

RECOMMENDATIONS TO STRENGTHEN THE SOCIAL SERVICE SECTOR (2024)

Issue

The current government funding approach for the charitable and non-profit sector in Canada needs to be refreshed so the sector can continue to deliver effective support for communities and equity frameworks. Despite the essential role played by non-profits in delivering government services and supporting those most in need, the sector faces historical underfunding and increasing challenges due to the impact of global events, such as the pandemic and cost of living crises. These challenges have led to burnout, staff turnover, and financial strain, putting the sector's capacity to serve at serious risk.

The major issues with the current funding structure include the following:

1. Lack of Core Funding
2. Burdensome Reporting Requirements
3. Lack of Flexibility and Innovation

In light of the substantial economic and social contributions made by the non-profit sector in Canada, it is imperative for the government to address these issues and reform the funding structure. By investing in core funding, reducing administrative burdens, and promoting flexibility and innovation, the government can strengthen the non-profit sector's ability to effectively serve communities and uphold equity frameworks. Such improvements will not only support the sector's growth but also contribute to the overall well-being and prosperity of the country.

Background

Canada has a substantial non-profit sector delivering many of the government services and supports, often supporting those most in need. Charities and non-profits contribute \$192 billion dollars in economic activity to Canada annually, and account for 8.3% of our country's GDP. The sector employs 2.4 million people, which is more than the mining, oil and gas sector, or agriculture, transportation and retail. Women make up the majority of the sector's workforce.

BC itself is home to over 29,000 non-profits. The sector employs over 86,000 people throughout the province. It contributes \$6.7 billion to B.C.'s economy.¹²

Canadians clearly need and want strong non-profits, as do all levels of the government, which would not be able to deliver its services without a strong non-profit sector. But, despite the essential societal role played by non-profits, the way government funds the sector is

¹ https://sencanada.ca/media/364859/com_lpgr_es_cssb-catalystforchange_2019-07-10_e.pdf

² <https://www.imaginecanada.ca/en/About-the-sector>

inefficient, does not effectively support communities, and often does not support the equity frameworks that the government itself has adopted.

And while the sector has been historically underfunded, the global events of the past few years have left the non-profit sector's capacity to serve in serious jeopardy. The pandemic and the cost-of-living crises have on one had driven demand for services and on the other caused significant level of burnout, retirements and staff leaving the sector, as well as unmanageable increase in costs and decline in donations.

Organizations in the charitable and non-profit sector have the same needs as organizations in the private and public spheres. They need to invest in staffing, financial management, governance, research and evaluation, communications, revenue generation, technology, and office space and supplies. Many of these basic needs are ineligible to be covered by government project funding. As a result, generating revenue to cover these core expenses remains a major challenge for many organizations. Organizations are too often left scrambling to cover these mission critical overheads. Moreover, the requirements of funding agreements around systems and security have been increasing exponentially, with governments now requiring non-profits to deploy state of the art systems that are simply cost prohibitive. The constant refrain of including the costs in the existing 10 or 15% overhead is just not feasible. We no longer talk about cost of IT support and help desks, we talk about sophisticated business solutions, advanced vulnerability testing and expertise around data privacy and confidentiality and security in the growing online environment. While these costs are not necessarily direct program costs, they are essential to providing quality programs and services to communities and upholding good governance standards, employment, and financial management.

Reclassifying 30% of current project-based funding for charities and non-profits as core funding would strengthen sustainability, support innovation, and promote job security for the sector's diverse workforce, benefiting vulnerable communities in Canada.³

Government funding is often designated for new or short-term initiatives rather than ongoing core programs and services or the core operating expenses needed to sustain them. Organizations often have to respond to narrow calls for proposals reflecting government priorities, rather than being able to find funding for priority initiatives for the communities they serve. Due to short funding terms, charities and non-profits must consistently allocate resources to apply for new project-based funding to stay afloat. So non-profits are stuck in a cycle of constantly reinventing their programs to secure new grants. The short-term, project-based nature of government funding and burdensome reporting requirements do not allow for continuity of services and force non-profit organizations to spend significant amount of time on writing grant applications or reports to funders rather than focusing on service delivery. The

³ <https://www.imaginecanada.ca/sites/default/files/core-funding-brief.pdf>

sector is facing unprecedented levels of staff burnout and retention challenges, which are directly linked to the ever-increasing administrative burden of securing and managing government funding and the lack of flexibility in contribution agreements that would allow NFPs to respond to actual emerging needs among communities served.

The existing funding structures are extremely rigid, organizations are required to outline detailed lists of activities and budget line items at the beginning of a project and are held to those throughout the funding cycle, with no consideration for external factors and changing client needs. This does not allow for any innovation or responses to emerging needs. Non-profits need room to innovate, adjust, pivot as required by the needs and the external environment, and need to be able to respond quickly. We strongly encourage the government to build in flexibility into contracts and recognize that things change and will continue changing and non-profits need the flexibility to pivot quickly to address needs of client by encouraging multi-year program funding, providing funding in less-restrictive ways, allowing organizations to respond to emerging needs, allowing for innovation and responding to client input and feedback.⁴ While we understand the need for fiscal prudence with government money, flexibility is important because of the changing nature of service delivery, financial strain, and economic uncertainty for non-profits.

This short-term project-based approach does not allow for job security for the non-profit staff. Women make up more than three-quarters of the non-profit sector's workforce. Almost half of sector workers are immigrants, and nearly a third are racialized and Indigenous people.⁵

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Consult with key stakeholders under each Ministry to determine improvements to eligible funding expenses.
2. Encourage multi-year program funding, providing funding in less-restrictive ways, allowing organizations to respond to emerging needs, allowing for innovation and responding to client input and feedback. In addition, more transparent renewal and termination clauses should be provided to enable organizations to plan for future programs and growth.
3. Take an equity approach to the provision of core funding to address historical inequities affecting employees of the non-profit sector.

⁴ <https://www.imaginecanada.ca/sites/default/files/core-funding-brief.pdf>

⁵ https://www.imaginecanada.ca/en/policy-priority/core-funding?utm_content=buffera8a4a&utm_medium=social&utm_source=linkedin.com&utm_campaign=buffer