

Imagine Canada

Responses

1. Economic Recovery and Growth

Given the current climate of federal and global fiscal restraint, what specific federal measures do you feel are needed for a sustained economic recovery and enhanced economic growth in Canada?

We recommend the adoption of a Stretch Tax Credit for Charitable Giving which, by promoting the financial sustainability of charities, will help to preserve and promote employment and economic activity in every community across Canada. Charities and public benefit nonprofits employ more than 10% of the workforce – providing jobs for two million Canadians in every community in the country – and account for more than 7% of GDP. The economic downturn increased the demand for services (as reported in our Sector Monitor), while fiscal restraint at all levels of government and stagnation in philanthropy increasingly threaten the financial sustainability of many organizations, and by extension the jobs of those Canadians working in the sector. The sector not only generates jobs and economic opportunity directly, it helps create the conditions for future growth. By providing services such as immigrant settlement, literacy and skills training, support for people with disabilities, and early childhood education, organizations boost the capacity of the population to adapt to changing economic circumstances and take advantage of new and emerging economic opportunities. By contributing to quality of life overall and helping create safe and vibrant communities, through their contributions in areas from amateur sport to the arts and culture to religious life, charities and public benefit nonprofits make Canada a more attractive place for investors, employers and employees. The Stretch Tax Credit for Charitable Giving, overwhelmingly supported by large and small charities, would see the federal charitable tax credit increased by ten percent for new and increased giving, up to a limit of \$10,000 in donations. At a modest cost to the federal government, this would promote increased giving on the part of individual Canadians. It would provide tax relief that would primarily benefit younger families and people with moderate incomes. It would preserve and create jobs. Because of the way the proposal is structured (if giving does not increase, there would be no additional cost to the Treasury), it is a largely risk-free way to invest in the sector, to invest in communities, and to invest in job preservation and creation in every corner of Canada.

2. Job Creation

As Canadian companies face pressures resulting from such factors as uncertainty about the U.S. economic recovery, a sovereign debt crisis in Europe, and competition from a number of developed and developing countries, what specific federal actions do you believe should be taken to promote job creation in Canada, including that which occurs as a result of enhanced internal and international trade?

We recommend that the federal government put tools and policies in place to promote self-generated or earned income by charities and nonprofits. We also recommend that administration of grant and contribution programs be improved in order to, where necessary, mitigate the impact on employment. Charities and public benefit nonprofits directly create jobs and economic activity across Canada. They also help communities and individuals deal with economic challenges and dislocation, often as the preferred partner of governments in helping displaced workers adjust to new economic realities and to maintaining quality of life in affected communities. They also help to create conditions conducive to economic growth – including enhanced quality of life, education and health services, employment and

skills training, vibrant arts and culture scenes, and community engagement. Being on the front line, organizations know how policies and economic conditions are affecting people and communities. They also work closely with the private sector – they are philanthropic partners, and private sector leaders are often prominent as volunteers and board members – and are thus in a unique position to understand the interventions that will help the private sector thrive in a community. Charities and public benefit nonprofits make up more than 7% of GDP and face many of the same challenges as small- and medium-sized enterprises when it comes to creating employment and economic opportunities, but do not benefit from the federal support structures – for business planning and market development, for example – available to private entrepreneurs. Earned income represents more than 50% of the sector’s overall revenue and well-considered supports will facilitate further diversification and growth. The Social Finance Task Force made several recommendations in this regard. For organizations more reliant on grant and contribution funding, how decisions are made has a significant effect on financial sustainability and employment. In making broad programming decisions, the government should consider the potential impact on employment. Timelier decision-making and communication on individual files would, where necessary, help organizations seek alternative funding to protect jobs. The Independent Blue Ribbon Panel on Grant and Contribution Programs made excellent recommendations along these lines, but takeup across departments has been uneven.

3. Demographic Change

What specific federal measures do you think should be implemented to help the country address the consequences of, and challenges associated with, the aging of the Canadian population and of skills shortages?

We recommend that the federal government work with charities and public benefit nonprofits to gather and disseminate information and data about the sector’s labour force to help improve decision-making around recruitment, retention, and skills development. We also recommend (see answers 1, 2, and 4) that the federal government take steps to facilitate greater financial sustainability, allowing organizations to invest more effectively in their people. Shifting demographics affect the sector in several ways. • An ageing population will increase demand for many of the services provided by sector organizations. • Donations and volunteer hours will likely decline. People over the age of 50 donate and volunteer disproportionately and as they age, many will be less able to volunteer and their incomes will decline, affecting their ability to give. Younger people choose to volunteer in much different ways than their elders, which we are working to understand and accommodate. Younger people are also less likely to donate for a variety of reasons. • The aging workforce means increased competition with the public and private sectors for skilled workers. Financial constraints already create difficulty attracting and retaining people whose skills are in demand. • Canada will look increasingly to immigrants and to Aboriginal youth to fill labour shortages. Charities and public benefit nonprofits are at the forefront of helping these segments of the population adapt and integrate into the labour force, and will face increasing demand for their services. As the employers of two million Canadians, it will be vital that organizations have access to reliable and comprehensive information and data about the sector’s labour force, including salaries, benefits and working conditions. The federal government should work with the sector to gather and disseminate information that will help organizations to better position themselves within the broader labour market. Measures to boost the financial sustainability of the charitable sector – such as increased support for philanthropy and for earned income activities – will be key to helping ensure that charities and public benefit nonprofits can recruit and retain the people they need to carry out their missions in every community in Canada.

4. Productivity

With labour market challenges arising in part as a result of the aging of Canada's population and an ongoing focus on the actions needed for competitiveness, what specific federal initiatives are needed in order to increase productivity in Canada?

We recommend improved grant and contribution administration, and the creation of a red tape reduction commission, similar to that established for the private sector, for the charitable and public benefit nonprofit sector. Charities are a vital economic sector, and important partners to governments, but are too often not thought of as such despite representing more than 7% of GDP. Consequently, there are numerous regulatory and administrative issues that, if addressed, would greatly increase efficiency. This would make organizations more financially sustainable and allow them to devote more resources to front-line activity. One area for improvement – benefitting the sector and saving the federal government money – is the administration of grants and contributions. The Independent Blue Ribbon Panel on Grant and Contribution Programs made a number of excellent recommendations in 2006, but implementation has been uneven across government. Administration could be improved in a number of ways, including: • more timely communication of funding decisions, especially when funding is reduced or reprofiled so that organizations can better adapt; • recognition that “administrative” costs (such as facilities and IT costs) are vital to providing services and need to be funded; • consistent application and reporting procedures; and, • multi-year funding of initiatives to encourage greater efficiency and sustainability. The federal government recently announced a commission to examine and cut red tape that hampers the competitiveness of small- and medium-sized businesses. Charities and public benefit nonprofits are, in many ways, analogous to private enterprises and face many of the same regulatory and administrative issues, and would benefit from a similar initiative. The Task Force on Social Finance identified a number of regulatory issues that a red tape commission could tackle. The existing rules and regulations about what business activities charities may engage in are not always clear. As a number of provincial governments move to encourage more entrepreneurial activity by charities and nonprofits, there is a risk that federal regulations may be at odds with these activities. Clarifying these rules and increasing understanding of the conditions that need to be met to enable charities’ and public benefit nonprofits’ engagement in earned income activities should be a priority.

5. Other Challenges

With some Canadian individuals, businesses and communities facing particular challenges at this time, in your view, who is facing the most challenges, what are the challenges that are being faced and what specific federal actions are needed to address these challenges?

In addition to the Stretch Tax Credit and other immediate measures, we recommend that the Commons Finance Committee undertake a study on charities’ and nonprofits’ long-term financial sustainability. Canadian charities and public benefit nonprofits face numerous challenges, falling into two broad categories: demographic and financial. Many demographic challenges are common to the public and private sectors. The aging population means increased competition for talent; in our case, volunteers as well as paid staff. Demographics also pose economic challenges to the sector. Service demand rose during the economic downturn and continues to be high. The aging population, and the likelihood that Canada will need to welcome greater numbers of immigrants to meet our economic needs, will further increase service demand. Concurrently, the economic downturn has exacerbated financial sustainability challenges. Giving is constrained as individuals and corporations look to cut costs. Grants and contributions by all levels of government are being cut or reprioritized as we deal with deficits. If the challenges facing the sector are not addressed, there will be a significant negative effect on the ability of communities and individual Canadians to address the challenges that they face. Federal government measures to help charities and public benefit nonprofits achieve greater financial sustainability will not

only directly help a vital economic sector, they will help the broader community face its challenges. One way the federal government could assist is the adoption of the Stretch Tax Credit (see question 1). Following on the heels of the very productive study on incentives for charitable giving, we recommend that the Commons Finance Committee undertake a study on how to strengthen and diversify charities' and public benefit nonprofits' finances. Such a study could consider the foundational elements needed to maximize the sector's strengths and contributions to Canada, namely: • the regulatory environment; • access to the right people and skills; • access to markets; and, • access to capital. This study, if carried out in a timely manner, would allow the federal government to identify and prioritize specific actions that it could take on its own, in partnership with the sector, or in partnership with other levels of government.