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Canada's Charitable Sector: What to Expect in 2018

By John Lorinc

Three years ago, an anonymous donor approached Tides Canada program lead Wendy Cooper with some money and an open-ended request: find an innovative way to use the funds to support Indigenous youth. Cooper reached out to The Circle on Philanthropy and Aboriginal Peoples in Canada ("The Circle"), and a small steering committee of youth advisors convened to develop a plan.

The result, known as the Ontario Indigenous Youth Partnership Project (OIYPP), soon got to work, putting out a call for applications and developing flexible approaches for vetting proposals, according to Ottawa-based project director Thea Belanger.

Early on, OIYPP received about 15 applications annually. But that figure almost doubled in 2017, the result, Belanger says, of growing outreach to Indigenous youth and awareness of the partnership through social media and word of mouth. "People are realizing what we're doing with this project and that it is an accessible resource that is reflective of Indigenous youth," she says, noting that the initiative offers a model for "decolonizing philanthropy in Canada."

One of OIYPP's early ventures – the M'Chigeeng Lil' Sisters Empowerment Project, which is geared at girls aged 10 to 13 – has evolved to the point where it is now functioning as a springboard for other projects that attract funding and new forms of engagement, such as an Indigenous fashion incubator that supports young artists. Belanger, in fact, expects to see significantly more interest in such initiatives throughout 2018. "In this era of reconciliation, the charitable and philanthropic sector are looking at how they can participate."

Belanger's expectations underscore some of the broader dynamics that have swept through Canada's charitable sector recently, namely the steadily growing interest in reconciliation efforts due to heightened public awareness generated by the TRC, the troubled National Inquiry into Murdered and Missing Indigenous Women and Girls, and the activism of Gord Downie, the late front man for The Tragically Hip.

The Circle's executive director Kris Archie, in fact, notes that a steadily growing number of Canadian charities began working closely with Indigenous organizations last year.

Archie points to these partnerships as proof that the sector is "asking itself tough questions" about its often fraught relationship with Canada's first peoples and looking at new partnerships intended to promote justice and equity. "The increased investment in Indigenous organizations will help all Canadians come to some kind of reckoning about the real history of this country," she says. The Circle's approach of fostering conversations and deeper relationships between the sector and Indigenous communities, Archie adds, will make charities "better grant makers."

Reconciliation, of course, won't be the only top-of-mind issue facing the sector and Canadian society this year. As 2017 drew to a close, gender, health, and inclusion all loomed large in the public mind as controversies over workplace sexual harassment, the steadily worsening opioid crisis, homelessness, and racially-motivated backlash politics dominated the news, triggering donations to a range of advocacy and social service agencies.

Other crucial issues that will be on the sector's radar this year include:

Basic income: Canada's charitable sector will find itself focused intently in the coming year on potentially game-changing public policy developments, such as the impact of increased minimum wages in some provinces and the roll-out of three pilot projects (in Ontario, Quebec, and BC) testing the guaranteed basic income for vulnerable people as an alternative to social services and payments.

The basic income trials, which will continue until 2020, provide cash to low-income people instead of service agencies, including many charities. The results could raise questions about the impact such changes have on organizations already feeling the financial strain of minimum wage increases.

Decent work. For governments weighing such changes, a handful of civil society groups, including the Ontario Nonprofit Network and the Atkinson Foundation, are also advancing the case for policy alternatives such as a "decent work movement," community benefits agreements tied to major infrastructure projects, and proposals to strengthen the non-profit labour force with measures such as pension and benefits plans.

Regulatory reform. The sector this year will be looking for signals from Ottawa about whether it is prepared to engage in a wide-ranging debate about the regulations governing its relationship to the federal government. Canadian charities are pressing for an overhaul of a framework that hasn't changed in a significant way since the 1970s. The chance to move the dial, in fact, hasn't been this clear for years, some insiders believe. "This is a unique opportunity," says Hilary Pearson, president and CEO of Philanthropic Foundations Canada.

Indeed, with a federal election set for next year, and increasingly clear evidence that Canada's charitable sector finds itself balancing on an ever-narrower base of aging donors, charities and philanthropists say that necessary reforms will give organizations more operational flexibility to both address pressing social issues and provide support for locally-driven initiatives like OIYPP.

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At a semi-annual Sector Pulse session held in November 2017, about two dozen sector leaders from across Canada met to focus on some of the key challenges for charities and donors in the coming year. The discussion ranged broadly to include governance, accountability, and HR matters; donor behaviour and trends; emerging ideas about measuring and reporting impact; new models of working; and social dynamics related to inequality, gender, diversity, and inclusion.

Some highlights:

Inequality/exclusion: While real estate prices had settled somewhat, large Canadian cities continue to become increasingly unaffordable and economically polarized. These are not new trends, but housing prices and skyrocketing rents are implicated in the growing use of shelter housing, evictions, and homelessness.

Some Canadians, in fact, worry that the growing social divides – not just between rich and poor, but also between urban dwellers and those who live in rural areas, and those who belong to religious organization and those who don't – could be fertile ground for the sort of political polarization that we see in the United States.

While many charities have a mandate to reduce or mitigate those divisions, sector leaders argued that their sector must encourage its members to line up solidly behind measures such as increases in the minimum wage, even if those changes affect their own operating costs. In terms of advocacy, they can also position themselves as early warning systems in communities that are facing economic shocks or dislocation.

OIYPP's Belanger also notes that both charities and funders can make their internal processes more inclusive of Indigenous youth by developing new granting models that move away from tokenism and more traditional ways of assessing the impact of projects. "I don't want anyone to have an excuse for [not] funding Indigenous youth [projects] or having Indigenous young people in roles of influence, such as board members, advisors, and staff."

Human resources: With intense media attention on diversity in domains like the tech sector, government, and higher education, the sector this year should promote efforts to make its hiring and recruitment more inclusive, especially for the senior-most positions in large charities.

But many charities, especially smaller ones, continue to grapple with long-standing HR challenges, such as offering more upward mobility within organizations, reducing turnover, improving mentoring opportunities, and finding ways of including youth, and Indigenous youth in particular, in decision-making. While there's been growing interest in secondments between charities and private sector organizations, the sector continues to lag when it comes to investing in HR systems and professional development.

Governance: With 86,000 registered charities in Canada, board governance practices run the gamut, from large, well-connected hospital foundation boards to very small ones composed entirely of neighbourhood volunteers. But many governance best practice principles, largely developed in the private sector but also promoted by Imagine Canada, can be implemented more broadly to strengthen oversight, bring more diversity and inclusion, and support management/fundraising efforts.

These include ensuring that boards have active HR committees, especially in the absence of staff-level HR managers; developing succession plans for both boards and senior managers; and adopting recruitment/outreach practices that place a premium on finding directors with necessary skills and commitment rather than those looking to burnish professional resumes with a stint on a charity board.

New models: In recent years, charities and Canadians generally have seen the rapid emergence of new forms of *ad hoc* fundraising activity, for example the outpouring of resources collected by refugee sponsorship groups in 2015 and 2016, as well as the growing use of crowd-funding platforms, like GoFundMe, to raise money for very specific causes or even individuals in distress. While these trends underscore the generosity of Canadians, they also reveal that charities must continue to develop compelling and innovative fundraising strategies/messages capable of cutting through the noise of the media and social media environments.

To help stabilize the tumultuous fundraising environment and respond effectively to such trends, Imagine Canada in 2012 introduced a standards program that allows charities to certify their operations to improve transparency and professionalism, build public trust, and buttress fundraising efforts. While ISO certification is widespread in many parts of the private and public sectors, only 200 of 86,000 Canadian charities have obtained Imagine Canada's accreditation to date, suggesting this should be an area of continued focus for 2018, both for individual charities as well as Imagine Canada in its efforts to promote the significance of the standard trustmark brand to funders and the public.

Individual fundraising*:*Canadians in 2014 donated $14.3 billion to the country's 86,000 registered charities, with an average contribution of $446. The number of individuals claiming donations on their taxes is just less than six million, but that figure has held steady since the early 2000s, after a period of extended growth. The *proportion* of tax filers claiming donations, however, has declined fairly steadily since the recession of the early 1990s, from a high of 30% to present levels that are closer to 20%. As a 2016 survey by the Fraser Institute pointed out, "the size of [Canadians'] donations also decreased from 0.78 per cent of their income in 2006 to 0.56 per cent in 2014."

At the same time, the average annual donation claimed in constant dollars has risen from just more than $800 to about $1,700 in 2014, with that figure lifted due to an increase in large gifts from the most affluent donors. Indeed, in a survey released last fall, Imagine Canada's Personal Philanthropy Project (PPP) found that 43% of higher-income Canadians (those with an annual income of more than $150,000 with at least $200,000 in investable assets) gave less than $500 per year, with an equivalent proportion donating more than $1,000 (or an average of $2060 per household per year). That result, concluded study author Michèle Benoit, shows that middle- to higher-income Canadians are "punching below their weight," especially considering that earlier PPP research found that those with annual incomes less than $50,000 gave a larger proportion of their household earnings to charity than families bringing in between $100,000 and $900,000.

Some observers feel that the low level of individual giving, especially among millennials, reflects Ottawa's failure to promote this kind of activity in the way that the government actively markets others tax-related policies, such as RSP or RESP contributions. "There should be more recognition of younger people trying to make a difference," says philanthropist John Francis, former chair of the SickKids Foundation. "This is a huge issue for the entire sector."

Yet Imagine Canada CEO Bruce MacDonald says smaller donors tend not to be motivated by the tax credit windfall associated with their contributions. “In some recent work we have done,” he observes, “it was noticed that something like $2 billion per year in donations that are receipted and reported by charities are not claimed by individuals on their income tax.”

Corporate partnerships: Imagine Canada this year will release the findings of another element of the PPP – a report looking at the $486 million that flows into the sector from corporate giving.

While sector leaders laud corporate Canada’s growing support, some worry about the impact of the heightened reliance on larger contributors – wealthy donors, corporate giving, or foundations (revenue from the latter jumped 73% between 2004 and 2012, to almost a $1 billion). In certain cases, it’s meant mounting pressure on charities to adapt their operations to satisfy these backers and demonstrate measurable impact, says David Miller, former president of World Wildlife Fund Canada, who describes this as a “concerning trend” that is unlikely to abate in 2018. “Do we want charities to just seek funding for whatever is trendy or do we want them to be independent voices? I think the latter is why we have charities.”

Others detect equally worrisome countervailing dynamics, such as mounting interest by some corporate donors to provide volunteers in lieu of cash as a means of supporting charities. “The question is whether that’s a net positive for the charity or simply a way for companies to bolster employee engagement,” observes Carolyn Tuckwell, president and CEO for the Boys and Girls Clubs of South Coast BC. “The intentions are good but [such gestures] are grounded in a romantic idea of how charities operate . . . We need to be run like businesses.”

Charitable regulation reform: While ongoing increases in total income flowing to the charitable sector have allowed successive governments to avoid implementing major policy reforms, existing rules have imposed operational constraints – on administrative overheads, capital expenditures required to drive productivity; private sector partnerships; and new types of digital fundraising platforms – that prevent flexibility and risk-taking. “If the Banking Act hadn’t been reviewed periodically,” observes Bob Wyatt, executive director of the Muttart Foundation, “[Canadian consumers] would still be standing in lines in branches to get money out of their bank accounts.”

The last major policy review, the Voluntary Sector Initiative, occurred between 2000 and 2005, which is to say before the advent of smart phones, social networks, social impact bonds, etc. Since then, Ottawa has introduced a few tweaks to the Income Tax Act, for example, a time-limited enhanced credit for first time donors which expired in late 2017. Yet this Harper-era pilot failed to alter donor behaviour. “The First-Time Donor’s Super Credit was not renewed by the Liberal government in its first budget,” says MacDonald. “Not a big surprise as it was awkward legislation and the sector didn’t see the lift it had hoped for.”

The most memorable policy moves in recent years, in fact, have been punitive: the Harper government’s move to increase funding for Canada Revenue Agency (CRA) audits, with a rumoured focus on unauthorized political activity by environmental charities (CRA didn’t reveal the targets); and a private member’s bill to rescind the registrations of any charities with executives earning in excess of $250,000 – a law that would have backfired on large hospital foundations and other institutions raising funds for ambitious capital campaigns.

That bill didn’t go anywhere. And the political audit campaign, widely regarded as an attempt to muzzle environmental activists, produced little evidence of the suspected transgressions (the handful of organizations that lost their charitable status were in violation of other provisions of the laws governing charities). And while Justin Trudeau's Liberals, during the 2015 election, pledged to suspend the CRA's stepped-up audit activity, and re-iterated this promise in its mandate letter to the minister of national revenue, it seems they have not yet completely shut it down.

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Ultimately, if 2018 will be remembered as a turning point for charities in terms of regulatory and policy frameworks, the sector's leaders will have to focus on engaging all five federal political parties represented in the House of Commons, as well as Canadians, in a wide-ranging discussion about the sector's role, identity, and impact on Canadian society.

Some believe the first step is to settle on a clear set of messages that encapsulate the charitable sector's role in Canadian society. "One of the things that keeps me up at night is that the sector still doesn't have, or isn't using, a single narrative," says Wyatt. "Neither the government nor the public understands the sector as a sector." Archie, at The Circle, agrees. "There needs to be a strong sense that we're talking the same language, but we're not quite there yet."

The process of developing a clear and easily remembered brand identity will necessarily accompany a robust discussion about what the sector wants from government. Wyatt and Pearson both say what's key is an explicit pledge from the Liberals to commence a broad inquiry, possibly in the Senate, that looks at the entirety of the charitable sector's role.

Others want to see more targeted interventions geared at bolstering revenue. For Francis, that means changing the tax law to allow the donation of private company shares. It's a move that's been advocated by philanthropist Donald Johnson and others for many years, and one that Francis argues would not only unlock new sources of revenue, but provide charities with a means of engaging entrepreneurs and family-owned companies.[1] The Harper government proposed such a measure in its final budget, but the Liberals cancelled it.

"It's not a loophole," stresses Francis. "It's just [a means] of opening up another avenue [for fundraising]. As long as wealth creators can be told of new ways to give back, then they're going to continue giving back."

More generally, sector leaders say that any policy measures advanced this year should include a laser focus on moves that reduce the barriers that prevent charities from collaborating with like-minded private companies on projects of mutual interest. "We need to reduce the silos between profit and non-profit," says Patti Pon, president and CEO of Calgary Arts Development.

Ultimately, the task of moving these reforms to an active file on the Liberals' policy agenda means finding a way to align the sector's highly diverse goals with those of the government. Some participants in last fall's Sector Pulse session pondered using the new United Nations Sustainable Development Goals – 17 in all,[2] with a target of 2030 – as an organizing principle, given that Canada was a signatory to the 2015 declaration.

Archie, however, offers a suggestion for the coming year that is closer to home. She envisions using the TRC's 94 calls to action as a means of providing a focus for the broader case in support of charitable policy reforms, one that would both dovetail with the government's agenda as well as move the sector towards reconciliation and de-colonization. “I would like to see the philanthropic sector leverage its social and financial capital and bring them to bear on those injustices,” she says. “I think people are ready for action now, which is exciting.”

[1] The proposal involves a tax credit to the donor at a so-called liquidity event, i.e., when the company is sold and a market value for those shares is clearly identified.

[2] The full list is here: https://www.un.org/development/desa/disabilities/envision2030.html.

Illustration by Paul Dotey