

May 24, 2019

The Honourable Peter Bethlenfalvy
President of the Treasury Board
Room 4320, 99 Wellesley Street West
Toronto, ON M7A 1W3
By email: Peter.Bethlenfalvy@Ontario.ca

Re: Ontario Public Sector Wage Restraint Consultations

Dear Minister Bethlenfalvy:

We are writing to respond to your Ministry's consultation on managing compensation across the Ontario public service and broader public sector. The Ontario Nonprofit Network (ONN) is an independent network for the 58,000 nonprofits and charities in Ontario. The nonprofit sector is a key economic driver in Ontario, contributing \$50 billion to our province's GDP.¹ As a sector, Ontario nonprofits receive less than half of their revenues from governments, which means they can leverage public investments - via enterprising activities, donations, and the contributions of volunteers - into significantly higher value in the services they deliver to Ontarians. Ours is a women-majority and volunteer-led community based sector, well-positioned to support the Ontario government to build a stronger economy and a resilient province.

Summary of recommendations:

- 1. Salary levels in the community-governed nonprofit sector (\$42,500, on average²) show no evidence of the need to manage the compensation of community nonprofit organizations in Ontario. If implemented, a compensation restraint initiative should take into account the reality of wages and benefits in the nonprofit sector.**
- 2. Government should respect the independence of the community-governed nonprofit sector and address any cost concerns through negotiated funding agreements rather than through arbitrary compensation controls that would affect the front-line workers in our sector the most, the vast majority of whom are women.**
- 3. Government should continue to explore efficiencies in the provincially-funded nonprofit sector via red tape reduction initiatives. After years of flat-lined funding agreements, nonprofits are already exceptionally lean but still subject to heavy reporting requirements that take resources away from front-line service. There is an opportunity to look at red tape reduction measures, e.g., reduced reporting requirements, multi-year funding agreements, and umbrella agreements for multi-funded organizations to reduce the overall number of transfer payment agreements.**

¹ Imagine Canada and Canadian Council on Social Development. "[The Nonprofit and Voluntary Sector in Canada: Regional Highlights of National Survey of Nonprofits and Voluntary Organizations.](#)" p.vi

² Statistics Canada, [Non-profit institutions and volunteering: Economic contribution, 2007 to 2017](#)

We understand that your government is undertaking a consultation to inform a plan to restrain compensation growth and we appreciate the opportunity to provide input. An estimated 15,000 to 18,000 of Ontario's nonprofits receive provincial funding to deliver services on behalf of the provincial government. While any given nonprofit may receive a majority of their funding from government, in many cases this revenue comes in multiple streams for multiple programs (sometimes from different levels of government). As independently incorporated nonprofits and charities, overall organizational oversight in our sector remains with the board of directors, elected by their communities and at arm's length from government. By contrast, BPS organizations, by definition, have at least some of their board members appointed by government. This is an important distinction to consider when planning measures for BPS compensation management and ensuring that any measures introduced reflect the realities that the nonprofit sector faces.

The nonprofit sector's business models and employment trends are also different from the for-profit sector and the broader public sector and these differences should be taken into account. The average wage for employees in the community-governed nonprofit sector, as reported by Statistics Canada, was \$42,500 in 2017, compared to the average of \$63,000 for the BPS and \$59,800 for the workforce as a whole.³ Clearly an across-the-board approach to compensation restraint would unfairly disadvantage the community-governed nonprofit sector.

Nonprofits often compete for talent with other sectors for many of the same staff, in what is already a relatively low-wage sector, which makes it challenging for nonprofits to recruit and retain employees. From our report *Shaping the Future*, we found that Ontario's nonprofit sector faces significant challenges finding and keeping the talent it requires to meet the needs of the communities it serves.⁴ Many nonprofits that receive provincial funding have gone five, ten, or more years without a cost-of-living increase to base funding, meaning that they are under pressure to maintain service levels amidst growing demand. An initiative to rein in the compensation of nonprofit workers would have a negative impact on services ranging from child care to women's shelters to services for youth and seniors. Moreover, the nonprofit sector is women-majority⁵ -- 80% -- therefore, any attempt to reduce compensation in this sector would have a negative impact on women's wages.

Given this context, we have provided the following recommendations in response to questions asked in the consultation request.

Summary of recommendations:

- 1. Salary levels in the nonprofit sector show no evidence of a need to manage the compensation of community nonprofit organizations in Ontario.** Legislating caps on allowable compensation increases in the nonprofit sector, already a comparatively low-wage sector, will make it more challenging for nonprofits to retain and recruit employees. Moreover, as a women-majority sector, any changes to wage restraint will have disproportionate effects on women. If implemented, a compensation restraint initiative should take into account the reality of wages and benefits in the nonprofit sector.

³ Statistics Canada, [Non-profit institutions and volunteering: Economic contribution, 2007 to 2017](#)

⁴ ONN and the Mowat Centre, [Shaping the Future](#)

⁵ ONN, [Decent Work for Women Working in Ontario's Nonprofit Sector](#)

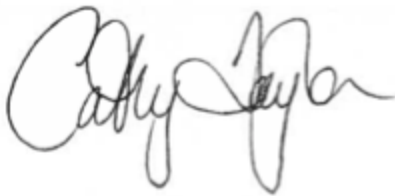
- 2. Government should respect the independence of the community-governed nonprofit sector and address any cost concerns through negotiated funding agreements rather than through arbitrary compensation controls that would affect the front-line workers in our sector the most, the vast majority of whom are women.** Nonprofits are independent incorporated organizations, whose decisions around compensation are governed by community-elected boards of directors. Although a majority of transfer payments are delivered to nonprofits, provincial government funding may be only a portion of the funding received by any given nonprofit. It is the board of directors' primary responsibility as employers to determine appropriate salary structures for its employees. This independence has allowed nonprofits to remain agile and to find effective and efficient approaches to carry out programs that provide value for money to government.

- 3. Government should continue to explore efficiencies in the provincially-funded nonprofit sector via red tape reduction initiatives.** After years of flat-lined funding agreements, nonprofits are already exceptionally lean but still subject to heavy reporting requirements that take resources away from front-line service. There is an opportunity to look at red tape reduction measures, e.g., reduced reporting requirements, multi-year funding agreements, and umbrella agreements for multi-funded organizations to reduce the overall number of transfer payment agreements.

We are committed to working with your government to find the best approaches to address the province's fiscal challenges and improve services for all Ontarians. ONN would be pleased to convene nonprofit organizations to continue the conversation on how best to support effective and efficient delivery of community-based services in the context of the Ontario Government's commitment to focus on what matters most for today and future generations.

Please let us know if you have questions regarding our recommendations. We look forward to more opportunities to contribute the voices of nonprofits to the advancement of your government's priorities.

Sincerely,



Cathy Taylor
Executive Director

Copy to:

Marc Rondeau, Associate Deputy Minister, Centre for Public Sector Labour Relations and Compensation, via Marc.Rondeau@ontario.ca

General consultation address, via PSconsultations@ontario.ca

Barbara Simmons, Director, Strategic Policy, Research and Analytics Branch, Ministry of Children, Community and Social Services), via barbara.simmons@ontario.ca