

The \$2 Billion Dollar Opportunity in Search of a Public Policy on Philanthropy

John Hallward

While Canadians have experienced real growth in wealth in the last two decades, charitable giving in Canada has been declining despite one of the most generous charity tax incentive systems in the world. “What is needed is a national initiative to encourage Canadians to not only take advantage of existing tax laws, but also a movement to boost our charitable values,” writes John Hallward, chair of the GIV3 Foundation. If the country returned to the average rate of donations a generation ago (1 per cent of income, up from the current average of 0.75 per cent) it would generate almost \$2 billion more annually for the non-profit sector.

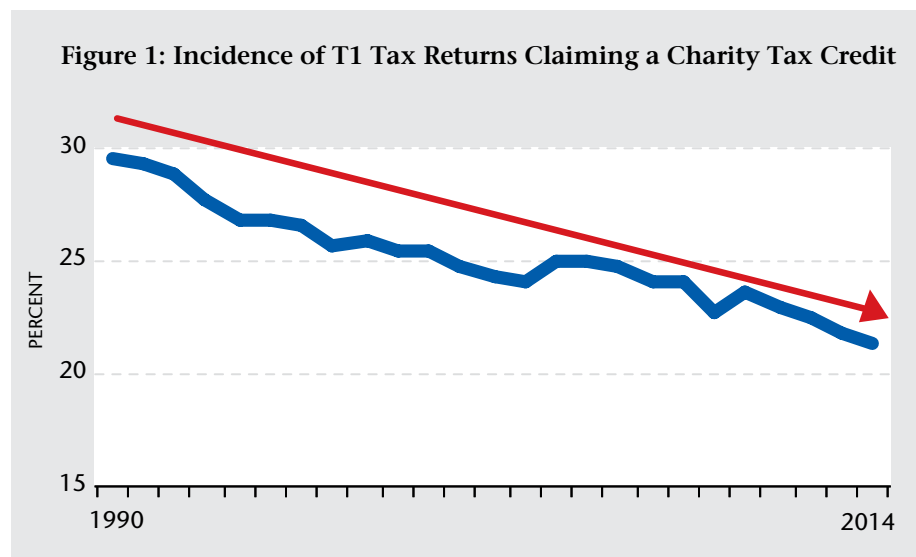
The non-profit (N-P) sector matters. It represents over 7 per cent of our GDP, and employs over 2 million Canadians. If we remove the government funded non-profits, such as schools, universities and hospitals,

we arrive at what is often referred to as the core non-profit sector. This is the part that relies heavily on individual giving, business support and foundations. This core N-P sector is worth over \$35 billion annually (2.5

per cent of GDP)—which makes it larger than the agriculture sector and larger than the automotive industry.

While Canadians currently donate about \$8 billion to the non-profit sector, fewer than one in four Canadians claim a charity tax credit, and this incidence has declined by almost a third, from 30 per cent in the 1990s to a mere 21 per cent in 2014. The average donation per tax filer is also declining. Volunteering behaviour shows similar trends. The unintended consequence? A weakening of the social fabric in our communities; more homeless Canadians, stray pets, dirty parks, ignored seniors, battered women, and so on.

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Source: Statistics Canada

If the national average of giving can be returned to where it was a generation ago, it will generate over \$2 billion more for the non-profit sector annually. The size of this opportunity compels us to consider new policies.

An obvious question is, why should we care? If Canadians become less

charitable, can't our various levels of government simply make up the difference in supporting our communities and those in need? If that were the case, it would already be happening. We can't rely on greater government support because all levels are struggling with debt and trying to balance budgets. If government were to take over a greater role in funding charities it would need to increase taxes. Higher taxes dissuade philanthropy and act to chase away those who have accumulated wealth.

Furthermore, it would likely be difficult, slow and frustrating to depend on various levels of government to

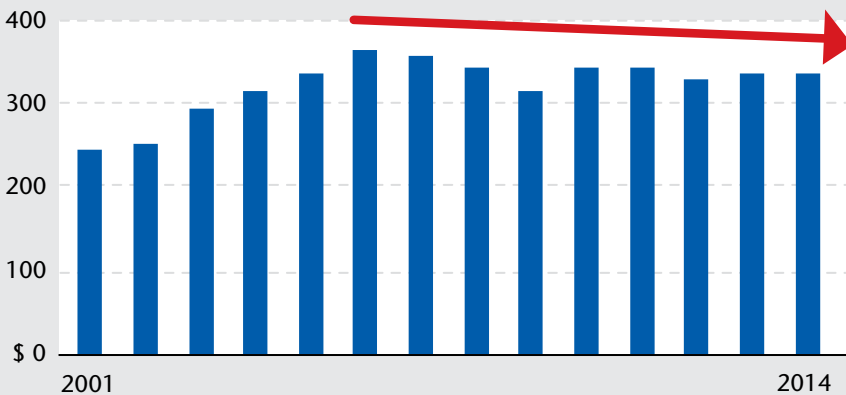
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cooperate and efficiently administer tax revenues to address all our social problems. It would also likely be unpredictable or disruptive for long-term stability as political parties come and go, often with short-term focus. On the other hand, people are more innovative and more likely to take risks,

explore unpopular solutions, and be willing to try things that governments and elected officials might be less willing to do. Individual charity brings ownership of our problems into our communities and allows local groups to resolve issues more quickly and efficiently than governments do.

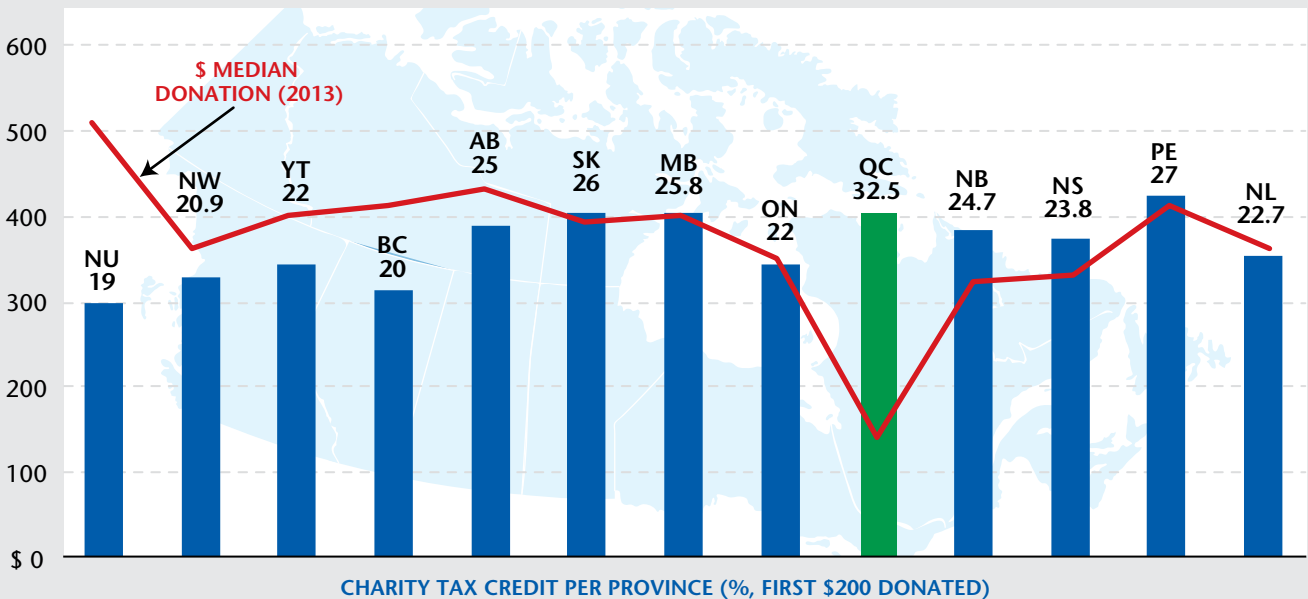
However, it is also wise to appreciate that we cannot leave 100 per cent of support in the hands of the private sector without some involvement from governments. If we left the care and charitable benefits completely in the hands of our free markets, we would likely have all types of inequalities, disagreements in how to support those in need, 'free-loading' from those unwilling to help, a lack of stability as economic cycles ebb and flow, and a lack of interest to support unpopular issues. Therefore, it is in everyone's interest to include government participation.

Figure 2: Dollars Donation Per Tax Filer



Source: CRA/Statistics Canada

Figure 3: Donations by Region vs % Charity Tax Credit



Source: CRA/Statistics Canada

It would seem that offering greater tax credits to taxpayers for their donations would incentivize higher levels of giving. However, there are several reasons to believe that further tax measures will not address the problem. Not only is this a costly approach for our governments, studies show that there is almost no correlation between higher tax incentives and greater philanthropy. As a case in point, while Quebec has the highest level of charitable tax credits in the country, Quebecers are the lowest donors per capita in Canada.

We also observe different cultural and religious communities being much more charitable than others, despite having the same tax system. Globally, in an analysis by the Charity Aid Foundation in the UK, across 24 countries, representing 75 per cent of the World's global GDP, no correlation was found between tax policy and the amount of giving. The point is that philanthropy and volunteering are cultural values, and not an outcome of tax policy. Instead of tax incentives, the solution lies in creating a long-term shift in our societal values.

In past generations, governments put considerable support behind social programs to encourage be-

havioural change, such as recycling, the use of seat belts, decreased smoking, and to curb drunk driving—all for the public good. These campaigns have required a long-term, multi-faceted, sustained approach in order to influence behaviour and make these desired outcomes part of the popular social norm. Remember ParticipACTION to boost greater physical activity? I believe the core non-profit sector needs a similar social program to encourage Canadians to be more giving. We need to build a movement to encourage stronger giving values. The payoff is enormous, and all without having to change current charity tax incentives.

Some people with experience in the N-P sector may be familiar with past efforts to encourage giving, and may be skeptical about the effectiveness of such a social movement. The key to success is in the structure of the solution. Instead of one big lofty program, I believe the most effective approach is to break it down into many smaller initiatives, each with clear, realistic, and measurable goals. With a well-coordinated effort across a dozen or more harmonized initiatives, we can achieve a collective impact from the sum of the efforts. Such a non-profit

initiative could include a wide range of initiatives such as: a financial and legal professionals initiative; social media networking; behavioural economic initiatives with T1 tax reviews; a citizens handbook; a university/college program; training for charitable organizations for 'best practices'; youth and seniors engagement programs; employers' programs; public engagement events; community and volunteer recognition awards; and celebrating achievements of individual charities in local communities. The recent success of the "Giving Tuesday" and "The Great Canadian Giving Challenge" initiatives proves that with the right approach, real behavioural change can be achieved, measured, and built upon.

Now is the time for a new policy. A decade from now, none of us will want to look back to answer why we did not try to stop the decline in charitable giving—especially when the solution is *not* having to introduce a more costly tax policy. **P**

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