



## PERSPECTIVE

Craig Alexander  
Senior Vice President & Chief Economist  
TD Bank Group

# CHARITIES UNDER PRESSURE: DEMAND OUTSTRIPPING SUPPLY

*An abridged version of this Perspective appeared as an Op-Ed in the Toronto Star on Saturday December 10th.*

As the year draws towards a close, there is a call for increased generosity through charitable donations. Financial contributions are badly needed by Canada's charitable sector, which is struggling under strong demand for their services.

This plea may seem odd given Canada's recent economic performance. The economy has recouped all of the output that was lost during the recession and has advanced moderately further. It has numerically replaced all of the lost jobs during the recession – although the positions were not created in the industries that lost them. It is also true that Canada is not facing the same severe challenges as in Europe or in the United States. However, this better relative performance masks the fact that the economic recovery has not lifted all Canadians equally and many are being left behind.

The national unemployment rate is 7.4%, well above the pre-recession low of 5.9%. That means close to 1.4 million unemployed individuals aged 15 and older. Labour force participation has fallen by a percentage point, and is on a declining trend, suggesting that more workers are giving up looking for work. The average duration of unemployment is close to twice what it was before the recession. And, wage growth has not been keeping up with the cost of living. Average hourly wages have dropped from 4.4% annual pace in 2008 to 3.5% in 2009 to 2.2% in 2010 and will average well below 2% this year.

The macroeconomic statistics can't convey the stress that many Canadians are experiencing. So, let's look at some stats that do. According to the 2011 report by Food Banks Canada, a shocking 851,014 people received sustenance from a food bank in March 2011, a number that is virtually unchanged from 2010. Moreover, it is 26% higher than prior to the 2008-2009 recession. People don't use a food bank unless they are in desperate need of help. The provincial social assistance numbers tell a similar story. According to Ontario Works, there were 255,399 cases of social assistance in October 2011 up from 225,087 in April 2009 – the last data point available in their monthly statistical report. The number of individuals being supported in October was 463,641. All this to say that despite the economic recovery, there are many in need.

More troubling, the economic prospects ahead are not going to alleviate the current heightened demand for charitable services. The global economy is headed into a period of weaker growth. Europe is going back into recession, while the U.S. economy is fragile. Emerging



market economies are slowing. Canada is not an island and it will be buffeted by this external economic environment. In the coming year and under a scenario where economic growth continues, the unemployment rate is likely to rise by about half a percentage point. This will put more pressure on food banks and other charitable services that are struggling to make ends meet at the moment.

Unfortunately, while demand may rise, supply of charitable support will likely prove constrained. The majority of charities rely heavily on government financial support, and governments across Canada are turning their attention to deficit reduction. This is responsible fiscal policy. However, it means that public officials will have to make tough decisions on how to prioritize their limited funds. Charities will have to fight hard for the financial transfers that are critical to sustaining their activities.

Individuals can make a difference. While many Canadians are struggling, others have the financial capacity to give. Since the end of the recession, many jobs have been created. Many of those positions have been in good paying positions. And, the majority of Canadians kept their jobs through the recent cycle. The fact is that the bulk of Canadians experience a very high standard of living. The end of the calendar year is a good time to share some of that good fortune with those serving the less fortunate. There are roughly 3.5 million Canadians living in poverty today. That is close to 1-in-10. Surely, the other 90% can lend a helping hand. Charitable giving is truly good for the donor as well as the recipient. And, the tax credit on donations made before the end of this year means that governments are providing a generous incentive to give, whether that comes from money, stocks or even time in the form of volunteering. Don't underestimate the difference you can make.

***Craig Alexander***  
***416-982-8064***  
***craig.alexander@td.com***

This report is provided by TD Economics. It is for information purposes only and may not be appropriate for other purposes. The report does not provide material information about the business and affairs of TD Bank Group and the members of TD Economics are not spokespersons for TD Bank Group with respect to its business and affairs. The information contained in this report has been drawn from sources believed to be reliable, but is not guaranteed to be accurate or complete. The report contains economic analysis and views, including about future economic and financial markets performance. These are based on certain assumptions and other factors, and are subject to inherent risks and uncertainties. The actual outcome may be materially different. The Toronto-Dominion Bank and its affiliates and related entities that comprise TD Bank Group are not liable for any errors or omissions in the information, analysis or views contained in this report, or for any loss or damage suffered.

