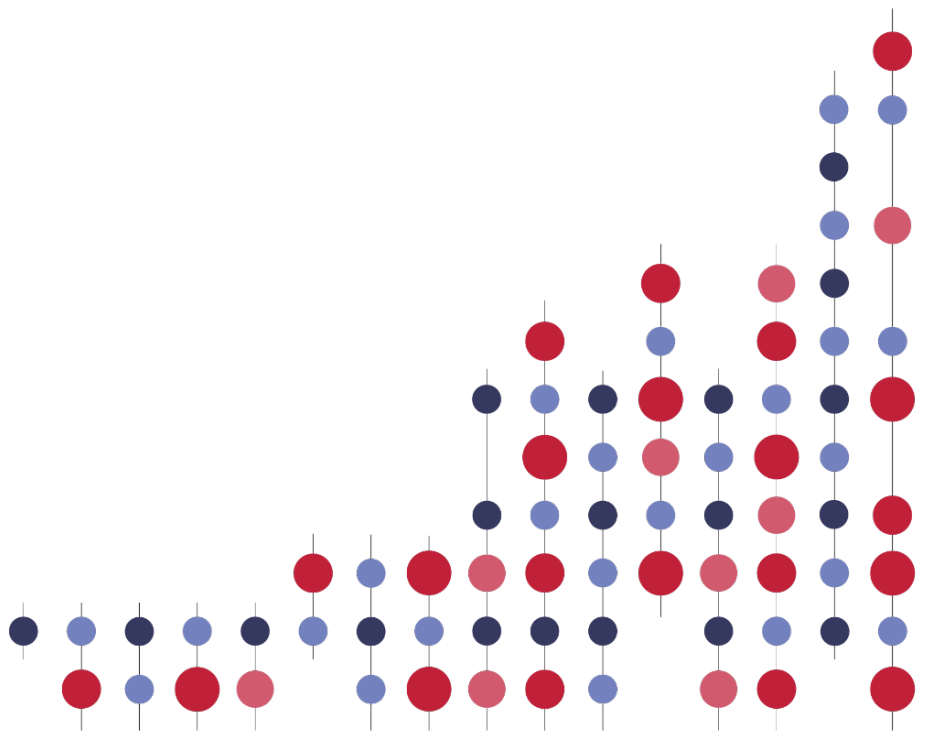




Surviving Budget Cuts

Lessons from the Harris Years

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Foreword

This report was originally envisioned in the context of anticipated cuts to provincial funding for nonprofit organizations in Ontario under the government of Doug Ford. Interviews were conducted prior to emergence of the global pandemic caused by the COVID-19 virus. While the full impact of the global pandemic is still unknown, it is clear that it has upset the status quo of the global economy and that all sectors will be disrupted. The nonprofit sector has already felt the impact of the crisis in many ways, and will likely continue to experience ever greater impact in the years to come as the world emerges from crisis mode, as the full economic impact is felt, and as governments move towards managing debt rather than staving off economic collapse.

There are many parallels that can be made between the cuts implemented by Ontario's Harris Government, and the shrinking revenues that the nonprofit sector is experiencing and will continue to experience as a result of COVID-19. In both instances, the cuts were sudden, unexpected and far reaching. As was the case over two decades ago, the loss of revenues since March 2020 will have extensive and long-term consequences that will reshape the sector.



I Introduction

I.1 Purpose of Report

This report seeks to present nonprofit leaders and managers with an overview of the potential long-term impacts of dramatic cuts to social services and associated infrastructure, based on a case study of the cuts implemented in Ontario by the government of Mike Harris (1995-2003). The report focuses on the impacts and lessons in regard to organizational management and the overall nonprofit sector, rather than the broader social implications of the cuts. The report presents a summary of findings from a series of 20 interviews conducted in 2019 with sector leaders who were at the management tables of Ontario nonprofit organizations or working in senior government positions when the Mike Harris government came to power. The impetus for this work was a realization that, while the Harris years are still talked about in the Ontario nonprofit sector, many in the current generation of leaders do not understand these experiences in their historical context.

I.2 Research Approach

The sector experts interviewed were primarily located in Toronto and Ottawa (with two from rural communities). They represented a wide variety of sub-sectors, including:

- social services (4)
- housing/homelessness (4)
- sector associations (3)
- environment (3)
- women's organizations (3)
- government bureaucrats (2)
- Franco-Ontarian organizations (2)
- co-operative organizations (2)
- funders (2)
- mental health (1)
- arts (1)
- employment (1)
- legal (1)

(Note some of these individuals were active more than one sub-sector.)

I.2.1 External Factors

It is important to acknowledge that other factors, beyond the Harris cuts, certainly contributed to the changes identified in this report. As a result, it is not possible to fully attribute causality; the findings reported here are the opinions of those interviewed. It also became clear that the various sub-sectors experienced the cuts in different ways and to varying degrees, and that some of the lessons shared in this report may apply to one sub-sector, and not the nonprofit sector as a whole.

Perhaps the most important external factor affecting these events was the development of the internet and communications and information-sharing technology. For a bit of perspective on just how much has changed since 1995, consider the following: in 1995, Palm Pilots were considered cutting edge; there were a total of 23,500 websites (*globally*); we used dial-up to access the internet; and Windows 95 shipped on compact disc, by mail, without a browser. We were still using pagers, and very few of us had cell phones. What are now Craigslist and match.com had only just launched and we were sending protest faxes!

2 Context

2.1 Overview of Political and Economic Climate

The 1990's were a difficult time in Ontario. The province, like the rest of Canada, was in the midst of a significant recession. Facing a \$12 billion deficit, Bob Rae and the ruling Ontario New Democratic Party (NDP) introduced the *Social Contract* in 1993 in order to eliminate \$2 billion in spending from the civil service. The *Social Contract* plan, which called for wage freezes and mandatory unpaid days off (nicknamed "Rae Days"), was successful in its savings goal, but very unpopular among those whom it impacted. The result was a significant shift in support (particularly amongst members of the labour movement) away from the Ontario NDP and towards the Ontario Progressive Conservatives. That shift brought Mike Harris to power in 1995 with his "Common Sense Revolution," which endeavored to eliminate the \$10 billion annual deficit.

2.2 The Common Sense Revolution

The Common Sense Revolution had five key components¹:

1. Cut provincial income taxes by over 30% over three years.
2. Cut "non-priority" government spending by 20% (without touching healthcare).
3. Cut government barriers to job creation, investment and economic growth.
4. Cut the size of government.
5. Balance the budget.

Cuts to "non-priority" government spending were particularly momentous for the nonprofit sector. Focal points included reforms to welfare, education, government housing and legal aid, as well as general cuts to government grants and subsidies. Some of the proposed cuts directly impacted the budgets of sector organizations. There was to be a moratorium on the construction of nonprofit housing, as well as significant cuts to legal aid funding.² Cuts to the welfare system, while indirect, changed the demand for services and the operational models of organizations. New "Workfare" and "Learnfare" programs required "all able-bodied recipients – with the exception of single parents with young children – either to work, or to be retrained in return for their benefits."³

Ultimately, the Common Sense Revolution saw the implementation of significant and sweeping funding cuts to many Ontario nonprofit organizations, often overnight, sometimes to devastating effect, in the service of a vision developed largely without input from the nonprofit sector itself.

There are no short-term cost savings for [Workfare], but we believe that for every life we get back on track we are avoiding further costly programs down the road. In the next few months, we will be asking charitable groups and other community organizations to meet with us and talk about ways in which this vision could be realized.

~*The Common Sense Revolution, p.9*

¹ Ontario Progressive Conservative Party, *The Common Sense Revolution* (7th Printing, Toronto: 1994), p. 3.

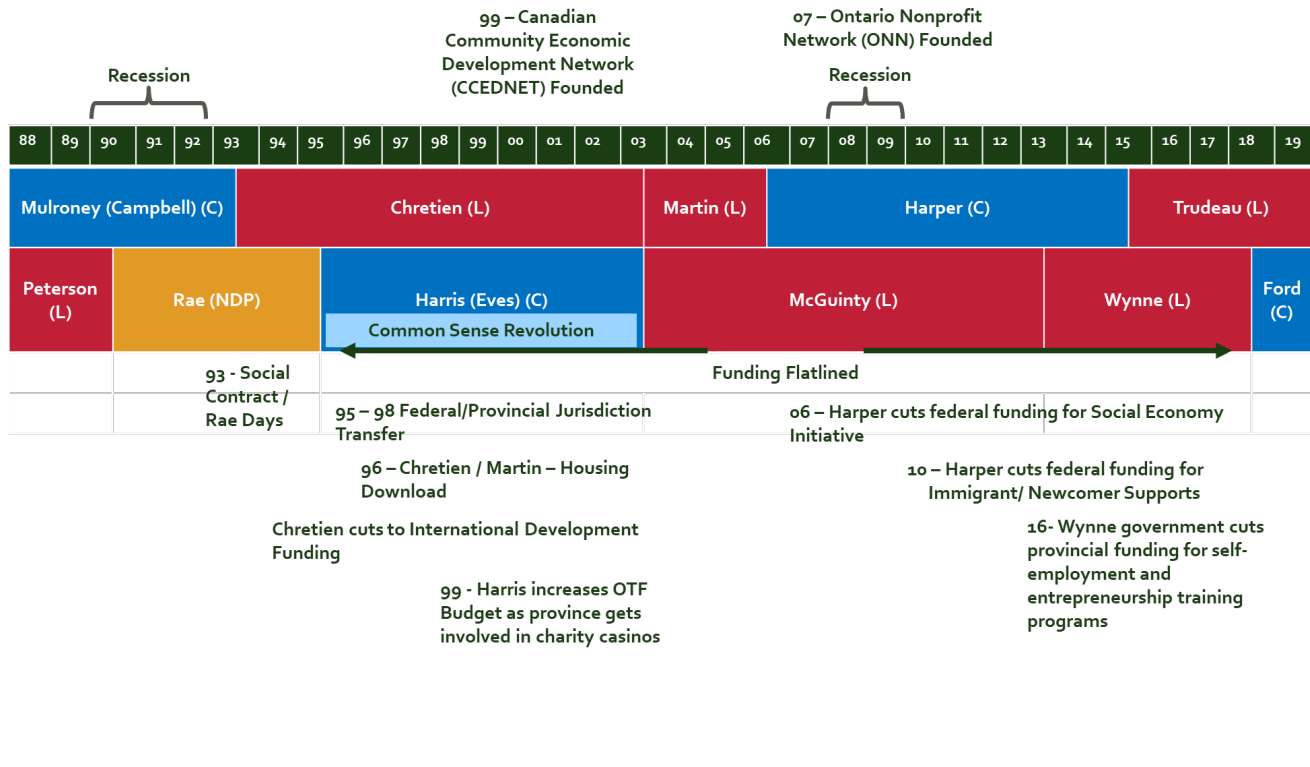
² *Common Sense Revolution*, p. 13.

³ *Common Sense Revolution*, p. 9.



The Broader Political Climate

This report is focused on cuts that occurred in Ontario under the government of Mike Harris. Nevertheless, sector leaders repeatedly noted that the nonprofit sector has been subjected to far-reaching cuts by all levels of government and by all political parties during the last 30 years. The following diagram highlights some of the bigger cuts experienced by the nonprofit sector over this period.



3 The Impact of the Harris Years Cuts...

3.1 ... on the Public

Several of the sector leaders consulted were uncomfortable engaging in a discussion as to how the sector was impacted without speaking to the impact of the cuts on the general public as well. The reorganization of the welfare system was particularly distressing to persons who relied on social assistance, especially the most marginalized. The changes were extremely confusing to navigate. (Recipients had to prove that they were looking for work and deserving of supports, and social workers had to police this.) In addition to having to figure out these new rules, social assistance recipients were faced with a 20% reduction in their income. For people already struggling to make ends meet, this loss of support was calamitous. Many required additional supports to pay for basic needs.



Some of the impacts on the public took time to be fully realized. For example, those working with homeless populations indicated that it took several months, possibly up to a year to see the real impact. (Homelessness tends to be a lag indicator. People will use up savings to hang on to housing, or benefit from the hospitality of friends and family for as long as possible before entering the shelter system.) Following that delay, there was a huge surge in homelessness, as well as unprecedented numbers of homeless families. Social assistance incomes have yet to return to levels attained prior to the Common Sense Revolution.

3.2 ... on the Sector (short-term)

The Harris cuts impacted different organizations in different ways. Organizations focused on housing, environment, the arts, and those working in the shelter system, women's sector, and social services experienced the greatest cuts. Other sub-sectors receiving government funding saw their provincial funding flat-lined. Funding from other sources (e.g., foundations, municipal governments) was often flat-lined as well, as these organizations tried to fill funding gaps incurred due to government cuts. Organizations were forced to cut programs, lay off staff and freeze salaries at the same time as they were seeing an increase in demand for their services, especially for social services. Some organizations failed. Umbrella groups and coalitions were greatly affected, especially those supporting women's and environmental organizations. The abrupt halt to development projects decimated the housing sector almost overnight.

In particular, employment services organizations suddenly were expected to play a role for which they lacked the necessary administrative structures, organizational capacity and knowledge. Whereas historically they had received unrestricted core and operational funding, they now were paid only when a client found work and held that job for 16 consecutive weeks. Some sector leaders admitted that their organizations started to "cull clients": they sought to support the "cream of the crop" in order to ensure that the organization would get paid.

Staff morale seriously deteriorated. Several sector leaders spoke of how the cuts demoralized staff, who felt that their work was seen to have no value. Housing sector staff saw years of hard work cancelled overnight when housing projects (even those with shovels in the ground) were halted and never built. Many spoke of their organizations having been crippled when sudden staff reductions required critical tasks to be dropped and work/case loads to increase. Without warning, organizational cultures expected not 100%, but 200% from each staff member. Despite all this, turnover abated, as overall jobs in the province were scarce.

There was a high overall level of anxiety and stress about both the service providers and the service recipients. It made going to work a bit of a traumatizing experience. It was living in that world of uncertainty that made it so difficult.

~Sector Leader

As organizations struggled to cope, budget and cash flow projections became much more important. Some funding agreements did not offer appropriate notification or wind-down periods. As a result, the organizations' loss of funding was compounded by the need to find ways to pay out severance to employees who had been cut, or to meet lease obligations for space that was no longer needed. Fundraising and grant-writing took on new importance, and funders started to see huge increases in funding applications. Beginning in 1999, nonprofit organizations did benefit from new funding that was made available through the Ontario Trillium Foundation (OTF). OTF actually saw a significant funding *increase* as the Government of Ontario was looking to branch out into more casinos and wanted to showcase the community benefit this could generate.



Some organizations did shut down, however, outside of the women's and environmental sectors, most organizations found a way to continue (although many were clearly on life support). Several sector leaders expressed surprise at which organizations struggled.

It was interesting looking at who was resilient vs. who folded. It wasn't always obvious that things would happen in that way – it made me really aware of how little in the sector we really know about the operations of other organizations.

~Sector Leader

What emerged from the interviews was a sense that the cuts hurt those organizations that had not diversified their funding sources, and notably, those that subsidized core staffing and operational expenses through program funding. It was also clear that while larger organizations tended to survive, it was only after extended rocky periods and repeated, often disruptive actions taken in an attempt to pivot the organization to a different strategy. In fact, there was a sense that smaller, chronically-underfunded organizations often weathered the storm more easily, since they were used to operating in survival mode.

3.3 ... on the Sector (long-term)

Sector leaders attributed a number of longer-term changes (both positive and negative) in the nonprofit sector to the Harris cuts. As previously mentioned, such changes may also attest to other factors at play in Canada and around the world over the past 25 years.

3.3.1 Funding

The funding environment of nonprofit organizations in Ontario has changed significantly during this period. This is certainly one area where many of the changes identified are apparent in other markets as well. That being said, sector experts were convinced that the experience of the Harris cuts hastened these changes in Ontario.

One significant example is the introduction of project-based funding, which has made it more and more difficult for organizations to fund their core operations. In the view of many sector leaders, the current ubiquity of organizations that truly run “on a shoestring” can be traced back to project-based funding and the general reduction in funding sources for smaller organizations. They also reported that the Harris cuts prompted nonprofit organizations to appreciate the importance of diversified funding sources and to get more proactive about seeking out foundation and corporate funding through grants, sponsorships and cause-related marketing initiatives. Today, organizations with a single source of funding are much less numerous. Sector leaders reported seeing foundations enter the spaces that were vacated by the Ontario government, particularly in the environmental sector. Whether this was due to filling a void or changing societal priorities is difficult to determine.

The Harris cuts also triggered the acceleration of the social enterprise movement in Ontario, as many nonprofit organizations sought out earned income in order to decrease their dependence on government funding. Employment service organizations in particular began to see employment-based social enterprise (those that provide jobs to individuals facing barriers to employment) as a means to ensure jobs for the clients they served.



3.3.2 Staffing and Human Resources

The impact of the Harris cuts and the uncertainty that they created made the sector overall a less attractive place for people to work. Several sector leaders pointed out that these same factors also made people much more hesitant about being on a board of directors. At a time when the need for strong governance was highest, many of the most skilled and knowledgeable individuals instead chose to take a step back. With so many variables outside their control, their risk tolerance declined. They were simply uninterested in serving on a nonprofit board when the potential for personal liability was so high.

The funding cuts led to job losses, and the shift towards project-based funding resulted in an increase in the overall precarity of employment in the sector, as more and more jobs moved to contract positions. This in turn led to something of a brain drain. In the housing and environmental sectors, entire sub-sector ecosystems were lost. Leaders of environmental organizations reported that many of the brightest minds in their sector moved on to roles in consulting or within industry groups. As a result, many of the environmental groups active today lack the depth of knowledge, experience and organizational capacity that derives from staff who have built their careers in that sector. The housing sector had a similar experience:

Today we lack the capacity to build new community-based housing. We did have groups that could work on new community-based housing. We don't have groups that do that now. As a result the developers' lobby has a much stronger voice than community-based housing, and this is impacting how affordable housing will be built. We built nice quality, community housing, within budgets, without the expectations of profits. The developers are looking to keep as much of the funds for themselves.

~Sector leader

Several sector experts spoke of a generation gap in the sector and expressed concerns about a decline in knowledge transfer.

When there is a period of big cuts, a new generation doesn't come into the sector, they don't feel it is safe.

~Sector Leader

This generation gap concept is backed up by research completed by the Ontario Nonprofit Network and the Mowat Centre in 2013. It shows a distinct gap in terms of staff members in their 40's, i.e. those who in the Harris years would have been in their 20's.⁴ GenXers's simply were not hired into entry-level positions in the sector as they started their careers.

Equally troubling was the sentiment expressed by several sector leaders that the cuts are responsible for a loss of diversity in the sector. This was particularly felt by those working in unionized environments. As one explained, "We had to deal with the seniority issue – with the union – this impacted the diversity of the organization, as the more marginalized were the newer employees and they were the first to go." Another factor was that individuals from marginalized communities could not afford to work for the so-called "mission discount" in an environment with poor job security. The nonprofit sector was not an option therefore, and they sought work in more stable sectors.

⁴ E. McIsaac, S. Park, and L. Toupin, *Shaping the Future: Leadership in Ontario's Nonprofit Labour Force* (Toronto: Ontario Nonprofit Network and The Mowat Centre, 2013), p. 42.



Many of those interviewed spoke of the fact that the sector has become more professionalized. This again is something that has happened on too great a scale to have originated in the Harris cuts. However, a handful of respondents pointed out that while professionalization has helped the sector in some respects (organizations are more strategic), in other respects, it has detracted. Historically, people came to the sector through social activism. They brought with them a real passion about the work and the mission. Today, while sector organizations may be better managed, some sector leaders expressed concern that many of those working in the sector lack the drive/fervour of their predecessors. As a consequence, the concern is that, when their jobs and/or organizations come under threat, they may not have the same loyalty to the cause and will seek employment elsewhere.

3.3.3 Innovation

The Harris cuts turned back the clock on many worthy and necessary projects and initiatives, and unfortunately successive governments since 2003 have not rolled back these cuts. Despite this, respondents were in agreement that the cuts forced a period of innovative thinking: organizations had to find new operating models in order to survive. Prior to Harris, there had been an expectation that there would be funding increases, year after year; this expectation is now much less common. The cuts forced the sector to look for ways to work together and for different ways of raising money (social enterprise, fee for service, increasing fees, sponsorship). Sector leaders acknowledged that while some of these decisions were very difficult, others were overdue.

In retrospect, and in an ironic way, it has been good for the sector. It is important for the sector to hire people who are innovative, and who have business backgrounds. I have always said, I can teach someone from the private sector (if they are willing) how to work with people with disabilities. But don't take a social worker and try to get them to manage a business. That is never going to happen. We need more people with more of a business ideology to move the sector forward.

~Sector Leader

However, even those who saw the good that had come out of the cuts were quick to point out that the abrupt nature of their implementation inflicted serious injury on the sector. The impact of these losses is still being felt today.

3.3.4 The Creation of a Nonprofit Sector

Perhaps the most positive repercussion of the Harris cuts was the emergence of a nonprofit sector in the province. The Harris cuts made organizations look to each other for solutions. Almost every sector leader interviewed spoke of how the Harris cuts had brought them closer together with other sector organizations.

We started to come together and get to know each other as a result of the Harris Years. CCEDNET [Canadian Community Economic Development Network] started meeting, the roots of ONN [Ontario Nonprofit Network] were put into place, we realized that if we were better connected, regardless of the government that was in place, we can support each other. It has taken 20 years to build that network. But the roots of being a sector - exploring new types of partnership, mobilizing new partners - that came out of the Harris cuts.

~Sector Leader



Certainly, the advent of the internet made it easier for the sector to come together. But sector leaders clearly felt that the crisis situations in which many organizations found themselves served to spur the process.

4 Lessons Learned

Sector leaders identified a number of lessons learned (and some that the sector is “still learning”) from their experiences during the Harris cuts.

Focus always on the mission

Nonprofit organizations are driven by their missions. However, in times of crisis, the mission can lose prominence relative to the need to survive. As the sector leaders pointed out, organizations survived the Harris cuts by adapting the focus of their work in order to attract new sources of funding. However, they were also clear that organizations had to be careful about how far they strayed. When organizations deal with cuts by “chasing funding” (responding to the needs of funders), they risk hollowing out their mission.

One thing we have been really good at is sticking to our values – we made decisions based on our values. “What are our values, and what does that mean?” – we look at that with all of our big decisions.

~Sector Leader

Several sector leaders spoke of the importance of focusing on the overall social impact that organizations strive to achieve. After all, the nonprofit sector’s determination to have an impact and effect change is what differentiates it from the for-profit world. However, as one sector leader stated, “Sometimes we get caught up in our egos, our need to be bigger, the opportunity to claim more turf, or quite understandably our desire to preserve our jobs, rather than on how to best achieve our mission.” Several sector leaders called out the need to be more willing as leaders to sit down and ask, “How can we best continue with our mission?” There was general agreement that the organizations that emerge strongest from times of crisis are those that focus on their mission, on how they can best serve the people or issue for whose benefit they exist. It is important to maintain this focus, even, as one sector leader stated, “if that sometimes means horrible decisions, if it means an organization cannot continue to exist.”

Don’t put off the hard decisions, or the long-term planning

When budgets shrink significantly there is a need to rethink standard operating procedure, and with that comes many difficult decisions. However, many expressed that their organizations had taken too long to accept the reality of what they were facing, and as a result put off some of the more difficult decisions (e.g., cutting staff). Almost all spoke of the fact that in the aftermath of the Harris cuts, sector leaders were primarily worried about getting through the day; they focused on putting out fires in the short-term and on regaining their stability. Understandably, nobody was doing long-term strategic planning about where they needed to be in five years. In hindsight, however, almost every sector leader interviewed regretted having postponed long-term planning, even if only at a high level. They felt that had they done it earlier, their organizations would have benefited significantly.

The reality was that for most organizations, even those not directly affected at the time, the impact of the Harris cuts was not temporary. Organizations felt the repercussions for an extremely long time, and many had to



completely re-adjust their business models in order to remain in operation. Three sector leaders talked about how the collective focus (i.e., on the part of both the sector and funders) on perpetual growth (from the goals that are set for employees, to the promises made to funders), and how the pressure to constantly do more had a negative impact on overall organizational stability.

I like the metaphor of a tight rope walker – many nonprofit organizations are walking that fine line – to continue to stay on the rope – you have to either move forwards or backwards, there is no stability, there is sustainability only if you are willing to move backwards sometimes.

~Sector Leader

What sector leaders seemed to be saying was that to truly plan for the long term, organizations (particularly those facing budget cuts) need to get comfortable with the idea of scaling back, so that they can do so strategically, in a way that supports them moving forward again when they have greater stability. Sector leaders also pointed out the need to consider whether or not short-term decisions may have undesirable long-term impacts. Several pointed to the need to risk initiatives that could help organizations survive. There was a general sense that when nonprofit organizations are too focused on survival, their leaders often avoid risk and as a result fail to grasp the tools that might help them survive.

The Harris years offered several examples of how organizations managed strategic retreats that allowed them to invest where it counted, to stay on mission and ultimately to strengthen the organization’s overall sustainability.

One spoke of how their organization had taken a “time out,” and paused all its programming to really discern what its programs were delivering, and which elements were most important to its mission and to stakeholders. As a result, they grew some programs, eliminated others (even some popular ones), and despite losing over 60% of their funding, made it through. Another spoke of the many arts organizations that, while having to scale back their work significantly, also took risks and worked together as a collective in order to capture an opportunity to create endowment funds. These funds have helped them achieve greater long-term sustainability. Another offered the example of libraries that seized on a federal funding opportunity to provide people with internet access and capacity-building services and training in computer literacy. While this was new territory for libraries, it was forward thinking, and aligned with their mission. Today, internet access and computer literacy training are central features of library offerings.

The value of strong community ties cannot be understated

Over and over sector leaders spoke of the importance of community ties. It was clear that organizations with strong connections to the communities they served were in a better position to make it through the rougher times.

The ones that survive a tsunami like Harris, are the ones that are strongly tied to the community, that come from the community, that have deep roots and that are doing things that the community feels it cannot do without. What we saw was that those who could lean into the community to make up for cuts, were the ones who succeeded. If they didn’t have those ties they didn’t make it through tough times.

~Sector Leader

Several sector leaders raised the issue of the importance of knowing where your community stands politically. They expressed their shock at the election of the Harris government, and how it forced them to grapple with



some serious questions: how well they knew their community, but also how well members of that community understood the effect their vote could have on the services and supports upon which they themselves relied.

We had a popular NDP candidate on our board at the time. He came into a board meeting and said: 'I go door to door, these are low income people, they are all going to vote for Harris. They all want jobs; they are going to vote for Harris'. We hadn't seen it coming, we had to check ourselves, we were so out of tune with our clients. When [Harris] got re-elected, we really kicked ourselves.

~Sector Leader

One example from the women's sector clearly demonstrates how advocacy from the community can be instrumental to the restoration of funding. The women's sector was hard hit across the province, but one organization, determined to push back, held a community meeting at which former volunteers, board members and clients showed up. It was explained that the organization was going to need to cut programs. People stepped up to do more volunteer work, the landlord gave the organization a break on its rent, and community members, as well as other community organizations, came out in support of a call for the funding to be re-instated. Eventually the executive director received a phone call from the government to say that the funding had been restored – and to request that she “please tell people to stop faxing us.” By contrast, other women's organizations, in particular those in rural communities, which served vast geographic catchments and understandably did not have the same community ties, were unable to get their funding reinstated. Consequently, many of these organizations no longer exist today.

Co-operative Housing Advocacy

At the time of the Harris cuts, Toronto's co-operative housing sector was perhaps one of the best organized groups. Its membership was huge and motivated – the cuts impacted their homes. They also understood the politics and how to successfully advocate for their needs.

In its advocacy work, the co-operative housing sector initially focused on just two key priorities: (1) making sure that all shovel-ready projects moved forward, and (2) preventing the downloading of federal social housing programs for co-operative housing.

“We threw everything we had at it. We held a series of regional meetings in 1997, culminating in a rally with 1300 people, actively lobbying government. 6 MPs spoke at that rally. We lobbied the backbenchers to stop the download, we went to City Council and got them to pass a motion opposing the download. People went crazy when they found out City Hall was behind us. We were highly active in negotiating with the Federal Government. We stopped the download. When Harris came in, he [had] cancelled housing projects almost immediately. We spent a great deal of time working the phones and pressuring MPPs not to cancel. We picketed the minister's office. We were successful in ensuring that two co-op development projects continued. Now it looks like we knew what we were doing, but we were terrified. We realized our best tool was our members, and they didn't let us down.”

~Sector Leader



The sector needs to work together to create opportunities and advance a common agenda

Long-term planning is needed not only at the organizational level, but at the sectoral and sub-sectoral levels. Across the board, sector leaders spoke of how the Harris cuts had increased their understanding of the need to work together as a sector to create opportunities and advance a common agenda. They acknowledged that “working together” involved more than launching wide-scale protests; it meant sustained, strategic and proactive coalition. In fact, most questioned the effectiveness of the wide-scale protests that were so emblematic of the Harris years. As one sector leader stated, “Large protests may have made us feel better, but they didn’t really lead to much in the way of change.” (That being said, the same respondent also recognized the importance of “purists, who yell and scream and ask for stupid things, as they create the space for the more pragmatic groups to come in and mobilize and work with government to move forward.”)

A common thread in the interview transcripts was how poorly equipped the nonprofit sector had been to advocate for its needs during the Harris years. The sector knew what it did not want – cuts – but beyond organizing and attending protests it was not in a position to advocate for itself and ultimately was incapable of specifying a credible alternative. If cuts were inevitable, which they likely were, how could the sector have positioned itself to advocate for cuts that were less devastating?

During the Harris years, the nonprofit community wasn’t strategic in their advocacy – the public was looking at the sector saying “they [the government] said they would do it and they did,” they saw agencies as just complaining.

~Sector Leader

The tendency for everyone to see to their own interests, rather than work together to solve a common problem, came up repeatedly in conversations. Sector leaders concurred that at the time there was no collective response because there really was no “sector.”

In the face of serious threats – it is important to be in solidarity and to be brave – and to call on your supporters. The [Harris] government was organized. The Right, and those who want to limit spending today are very organized. Nonprofit organizations are not organized.

~Sector Leader

Some sub-sectors were able to come together to advocate with a degree of success. Both representatives of Franco-Ontarian organizations spoke of how they had long understood the need to connect with other Francophone agencies, although not with Anglophone organizations that were providing similar services. It was the Harris cuts that first compelled them to make these connections, which proved valuable at the time and continue to this day. The co-operative housing sector in Toronto was particularly well-organized and managed to get some of the cuts reversed. They presented a collective voice, advocating for very specific things. The arts sector came together to establish the Creative Trust⁵ in the wake of the Harris cuts, a move that allowed mid-sized arts organizations to secure significant ongoing support from the major banks for the first time. The co-operative sector created a partners forum and networking tables to share resources, which one leader said was “eye-opening in terms of learning our strengths and connecting the sector.”

By contrast, all three leaders from the women’s sector described it as having been very disconnected. They all felt that this lack of common agenda contributed significantly to the level of devastation experienced by that sector.

⁵ The Creative Trust operated between 2002 and 2012 with the goal of strengthening the health and sustainability of Toronto arts organizations.



We need to come together as a sector, and as sub-sectors, to be strategic in our response and pre-empt what the government is going to do – not so much to protest cuts, but to plan for the cuts. We need to focus more on the strategy. A lot of the emails that I get from umbrella organizations are more activist in nature, there is no strategy behind it

~Sector Leader

Respondents indicated that silos within the nonprofit sector continue to be an issue, and that more work needs to be done to connect agencies across the sector as a whole as well as within specific sub-sectors. There is also a need to better bridge the divides between rural and urban organizations and between the co-operative and nonprofit sectors. Additionally, in order to truly work together and advance a common agenda, the sector needs to become more politically active and engage with the general public in different ways.

The sector as a whole had never been very political or strategic – as organizations typically respond to need and opportunity – we don't create opportunity. The organizations that are most successful and have lasted through difficult times, are the ones that have been able to become more strategic, politically active, aware and engaged.

~Sector Leader

To define the common agenda, the sector likely needs to have an honest conversation with itself to define a bucket of government responsibilities, and to identify alternative funders and/or funding strategies for sector activities that fall outside that bucket.

In the 1970s and 1980s the role of government grew, then in the 1990s it started to shrink. Some sectors never got that support back. Some would argue that this is actually a good thing, but I don't know that we have ever grappled at a broader sector level with what is a government responsibility and should therefore be government funded vs. what should be community driven.

~Sector Leader

The nonprofit sector needs to advocate and educate on the value that the sector brings to society

The sector continues to be poorly understood by both politicians and the general public. Sector leaders acknowledged that great strides have been made over the past two decades in raising awareness and understanding of the role and contribution of the nonprofit sector. (This is due in large part to the introduction of post-secondary fields of study and the professionalization of the sector, as well as the work of such organizations as the ONN, Imagine Canada and the Association of Fundraising Professionals.) Nevertheless, a tremendous amount of work remains to be done. The unfortunate reality is that the sector remains poorly understood by both the general public and government officials. As a result, the sector as a whole and its member organizations need to constantly justify their work.

Despite this pressure, there was wide agreement that nonprofit organizations still do not do enough to communicate or share the impact they are having on society and the problems they are trying to solve. As one sector expert stated, "The narrative of the sector tends to be that the problems are big and that we need more." What is missing from this narrative is that (1) the nonprofit sector knows what to do, (2) that it addresses systemic societal issues, and (3) that the responsibility to fix them has been downloaded by government to the nonprofit sector *because* it knows what to do.



We need to ensure that the tremendous expertise that exists in the sector has a voice.

~Sector Leader

The sector is complex. We have ways of achieving outcomes, the outcomes the sector achieves fit with government priorities, but the sector isn't given a chance.

~Sector Leader

There is a sentiment that we don't really know what we are doing in the community – those of us who do this work, do it well and efficiently, we need to be more vocal and effective at communicating this.

~Sector Leader

Unfortunately, after the Harris cuts many organizations discovered that neither their clients nor the public showed them much sympathy. Sector leaders attributed this to three root causes: (1) an overall lack of communication and understanding as to how funding works; (2) messaging that often expresses the perspective of the organization (“we are cutting jobs or programming”) rather than that of the community (“50 at-risk youth in our community will no longer be able to access supports”); and (3) the messenger, who too often is a staff person with a personal stake in funding cuts, rather than a volunteer or client.

When cuts happen, clients often blame the agency, it is hard to think through how the ecosystem works. They might think if the ED takes a salary cut, if they get rid of some senior managers, than the service that I need, may still be there. I have certainly heard this over the years. If they are a welfare recipient, they see the direct impact, but if it is a service they are receiving, they don't necessarily see the funding cut from government. [...] Too often, it is the ED who is the spokesperson, talking about the impact of the cuts, as opposed to the community leaders. It is more effective to find a volunteer – a board member, a community member, a volunteer, a corporate leader who can be the spokesperson.

~Sector Leader

When it comes to communicating with government funders, sector experts felt that nonprofit organizations still have a lot to learn. The sector does not know how to lobby effectively, and most individual organizations likely cannot afford to engage properly in lobbying. But collectively there is a need to build a better understanding of how the system works, how to influence it, and then use these insights to benefit the common agenda. The sector brings value to society and solutions for many of the issues that government wants to address. The sector's ability to leverage philanthropic dollars and volunteer support serves to further the impact of government spending. But as one respondent stated, “rather than present solutions with thoughtful analysis, too often nonprofit organizations present themselves to government as BMW's (bitchers, moaners or whiners).”

The swings between governments are going to continue to happen. As a sector we need to do a better job of owning our agendas so that we can be more resilient. There are things that government should fund, but when there are cuts it should be less “they are doing this to us.” The biggest complaint that governments have is that nonprofits come to them to complain, that nonprofits don't go to them with solutions.

~Sector Leader

The solution cannot just be that the sector needs more money. The sector needs to get better at speaking to the systemic issues and practices that prevent sector organizations from achieving their missions. The focus should be



less on getting funding from government, and more on how to work with government as a partner to achieve the impacts that both the nonprofit sector and government are looking for.

Politics are important, and the sector needs to work with all governments

Almost all the sector experts who were consulted spoke to the importance of understanding the politics and the mechanisms of government bureaucracy. While recognizing the great strides the sector has made in this area – again thanks in large part to the work of organizations like Imagine Canada and the ONN –the respondents emphasized how much individual organizations and sub-sector networks still have to learn.

Sector experts pointed out that funding cuts were not unique to any one government. They also pointed out that even in the face of funding cuts, important advances can still be made, and even unsupportive governments can have vulnerabilities that can be worked with in order to advance your cause. The co-operative sector made use of the Harris government's *Red Tape Commission* to streamline certain processes. The environmental sector, heavily impacted by cuts, was able to influence land-use planning in northern Ontario and thereby realize the protection of large swaths of territory.

I've been around awhile – sometimes the tide is in, and sometimes the tide is out. It's all about whether or not you are smart enough to know what you should be doing when the tide is in, and what you should be doing when the tide is out. It's different.

~Sector Leader

It was in the wake of the Harris cuts that the Francophone and Anglophone co-operative communities decided to create a co-operative caucus across all political parties at the provincial level. What they understood was that if they were connected to only one party, they were at risk. They reached out to MPP's who had important co-operatives in their districts and started to build momentum for the caucus. This caucus remains active today, a bipartisan driver of political support for the co-operative movement, regardless of which party is in power.

The importance of adhering to the mission was reiterated in the context of political organizing and advocacy. Sector leaders emphasized the importance of building organizations that reflect your vision and mission regardless of the political climate, and then looking for occasions and issues where your interests aligned with those of the party in power. One sector leader spoke of having a list of asks in their back pocket, and depending on political environment of the time, the priority of the asks would shift.

For the Francophone community, when we saw the resistance at the provincial level, we switched focus to the federal level – it took time to adjust, to find new funding. We also realized we needed more political connections. We looked for ways to connect the dots between the co-operative sector and individual politicians. We became much more strategic about how we engaged.

~Sector Leader

The cuts during the Harris years also taught an important lesson on the importance of understanding the politics being played between the different levels of government. Many sector leaders admitted that they had not understood the impact of the federal/provincial transfer of jurisdiction, and now recognized that the federal liberal government of Jean Chrétien also deserved some of the blame for the cuts. In hindsight, while no-one was ready to accept the cuts were a good thing, a handful of sector leaders acknowledged that the sector was too quick to hold the provincial government solely responsible.



Try to find your allies. It's not because they are [of a particular party] that they are your enemy. Try to keep the dialogue up and find your allies, the more you complain nothing really changes.

~Sector Leader

Sector experts also stressed the importance of acknowledging governments when they do the right thing, even governments that the sector finds unpalatable on the whole.

When government says, "We made a mistake", we should be saying "good for you [for acknowledging your mistake]". We aren't saying that. This is how we work in community. We don't condemn people, we need a harm reduction approach to working with government. We should give credit where we can.

~Sector Leader

Two sector leaders who had been government bureaucrats spoke of how significantly the policy environment had changed under the Harris government. Similar to the brain drain that occurred in the nonprofit sector as a result of the cuts, there was also upheaval within the public service. It started during the Rae Days, with many public servants leaving their jobs. As a consequence, a layer of knowledge is still missing even two decades later.

As one of these leaders stated,

Policy is not conceptualized or developed in the same way it used to be. Agencies now look to position their thoughts to what government wants. Policy people are paid to ask the community what they think, but the way it works today, the community doesn't have the time to form advocacy committees. The community should be consulted throughout the process, it should be iterative. Policies today lack substance – it's more "Let's try this and see if it works."

To advance a collective agenda at the sector or sub-sector level, organizations will need to get better at working together to influence government policy. To do that the sector needs to change its approach.

If the sector is looking to re-establish the order – we need to be more strategic about what we bring forward for policy. We want to be consulted when you have our options. You give us the options, we will give you our opinions, then after it is implemented, we will tell you what has and has not been working and you will refine. The sector needs to be in solidarity – there needs to be a plan that we all agree to – what are the 3 things that we all agree on, not a list of 27 that we collectively need.

~Sector Leader

Plan for cuts

Organizational leadership should accept the fact that at some point they will face cuts, potentially steep ones, and they should be working to ensure that they have the infrastructure and plan in place to deal with them. This is a lesson that the sector, on the whole, is still learning.

My memory may be a bit fuzzy, but when I think back to the early cuts, some agencies just seemed so surprised and unprepared. While it is very regrettable [to see cuts] for better or for worse [they happen] and there needs to be more contingency planning. Governments change, funding policies change, we cannot assume that government funds will continue.

~Sector Leader



Contingency Planning

Nonprofit leaders should be asking themselves the following ten key questions as part of their contingency planning for potential budget cuts:

1. Do you understand your organization's financial structure and cash flows?
2. Do you have a comprehensive reserve fund policy in place that guides how reserve fund dollars can be spent?
3. Are funder agreements clear about your rights and notice periods?
4. Do you understand your obligations if you have to lay off staff? (Do you have a plan to cover those obligations)?
5. What are your contractual agreements? Do you have an out if your funding is cancelled?
6. Have you considered which organizations you might *merge* with and under what conditions?
7. Do you have a plan in place in case you need to wind down/declare bankruptcy?
8. Will your insurance continue to cover you if the organization closes operations?
9. Do you have a good understanding of confidentiality and privacy? What information can you communicate, what must be kept confidential?
10. Do you know who you have to notify when making big decisions? Who are your members? Are your records up to date?

Finally, and perhaps most importantly, it is important for organizations to now know where to go to get the help they may need to deal with any of the above.



While we have contingency plans in place around succession, and many organizations perform risk assessments, the mitigation strategies for a loss of income often focus on diversification of funding. But this can take years as well as copious resources. The consensus amongst sector leaders was that it simply is not enough.

It is important for organizations to understand, not only that funding needs to be diversified, but also organizations need to be aware, particularly in the current climate where we are driven by program funding, about what funding is irreplaceable. If one funder is providing all of the funding for vital positions, it may not matter how diversified the overall funding base is.

~Sector Leader

Organizations need to do more planning for the future. They need to better understand their projected cash flows. They need to understand how their strategic plans link to their financial and fundraising plans. Contingency planning should ask, “What would happen if we lost this funding, or if this program was cut 10%?” Organizations need to consider seriously what might happen, so that they can devise plans and when cuts happen, they can soldier on, rather than go into a tailspin.

5 Conclusion

Looking back at the impact of the Harris cuts provides many lessons for how the nonprofit sector can deal with and respond to sudden and deep cuts. To be sure, a lot has changed in the world and in the nonprofit sector since the Harris cuts took place over two decades ago. The advent of the internet and advances in technology have had widespread impacts that are too numerous to detail (though the nonprofit sector is really just waking up to the how they can leverage the full potential of technology). Social priorities have shifted and there is ever-mounting pressure to address issues of climate change, racism and the growing gap between the rich and the poor.

While under constant pressure to do more with less and to continually justify its work, the nonprofit sector is in many ways better equipped today to deal with sudden financial shocks than it was in 2000. Nonprofit organizations have coalesced into what can truly be called a sector, and individual organizations are better connected both to information and expertise and to each other at the regional, provincial, national and even the international level. The sector has gained further strength through the emergence of a training environment and a growing professionalization of the workforce.

Growing professionalization is a concern for some. They appreciate how the sector now has access to the skill sets needed for more sophisticated management. But they question whether the individuals who bring these skills have the same passion for the cause, and will stay the course when the road gets rocky. That level of dedication is vital. The issues that the nonprofit sector is tasked to address continue to grow increasingly complex and require increasing levels of skill in terms of strategic management. The building of strategic *financial management* skills is one key area in which the sector needs to invest, with the support of government and other funders. In the long term, such investment will pay off in stronger organizations that are able to make better decisions so they can weather uncertain times.

The Harris years demonstrate the dangers of focusing on short-term stability at the expense of long-term sustainability. When making cuts, leaders need to consider the long-term impacts on their organizations, but also on the broader ecosystem in which they are looking to effect change. The sector cannot afford to lose another generation of talent the way it did 20 years ago, and at the sub-sector level, leaders need to recognize the importance of coming together to preserve critical human knowledge and talent and capital infrastructure.



Furthermore, neither the sector, nor individual organizations, can afford to sacrifice any of the gains that have been made to diversify the sector's human resources. A sector that is expressly intended to address the inequality and the inequities confronted by many marginalized and racialized populations has to ensure that they are represented in its personnel, all the way from front-line staff to senior leadership.

Most importantly, the sector needs to continue to come together. The goal of the nonprofit sector should be to solve problems, not to build empires or protect turf. The issues addressed by the sector are complex; their solution requires different approaches. Individual organizations need to find ways to be better aligned in terms of their common convictions, so that they can make their requests to government and the public with a single, unified voice. In the wake of the Harris cuts many umbrella organizations folded, as their members pivoted to self-preservation. Nevertheless, umbrella organizations, such as the ONN and Imagine Canada, are vital to the sector. It must continue to support them. Moreover, it must strive to establish venues or platforms around which sub-sector umbrella groups can organize at the provincial and national levels, to advocate for the core needs of nonprofit organizations, educate government and the public on how the nonprofit sector works, and generally to build the sector's government relations capacity.

When facing cuts in funding, nonprofit leaders are tasked with a rather unfair burden. They have to find a balance between organizational (and likely personal) interests and taking action to preserve the assets essential to the mission for which each organization was established. As understandable as the instinct for self-preservation is in such circumstances, it must be resisted. There is a tremendous amount of knowledge, skill, talent and passion in the nonprofit sector. When nonprofit organizations marshal and leverage their collective resources, they are truly a force to be reckoned with. In times of crisis, that is what the sector needs to be able to do.

