



AT A TIPPING POINT:

The Trilemma Facing Canada's
Charitable Sector

CHARITY INSIGHTS CANADA PROJECT

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Briefing Document

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Executive Summary

Canada's charitable sector is a cornerstone of social and economic well-being, delivering essential services and employing millions. Yet it is under growing strain. Long-standing challenges—unpredictable funding, rising service demands, and workforce pressures—have reached a critical point. Without strategic intervention, the sector's ability to deliver vital support and respond to future crises is at risk.

Introduction

Charities and non-profits are a vital pillar of Canada's social safety net, delivering essential services such as poverty relief, healthcare, and education. The sector contributes approximately 8.7% to national GDP and employs over 2.5 million people (Statistics Canada, 2020). But the sector is facing a compounding crisis—what can be described as a “trilemma”:

- **Rising Demand:** Need for services is outpacing capacity.
- **Financial Instability:** Funding is short-term, unpredictable, and shrinking in real terms.
- **Workforce Challenges:** Recruitment, retention, and volunteer engagement are deteriorating under pressure.

These issues, long present, have been exacerbated by the COVID-19 pandemic and the affordability crisis. Now, emerging risks—such as international economic pressures—further underscore the need for swift, coordinated action. This briefing presents a data-driven case for why that action must be taken now.

Research Overview

This briefing draws on findings from the Charity Insights Canada Project (CICP), which conducts weekly surveys with a nationally representative panel of registered Canadian charities. The panel includes organizations from a range of sub-sectors—including social services, health, education, and the arts—excluding hospitals, universities, colleges, and certain places of worship. Panellists are randomly selected using Canada Revenue Agency (CRA) T3010 data, ensuring broad representation across organization size, geography, and focus area. CICP surveys maintain a 95% confidence level and a low margin of error, providing high reliability. Additional insights are drawn from other sector-wide research.

Research Findings

- **Demand for Services Outpacing Capacity** - Charities are under mounting pressure as demand for services continues to climb:
 - 66% of charities report a sustained increase in demand since the pandemic. ([CICP 1.07.30](#)).
 - 72% say they cannot meet current demand, despite 55% having expanded their capacity in recent years. ([CICP 2.05.19](#)).
 - 61% plan to increase capacity ([CICP 2.05.19](#)), with most aiming to diversify funding sources (42%) or hire more staff (26%) to scale operations ([CICP 1.07.30](#)).
 - Funding shortages (53%) and human resource constraints (29%) are major barriers to sustainability and expansion of services ([CICP 1.07.30](#)).

- Charities in poverty relief, healthcare, and social services are amongst the hardest hit ([CICP 2.5.19](#)).
- **Financial Instability Threatening Sustainability** - Charities are grappling with inflation, unpredictable funding, and shrinking reserves, making long-term stability uncertain:
 - 53% of charities express moderate to high concern about their long-term sustainability ([CICP 2.07.26](#)).
 - Inflation is consistently impacting operational costs such as salaries (69%), insurance (47%), supplies (46%), and utilities (42%) ([CICP 2.01.02](#), see also [1.03.15](#)).
 - 80% of charities say they require more core funding to offset rising costs ([CICP 2.01.02](#)).
 - Only 12% of charities in 2024 describe themselves as being very financially stable, down from 21% in 2023 ([CICP 1.10.40](#); [2.08.30](#)).
 - Charities with adequate reserve funds dropped from 44% in 2023 to 35% in 2024 ([CICP 1.10.40](#); [2.08.30](#)).
 - 68% of charities identified unrestricted funding as the most beneficial form of support, yet 55% struggle to access it ([CICP 2.09.33](#)).
- **Workforce Challenges Are Escalating** - Recruitment and retention difficulties are exacerbating instability across the sector:
 - Roughly half of charities cite staffing shortages as a top challenge in both 2024 (50%) and 2025 (47%) ([CICP 2.01.01](#); [3.02.01](#)).
 - The number of charities reporting high turnover rates (20% or more) grew from 26% in 2023 to 38% in 2024 ([CICP 1.03.11](#); [2.07.24](#)).
 - Since the pandemic, 59% of charities have lost volunteers, and 57% have struggled to recruit new ones ([CICP 1.02.07](#)).
 - Burnout and low wages are the top reasons for staff departures, alongside employees leaving the sector entirely ([CICP 1.03.11](#); [2.07.24](#)).
 - Mental health concerns are rising—71% of charities report increased mental health challenges among staff and volunteers in recent years ([CICP 2.02.03](#)).

Discussion & Analysis of Research Findings

Challenges of unstable funding, workforce retention, and rising demand have persisted within Canada's charitable sector for decades (Canada Senate, 2019; Hall et al., 2003, 2004, 2005; HR Council for the Nonprofit Sector, 2008, 2013). However, post-pandemic recovery and the affordability crisis have intensified these issues for many charities, and the recent U.S. tariffs on Canadian goods risk worsening the situation. This trifecta of crises threatens sector sustainability, compounded by inflation, declining donations, and workforce burnout.

Demand for Charitable Services Outpacing Capacity. The growing cost of living has pushed more Canadians to rely on charitable services. In 2022, 20% of Canadians accessed charities for essential needs like food, shelter, and clothing—69% of whom had never sought this type of support before (Ipsos, 2022). Charities report being unable to keep up with demand (72%), especially in social services, healthcare, and poverty relief ([CICP 1.03.15](#); [2.01.02](#); CanadaHelps, 2023). Rising service delivery costs further strain capacity ([CICP 2.01.02](#)). Without intervention, these pressures could lead to service reductions, longer wait times, and fewer resources for those most in need.

Financial Instability and Declining Donations. Funding shortfalls are exacerbating the crisis. Nearly

45% of charities report a drop in individual donations due to inflation, and the proportion of Canadians claiming charitable donations on their taxes has fallen by five percentage points in the last decade (CanadaHelps, 2023). Compounding the issue, rising operational costs—particularly for salaries, insurance, and utilities—are cutting into already limited budgets (CICP [2.01.02](#)). Only 12% of charities now describe themselves as being very financially stable, down from 21% in 2023 (CICP [1.10.40](#); [2.08.30](#)). Predictable, unrestricted and core funding, which most charities cite as essential, remains difficult to secure, leaving many organizations financially vulnerable (CICP [2.01.02](#); [2.09.33](#)).

Workforce Burnout and Retention Challenges. The sector’s ability to meet rising demand is further constrained by worsening workforce challenges. The YMCA WorkWell (2024) survey found that more than half of nonprofit workers in Canada experience regular burnout, and nearly 1 in 5 are considering leaving their positions within six months. Alarming, 41% of nonprofit employees cite burnout as a primary reason for wanting to leave, while 61% point to inadequate compensation (YMCA WorkWell, 2024). CICP findings have similarly found remuneration/benefits and burnout to be the greatest drivers for turnover in the sector (CICP [2.07.24](#); [2.02.03](#)). Staffing shortages create a cycle of increased workloads, stress, and attrition, reducing service capacity. The impact is particularly severe in frontline roles, such as food security, mental health, and crisis support.

External Economic & Political Uncertainty. Beyond existing challenges, economic and political uncertainty—both domestic and abroad—further threaten the sector’s stability. U.S. tariffs on Canadian goods could drive up operational costs, compound the cost-of-living crisis and further increase service demand. 74% of charities have reported that the U.S. political landscape affects their work, and uncertainty around Canada’s upcoming election adds to financial instability (CICP [3.03.06](#)). In response, 54% are already attempting to strengthen funder relationships, and 45% are developing contingency plans (CICP [3.03.06](#)). Without targeted interventions—such as policy changes to promote sustainable funding, sector-wide wage improvements, and emergency relief programs—these pressures risk further eroding already fragile reserves, limiting charities’ ability to support communities in crisis.

While we stop short of formal recommendations, these key areas represent possible entry points for policymakers and funders committed to ensuring the sector’s short-term capacity and long-term viability.

Conclusion

Canada’s charitable sector is at a tipping point. Rising service demand, shrinking financial resources, and an overburdened workforce are placing unprecedented strain on the sector. Immediate action is needed to stabilize funding, support workforce retention, and build resilience against economic shocks. Policymakers and funders must prioritize long-term, unrestricted funding, explore innovative workforce solutions, and address systemic challenges that are threatening the sustainability of charitable organizations. Without decisive action, Canada risks losing essential social infrastructure at a time when communities need it most.

The CICP will continue to monitor these trends and surface evidence to inform responsive, forward-looking strategies for the sector.

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