

INSTITUTE *for* MEDIA, POLICY *and* CIVIL SOCIETY

**BRIEF TO THE STANDING COMMITTEE ON FINANCE
SEPTEMBER 2005**



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IMPACS, the Institute for Media, Policy and Civil Society, is a national charitable organization with its head office in Vancouver. We are committed to the protection and expansion of democracy and to strengthening civil society. IMPACS believes that a strong democracy requires three key elements, and our work supports our efforts to create an environment in which democratic values thrive.

We believe in:

An articulate and vocal civil society. Through our Communications Centre, we provide communications training and services to not-for-profit organizations, helping them become articulate about their causes and more effective at telling their stories.

An accountable and accessible media. Through our Media Programs, we support and build programs to facilitate the emergence of free, open and accountable media in countries in transition to democracy like Afghanistan, Iraq, Sri Lanka and Nepal.

Government policies that foster democratic development. Through our Charities and Democracy Project, we work with civil society organizations and the Canadian government to redefine the laws that restrict charities from effectively engaging in public policy.

Productivity Growth

We urge you to give serious consideration to Canada's "Social Infrastructure." By this we mean the non-profit and voluntary sector, which is integral to the well-being of communities and individual Canadians, and the laws, regulations and government policies that shape the sector.

The scale of the sector is significant, as is its economic impact. There are 161,000 incorporated non-profit organizations in Canada, half of which are registered charities. There are also uncounted thousands of less formal unincorporated non-profit organizations.

These organizations employ 1.5 million paid full-time equivalent workers, and contribute \$71.5 billion annually to the national economy, which is 8.6% of the gross domestic product. This makes the voluntary sector four times larger than the agricultural sector, twice the size of the mining, oil and gas extraction industry and 11 times larger than motor vehicle manufacturing.¹

For years, the sector has struggled under the burden of critical functions downloaded by all levels of government without corresponding resources. The resulting strains are serious.

¹ These statistics are derived from the Statistics Canada Satellite Account of Non-Profit Institutions and Volunteering report, released in September 2004.

There is enormous potential for innovation and productivity growth within this sector and for the broader community. We have four recommendations that are drawn from our frequent contact with other Canadian charities and non-profit organizations and our experience working internationally. One such project involves assisting a delegation of senior public servants and academics from Shanghai who are studying Canada's Social Infrastructure for lessons to adopt at home, where civil society is emerging. A fundamental lesson we have drawn from that experience is that while there are attributes of our system that should be emulated, our system has significant flaws that should not be reproduced. In correcting these flaws, the federal will create a much stronger social infrastructure in Canada, a model for other countries to emulate.

Issue 1. The Regulatory Environment

Charities in particular must deal with a complex and inefficient regulatory regime. This diminishes productivity and undermines social entrepreneurship – innovation in the public interest rather than for private gain. The Charities Directorate at the Canada Revenue Agency (CRA) is making progress on aspects of this problem, but it is a government-wide issue. Here are two illustrations of the problem, and recommendations.

Performance Reporting: Projects that involve federal government funding have become so constricted by reporting requirements and audit practices that the managers of charities can be virtually immobilized by the weight of bureaucracy. While transparency and accountability are essential to charitable work and public funding, the government's response to the so-called "HRDC scandal" has been excessive and potentially destructive. Many excellent community organizations are re-examining whether federal funds are worth this counter-productive burden.

Recommendation 1: That government adopt new and appropriate methods to ensure transparency and accountability for government-funded projects that do not create excessive administrative burdens for charities and non-profit organizations.

Participation in Public Policy Processes: For several years, IMPACS has been working to reduce the impediments to charities engaging in public policy work. While incremental administrative improvements were made by the CRA in 2003, we would like to see government make legislative corrections to truly encourage charities to share their creative ideas on how best to tackle the root causes of the problems that they encounter. The current 10% rule is unnecessarily complex, and again, administratively inefficient. It is also a factor in Canada's "democratic deficit."

Recommendation 2: That the government make minor amendments to the federal *Income Tax Act* to provide greater scope for charities to participate in public policy debate and policy formulation.

Issue 2. Human Capital Issues

The non-profit and voluntary sector faces very significant human resource challenges. These include low pay, recruiting and retention problems, difficult working conditions, and inadequate training and professional development opportunities.

These challenges stem largely from the overall inadequate funding of the sector. But much could be done to make progress in this area with relatively modest investment by government. We commend the federal government for providing resources to create a national Human Resources Council for the non-profit and voluntary sector to help identify specific HR needs and ways to address them. More can be done.

Recommendation 3: That the government recognize the importance of training and professional development for people employed in the non-profit and volunteer sector, and that provision for it be expressly built into every substantial funding relationship with organizations in the sector.

Issue 3: Insurance

A major challenge for organizations in the non-profit and voluntary sector across Canada is securing adequate and affordable insurance of various kinds. Insurance premiums have increased dramatically in recent years (as a result of factors unrelated to risks in the sector), and in some cases insurance coverage is no longer available. The insurance marketplace is not functioning properly when it comes to servicing this sector. This is a significant economic inefficiency.

Recommendation 4: That the government support the establishment of a new co-operative insurance organization dedicated to providing non-profit and voluntary sector organizations with affordable and reliable insurance services.