

**Federal Budget 2021**  
**The Nonprofit Sector: A partner in building an inclusive and green  
recovery for Canadians**

Prepared for the Minister of Finance

February 19, 2021

*“Once we conquer COVID-19, we will have an opportunity to  
build back better - for a greener, more inclusive, and more  
resilient economy”*

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

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<sup>1</sup> Government of Canada. “Fall Economic Statement 2020: Supporting Canadians and Fighting COVID-19”  
2020. <https://www.budget.gc.ca/fes-eea/2020/report-rapport/toc-tdm-en.html>

## **Recommendations**

### **Recommendation 1: The federal government stabilize the nonprofit sector to ensure its critical infrastructure remains strong and prepared for the “building back better” that lies ahead:**

- Allocate direct investment in nonprofits and charities in the form of one or more federal granting programs that is available to both nonprofits and charitable organizations and not limited to only social services.

### **Recommendation 2: The federal government partner with nonprofits for an inclusive and green COVID recovery:**

- Use federal transfers to take for-profit delivery out of publicly-funded care programs (e.g., child care and long-term care);
- Procure goods and services from nonprofit social enterprises;
- Tailor the design of the Social Innovation Strategy and the Social Finance Fund to enable scaling up of local and community-led solutions;

### **Recommendation 3: The federal government support the nonprofit sector’s work by providing an enabling legal framework for public benefit nonprofits:**

- Create a distinction in law between public benefit nonprofits and member-serving nonprofits;
- Remove constraints on public benefit nonprofits earning income to reinvest in their missions.

### **Recommendation 4: The federal government advance gender equity through targeted labour market measures to support women-majority sectors, including the nonprofit sector:**

- Include strategies for sectors in which women are overrepresented, like the nonprofit sector, in the National Action Plan for Women in the Economy;
- Prioritize the care economy and ensure care work is decent work in rebuilding the Canadian economy;
- Build a universal child care system rooted in nonprofit business models and decent work;
- Modernize Employment Insurance to reflect current and future labour market realities;
- Expand gendered workforce development programs.

## Introduction

Across Canada the nonprofit sector plays an essential role in job creation, volunteer engagement, and programs and services that support the well-being of Canadians. The sector generates more than 8.1 per cent of Canada's GDP, employing 2.4 per cent of the workforce -- of whom 80 per cent are women.<sup>2</sup> As a sector, nonprofits receive less than half of their revenues from governments. Nonprofits reinvest all surpluses in their missions and leverage government revenues through private grants and donations, the sale of goods and services, and volunteer efforts to create additional value for the communities they serve. Through their job creation and local spending activities, nonprofits generate considerable economic impact above and beyond the extensive social, cultural, and ecological value they provide to Canadians.

Nonprofits are also at the forefront of fighting the COVID-19 pandemic as many frontline workers in the sector are considered essential workers in essential services. This includes childcare, long-term care, home care, community health, mental health, homeless and women's shelters, food security programs, developmental disability services, and organizations working with those who have come into conflict with the law. Many communities, especially those that have been disproportionately impacted by the pandemic - women, Indigenous peoples, Black and other racialized Canadians, young people, seniors, and newcomers to Canada - rely on nonprofits.

Our organizations are a valuable source of knowledge for what's happening on the ground and trusted leaders in communities whose local infrastructures can function as a strong intermediary. The sector is a critical partner for the Government in rebuilding an inclusive and green recovery for Canada.

Our recommendations maximize recovery by engaging and lifting up those most impacted by the pandemic.

### **Recommendation 1: Stabilize the nonprofit sector to ensure its critical infrastructure remains strong and prepared for rebuilding Canada**

**Allocate direct investment in nonprofits and charities in the form of one or more federal granting programs. Direct investment via grants will ensure organizations can carry on their work, effectively transition programs and business models to meet needs in the recovery, and prepare to take advantage of future financing and fundraising opportunities.**

Nonprofits have been hard hit by the COVID-19 crisis. They are struggling to maintain their operations and their ability to generate revenue for programs and services amidst increasing demand and decreasing donations while being on the frontlines to support Canadians hard hit by the pandemic's economic and social devastation in communities. A recent survey by Imagine

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<sup>2</sup> Imagine Canada. "Everything you need to know about Canada's charities and nonprofits." August 20, 2021. <http://www.imaginecanada.ca/sectorstats>

Canada shows that the charitable sector's<sup>3</sup> revenue has declined by almost 31 per cent since the onset of the pandemic, with 69 per cent of charities reporting decreased revenues.<sup>4</sup> As employers, nonprofits are also grappling with the uncertainty, stress, and burnout the pandemic has caused among staff and volunteers. Staff and volunteers in front-line roles are becoming more difficult to recruit and retain as the risks of in-person work are still high. When ONN surveyed 1,100 nonprofits in Ontario last June, one in five nonprofits was expected to close by the end of the year.

Federal supports such as the Canada Emergency Wage Subsidy, Canada Emergency Commercial Rent Relief, Canada Emergency Business Account, and pandemic pay were also helpful, yet we are still witnessing many COVID-related closures. The limitations of this support from the federal government will mean the closure of many more in the coming months. These closures translate into lost jobs and less activity for local economies, and will leave major gaps in the programs and supports intended to help Canadians rebound from a pandemic almost a year long already.

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

- **Use Federal transfers to take the profit motive out of care programs. Federal transfers for child care, elder care, and for other populations should only be used to build nonprofit community care systems. Private profit should not be made at the expense of our children and seniors.**

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

- **Procure goods and services from nonprofit social enterprises -- and ensure that federal suppliers do too.**

As part of recovery investments, ensuring procurement by local social enterprises, co-operatives, and nonprofit organizations can create exponential positive social and economic impact. The direct and indirect employment and supply chain opportunities are stimulated through the activation of each infrastructure and related construction project.

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<sup>3</sup> Charities constitute approximately half of the nonprofit sector in Canada.

<sup>4</sup> Imagine Canada. "More than a third of Canadians will give less to charities this holiday season due to COVID-19: survey." December 14, 2020. <https://imaginecanada.ca/en/holiday-giving-survey-2020>

<sup>5</sup> Ontario Nonprofit Network. "Nonprofits Deliver." 2020. <https://theonn.ca/our-work/our-financing/nonprofits-deliver/>

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

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

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

Focus the forthcoming Social Innovation Strategy, and the Social Finance Fund in particular, on supporting community-led solutions to the biggest challenges of our time. Specifically, ensure that funds are accessible to nonprofit social enterprises; and nonprofit and cooperative associations/intermediaries (linking organizations) are supported to connect small community nonprofits with larger-scale investment streams. The focus needs to be on building community-owned assets rather than subsidizing private capital and risk.

### **Recommendation 3: Support the nonprofit sector’s work by providing an enabling legal framework for public benefit nonprofits.**

- **Create a distinction in law between public benefit nonprofits and member-serving nonprofits.**

The Government of Canada should create a distinction in the Income Tax Act between public benefit<sup>7</sup> nonprofits and member-serving nonprofits.<sup>8</sup> Currently the government has no legal way to differentiate between a nonprofit housing society, or children’s recreation program and an industry association, or private golf club. Two categories will enable different treatment of public benefit nonprofits in areas such as access to public funding, earning non-taxable revenues, and Canada’s Anti-Spam Legislation.

- **Remove constraints on public benefit nonprofits earning income to reinvest in their missions.**

Technical interpretations by CRA defining “not for purpose of profit” must be revised to allow public benefit organizations to earn revenues that remain exempt from tax so long as the revenues are reinvested in the mission (referred to as a “destination test”).<sup>9</sup> The

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<sup>7</sup> Ontario Nonprofit Network. “Public Benefit Nonprofits.”

<https://theonn.ca/our-work/our-regulatory-environment/public-benefit-nonprofits/>

<sup>8</sup> Ontario Nonprofit Network. “The Income Tax Act: Identifying not-for-profit organizations that provide public benefit and the conditions for tax exemption.” October 2017.

<https://theonn.ca/wp-content/uploads/2017/12/Income-Tax-Act-Public-Benefit-Oct-2017.pdf>

<sup>9</sup> Ontario Nonprofit Network. “The Income Tax Act: Identifying not-for-profit organizations that provide public benefit and the conditions for tax exemption.” October 2017.

<https://theonn.ca/wp-content/uploads/2017/12/Income-Tax-Act-Public-Benefit-Oct-2017.pdf>

Department of Finance's own audit<sup>10</sup> of nonprofit compliance found nonprofit organizations in large numbers reporting that they must earn revenues in excess of costs to maintain services and reserves, be sustainable, and grow their services.

#### **Recommendation 4: Advance gender equity through targeted labour market measures to support women-majority sectors, including the nonprofit sector.**

- **Include strategies and supports for sectors that are historically and traditionally overrepresented with women, like the nonprofit sector, in the National Action Plan for Women in the Economy.**

Women's economic recovery will not happen if only industries, sectors, and occupations in which women are underrepresented are targeted through initiatives such as more women on boards, in entrepreneurship, high-paying business jobs, or working in science, technology, engineering, math and trades. There is serious risk in taking "business, boards, and STEM" as the only pathway to women's economic recovery: it does not impact most women nor does it solve the undervaluing of work in which women are concentrated. Historically and traditionally, women have either been concentrated in or represent the majority of workers in industries and occupations that are aligned with their traditional gender roles, namely care work. Black, immigrant, migrant and other racialized women are particularly concentrated in care work. As a result, these industries and occupations lack decent work and are low-valued, which significantly drives down women's economic equality overall. Many of these industries and occupations are found in the nonprofit sector and thus to support women in the economy, the action plan must also lift women working in nonprofits. Real impact will come from the national action plan carving out and supporting multiple pathways to women's economic recovery.<sup>11</sup>

- **Prioritize the care economy in rebuilding Canada and ensure care work is decent work.**<sup>12</sup>

The care economy lies at the intersection of maximizing social, cultural, and environmental impacts and kickstarting jobs and growth. The pandemic is highlighting how essential the care economy is to health, well-being and the broader economic system while exposing how undervalued it has been. It is key in supporting women's labour

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<sup>10</sup> Department of Finance. "Nonprofit Risk Identification Project." 2014.

<sup>11</sup> Canadian Women's Foundation, Canadian Centre for Policy Alternatives, Ontario Nonprofit Network. "Recovery through Equality Developing an Inclusive Action Plan for Women in the Economy." December 2020.

<https://theonn.ca/wp-content/uploads/2020/12/Recovery-through-Equality-CCPA-Canadian-Womens-Foundation-ONN.pdf>

<sup>12</sup> Canadian Women's Foundation, Canadian Centre for Policy Alternatives, Fay Faraday, Ontario Nonprofit Network. "Resetting Normal: Women, Decent Work and Canada's Fractured Care Economy" July 2020. <https://theonn.ca/wp-content/uploads/2020/07/ResettingNormal-Women-Decent-Work-and-Care-EN-1.pdf>

market participation as it employs mostly women, especially Black, immigrant, and other racialized women who not surprisingly have been disproportionately impacted by the pandemic, and relieves women of caregiving responsibilities so they can go to work. Care work that is decent work keeps more women in the labour force, eases reliance on income supports, and ensures women do not remain concentrated in the low end of the labour force or drop out completely. For this reason investments cannot only be for expanding the care workforce, but also ensuring that the workforce has decent work for better recruitment and retention.

Investments in the care economy will not only lift women workers, but have a cascading positive impact across the economy, environment, and communities. Modelling from Australia shows that by investing in the care economy, 900,000 unpaid care workers can transition to paid decent work care jobs, increased revenue from their labour market participation would offset 80 percent of the cost to the government, and GDP would increase by \$30 billion annually.<sup>13</sup> Similarly, research from the UK forecasts that investing in care rather than construction would create 2.7 times as many jobs, increase overall employment rates by 5 per cent, enable 50 per cent to be recouped by the Treasury in direct and indirect tax revenue, and produce 30 per cent less greenhouse gas emissions.<sup>14</sup> As care jobs are low carbon jobs, more resistant to automation and the need for care workers is growing as Canada's population ages, it is a smart investment for the future.

- **Invest in a universal child care system that is rooted in nonprofit business models and decent work.**

Numerous studies conducted in Canada and across other jurisdictions on quality of child care highlight that a nonprofit<sup>15</sup> model delivers higher quality, more affordable, and more equitable child care in comparison to a for-profit model.<sup>16</sup> Nonprofit child care models

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<sup>13</sup> National Foundation for Australian Women. "NFAW independent modelling shows Economic Boost from increased funding in the care sector" October 19, 2020. <https://nfaw.org/news/nfaw-independent-modelling-shows-economic-boost-from-increased-funding-in-the-care-sector/>

<sup>14</sup> Women's Budget Group. "A Care-Led Recovery from Coronavirus" June 30, 2020. <https://wbg.org.uk/analysis/reports/a-care-led-recovery-from-coronavirus/>

<sup>15</sup> Nonprofit model refers to nonprofits and charities for public benefit, driven by a community purpose, consisting of members and supporters rather than shareholders, governed by an elected board of directors, and reinvesting revenue in services.

<sup>16</sup> Child care Resource and Research Unit. "What research says about quality in for-profit, non-profit and public child care." November 2011. <https://childcarecanada.org/documents/research-policy-practice/11/11/what-research-says-about-quality-profit-non-profit-and>; Child Care Now. "An Analysis of the Multilateral early Learning and Child Care Framework and the Early Learning and Child Care Bilateral Agreements." February 2019. [https://timeforchildcare.ca/wp-content/uploads/2019/03/Main-Report-English-v7.2-Screen\\_compressed.pdf](https://timeforchildcare.ca/wp-content/uploads/2019/03/Main-Report-English-v7.2-Screen_compressed.pdf); Martha Friendly. "A bad bargain for us all: Why the market doesn't deliver child care that works for Canadian children and families." May 2019. <https://childcarecanada.org/sites/default/files/OP31-A-bad-bargain-for-us-all.pdf>

reinvest their profits into their missions. We support the recommendation that, working with provinces, territories, and Indigenous communities, Federal leadership should spend \$2 billion per year through the Multilateral Framework and bilateral agreements to expedite a move to a universal child care system. Such an investment would significantly boost the labour supply employment of women aged 25 to 50 (by an estimated 725,000 workers over the next decade), resulting in higher economic activity and higher government revenues.<sup>17</sup>

- **Expand gendered workforce development programs so women have access to “future of work” jobs.**

Changes that fall under the rubric of the “future of work,” in which technology disrupts the number and quality of jobs and changes the skills needed to work, will impact women disproportionately as they are concentrated in two extremes: jobs most likely to be disrupted (low-waged, clerical, manufacturing, and retail) and jobs least likely to be disrupted (care work such as child care, home care, and long-term care).<sup>18</sup> Given occupational and industry segregations based on gender, race, and immigration status - to name a few - and historical disadvantages in the labour market, many women may not be able to access newly created jobs in the future of work. Research shows new jobs are being created in male-dominated industries and occupations like engineering, computer science, environmental science, and construction.<sup>19</sup> To mitigate and leverage disruptions of women’s participation in the labour force, a training and skills-building plan is needed that takes into account the future of work, and focuses on enabling women to access decent work in emerging sectors as well as those where they are currently over-represented (e.g. care services).

- **Modernize Employment Insurance to reflect current and anticipated labour market realities.**<sup>20</sup>

Virus outbreaks are disrupting women’s work disproportionately. Unpredictable economic shutdowns, school and daycare closures, and lowered demand in the services and retail sector are causing “on and off work” patterns for women. This will only continue and be compounded by technological disruptions on the nature of work. Eligibility criteria that are

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<sup>17</sup> Jim Stanford. “The Role of Early Learning and Child Care in Rebuilding Canada’s Economy after COVID19, Centre for Future Work.” November 2020.

<https://centreforfuturework.ca/wp-content/uploads/2020/11/ELCC-Report-Formatted-FINAL-FINAL.pdf>

<sup>18</sup> Institute for Women’s Policy Research. “Women, Automation, and the future of work.” May 13, 2019.

<https://iwpr.org/iwpr-issues/employment-and-earnings/women-automation-and-the-future-of-work/>;

Institute for Women’s Policy Research. “Future of care work.” September 23, 2019.

<https://iwpr.org/iwpr-issues/employment-and-earnings/the-future-of-care-work-improving-the-quality-of-americas-fastest-growing-jobs/>

<sup>19</sup> BSR, Women Deliver. “How a business can build a ‘future of work’ that works for women.” 2019.

<http://womendeliver.org/wp-content/uploads/2019/08/BSR-WomenDeliver-Future-of-Work-for-Women-Framework.pdf>

<sup>20</sup> ONN’s previous EI modernization recommendations have particularly focused on maternity and parental leave benefits: <https://theonncanada.ca/our-work/our-people/decent-work/ei-policy-brief/>

based on a no-longer-dominant standard employment relationship creates a very small pool of EI beneficiaries, leaving many at the margins of the labour market - especially Black, immigrant, Indigenous, and other racialized women and women with disabilities - vulnerable to economic downturns. For this reason, it is essential that EI become better equipped to support Canadian workers by making the temporary COVID-related changes to EI permanent (elimination of waiting periods for seamless transition between work and benefits and lowering the number of hours required to qualify for EI) alongside the following:

- Increase the benefit rate to raise the floor for low-income recipients;
- Implement an incentive structure for employers to offer maternity and parental benefit top-ups;
- Re-calibrate the Family Supplement low-income salary cut-off for claimants to reflect the newly established official poverty line in Canada;<sup>21</sup>
- Adjust rules to facilitate access for workers with multiple jobs who lose one or some, but not all, jobs or significant hours of work (20 per cent reduction as per EI worksharing).

## **Conclusion**

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

Stabilization of the sector can prepare it for the “building back better” that lies ahead, nonprofit business models and an enabling public policy environment can facilitate an inclusive and green COVID recovery, and supporting women-majority sectors like nonprofits through targeted labour market measures can advance gender equity.

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<sup>21</sup> Employment and Social Development Canada “A Market based measure is used to calculate the poverty line” p. 11