

Written Submission for the Pre-Budget Consultations in Advance of Federal Budget 2025

Imagine Canada

Recommendation 1-3: Improve the Treasury Board Secretariat's Policy on transfer payments to make funding for nonprofits more equitable and effective.

Recommendation 4: Establish and adequately resource a unit within the federal government to act as a champion of the nonprofit sector in Budget 2025.

Recommendation 5-7: Mandate Statistics Canada to conduct the nonprofit module of the Canadian Survey of Business Conditions every year. Allocate \$500,000 in annual funding to support this work.

Recommendation 8-9: Provide program and infrastructure support to facilitate the adoption of digital technologies in the nonprofit sector.

Recommendation 10-11: Co-develop a Labour Force Strategy for the Nonprofit Sector.

Recommendation 12: Provide capacity-building support to aid the implementation of Bill S-279.

Canadian charities and nonprofits do monumental work. They make life better for Canadians and the world. Despite our undeniable social and economic impact, the sector is often disregarded by the federal government. Each year the nonprofit sector employs 2.5 million people. In 2022, charities and nonprofits operating in Canada have contributed \$211 billion in economic activity, representing 8% of Canada's GDP. We also have a vibrant volunteer community with 13 million individuals contributing close to 2 billion hours each year. From 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 the quality of life for all Canadians.

Despite considerable turbulence over the past several years, the nonprofit sector has faced a persistent increase in demand for our services. Due to the current affordability crisis and inflation, program costs have increased, while donations to the sector have decreased. Additionally, wages in the sector remain low. In 2021 those working in community nonprofits earn \$43,020 annually, whereas the economy-wide average for all employees is \$62,459 annually. Low wages have made recruitment and retention difficult, which has led to substantial labour shortages. Many of these problems can be attributed to short-term, project-based funding, leading to subpar working conditions, such as low wages, reduced benefits and short-term contract employment.

Each year the prevalence of extreme weather events increases in Canada. However, a survey conducted by Carleton University found that emergency preparedness and crisis management were a top priority for only 2% of charities.¹ With the earth warming, the pace of major incidents is only expected to increase. Training volunteers and engaging more nonprofits in disaster relief should be key components of Canada's emergency response plan.

In recent years, changes to the Disbursement Quota and the Income Tax Act to allow charities to grant to non-charities are impacting organizations within our sector. Understanding the impact of these changes and working across government to develop additional policy responses will be critical. To address these challenges, the nonprofit sector will need to innovate. To do this, the sector needs an enabling regulatory and policy environment to facilitate change. A centralized unit that engages strategically with the nonprofit sector to vet proposed legislation and assess impacts on the nonprofit sector will be necessary to advance these changes.

¹ CICP-PCPOB. 2024. CICP-PCPOB Weekly Report-Rapport Hebdomadaire (No. 2.1.1.1) Philanthropy and Nonprofit Leadership, Carleton University. <https://carleton.ca/cicp-pcpob/file/2-01-01-en/>

Recommendation 1-3: Improve the Treasury Board Secretariat’s Policy on transfer payments to make funding for nonprofits more equitable and effective.

The Treasury Board Secretariat’s (TBS) policies on the administration of government spending have created several challenges for nonprofit recipients of federal funding. Various reports from the [Independent Blue Ribbon Panel](#) and the [Special Senate Committee on the Charitable Sector](#) have documented these issues. While TBS has taken some steps to address issues in grants and contributions, it is clear nonprofits in the sector still experience [many problems](#), which include:

- Failure to adequately cover project delivery and overhead costs for funded initiatives
- Long delays in application approval periods and protracted contract negotiation periods without adjustments to the deadline to use funds
- Short funding terms or gaps between funding terms
- Excessive administrative burden

Some of these challenges can be attributed to the generalization of TBS policies, which have a broad scope that does not account for the unique role and operating model of nonprofits. Due to the excessive focus on risk, the policies create inefficiencies and unnecessary administrative burdens that prevent innovation, reduce impact, and perpetuate inequities. As a result, federal funding practices and policies limit opportunities to improve the quality of core services.

Recommendations

1. *Engage the nonprofit sector in the development of an appendix for the Directive on Transfer Payments and a risk framework that recognizes the unique role and operating models of nonprofit recipients.*
2. *Create a provision with clear guidelines on when it is permissible to offer unrestricted, core funding to nonprofit recipients within the proposed appendix.*
3. *Ensure project funding for nonprofits covers all costs associated with the delivery of a funded initiative (including operating costs, regionally defined fair wages for all project staff, and costs associated with reporting, evaluation and monitoring of the project).*

Recommendation 4: Establish and adequately resource a unit within the federal government to act as a champion of the nonprofit sector in Budget 2025.

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 unit 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 policymaking

- 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 honour its 2021 promise to engage the nonprofit sector to create a dedicated entity in government to facilitate our sustainability and growth.

Recommendations

4. *Establish and adequately resource a unit within the federal government to act as a champion of the nonprofit sector in Budget 2025.*

Recommendation 5-7: Reduce the nonprofit sector's data deficit through targeted investments in an Annual National Nonprofit Survey, a nonprofit unit within Statistics Canada and a Nonprofit Data Lab.

High-quality disaggregated data is crucial to designing policies, planning interventions, anticipating changes and forecasting the needs of the nonprofit sector. Due to decades of irregular data collection, the government has failed to release comprehensive nonprofit sector data. Consequently, our sector lacks basic information on many aspects of our composition and must rely on outdated data. When data on the nonprofit sector is available it is often not easily accessible or in a usable format. While Statistics Canada has made some progress in data collection about the nonprofit sector, a new challenge has emerged. Currently, there is a lack of coordination and communication across teams collecting data on our sector. Siloed approaches have produced data products that scope and define the sector differently, resulting in data sets that are not comparable, which paint different pictures of our sector.

The [Federal Nonprofit Data Coalition](#), a group of 40+ organizations, has proposed three interrelated solutions to these challenges. Together, these targeted investments would make huge strides in addressing the nonprofit sector's data deficit while increasing the effectiveness and efficiency of existing Statistics Canada data collection on our sector.

Recommendations:

5. *We recommend the federal government provide Statistics Canada with a mandate to carry out regular updates to the national survey of nonprofit organizations, to be repeated every year, and provide funding of \$500,000 annually for this purpose. The survey should include grassroots (unincorporated) organizations.*
6. *We recommend the federal government provide \$750,000 to establish a unit within Statistics Canada whose mandate is to collect, analyze, and share data on the nonprofit sector.*
7. *We recommend the federal government provide \$2 million in 2025-26 and \$1 million ongoing for creating and maintaining a Canadian Nonprofit Data Lab.*

Recommendation 8-9: Provide program and infrastructure support to facilitate the adoption of digital technologies in the nonprofit sector.

In 2022, the Canadian Centre for Nonprofit Digital Resilience (CCNDR) was formed to better enable nonprofits to use data and technology to advance their mission and multiply impact. Recent studies from the [Futureproofing the Community Workforce](#) initiative, indicate that one in three charities believe they will soon struggle to continue doing their work if they do not improve their digital capabilities.² As the demand for tech workers in nonprofits grows, it will be difficult to keep pace by relying on attracting talent from other sectors because tech workers in nonprofits earn significantly less than those in the for-profit sector. Attempts to close this gap have been difficult as several government programs designed to support digital innovation and the adoption of new technologies, such as the [Canada Digital Adoption Program](#) (CDAP) and [Digital Main Street Program](#), have excluded nonprofits. Continued access to funding and program supports like the [Community Services Recovery Fund](#) (with its streams that support investment in staffing and technology) and the [Skills for Success Program](#) will help many organizations address workforce challenges and adopt digital technologies allowing them to better weather crises or economic hardship.³

Recommendations:

8. *Build the resilience of the nonprofit sector by establishing another cycle of the Community Services Recovery Fund.*
9. *Allocate an additional \$298M to the Skills for Success Program over the next three years to allow Canadians to improve foundational and transferable skills needed to enter the workforce.*

Recommendation 10-11: Co-develop a Federal Labour Force Strategy for the Nonprofit Sector.

The nonprofit sector has faced a persistent increase in demand for our services. Organizations consistently report high levels of absenteeism, burnout and mental health leaves. 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. 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 futureproof and strengthen the nonprofit sector. The strategy should address recruiting and retaining talent and evaluate progress against data on service demand and workforce capacity to serve community members today and into the future.

We echo the recommendations of the 2024 pre-budget submission of the Coalition of National Service Federations.

Recommendations:

10. *Co-develop a Labour Force Strategy for the nonprofit sector to recruit and retain workers to futureproof and support a strong economy.*
11. *Implement the four recommendations of the Coalition of National Service Federations*

² CanadaHelps. 2021. Are Canada's Charities Ready for Digital Transformation?. <https://www.canadahelps.org/en/digital-skills-survey-2021/>

³ Ontario Chambre of Commerce. 2022. Broken Links. <https://occ.ca/wp-content/uploads/Broken-Links-Driving-Technology-Adoption-within-Ontarios-Small-Businesses.pdf>

Recommendation 12: Provide capacity-building support to aid the implementation of Bill S-279

Recent [survey data](#) shows a significant lack of diversity on boards, which is concerning given that Boards of Directors play crucial leadership and governance roles in the nonprofit sector. Senator Ratna Omidvar has introduced [Bill S-279, An Act to amend the Income Tax Act \(data on registered charities\)](#). If passed, it would mandate all registered charities to provide identity-based demographic data on their board composition in their annual T3010 information returns. This would provide a means to track aggregate trends in sector board diversity over time and require charities to consider and collect this information each year. Currently, only 32% of charities and nonprofit organizations have audited their board composition.⁴ To comply with this new legislative requirement, charities will require capacity support to ensure both appropriate data collection and organizational change toward more equitable, diverse, and inclusive leadership. The Community Services Recovery Fund announced in 2021, serves as a recent precedent for federal funding support for core infrastructure costs of charitable and nonprofit organizations. A similar fund offering small to midsize grants to charities would enable organizations to access the support they require to undertake this development.

Recommendations:

- 12. Implement a capacity-building fund to improve equity, diversity and inclusion practices within nonprofit organizations. Allocate \$30 million in funding to support this work.*

⁴ Imagine Canada. 2023. Shifting Power Dynamics: Equity, diversity, and inclusion in the nonprofit sector. Pg. 13
https://imaginecanada.ca/sites/default/files/Shifting-Power-Dynamics-Equity-diversity-and-inclusion-in-the-nonprofit-sector_0.pdf