

November 4, 2019

Ms. Goldie Ghamari, MPP  
Chair, Standing Committee on General Government  
Ontario Legislature  
Via email: [comm-generalgov@ola.org](mailto:comm-generalgov@ola.org)

**Re: The impact of Bill 124 on Ontario's nonprofit sector  
(Protecting a Sustainable Public Sector for Future Generations Act, 2019)**

Dear Ms. Ghamari,

We are writing with regard to Bill 124, the proposed legislation to manage compensation across the Ontario public service and broader public sector.

ONN is the independent nonprofit network for the 58,000 nonprofits in Ontario, focused on policy, advocacy and services to strengthen Ontario's nonprofit sector as a key pillar of our society and economy. ONN works to create a public policy environment that allows nonprofits to thrive and better support communities across the province.

We would appreciate your consideration of our Bill 124 recommendations:

**Summary of recommendations:**

- 1. ONN recommends that the Ontario government manage any budget restrictions via overall funding envelopes, rather than through wage controls, as they negatively affect nonprofits' ability to recruit and retain key staff. Bill 124 should exempt community-governed nonprofits that provide services on behalf of government, in the same way that it exempts for-profit corporations.**
- 2. If, contrary to our first recommendation, Bill 124 proceeds with community-governed nonprofits included in its scope, the threshold for inclusion should be aligned with the threshold for the Broader Public Sector Accountability Act (\$10 million).<sup>1</sup> Furthermore, increases in compensation mandated by other legislative requirements (e.g., the Pay Equity Act) should be exempt from Bill 124.**

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<sup>1</sup> The BPS Accountability Act, 2010, applies to hospitals, school boards, universities, colleges, various other BPS organizations and "every publicly funded organization that received public funds of 10 million dollars or more in the previous fiscal year of the Government of Ontario." Ministry of Government and Consumer Services.

[https://www.doingbusiness.mgs.gov.on.ca/mbs/psb/psb.nsf/Attachments/BPSProcDir-FAQ-eng/\\$FILE/BPSProcDir-FAQ-eng.html](https://www.doingbusiness.mgs.gov.on.ca/mbs/psb/psb.nsf/Attachments/BPSProcDir-FAQ-eng/$FILE/BPSProcDir-FAQ-eng.html)

The nonprofit sector is a key economic driver in Ontario, contributing \$50 billion to our province's GDP.<sup>2</sup> As a sector, Ontario's 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.

The intent of Bill 124 is to impose compensation "moderation periods" on the public service and the broader public sector (BPS), including for example school boards, hospitals, agencies, boards and commissions. While the measures target the BPS, they also affect the community-governed nonprofit sector without considering the differential impacts on nonprofits that deliver services on behalf of government.

### **Oversight and accountability in community-governed nonprofits**

Community-governed nonprofits are independently incorporated, with overall organizational oversight provided by volunteer boards of directors, elected by their communities and at arm's length from government. Many nonprofits receive revenues from different levels of government, from enterprising activities (e.g., fee-for-service programs, social enterprise, membership fees), and from a variety of private sources (foundations, donors). It is the board of directors' responsibility as employers to determine appropriate salary structures for its employees within the budget provided by these various sources in order to meet the organization's overall mission. This independence has allowed nonprofits to remain agile in meeting the needs of the communities they serve, and to find effective and efficient approaches to carry out programs that provide value for money to government.

Given this financial reality, it seems difficult to justify the fact that Bill 124 wage controls extend beyond provincially-funded programs to cover an entire organization's workforce, even when provincial funding may constitute a small fraction of an organization's revenue.

### **Compensation trends and gender equity in the nonprofit sector**

Salary levels in the nonprofit sector show no evidence of a need to manage the compensation of community nonprofit organizations in Ontario. The nonprofit sector's business models and employment trends are different from both the for-profit sector and the BPS. The average wage for employees in the community-governed nonprofit sector, as reported by Statistics Canada, was \$42,500 in 2017, compared to \$59,800 for the workforce as a whole.<sup>3</sup> ONN's report *Shaping the Future*, 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.<sup>4</sup> Many nonprofits that receive

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<sup>2</sup> Government of Ontario. "Business Sector Strategy: Not-for-profit Sector." August 2012. p. 2.

[https://theonn.ca/wp-content/uploads/2015/05/O4B\\_final\\_EN\\_sept13.pdf](https://theonn.ca/wp-content/uploads/2015/05/O4B_final_EN_sept13.pdf)

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

<sup>4</sup> ONN and the Mowat Centre, [Shaping the Future](#)

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 amid growing demand.

In this context, an initiative to apply compensation controls to the nonprofit workforce 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 workforce is women-majority (80 percent).<sup>5</sup> Therefore, any attempt to reduce compensation in this sector would have negatively affect women's wages, at a time when the gender wage gap is a concern for many Ontario families.

### **A level playing field for nonprofits and for-profit corporations operating in the same fields**

Many nonprofits also compete for talent with for-profit service providers, who are explicitly exempt from Bill 124 wage restraint measures, despite operating in many of the same industries as nonprofits (long-term care, home care, child care, employment & training services, etc.). As such, Bill 124 sets up an unfair playing field for recruitment and retention in these areas.

**Given this context, ONN recommends that the Ontario government manage any budget restrictions via overall funding envelopes, rather than through wage controls that affect nonprofits' ability to recruit and retain key staff. Bill 124 should exempt community-governed nonprofits that provide services on behalf of government, in the same way that it exempts for-profit corporations which do the same.**

#### *Aligning thresholds with the BPS Accountability Act*

If Bill 124 proceeds with community governed nonprofits included in its scope, the threshold of \$1 million in provincial revenues is too low. With such a threshold, Bill 124 imposes burdens on too many nonprofits that may have a range of funding sources. There is already a precedent set in terms of the BPS Accountability Act, with which community-governed nonprofits must comply if they receive \$10 million in provincial funding. Given the wage restraint measures already contained in that Act, **we recommend harmonizing the funding thresholds in Bill 124 with those already established in the BPS Accountability Act.**

#### *Creating explicit exemptions for legally mandated compensation increases*

We would also emphasize that nonprofits are required by law in some cases to allocate compensation increases to designated groups. **We urge you to include a clause in Bill 124 making it clear that any payments under such laws (e.g., the Pay Equity Act, human rights legislation) be explicitly exempt from wage controls.**

In conclusion, we strongly recommend that the Ontario government manage any budget restrictions via the overall funding envelope, and not through overly intrusive wage controls that

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

have repercussions across organizations -- even beyond the programs that are provincially funded. 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. Bill 124 also sets up an unfair playing field between nonprofits and for-profit corporations.

We are committed to working with the Ontario 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 as part of the Ontario government's commitment to focus on what matters most for today and future generations.

Sincerely,

A handwritten signature in black ink, appearing to read "Cathy Taylor". The signature is fluid and cursive, with the first name "Cathy" being larger and more prominent than the last name "Taylor".

Cathy Taylor  
Executive Director