

## Hard Hit: Impact of the Economic Downturn on Nonprofit Community Social Services in Ontario

*Hard Hit* is a new report from the Social Planning Network of Ontario (SPNO) documenting the one-two punch affecting nonprofit community social service agencies in Ontario - an increasing demand for services and lost revenue from funding cuts driven by the economic downturn. The provincial report is available at [www.spno.ca](http://www.spno.ca) or [www.socialplanningtoronto.org](http://www.socialplanningtoronto.org)

### The Toronto Story

One hundred and thirty-five Toronto agencies took part in this survey of more than 400 Ontario nonprofit community social service organizations, representing one-third of the total. This bulletin provides a summary of the Toronto-specific results of the study.

### Toronto Highlights

- 56.4% of agencies reported that their service demands had mostly increased since September 2008 (when the downturn began)
  - 80.3% of these agencies attributed the increase, primarily or in part, to the economic downturn
- Among agencies reporting on key programs and services facing increased demand: 95.8% had an increase in the number of clients requesting service, 50.7% reported more crisis management and less time for preventative programming and 29.6% experienced more complexity in the needs of community members they serve
- 50.7% of agencies reported being unable to respond to increased service demands despite employing many strategies such as expanding service with the same staff, increasing reliance on volunteers and reallocating admin dollars to pay for programs
- 55.8% of agencies experienced a funding cut compared to 32.7% that received a funding increase from at least one revenue source – more cuts are expected in 2010
- Funding cuts from private donors, self-generating sources such as fees and the United Way/community foundations were most common and further cuts in these areas were anticipated in 2010
- Agencies are taking a variety of actions to address the cuts – serving more people with the same staff and ramping up fundraising efforts topping the list
- Two out of five agencies are using their reserves to pay for affected programs
- Agency coping strategies are not sustainable over the long-run
- Despite recent 'green shoot' sightings, the people's recession rages on with Toronto's unemployment rate in the double digits as of the Fall 2009, suggesting further challenges for communities and service providers on the road ahead
- Government action is needed to fortify vital community services and public supports
- **Recommendations:** ❶ All levels of government initiate discussions with key stakeholders to identify reforms and investments needed to shore up sector capacity and sustain and strengthen communities; ❷ The federal and Ontario governments introduce dedicated social infrastructure funds to support a nonprofit job-creation strategy that will create jobs and expand social support programs for affected communities; and ❸ The federal government improve eligibility and timely access to Employment Insurance, and the Ontario government improve benefits and access to social assistance programs. (see last page for full recommendations)

## **Impact of the Recession on Toronto's Nonprofit Community Social Services**

### **Context**

The vital role of the nonprofit community social service sector is never more apparent than during harsh economic times. When communities are reeling from mounting job losses and growing insecurity, organizations on the front lines are called upon to respond. In turn, the capacity of the sector to respond is critical to individual and family well-being and the cohesion of communities.

For the past fifteen years, Ontario's nonprofit community service sector has increasingly found itself under stress, operating in a perpetual crisis environment, and stretching financial and human resources tight to meet community needs. The chronic underfunding of the sector has been well documented (see Clutterbuck & Howarth, 2007). During the best of economic times, governments failed to take action to put the sector on an even keel. Long-standing problems were left to fester and no actions were taken to prepare for the impact of future economic downturns – rainy days that were sure to come. And then the recession hit.

Within this context – against a backdrop of underfunding and diminished resources – Ontario's nonprofit community service sector has been called upon to respond to the needs of struggling communities affected by this historic economic downturn.

### **Survey Basics**

The Social Planning Network of Ontario including Social Planning Toronto and a team of social planning bodies from across Ontario launched this survey to monitor the impact of the economic downturn on nonprofit community social service organizations. The survey focused on changes in service demands, funding sources and the actions that organizations are taking to address both. Survey responses were collected in April and May of 2009. This survey is the first in a series aimed at tracking the economic downturn's impact on the community service sector over time.

**The following summary is based on survey data from Toronto-based agencies only.**

### **Summary of Respondents**

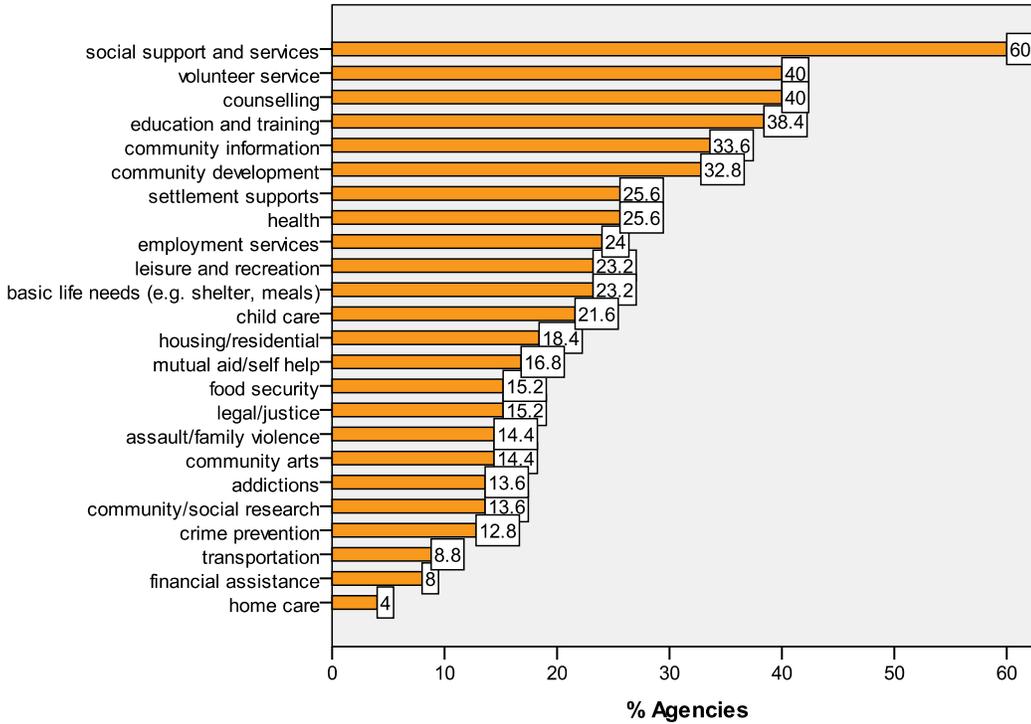
Service areas:

- 82 agencies provide services across the city of Toronto
- 102 serving the former city of Toronto\*
- 91 in East York\*
- 91 in Etobicoke\*
- 101 in North York\*
- 90 in Scarborough\*
- 89 in York\*

\* including 82 agencies providing services city-wide

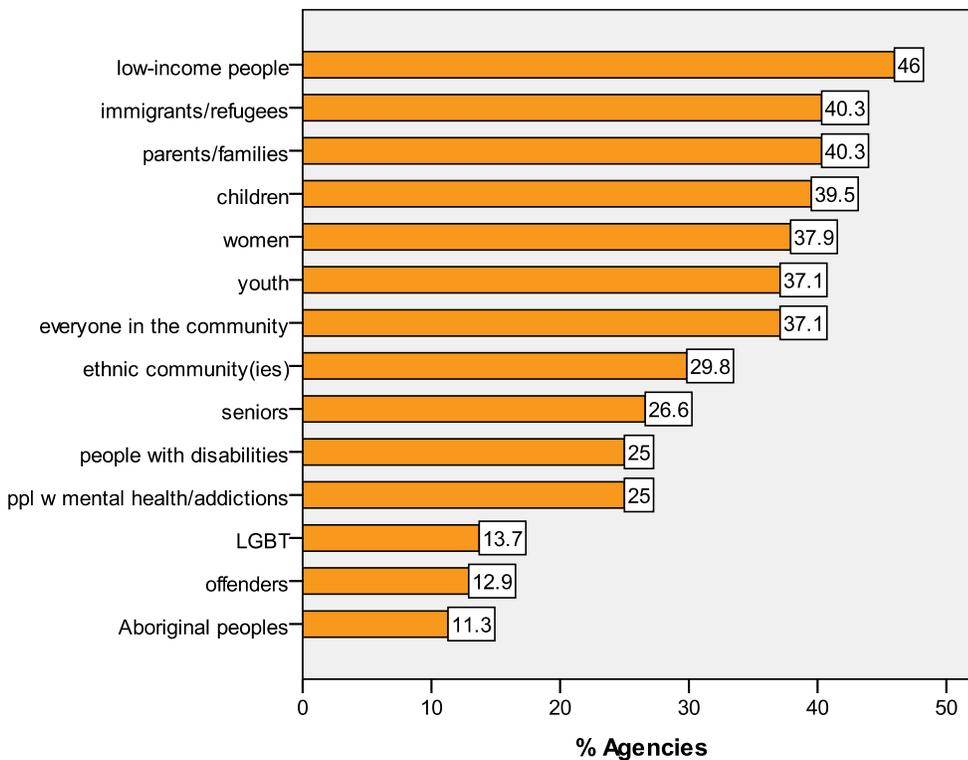
Participating agencies provide a range of services and serve a number of groups and communities as shown in figures 1 and 2.

**Figure 1. Agencies' Areas of Service**



Respondents were asked to identify all services provided by agency.

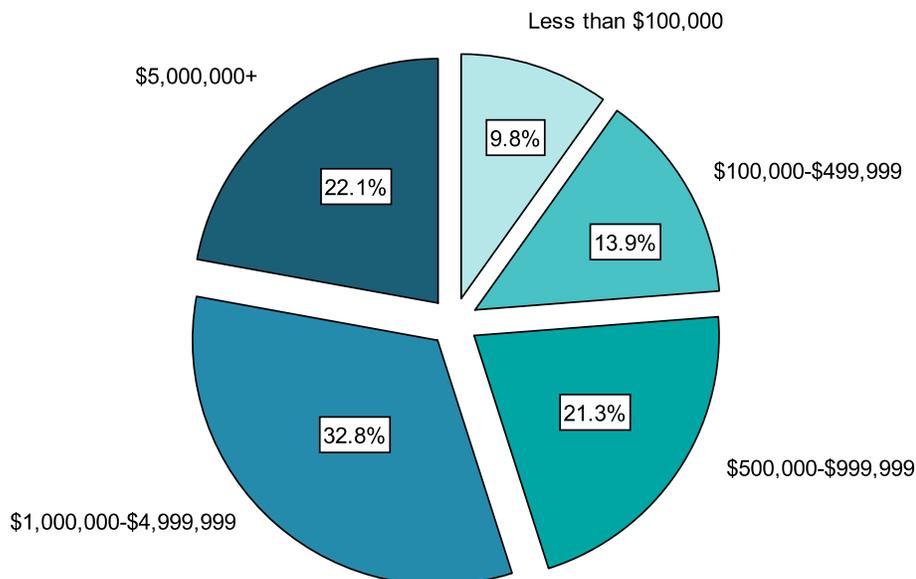
**Figure 2. Groups and Communities Served**



Respondents were asked to identify all groups and communities served by agency.

Figure 3 shows the breakdown of respondents by annual revenue.

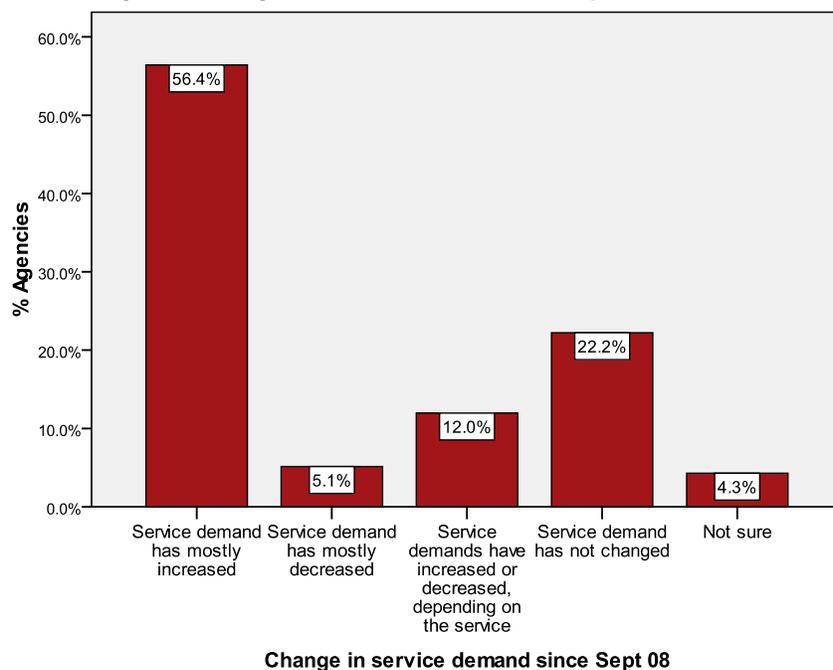
**Figure 3. Agency Annual Revenue**



### Changes in Service Demand

As shown in figure 4, more than half of the agencies reported that their service demands have mostly increased, and an additional 12% experienced increased demands in some service areas since September 2008.

**Figure 4. Change in Service Demand Since September 2008**



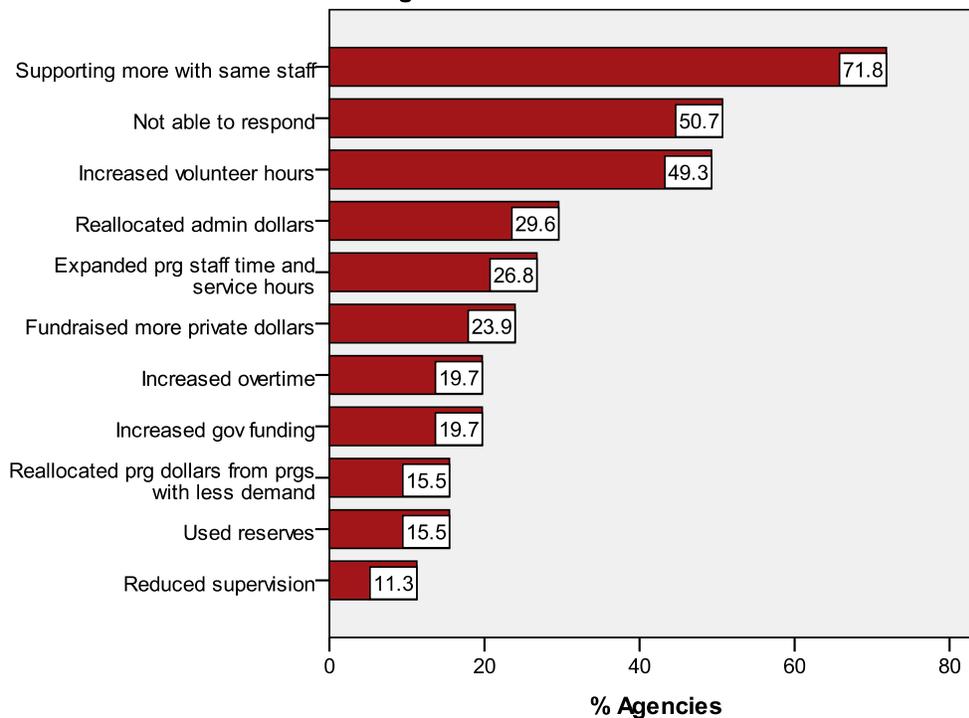
Among agencies that reported their service demands had mostly increased, 80.3% attributed the increase, primarily or in part, to the economic downturn.

Agencies were invited to report on up to two key program or service areas that had experienced increases in demand since September 2008. Over half of the agencies (71) gave responses to these questions:

- 95.8% experienced an increase in the number of clients requesting service in at least one key program or service area
- 50.7% provided more crisis management support and had less time for preventative programming in at least one key program or service area
- 29.6% experienced increased complexity of client needs in at least one key program or service area

As shown in figure 5, agencies took a variety of actions to address increases in service demands. Most commonly, agencies provided services to more people with the same staff resources, increased their reliance on volunteers, and diverted funds from administrative functions. Despite these actions, half of the agencies reported being unable to respond to the increase in service demand.

**Figure 5. Agency Responses to Increased Service Demand in Key Program/Service Areas**



(among agencies reporting on key programs/services that experienced an increase in service demand)

## Changes in Funding

Figure 6 shows the actual change in funding from various sources that agencies experienced in the current fiscal year (2009) compared to the previous fiscal year (2008).

In the 2009 fiscal year, a total of 55.8% of agencies experienced a cut compared to 32.7% that received an increase from at least one funding source. Cuts in funding from private donors, self-generated revenues such as fees and the United Way/community foundations were most common.

**Figure 6. Actual Funding Changes in Current Fiscal Year (2009)  
by Funding Source**

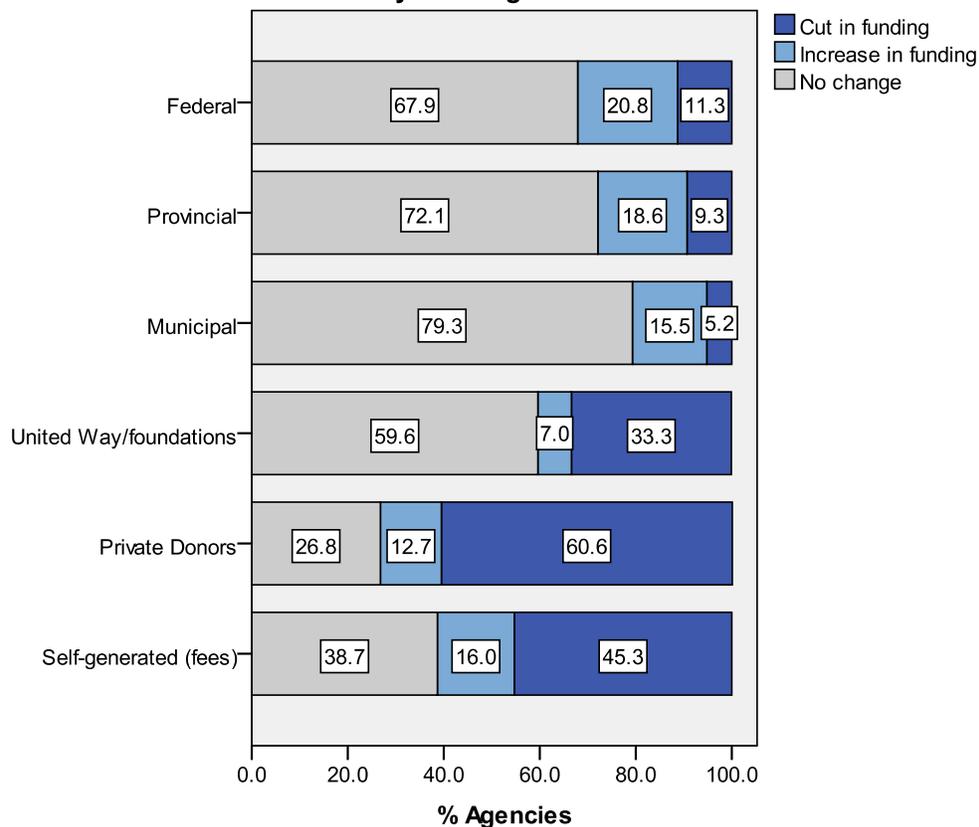


Figure 7 shows the change in funding from various sources that agencies anticipate in the next fiscal year (2010) compared to the current fiscal year (2009).

A total of 71.7% of agencies anticipate cuts compared to 51.9% that anticipate an increase from at least one revenue source in 2010. Similar to agency experience with actual cuts in the current fiscal year, anticipated cuts from private donors, self-generated revenues such as fees and the United Way/community foundations were most common.

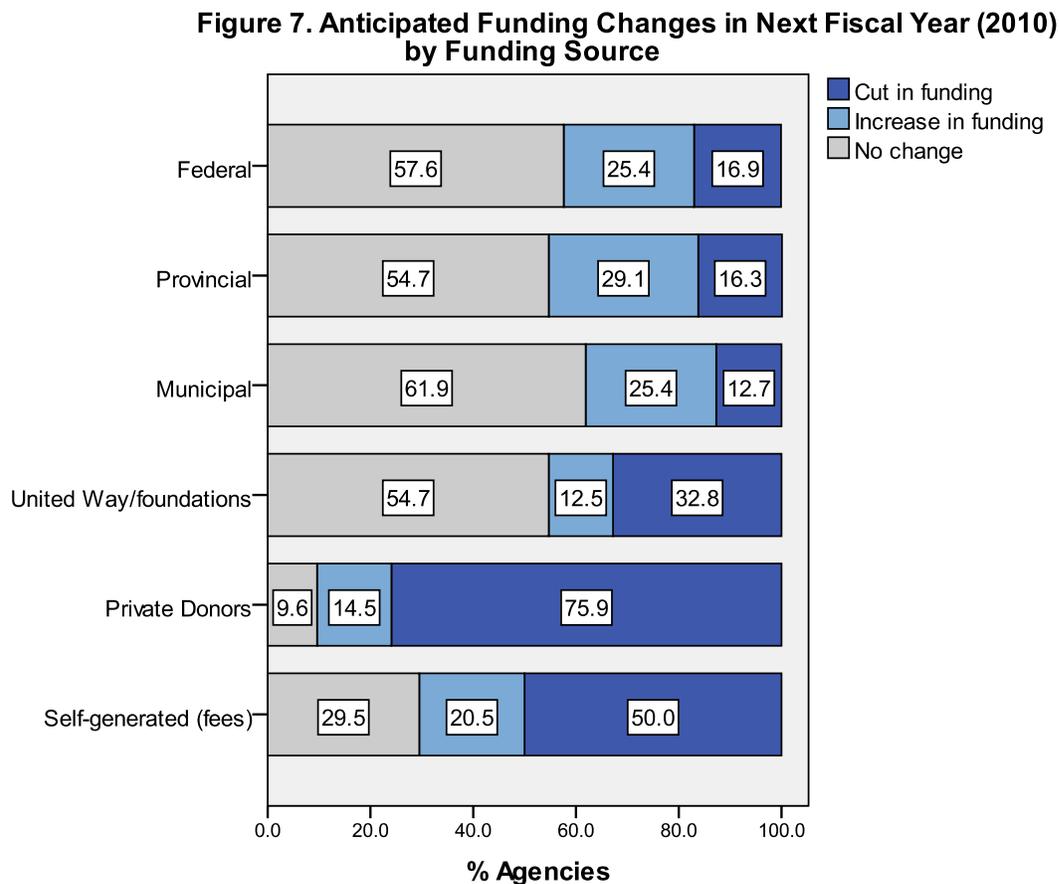
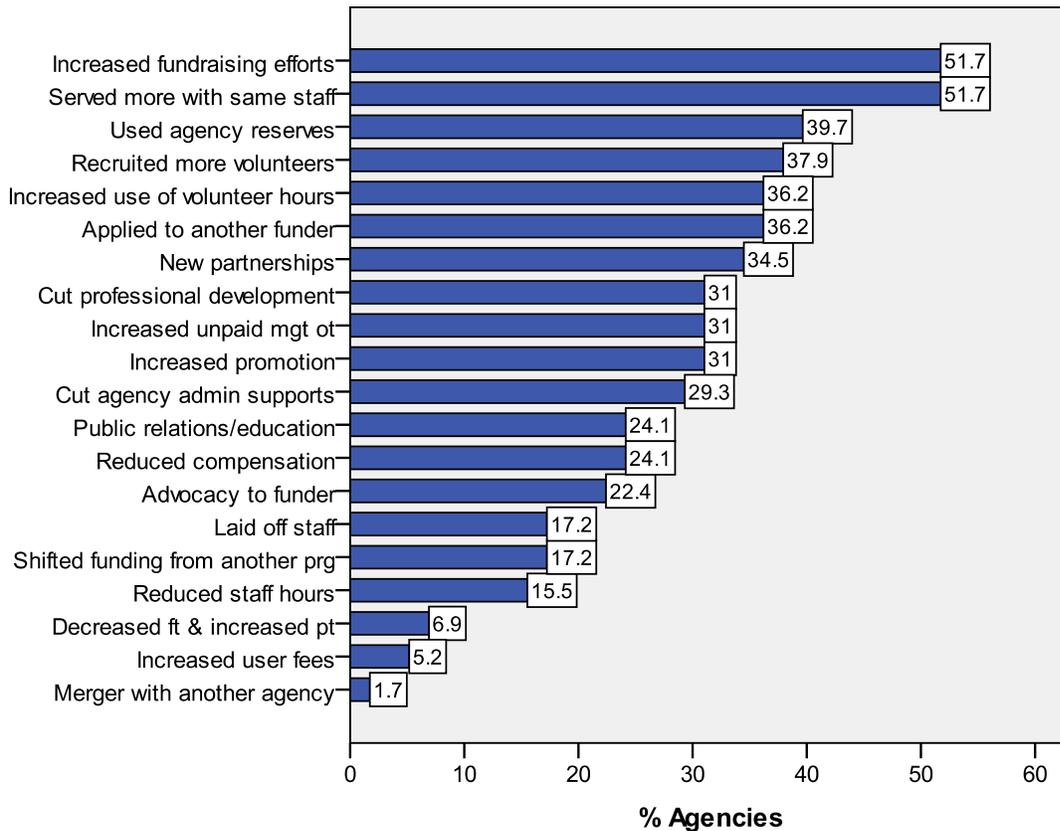


Figure 8 shows how agencies have responded to funding cuts. Not surprisingly, increasing fundraising efforts and serving more people with the same staff topped the strategies for coping with funding cuts. Most concerning, two out of five agencies used agency reserves to address funding cuts. An increased reliance on volunteers was also a common practice.

**Figure 8. Agency Responses to Funding Cuts**



## Toronto vs. the Rest of Ontario

Toronto agencies share the same issues as organizations across the province: increased demand for services, funding cuts particularly from private donors, self-generated sources such as fees and United Ways/community foundations, common coping strategies of stretching existing resources in response to increased demand and funding cuts, and inadequate resources to truly meet the needs of communities struggling with the economic downturn.

However some differences<sup>1</sup> between participating agencies in Toronto compared to the rest of Ontario were found:

|   | Toronto | Rest of Ontario |
|---|---------|-----------------|
| Agencies providing child care services  | 21.6%   | 11.9%           |
| Agencies providing settlement services  | 25.6%   | 5.6%            |
| Agencies providing education and training services                            | 38.4%   | 27.0%           |
| Agencies providing crime prevention services                                  | 12.8%   | 6.7%            |
| Agencies providing community arts programming                                 | 14.4%   | 5.9%            |
| Agencies providing community information services                             | 33.6%   | 23.3%           |
| Agencies providing volunteer services   | 40.0%   | 27.8%           |
| Agencies serving women  | 37.9%   | 26.4%           |
| Agencies serving children   | 39.5%   | 26.4%           |
| Agencies serving low income people  | 46.0%   | 30.9%           |
| Agencies serving immigrants and refugees                                      | 40.3%   | 14.9%           |
| Agencies serving ethnic communities   | 29.8%   | 10.8%           |
| Agencies with budgets of \$1 million or more                                  | 54.9%   | 36.9%           |
| Agencies anticipating an increase in funding in 2010 from at least one source | 51.9%   | 40.0%           |
| Agencies anticipating a cut in funding from private donors in 2010            | 75.9%   | 61.5%           |

<sup>1</sup> Statistically significant differences,  $p < .05$

## Recommendations

We offer these recommendations to begin the task of fortifying vital community services and public supports to meet community needs now and into the uncertain future ahead:

- ❶ All levels of government initiate discussions with key community service agency stakeholders immediately to identify reforms and investments that will effectively shore up the capacity of the sector to sustain and strengthen their communities. Because of their increased fiscal capacity, senior levels of government in particular should develop strategies of support to fortify the nonprofit community service sector to address the human tragedy resulting from high unemployment levels.
- ❷ The federal and Ontario governments introduce dedicated social infrastructure funds, similar to the built infrastructure fund, as a means to deliver community program dollars over the next few years that can help fuel social and economic development and much-needed recovery. These funds would be used to support a nonprofit job-creation strategy that creates jobs and at the same time expands social support programs for affected communities including youth, seniors, women, racialized communities, people with disabilities and new immigrants. Job creation would be concentrated in key areas including child care, affordable and supportive housing and food security initiatives. This investment would support economic recovery, promote greater equity and foster community prosperity.
- ❸ The federal government work to improve eligibility and increase timely access to Employment Insurance benefits and the Ontario government work to improve benefits and increase access to social assistance programs to reduce the financial crisis faced by unemployed workers during these tough economic times. These actions, in turn, will support the nonprofit community service sector by reducing the crisis management required to assist community members in these difficult situations.