

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

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Social Planning Network of Ontario  
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***Hard Hit: Impact of the Economic Downturn on Nonprofit Community Social Services in Ontario***  
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# Executive Summary

## *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.

In Ontario, decades of government underfunding and cutbacks have left agencies under-resourced and overextended at the best of economic times. While governments have increased their reliance on the nonprofit community service sector to deliver vital programs, they haven't been willing to foot the full bill (Clutterbuck & Howarth, 2007). Based on an analysis of 155 discretely funded programs, researchers calculated that programs, on average, are underfunded by 14% (Lynn Eakin & Associates, 2004).

In response to these manufactured budget shortfalls, agencies have diverted scarce resources from community building and service provision work to chase additional dollars. In the scramble for survival funding, organizations have found themselves in stiff competition with like agencies, vying for dollars from limited non-governmental funding pots and donor pools. This competition has undermined the potential of the sector to work collaboratively in the interests of the community.

Core funding that supports the overall mission of organizations and provides the flexibility to cover administrative costs and organizational infrastructure, has increasingly given way to project and program funding with its limited and inadequate administrative dollars. Illustrative of this trend, the provincial government in 1995 eliminated its contribution to the Community and Neighbourhood Support Services Program which had provided stable core funding to nonprofit organizations, including many small emerging ethno-specific and cultural agencies (Clutterbuck & Howarth, 2007). The current government has made no move to reinstate this funding.

Compounding these challenges, funders have increased the administrative and reporting burdens on organizations without providing resources to meet these new requirements (Lynn Eakin & Associates, 2007). Again agencies have redirected critical resources from their mission-centred work to respond to grant-related administrative requirements.

Over 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. 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.

During the Fall of 2008, the worst global economic crisis since the Great Depression began to pick up steam. In Ontario, more than 160,000 people joined the ranks of the unemployed in only eight short months (Statistics Canada, 2008, 2009). Official unemployment rates approached double digits. At the same time, restrictive eligibility criteria limited access to Employment Insurance and provincial social assistance programs.

Within this context and 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.

#### *Surveying the Impact*

*Hard Hit* documents the impact of the recession on Ontario's nonprofit community service sector, lays out the implications for Ontarians, and suggests a path forward to strengthen the capacity of the sector to meet the challenges ahead. During April and May of 2009, the Social Planning Network of Ontario (SPNO) conducted a survey with 413 community service agencies from across Ontario. This survey was conducted as the first in a series in order to track the changing impact of the recession on Ontario's nonprofit community service sector. The questionnaire focused on changes in service demands and funding situations, and the strategies that agencies are adopting to cope with emerging conditions.

#### *Recession Increasing Demand for Community Services*

Survey results reveal increased demands on many participating agencies to respond to the needs of Ontarians hard hit by the global recession. Sixty percent of agencies reported that their service demands had mostly increased, with three-quarters of these agencies attributing the increase, primarily or in part, to the recession.

A wide range of programs are being affected. Agencies provided examples including dramatic increases in food bank and meal program use, more demand on employment services and job training programs, increased use of bankruptcy and credit counselling services, and impacts on health services, mental health counselling, and suicide and crisis intervention programs.

Compounding the general effects of the recession on service demands, several agencies also commented on the increased demand for services among community members having problems accessing Employment Insurance (EI) or enduring long wait times for EI. Respondents described the emotional and financial crisis resulting from lack of access to EI.

Over half of survey respondents provided information on key programs that had experienced an increase in demand since September 2008. Among these agencies, 97% reported an increased number of people requesting services, 49% were engaging in more crisis management and had less time for preventative programming

and 72% were finding increased complexity in the needs of the people they serve.

Rather than a new trend, the current economic situation is exacerbating a pre-existing problem faced by cash-strapped community service agencies trying to meet growing community needs with inadequate resources.

### *Funding Cuts Common with More Losses Anticipated in 2010*

While service demands have been increasing for most agencies, respondents were more likely to experience funding cuts than increases in their most recent fiscal year. Half of all agencies experienced a funding cut from at least one revenue source compared to 35% of agencies reporting funding increases in at least one area. Similarly 65% of agencies anticipate cuts from at least one revenue source in 2010 compared to 44% that anticipate an increase from at least one area.

Agencies were most likely to experience funding cuts from private donors (52% of agencies), self-generated sources such as fees (39%) and United Way/foundation funding (31%) rather than government sources (13%) where cuts were less common. A similar pattern emerged in terms of sources of anticipated funding cuts in the upcoming fiscal year with donors (67% of agencies), self-generated sources (43%) and United Way/foundation funding (39%) topping the list. Still over one in five agencies anticipate government funding cuts in 2010.

### *Agencies Act to Address Increasing Demands and Funding Cuts, Still Community Needs Go Unmet and Coping Strategies Not Sustainable in the Long-Run*

Agencies have employed a range of strategies to address service needs but 50% still report being unable to respond to increased demands in at least one key program area. Supporting more people with the same staff (69% of agencies) and increased volunteer hours (46%) were the most common strategies utilized. Many agencies also expanded program staff time and service hours (28%), fundraised more private dollars to expand programming (27%) and reallocated agency administrative dollars (24%) to expand programming as well.

Agencies have responded to funding reductions with a variety of actions. Most commonly, agencies reported supporting more people with the same staffing level (46% of agencies), increasing fundraising efforts (45%), applying for funding from another funding source (37%), increasing use of volunteer hours (36%), recruiting more volunteers (34%), using agency reserves to cover program hours (33%), cutting professional development resources (33%), engaging in new partnerships (31%), increasing unpaid management overtime (29%) and cutting agency administrative supports or systems (26%).

Agencies are pulling out all the stops to meet the increasing needs of community members and to limit the negative effects of funding cuts on the communities they serve. But it is simply not enough. Current coping strategies are not

sustainable. Increased competition for diminished private donations and limited funding pots will not meet the need. Overloading staff, increasing the burden on volunteers and cutting essential supports is a recipe for organizational dysfunction and individual burnout. It will not serve communities in the long-run.

*Shoring Up the Foundation: Meeting Community Needs Today and Preparing for Tomorrow*

In July 2009, Bank of Canada Governor Mark Carney declared the end of the recession, technically defined as two consecutive quarters of negative economic growth (CBC News, 23, July 2009). While financial markets may be on the upswing, the employment situation is not expected to recover for years and even then, questions remain about the quality of jobs that will return with a shift away from higher-waged manufacturing to lower-waged service sector employment.

In a report released in September 2009, the Organization for Economic Cooperation and Development forecasted a grim future for Canada with growing unemployment over the next year (OECD, 2009). The OECD reminds us that it took almost eight years for Canada's employment situation to return to pre-recession levels after the recession of the early 1990s – and our current situation may be worse. We have a long road ahead and need to begin the task of fortifying vital community services and public supports to meet community needs now and into the future.

To this end, we recommend the following course of action:

1. 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.
2. 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.
3. 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.



# Introduction

The purpose of this study was to identify the impact of the current global economic recession on nonprofit community social service agencies in Ontario, and ultimately, to assess the capacity of the sector to respond to current and emerging community needs. This survey is intended to be the first stage of an ongoing research and assessment process that will allow the SPNO to monitor the ongoing impact of the recession on agencies in Ontario.

## Objectives

The objectives of this project were:

1. To investigate the impact of the economic recession on the capacity of nonprofit community social service agencies in Ontario to respond to existing and emerging community needs.
2. To create a baseline so that the impact of the economic downturn can be monitored throughout the crisis and to garner a full understanding of its effects on nonprofit community service agencies.
3. To inform public policies that will support a strong nonprofit community service sector in Ontario to meet the current and emerging needs of Ontarians.

## Methodology

A group of member organizations of the Social Planning Network of Ontario (SPNO) developed an

online survey to assess the impact of the global economic recession on nonprofit community service agencies in Ontario (see inside cover for list of partner agencies). Questionnaire items included basic agency information (location, areas served, services provided, groups served, total revenue), changes in service demands and funding, responses to changes in service demands and funding, and general observations regarding the impact of the economic downturn.

The online survey tool, [surveymonkey.com](http://surveymonkey.com), was used for data collection. The survey was carried out between April 20, 2009 and May 1, 2009. Fourteen social planning organizations and several other partner organizations across in Ontario contributed to extensive outreach efforts to invite participation from a broad range of nonprofit community service agencies. Nonprofit providers of human services were invited to take part. The survey did not include the broader umbrella of nonprofits such as arts and environmental organizations.

An analysis of the survey results outlining existing issues and ensuing challenges faced by Ontario community social service agencies was carried out.

## Background

Research on the impact of the current economic downturn on the nonprofit services sector is beginning to emerge across multiple jurisdictions in North America and internationally. This work carries with it many implications for the local community services sector in Ontario. The

following section summarizes the key findings from some of these recent initiatives.

### **Canadian Reports**

#### *Challenges and Opportunities for Ontario's Not-for-Profit Sector during Tough Economic Times, 2009*

In January 2009, the Ontario Trillium Foundation (OTF) set out to have in-depth conversations with more than 100 NFP organizations across the province. They collected responses from both large and small organizations from across Ontario. The organizations in the OTF survey work in the arts and culture, environment, social services or sports and recreation areas. OTF asked what they were experiencing, what impact the economic downturn was having on their communities, and how it could effectively help. What they gathered was clearly cause for concern.

#### Highlights

- There is a heightened sense of anxiety about funding and organizational stability, even survival, over the next two or three years.
- At least one-third of the organizations they spoke with are already experiencing serious economic impacts, and all fear that things will get worse before they improve.
- NFP organizations are hearing that many long-term funders, including many United Ways, Community Foundations and family foundations will be reducing their granting programs in 2009 and 2010.
- Stock market declines have had a severe impact on the value of endowment funds that

many NFPs have been carefully building for years.

- Corporate donors and sponsors are frequently not renewing their support.
- A number of social service agencies – such as food banks and credit counselling agencies – report significantly increased demand for their services.

Some strategies being employed by organizations to deal with the economic downturn include:

- Umbrella groups and networking groups are bringing their members together, to share best practices.
- Agencies are looking for new ways to collaborate with one another.
- Charities are looking at diversifying their fundraising base, and also at opportunities to generate new revenues.
- Concerned funders – such as foundations and United Ways – are actively engaged in explorations of how to have greater impact with fewer dollars.
- Everyone is looking at ways to reduce costs – to do more with less.

The OTF is currently carrying out a six month follow-up survey of the agencies to gauge any changes that have occurred since the initial survey.

## *Impact of the Economic Downturn on Alberta's Nonprofits & Charities, 2009*

In February 2009, the Nonprofit/Voluntary Sector leaders of the Alberta Nonprofit/Voluntary Sector Initiative (ANVSI) coordinated a survey of nonprofit and voluntary agencies in Alberta. The survey was intended to develop a current snapshot of how organizations are being impacted by economic conditions. A total of 414 agencies from a broad cross-section of Alberta's nonprofit and voluntary sector participated. A follow-up survey is intended later in 2009 to track trending changes.

### Highlights

- Alberta organizations are showing early signs of the impact of the economic downturn with an increase in the demand for their services and a decline in certain revenue categories.
- Experience in 2008 varied considerably across the sector, with declines in earned income, donations of stock, and corporate donations and sponsorships.
- Many organizations are adapting to the situation as it emerges by considering options to increase funding and reduce costs in order to maintain existing programs and services for their communities.
- High levels of uncertainty about how their revenue sources will be affected in 2009 and onwards is impacting their ability to plan ahead.

## *Supporting Halton Residents Through an Economic Recession, 2009*

In June 2009, the Social and Community Services Department with the Regional Municipality of Halton presented a staff report documenting significant increases in service requests and requests for financial assistance as an update for the Health and Social Services Committee and Regional Council.

### Highlights

- This staff report documents increased service demands and outlines no and low cost strategies for the Region to respond to the needs of Halton residents impacted by the recession.
- Service requests increased substantially in all reported areas over the first quarter of 2009 – children's services (13%), housing (10%), Ontario Works (43%), low income (36%).
- The Employment and Social Services Division experienced a 30% increase in Ontario Works caseload during the period of January through May 2009. The Region has reallocated staff to address climbing caseload ratios.
- Staff are developing no or low cost options to provide additional financial supports in basic needs areas.
- Food voucher programs have been expanded to include individuals and childless couples in response to increased need.
- In response to rent bank and energy fund requests, the Region is intending to direct many

requests from Ontario Works families through the discretionary benefit category in OW, which will result in increased costs for the Region.

- Plans are underway to intensify employment training for Ontario Works clients with multiple barriers to employment.
- Staff are monitoring the number of EI exhaustees requesting social assistance.

### ***American Reports***

#### *Managing in Tough Times – Bridgespan Group, 2008*

Bridgespan Group is a US-based nonprofit that helps nonprofit and philanthropic leaders in the hard work of developing strategies and building organizations that inspire and accelerate social change. It carried out a survey of nonprofit leaders across the U.S. in November 2008 to find out how the economic downturn was affecting their organizations. They carried out a six month follow up survey in May 2009 to record any changes since the initial survey.

According to the May 2009 survey, the negative effects of the economy on nonprofit organizations accelerated between November 2008 and May 2009. The percentage of nonprofits that resorted to layoffs, broad-based programmatic reductions, and reserve draw-downs increased measurably. Nevertheless nonprofit leaders appeared to be optimistic about the future. Almost half of the respondents reported that they believed their organizations would be on stronger financial footing in a year's time. Here are their key findings:

### **Highlights**

- The financial situation for nonprofits has worsened in the past six months, while the need for their services has increased, making it more important than ever for organizations to focus on their core programs.
- More organizations are tapping into reserves. Also, more nonprofit leaders are developing contingency plans, a key step that can help them respond purposefully when crises arise, and also prepare for better times ahead.
- The deepening recession has led more nonprofits to lay off staff and reduce program activity, while taking action to protect core services and activities. The specific tactics used to cope with the downturn have varied by organization size. But now, more than ever, it is important to identify the people who matter most to an organization, and to keep that group strong.
- Nonprofits increasingly have received relief via additional support from funders, which points to the value in nonprofits forging close, transparent relationships with the individuals and organizations that support them. A sizable minority is counting on further assistance from the stimulus package. And almost half of the survey respondents expressed optimism about their organization's future financial health.
- Tough times lead to tough choices, but there is a tangible opportunity for nonprofits to emerge stronger and smarter.

*The Quiet Crisis: The Impact of the Economic Downturn on the Nonprofit Sector, 2009*

Civic Enterprises and Democratic Leadership Council conducted research into the impact of the downturn on America's nonprofit sector and put forward recommendations on how the nation can respond.

Highlights

- Churches, major providers of social services to the poor, were expected to raise \$3 to \$5 billion less than anticipated in the last quarter of 2008.
- United Way experienced a 68% increase in the past year in the number of calls for basic needs and 10,000 to 15,000 more calls every month compared to 2007.
- Chicago's Meals on Wheels is trimming its budget by 35%.
- The State of Arizona reports an increase of more than 100% in the number of people who sought social services from 2007 to 2008, and Goodwill of Central Arizona reported nearly twice the number of visits to its centres on December 23, 2008 compared to the same day in 2007.
- Over the last year, more than 70% of Michigan nonprofits have seen increasing demand for their services, while 50% say their financial support has dropped.

Report authors offered these recommendations:

- Put 250,000 Americans a year to work in the national and community service by passing the bipartisan Serve America Act.

- Adopt targeted incentives to expand private giving and volunteering.
- Create a Social Innovation and Compassion Capital Fund to help nonprofits enhance their effectiveness and capacity to provide social services to those most in need.
- Give nonprofit housing and financial institutions a prominent role in solving the nation's massive mortgage and foreclosure problems.

*The Effect of the Economy on the Nonprofit Sector, 2009*

GuideStar conducted a survey of public charity and private foundation employees in June 2009. The purpose of the survey was to try to gauge the effect of the downturn on the American nonprofit sector. A total of 2,279 organizations participated. This is the second of three such surveys that GuideStar is conducting in 2009.

Highlights

- Results were similar to those from the initial survey conducted earlier in 2009.
- More than half of the organizations have experienced a decrease in contributions.
- More than a third of grantmakers gave less money in grants over the three-month period.
- Of the organizations that have cut their budgets, the majority are making ends meet by cutting services and freezing staff salaries.
- Eight percent of organizations reported that they are in imminent danger of closing their doors because of a lack of financial resources.



## *Impact of the 2007-09 Economic Recession on Nonprofit Organizations, 2009*

The Johns Hopkins Nonprofit Listening Post Project surveyed its nationwide sample of nonprofit organizations in April 2009. A total of 363 organizations participated in this survey measuring the impact of the recession in five key fields: children and family services, elderly housing and services, education, community and economic development and the arts.

### Highlights

- 83% reported experiencing some level of fiscal stress between September 2008 and March 2009. Close to 40% considered the stress to be severe or very severe.
- Theatres and orchestras were particularly hard hit, with 73% of theatres and half of orchestras reporting severe or very severe stress.
- A third or more of child-serving and elderly-serving organizations also reported severe or very severe fiscal stress.
- 51% of agencies reported declining revenues.
- 80% of agencies with endowments reported declining endowment funds.
- Organizations reported increased costs, particularly for health benefits.
- Decreased cash flow as a result of restricted credit and government payment delays was reported.
- Substantial majorities of the respondents expect continuing revenue declines over the coming

months, particularly for private giving and government support.

- Despite these pressures, two-thirds of respondents indicating that they have been successful or very successful in coping with the current fiscal crisis.
- The share of organizations reporting severe or very severe fiscal stress is actually lower now than during the recession following 9/11.
- Except for arts groups, sizable majorities of organizations are reporting that their fiscal stress is minimal or moderate.
- Nearly three-quarter reported being able to maintain or actually increase the number of people they serve.
- Well over half have launched new or expanded fundraising efforts.
- Substantial proportions are also cutting administrative costs, creating collaborative relationships with other nonprofits, instituting salary freezes, postponing new hires and relying more heavily on volunteers.
- Substantial numbers are stepping up their marketing and advocacy.

### ***International Reports***

#### *Global Fundraising Confidence Survey, 2009*

From May to August, 2009, the Management Centre conducted its annual survey of leading fundraising experts in Africa, Asia, Australia, Europe and North America. A total of 126 fundraisers took part in the survey, providing

information on the impact of the global economic recession on the fundraising climate in 2008 and prospects for fundraising in the year ahead.

### Highlights

- Half of all nonprofit organizations experienced a decline in donations and other income in the past year, while a third had an increase.
- Largest declines were reported in Asia and the smallest in Europe.
- More than half that saw a decline in donations and other income attributed it to the global economic recession.
- More than half of respondents said they felt confident about fundraising in the coming year.
- Respondents predicted that arts and cultural groups, science and research, and human rights charities would suffer the most from the recession. Children's causes, faith-based groups and education charities were predicted to suffer the least.

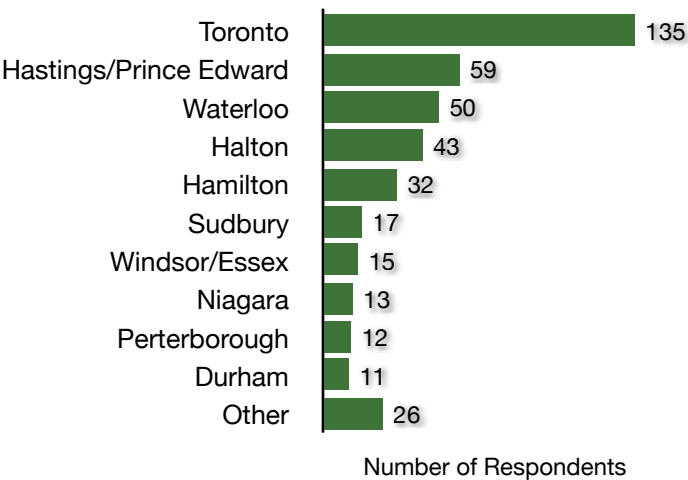
# Survey Results

## Summary of Respondents

There was a total of 413 respondents to the survey representing nonprofit community social service organizations from across the province. Combined these respondents represented an array of service sectors.

### Geographic Distribution

The highest proportion - 32.7% - of respondents were from organizations located in the City of Toronto, and a further 22.3% were from organizations located in communities in the Greater Toronto Area (GTA) and Hamilton (see Chart 1). Of the remaining respondents: 19.6% represented organizations located in communities in the Greater Golden Horseshoe; 15.3% represented organizations located in Eastern Ontario; 5.1% represented organizations located in South Western Ontario; and, 4.8% represented organizations located in Northern Ontario.

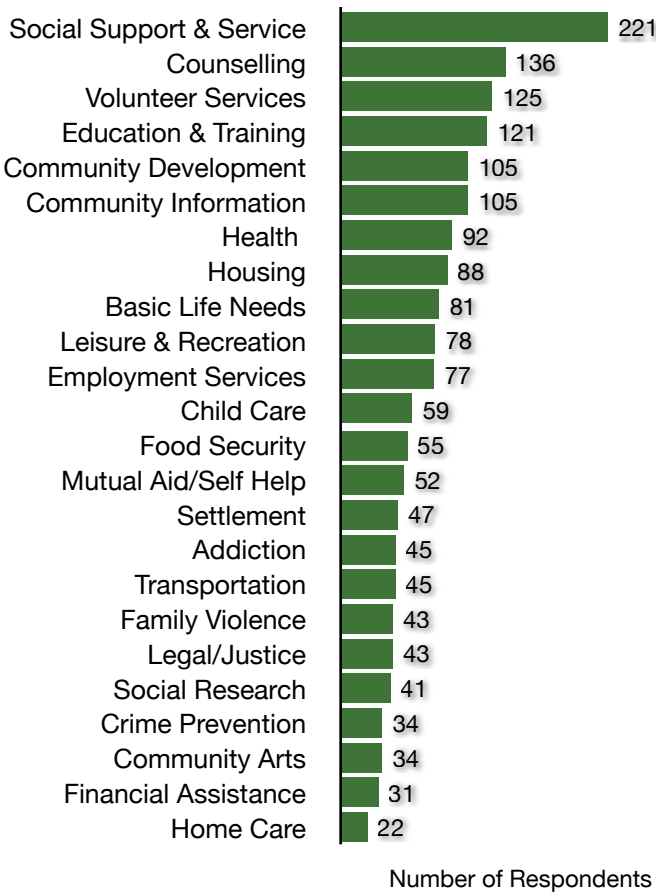


(n = 413)

CHART 1: SURVEY RESPONDENTS BY LOCATION  
(REGION/COUNTY) OF ORGANIZATION

## Area of Service

Respondents were asked to identify all the areas in which their organizations provides programming or services (see Chart 2). The majority - 55.9% - of respondents represented organizations in the social service and support sector, followed by 34.4% of respondents providing counselling services, 31.6% of respondents providing volunteer services, 30.6% of respondents providing education and training services, 26.6% of respondents providing community information services, 26.6% working in the area of community development, and 23.3% of respondents providing health services.

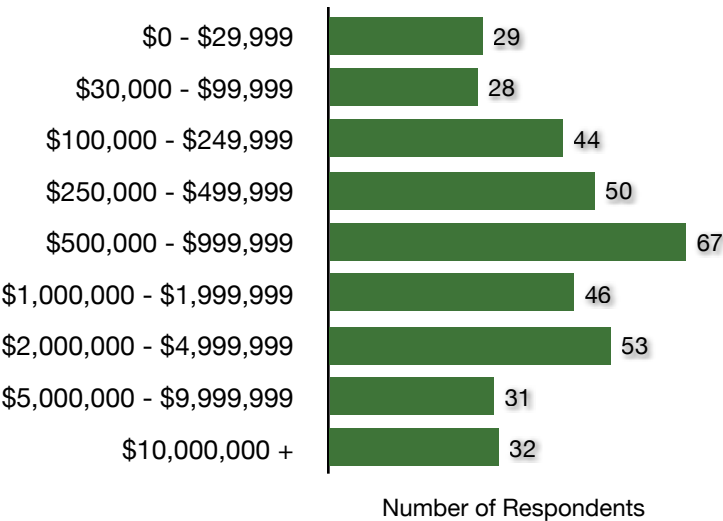


(n = 395)

CHART 2: SURVEY RESPONDENTS BY AREA OF SERVICE  
OF ORGANIZATION (Multiple Selections Allowed)

Annual Budget

In order to help gauge the size of the organizations, we asked respondents to identify the range in which their total budget for the previous fiscal year (2008) fell (see Chart 3). Respondents represented organizations with budgets ranging across a wide spectrum, with just over half - 60.3% - having an annual budget of \$500,000 and over in 2008. Using this measure we can see that our respondents represented organizations of vastly different sizes, ranging from the 7.6% of respondents representing organizations with budgets under \$30,000, to the 8.4% with budgets over \$10,000,000<sup>1</sup>.



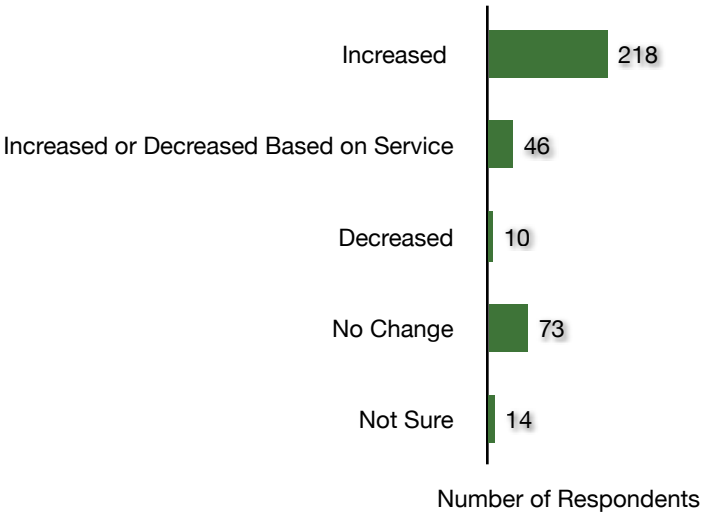
(n = 380)

CHART 3: SURVEY RESPONDENTS BY ANNUAL BUDGET (2008) OF ORGANIZATION

Change in Service Demand

Respondents were asked to indicate what kind of change, if any, in demand for programming or services their organization has experienced since

September 2008, the official beginning of the current economic recession. Of respondents, 75.9% indicated that they have experienced a change in service demand since September 2008 (see Chart 4). A total of 60.4% indicated that they have mostly experienced an increase in the overall demand for services, and a further 12.7% indicated that they have experienced increased demand in some areas of service but not in others. Only 2.8% indicated that they had experienced a decrease in demand and 20.2% indicated that they have experienced no change in service demand. A further 3.9% indicated that they were not sure if service demand had changed.



(n = 361)

CHART 4: RESPONDENTS BY CHANGE IN SERVICE DEMAND SINCE SEPTEMBER 2008

A wide range of programs are being affected, and organizations across service sectors are reporting a general rise in service demand. Agencies provided examples including dramatic increases in food bank and meal program use, more demand

<sup>1</sup> We must note that the distribution of organizations by size in our sample presents a limitation to our findings as small volunteer based organizations may have been unable to participate in the survey due to staffing or other limitations.

on employment services and job training programs, increased use of bankruptcy and credit counselling services, and impacts on health services, mental health counselling, and suicide and crisis intervention programs.

Compounding the general effects of the recession on service demands, several agencies also commented on the increased demand for services among community members having problems accessing Employment Insurance (EI) or enduring long wait times for EI. Respondents described the emotional and financial crisis resulting from lack of access to EI.

Very few organizations reported a decrease in overall service demand since September 2008 (Chart 4). However, when we look at some specific program areas we do see indications of decreasing demand. The most notable example of this trend can be seen in the general decrease in demand for child care services.

There was little variation in the change to service demand based on the size of the organization as indicated by budget, with the general tendency across categories being a pronounced increase in demand (see Chart 1A in Appendix A). However, there is a slight trend indicating that larger organizations have been more likely to experience an increase in service demand and less likely to experience a decrease since September 2008.

### ***Reasons for Change in Service Demand***

Respondents were asked to report reasons why their organizations have experienced a change in demand for programming and services. Among

respondents that mostly experienced an increase in service demand, 75.2% indicated that the increase in service demand was at least partially due to conditions related to the current economic recession.

Through qualitative responses, survey participants suggested several specific explanatory factors for the increase in service demand that they have experienced. In line with what was indicated above, respondents to the qualitative question felt that current economic conditions have played a significant role in the increase in service demand experienced by many organizations. However, respondents have also indicated that other long standing conditions (e.g. ongoing budget shortfalls, changes to population demographics) have also played a role in the changes that they are experiencing and that the recent economic recession has simply exacerbated these conditions. These factors, new and long-standing, may be summarized through the following categories:

- Changes to Labour Market Conditions
- Changes in Family/Individual Context
- Changes to Sectoral Funding Conditions
- Changes to Population Demographics
- Changes Within Organizations

#### *Changes to Labour Market Conditions*

Respondents spoke of the increase in demand related to changes in local and provincial labour market conditions, resulting in increased unemployment and related conditions of poverty, family stress and depression.



Respondents indicated that although these changes are the result of a gradual shift away from a manufacturing based economy to a service based economy, many communities are dealing with the acute impact of lay-offs and job loss that has resulted from the downturn in the economy over the past year or so. One respondent stated:

*Many plant closures have taken place in this area over the past two or three years, leaving many without jobs or skills to move into other, new jobs in the community. Since September we have also seen an increase in demand from people who were working in these new jobs as they get laid off as well.*

The most immediate impact of this situation has been felt by those organizations providing employment services as there has been an influx of the recently unemployed in the immediate wake of the economic downturn. This is indicated by respondents reporting an increase in clients in employment services and in those enrolling in retraining programs.

Also, many respondents in other areas of service - such as housing support, food security, and financial support programs (especially Employment Insurance programs, but also Ontario Works, Rent Bank and utility support programs) - indicated that they were now dealing with an influx of individuals and families needing assistance. Many respondents indicated that many of these new clients were those who had never accessed such services in the past, but, due to recent job loss, were now in need of assistance in many areas.

For example, one respondent representing an organization providing food bank services stated:

*[We] are receiving more applications from new agencies who need our services (food distribution), and our waiting list is growing. Many of our agencies report that their client increases are due to individuals who are turning to food assistance for the first time in their lives*

Other respondents supported this statement, indicating that:

*Due to the economic downturn we have seen more working families, those who do not normally use our services.*

*Loss of jobs, reduction to part time hours, [and] EI unavailable to many...all have contributed to [an increase] in those needing services. Since January 2009 (to March 2009), the number of new enrollments in our programs is 170 families, which equals all of last year.*

Therefore, organizations are reporting an increase in demand from those that are recently unemployed in their communities, exacerbating programs and services that are already in short supply. The most immediate impact appears to be on these programs and services that provide supports that meet the acute and immediate needs of individuals and families facing job loss, such as employment services, food security, housing, and financial support programs.

#### *Changes in Family/Individual Context*

Respondents indicated that they were already experiencing an increase in service demand resulting from the stresses faced by individuals and

families who face job loss and the resulting conditions brought on by economic stress and worry. As one respondent stated:

*Individuals losing employment creates family stress, which leads to more families needing basic supports [such as] food and clothing, transportation, [and] housing. This may eventually result in more dramatic situations, like depression and even family violence, leading to increased need for other services.*

Respondents indicated that they are already seeing individuals who are experiencing these conditions, and this is supported by the increases in service demand that was reported by organizations in mental health, family violence, counselling, and child and youth services. For example, one respondent representing a distress services organization indicated that:

*Since January 2009 we have experienced a doubling of our calls to the crisis/suicide help line.*

Despite these troubling indications of an increase in service demand due to increased family stress, the qualitative responses indicate a general agreement that organizations have yet to feel the full impact of these conditions. For example, one respondent from a family service organization indicated that:

*[It is] too early to speak to [the reasons for increases in service demand], however, we do expect to see growth in the number of individuals families requiring counselling, mental health services, and domestic violence cases, as stress from job loss hits home.*

This was further supported by another respondent from an organization serving families experiencing domestic violence:

*In our experience, [incidence of] domestic violence, which often includes sexual violence, increases when financial pressures increase and home situations become unstable.*

And a respondent from a mental health organization commented that:

*We always expect an increase in demand when unemployment goes up. We have many new clients with anxiety, depression, and other stress related concerns.*

There was also a general agreement among respondents that these stresses to individual and family life were not only caused by circumstances of the current economic recession, but rather, were exacerbated by them. Respondents felt that existing conditions of economic stress (e.g. high debt loads, reliance on dual incomes, low savings, and unaffordable housing) were the foundation of family stress, and that the prospect or reality of unemployment, loss of investment income, or a reduction in retirement savings resulting from the recent economic downturn had merely tipped many over the edge of an already precarious situation. One respondent referred to these individuals as the *new poor*, identifying those that had only recently experienced new conditions of stress and need resulting from recent impacts to their economic and social lives (e.g. job loss). Respondents did not believe that these individuals and families were part of their *traditional* service population, as was stated by one respondent:

*We have experienced an increase in service demand since January 2009. Service users are attending who are more recently out of the workforce and are coming from middle income situations. Previously, our service users were more distant from the workforce and solely low income.*

Another area of concern related to changes in family and individual context brought up by respondents was related to seniors. Many retired individuals have experienced losses to retirement savings and investments, resulting in stressful financial situations and related conditions. As one housing service provider indicated:

*We have experienced an increase in the number of inquiries about affordable and subsidized seniors housing. These are retired individuals, on fixed incomes, who have lost savings and can no longer afford their current housing.*

At the same time, respondents indicated that stresses placed on families of seniors by job loss or loss of investment income was also a factor in their increase in demand for services for seniors. For example, one respondent stated:

*[W]e find that some of the seniors that we serve are losing the additional care and financial supports that were provided by their own families.*

The result is a situation where seniors are facing financial stresses that they are not able to deal with because of age and health related concerns. Once again, respondents indicated that the full consequences of these trends have yet to be felt by the community social services sector.

Therefore, respondents are in agreement that the current economic recession has had an impact on families and individuals by increasing stress and exacerbating already precarious living conditions. This has resulted in increases in service demand across the community social services sector. Further, respondents seem to agree that the full impact of this situation has yet to materialize. Thus, they believe that demand will continue to increase as stressors related to the downturn in the economy continue to impact on the lives of individuals and families.

#### *Changes to Sectoral Funding Conditions*

Funding conditions were also identified as a major reason for the increasing demand placed on community service organizations. As with many of the other reasons given, this was perceived to be a persistent concern that has been exacerbated by the conditions created by the recent economic recession. For example, one respondent from the mental health sector stated:

*The lack of [funding for services] for individuals with mental health needs long predates the economic downturn. Agencies/service providers have been struggling with the lack of funding since the mid-1990's...a situation from which we have never caught up...The economic downturn and an increase in the number of clients will only exacerbate the current situation of chronic under funding.*

The same concerns were voiced by respondents representing a variety of service areas, most notably from those organization providing services

for children and adults with special needs and addictions services. As one respondent indicated:

*Some of the increase [in service demand] we are experiencing is due to the attrition of children's mental health services and the limited funding available for special needs children...the current economic environment will only add to the ongoing concerns.*

Funding conditions result in an increased demand for programs and services by reducing the available services in a community, placing increased demand on those organizations that provide the same or similar programming. That is, increased demand results from the reduction in the number of organizations providing specific services that has resulted from agencies cutting programs and services or closing altogether in the face of extreme and chronic funding deficits. For example, one respondent stated:

*With ongoing funding concerns and now cuts to other service organizations and programs in our community, we have more [individuals] relying on the free resources that we provide.*

Another respondent stated that:

*Over the years many organizations in our community have cut services due to funding concerns...we also know that others are thinking of reducing services over the next year as their current funding is threatened. The result has been more clients in need of our programs and services because they cannot get them elsewhere.*

The data that we have collected from this survey does not definitively indicate whether the chronic and acute funding concerns identified as a

concern by respondents have resulted in a general increase in service demand (i.e. more individuals actually requiring service in the community as opposed to a static number of individuals accessing services at an increasingly limited number of organizations). However, indications from some respondents do suggest that the reduction or removal of one program or service in their community may be leading to an increased demand in another area of service. For example, one respondent from an emergency shelter provider stated:

*We always expect an increase in demand when other programs lose funding...when mental health services are reduced we have more people coming with mental illnesses...with the current [economic] situation we expect to see more clients who are recently homeless because other housing [support] programs are facing funding shortages. We may not be able to deal with [the increased demand].*

Therefore, organizations are seeing an increase in demand that is directly related to conditions of chronic and acute underfunding. Respondents believe that this situation will be greatly exacerbated by the current economic recession.

### *Changes in Population Demographics*

Respondents indicated that a general shift in the population demographics in many communities has also resulted in increases in demand for services. Primarily, respondents indicated that general population growth, the aging of the population, immigration and growing diversity were the trends that most affected the increasing

demands that they are experiencing. As one respondent stated:

*As our community grows, and new people come to live here, we are experiencing a growing demand for our services...often these new clients are requiring services to meet needs that we are unfamiliar with, this is very true when it come to the new immigrant clients we are now getting.*

Further, another respondent from a seniors service organization indicated that:

*Our programs are growing due to a growing population over the age of 55 in our community.*

Although the changes in population demographics cannot be attributed to changes in the economy, respondents did indicate that there were challenges associated with the economic recession interacting with changes to the community that they served. For example, immigrant serving organizations recognized the challenges that newcomers were facing as they struggled to find work and live off of their savings for longer than anticipated. Further, as was indicated above, many seniors were being affected as they experienced losses to retirement savings, or lost supports from family.

Therefore, respondents indicated that changes to the demographics of their community were resulting in changes in the demand for services from community organizations. Further, despite the fact that these changes alone cannot be attributed to current economic conditions, respondents recognize that there is an interplay between the conditions created by the economic

recession and the changes being experienced in their community. This has resulted in increased service demand in several areas of service, most notably in immigrant and settlement services, and in services for seniors.

### *Changes Within Organizations*

Finally, respondents cited changes within their organization as the cause of increased demand for services. That is, some organizations have experienced recent changes, such as the addition of new program resources, moving to new locations (increasing accessibility and visibility), or the implementation of new marketing campaigns. These respondents believe that these changes have resulted in increased demand.

However, some respondents who discussed these kinds of organizational changes did express trepidation resulting from changes to the economic climate in which they operate. For example, one respondent who explained that their organization had experienced an increase in service demand since the recent implementation of a new program stated:

*Although we are happy to have the new program, we are nervous that it will be cut...it is always easy to cut something new, before it is established. We are worried that the funding will not be renewed next year.*

Another respondent indicated that the current economic recession had made planning difficult:

*[The recession] has made us more cautious...the economic cloud over the organization means it is*



*difficult to plan, to invest in new activities, staff, technology.*

Therefore, although many organizations are rolling out new programs and growing the services offered, there is a sense of caution and trepidation hanging over them. If they are unsure about existing funding they are less likely to expand, adding resources to existing programs or adding new ones.

#### *Decrease in Service Demand*

Very few organizations indicated that they had experienced a decrease in service demand since September 2008 (only 2.8% of all respondents). However, there were some areas of service where a decrease in service demand was reported and respondents indicated that it was directly related to the recent economic recession. The areas of service where this trend was most notable were child care, youth services (i.e. after school programs), services for persons with disabilities, and general fee-for-service programs.

In many of these cases clients are required to pay for the full or partial cost of the program delivery. Respondents indicated that they were increasingly faced with clients who were unable or unwilling to pay for service due to personal financial or employment conditions. For example, a respondent representing a child care organization stated:

*We have had many parents withdraw their children after they have been laid off from their job. They no longer need the service and do not want to spend the money while they look for a new job.*

A similar response was given from a respondent representing a youth service organization offering after-school programs:

*Many parents can no longer afford to pay even our nominal fee after they have lost their job. They do not feel that they need the service anymore as they are at home and not at work now, so why pay for it.*

This appears to be a general trend across fee-for-service programs, as one respondent representing an employment service organization indicated:

*[Our service] has a small fee attached to it and many people who have recently inquired about it are not willing to pay the fee. Thus, the demand is decreasing.*

The most troubling fact about this trend may be how it is affecting those areas of service that may be deemed essential to providing care and support to the community. For example, many services for individuals with special needs and their families operate on a fee-for-service basis, and, as one respondent indicates:

*We have had many families pull their children out of our respite program because they are facing financial constraints at home. They can't afford to pay for the program.*

The inability of families or individuals to meet the nominal financial requirements of these programs has resulted in a decrease in demand. This has an impact on the client and their family as needs may be unmet, and also impacts the organization who may face difficulty in meeting outcome requirements for funders.

*Impact of Change in Service Demand*

Of all respondents, 218 identified up to two key programs and services where they had experienced an increase in service demand since September 2008. These respondents were asked to indicate what impact these changes have had on their organization. The vast majority (97.2%) indicated that the increase in demand has largely been reflected in an increase in the number of clients that they are seeing (Chart 5).

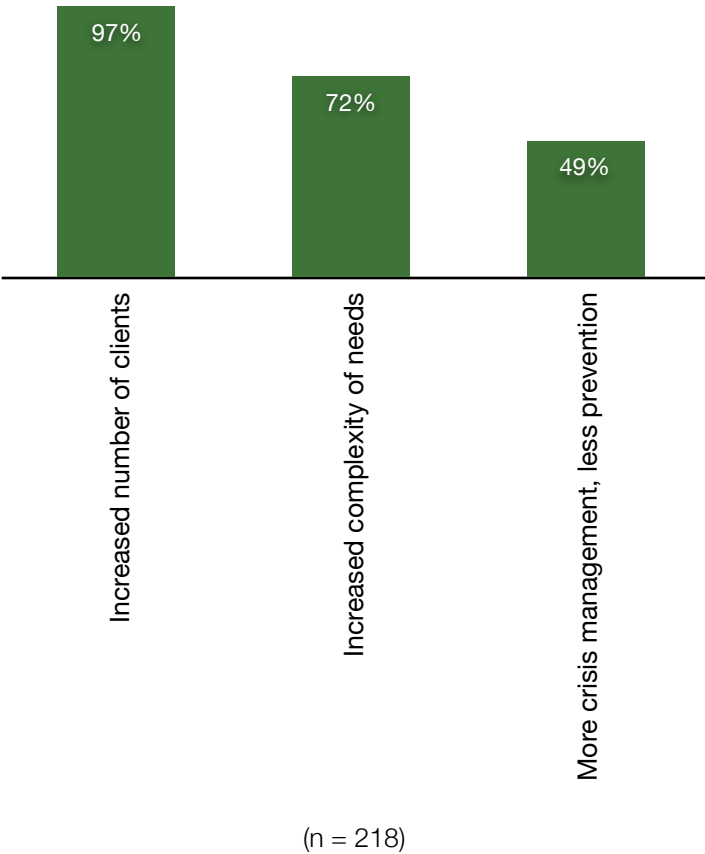


CHART 5: IMPACT OF INCREASED SERVICE DEMAND ON ORGANIZATIONS (% ORGANIZATIONS WHO EXPERIENCED AN INCREASE IN DEMAND)

In addition, nearly 50% of respondents indicated that they were having to do more crisis management with clients who were experiencing an acute set of needs, leaving less time for

preventative programming, and 72% indicated that client needs were becoming more complex and related.

Respondents were asked to elaborate on the real and potential impact of increased service demand on their organization. The results may be summarized below:

1. Stress on the organization’s fiscal, physical and human resources, as indicated by increased staff responsibilities, increased demand on core resources (e.g. management and administration), and increased demand on equipment and physical infrastructure resources (e.g. computers, printers, and meeting space).
2. Increased waiting lists, or the establishment of waiting lists if they did not already exist, thus limiting access to the program for those who need it.
3. Potential service and supply shortfalls (demand outweighing capacity), resulting in gaps in service and community needs not being met.
4. Increased demand on existing funders and donors, stretching existing contributions further, possibly compromising outcomes and increasing demand for investment to meet human needs.
5. Client/community frustration with organization and staff, resulting in more tense and confrontational interactions and/or clients refusing required services.
6. Organizations forced to deal with shortfalls in other service areas in the community, which

may result in non-traditional service delivery to help meet client/community needs. This places increased pressure on resources.

7. Increased reliance and demand on volunteers and/or students, potentially leading to inadequate service delivery (i.e. service delivered by unqualified individuals), and volunteer burnout.
8. An increasing need for innovation and new program and service planning, although limits to resources make this difficult.

The impact of a decrease in service demand on community service organizations may be:

1. Potential loss of funding due to an inability to meet outcome measures and demonstrate need for program or service.
2. Staff layoffs due to lack of need, and similar reductions in investments in other resources such as technology upgrades.
3. Potential decrease in the quality of service due to a necessary reduction in invested resources.
4. Reductions to organization's general resources (e.g. staffing and revenue for core programs) that may impact the delivery and support of other programs and services.
5. Reduction in employee and organizational development initiatives (e.g. employee education programs, strategic planning activities).
6. Operational restructuring and service delivery adjustments.

### ***Response to Change in Service Demand***

Over half of survey respondents provided information on up to two key programs that had experienced an increase in demand since September 2008. Among these agencies, 97% reported an increased number of people requesting services (Chart 5). When asked how they are responding to the increase in service demand, 49.5% of these respondents indicated that they have not been able to meet demand. Some agencies have created waiting lists in response. As was indicated by one respondent in a supporting comment:

*We have simply moved on with business as usual...this has led to longer wait times for new clients and a reduction in the time spent with them by staff.*

This statement is supported by the fact that 68.8% of respondents from organizations who have experienced an increase in service demand indicated that they are now doing more work with the same human resources as they had prior to the change in demand.

When we look at the responses by the size of organizations - as indicated by budget - we generally see that results are uniform across categories (see Chart 4A in Appendix A). Although initial findings indicate that that small organizations were more likely to have utilized agency reserves to meet the rising demand.

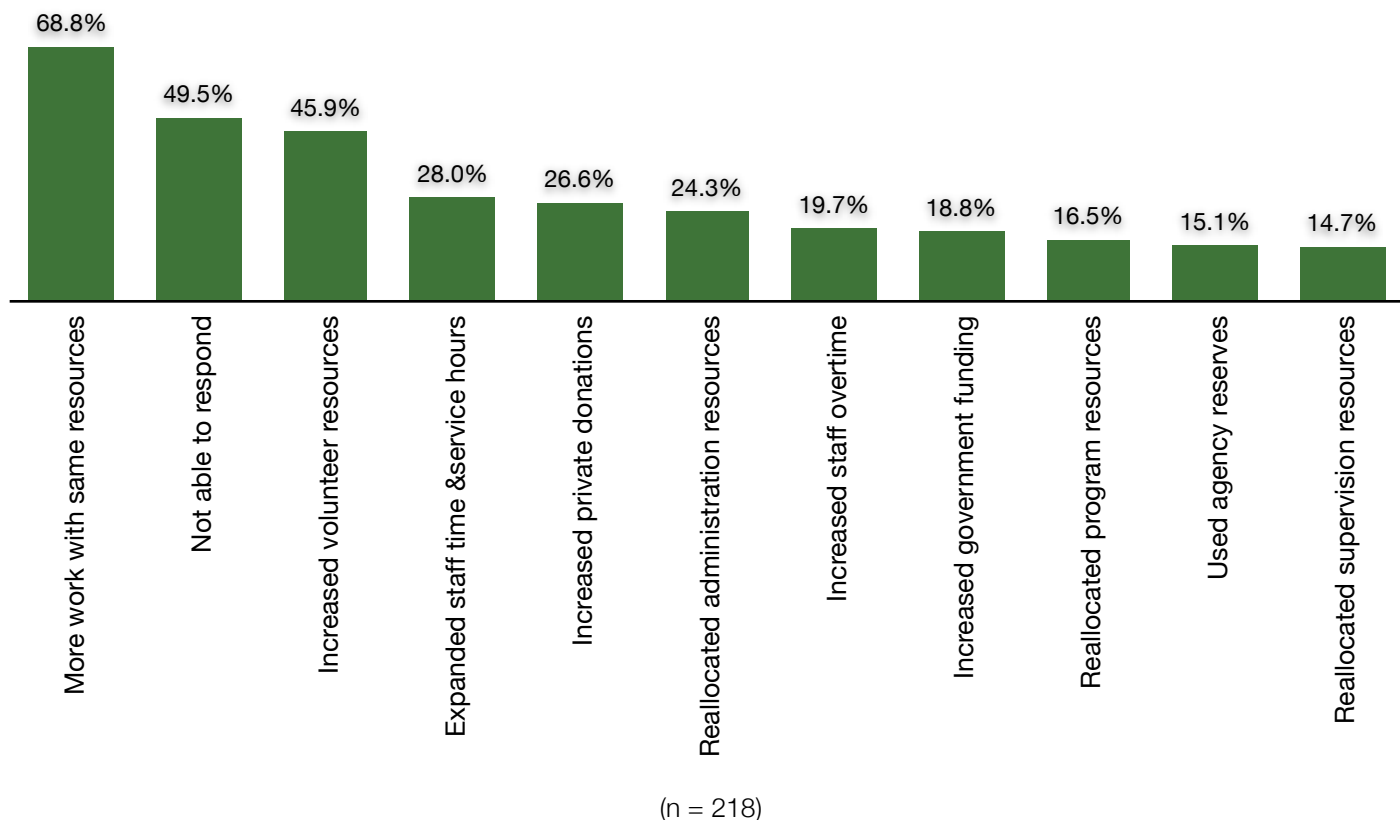


CHART 6: ORGANIZATIONS RESPONSE TO INCREASE IN SERVICE DEMAND (% ORGANIZATIONS THAT EXPERIENCED AN INCREASE IN DEMAND)

## Change in Budgets

Respondents were asked to indicate whether they had experienced any actual changes to their organizations budgets or if they anticipated any forthcoming changes to funding in the wake of the economic downturn.

Of respondents, 35.2% have experienced an increase in funding from at least one source in the current fiscal year, and 50.2% have experienced a cut from at least one source. Further, 44.1% of respondents anticipate an increase in funding in the next fiscal year from at least one funding source, while 65% anticipate a cut in funding from at least one source.

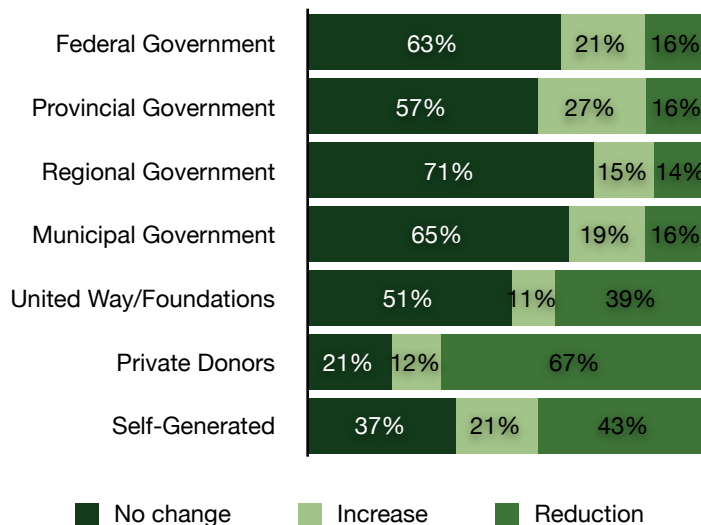


CHART 7: RESPONDENT ORGANIZATIONS WHO ANTICIPATE FUNDING CHANGES BY SOURCE OF FUNDING IN 2010

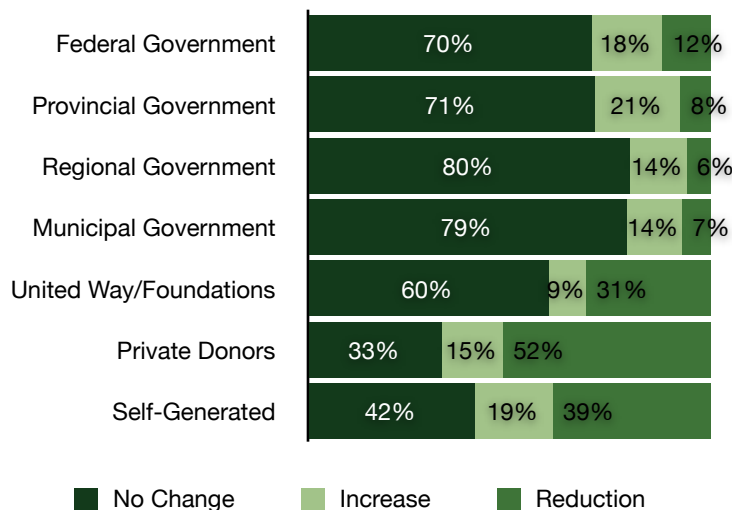


CHART 8: RESPONDENT ORGANIZATIONS WHO HAVE EXPERIENCED ACTUAL FUNDING CHANGES AT THE TIME OF THE SURVEY (APRIL 2009) BY SOURCE OF FUNDING

When we look at specific sources of funding we see that respondents are confident that they will maintain government funding sources, with only 16% anticipating a reduction in federal funding, 16% in provincial funding, 14% in regional funding, and 16% in municipal funding (see Chart 7). This confidence is supported by the fact that very few respondents reported a decrease in these sources of funding in the current fiscal year (see Chart 8).

Conversely, respondents are much less confident in the stability of funding from sources of funding reliant on donations or investment returns. For example, 39% of respondents anticipate reductions in funding from the United Way and/or Community Foundations in the coming fiscal year. More significantly, 67% of respondents anticipate a reduction in funding from private sources, such as individual or corporate donations. Once again, these expectations are supported by actual reductions reported by respondent organizations in the current fiscal year, with 31% reporting reductions in United Way and/or Community

Foundation funding and 52% reporting actual reductions in funding from private donors.

Respondent organizations also appear to be struggling to maintain self-generated financial resources, such as fee-for-service or investment returns, with 43% of respondents anticipating reductions in funding from these sources and 39% reporting actual reductions in the current fiscal year.

When we look at funding changes by the size of organizations, as measured by agency budget, we do not see significant variation. That is, regardless of size, respondent organizations tend to have greater confidence in government funding sources than in those reliant on donations or investment returns. A notable exception is that small organizations are more likely to report an actual reduction in self-generated income to larger organizations.

### *Impact of Change in Budget*

Respondents who have experienced funding reductions were asked to identify how they have responded to these changes as of April 2009. The most common response has been to simply maintain the status quo and support increasing numbers of clients with either the same amount or reduced resources as in previous years. As a result many organizations have increased fundraising efforts or applied for funding from other sources to help make up the discrepancies that they are now facing between financial resources and programs and service demand. Many respondents also indicated that their organizations

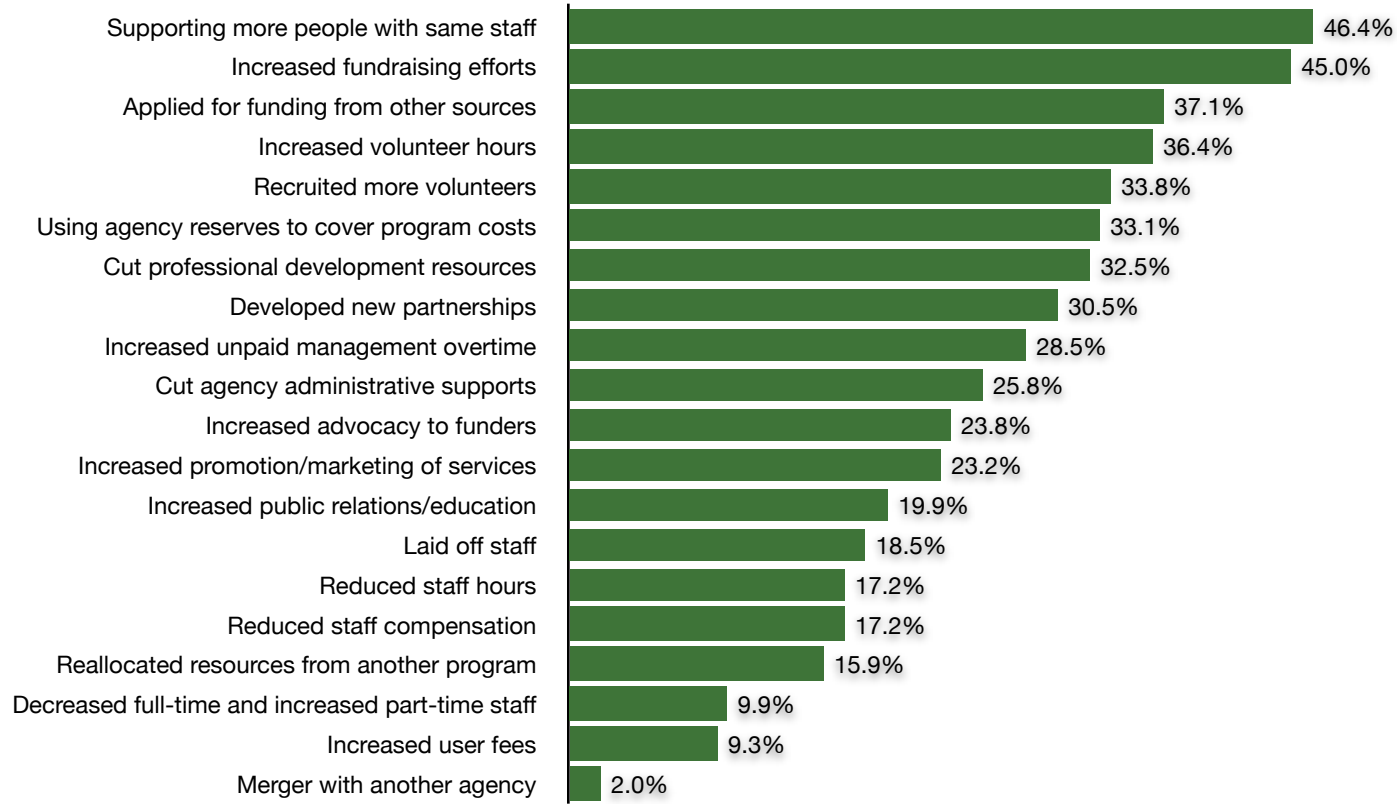


were already starting to feel the strain caused by these conditions. They have responded by reallocating resources from other agency programs, putting these programs at increased risk and strain, reallocating or cutting administrative resources, increasing the number of volunteer hours, increasing unpaid management overtime, and using agency reserves to cover funding shortfalls.

At the time of the survey, 18.5% of respondents who have faced funding cuts laid off staff, and an additional 9.9% reduced full-time positions to part-

time (see Chart 9). However, there was a general consensus in qualitative responses that over time, if funding reductions continue, or if previous levels of funding are not reinstated, then staff lay-offs and reductions will become increasingly common in the community services sector in Ontario. For example, one respondent stated:

*We have only experienced some relatively small cuts to funding so far, so we have not had to react too drastically. However, as we look forward to next year we will have trouble planning for staffing and may have to look at lay-offs if funding is not restored or increased.*



(n = 151)

CHART 9: ORGANIZATION RESPONSES TO FUNDING REDUCTIONS AT THE TIME OF THE SURVEY (APRIL 2009) AS A % OF THOSE ORGANIZATIONS FACING BUDGET CUTS

Further, as we saw with increases in service demand, respondents tended to agree that although the current economic climate may have exacerbated funding concerns, conditions of chronic underfunding were actually at the heart of the problem. As one respondent stated:

*Yes the economy is bad, and this will affect us, but we are so used to going without, and still providing service to more and more members of our community that this is nothing new.*

This precarious situation cannot be sustained. As organizations stretch themselves further, meeting increased demand with decreasing resources, they run the risk of program cuts and closure.

## Recommendations

Based on the data and information presented in this report, the Social Planning Network of Ontario makes the following recommendations for

1. 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.
2. 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.

3. 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.

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# Appendix A: Additional Charts

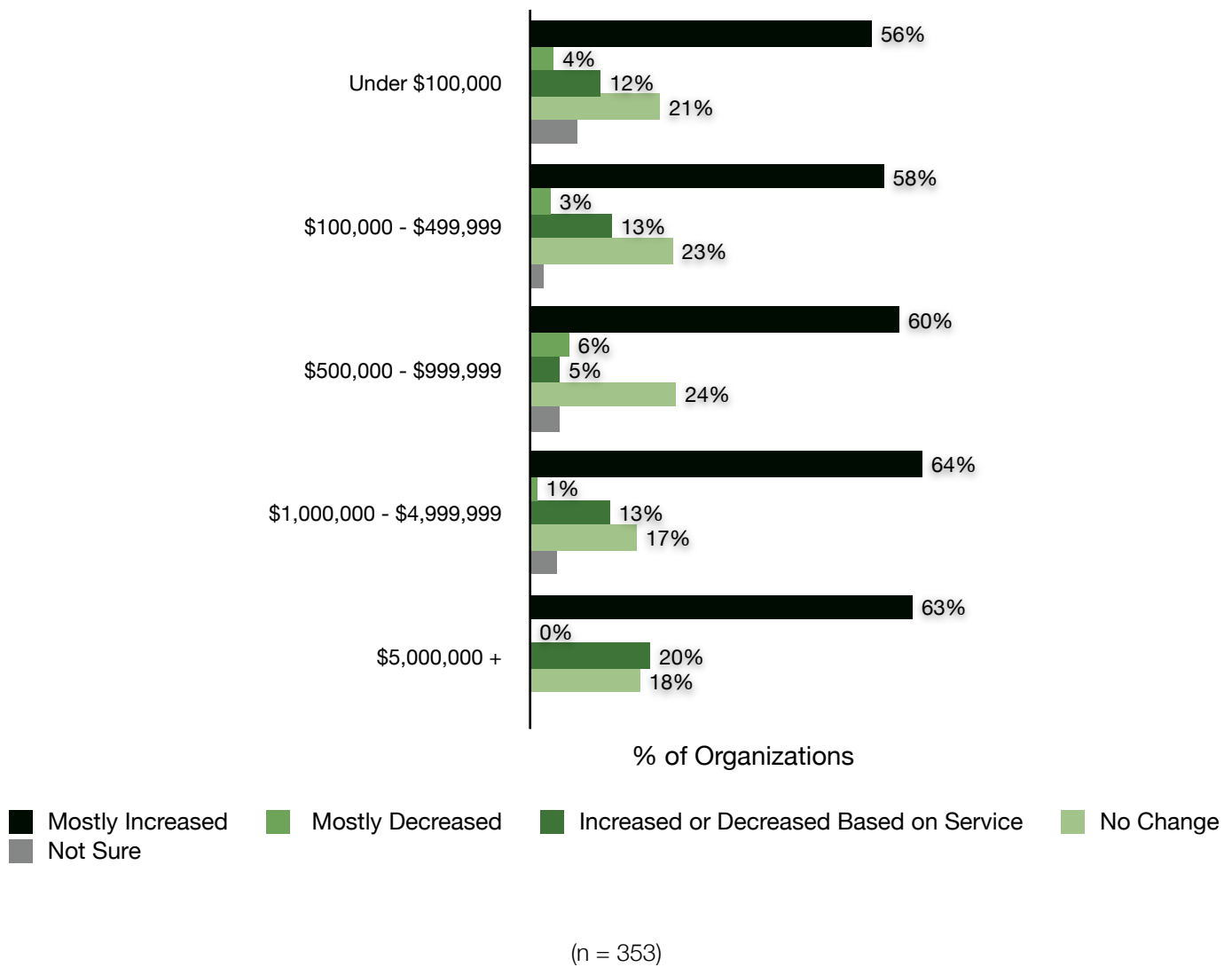
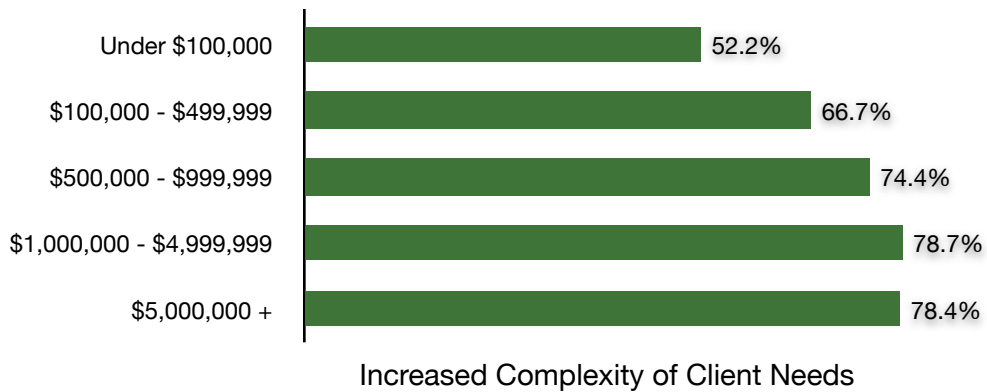
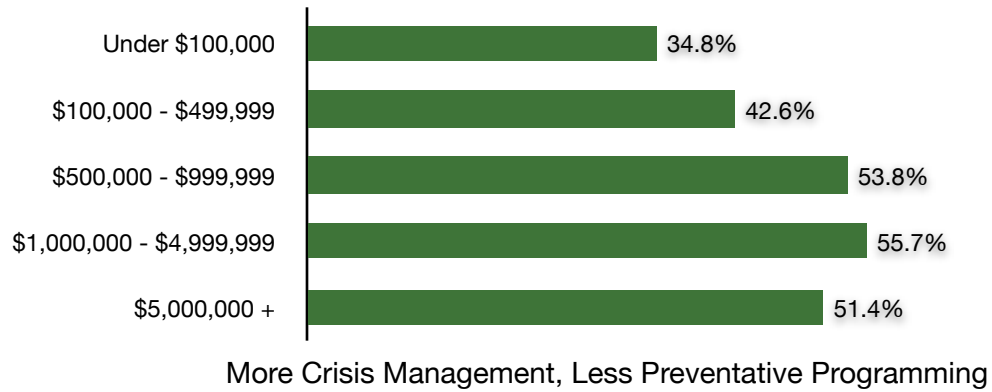
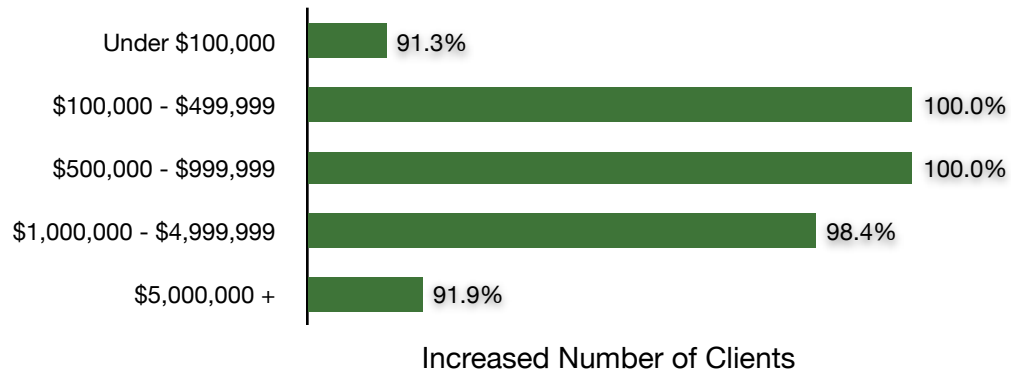


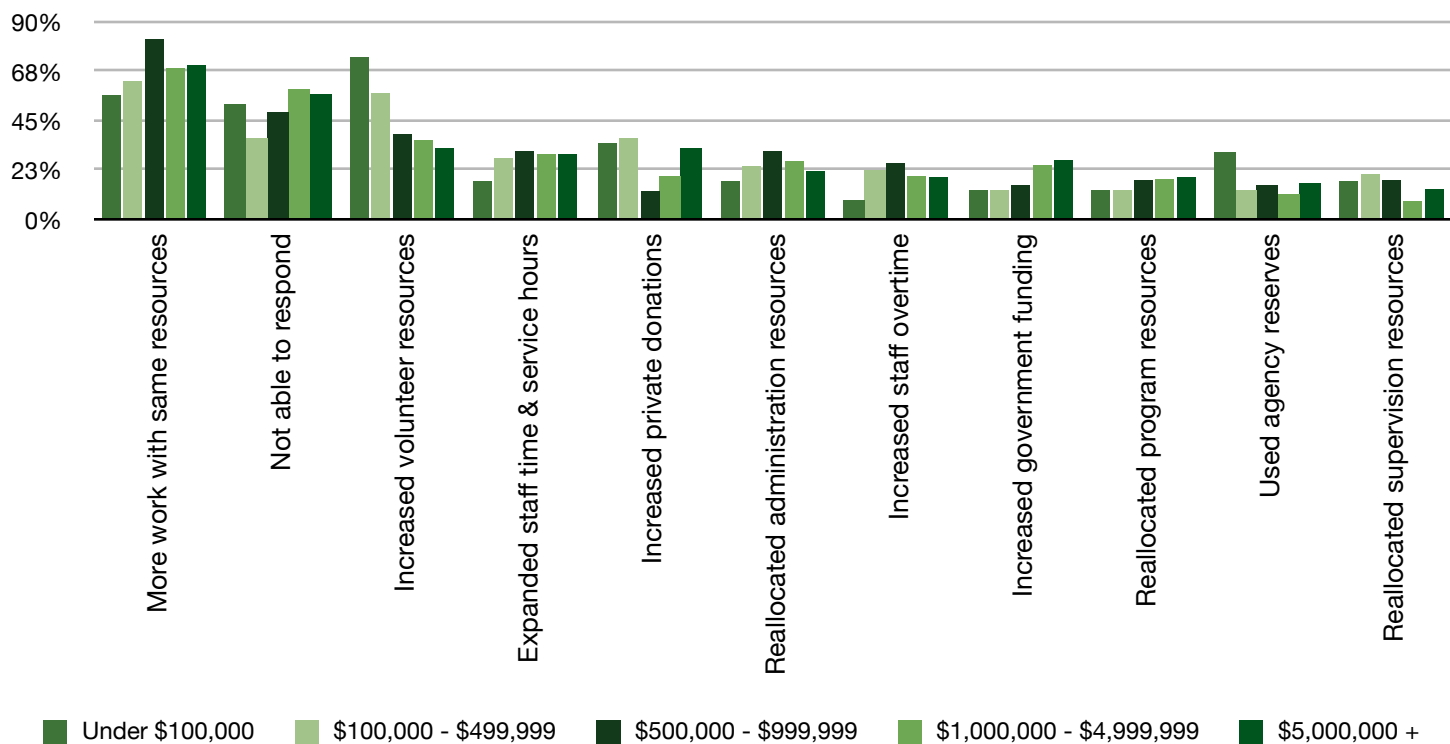
CHART 1A: CHANGE IN SERVICE DEMAND SINCE SEPTEMBER 2008 BY ORGANIZATION BUDGET



(n = 214)

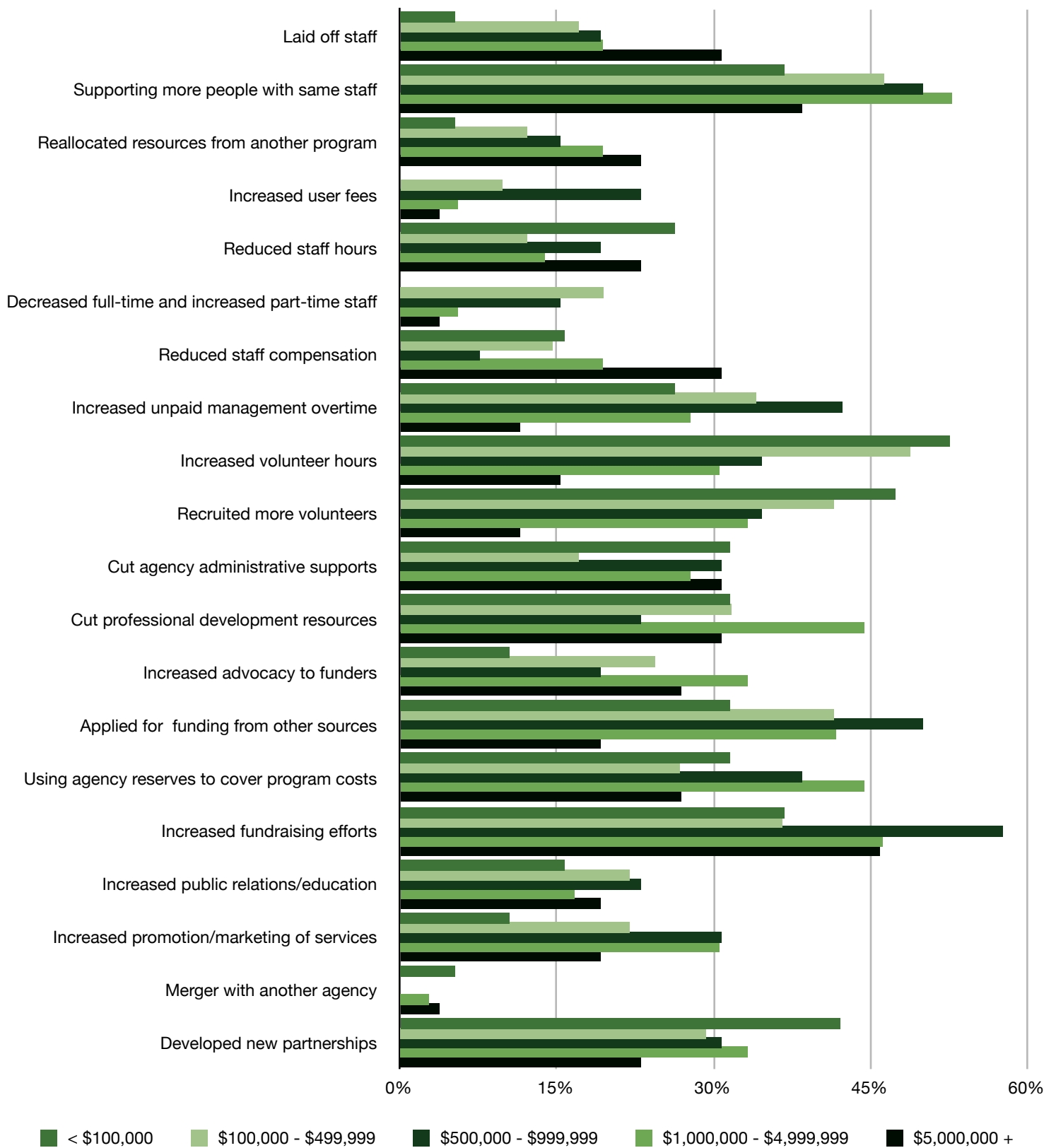
CHART 2A: % OF ORGANIZATIONS EXPERIENCING PARTICULAR TYPES OF SERVICES DEMAND BY ORGANIZATIONAL BUDGET (Among respondents that reported at least one key program/service that experienced an increase in service demand since September 2008)





(n = 214)

CHART 3A: % OF ORGANIZATIONS THAT USED PARTICULAR RESPONSES TO ADDRESS INCREASED DEMANDS BY ORGANIZATIONAL BUDGET (Among respondents that reported at least one key program/service that experienced and increase in demand since September 2008)



(n = 148)

CHART 4A: ORGANIZATION RESPONSE TO FUNDING REDUCTIONS BY ORGANIZATION BUDGET (AS A % OF IDENTIFIED BUDGET CATEGORIES)