

# The Limits of the Community Nonprofit Sector Resilience: Evidence from Canadian Nonprofit Sector Surveys During the Pandemic

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## ABSTRACT

The pandemic has illustrated the need to examine the vital role of the community nonprofit sector. While the nonprofit sector is known for innovatively responding to societal needs—to be resilient—it is also under-resourced and precariously situated. The hollowing out of social welfare under neoliberalism shifted service responsibility onto nonprofit providers, justified through the framing that precarity drives resilience. With the magnification of need during the pandemic, the “response resilience” of the sector was put to the test. This article studies Canadian reports on surveys of the community nonprofit sector during the pandemic to assess the state of the sector and to examine tensions between precarity and resilience. Evidence illustrates a community nonprofit sector in crisis and the limits of neoliberal resilience.

## RÉSUMÉ

La pandémie illustre le besoin d'examiner le rôle vital du secteur à but non lucratif communautaire. Bien que l'on sache que ce secteur répond de manière innovante aux besoins sociaux—celui-ci est résilient—il manque de ressources et se retrouve dans une situation précaire. Le néolibéralisme a miné les services sociaux, imposant la responsabilité de ceux-ci aux organismes sans but lucratif avec comme justification l'idée que la précarité accroît la résilience. Par surcroît, l'augmentation des besoins pendant la pandémie a mis la résilience du secteur à l'épreuve. Cet article étudie des rapports canadiens sur le secteur à but non lucratif communautaire pendant la pandémie afin d'évaluer l'état de celui-ci et d'examiner toute tension qui puisse sévir entre précarité et résilience. La recherche montre d'une part un secteur communautaire à but non lucratif en état de crise et d'autre part les limites de la résilience néolibérale.

**Keywords / Mots clés :** COVID-19 pandemic, nonprofit sector, resilience, precarity, neoliberalism / pandémie de la COVID-19, secteur à but non lucratif, résilience, précarité, néolibéralisme

## INTRODUCTION

The COVID-19 pandemic put tremendous strain on Canadian society, with much public, political, and policy focus on how hospitals and long-term care residences struggled to meet the needs of those most vulnerable and marginalized. Less attention was placed on how other nonprofits provided vital social, human, health, and other services and supports to residents throughout the waves of the pandemic. This involved the storefront closures of many community nonprofit organizations for direct service delivery and the struggle to shapeshift to online service delivery and hybrid delivery forms. Community nonprofits were suddenly propelled into a state of crisis (Buckner, 2020). This article argues that any reading of how a political community in Canada fared during the pandemic requires a spotlight on the role of the community component of the nonprofit sector. Such an analysis offers vital insights on both the state of the nonprofit sector going into the public health crisis as well as indications of its socio-political role in a “post-pandemic” period. Moreover, this state of the sector analysis presents crucial knowledge on the ways in which we have constructed a political economy that is resilient enough to offer care through a crisis.

This article uses existing reports and surveys of the nonprofit sector during the pandemic period from 2020 to 2022 to assess the state of the community nonprofit organizations in Canada. While varied, these studies focus on community centred nonprofits excluding para public charities such as hospitals, colleges, and universities. The authors pay particular attention to community nonprofits that provided social, human, and health services connected to social welfare roles in society.

The findings suggest that much of Canada’s nonprofit sector was in a state of constructed precarity or crisis prior to the pandemic due to decades of neoliberal policymaking that challenged its ability to meet rising societal needs. While the community nonprofit sector is known for its innovative abilities to creatively respond to emerging societal needs—in other words, to be resilient—it is also the case that community nonprofits are chronically under-resourced, and hence, precariously situated. The hollowing out of the social welfare state under neoliberalism has shifted responsibility downward on to community nonprofit providers to fill growing service gaps and act as a residual protective safety net. Under the neoliberal model, precarity is believed to drive resilience and this has been applied to the nonprofit sector. The demand for nonprofit services expanded exponentially during the pandemic and the “response resilience” of the sector was put to the test. While various organizations of the Canadian state awoke to their reliance on nonprofit organizations and provided emergency funds to enable service provision during the pandemic, findings suggest that this support was inadequate and is likely to dwindle in the post-pandemic period. The community nonprofit sector is currently facing unprecedented and unsustainable financial and human resource challenges when need is at an all-time high.

This situation allows us to draw policy lessons regarding the capacity limits of the community nonprofit sector and to question the legitimacy of neoliberal claims regarding the ability of the sector to replace much of the state’s social welfare role through forced precarity. The pandemic crisis has demonstrated the limits of the community nonprofit sector in addressing societal needs through a model of neoliberalism and the necessity of re-activating the state (bringing the state “back in”). “Building-back-better” must include public policies directed to maintaining the resilience of Canada’s community nonprofit sector in an amplified and transformed social welfare system. The article concludes with insights as to what such a policy agenda might look like.

## DEFINING THE NONPROFIT SECTOR

The Canadian nonprofit sector is substantive in size and scope. The diversity of organizations within the sector and the lack of accurate data on many nonprofit organizations make it challenging to define and measure. Many nonprofits are small, not incorporated as charities, and primarily voluntary; hence, they fly under the radar. Statistics Canada has established a satellite account of nonprofit organizations and voluntary work, offering the most comprehensive statistical portrait available. Statistics Canada classifies nonprofit organizations into three categories:

1. Business nonprofit organizations, which include chambers of commerce and various other business associations.
2. Community nonprofit organizations that encompass nonprofit organizations that provide goods and services to individuals, households, and communities, such as those related to food security, social services, housing, employment, health, newcomer settlement, recreation, sport, and religion.
3. Government nonprofits that are self-governing and formally independent of government but remain “heavily influenced by it” (Statistics Canada, 2022a, p. 4). These organizations include hospitals, colleges, and universities.

According to Statistics Canada, the overall nonprofit sector in 2020 accounted for nine percent of the country’s gross domestic product (GDP) at a \$185 billion net value. Government nonprofits made up 75 percent of this total share. Business nonprofits constituted the smallest element at 0.8 percent of GDP. Community nonprofits are valued at \$16.4 billion or 1.4 percent of GDP (Statistics Canada, 2022a), although the “data deficit” related especially to this part of the nonprofit sector likely undervalues its size and impact (Barr, 2021).

Statistics Canada data from 2020 indicates that community nonprofits account for 24.5 percent of jobs (some 388,000 positions<sup>1</sup>) within the overall nonprofit sector (2022a). Women occupied 76.9 percent of these jobs (2022a). The community nonprofit workforce is increasingly racially diverse and most of the employees are college or university educated (2022a). For community nonprofits in 2020, government provided 37.9 percent of their revenue, with 25.5 percent derived from donations from households (2022a). However, given the diverse range of organizations that make up community nonprofits, the revenue sources between organizations varies considerably.

Community nonprofits exist in multiple policy realms, operate at different geographic scales, and have varying degrees of professionalization. Many community nonprofits are guided by social justice-oriented missions. In doing so, these agencies offer opportunities for mutual care, solidarity, identity formation, and political advocacy, often for communities that have been marginalized by existing socio-political and economic systems (Richmond & Shields, 2024).

Community nonprofits form a core component of public social welfare systems. They were the prime source for alternative service delivery of welfare state services by governments in neoliberal efforts to shrink the state (Shields & Evans, 1998), and as such, community nonprofits illustrate the tensions, problems, and potentials of Canada’s socio-political economy. Despite this unique vantage point on the frontlines of public policy, community nonprofits receive scant attention in the academic

fields of public policy and political science. The authors argue that this is to the detriment of these disciplines. We cannot fully comprehend how the state and public policy support and marginalize residents without an intricate research agenda on nonprofit organizations.

Joy and Shields, 2020, offer a broad scope historical political economy analysis of Canada's nonprofit sector, situating its role within dominant models of classical liberalism, social liberalism, and neoliberalism. Each of these periods illustrates a different relationship between the state and nonprofits, which has reoriented the roles of both sectors. During the era of classical liberalism, limited state social welfare and laissez faire capitalism saw growing social problems that were "morally regulated" through religious charities and philanthropy, sometimes to prevent state intervention and redistributive taxation. The post-war era of social liberalism was characterized by welfare state building and regulated capitalism, which led to the prevalence of "junior partnerships" between nonprofits and the state. This included core funding relationships to fill social service gaps for marginalized population groups and, to a limited extent, to inform policy to address the roots of this marginalization.

The neoliberal era fundamentally changed the welfare state social contract because the state was no longer considered to be the steward of social wellbeing. Public efforts to build society were eschewed in favour of individual entrepreneurialism and self-investment, privatized and marketized solutions to individual "problems," and tax cuts. In the neoliberal model, nonprofits were treated much like private sector enterprises, situated as alternative service delivery agents in the state's effort to privatize and marketize its social welfare role. Funding to the sector, and especially to support core operations and advocacy, was cut and agencies had to compete for service contracts that were short-term and required incessant reporting requirements to prove value for money. These are the key elements of new public management (NPM), an administrative business model, which was to guide government funding of contracted nonprofit providers and, in so doing, impel them to operate like a private business (Evans & Shields, 2018). To survive, the sector had to raise its own source revenue through membership fees, social enterprises, donations, and private funding.

Prior to the pandemic, an era of communitarian neoliberalism prevailed, where competitive project-based funding came with additional requirements for nonprofits to measure their social impact or how their programs could "solve" social problems and thus save the state money. This is exemplified in the trend to fund the sector through social impact bonds, where private investors receive public payout when the nonprofit statistically proves that it has saved the state money by "saving" struggling people (see Joy & Shields, 2018). While this approach is sold as innovative, it includes a morality and elitist politics devoid of systemic context that returns to some of the core tenets of classical liberalism. While the shift to social impact includes a communitarian recognition of the important role of community nonprofit service approaches, the pressure to "fix" individuals struggling in deeply marginalizing systems is highly problematic and unrealistic. This approach also fails to learn from the sector and the ways in which its unique way of working and providing opportunities for care and solidarity could be expanded and supported. We use the concepts of resilience and precarity to assess this further as we examine the pandemic as a historical period that has the potential to reorient the relationship between the state and the community nonprofit sector once again.

## RESILIENCE AND PRECARIETY AS CONCEPTUAL THEMES

In conceptually framing this article, the authors draw upon the contrasts and dynamics between resilience and precarity in a policy environment and era dominated by neoliberalism. Resilience has been defined as the ability of entities to withstand, adapt, and recover from periods of difficulty, sudden shocks, and crises. The COVID-19 pandemic is a prime example of such a disruptive occurrence, one that profoundly challenged the ability of the nonprofit sector to respond, adjust, and adapt (Brunnermeier, 2021). We posit that adaptation was made more difficult than necessary for many nonprofits because of decades of neoliberal restructuring that forced precarity onto the sector. Precarity is about insecurity, uncertainty, and manufactured vulnerability. Nonprofit organizations are precariously positioned in neoliberalism because their financial foundations generally rest on insecure and inadequate financial sources, their workforce is composed of precariously employed and voluntary labour, and they often provide their services to the most precariously situated populations in society (Shields et al., 2017).

Paradoxically, while the community nonprofit sector is precariously situated, it is also known for being highly resilient organizationally and innovative in its programming. Neoliberalism's position on this paradox is that precarity drives resilience, as in the private market, and the community nonprofit sector is celebrated for its lean way of doing business—a characterization that is often contrasted with a bloated state. The sector has been expected by neoliberal policymakers to be able to “resiliently endure” (Leary, 2018, p. 151), adapt to hardships, and to continuously “do more with less.” Neoliberal policy has relied upon such uses of everyday nonprofit sector resilience in its restructuring of state-societal relations, where the state shrinks in size and where individuals, families, and the nonprofit sector are expected to assume greater responsibility for the state's social welfare roles—a process of downloading and responsabilization. Nonprofits are made to continuously compete with other nonprofit agencies, as well as with the public and private sectors, for service contracts. The neoliberal model does not conceptualize a difference between these three sectors as they each operate through a similar business-oriented NPM approach to service delivery. The nonprofit competitive edge is often rooted in its lean approach that operates on the back of precarious and voluntary labour. While neoliberal resilience has been utilized to restructure society, its approach attempts to camouflage this process as an apolitical one (Golubchikov & DeVerteuil, 2021). Neoliberalism normalizes its imposition of restructuring and austerity through the downloading of adjustment costs onto the everyday efforts of bodies such as those in the nonprofit sector, whose work is often invisible.

The reliance by funders on everyday nonprofit resilience through a neoliberal model has manufactured the problem of nonprofit precarity, as the sector is squeezed to become ever more efficient by reducing costs, increasing so-called nonprofit self-sufficiency, and assuming more responsibility to address expanding societal needs resulting from a shrinking state and expanding societal polarization. The increasing precariousness found within the nonprofit sector has compelled organizations to operate under continuous stress. Neoliberal approaches to resilience raise questions regarding its sustainability and its inherently conservative/regressive character as requiring precarity (MacKinnon & Derickson, 2013). The state of the community nonprofit sector in the pandemic context enables an assessment of neoliberal claims regarding the ability of the sector to replace

much of the state's social welfare role in society. This is significant since it raises the question of whether the community nonprofit sector has been structurally weakened by the pandemic in combination with the negative impacts of years of operating under everyday neoliberal resilience, compromising the ongoing capacity of the community nonprofit sector in fulfilling its service roles and missions. When deeper crises emerge, such as the COVID-19 pandemic, how is the community nonprofit sector, already stretched through its everyday neoliberal resilience practices, impacted, and what is its ability to respond going forward? What has been the impact on the ongoing response resilience of the nonprofit sector?

It is important to note that resilience is not just about the ability to rebound to a pre-crisis position but also about the sustainability of this adaptability over the longer term (Brunnermeier, 2021). The concept and practice of resilience comes in various forms (Preston et al., 2022), with the neoliberal version being particularly limited and narrow. Resilience is not just about “bouncing back” to same old versions of (neo)liberalism post crisis but can also be about “bouncing forward” into a new policy paradigm and practice (Golubchikov & DeVerteuil, 2021), and one that expands the project of social liberalism into more progressive directions. As we saw with the COVID-19 pandemic, a politics of possibility (Golubchikov & DeVerteuil, 2021) emerged with the promise of building-back-better. The question of whose politics of resilience and needs would be recognized and prioritized in the process of recovery and rebuilding (Meerow & Newell, 2019; Abu Alrob & Shields, 2022) is critical. The role of the state, the community nonprofit sector, and the relationship between them is central. Progressive notions of resilience are rooted in collective forms of support and solidarity captured in the idea of social resilience (Preston et al., 2022). For the community nonprofit sector, progressive social resilience must be constructed upon a stable and fair funding base, true partnerships with the state that respects sector autonomy, and a recognition and respect for the social justice missions of nonprofit organizations that informs public policy in myriad domains to address the roots of oppression.

## METHODOLOGY

This article uses existing reports on surveys of the nonprofits during the pandemic period from 2020 to 2022 to assess the state of the sector in Canada and to examine the tensions between resilience and precarity and what this illustrates about neoliberal resilience, progressive resilience, and building back post-pandemic. To accomplish this task, a grey literature search was undertaken using the Google search engine to identify reports and summaries of COVID-19 surveys that were administered in the nonprofit sector in Canada. The research scope included all nonprofit organizations providing services in the social, human, and health areas. The surveys excluded government nonprofits and were focused on community nonprofits. A total of 45 Canadian surveys and reports, including media stories, that included information on nonprofit surveys during the pandemic were used for the study. Pattern matching was used to identify common themes on the impact of the pandemic in the various nonprofit sector studies using inductive analysis. Data was categorized under common themes, including finance and fundraising, human resources, programs and services, operations, and clients. The assessment of nonprofit organization impacts from the first wave of the pandemic provides thematic foundations, while survey findings from subsequent waves of the pandemic are used to assess long-term implications on the community nonprofit sector.

The thematic analysis is based on information from surveys and reports that are national, provincial, and regional and by nonprofit subsectors, in scope. The sample sizes vary widely and may not be statistically representative of the overall populations being surveyed. The effects of the pandemic forced the full closure of many nonprofit organizations, and the surveys do not adequately capture this impact on the community nonprofit sector. There is no reliable data on this number in Canada, but a U.S.-based analysis estimated in 2020 that an additional seven percent of nonprofit organizations over normal circumstances would close due to the pandemic and that this figure could be considerably higher (Harold, 2020). Consequently, the numbers revealed in this analysis should be interpreted as indicative of sector impacts rather than as hard facts. Nonetheless, the survey data and report findings provide an important overview on the effects of the pandemic on community nonprofit organizations in Canada.

## **THEMATIC ANALYSIS: IMPACTS OF THE PANDEMIC ON THE CANADIAN NONPROFIT SECTOR**

The onset of the COVID-19 pandemic in Canada in March 2020 presented the nonprofit sector with the “triple threat” of “revenue loss, office closures and service cancellations, and human resource challenges” (The Philanthropist, 2020). This added to what the Canadian Senate already identified as a “slowly intensifying crisis” due to the highly inadequate resourcing of the sector (Omidvar & Pearson, 2020). The following sections outline the core intersecting effects of the pandemic on the capabilities and operations of the community nonprofit sector in Canada: human resource challenges, unsustainable working conditions, financial instability, unclear government supports, and increased service demand.

### **Human resource challenges**

The nature of the services provided in the community nonprofit sector means that organizations rely heavily on human resources; the COVID-19 pandemic severely disrupted organizations in this realm. Staffing levels were most immediately and negatively affected with forced office closures to comply with pandemic protocols and layoffs due to revenue losses and health concerns. Job losses were the most acute during the first wave of the pandemic. Before the development and distribution of vaccines, the restaffing of offices for frontline direct service remained, for most organizations, limited and problematic due to health risks, logistics, and a lack of personal protective equipment (PPE).

A national survey on charitable organizations by Imagine Canada found that 37,000 full-time and 46,400 part-time staff were laid off during the first wave of the pandemic (Lasby, 2020). These figures do not capture job losses caused by organizations permanently closing due to the pandemic, because those organizations were not represented in the survey responses. Imagine Canada projected that almost 200,000 charitable sector jobs could be lost over a further six-month period due to pandemic lockdowns without additional supports to the sector (Mathieu, 2020). By May 2020, some 37 percent of social service nonprofits reported job losses and another 52 percent indicated that there could be more in the future (Lasby, 2020). Seventy-one percent of childcare centres by May 2020 reported that some or all their staff, except for the executive, had lost their employment (Macdonald & Friendly, 2021). At the local level, 50 percent of nonprofits in Vancouver, B.C. reported having laid off staff (City of Vancouver, 2020). Workforce layoffs eased in later waves of the pan-

demic and some organizations began rehiring, illustrating the precarity of employment for many during this time. Recruitment and retention, however, was a challenge as many laid-off workers declined to return and qualified workers were in short supply (especially those with skills related to working online). The issue of worker shortages would become a major challenge for the community nonprofit sector by 2023 when most COVID-19 restrictions ended (Statistics Canada, 2023).

Besides outright layoffs, staff absence was an issue. In March 2020, 30 percent of Ontario Nonprofit Network (ONN) member organizations reported staff absences (2020). As the first wave continued, several sub-sectors of the ONN membership began experiencing more significant staff absences, including 45 percent of the social services organizations and 67 percent of employment centre organizations (ONN, 2020). Some of the reasons for staff absences included fears over the risk of infection due to lacking PPE and the inability to physically distance. The lack of access to childcare supports and school closures also contributed to staff absences (Alberta Nonprofit Network, 2020). Numerous cases of nonprofit staff refusing to work under COVID-19 conditions were reported (Region of Peel, 2020). Hence, direct layoffs and regular workplace absences contributed to staffing challenges among the community nonprofit paid labour force. While these eased in subsequent COVID-19 waves, staffing did not return to pre-pandemic levels. The disruption of school schedules, childcare gaps, and the need to care for vulnerable family members (especially older adults) continued to be factors resulting in work absences and many women workers deciding to leave employment due to care responsibilities. Women's labour force participation rates steeply declined during the pandemic to contemporary historic lows (Shin, 2021). This hit the community nonprofit sector particularly hard as women make up over 75 percent of the paid workforce (Statistics Canada, 2022a).

In addition to shifting paid staffing levels, volunteer capacity also changed dramatically during the pandemic (Food Banks Canada, 2021; Colliers Not-For-Profit Advisory Group, 2020; ONN, 2020). In Ontario, an ONN and Assemblée de la Francophonie de l'Ontario (AFO) survey reported that 52 percent of nonprofit organizations experienced reductions in volunteers (ONN & AFO, 2020). A 2020 national survey of volunteers reported that 39 percent had stopped volunteering due to COVID-19, particularly older volunteers (Volunteer Canada, Ipsos, & Volunteer Management Professionals of Canada, 2020). A 2022 Volunteer Toronto report indicated a further 20 percent drop in volunteers from the year before (Jabakhanji, 2022). A 2021 Imagine Canada survey also reported the difficulty in securing volunteers, a situation that hindered service provision and placed added work stress on paid staff (Lasby & Barr, 2021). A Statistics Canada November 2022 report tells us that 66.6 percent of community nonprofits intending to recruit volunteers were experiencing shortages (Statistics Canada, 2022b). Organizations like Meals on Wheels faced an acute volunteer shortage for food delivery and social contact visits (Chiu, 2020). Volunteer losses were linked to fears over COVID-19 infection, lack of access to PPE, and the inability to engage in physical distancing, and a lack of access to childcare support (ONN, 2020). The challenge of recruiting and retaining volunteers has persisted throughout the pandemic and beyond. It appears that the pandemic accelerated an already present trend in the nonprofit sector of declining rates of volunteerism related to demographic changes and shifts in civic activity among younger cohorts (Fish, 2014).

### **Unsustainable working conditions**

Working conditions for staff and volunteers were significantly altered during the pandemic. The



biggest shift was the transition to remote work, including for service delivery. Over the course of the pandemic, most organizations retooled to move the bulk of their services to online and hybrid forms of delivery, although it took some organizations longer than others to achieve this goal. During the first wave of the pandemic, Imagine Canada reported that 54 percent of social service organizations and 69 percent of health organizations were able to move programs online (Lasby, 2020). There were challenges for community nonprofit organization in making this shift to online and hybrid service delivery as policies needed to be developed, training provided to staff, and equipment acquired for undertaking distance work, all while addressing health and safety issues and concerns. Continuous change and adaptation were the operating reality for these organizations, but they demonstrated considerable operational resilience in making the transition to online services.

Some services for vulnerable and marginalized populations necessitated face-to-face contact such as settlement services, housing and food services, and mental health supports. Some face-to-face services was limited, due to health restrictions and this work not being considered essential by governments and thus allowed to stay open; although, more frontline service delivery resumed with the passage of time. Those organizations that continued to provide frontline services also needed to be adaptive to how these were done given safety protocols and the changing situations of their membership, straining the capacities of many organizations (Lasby & Barr, 2021).

Nonprofit workers and leadership had varying experiences of adapting to working under pandemic conditions. A qualitative survey from the Toronto area (North York Community House, Department of Imaginary Affairs, & Marco Campana, 2020) early in the pandemic suggested that overall workers and management were resilient and adapted as best as they could under the circumstances and, in many cases, with great success. Most were happy to be able to continue to work, carry out the mission of their organizations, and serve their membership, whose needs had changed and increased. Still, the report highlighted a lot of uncertainty and stress associated with their work. The pandemic created a great increase in workload. An unattributed saying in the nonprofit sector during the pandemic was that “it is not business as usual; it is more business than usual.” This raised the problem of burnout and mental health challenges for staff, issues that remain in the post-pandemic period. There were also issues raised about whether all workers were able to work from home; did they have the proper technology and access to a workspace to be able to conduct their work from a distance (Campana, 2020)? Issues of work-home separation and work-life balance were increasing concerns with growing levels of virtual forms of working. Stress and mental health challenges were consistently raised in the surveys and nonprofits devoted time and resources to mitigate these threats to staff.

### **Financial instability**

The pandemic had an immediate negative impact on the finances of nonprofit organizations, considerably deeper than that experienced during the 2008/2009 financial crisis (Lasby, 2020). Imagine Canada's survey of charitable organizations released in May 2020 noted that revenues had declined an average of 30.6 percent since the onset of the pandemic, with 69 percent reporting decreased revenues (Lasby, 2020). Similar results were noted in Ontario, with seven out of ten nonprofits reporting financial losses with an average loss of \$121,229 in the first wave, equating to revenue declines of approximately 25 percent (ONN & AFO, 2020). In the Christian charities sector, across

small, medium, and large ministries, revenues declined by 71 percent, 67 percent, and 65 percent, respectively (Waybase, 2020).

Financial declines were the result of losses from several sources of revenue: earned income, including events-based revenue, membership revenue, service fees, sales of goods and services; loss of grants, loss of government funding, and lower investment income (Lasby, 2020; Waybase, 2020; Alberta Nonprofit Network, 2020; ONN & AFO, 2020; Community Sector Council of Nova Scotia, 2020; Friendly, Forer, Vickerson, & Mohamed, 2020). Non-contract revenues were some of the steepest losses of funds. This was particularly challenging as non-contract sources of revenue typically offer the greatest level of discretionary use and can be more easily strategically deployed during a crisis. Given the lean funding profiles of most nonprofits, it is not surprising that most organizations did not have deep financial reserves, with most having only a few months worth of reserve operating capacity (ONN & AFO, 2020).

As human resource intensive organizations, salaries/wages were generally the biggest financial cost to service provision, resulting in layoffs, as previously discussed. This also included cutting hours of work and cutting pay rates in some instances (Alberta Nonprofit Network, 2020; Friendly et al., 2020). While revenues were decreasing, expenditures for many items were increasing. The highest increase in expenditures was reported in the subsectors of nonprofit health (46%), housing (35%), and social services (33%) (ONN & AFO, 2020). Nonprofits had major increases in costs in areas such as supports for program adaptations, technology for program delivery and remote work, enhanced health and safety measures, and PPE (Calgary Chamber of Voluntary Organizations, 2020; City of Vancouver, 2020). The financial situation of community nonprofit service providers stabilized over the course of the pandemic. Many nonprofits, however, were greatly weakened by the initial financial shock and have not been able to fully restore their financial position to pre-COVID-19 levels. With rising service demands and necessary pandemic-related costs, they have been financially stressed and stretched. The ONN's *2023 State of the Sector* report suggested that it was a sector "at a tipping point" (ONN, 2023, p. 1).

### **UNCLEAR GOVERNMENT SUPPORTS**

Government funding constitutes an important portion of community nonprofit revenue sources, on average making up 37.9 percent of their total funding (Statistics Canada 2022a). However, for some community social, human and health services nonprofits government funding can reach 80 percent or more of their funding revenues, as is the case for many immigrant settlement service agencies (Joy & Shields, 2020, p. 224). Organizations such as foodbanks and shelters have different funding profiles, relying more heavily on volunteer labour and donations, and childcare services are primarily fees-based organizations. Hence, there is a diverse range of community nonprofit organizations in this field and significant variation in funding sources. The heavy government-funding of some of these service nonprofits, a profile that in the past was viewed as a weakness with considerable pressure on these organizations to diversify their funding base and become less government funding dependent, turned into an asset during the pandemic. This is because government funding to contracted service providers during the pandemic were generally stable or even increasing (Lasby, 2020; Shaath et al., 2022). Government commitments to honour contracts even if organizations

were not able to meet all their contractual commitments because of the pandemic was a major factor in keeping nonprofit organizations operating and providing many of them with the flexibility to shift services online.

Aside from the key role that continuing government contracts played in supporting many community nonprofits during the pandemic, governments developed other financial supports that nonprofit organizations could benefit from during COVID-19. These include the Canada Emergency Wage Subsidy (CEWS), a financial subsidy for qualifying employers to address negatively impacted workplaces by providing up to a 75 percent wage subsidy capped at \$734 per week per employee for job retention (Finance Canada, 2020b). This was the most impactful measure overall for nonprofits valued at between \$3.7 and \$4.1 billion by the fall of 2021 (Barr & Johnson, 2021).

In addition, the Canada Business Emergency Account (CEBA) offered interest-free loans up to \$40,000 for small businesses, including nonprofits with a 25 percent payment forgiveness if repaid on time (Finance Canada, 2020a). Other measures included rent relief through the Canada Emergency Commercial Rent Assistance (CECRA) program, but this required the participation of landlords, which increased the complexity of the program. These measures were designed with for-profit businesses in mind and although nonprofit organizations were eligible to apply, they were not explicitly targeted in the program design. Still, such programs did provide uneven but valuable supports to many nonprofits.

In contrast, Friendly et al. (2020) report that only 12 percent of child day centre respondents indicated that they applied for CEWS, while 28 percent of ONN/AFO June 2020 survey respondents benefited from CEWS (ONN & AFO, 2020). Only 14 percent of daycare centres received CEBA (Friendly et al., 2020), while 31 percent of ONN members had received CEBA, according to the ONN/AFO survey (2020). Imagine Canada, however, using a national survey of charities taking advantage of federal pandemic supports, found higher levels of uptake (Lasby, 2021).

Depressed levels of nonprofit use of government pandemic supports were because some nonprofits were unaware that they were eligible for these programs, some failed the eligibility requirements, and others found the administrative requirements for applying too difficult given the demand on staff during the pandemic (YWCA Canada, 2020). Additionally, nonprofits that were purely voluntary in nature were generally outside the scope of supports and this constituted a significant portion of community nonprofits.

The Canadian Government did establish a \$350 million Community Services Recovery Support Fund targeted to nonprofits. The Ontario Council of Agencies Serving Immigrants called this important, but only a “down-payment” (Douglas, 2020). It was available only to needy community service nonprofits in the later stages of the pandemic.

### **Increasing service demand**

The clients and communities served by nonprofit providers were negatively affected by the disruption of services provided by community nonprofits during the pandemic. Many frontline service closures shrank availability until online services were available. Health concerns also kept many clients away from nonprofit organizations, depressing demand. With the development of vaccines, the

widespread use of PPE, and the availability of online programming alternatives, there was a steady upswing in service usage. In 2021, Imagine Canada reported that nearly half of its survey respondents noted increases in service demand (Lasby & Barr, 2021). The trend in service use continued to grow as time passed. This put pressure on many nonprofits whose service capacities had been compromised by the crisis.

While the development of online services offered flexibility and access for many during the crisis, it is also the case that others fell through the pandemic cracks and were not able to access digital services (Campana, 2020). For the most vulnerable populations, the digital divide proved to be a formidable barrier to service acquisition (Mike, 2022). As will be discussed, in the post-pandemic period, with the return to more normal conditions along with the creation of hybrid forms of services, there was more growth in service demand. This has tested the capacity of many community nonprofit providers.

One service area that calls for special attention is food banks. The pandemic created an immediate and massive increase in demand for this service as food insecurity expanded. Some seven in 10 foodbanks reported a doubling in demand in 2020 (Food Banks Canada, 2021). In Ontario, there was a reported 26 percent increase in first-time visitors between March and June 2020 and food support inquiries to the 211 Ontario service line increased by 1307 percent between the first week of March and second week of April (Feed Ontario, 2020). The problem of food insecurity reached even higher to record breaking levels in 2022 as inflation grew (Ovoid, 2022). Food bank usage has continued to grow in the post-pandemic period, placing added stress on this segment of the nonprofit sector (Hayes, 2023).

## DISCUSSION

While the effects of the COVID-19 pandemic continue to reverberate within Canadian society and its nonprofit sector, the World Health Organization's declaration of the end to the pandemic stage of the virus provides an opportunity to ask the question: how well was the community nonprofit sector able to manage the crisis, and what does this say about the sector's overall resilience and capacities in the future? In this regard, the first thing to note is that community nonprofits, especially those in the social, human, and health areas clearly demonstrated dedication to their missions and showed considerable resilience under stress in their ability to perform their service mandates in large part by shifting to virtual forms of delivery. This was made possible, in most cases, by governments providing continuing funding for programming and a general easing of NPM accountability measures during the pandemic. The overall stability of government funding already held by many community nonprofit service providers was essential to the ability of these agencies to continue to operate. The case of immigrant settlement services is a prime example of this situation (Shields & Abu Alrob, 2020). Organizations without regular government funding, like many food banks, were placed in a more challenging position. While government funding support helped stabilize much of the social, human, and health parts of the community service nonprofit sector, the pre-existing precariousness of nonprofit providers was evident and amplified by the pandemic, demonstrating the limitations of the community nonprofit sector to address the immediate needs of Canadians, let alone more transformational desires associated with building-back-better.

The COVID-19 pandemic represented the biggest crisis since the Great Depression. What became clear was that the scale of the crisis required immediate state intervention. Governments at all levels in Canada acted and cooperated to address health protection and safety issues and embraced a wide-ranging set of measures to mitigate social and economic dislocations. Trust in government rose sharply, restoring faith in the state's ability to be a positive force in people's lives and the necessity for it to take leadership and action in an emergency (Shields & Abu Alrob, 2020). The breadth of actions undertaken by the state at the various levels of government in Canada was substantive (see Norton Rose Fulbright, 2020, for a full listing of federal, provincial, and territorial government actions). While there is no question that community nonprofit service organizations needed government support as the pandemic progressed (Speer & Dijkema, 2020) and that measures introduced were of assistance to some organizations in the sector, the general lack of identification of the specific nature and needs of the sector by policymakers in Canada hindered the development of a more comprehensive support response. Greater simplification of support programs, direct outreach to the community nonprofit sector to increase awareness, and more assistance in the application process would have greatly aided in the impact of the programs for the sector.

The larger question is whether crisis-based state activism illustrates "emergency welfarism" (Webb, 2022, p. 3) that ebbs away after the pandemic with a restoration of austerity neoliberalism or a promise of building-back-better with a goal of broader social justice as the path forward. Expectations about the robustness of a building-back-better approach in Canada have been dampened as the federal, provincial, and local governments turn to deficit and debt reduction to get their fiscal houses in order post-pandemic (Hillel, 2022). There is thus a concern that neoliberal resilience will return. Evidence suggests that this is an unsustainable and irresponsible way forward.

As the post-pandemic period begins to take shape, the Canadian nonprofit sector is confronted by numerous capacity challenges. These include:

1. *A pressing shortage of paid nonprofit personnel.* The Canadian labour market is experiencing widespread vacancies and unemployment rates are at very low levels. For workers, it is a seller's market (Crawley, 2023), which could offer the opportunity for improved bargaining power. This situation is challenging for the community nonprofit sector because of comparatively lower wages and weaker benefits. The financial constraints on the sector make it difficult to compete with the public and private sectors for employee recruitment. The labour shortage is found at all levels of community nonprofit organizations, with particular challenges hiring workers with specialized skills in technology and to fill senior personnel vacancies. The generally flat organizational structure of most community nonprofits (many are smaller organizations with lean workforces) means that upward mobility is limited. The large number of workers leaving the sector for better opportunities has been labelled the "great resignation" or "great reshuffle" (Rodney, 2023a). The combination of the loss of workers to employers offering better opportunities and the effects of COVID-19-burnout and retirements has created a human resource crisis in the community nonprofit sector. Post-pandemic, remaining staff are left to address increasing service demands and risk further burnout (CanadaHelps, 2023). This could limit the capacity of organizations to offer mutual care

based on notions of solidarity, which takes time as it involves building relationships, understanding the complexities of marginalization, and informing and advocating for socially just policy.

2. *An acute shortage of volunteers.* The challenge with volunteer recruitment experienced during the pandemic has persisted into the post-pandemic period. The continued unease among older volunteers about the health risks associated with volunteering remains. An older demographic may have less interest in, experience with, access to, and/or comfort with virtual forms of volunteering, though it is important not to generalize and further research on this is needed. Older cohorts of volunteers have historically contributed far greater hours of volunteering than younger cohorts. The loss of older volunteers has thus contributed to a large volunteer gap, deepening the human resource challenges for the nonprofit sector (Jensen, 2023; Rodney, 2023b; CBC, 2023; Andrews, 2022).
3. *An inflationary shock.* As the Canadian economy continues to recover from the pandemic, the problem of high levels of inflation persists and has been worsened by the Russia-Ukraine war. Inflation peaked at over eight percent in the summer of 2022 and remained above six percent going into 2023, threatening the risk of a recession (Armstrong, 2023). For nonprofit service providers, inflation poses a serious problem (Jensen, 2023). Eighty percent of charities reported that inflation was negatively impacting their delivery costs (CanadaHelps, 2023). As part of this inflationary shock, the nonprofit sector has been hit with massive insurance premium rate increases (Barr & Jensen, 2023; Saba, 2023). Along with increased costs, insurance firms are increasing restrictions on what is eligible to be covered by insurance premiums. As nonprofit costs of operations and risk increase, additional stress is applied to financially constrained organizations. Funders have not adjusted their contracts to cover the full costs of these increases (CanadaHelps, 2023), hence these costs must be absorbed into the providers' budgets. The pressure to increase spending on overhead is compounded as nonprofits need to invest in technology, software, and staff training to meet the challenges of hybrid service delivery (Altamimi & Liu, 2022). While operating costs increase, so does service demand for core needs such as shelter and food as inflationary pressures place added strains on society (Barr & Jensen, 2022).
4. *Rapidly increasing service demands on an already overstretched sector.* A 2023 CanadaHelps survey reported that 40 percent of charities were experiencing higher levels of demand for their services than before the pandemic, and 57 percent noted that they were not able to meet this current demand (CanadaHelps, 2023). Additionally, an Ipsos survey released in November 2022 found that 22 percent of Canadians would need to make use of essential charitable services such as food, clothing, and shelter, a figure that jumped from 14 percent earlier in 2022 (Jiang, 2022; Swadden, 2022). The demand for food services alone rose by 300 percent (Jiang, 2022). Duke Chang, head of CanadaHelps, stated that it was "abundantly clear that many Canadian charities are beginning to buckle under the strain of increased demand for services and stalled revenues, and we are now at the point where the majority of charities cannot meet de-

mand” (CanadaHelps, 2023, paragraph 10). In 2018, Imagine Canada warned that there would be an emerging “social deficit” of \$26 billion by 2026 facing the nonprofit sector to address increasing service demands. It noted that the sector would need to raise twice the amount of funds in 2026 than it did in 2018 to address these growing unmet needs (Imagine Canada, 2018). The impact of the pandemic has only enhanced the societal need for nonprofit services and the social deficit continues to grow. The community nonprofit sector cannot meet such needs without more state support and intervention.

5. *Funding levels and funding models for the nonprofit sector are inadequate and ill suited to the service role they have been expected to perform.* Based on late 2022 survey data, fewer than half of nonprofits (45%) reported that funding levels were equivalent to pre-pandemic levels, and 31 percent said their funding was below these levels (CanadaHelps, 2023). Most nonprofits reported a drop in donations, coinciding with a continuing shrinkage in the overall donor base. Fifty-four percent of Canadians in 2022 reported decreasing their charitable donations because of rising household costs (Barr & Jensen, 2022). Imagine Canada’s CEO, Bruce MacDonald, made note of what he labels the “triple whammy” on the nonprofit sector coming with the end of 1) COVID-19 supports, 2) high inflation, and 3) the ongoing loss of funding sources. The result in his words is that “many organizations are still in a place of ‘How are we going to survive?’” (Riley, 2023). This is in a context where the Financial Accountability Office of Ontario recently reported that the province has over \$20 billion in unspent public funding dollars aimed at social services (2023).

The general model of funding for community service nonprofits continues to be constructed around neoliberal principles and practices of NPM based on “lean financing,” competitive contracting, and strict accountability measures (Lowe et al., 2017). During the pandemic, government funders eased the rules guiding precarity-oriented NPM financing, enabling stable and flexible funding for many nonprofit service providers. This reinforced the community nonprofit sector capacities during the crisis (Shaath et al., 2022). Since the end of the pandemic, there has been a return to past precarity practices, a rigid model that promotes competition between agencies and works against nonprofit organizations’ ability to build up the resources necessary to address unexpected crises and to plan for the future (McKnight & Gouweloos, 2021; ONN & AFO, 2022). This NPM model also makes it difficult for nonprofits to adapt to the rapid change they are currently experiencing due to lean funding starving them of resources (Altamimi & Liu, 2022). Furthermore, the widespread adoption of online service delivery has intensified competition between nonprofit service providers as agencies can outreach beyond their traditional geographical catchment areas.

## CONCLUSION

The situation of community nonprofits in Canada post-pandemic is complex, but it is clearly a sector under stress with ever growing pressures to address increasing service demands in a society marked by expanding social and economic polarization. This research suggests that the community nonprofit sector does more than fill gaps in the social safety net but has become ever more central

to the functioning of the social welfare system; without the services provided by this sector during the pandemic, lives and social functioning more broadly were at stake. The community nonprofit sector is locked into a pattern of neoliberal resilience, doing with less and unable to build reserve capacity to innovate to anticipate and minimize the impact of the next crisis. This is an unsustainable form of resilience and is falling on the backs of labour that is more precarious and, thus, dwindling. Neoliberal resilience poorly positions nonprofits to be much more than reactive in responding to growing needs and the evidence from sector surveys illustrates that they are unable to respond to needs adequately. The pandemic demonstrated that the community nonprofit sector is not able to replace the social welfare role of the state. While state funding assisted the sector to be resilient during the pandemic crisis, albeit in an insufficient and ad hoc way, there seems to be an assumption that things can return to “normal,” and the structural weakness of nonprofit service providers has not been addressed by the state post-pandemic. The increasing service demands on the community nonprofit sector illustrates that peoples’ basic needs for survival are not being met in essential areas such as food, shelter, childcare, older adult-care, and income support. This reflects the current paradigm that community nonprofits are playing a “nice-to-have” role rather than an “essential service role” in the provision of public goods. Ignoring the basic needs of the population and the needs of nonprofit agencies attempting to meet them is illustrative of state failure.

We argue that a new equitable partnership model is needed between the state and the community nonprofit sector that expands social liberalism towards more progressive and egalitarian directions. Progressive taxation is needed to build and fund public programming that meets essential population needs in the areas of income support, food security, affordable housing, childcare, older adult care, and services for women and members of the 2SLGBTQIA+ population and that does not rely on privatization and marketization. Such programming must be designed in a way that directly addresses institutionalized oppressions in such realms as ableism, colonialism and white supremacy, patriarchy, and heteronormativity. It is in such realms that partnerships between the state and the community nonprofit sector can flourish, such as agencies working with and representing refugees, folks living with autism spectrum condition, individuals and families who are precariously housed, Indigenous women, or members of the 2SLGBTQIA+ community who could be funded to support the state to design and fund public housing initiatives that directly meet the needs of community members. Such funding would support core missions, including space and electronic needs, and employ people with good working conditions. This funding would adapt to inflation and shifting insurance trends. Flexible and noncompetitive project funding would compliment and not replace core funding, supporting resilience-based programming where a nonprofit seeks to innovate an aspect of their work to meet changing needs and wants. The community nonprofit and state sectors can thus partner to create security and safety that enhances quality of life for the full diversity of the Canadian population. This secure and strong foundation of material and social welfare for all, rather than neoliberalism’s manufactured precarity and scarcity that benefits the few, is essential to building-back-better.

## NOTE

1. Raw numbers calculated from Statistics Canada (2022, p. 6).



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