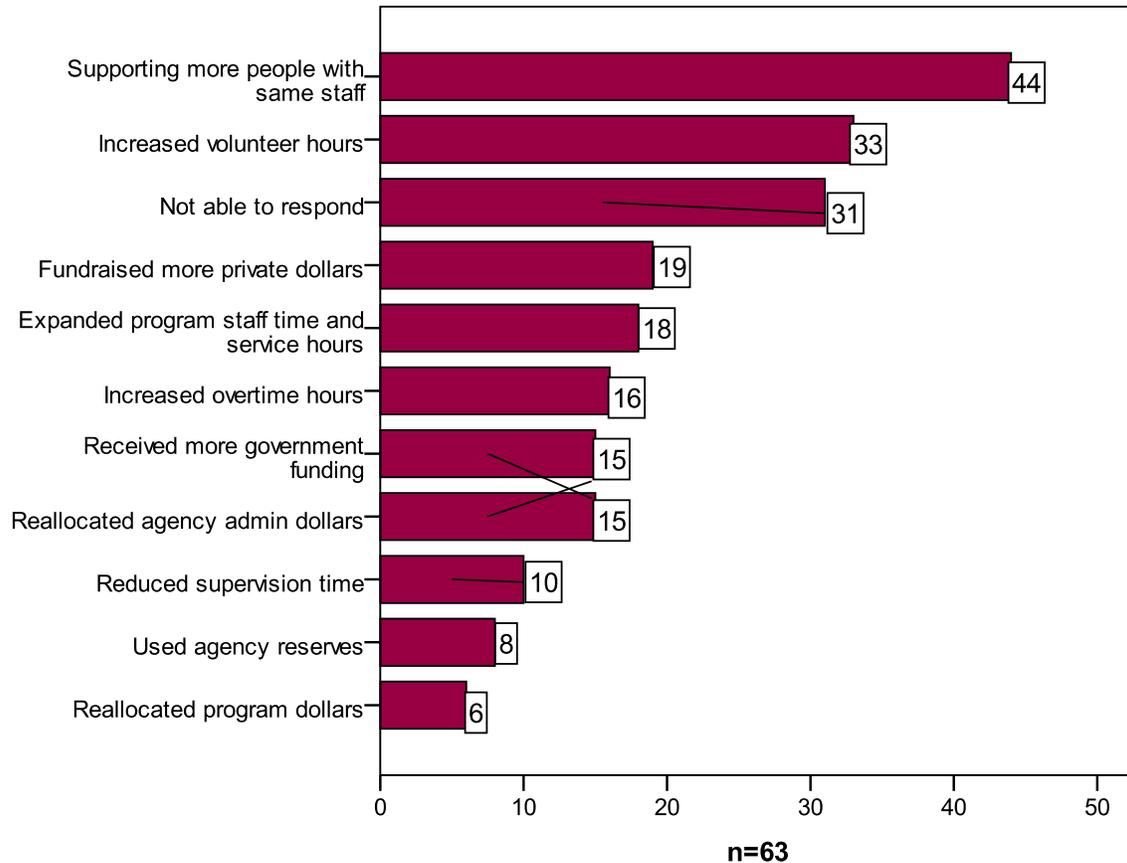
“We have seen a marked increase in clients come to seek help in filing for employment benefits, employment search, help in résumé writing, seeking relief from eviction, and seeking help from domestic violence, which we thought resulted from financial stress.”

“Seeing more clients with mental health addictions issues. More hunger and housing issues. More precarious employment.”

*Toronto agencies*

As shown in Figure 6, organizations are stretching resources to try to meet the increased demand for services.

**Figure 6. Agency Actions to Increased Service Demand in Key Program or Service Areas**



### ***Financial Impact***

A total of 30.5% of agencies posted a surplus in 2009 compared to 43.4% in 2008. The percentage of agencies in deficit remained about the same at 24.4% in 2009 compared to 25% in 2008. More agencies reported breaking even in 2009 at 45.1% compared to 31.6% in 2008.

When asked to identify the actual changes in their organization's annual budget in 2010 compared with the previous fiscal year, nearly half (44.4%) of agencies responded that they experienced funding cuts. Only 22.2% of organizations reported an increase in funding while 33.3% didn't experience a change at all.

Respondents were also invited to report on the expected changes in funding for 2011. Unsurprisingly many of Toronto's nonprofit community agencies do not anticipate that things will look better in 2011. A total of 29.5% of agencies

anticipate further declines in revenues in the next year compared with 19.7% of agencies that expect increases. The other 50.8% of agencies anticipate that funding revenues will stay the same as they were in 2010. One quarter of agencies anticipating no change in revenues experienced funding cuts in 2010 – a decline in revenues that they do not expect to recoup in 2011.

In 2010, organizations experienced declines in revenue from:

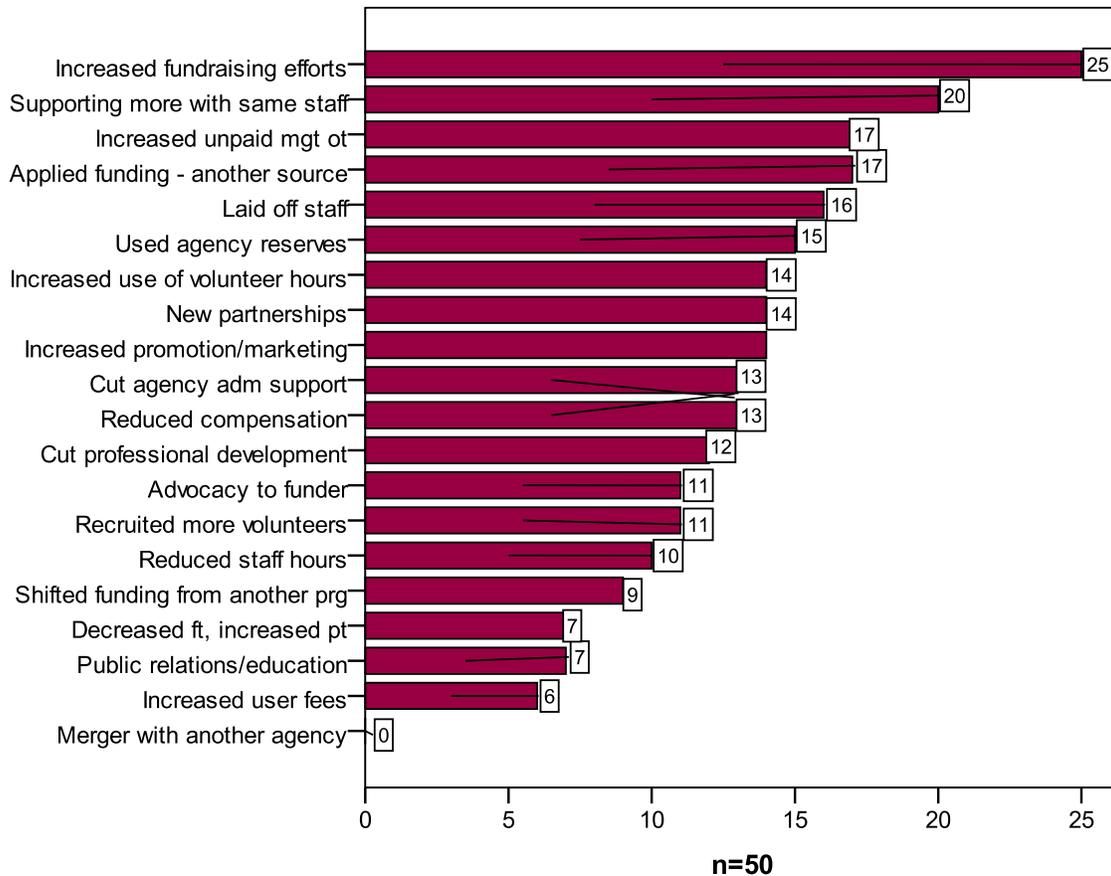
- Federal government: 26.2% of agencies
- Provincial government: 20.4%
- Local government: 2.2%
- United Way: 9.4%
- Foundations: 37.5%
- Private donors: 50.8%
- Self-generated revenues (e.g. user fees): 40.0%

In comparison, agencies anticipate funding cuts from the following in 2011:

- Federal government: 24.3% of agencies
- Provincial government: 24.1%
- Local government: 14.0%
- United Way: 3.3%
- Foundations: 21.6%
- Private donors: 20.6%
- Self-generated revenues: 13.0%

As shown in Figure 7, agencies have responded to funding cuts in a variety of ways. Many organizations increased their fundraising efforts and supported more people with the same staff. Among the other common actions taken were cost efficiency measures such as increased unpaid management overtime, applied for various sources of funding, laid off staff and used agency reserves – unsustainable coping strategies, as many respondents commented.

**Figure 7. Agencies Responses to Funding Cuts**



“We had to lay off staff and are currently without an executive director.”

“We are trying to keep staff on full time by cobbling together part time contracts. This is difficult to do at the best of times. I'm not sure we will be able to do this on a long term basis, based on the project funding model.”

*Toronto agencies*

Based on organizational annual revenue levels, only two agencies with a total budgeted revenue below \$1,000,000 experienced an increase in overall revenues in 2010. Twelve out of 14 agencies experiencing an overall increase in revenues had budgets in excess of \$1,000,000.

Agencies were also asked to state their agreement or disagreement with statements regarding the impact of the economic downturn:

- 89.9% agreed or strongly agreed that communities that they serve continue to be affected by the economic downturn
- Only 21% agreed or strongly agreed that the impact of the downturn is lessening for the communities that they serve
- 48.7% agreed or strongly agreed that the downturn will have a lasting impact on their organization, with many others uncertain about the future

Four Toronto-based non-governmental funders responded to the survey. Three out of four reported a decreased level of revenue available for granting purposes in 2010 compared to the pre-recession period. One funder recovered after an initial decrease in revenues. Three out of four funders stated that the economic downturn hurt their fundraising efforts somewhat, with the fourth providing no response. Two funders reported that the number of requests for funding had increased since 2008. Three out of four funders identified actions taken in response to revenue shortfalls including eliminating or suspending funding programs, delaying funding decisions, reducing the total funding amount allocated to grantees, and reducing the number as well as the dollar value of individual grants awarded.

“Most other funders are dealing with diminished budgets--be it because of diminished investment returns, a shrinking donation base, or lowered revenues-- which makes fewer dollars available for sustaining existing commitments, even less so for new initiatives.”

*Toronto non-governmental funder*

## Toronto vs. the Rest of Ontario

Toronto agencies are confronted with the same issues as other nonprofit community social service agencies across the province. While the service demands are still higher than pre-recession levels, many organizations are forced to survive on less funding than previous years and must resort to various cost-cutting and resource-stretching strategies to adapt to the unstable economic climate.

However some statistically significant differences between participating agencies in Toronto compared to the rest of Ontario were found:

	Toronto	Rest of Ontario
Agencies providing home care	11.4%	4.5%
Agencies providing child care	27.6%	13.5%
Agencies providing settlement services	28.6%	8.5%
Agencies providing community arts programs	16.2%	3.5%
Agencies serving immigrants and refugees	42.6%	28.4%
Agencies serving ethnoracial communities	37.0%	22.8%
Agencies serving Aboriginal persons	9.3%	18.8%
Agencies reporting an increase in the number of people who have exhausted their EI benefits and are applying for Ontario Works	32.7%	41.0%
Agencies responding to funding cuts by reducing public relations/education costs	14.0%	29.5%
Agencies reporting a decline in revenues from United Ways in 2010	9.4%	41.0%
Agencies anticipating a decline in revenues from United Ways in 2011	3.3%	36.8%

The most substantive difference for organizations is the relatively low percentage of Toronto agencies that experienced funding reductions in 2010 and anticipated funding reductions in 2011 from United Way Toronto compared to agencies in the rest of Ontario where large numbers have experienced and anticipate funding cuts from their local United Ways.

The clearly stated commitment to maintaining core funding, at current levels, by United Way Toronto provided a critical level of stability and predictability to UWT member agencies in the city. This reflects positively on United Way Toronto's continued commitment to core funding for the community sector in Toronto, and indicates the absolutely critical role that United Way Toronto funding plays in anchoring and stabilizing the community sector in our city.

## Recommendations

The responses received from the 2010 survey indicate that the effects of the economic downturn are still having a strong impact on Toronto residents and nonprofit community social service providers that support them. As a result, we offer the following recommendations to shore up the capacity of the sector to respond to urgent community needs and to support residents that continue to feel the effects of the downturn.

**1) Invest in People:** We reiterate our 2009 recommendation to extend stimulus funding for a nonprofit employment program that would provide work for some of the 647,000 unemployed Ontarians (as of May 2010, up from 457,000 in September 2008) while delivering urgently needed social and employment support services to community members hammered by the downturn across the province. The program has the benefit of reducing unemployment, delivering vital services for those hardest hit, stimulating local economies, increasing revenues for the Province, and bringing new hope to communities where green shoots of recovery have, as yet, failed to germinate.

Similarly, we echo our 2009 recommendations to improve access and benefits to the federal EI program and the provincial Ontario Works program. Improving access and benefits to EI and Ontario Works, as well as, extending EI coverage periods, is essential to struggling communities across Ontario, and will lessen the number of people in crisis that nonprofit community social service providers are currently scrambling to support.

**2) Don't Balance the Books on the Backs of the Most Vulnerable:** As governments focus their attention on tackling record deficits resulting from this historic global recession, we are deeply concerned that austerity measures will be put in place in the name of debt- and deficit-reduction, that will in turn, deeply harm residents still reeling from the impacts of the economic downturn – and may in fact, bring about further economic decline as an unintended consequence.

The record of past governments responding to debt and deficit does not bode well for marginalized communities. It is particularly concerning that growing numbers of nonprofit community social service agencies are anticipating federal and provincial cuts in 2011. Moving forward, we urge governments to safeguard our social programs, and public and community services that deliver for vulnerable and marginalized communities, and are never more important than during tough economic times.

Don't make a bad situation worse with harmful austerity measures. Now is the time for real political leadership. Let's invest in people and the social infrastructure that supports local communities in good times and bad.