

# The Nonprofit Sector in Halton

## Critical Issues

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The nonprofit sector in Halton, as elsewhere, engages people daily in the lives of their communities. It is composed of a wide and complex mix of services and activities. Nonprofits range from large organizations with many staff providing services augmented by involvement of volunteers governed by volunteer Boards of Directors through to small organizations with no staff. The sector includes human service organizations (community-based health and social services, but not including hospitals), sports and recreation groups, cultural and arts organizations and environmental groups.

It is estimated that there are about 2,000 nonprofit and voluntary organizations in Halton<sup>1</sup>. 1/3 of these are estimated to be human service agencies – the remainder would be active in the arts, culture, sports and recreation, health and environmental fields

According to Community Development Halton's study *Pushing the Limits* (2007), nonprofit community-based social service organizations in Halton:

- Add \$188 million annually to the regional economy
- Add volunteer time valued at an additional \$52 million to the regional economy
- Employ about 5,000 people
- Engage over 20,000 volunteers

These figures do not include contributions from other sub-sectors such as the arts, sports and recreation and the environment.

Of the estimated 2,000 nonprofits and voluntary organizations in Halton, there are:

- There are 689 registered charities located in Halton  
(CRA)
  - Burlington 278
  - Oakville 306
  - Milton 99
  - Halton Hills 6
- The remaining 1300+ nonprofit and voluntary organizations are a mix of incorporated and smaller grass roots organizations

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<sup>1</sup> Chairman's Roundtable on the Non-profit and Voluntary Sector, p. 7

# Contribution of the Sector

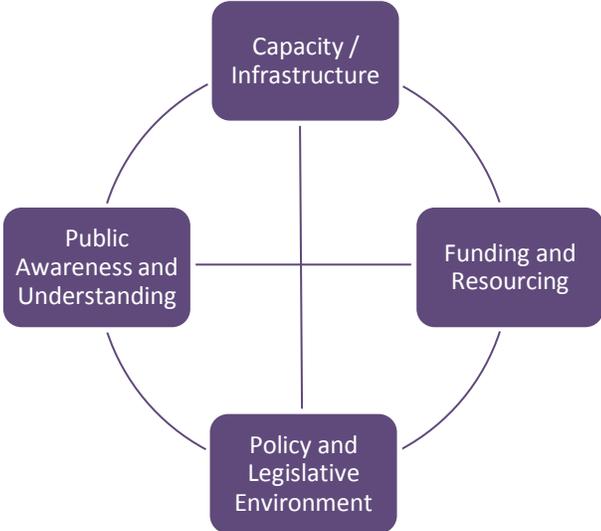
“Nationally, volunteers in Canada are estimated to contribute between 1 and 2 billion hours of time each year, and it is estimated that it would take between 600,000 to over one million full time jobs to replace the work of volunteers. In economic terms, Statistics Canada estimates that the sector contributes \$25.4 billion in Gross Domestic Product (GDP) to the Canadian economy (not including the contribution of hospitals and post-secondary education institutions) which amounts to more than either of the agricultural or motor vehicle manufacturing industries.”<sup>2</sup>

# Key Issues Confronting the Sector

HNN was formed in response to a series of initiatives in Halton (2003 – 2009) through which ongoing issues confronting the nonprofit sector were repeatedly identified but unresolved. During these initiatives, there were strong calls from the sector for a body that could provide a unified voice for the sector and a platform for shared innovation and problem-solving.

Formally launched in February 2011, HNN’s founding meeting identified a series of issues. Other than those that shape the environment in which the sector operates, such as rising service demands and the challenges that arise from having to operate in four communities within Halton, the issues that were identified can be collapsed into four broad issue clusters:

Halton Nonprofit Sector Challenges:  
Issue Clusters



<sup>2</sup> Chairman’s Roundtable on the Non-profit and Voluntary Sector, p. 7

These issue clusters are inter-related, e.g.

- a) policy and legislative changes such as pay equity or recent requirements established through the Accessibility for Ontarians with Disabilities Act, may require substantial investment of nonprofit staff and volunteer time and new expenditures, impacting on existing organizational budgets and capacity
- b) movement towards project-based funding that does not include funding for core operations seriously undermines continuing capacity to manage effectively, govern strategically, or engage in other critical activities that can assist an organization to be effective in meeting its mission

Each of these issue clusters is more fully explored below.

## a) Capacity / Infrastructure

HNN supports a definition of infrastructure that goes beyond the narrow elements of bricks and mortar and the hard costs that can be definitively linked to a specific program. It supports a broader definition of infrastructure such as that based on the McKinsey Capacity Assessment Framework (see more information below in the Addendum.) This Framework, for example, uses a capacity model with 7 elements: aspirations; strategy; organizational skills; human resources; systems and infrastructure; organizational structure, and; organizational culture. Capacity issues identified by HNN at its founding meeting included (but were not limited to):

- Labour force challenges
  - Recruiting, training and retaining effective staff and volunteers due primarily to lack of competitive salaries
- Board development
  - Recruitment, retention, succession
  - Training to support Board exercise of legal and fiduciary responsibilities
  - Training to support an effective strategic orientation
  - Capacity to critically self-evaluate
  - Establishing and maintaining clarity in staff / Board roles
  - Performance management of lead staff
  - Avoiding mission drift
- Professional development
  - Need for more high quality, affordable staff development opportunities
- Volunteer management
  - Recruitment

- Screening
- Training
- Placement
- Supervision
- Performance management
- Termination
- Recognition
- Need for advocacy
  - Overcoming the “fear” of advocacy
  - Understanding and using effective advocacy strategies
- Need for mechanisms for sharing information, tools and resources that would augment organizational capacity, e.g., shared space, shared professional expertise, and, shared technological supports

## b) Funding and Resourcing

The growing crisis in funding experienced by most nonprofits in Halton (and elsewhere) began during the late 1990’s and early 2000’s as many funders began moving towards results-based and outcome-based assessment of their investments and away from core funding that included resourcing for broad infrastructure necessary for organizational health.

Funding and Resourcing issues identified by HNN at its founding meeting included (but were not limited to):

- Unstable and unpredictable core funding and the dominance of project-based funding
  - Increased funder interest in funding projects using funding streams that do not support the core operations of organizations, significantly diminishing capacity in most if not all areas of organizational life
  - Project-based funding may permit new initiatives to find resourcing, but there are rarely effective mechanisms for transforming “demonstration” funding to sustained funding for an initiative
  - Project-funding leads nonprofits to focus resources on seeking and being accountable for this funding, often on an annualized basis, to the point where resources are diverted from other critical organizational activities in order to respond to what are increasingly perceived to be “onerous” funding processes and requirements

- Reductions in funding / constrained funding that does not keep pace with increasing service demands
- Challenges of working in 4 communities
  - Halton nonprofits operating across the Region are often responsible to multiple funders related, not to funding mandate, but geography, e.g., there are 4 United Ways, each with separate priorities and funding and reporting processes, and other highly localized funding options, e.g., multiple service clubs serving a defined geographic area
- Poor to non-existent coordination across multiple funders
  - Funders have separate and independent funding priorities, application processes, accountability expectations and reporting requirements. The resulting workload for nonprofits seeking funding is onerous, requiring staff and/or volunteer focus on responsiveness to funders rather than service, quality improvement or capacity-building in the organization.
  - There appears to be little to no coordination across funders, whether it is related to application processes, application timing, or accountability and there is fragmented community planning in most sectors. Particularly in the area of agency / organizational reporting and accountability, there is a poorly coordinated understanding and sets of expectations regarding outcomes and results across funders and there has been little in the way of open dialogue between funders and those being funded with regard to these issues.
  - There is, as far as HNN is aware, no organized forum where funders regularly share information with each other or coordinate efforts (it is our understanding that a recent attempt to create a Funders Network did not move forward successfully.). There is as a result no evidence of a commitment from funders to collectively addressing these funding issues as issues of shared priority for problem-solving.
  - Nonprofits are deeply concerned that there are no mechanisms through which to meet with funders in a collective forum characterized by open dialogue, an exchange of ideas and innovative problem-solving.
  - There is poor awareness among nonprofits of the various funding options that may be available.

### c) Policy and Legislative Environment

Although acknowledged as a critical issue at the founding meeting of HNN, participants did not spend a lot of time in discussion about it. This is not surprising; the daunting workloads in most nonprofits translates, for many, into a low-level awareness that there have been critical

legislative and policy initiatives at the municipal, provincial and federal levels over the last decade or so. Such initiatives will continue and, when asked, most lead staff in nonprofits will indicate that there is little to no time nor the expertise to become proactively engaged as initiatives emerge.

When it comes to public policy analysis and debate, most nonprofits depend on specialized organizations with a social policy mandate (colleges, universities and, in Halton, Community Development Halton and Volunteer Halton.) Indeed, the formation of HNN was, in part, seen as an opportunity to create a shared voice for the sector around policy and legislation.

#### d) Public Awareness and Understanding

Participants at the founding meeting of HNN acknowledged that there is poor public understanding of the sector, what it does, its professionalism and what it contributes to the community of Halton, a finding consistent with those of the Chairman's Roundtable on the Non-Profit and Voluntary Sector (2006). Moreover, many organizations report low level public understanding of the issues with which organizations, and the people who use their services, deal, e.g., lack of affordable housing. To address this, some members of HNN have formed a Public Education Action group that is mandated to provide information on the sector to the community and all its constituencies.

#### Current Context

Many of the issues identified by HNN play out today against a socio-economic context of recession and significantly increased demand for services.

In November 2010, Community Development Halton published "A Recovery-Free Zone", which documented the impact of the recession on 34 Halton nonprofit agencies. Key findings from this research indicate that many of the problematic issues that concern nonprofits in Halton have, in many cases, been exacerbated over the last three years through a combination of increased service demands and reductions in funding. Key findings from the research included:

- increases in service demand for more than half the agencies, more than 2/3 of whom said the increase was due to the poor economy
- much of the service increase has required a focus on crisis management, leading to less time spent on preventative programming
- many agencies have been unable to respond to increased demand for services despite taking a variety of actions

- 31.6% of agencies involved in the research experienced funding cuts in 2010, most common being reductions from United Way, foundations, private donors and self-generated revenues like user fees
- In 2010, One in five agencies reported federal funding cuts and one in eleven experienced provincial funding cuts
- Strategies used by agencies to respond to the rising demands for service were largely unsustainable over time, i.e., increasing fundraising efforts, supporting more people with same staff, increasing unpaid management overtime, applying for funding from another source, laying off staff, using reserve funds, and increasing volunteer hours
- the combination of increased service demands and falling revenues is taking its toll on agency staff in the form of decreased morale, rising stress levels and increased incidence of burnout

Halton has two intersecting issues affecting growing needs: population growth and its influence on demand, and: recession and its impact on human needs hence demand. Funding has not kept up with these demographic and recessionary impacts. The trend towards project funding, with a heavy emphasis on measurement of impact only further aggravates this failure to effectively resource the organizations responding to human needs.

Against this backdrop, the capacity of nonprofits becomes even more fragile than it already is; the struggle to find funding that will permit effective services provided by resilient organizations is made even more challenging; the need for a policy and legislative framework that supports rather than challenges nonprofits grows, and; the need for broad public understanding of the crisis in the sector is more acute than it has ever been.

It is within this context and set of pressures that HNN operates on behalf of the entire nonprofit sector in Halton.

## Sources

Region of Halton. Report from the Chairman's Roundtable on the Non-profit and Voluntary Sector, 2006.

Community Development Halton. A Recovery Free Zone, 2010.

Community Development Halton. Pushing the Limits. 2007.

Lynn Eakin. "Supporting Organizational Infrastructure in the Voluntary Sector." A background paper developed for the Voluntary Sector Initiative Secretariat, May, 2002. Last viewed January 9, 2012 at: [www.vasi-isbc.org](http://www.vasi-isbc.org)

## Addendum: Additional Information on Capacity

The McKinsey Capacity Assessment Framework was developed by McKinsey for Venture Philanthropy Partners and is described in “Supporting Organizational Infrastructure in the Voluntary Sector”, a background paper prepared for the Voluntary Sector Initiative (VSI) Secretariat in May 2002 by Lynn Eakin of Lynn Eakin and Associates. (This particular capacity model was supported by the Chairman’s Roundtable on the Non-Profit and Voluntary Sector.)

McKinsey Capacity Assessment Framework (Summary developed by Lynn Eakin <sup>3</sup> )	
Aspirations	<ul style="list-style-type: none"> <li>• Clarity of mission, vision and overarching goals</li> </ul>
Strategy	<ul style="list-style-type: none"> <li>• Overall strategy including goals and performance targets, program relevance and integration, new program development</li> <li>• Funding model</li> </ul>
Organizational Skills	<ul style="list-style-type: none"> <li>• Performance management, planning, fundraising and revenue generation, external relationship building, public relations, influencing policy-making, management of legal and liability matters, organizational processes</li> </ul>
Human resources	<ul style="list-style-type: none"> <li>• Board, CEO, management team, staff, volunteers -0 composition and commitment, involvement and support, experience, effectiveness</li> </ul>
Systems and Infrastructure	<ul style="list-style-type: none"> <li>• Systems – planning, decision-making</li> <li>• Financial operations</li> <li>• Human resources management – recruiting, development, retention, incentives</li> <li>• Knowledge management</li> <li>• Physical infrastructure – buildings, office space</li> <li>• Technological infrastructure - computers, applications, network, e-mail, web site, databases and management reporting systems</li> </ul>
Organizational Structure	<ul style="list-style-type: none"> <li>• Board governance, organizational design, interfunctional coordination, individual job design</li> </ul>
Culture	<ul style="list-style-type: none"> <li>• Shared beliefs and values, shared references and practices</li> </ul>

<sup>3</sup> Eakin, Lynn. Supporting Organizational Infrastructure in the Voluntary Sector. A background paper developed for the Voluntary Sector Initiative Secretariat, May, 2002.