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CANADA



Home in Government

Establishing a Focal Point
for the Charitable and
Non Profit Sector



HOME IN GOVERNMENT

Establishing a Federal Focal Point for the Charitable and Non Profit Sector

Canadian charities and nonprofits do monumental work. They make life better for Canadians and the world. Despite their undeniable social and economic impact, governments continue to omit and disregard the charitable sector when developing public policies.

Why doesn't the nonprofit sector have a home in government?



Fisheries & Oceans (2020)

- 1.7% of Canada's GDP
- \$31.65B annually in GDP
- 30,000 jobs



Agriculture (2016)

- 6.7% of Canada's GDP
- \$111.9B annually in GDP
- 2.3 million Jobs



Transportation (2018)

- 8% of Canada's GDP
- \$153.4B annually in GDP
- 920,800 jobs

Unlike these industries, the charitable and nonprofit sector, which by comparison contributes **8.5% of Canada's GDP** and **2.4 million jobs**,¹ **does not** have a home in government.

Context:

The federal government has departments and agencies that cater directly to various economic sectors like Agriculture and Agrifood Canada, Transport Canada, Natural Resources Canada, and Heritage Canada. However, no federal department or agency is currently tasked with fully understanding the evolving legislative and regulatory environment for charities and nonprofits, or ensuring the well-being of charities and nonprofits as a sector.

The CRA's primary role within the federal government is to interpret and enforce the tax regime. It is not a policy-generating department, and it has no mandate to consider the long-term health and needs of any organization including registered charities, despite their contributions to society.

The Charities Directorate within the Canada Revenue Agency (CRA) is responsible for regulating registered charities to ensure that they continue to (a) meet the requirements of the Income Tax Act and (b) carry out purposes recognized as "charitable" in existing statute and common law.

Beyond ensuring that nonprofits continue to meet the requirements for their tax exemption, no federal department or agency is tasked with considering the needs or challenges that might be unique to nonprofits. When charities and nonprofits do liaise with the federal government interactions are based on the organization's mission or purpose.

The charitable and nonprofit sector is subject to an antiquated legal and regulatory environment. In order to fundamentally address this, charities and nonprofits need a home in government to ensure the sector's wellbeing while being responsive during times of crisis.

Recommendation:

The federal government must establish a "home" for the charitable and nonprofit sector within the permanent machinery of government. This "home" should be in the form of a dedicated secretariat that would be tasked with, at minimum:

- Regularly convening an interdepartmental working group,
- Convening federal/provincial/territorial meetings, and
- Publishing an annual report on the state of the sector.

Recent Figures:

- There are over 170,000 charities and nonprofits in Canada
- Over 2.4 million Canadians are employed by non-profits and charities
- Over 77% of their workforce is female²
- 47% of immigrant women are employed in the sector³
- 34% of the sector identifies as Indigenous or racialized⁴

1 Statistics Canada. (2021). The Daily — Non-profit institutions and volunteering: Economic contribution, first quarter 2021. Retrieved from: <https://www150.statcan.gc.ca/n1/daily-quotidien/220705/dq220705d-eng.htm>

Imagine Canada. "Diversity Is Our Strength: Improving Working Conditions in Canadian Non-Profits", 2022

2 Imagine Canada, "Diversity Is Our Strength: Improving Working Conditions in Canadian Non-Profits", 2022

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These departments play a dual role: they develop policies and programs of interest and relevance to organizations operating in these sectors, and they advocate on behalf of these sectors when broader government policies are being considered.

Why Does The Sector Need A Home In Government?

There are three key needs:

- First, the sector needs an entity in government that is responsible for periodically evaluating the legislative and regulatory environment for charities and nonprofits.
- Second, a more rigorous memo to cabinet process is needed to support federal legislation, as well as to catch harmful proposals that would inadvertently affect the sector.
- Third, the sector needs a well-defined entity that it can turn to in times of crisis. Since there is no federal department charged with ensuring the health of the nonprofit sector, there is no unified federal response for the sector in times of crisis.

This final point was painfully apparent during the height of the pandemic when several federal relief programs were introduced to help the business sector recover from the economic impacts of emergency health measures while excluding the charitable and nonprofit sector. Programs such as the Canada Emergency Response Benefit (CERB), Canada Emergency Wage Subsidy (CEWS) and Canada Recovery Hiring Program (CRHP) were introduced to provide businesses with relief. Initially, the nonprofit and charitable sector, a key actor in the economic prosperity and wellbeing of Canadian society, was not included in these relief programs.

The sector had to fight hard to be included in those programs and to raise awareness of the sector's role in the economy. When subsequent relief programs were introduced including the Hardest-Hit Business Recovery Program (HHBRP) and the Tourism and Hospitality Recovery Program (THRP) large segments of our sector were not eligible for support.

Vetting proposed legislation to ensure it won't negatively impact the nonprofit sector is also key. The sector is sadly required to fill this role itself and must use charitable dollars and program time to explain the unintended consequences of new bills to MPs and officials. Often the government will adopt legislation without considering the impact that it will have on charities and nonprofits. For example, when Canada's Anti-Spam Legislation was created, Innovation Science and Economic Development Canada (ISED) was not required to consult with or gain an understanding of charities and nonprofits and how they generate revenue or carry out their activities leading to unclear regulations that placed restrictions on charities' email-based revenue generation activities.

Another example relates to direction and control. Until recently, charities were barred from providing funds to non-charities unless they entered into an agreement whereby they exercised "direction and control" over the activities of their non-charity partner. Over nearly 10 years, the sector fought to explain and have this relatively simple change enacted.

What touch points currently exist?



Canadian Revenue Agency

- Regulatory and guideline issues



Innovation, Science and Economic Development Canada

- Overseeing the Non-Profit Corporations Act and Canada Corporations Act



Employment and Social Development Canada

- Administration of several federal funding programs



Finance Canada

- Addressing Income Tax issues for charities

Charities and Non-Profits have to engage with all of these bodies separately.

These points represent the minimum steps necessary to regulate and legislate, but they do not allow for informed engagement with the sector.

In the 2022 budget, the government announced that they would be amending direction and control requirements. However, when the changes were set out in the Budget Implementation Act (Bill C-19)⁵, it became clear that the specific wording of the proposed legislation was harmful to the sector. Imagine Canada and several actors in the sector organized a Hill Day to secure two amendments to Bill C-19. This effort consumed significant time and resources that could have been dedicated to community initiatives. If the sector had a home in government the need for a Hill Day would not have emerged.

Home in government as a support for equity-seeking communities

In every community across Canada, vulnerable and racialized Canadians rely on community-driven programs and services to bolster their quality of life in Canada. Poverty reduction, housing, youth employment, and equity and inclusion programs are only some of the ways that charities and nonprofits intervene to help the communities they serve. This was particularly important during the height of the COVID-19 pandemic, when data mapping revealed that low-income and racialized neighborhoods were the hardest hit by COVID-19. Several community organizations were the only ones to step in to fight against systemic inequities that led to this injustice.

In 2020, a group of leaders from across the nonprofit sector formed the Equitable Recovery Collective in response to the COVID-19 pandemic's impact on the nonprofit sector and the communities it serves. The Collective aims to advance an equitable recovery and a strong nonprofit sector. The collective also jointly advocates for a Home in Government. Many equity-seeking organizations face a volatile capacity environment that significantly threatens their welfare. For example, organizations serving equity-seeking communities face steep revenue declines and capacity limitations that larger organizations working with the general population are not subject to. It has also been shown that Black-focused, Black-led, and/or Black-serving groups (B3) are systematically underfunded in granting.⁶ To ensure that the needs of equity-seeking organizations are represented, the charitable and nonprofit sector needs a secretariat that can coordinate and disseminate policy decisions that resolve cross-cutting inequities at an interdepartmental level.

Examples of government safeguards

The Federal government benefits from a Memorandum to Cabinet process, whereby new government policies are vetted and departments consider whether proposed policies will have differential effects on various elements including small- and medium-sized enterprises versus larger enterprises. This process does not consider the specialized characteristics charities and nonprofits face due to their structure or propose policy measures to assist nonprofits in carrying out their mission. In the absence of a home in government, there is no centralized body to take ownership of these files, and make sure that federal government legislation is informed and remains knowledgeable about the sector.

What would a government hub do?



Convene an interdepartmental working group



Maintain ongoing collaboration with federal departments



Advisory support for the memo to cabinet process



Address broad issues of inequity



Host federal/provincial/territorial meetings



Collaborate on developing data products



Establish and maintain clear communication channels with the sector



Ensure the inclusion of nonprofit orgs in crisis response

⁵ Justice Canada, "Bill C-19, An Act to implement certain provisions of the budget tabled in Parliament", https://www.justice.gc.ca/eng/csj-sjc/pl/charte-charte/c19_2.html#:~:text=Bill%20C%2D19%3A%20An%20Act,7%2C%202022%20and%20other%20measures

⁶ Network for the Advancement of Black Communities, "Unfunded: Black Communities Overlooked By Canadian Philanthropy". www.forblackcommunities.org/assets/docs/Unfunded-Report.pdf

Desirable criteria for a Home in Government:

- **Administrative structure:** A central and respected mechanism within the government's machinery. The home must have seniority and authority to make decisions.
- **Permanence:** A part of the permanent machinery of government.
- **Mandate:** A clear and limited mandate to the issues that charities and nonprofits have in common due to their corporate structures. This mandate should refrain from focusing on limited issues such as volunteerism, community services, or fundraising.
- **Comprehensive:** recognize that charities and nonprofits make a significant economic as well as social contribution to Canada. A renewed relationship with the sector should focus on engaging with the sector as a partner to reduce barriers and strengthen the sector's capacity.
- **Non-duplicative:** A home for the sector should not duplicate or replace the funding responsibilities of other ministries.

Examples of Home in Government From Other Jurisdictions

Departmental Supports:

- **Australia:** The Australian Charities and Not-for-profits Commission (ACNC) established in 2012, is the country's regulator of charities, but also has a role in promoting the sector. The ACNC was established to maintain, protect and enhance public trust and confidence in the Australian not-for-profit sector; to support and sustain a robust, vibrant, independent, and innovative not-for-profit sector; and promote the reduction of unnecessary regulatory obligations on the sector. Australia's Assistant Minister for Treasury and Finance is responsible for the ACNC.
- **Québec:** Established in 2015, the Ministry for Employment and Social Solidarity has a mandate to foster community action and volunteerism, guided by a Government policy on community action. The policy aims to promote and foster community action; promote and foster the work of community organizations; consolidate policies related to community action across the government to ensure consistency and recognize and support volunteerism in community organizations.

Cabinet Mandates:

- **United Kingdom:** The Parliamentary Secretary for Civil Society was established to lead the civil society agenda and cover the Big Society agenda, the National Citizen Service and youth policy, social action, creating civil society sector supports, and social enterprise and social investment strategy of the United Kingdom.
- **New Zealand:** The Minister for the Community and Voluntary Sector, along with the Parliamentary Committee on the Social Services and Community sector, are strong supports for the nonprofit sector. They have significantly modernized the sector, putting forward legislation to modernize the definition of charitable purpose, as well as increasing transparency.
- **Newfoundland and Labrador:** In 2021, the province appointed a Minister Responsible for the Community Sector. This Minister works with their Cabinet colleagues to ensure volunteer and nonprofit organizations are supported. The Minister is also responsible for collaborating with the Minister of Industry, Energy and Technology, the community sector, stakeholders, and establish an incubator and accelerator for community organizations.
- **British Columbia:** In 2021, the province established a Parliamentary Secretary for Community Development and Non-Profits. The Parliamentary Secretary is mandated with "Working to ensure charitable organizations and the non-profit sector are engaged and supported through the COVID-19 pandemic and recovery and supporting charitable organizations and the non-profit sector by acting as the advocate and key point of contact within government."

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About Imagine Canada

Imagine Canada is a national charitable organization dedicated to providing charities and nonprofit organizations with programs, assistance, and resources designed to help them better support the Canadians and communities they serve. Altogether our sector adds 8.3 percent to Canada's GDP and employs more than 2.4 million people across the country with over 170,000 nonprofits and charities.

If you have any questions, please do not hesitate to contact us at policy@imaginecanada.ca

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