

## CANADIAN SOCIAL SERVICE CONTEXT

*The social service sector plays an important role in meeting the needs of Canadians. The following fact sheet explores the Canadian social service context and its impact on nonprofit agencies.*

### CONTEXT

#### Overview

Imagine Canada conducts ongoing research in Canada's charitable sector. Their 2010 survey of select Canadian charities found that as Canada's economy slowly recovers from an economic downturn, more than half of surveyed charities in Canada are experiencing increased demand for their services. The resulting increase in expenditures, however, is accompanied by little to no change in revenues. Additionally, nearly half of all organizations surveyed reported they were under stress, with 49% indicating they were having difficulty fulfilling their mission.<sup>1</sup>

#### Funding

As a result of government funding cuts, since the 1990s, most nonprofits have been required to diversify their funding strategy and base to become less dependent on tax dollars. This resulted in a 60% drop in funding for most organizations. Slowly, the industry shifted from stable governmental funding to project funding from competitive grants and corporate sponsorships.<sup>2</sup> Some key changes to the funding received by nonprofits include:

- Funding has shifted from support for the entire agency to providing funding for specific projects.
- Funders are reluctant to fund administrative costs of agencies.
- Funding is more short-term and therefore unpredictable.
- Many funders require organizations to demonstrate they are able to secure funding from other sources and to make joint submissions with other project partners, before they will provide funding.<sup>2</sup>

### IMPLICATIONS FOR AGENCIES

According to an in-depth Canadian Council on Social Development report (2003) on funding trends in Canada, many nonprofits experience the following challenges as a result of changes to the funding context:

- *Volatility:* Organizations experience swings in revenue as they struggle to diversify funding sources.
  - Can lead to instability within the agency and impact ability to provide quality programs/services as well as plan ahead and retain staff.
- *Experience mission drift:* Organizations may be pulled away from their primary mission by trying to conform to narrow windows of program funding or win government contracts.
- *Infrastructure loss:* A lack of base and governmental funding and an increase in project funding has caused some organizations to lose basic infrastructure (e.g., administrative staff, office supplies, etc.) due to tightened restriction on administrative costs covered by funders.
- *Reporting strain:* Many agencies are overburdened with the reporting requirements from multiple funders.
- *Fragile structure:* Many funders require financial contributions from other sources, the loss of one contract and/or partnership can negatively impact the entire agency structure.
- *Human resource fatigue:* In order to meet current and increasing demands and challenges, staff and volunteers are being stretched thin due to a lack of administrative resources and funds.

### AGENCIES' ABILITIES TO FUNDRAISE

In the current funding context, agencies turn to their own fundraising initiatives as a source of revenue. An agency's ability to fundraise is influenced by a number of factors:

- *Nature of cause:* many causes have an easier time

fundraising due to their popularity and positive perception among the community.

- *Organization size/location:* Charities in urban locations often have an easier time raising funds and securing grants/sponsorships than organizations in more remote locations.
- *Volunteer usage:* lower fundraising and service costs are often the result of a large or highly skilled base of volunteers.
- *Fundraising strategies:* direct mail and telemarketing are expensive types of fundraising compared to sponsorships and bequests. More often than not, charities are not able to expressly choose their method of fundraising and are forced to use expensive means of raising funds.
- *Fundraising techniques:* innovative techniques may be costly to implement but offer significant savings in the long run. Some agencies may not be able to afford the upfront cost of innovative techniques.<sup>3</sup>

## AGENCIES' RESPONSE TO CHALLENGES

The following list shows strategies that many social service and non-profit organizations use in an attempt to cope with the current demand and funding issues:

- Many affiliated groups are coming together to share best practices.
- Agencies are increasingly looking towards collaboration and working more effectively with other agencies.
- Organizations are seeking out diverse fundraising opportunities and new ways of generating revenue.
- Many foundations (including United Way) are actively seeking out strategies to have a stronger impact with fewer dollars.
- All organizations are attempting to do more with less and are continuously looking for ways to reduce costs.<sup>4</sup>

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<sup>1</sup> Lasby, D., Barr, C. (2010). *Sector Monitor Vol. 1 No. 3*. Imagine Canada. Retrieved on August 18, 2011 from [http://www.imaginecanada.ca/files/www/en/sectormonitor/sectormonitor\\_vol1\\_no3\\_2010.pdf](http://www.imaginecanada.ca/files/www/en/sectormonitor/sectormonitor_vol1_no3_2010.pdf)

<sup>2</sup> Scott, K. (2003). *Funding matters: the impact of Canada's new funding regime of nonprofit and voluntary organizations*. Canadian Council on Social Development. Retrieved on August 18, 2011 from <http://www.ccsd.ca/pubs/2003/fm/summary-fundingmatters.pdf>

<sup>3</sup> Imagine Canada. (2010). *Guide to giving*. Retrieved on August 18, 2011 from <http://www.imaginecanada.ca/files/www/en/ethicalcode/guide-to-giving-2010.pdf>

<sup>4</sup> Earle, B., Wilson, B., et al. (2009). *Hard hit: impact of the economic downturn on nonprofit community social services in Ontario*. Social Planning Network of Ontario. Retrieved on August 18, 2011 from [http://socialplanningtoronto.org/wp-content/uploads/2009/10/HARD\\_HIT\\_Impact\\_of\\_the\\_Economic\\_Recession\\_on\\_Nonprofit\\_Community\\_Social\\_Services\\_in\\_Ontario.pdf](http://socialplanningtoronto.org/wp-content/uploads/2009/10/HARD_HIT_Impact_of_the_Economic_Recession_on_Nonprofit_Community_Social_Services_in_Ontario.pdf)