TPG Pulse For Associations

In Partnership with The Canadian Society of Association Executives

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Early Impact of COVID 19 on Canadian Associations

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The Portage Group

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The TPG Pulse for Associations is a publication series focused on providing information, insight and tracking of the impact of COVID 19 on the association sector.

This edition of the Pulse highlights the key findings from our inaugural impact survey, which was completed by 372 Canadian associations and other nonprofits between April 29 and May 8, 2020.

This Pulse has been developed in partnership with The Canadian Society of Association Executives.

EARLY IMPACT OF COVID 19 ON CANADIAN ASSOCIATIONS - MAY 2020

Impact on Membership

67%

associations expect declines in membership due to COVID 19

Financial Viability

46%

Viable for more than 12 months

32%

Viable for 12 months or less

22%

Viability not impacted

30% made decisions that impacted staff

HR Actions Affecting One or More Staff

19%

Have laid off one or more staff

16%

Have reduced staff hours

9%

Have reduced compensation

4.6% of all staff in responding organizations were laid off

+70% Without the Canada Emergency Wage Subsidy (CEWS), the number of layoffs would have been 7.8% of all staff or 70% higher.

29% Organizations who laid off staff let an average of 29% of their staff complement go.

Notes: Source: TPG Pulse Survey in partnership with CSAE, survey of 372 Canadian associations and other nonprofits from April 29 to May 8, 2020. Results are reflective of the 372 participating organizations and may or may not be representative of the entire Canadian association and nonprofit sector.

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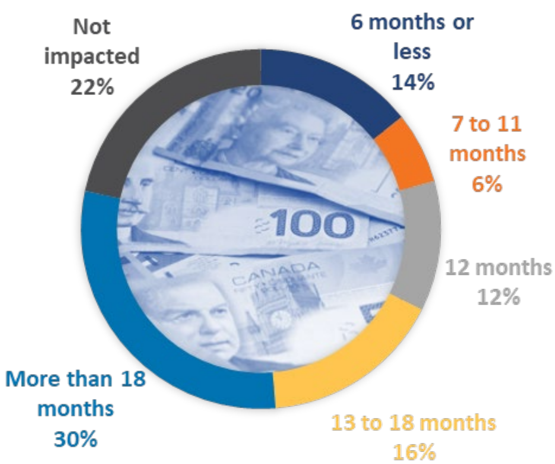
Financial Impact of COVID 19 on Canadian Associations

It is no surprise that the early financial impact of COVID 19 on Canadian associations has been devastating. Unfortunately for many associations, the worst may be yet to come.

Financial Viability Under Current Conditions



Note: N=343

The data suggests that almost one in three (32%) of surveyed associations have 12 months or less before they may have to shut their doors without interventions such as the easing of social distancing measures, a 'restart' to the economy or adequate government subsidies and support.

For others, the horizon is a little longer – 48% indicated that their organizations could remain financially viable for up to 18 months under current conditions (as at the beginning of May).

> "We are anticipating a significant deficit which will need to be offset from reserves - We anticipate the bigger problem to be 2021. Member renewals will start in October; However, we may need to offer discounts in recognition of their cash flow issues and reduced revenue or start dealing with budget pressures through permanent layoffs."
>
> ***Trade Association CEO, Ontario***

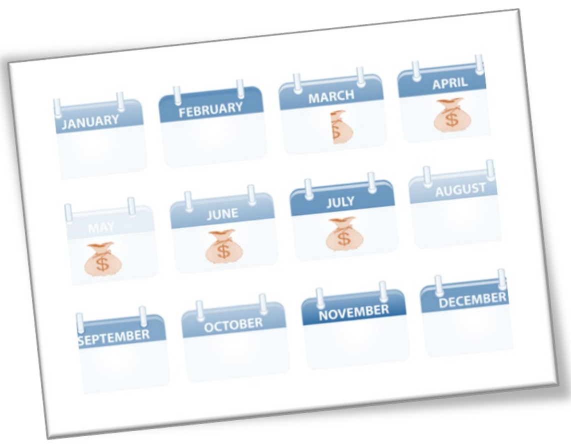
Of greater concern are indications that the financial challenges for many associations will not be alleviated, even as Canadian communities begin to 'restart.'

Along with countries across the globe, Canada has entered what many economists are predicting could be the deepest recession on record. Accordingly, many associations are planning for significant membership losses, and a decline in revenues for programs and services, notably from large-scale in-person events like conferences and trade shows which will not be permitted for the foreseeable future.

The results suggest that current government subsidy programs like CEWS (Canadian Emergency Wage Subsidy) etc., while a 'stop gap' to help associations keep the doors open for now, will not ward off the broader sector impacts. This is discussed in further detail later in this report.

The financial impact from COVID 19 is exacerbated by the financial vulnerability that characterized the Canadian association sector before the Pandemic. Data from the ***2020 Canadian Association Financial Operations Report*** suggests that before mid-March 2020, associations had only 4.5 months' average operating expenses in the form of cash or cash equivalents. Nearly half (48%) had less than three months' worth of cash and cash equivalents operating expenses on-hand.

Months of Operating Expenses Covered by Cash and Cash Equivalents



Source: 2020 Canadian Association Financial Operations Report by The Portage Group Inc. and Canadian Society of Association Executives

In other words, many associations were already 'at risk' before COVID 19 and they now have little in the way of a financial cushion to see them through the challenging months ahead.

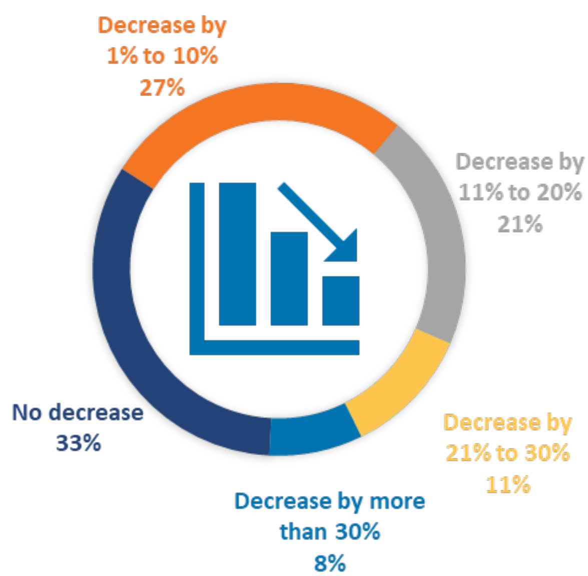
Anticipated Membership Changes

Compared to planned membership levels before COVID 19, two in three associations (67%) are anticipating a decline in membership in 2020 because of COVID 19.

Assuming social distancing measures are eased within 30 to 60 days, nearly half (48%) are predicting a drop in membership of up to twenty percent. For almost one in five (19%), the outlook is bleaker with anticipated membership losses of over 20 percent.

Associations anticipating membership losses are also more likely to have applied for subsidies like CEWS, reinforcing that membership loss is a significant contributor to financial viability challenges for associations today.

Anticipated Change in Membership for 2020



Note: N=331

"Although we are planning for 10%, 20% and 40% revenue declines, this is just a matter of due diligence. We are actually planning to grow our membership as we have opened up some of what we do to all potential members by providing free access on anything related to coping with the pandemic."

Charity CEO in Ontario

What are associations doing about pending membership losses?

Dues Deferral: More than one quarter (28%) are allowing members to defer dues. Among this group, just over half (54%) are allowing members to defer payment for between 3 and 6 months.

Reduction in Dues: Roughly one in ten (9%) are reducing membership fees, with an average decrease in dues of 31% among the 31 associations adopting this measure.

Additional measures to mitigate membership losses shared by survey respondents include offering monthly or quarterly membership fee payment options.

Lowering the membership 'wall' for non-members to access some or all programs is also a strategy being employed by some associations. In showcasing their value to current and potential members today, these organizations hope to build engagement and brand equity that will pay off in the longer term.

Staffing Impact

Three in ten associations have taken some kind of action as it relates to staff in response to COVID 19.

Staff Layoffs: Although most participating associations have not had to engage in layoffs yet, one in five has had to do so.

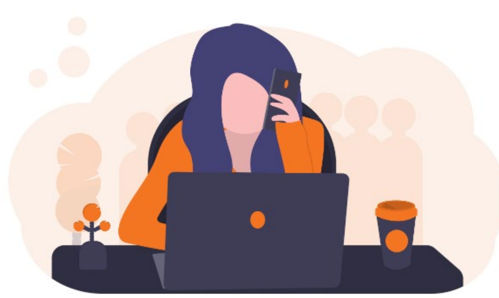
Associations that engaged in layoffs let go an average of 29% of their staff from mid-March to the beginning of May. This is equivalent to an average of five staff for each association that engaged in layoffs and excludes those that may have been rehired following the announcement of the CEWS and other government supports. Additional steps taken include the following:

Reduced hours: 16% of surveyed associations have reduced hours for one or more staff

Reduced compensation: One in ten associations has reduced compensation for one or more staff

Though not as common, survey respondents are also taking some of the following actions as it relates to staff

- 11% of respondents have used a combination of approaches, including partial salary reductions, layoffs, early contract terminations, and reduced hours.
- Asking or have had staff voluntarily extend or take a leave of absence.
- Instituting salary freezes.

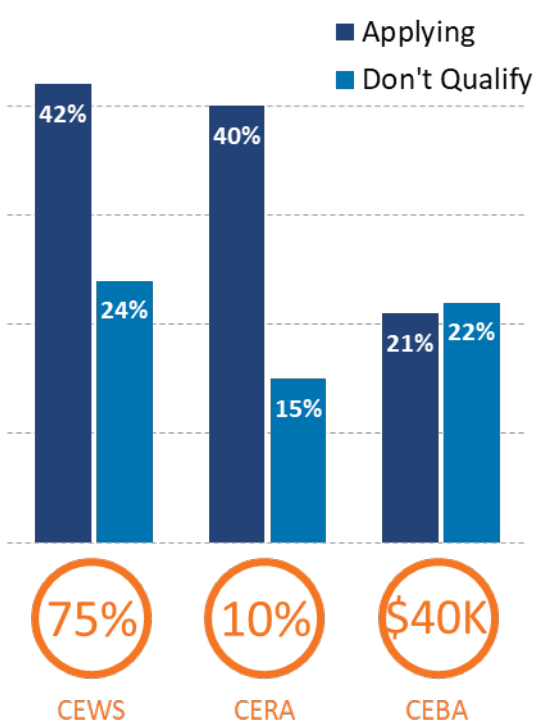


Government Assistance and Subsidies

Like organizations across the country, many associations have applied for government assistance and subsidies to help sustain operations through this challenging period.

These interventions have provided much-needed support to help associations keep the lights on, and to keep staff employed in the short term. With significant and potentially long-term economic challenges on the horizon for many, it remains to be seen how many associations will face further cutbacks, layoffs and closures when these programs end.

Use of Federal Assistance Programs



Note: N=372

> **Did you know?**
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> - Organizations that qualify for CEWS in period 1 automatically qualify in period 2 but will have to re-qualify in period 3 if the revenue loss threshold was not met in period 2. [Click here to the see CEWS FAQ](#).
> - Organizations that qualify for the 10% CERA wage subsidy must take it to receive CEWS. The amount received on the 10% is deducted from the CEWS benefit.

Canada Emergency Wage Subsidy (CEWS): 42% of respondents have or will apply for CEWS. A majority of those applying (six in ten) expected to qualify for the first period (March 15 – April 11).

It is worth noting that the current requirements for the CEWS state that those who qualify for the first period automatically qualify for period 2 (April 12 – May 9). Furthermore, the Federal government announced on May 15th an extension to this program through to August 2020.

The findings suggest that CEWS has likely cut the number of lay offs in the association sector by at least 40%, at least in the short term. Four out of ten (40%) of the associations applying for CEWS indicated they would have to lay off (additional) staff without the program. An additional 33% were not sure, suggesting this number could in fact be much higher.

Based on the 372 participating associations, staff layoffs resulting from COVID 19 amounted to approximately 4.6% of all staff at the time of the survey. Layoffs would have totaled at least 7.8% without the CEWS program.

Although a critical support to help associations stay open and keep staff employed in the short term, government supports like the CEWS may not change the longer-term financial outlook for associations. Of those associations that have applied for CEWS, 40% anticipate they can maintain financial viability for less than 12 months under current conditions. Among those who didn't qualify for CEWS but indicated they were in need, 46% indicated they would be viable for 12 months or less.

Canadian Emergency Response Act 10% Wage Subsidy: Four in ten (40%) of participants indicated that they were taking advantage of the 10% wage subsidy under the CERA. Given that most organizations qualify for the 10% subsidy, the 40% likely underestimates the portion participating in this program.

Canada Emergency Business Account (CEBA):

A much smaller number of associations, just one in five (21%,) have or will apply for the Canada Emergency Business Account. The anticipated uses for the loan amount include: short term cash flow (68%); wages (40%); rent (21%); and, other expenses (14%).

Supporting Associations Retooling to Thrive

Through the coming weeks and months, TPG will be collecting data, and providing information, insight and guidance where we can. We'll do this by publishing a series of free resources that track the impact of COVID 19 on the association sector and that delve into how associations are adapting, retooling, and refocusing not just to survive, but hopefully to thrive, in our new reality. You can find other recent resources and information on upcoming initiatives here.

For more information please contact research@portagegroup.com.

The Portage Group is a full-service consulting firm serving the association sector. TPG is the official research partner for the Canadian Society of Association Executives.

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