

Written Submission for the Pre-Budget Consultations in Advance of Federal Budget 2023

By: Imagine Canada

Recommendation 1 – Establish a minimum core funding threshold that invests in quality services and decent work

Recommendation 2 - Strategically engage the nonprofit sector through a home in government for charities and nonprofits

Recommendation 3 - Create a Non-Profit Sector Labour and Workforce Strategy

Recommendation 4 - Collect sector-wide data for improved decision making

The nonprofit sector is a central pillar of Canada's economy, society, culture, and natural environment. Nonprofits and charities touch all of our lives as they build strong communities at home and abroad. We have come to rely on the many crucial programs and services these organizations offer, including mental health supports, affordable childcare, environmental conservation, services for individuals with disabilities, access to community events like arts festivals, animal welfare, skills training, care for seniors, and the advancement of equity and human rights.

Our sector has risen to the immense challenge of delivering on basic needs and maintaining quality of life during the greatest health and economic crisis in generations. Recovery is occurring, but it has not followed a linear trajectory, and our sector continues to struggle.

The sector is grappling to meet rising demand due to a [growing social deficit](#) (predating the pandemic), as well as chronic underfunding and gaps in public policy support. Many parts of the nonprofit sector have yet to recover financially from the pandemic and 33% of community nonprofits reported that they were in a worse position in 2021 compared to 2019. Nearly a quarter of organizations report that they cannot sustain operations for the next 12 months.¹ During the pandemic, many nonprofits and charities sacrificed their own long-term sustainability in order to provide services, and the delayed impacts of the pandemic are still deeply affecting these organizations. Even more alarming, each organization closing their doors subsequently places increased demand on other service providers.

Imagine Canada's recommendations for Budget 2023 underline the nonprofit sector's critical role. Our recommendations fall within three key themes:

- **Enabling a more sustainable funding environment:** The nonprofit sector has faced enormous financial challenges throughout the pandemic, with those serving small regions or specific populations facing the largest funding gaps². These groups often rely on piecemeal funding and grants, and must be supported by stable core funding.
- **Strengthening the government's relationship with the nonprofit sector:** The creation of a focal point in government would put nonprofits and charities on equal footing with other sectors, and allow for a permanent knowledge hub about our sector within government.
- **Gathering data and building sector strategies:** It is important that insights are gathered and built into broad strategies for the sector as a whole.

¹ Imagine Canada Sector Monitor <https://imaginecanada.ca/sites/default/files/Sector-Monitor-The-uneven-impact-of-the-pandemic-on-Canadian-charities.pdf>

² Ibid.

Recommendation 1 – Establish a Core Funding Threshold

Context:

Essential charitable and nonprofit sector organizations have the same needs as organizations in the private and public sphere. They must focus on organizational health, resilience and preparedness. To do so, they need to invest in staffing, financial management, governance, research and evaluation, communications, revenue generation, technology, and overhead. However, many of these basic activities are ineligible to be covered by the current government project funds. While these costs are not necessarily direct program costs, they are essential to providing quality services for their communities and to upholding standards of governance, employment and financial management.

Current Challenges:

Jumping from one project-based contract to another detracts from developing and improving the quality of programs and services, building organizational sustainability or aligning with broader policy goals. This creates several dynamics, where organizations must reduce innovation, generalize their programs and services to match a larger pool of fundings opportunities, reduce their pursuit of new revenue streams (like growing fundraising capacity or developing social enterprise), and dedicate enormous amounts of administrative time to re-applying to the same programs each year.

All of the above are examples of dynamics that unrestricted or core funding would address, but that project-based funding does not. Even a **gradual** move towards tackling one of these chronic issues would be transformational.

Equity and labour:

Core funding has deep impacts on our sector workforce. Like many other organizations in 2022, nonprofits and charities are also facing a crisis of retaining employees, rising inflation, and maintaining a level of competition and materiality as a workforce. Organizations face a shortage of labour that is unprecedented and funds need to support bringing salaries to the next level. The sector employs nearly 13% of Canadian workers,³ and represents an important network of social support that other private or public organizations simply cannot offer.

The sector's workforce is incredibly diverse, made up of 77% women, 47% immigrants, and 35% Indigenous and racialized people.⁴ While their contributions to the sector are something to celebrate, they are unfortunately negatively impacted by the working conditions created by an over-reliance on project-based funding. This includes low wages, a lack of benefits (such as parental and retirement benefits), a lack of professional development opportunities, and precarious, short-term contract work.

Recommendations:

- 1. Reclassify 30% of all current project-based funding that is destined for charities and nonprofits to be eligible as core funding;**

³ [Statistics Canada. Table 36-10-0489-01: Labour statistics consistent with the System of National Accounts \(SNA\), by job category and industry \(May 20, 2022\)](#) and [Table 36-10-0650-01](#)

⁴ [Table 36-10-0651-01: Employment in the non-profit sector by demographic characteristic \(April 30, 2021\)](#)

2. **Improve project-based funding as recommended in the [2019 Catalyst for Change Senate Report](#).** These recommendations have currently not been fully implemented.

- This would adequately cover streamlined reporting requirements, project length, and full coverage of associated administrative costs

3. Taking an **equity approach to the provision of core funding** to address historical inequities.

Impact and Costs:

This figure is transformative enough to be meaningful, get the sector mobilized, and encourage investment, but it also **does not incur additional costs** to the federal government **beyond the existing funding project-based funding commitments it has already made**. A certain portion of these funds would simply benefit from less restrictions. Imagine Canada projects that program and project delivery would be minimally affected, as organizations are obliged to stakeholders to maintain the same level of value-added to their communities.

Recommendation 2 – Strategically Engage With Our Sector Through a Home in Government

The charitable and nonprofit sector is an important economic driver, contributing between 8.3% - 8.5% to GDP, and boasting a workforce of 2.5 million people,⁵ the majority of whom are women (77%).⁶ The Federal Government frequently relies on the nonprofit sector to deliver on their priorities with our programs and services, but does not currently engage strategically with the sector as a whole.

This impacts our work in three ways:

- 1) There is no ongoing evolution of the regulatory and legislative environment for our sector. Unlike other industries, there is no clear focal point within government, only disparate segments that regulate, or work with subsectors. None have the responsibility to **improve the policy environment for the charitable and nonprofit sector**. As a result, consultations are often piecemeal and protracted and common issues persist for decades.
- 2) Because the power of the nonprofit sector is not leveraged to drive government policies and priorities, there is no unified federal response for the sector **in times of crisis**.
- 3) Miscommunications, confusion, and unintended consequences, like the restrictions that were placed on charities following Canada's Anti-Spam Legislation implementation.

Even as government after government relies on the sector to deliver critical services, no entity exists to ensure the health of charities and nonprofits as a sector, and many measures in the last few years

⁵ 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>

⁶ Statistics Canada. (2021). The Daily — Non-Profit Organizations and Volunteering Satellite Account: Human Resources Module, 2010 to 2019. Retrieved from: <https://www150.statcan.gc.ca/n1/daily-quotidien/210430/dq210430d-eng.htm>

initially failed to include the nonprofit sector, or take into account their unique characteristics and revenue models. A host of other issues, ranging from inefficient and ineffective funding practices to a lack of access to support for social enterprise activities, also continue to impact the sector in chronic ways, with no end in sight.

Lack of Focal Point

Currently, no federal department or agency is tasked with ensuring the well-being of charities and nonprofits as a sector. The access points that do exist are focused on legislative consistency, regulation of the sector, or tax implications, and require organizations to engage with all of these groups separately (which few organizations have the capacity for).

Additionally, there are few mechanisms in departments to vet proposed legislation to ensure that it won't unduly impact the nonprofit sector. Often, the Government will adopt legislation without fully considering the impact that it will have on charities and nonprofits, partially because few Memorandum to Cabinet processes exist. The sector is required to fill this role itself and **use charitable dollars to explain the unintended consequences of new bills to Ministers and civil servants.**

Recommendations:

1. We reiterate our longstanding recommendation that the **federal government establish a “home” for the sector within the machinery of government.**
2. Fully implement Recommendation #22 of the Senate Catalyst for Change Report. Create a “home” for charities and nonprofits, **in the form of a body** tasked with:
 - Regularly **convening an interdepartmental working group,**
 - Convening **federal/provincial/territorial meetings,**
 - Creating policies that cultivate a **strong and resilient nonprofit sector**
 - **Collaborating with Stats Canada** on regular data products, including an **annual report on the state of the sector.**
 - Develop policies addressing broad **underfunding and systemic inequity**

Costing:

Similar to the [Youth](#) and [2SLGBTQ+](#) secretariats established under this government, such a body could begin with a nominal staffing level, with a small team of up to six FTEs, addressing the mandate points above. It is estimated that this body would entail a \$2 million dollar fixed commitment, in the first year.

Distinct Equity Role, Separate from Funding

It is important to note that a home for the sector **should not** duplicate or replace the funding responsibilities of the 40+ other departments that provide funding. We have heard this clearly from legislators, from government departments, and from the sector. However, a home in government could take an equity approach to policy development to address systemic inequity, like the underfunding of B3 organizations due to systemic racism, and would only be able to do so from this horizontal approach to sector engagement.

Recommendation 3 – Create a Non-Profit Sector Labour and Workforce Strategy

Statistics Canada data from 2010 to 2019 reveals a profile of a highly educated, women-majority nonprofit workforce increasingly composed of immigrants and racialized people, with a growing proportion of workers who are 55 years or older.⁷

Immediate action is required to ensure Canada’s essential human and community services infrastructure remains strong, particularly in rural, urban and northern communities. A strong workforce is fundamental to this goal. To address labour shortages, we recommend that the government implement the recommendations put forward by UWCC to the Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities⁸.

Recommendations:

1. Resourcing a comprehensive non-profit workforce strategy
2. Invest in mental health support for frontline workers in the community/human services sector,
3. Enable talent retention through greater unrestricted funding access
4. Address labour shortages in critical care economy subsectors, and;
5. Fully implementing all of the [2019 Catalyst for Change Report](#) recommendations.

Recommendation 4 – Collect sector-wide data for improved decision making

There are numerous gaps in the data currently collected by the federal government about the nonprofit sector. Macroeconomic, human resources, and qualitative evidence is key to informed decision making, and this data deficit creates challenges for policymakers and nonprofit sector leaders. This is a recommendation that Imagine Canada makes year after year, but is particularly important regarding the impacts of the pandemic on the nonprofit sector.

We support several requests being made by the [Federal Data Working Group](#), including a) the creation of a nonprofit advisory committee at Statistics Canada to improve data collection, b) a Statistics Canada mandate to carry out a follow-up to the 2003 National Survey of Nonprofit and Voluntary Organizations, to be repeated every three years, and c) the provision of \$2 million in 2023-24 and \$500,000 ongoing funding for the creation of a Nonprofit Sector Data Lab.

Recommendations:

1. Implement the 4 recommendations made by the Federal Data Working Group.
2. Fully implement Recommendation #8 of the Senate Catalyst for Change Report, and direct the CRA to collect additional information in the T3010 and T1044 process on the board diversity of Canadian charities and non-profit organizations.

⁷ Statistics Canada. (2021). Non-Profit Organizations and Volunteering Satellite Account: Human Resources Module, 2010 to 2019.

⁸ <https://www.unitedway.ca/wp-content/uploads/2022/05/UWCC-Brief-HUMA-Labour-Shortages-and-Care-Economy-Study-English-April-8.22.pdf>