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Written Submission

Special Senate Committee on the Charitable Sector



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INTRODUCTION

The Canadian Special Senate Committee on the Charitable Sector had many presentations in its most recent session. A lot was put forward, a significant amount of that having to do with fundraising, less so on how charities can have a more lasting impact.

My name is Gail Picco and I have spent 30 years working in the charity sector. A majority of my work has been at a senior level with charities and non-profits that have significant fundraising, relationship building and communications mandates, but throughout my career I have also devoted a great deal of attention to developing fundraising strategies for community-based organizations.

I have worked with large national charity brands such as the **Canadian Red Cross (Ontario), Children's Wish Foundation, CNIB, Oxfam Canada and UNHCR, The UN Refugee Agency.**

I have also worked with community organizations such as **ACCES Employment, Association of Canadian Education Resources (ACER), Distress Centre Toronto, Ernestine's Women's Shelter, Family Service Toronto, FoodShare Toronto, LOFT, Ronald McDonald House Charities Toronto and St. Stephen's Community House**

And written cases of support for several locally-based and national charities including **Aids Committee of Toronto (ACT), Canadian Olympic Foundation, Kids Help Phone, Lung Association—Ontario, Older Women's Network (OWN) and Women's Habitat of Etobicoke.**

Throughout my career I have worked closely with the CEOs (such as Mitchell Cohen, who is quoted below) prospective donors and policy makers, as well as homeless people, assaulted women and the other beneficiaries of charity services. I believe I have had a unique and comprehensive view of the sector.

"I have worked side-by-side with Gail Picco as we sought to bring about change in Regent Park, Canada's oldest public housing project, a project that today leads the world in inner city transformation."

*MITCHELL COHEN, CEO
DANIELS CORPORATION*

I have been writing about the charitable sector since 2010. In 2017, Civil Sector Press published my second book, *Cap in Hand: How Charities are Failing the People of Canada and the World*. It is available on amazon.ca and I encourage the Committee to secure a copy as it lays out a factual foundation for the charitable sector's dynamics that goes well beyond the fundraising aspect of charity. I have included a couple of charts in Appendix B to provide the framework for charity sector discussions. Links to sources are highlighted in the text.

I am submitting the following observations at the request of Senator Ratna Omidvar who noted them in one of my columns. I am unaffiliated with any lobby group and I am making this submission on a completely volunteer basis with no remuneration from an employer or a client.

12 STEPS TO DEALING WITH CHARITY SECTOR CHALLENGES

1. Understand that charities are about more than donations.

Look at the actual *work* charities do and how they can be supported to supply data on the issues the people they serve are confronting. Charities should be *their* voice. Use that empirical data to influence public policy for the common good. Angus Deaton, a 2015 Nobel Prize recipient in economics has [spoken](#) and written about how reliable data is vital in understanding inequity. “High quality, open, transparent, and uncensored data are needed to support democracy,” he says. Government can support charities in the collection of data, emphasizing the data that helps us get to root causes and the creation of better public policy. That means asking the right questions.

2. Engage in fostering political solutions by undertaking non-partisan political activity.

Only 500 charities report undertaking political activities spending around \$25 million a year. Given the urgent issues of the day, developing a plan on how to influence public policy, beyond tax credits that help wealthy donors, seems important. CRA guidelines allow charities to spend 10% of their annual revenue on political activities. They spend a small fraction of that. And allowing charities to spend an unlimited amount of money on political activity, as a recent Ontario court case decided, is unnecessary, and has profound and negative implications for the country. Check out an analysis of the court case in **Appendix A**.

“Government can support charities in the collection of data, emphasizing the data that helps us get to root causes and the creation of better public policy. That means asking the right questions.”

3. Improve overall working conditions in charities.

All charities are not created equal. If you’re working in a hospital foundation or for a university, your working conditions are among the best in the country. Your salary is well above the national average, your benefits are good and part time work is the exception rather than the rule. But if you work further down the charity food chain, you are very likely working in an environment where up to 40% of your co-workers are part time (the national average is 19% part time workers). The average salary is just over \$44,000. (The national average is \$49,000.) Staff development, annual professional development goal setting and enlightened management are more likely to be concepts rather than reality. Each individual charity needs to evaluate its workforce, determine if the structure is working for employees, beneficiaries of the charity and the overall mission. Are you making progress? “Doing good” for others by “not doing good” for your own employees is not making the world a better place. It’s using the concept of charity for exploitation. Please see salary charts in **Appendix B**.

4. Change the rules around endowment funds. Donors should not be able to get all the benefit of a tax credit while insisting the charity not spend their donation. At the very least, in the case of endowments, donors should only get the tax creditable amount of the annual pay-out as it's paid out. As it is now, we're giving away public money in the form of tax credits to keep private money in a fund unused and unavailable.

5. Set the medical research priorities funded by tax-credited private donations in a way that is more accountable to the Canadian public and is more reflective of public health needs. Let me be clear. People can donate to whatever they want in whatever amount. But receiving a tax credit for it is another issue.

6. Have government (and “charity standards” organizations) de-bunk the nonsense of 15% administrative costs once and for all. The definition should be opened up to include developing long term strategy, evaluation, data gathering, results sharing and staff development.

7. Require Board members of all charities to complete a course to ensure they understand the responsibilities of being a member of a board of directors and the basics of the sector they are operating in. It would be online and similar to “Smart Serve” for bartenders.

8. Have government issue a clear policy about the independence of international NGOs. Too many international aid workers are being killed. Helping to create an environment where they are not targeted as proxies for the countries they represent is critical.

9. Do as Mark Blumberg recommended in his [2016 Submission to the House of Commons Standing Committee on Finance](#) and require charities to demonstrate annually in their reporting (as in the UK) that they actually have a “public benefit,” rather than the public benefit being assumed. As Blumberg says, it could help the sector tremendously by increasing public confidence and reducing the number of dormant charities.

10. Support improved media coverage of the sector. Charities need to be covered like the business it is, reporting on it beyond press conferences about “miracle cures” and fundraising campaigns.

11. Understand that the growing gap between the rich and poor is buffeting the charitable sector in Canada and around the world. Wealthy charities are successfully influencing the direction of the sector through a keen focus on tax benefits and regulations that allows them to stay wealthy and attract more wealth. Philanthropy supplies 6% or 7% of the sector’s total revenue in Canada. The power of philanthropists to direct sector priorities and use it as one of a selection of ways to reduce taxes, taxes which pay for services all Canadians need, leaves 99% of charities in increasingly difficult and stressful positions.

12. Have the federal government fund a mechanism through which the charity sector can get a grip on its relationship to government and broader public policy goals (as opposed to boutique tax credits).

A road map exists for this. In the early 2000's a pact was signed between what was then called the National Voluntary Initiative and the Canadian government. It was called *A Code of Good Practice on Policy Dialogue*. The U.K. has a similar compact, *The U.K. Compact*, that was developed in 1998 and updated in 2010. In my book, *Cap in Hand: How Charities are Failing the People of Canada and the World*, I quoted that, "the commitment of the voluntary sector at that time was to continue to identify important or emerging issues and trends in communities, and act on them or bring them to the attention of the Government of Canada; and serve as a means for the voices and views of all parts of the voluntary sector to be represented to and heard by the Government of Canada, ensuring that the full depth and diversity of the sector is reached and engaged.

"From 2003—2005, some of the recommendations from Phase One were implemented, and reforms for registered charities were made, but by the end of 2005, the federal government was on an election footing and, as the new Conservative government came to power, the political will behind the project was lost, as was the will of the sector to claim the territory that went with its stated responsibility to bring issues to the attention of government."

"A road map exists for the federal government to fund a mechanism through which it can enhance the public value of charities and public policy goals."

APPENDIX A: How an Ontario Superior Court Decision Has Remade the Charity Sector

On January 21, 2010, the Supreme Court of the United States issued a controversial 5 – 4 decision on the case of *Citizens United vs. the Federal Election Commission*. The decision stated that “political spending is a form of protected speech under the First Amendment, and the government may not keep corporations or unions from spending money to support or denounce individual candidates in elections.”

The *Citizens United* decision effectively opened the door for corporations and unions to spend unlimited amounts of money to “support their chosen political candidates, provided they were technically independent of the campaigns themselves.”

Once week later, President Barack Obama addressed the decision in his State of the Union address, saying it would “open the floodgates for special interests...to spend without limit in our elections.”

The decision is considered an unmitigated disaster by anyone working to reduce income inequality, help enfranchise those outside the current electoral process or build a progressive agenda, from health care to women’s rights. It is a deathblow to those wishing to limit the influence of money in electoral politics.

Among the biggest beneficiaries of *Citizens United* were Charles and David Koch, owners of the second-largest privately run business in America Koch Industries, and a subject of Jane Mayer’s seminal book *Dark Money: The Hidden History of the Billionaires Behind the Rise of the Radical Right*.

Now Canada has its own version of *Citizens United*.

On July 16, 2018, in the case of *Canada Without Poverty vs. the Attorney General of Canada*, the Ontario Superior Court made charitable donations a free speech issue by deciding that limiting the amount of money a charity can spend on political activity was a limitation on freedom of speech.

The ruling, if upheld, gives charities the unlimited ability to engage in non-partisan political activities and offer charitable tax credits for that work.

For people who think *Canada Without Poverty* unshackles charities, I’m reminded of the exchange between newly installed Minister of Magic Rufus Scrimgeour and former minister of magic Cornelius Fudge who have come to bring the muggle Prime Minister the news that Lord Voldemort has returned in *Harry Potter and the Half-Blood Prince*.

“The Prime Minister gazed hopelessly at the pair of them for a moment, then the words he had fought to suppress all evening burst from him at last. “But for heaven’s sake — you’re wizards! You can do magic! Surely you can sort out — well — anything!”

“Scrimgeour turned slowly on the spot and exchanged an incredulous look with Fudge, who really did manage a smile this time as he said kindly, “The trouble is, the other side can do magic too, Prime Minister.”

So, hold uncorking your champagne bottles. This is not a win for the revolution. The other side can spend money too. And the other side has a damn sight more of it.

One result of *Canada Without Poverty* is that the Federal Treasury and thus Canadian taxpayers will now pay for every half-baked, alt-right, corporate-focused piece of political activity that can take place in the name—and under the guise—of charity. There are many opinions out there on how to cure social problems from boot camps to abstinence.

With the new ruling, charities will be able to offer tax credits for:

- Unlimited charity spending that argues against public education by charities who exist to promote charter schools, private schools and so on.
- Free spending for those opposed to universal health care by charities that undertake work on alternate health care economics
- Unlimited charity spending to change Canada’s abortion rights by charities who exist to “assist pregnant women to understand their options”
- Unlimited charity spending on harsher treatment of criminals by charities that exist to stamp out drug use
- Unlimited spending on changing legislation no matter if it is helpful to the common good or not
- And if he decides to affiliate with a like-minded charity, Ezra Levant and his “ethical oil” crusade

Charities can be flooded with money to be spent changing the public discourse.

So, the issue isn’t free speech. It’s more about following the money. And you ask yourself who has the money?

- People of great wealth have money and some have many ideas about how the world should be ordered. They’ll now get a tax credit (i.e. be paid by the Canadian tax payer) to promote their points of view, whatever they are. Just like Charles and David Koch have done in the U.S.
- Pharmaceutical companies are wealthy and have a point of view they’d like to promote, that drugs are the answer
- Extractive industries have money and a point of view, that oil and gas extraction, mining, dredging and quarrying is the answer
- Companies who sell astonishingly expensive medical equipment and want people to believe our public health relies on such expensive intervention have money and a point of view

That is precisely why a spending limit exists. It levels the playing field. So, the people with the most money don’t drive the legislation of a country (any more than they already do).

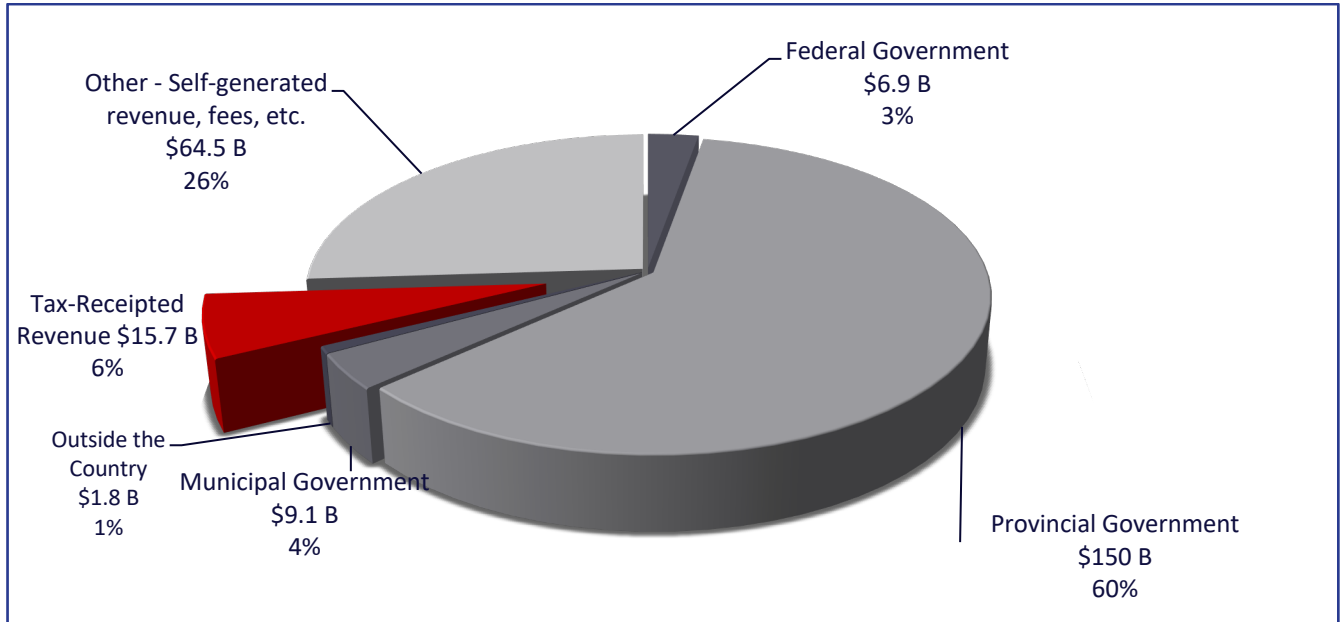
Canada Without Poverty amounts to opening the door so you can be rolled over by a bulldozer.

(Abridged from a column published on August 22, 2018, <https://yourworkinggirl.com/2018/08/22/how-an-ontario-superior-court-decision-has-remade-the-charity-sector-failed-vulnerable-canadians-and-why-some-people-are-cheering/>)

APPENDIX B: CHARTS

2014 Nonprofit Revenue by Source, Canada (CAD \$246 Billion)

Canada Revenue Agency



Country Comparisons (All Figures USD)

Country Comparison All Figures USD	Canada	U.K.	U.S.	Australia
Number of Charities	84,521	163,709	954,476	54,223
Assets	\$294,749,000,000	\$200,332,800,000	\$3,220,000,000,000	\$155,917,300,000
Annual Revenue	\$194,340,000,000	\$90,381,000,000	\$1,730,000,000,000	\$79,310,000,000
Tax-receipted Donations/Voluntary Income	\$12,403,000,000	\$25,521,000,000	\$358,380,000,000	\$5,236,000,000
Tax-receipted Donations as a % of Total Revenue	6.38%	28.24%	20.72%	6.60%
Population	35,500,000	64,100,000	316,500,000	23,100,000
Amount Donated Per Capita	\$348.95	\$377.47	\$1,061.81	\$226.37

Compensation Comparisons

Charity Compensation Comparison	Average Wage	Hourly Wage for a 37.5 Hour Week	Part Time Workers	Full Time Workers
Hospital Row	\$ 102,179.25	\$ 52.40	10.49%	89.51%
Cancer Fundraising Organizations (Members of CCRA)	\$ 69,098.59	\$ 35.44	21.98%	78.02%
International Non-Governmental Organizations	\$ 50,874.73	\$ 26.09	26.69%	73.31%
Canadian Average Wage	\$ 48,964.50	\$ 25.11	19.28%	80.72%
Recognized Non-Cancer Charitable Brands	\$ 38,809.72	\$ 19.90	44.02%	55.98%
Community Organizations	\$ 25,035.16	\$ 12.84	55.03%	44.97%