



From Obstacles to Innovation:
**The Impact of the Economic Downturn
on Ottawa's Social Service Sector**

November 25, 2009

Executive Summary

The purpose of this report is to document and increase understanding of the effects of the economic downturn on the social service sector in Ottawa, and to help the sector develop effective strategies and innovative solutions to weather the increased demand and shortfall in resources.

Ottawa has a reputation as a financially secure and prosperous community, yet its most vulnerable citizens were hard hit by the economic downturn and a long transit strike. This has had a significant impact on the demand on social service agencies at a time when funding agencies and grant-makers are also facing greater demand and fewer resources.

To determine the continuing effects of economic downturn on the social service sector, United Way Ottawa, in partnership with the Ottawa Chamber of Volunteer Organizations (OCVO), Volunteer Ottawa and 211 Ottawa, surveyed a sample of Ottawa's social service agencies, their clients, and funders and grant-makers for these agencies.

This community scan was conducted between June and September 2009. One hundred and five agencies, 49 clients and 10 funders and grant-makers, plus a control group of 65, were interviewed in person, by telephone or through electronic questionnaires.

Obstacles

The community scan found:

- Over the past nine months, agencies have seen a sharp increase in demand for their services and programs.
- The demand for services and programs has increased over all demographic groups.
- The greatest increase in the need for services and programs from October 2008 to May 2009 came from four demographic groups: children and youth (increased

- 47%), new Canadians and immigrants (increased 46%), people with mental health issues (increased 45%) and women (increased 41%).
- Clients are facing complex and multi-dimensional issues, and agencies are strained to find the resources and capacity to deal comprehensively with these issues.
 - Agencies are still seeing the effects of the winter transit strike on clients and volunteers.
 - The economic security of clients and their families is a key factor in their ability to overcome the effects of the economic downturn and the transit strike.
 - The current funding climate is uncertain. Funders are receiving an increasing number of funding requests at the same time as donations have declined, investments have suffered losses and it is more difficult to attract sponsors.

Innovation

In spite of increased demand for programs and services and uncertain funding, agencies have found unique ways to adapt and innovate.

The community scan found:

- Agencies are concerned about the sustainability of their funding stream, but they are optimistic that their current funding levels will remain the same and not decrease significantly in the future.
- Agencies are responding to uncertainty with innovation and adaptability, including exploring opportunities to partner with other community organizations.
- Agencies have explored the possibility of sharing materials, resources and space to save on material costs. This increased collaboration between community organizations is creating unique opportunities for agency collaboration.
- There is recognition among those in senior management positions and boards that future planning is an important component of dealing with economic setbacks and financial cuts.

United Way Ottawa, Ottawa Chamber of Volunteer Organizations (OCVO), Volunteer Ottawa and 211 Ottawa would like to acknowledge and thank the social service agencies, clients, and funders and grant-makers who made this report possible by participating in the survey questionnaires.

“We pulled through where we could. Creating a community and providing opportunities for people to build networks and strong ties is what gets us through any crisis. We still continue to create opportunities for people to connect and grow relationships to sustain them — in good times and in bad.”¹



¹ Survey respondent. United Way survey on the effects of the transit strike.

Ottawa's Changing Economy

Ottawa has been a relatively stable place to live and work. Housing prices have not plunged as they have in other Canadian cities and the United States, and there have been fewer layoffs than in the rest of Canada. Ottawa's relative stability can be attributed to the fact that it is largely a government town.

However, that picture is changing. While Ottawa is sheltered from economic fluctuations, it is not immune to serious downturns in the economy. Ottawa was not hit as hard as other parts of Ontario, but jobs have been lost, particularly in the high-tech sector, and critical elements of the cost of living continue to increase. A growing number of families and individuals are low income or find themselves precariously close to serious economic vulnerability.

In 2005, almost 100,000 people — 12% of Ottawa's families — lived under the Low Income Cut Off (LICO). The changing economy has made this situation much worse.

Between November 2008 and May 2009, 18,300 or 2.6% of jobs were lost. The unemployment rate jumped from 4.5% last December to 6.1% in June. Furthermore, employment insurance rates, which are usually a good indicator of unemployment rates, increased by 66.1% from June 2008 to June 2009.² Consumer bankruptcy rates have increased in Ottawa from 17 per 10,000 people in 2007 to 30 per 10,000 people in 2009. Business bankruptcy rates have also increased from 5.8 per 1,000 businesses in 2007 to 6.6 per 1,000 businesses in 2009.³

Ottawa shares another national problem - weaker prospects for young workers. The unemployment rate for people between the ages of 15 and 24 rose to 17.4% in July compared to 10.5% a year earlier. By comparison, the unemployment rate for people 25 and over was unchanged at 4.2%.⁴

² <http://www.statcan.gc.ca/daily-quotidien/090825/t090825a4-eng.htm>

³ http://research.cibcwm.com/economic_public/download/cma-ottawa.pdf

⁴ The Daily, Statistics Canada. July 2009. *Labour Force Survey*

Canada's Consumer Price Index continued to record increases during 2009. These included: food prices up by 5%; health and personal care costs up by 3.7%; household operations, furnishings and equipment up by 2.6%; and recreation, education and reading increased by 1.1%.⁵

The 51-day OC Transpo transit strike, which took place from December 2008 to February 2009, compounded the effects of the economic downturn. The transit strike added additional economic and social strain to the most vulnerable Ottawans, such as those who rely on public transit to meet basic needs, get to work and school/university, or go to medical, dental or health-related appointments.

According to a study by the Market Research Corporation,⁶ the impact on Ottawa was severe. Overall, Ottawa had a loss of 6% of its total economic power:

- The city lost between \$280 million and \$408 million in economic activity.
- Every day, \$8 million was lost in lost retail revenue, wages and productivity.
- Retail stores, restaurants, and many other businesses laid off staff due to lack of work. The loss of employment income is estimated at \$300,000 per day.
- Ottawa charities experienced a decline in the levels of volunteer commitments, such as lost hours or unfulfilled activities.
- An estimated 500 Algonquin College students were forced to drop out of school because of the transit strike.

⁵ The Daily, Statistics Canada. 2009. *Latest Release from the Consumer Price Index*. <http://www.statcan.gc.ca/daily-quotidien/090819/dq090819a-eng.htm>

⁶ Barry Nabatian, Market Research Corporation, October 2009.

Economic Effect on Health

Research also shows the economic downturn is affecting the mental health of Canadians. Two in five Canadians indicate they're feeling stressed and overwhelmed by financial concerns. Recessions tend to cause recession fatigue, defined as "chronic psychological stress caused by an individual's economic circumstances, prolonged enough to degrade their personal effectiveness in work or non-work situations."⁷

The World Health Organization has called for improved services to deal with a rise in mental health problems, after linking a rise in suicides and the financial meltdown. Another American study suggests that each percentage point rise in unemployment produces a 7% rise in non-psychotic mental health disorders. Statistics from around the world also demonstrate that substance abuse issues increase during economic downturns. Therefore, it is not surprising that agencies are seeing a 45% increase in people with mental health issues.⁸

⁷ http://www.cma.ca/index.cfm?ci_id=10043349&la_id=1

⁸ <http://www.ceridian.ca/en/whitepapers/economic-downturn-wp-ceridian-mar2009.pdf>

Our Community Scan

To get a complete picture of the effects of the economic downturn, United Way Ottawa, in partnership with the Ottawa Chamber of Volunteer Organizations (OCVO), Volunteer Ottawa and 211 Ottawa, used a mixed-mode approach (in-person, telephone and electronic questionnaires) to gather data from agencies, clients (plus a control group) and funders during the June to September 2009 period in order to establish a baseline for subsequent trend analysis.

Methodology and Limitations

The sample sizes listed below are relatively small and should not be viewed as being representative of the entire community of agencies, their clients and funders. In this respect, the results should not be viewed as statistically significant. Nevertheless, the results do provide insights into the situation and provide baseline data that can prompt ongoing research.

- Agency sample: N = 105
- Clients sample: N = 49 (sample group: N = 65)
- Funders and grant-makers sample: N = 10

To address these limitations, the information was put in context, with primary research carried out across Canada, as well as economic data gathered from a variety of sources, including qualitative research conducted earlier this year.

Our Community Scan: Clients

The community scan included a survey of clients of the 211 Ottawa phone service (211 is an easy-to-remember phone number that connects people with important community services.) The 211 clients were compared to a sample group of the general population who have not used 211.

Table 1

What is the total income level of your family (those living under the same roof and sharing resources)?

| Total Income Level | 211 Client group | Sample Group |
|--------------------------------|-------------------------|---------------------|
| <i>Average Family Size</i> | 2.83 | 2.64 |
| Less than \$20,000 | 35% | 0% |
| Between \$20,001 and \$40,000 | 19% | 11% |
| Between \$40,001 and \$60,000 | 25% | 6% |
| Between \$60,001 and \$80,000 | 13% | 21% |
| Between \$80,001 and \$100,000 | 4% | 10% |
| More than \$100,001 | 4% | 50% |
| Don't Know | 0% | 2% |

While the average family size is comparable between the two groups, there is an obvious difference in the levels of household income. More than 50% of 211 clients have incomes of \$40,000 and less, compared to 11% of the sample group. On the other hand, only 21% of 211 clients had a total income of \$60,000 and more, compared to 81% of the sample group.

Table 2

What has been the effect of the recent economic situation on you and your family (those living under the same roof and sharing resources)?

| Level of Impact | 211 Client group | Sample Group |
|------------------------|-------------------------|---------------------|
| Significant impact | 41% | 8% |
| Some impact | 33% | 47% |
| No impact | 18% | 44% |
| Don't Know | 8% | 1% |

This table shows the effect of the economic situation over the previous year on both sample groups. Individuals in both groups experienced some impact from the economic situation; the clients of 211 were at least five times more likely to have felt a

significant impact from the economic downturn. More than twice as many in the sample group than the 211 client group reported that they experienced no impact.

In addition to the impact of the economic downturn, the effects of the transit strike are intensified when comparing the different economic groups. The 211 client group is seven times more likely not to have fully recovered, compared to the sample group.

Table 3

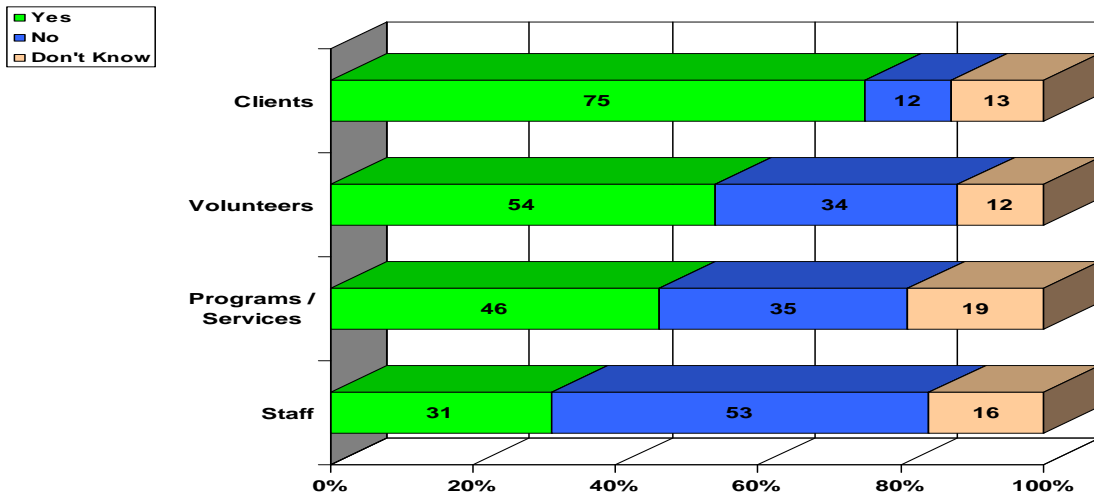
To what extent have you and your family (those living under the same roof and sharing resources) recovered from the impact of the transit strike?

| Level of Impact | 211 Client group | Sample Group |
|------------------------|-------------------------|---------------------|
| Fully recovered | 53% | 91% |
| Partially recovered | 29% | 5% |
| Not recovered at all | 6% | 0% |
| Don't Know | 12% | 4% |

Nearly half (46%) of the agencies surveyed believed that their agency and the clients that they served had not fully recovered from the strike. Another 41% of the agencies said their agencies and clients had fully recovered. An additional 13% did not know the full effects of the transit strike on clients and staff.

Figure 1

Percentage of people and programs still affected by the transit strike.

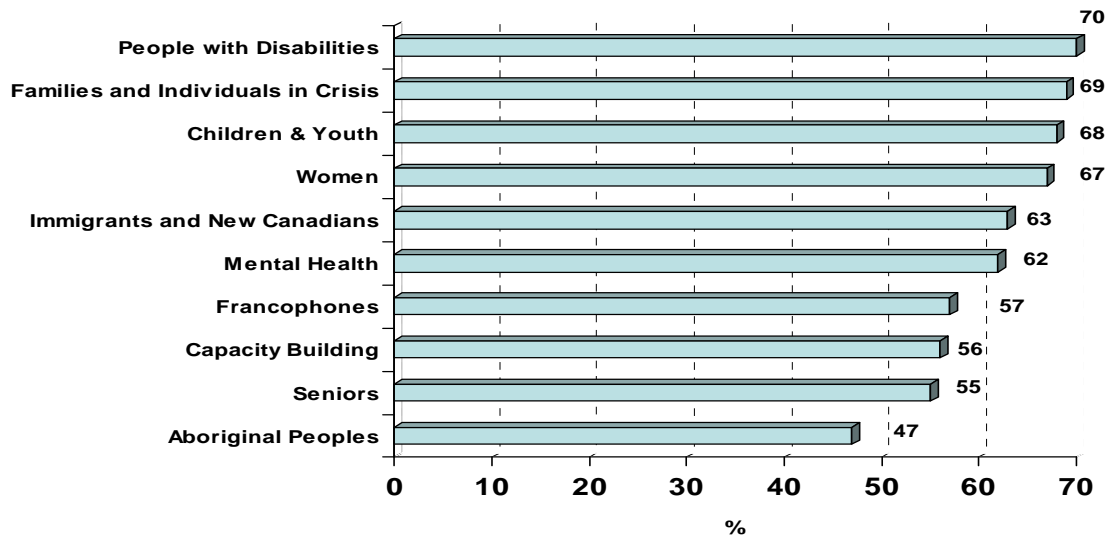


Our Community Scan: Agencies

The 105 agencies in the community scan serve a spectrum of demographic groups (Figure 2). Most agencies serve multiple groups simultaneously, although some serve a specific slice of the population. Other categories served by the agencies include addictions support and health promotion activities, sexual health and pregnancy, animal welfare, and employment counselling.

Figure 2

Percentage of agencies with clients in the following categories:



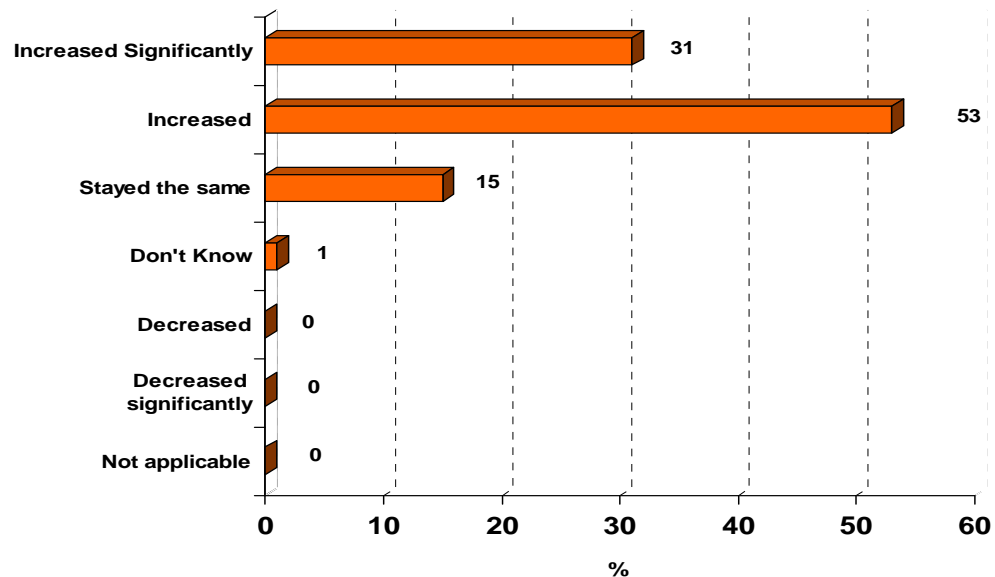
Serving a diverse range of clients poses certain challenges for agencies since they must meet a wide array of needs. In addition, agencies are helping clients who are deal with complex, multiple issues. This crossover of issues can compound the strain on agencies trying to meet increasing demand.

Increased Demand on Agencies

Most agencies in the community scan (84%) see that the demand for services and programs has increased due to the economic downturn.

Figure 3

Percentage of agencies whose demand for services since October 28, 2008 has:



This increased demand may indicate different trends. Agencies received new clients who historically had not accessed those services/programs before. In addition, existing clients required even more services/programs than they had previously. The conclusion is that more people have been confronted by increasing economic vulnerability, resulting in an increased reliance on community organizations to provide necessary supports through services and programs.

This finding is in line with the Ontario Trillium Foundation report *Challenges and Opportunities for Ontario's Not-for-Profit Sectors during Tough Economic Times*,⁹ which found that non-profit organizations across Ontario are gearing up for an upsurge in clients and an increased need for frontline services. Many are unsure if they can meet

⁹ Ontario Trillium Foundation. *Challenges and Opportunities for Ontario's Not-for-Profit Sectors during Tough Economic Times*. March 2009.

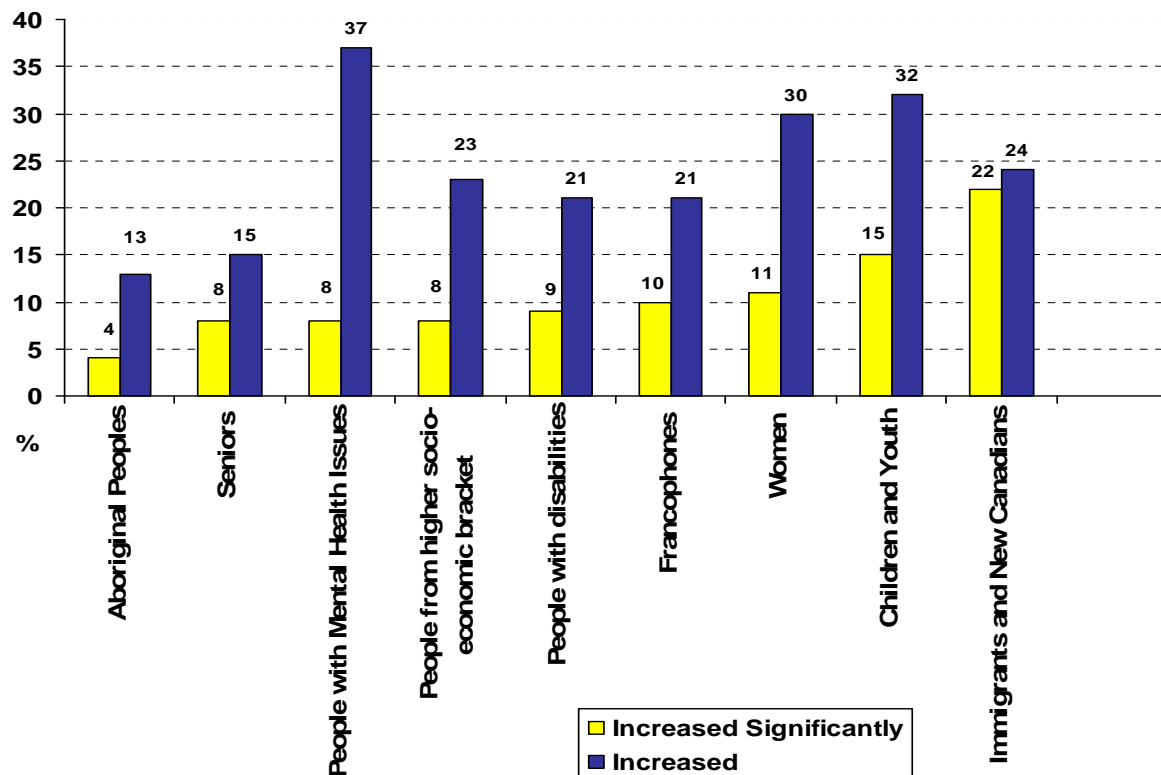
the increased demand, and some are responding to this by sticking to core programming and delaying the launch of new programs.

The overall increases in program use and the importance of crossover issues is also reflected in the population groups that have experienced increases in demand for services/programs.

The results of the community scan show that all demographic groups increased their usage of services/programs by at least 17% (Figure 4.) Four demographic groups increased use by more than 40%: children and youth (47%); new Canadians and immigrants (46%); people with mental health issues (45%); and women (41%).

Figure 4

Percentage of demographic groups that increased their use of programs/services.



The Ottawa-Gatineau region had a significant increase in the number of people receiving employment insurance (EI) between May 2008 and May 2009. EI regulations in Ottawa are some of the most severe in Ontario, and many newly unemployed workers have assets that exceed the levels allowed by social assistance programs such as Ontario Works. These people are now turning to community agencies for support in a way that has not occurred in the past. Because of this, agencies also faced an increase in the use of services/programs by people from higher socio-economic brackets (31%).

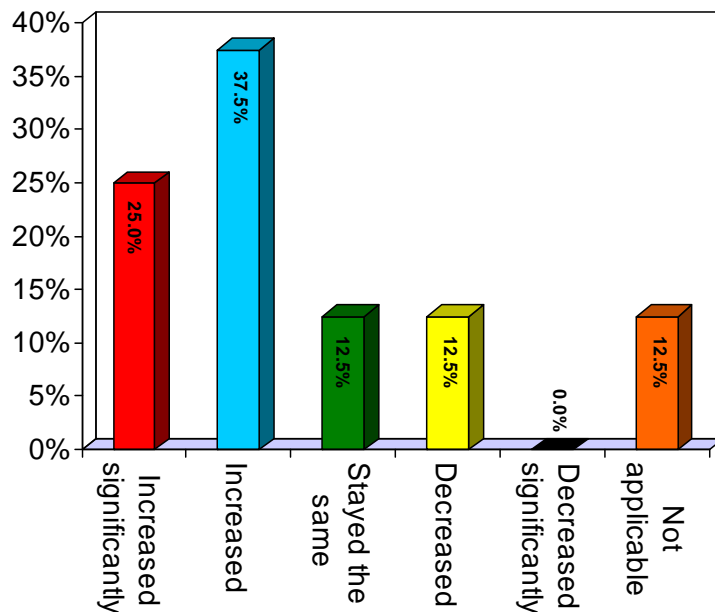
Our Community Scan: Funders and Grant-Makers

Consistent with what agencies are reporting, the survey results show that demand in requests to funders from both supported and new agencies between 2008 and 2009 increased by approximately two-thirds (Figure 5). Some comments collected from funders and grant-makers survey include “we are facing more pressures because of the requests coming from our client base” and “we need more support.”

In addition, respondents of the funder’s survey reported a 5% to 10% decrease between 2008 and 2009 in funds distributed to the community. Funders indicated that “our resources are limited” and “we have suspended the granting program for the fiscal year.” While most funders reported that their revenue streams from various government sources were relatively stable, 18% of respondents reported a decrease in revenue streams from other sources such as corporate giving, individual donations and investment portfolios.

Figure 5

Percentage change in funding requests between 2008 and 2009.



The data from the funders and grant-makers survey are echoed in national data:¹⁰

- 41% of Canadian charities said their organization's investment portfolio decreased in 2008 (this is likely to be larger as 40% didn't know the state of their organization's investment portfolio).
- 14% of Canadian charities say they were likely to cut staff in 2009 due to the recent economic downturn.
- 18% of Ontario-based charities were most likely to have already cut staff and 17% more expect to cut staff.

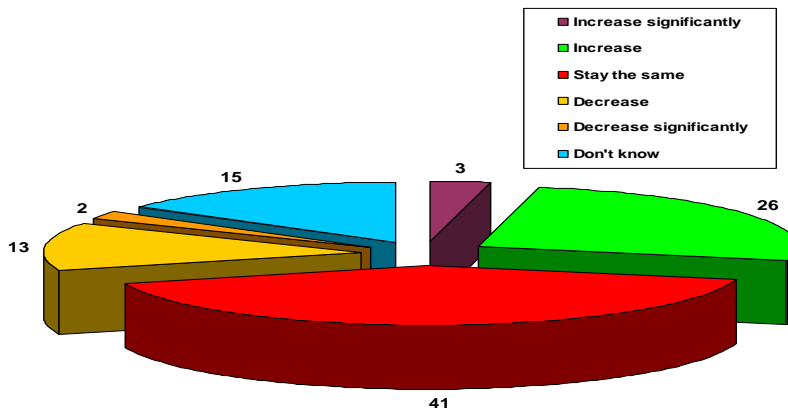
Despite an increase in the demand for services at the agencies, there is not necessarily increased funding to meet that demand. Only 66% of agencies believed that their average current funding is secure during the 2009/2010 fiscal year. A total of 34% of agencies are not sure whether they will have secure funding during the same period. In fact, 35% of those surveyed reported that they had 50% or less of their current funding secured, whereas only 25% of agencies reported 100% secure funding.

¹⁰ Innovative Research Group, *Impact of the Economic Downturn on the Philanthropic Sector*. February 17, 2009

At the same time, agencies seem optimistic about the future, as anticipated funding levels for the 2010/2011 fiscal year are generally expected to slightly improve or remain at the same level (Figure 6).

Figure 6

Percentage of agencies that believe funding for 2010/2011 will:

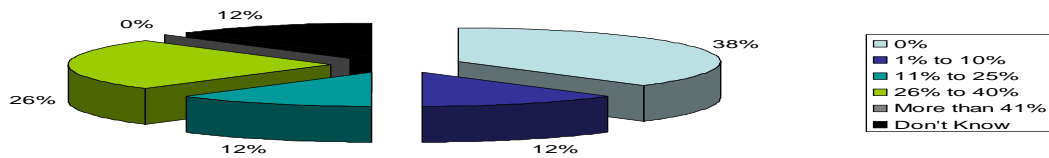


Funding for agencies can be core funding or program funding. Program or project funding tends to be short-term funding for the duration of the program or project. Core funding includes the broader organizational and administrative costs needed over a longer period. Eight of ten funders¹¹ provide 40% or less for core funding, with the focus largely on program funding.

¹¹ Due to the number of responses, the figures from the funders survey should be considered as anecdotal.

Figure 7

Percentage of funding that goes to core funding.



The Ontario Trillium Foundation report found that funding for programs is mostly confined to core programs rather than new programs. In the current climate, these longer-term components are less secure. The community scan of funders and grant-makers collected comments including “we need longer-term commitments in order to plan for the future” and “we require an increase in base funding to cover increased costs.”

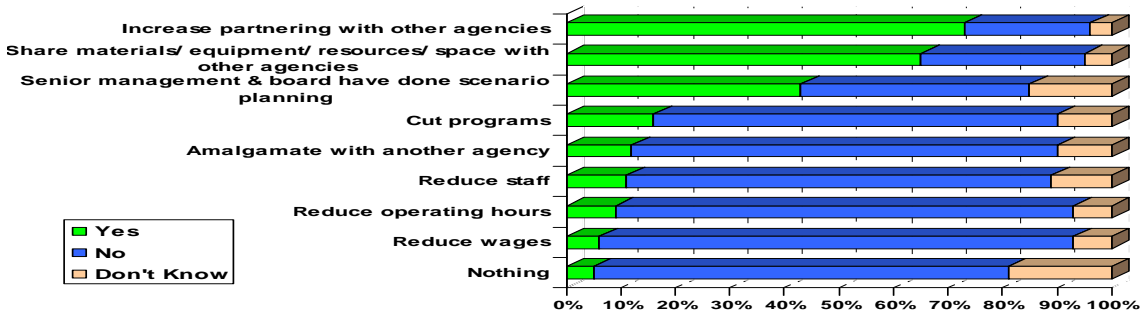
The same report also found that funders seem more pessimistic about the economy than grant recipients. Both community and family foundations experienced significant losses when the economy cooled. Many foundations have responded by either stopping or reducing grants. However, most funders are analyzing just how deep the economic impact actually is. The impact is felt in loss of equity, a decrease in charitable donations, and a reduction in sponsorship opportunities and sponsored events for fundraising. The one thing clear to all funders is that a fundamental shift needs to take place. Funders are willing to work with the non-profit sector to come up with innovative solutions to meet the increase in demand for services.

How Agencies Have Responded

The agencies facing increased demand and financial uncertainty have shown they can be extremely resourceful and resilient. They have seized the opportunity to find other ways to manage their budgets and to keep delivering services to those who need them the most. Agencies have shown a spirit of collaboration, innovation and alignment.

When asked about the strategies to deal with the economic downturn, most agencies in the community scan preferred to seek opportunities to partner with other agencies, as well as share materials and resources with other agencies, rather than reduce staff or wages.

Figure 8
What agencies are doing to weather the economic downturn:



Agencies have significantly increased partnerships and explored the possibility of sharing materials, resources and space to save on material costs. This increased collaboration between community organizations is creating unique opportunities for agency collaboration. Examples include:

- The merger between Nepean Support Services and Western Ottawa Community Resource Centre: The integration of services offers community support services in new and innovative ways. The hope is to learn about the process and the

resources needed to undertake this kind of merger. It can potentially serve as a learning tool for other agencies.

- Collaborative for Innovative Social Enterprise Development (CISED): This partnership between Causeway, the Ottawa Community Loan Fund, Carleton Centre for Community Innovation, Algonquin College, the Business Innovation Centre and Vanier Community Service Centre helps business networks support social enterprise opportunities that improve access to jobs for traditionally hard-to-employ or disadvantaged workers.
- United Way Ottawa is working on the development of a 'Community Campus' model that will bring together organizations under one roof. This model will align their work and encourage them to share programming and resources as an effort to build the capacity of the voluntary sector in Ottawa.
- There is also recognition among those in senior management positions and boards that future planning is an important component of dealing with economic setbacks and financial cuts, with more than 40% doing scenario planning. Most agencies have managed to avoid cutting programs, although the fact that about 15% are doing so seems worrying in the face of increasing demand.

These innovations illustrate how many agencies have been flexible enough to deal with the obstacles brought by the economic slump and resilient enough to find new and unique ways to survive. By exploring new ways of working with community partners and funders, many agencies are capitalizing on the opportunity to continue doing the work they do but more effectively than they have in the past.

Moving Forward

The results of the surveys have outlined a more comprehensive understanding of the economic climate and the effect it has had on agencies, clients and funders. The results also show that agencies must adapt to the increased demand and reduced funding by being innovative and flexible.

The community scan shows that the social service sector can take steps to anticipate and become more resilient in the face of an economic crisis.

Some of those steps include:

- Community partners should come together to develop ways to become more resilient to future shocks and develop long-term resiliency in the sector.
- Agencies can collaborate on projects to avoid duplication, streamline their services, and share knowledge and ideas.
- Agencies can collaborate on ideas to share services and location, and to find innovative ways to reduce costs and collaborate on projects.
- Agencies and funders can work together and share best practices.
- Agencies must analyze how they can best respond to the effects of the economic downturn, both financially and strategically.
- Agencies must invest in building their staff, volunteer and organizational capacity to become more effective and resilient agents of change in their community. United Way has developed a Capacity-Building Framework that can help agencies think about their mandate and priorities, assist them in a process of organizational self-diagnosis, and develop a plan to address challenges and build capacity.
- Boards can review their mandate and be more focused in their mission.
- To make it easier for clients as well as agencies looking for assistance or support, United Way has web resources and online links on its website. These can be found at:

<http://www.unitedwayottawa.ca/English/Agency%20Support/Resiliency%20Resources/index.php>

Conclusion

The social service sector is experiencing significant challenges in meeting increased demand for services at a time when there is uncertainty about future funding. Agencies face capacity constraints in meeting the increased needs of new and existing clients, keeping their programs running, and launching new programs or services.

However, most agencies are not giving up in the face of adversity. In fact, they have adapted to these challenging times and have re-evaluated the way they do business. They are turning obstacles into opportunities by finding ways to collaborate, streamline services, and become more focused and intentional about the results they want to achieve.

The focus of this sector has always been on client needs. Developing the capacity for frontline services remains a main concern, and learning from the private sector as well as from the non-profit sector in terms of opportunities to pursue is timely. Strategies that might increase the efficiency of the delivery of services are both welcome and necessary.

Funders have also taken a hit during the recession as equity and fundraising opportunities have shrunk. This is not a time to lament over limited resources and decreased capacity. This is a time to be innovative and find solutions to meet the needs within the community, be proactive about present and future shocks, and find ways to turn a difficult situation into a positive one. We feel that funders, clients and agencies can all work together to overcome difficult circumstances, learn from each other, and listen to what the greatest needs are and how these needs can be met with the resources that already exist within our communities.