

Written Submission for the Pre-Budget Consultations in Advance of Federal Budget 2024

Imagine Canada

Recommendation 1 - 2: Engage the nonprofit sector in the design of a Home in Government. Dedicate funding for this model in Budget 2024.

Recommendation 3 - 4: Improve the Treasury Board Secretariat's Policy on transfer payments to make funding for nonprofits more equitable and effective.

Recommendation 5 - 8: Develop a federal labour and workforce strategy for the nonprofit sector and increase access to skills development and digital transformation programs.

Recommendation 9- 10: Mandate Statistics Canada to improve the quality and accessibility of the data collected on the nonprofit sector. Allocate \$1 million in 2024-25 and \$750,000 in ongoing funding to support this work.

Recommendation 11: Before proceeding with the proposed changes to the Alternative Minimum Tax, determine the impact these changes will have on charitable revenues by conducting an independent economic and financial analysis.

Whether providing services to at-risk youth, shelter for homeless Canadians, settlement services for recent immigrants and refugees, or cultural programming to urban Indigenous peoples, nonprofits and charities work with governments at all levels to bolster social inclusion and quality of life. Alongside the public and private sectors, the nonprofit sector is an economic powerhouse. It contributes \$192 billion in economic activity annually, representing 8.3% of Canada's GDP. We employ 2.5 million people annually, with one in ten Canadians working for a charity or nonprofit. Our workforce is 77% women, 47% immigrants and 35% Indigenous and racialized people.¹ For many immigrants, the nonprofit sector is their first entry point into the workforce. We also have a vibrant volunteer community with 13 million individuals contributing close to 2 billion hours each year.

In general, nonprofit sector wages are low. Those working in community nonprofits earn \$38,716 annually, whereas the economy-wide average for all employees is \$57,137 annually.² Rising inflation has squeezed the sector's ability to compensate its workers fairly, and labour shortages have created increased competition for employees. Many of these problems can be attributed to short-term, project-based funding, which can lead to subpar working conditions, such as low wages, reduced benefits and short-term contract employment.

Charities and nonprofits need a central touchpoint in government to help address common issues the sector faces as a whole, advance sector-wide support, and enable the collection of disaggregated sector data. If our sector had a home in government- a centralized entity that engaged strategically with the nonprofit sector to vet proposed legislation and assess impacts on the nonprofit sector- these problems could be addressed.

¹ Imagine Canada. (2022). Diversity is Our Strength. <https://www.imaginecanada.ca/sites/default/files/2022-10/diversity-is-our-strength.pdf>

² Imagine Canada. (2022). Diversity is Our Strength. <https://www.imaginecanada.ca/sites/default/files/2022-10/diversity-is-our-strength.pdf>

Recommendation 1-2: Engage the nonprofit sector in the design of a Home in Government. Dedicate funding for this model in Budget 2024.

While our sector has several touchpoints with the federal government, no ministry or department is responsible for improving the nonprofit sector's policy environment or economic landscape. A home in government for the sector could:

- Promote understanding of the nonprofit sector within government and collaboration across government on issues affecting nonprofits and charities
- Ensure public policy fosters a strong, accountable, diverse and innovative nonprofit and charitable sector
- Collect and share timely, high quality, accessible data about the nonprofit sector to support evidence-informed policy making
- Be an internal advocate for the nonprofit sector in public policy decisions that may impact charities and nonprofits
- Address inequities within the nonprofit sector that fall within Federal jurisdiction

While we welcome the [government's interest](#), we ask that it honor its promise to engage the nonprofit sector to create a dedicated entity in government to facilitate our sustainability and growth.

Recommendations

1. *Facilitate and co-design an engagement process with the nonprofit sector that solicits feedback on the mandate, objectives, and resources needed for a Home in Government. Ensure the engagement process includes meaningful representation from equity-seeking, rural, remote and Northern communities.*
2. *Establish and adequately resource an entity to act as a Home in Government for the nonprofit sector in Budget 2024. Its mandate should:*
 - a. *Formulate and review public policy and regulations across relevant departments to ensure they foster a strong, diverse and innovative nonprofit sector*
 - b. *Ensure Statistics Canada collects and publishes data about the nonprofit sector to support evidence-informed policymaking*
 - c. *Disseminate knowledge about the nonprofit sector within the federal government*
 - d. *Coordinate and foster collaboration across government and nonprofits on issues affecting the sector*
 - e. *Address inequities within the nonprofit sector that fall within Federal jurisdiction*

Recommendation 3- 4: Improve the Treasury Board Secretariat's Policy on transfer payments to make funding for nonprofits more equitable and effective.

The federal government relies on nonprofits to deliver on many priorities. However, issues with the administration of federal funding through the Treasury Board Secretariat (TBS) have created inefficiencies and inequities that could jeopardize the government's ability to meet its objectives. For instance, inadequate funding and ineffective funding practices, may cause nonprofits to reduce programming delaying crucial work. In 2006, the Independent Blue Ribbon Panel published a report on

Grant and Contribution Programs entitled [From Red Tape to Clear Results](#). In 2019, a report from the Special Senate Committee on the Charitable Sector entitled [Catalyst for Change: A Roadmap to a Stronger Charitable Sector](#) documented issues with the administration of federal grants and contributions. In 2021, the [federal government](#) indicated its support for policies that compensate full administrative costs associated with delivering services funded by transfers to non-profit organizations.³ While the Treasury Board has taken several steps to address issues raised in these reports, it is clear from engagements with nonprofits in the sector who receive federal funding that many problems persist.⁴ These policies have created [profound challenges](#), which include:

- An absence of core operating or capacity-building funding
- Failure to cover the true cost of funded initiatives
- Long delays in application approval periods
- Protracted contract negotiation periods without adjustments to the deadline to use funds
- Short funding terms or gaps between funding terms
- Restrictive funding agreements with little flexibility to move money between costs categories
- Practices that make it difficult for organizations from equity-seeking communities to access funding
- Increased administrative burden for organizations receiving federal funding

Recommendations

3. *Instruct the President of the Treasury Board to amend the [Directive on Transfer Payments](#) to account for our sector's unique operating and financial models and societal role by creating specific funding provisions that:

 - a. *Embrace risk and assess risk more equitably*
 - b. *Mandate that all project-based funding allow a minimum of 30%⁵ of funding to be used for associated core operating and overhead costs*
 - c. *Reduce the administrative burden associated with applications, reporting, and audits.*
 - d. *Allow for greater flexibility to move funds between cost categories*
 - e. *Reduce funding renewal gaps by increasing multi-year funding availability*
 - f. *Provide clear guidelines regarding when it is appropriate to offer unrestricted and core funding to nonprofit recipients*
 - g. *Ensure policy compliance within government departments**

4. *Apply an equity approach to the provision of funding that:

 - a. *Develops equity and accessibility guidelines for federal funding*
 - b. *Distributes funding equitably to address current and historical inequities*
 - c. *Provides dedicated capacity-building funding for equity-seeking communities**

³ Recommendation 10. The Senate Special Committee on the Charitable Sector (2019). [Catalyst for Change: A Roadmap to a Stronger Charitable Sector](#). https://sencanada.ca/content/sen/committee/421/CSSB/reports/CSSB_GovResponse_Charitable_e.pdf

⁴ Learn more about stakeholders' perspectives in [Core Funding Impact Stories: 8 nonprofits and charities across the country explain what a lack of core funding means for their communities, workers and long-term viability](#).

⁵ Learn more about the research on administrative costs: [The Nonprofit Starvation Cycle: Does Overhead Spending Really Impact Program Outcomes?](#) By Hala Altamimi and Qiaozhen Liu; [Pay-What-It-Takes Philanthropy](#) by Jeri Eckhart-Queenan, Michael Etzel, & Sridhar Prasad; and [Nonprofit Overhead Costs: Breaking the Vicious Cycle of Misleading Reporting, Unrealistic Expectations, and Pressure to Conform](#) by William Bedsworth, Ann Goggins Gregory & Don Howard.

Recommendation 5-8: Develop a federal labour and workforce strategy for the nonprofit sector and increase access to skills development and digital transformation programs.

Over the last three years, the nonprofit sector has faced unprecedented demand for services. Organizations consistently report high levels of absenteeism, burnout and mental health leaves. Senior leaders are retiring early from organizations without a succession plan, and front-line staff are resigning. Our sector faces substantial recruitment and retention challenges as many workers have left their fields to pursue work in public or private sectors, where wages are higher and benefits are more comprehensive.⁶ In the second quarter of the year, nonprofit organizations expected recruiting skilled employees (43.5%) and retaining skilled employees (32.2%) to be substantial obstacles.⁷ The nonprofit sector is unique because it has both an unpaid and paid workforce, where volunteers contribute to the sector in tandem with paid employees. A strategy is urgently needed to address the sector's current talent recruitment, training and retention crisis to equip it to support Canada's changing workforce.

According to the World Economic Forum, by 2030, 50% of jobs will be changed by automation.⁸ Like many sectors, nonprofits are undergoing rapid disruption due to digital technologies. Despite the magnitude of our economic contribution, nonprofits have been excluded from support programs, such as the [Canada Digital Adoption Program](#) (CDAP), which would allow them to adopt digital technologies. By 2030, 90% of jobs will require digital skills.⁹ Continued access to funding and program supports like the CDAP, the [Community Services Recovery Fund](#) (with its streams that support investment in staffing and technology) and the [Skills for Success Program](#) would help many organizations address workforce challenges and adopt digital technologies allowing them to better weather crises or economic hardship.¹⁰

Recommendations:

- 5. Develop a labour force strategy grounded in equity, diversity and inclusion that addresses retention, skills development, compensation, training, leadership development and succession planning.*
- 6. Expand the Canada Digital Adoption Program's eligibility to nonprofits and charities.*
- 7. Build the resilience of the nonprofit sector by establishing another cycle of the Community Services Recovery Fund.*
- 8. Allocate an additional \$298M to the Skills for Success Program over the next three years to provide Canadians with the opportunity to improve foundational and transferable skills needed*

⁶The Senate Special Committee on the Charitable Sector (2019). Catalyst for Change: A Roadmap to a Stronger Charitable Sector.

https://sencanada.ca/content/sen/committee/421/CSSB/reports/CSSB_GovResponse_Charitable_e.pdf

⁷ Business or organization obstacles over the next three months, second quarter of 2023. 2023. Statistics Canada.

<https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3310066601&pickMembers%5B0%5D=3.2>

Business or organization obstacles over the next three months, second quarter of 2023. 2023. Statistics Canada.

<https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3310066601&pickMembers%5B0%5D=3.3>

⁸ World Economic Forum. obs will be very different in 10 years. Here's how to prepare.

<https://www.weforum.org/agenda/2020/01/future-of-work/>

⁹ World Economic Forum. obs will be very different in 10 years. Here's how to prepare.

<https://www.weforum.org/agenda/2020/01/future-of-work/>

¹⁰ Ontario Chambre of Commerce. 2022. Broken Links.

<https://occ.ca/wp-content/uploads/Broken-Links-Driving-Technology-Adoption-within-Ontarios-Small-Businesses.pdf>

to enter the workforce.

Recommendation 9 - 10: Mandate Statistics Canada to improve the quality and accessibility of the data collected on the nonprofit sector. Allocate \$1 million in 2024-25 and \$750,000 in ongoing funding to support this work.

High-quality disaggregated data is crucial to design policies, plan interventions, anticipate changes and forecast the needs of the nonprofit sector. When information about the sector is available, it is often outdated or presented in an inaccessible or difficult-to-use format. To advance the nonprofit sector's data collection priorities, representatives of 40+ nonprofit organizations and institutions have formed the [Federal Nonprofit Data Coalition](#). The coalition recommends that the federal government:

- **Create an external advisory committee for the nonprofit sector.** This committee would ensure that data collection, analysis, and release practices related to the nonprofit sector are effective and equitable.
- **Improve data collection in the nonprofit sector.** Implement regular snapshot data collection through a National Survey of Nonprofit and Voluntary Organizations to be repeated every three years.
- **Mandate Statistics Canada to improve ongoing data collection on the nonprofit sector.**
- **Establish a Nonprofit Sector Data Lab.** Similar to the [Business Data Lab](#), it would increase the impact of data that is already being collected by providing user-friendly, easy-to-understand data products and offering programs aiming to democratize access to data, such as training workshops and learning resources.

We echo the recommendations of the 2024 pre-budget submission of the Federal Nonprofit Data Coalition.

Recommendations:

9. Implement the four recommendations of the Federal Nonprofit Data Coalition

10. Fully implement Recommendation #8, the inclusion of questions on the T3010 and the T1044 on diversity representation on nonprofit boards of directors, from the Senate Catalyst for Change Report

Recommendation 11: Before proceeding with the proposed changes to the Alternative Minimum Tax, determine the impact these changes will have on charitable revenues by conducting an independent economic and financial analysis.

Each year the number of charitable donors reporting donations decreases.¹¹ In 2022, approximately 30% of donations to the charitable sector came from high-income households.¹² The proposed changes in Budget 2023, related to the [Alternative Minimum Tax](#) (AMT) are extremely disconcerting for the charitable sector. Specifically, we are concerned that the proposed change to reduce the donation tax credit by 50 percent and include 30 percent of capital gains on donations of publicly traded securities

¹¹ Statistics Canada. 2021. Summary of Charitable Donors. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1110000301>

¹² CanadaHelps, 2023. The Giving Report. <https://indd.adobe.com/view/1fdaa5b9-65af-4325-86e2-628a1f02d797>. Pg 8

may disincentivize donations to the charitable sector. Various institutions, including community foundations, hospitals, universities, museums and festivals, which rely on large donations to provide critical services to Canadians may be impacted. We urge the government to consider the impact these changes will have on charitable organizations by allowing an independent body, such as the Parliamentary Budget Officer, to conduct an economic and financial analysis of the proposed changes.

Recommendation:

11. Before proceeding with the proposed changes to the Alternative Minimum Tax, determine the impact these changes will have on charitable revenues by conducting an independent economic and financial analysis.