

Submission for the Pre-budget Consultations in Advance of the 2021 Federal Budget

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Submitted by:

Business / Arts

info@businessforthearts.com

www.businessandarts.org

Summary Five Recommendations:

1. Extend wage and rental subsidies until all government-mandated restrictions on gatherings are no longer in effect.
2. Recognizing that the arts and culture sector is among the hardest-hit industries, provide a sector-specific wage subsidy for the recovery period that includes contract arts workers
3. Support safe reopening with funds for venues to invest in HVAC, PPE, cleaning, security staff and other requirements necessary to rebuild public confidence in gathering spaces and offsets high operating costs during a time of lower ticket revenues.
4. Stimulate and encourage private giving through two measures:
 - a. Temporarily boost tax receipts for donations
 - b. Eliminate the capital gains tax on gifts on charitable donations of private company shares and real estate to registered charities
5. Reinvest in programs that strengthen and increase capacity in the sector such as the Strategic Initiatives program to build a more resilient, innovative, equitable and sustainable sector.

About Business / Arts

Business / Arts is a national charitable organization that shows the power of partnership between business and arts. Through initiatives like the Canadian Arts Summit and the artsvest program, Business / Arts is uniquely positioned to bring together business, private patrons, government and the arts, all in the service of ensuring a thriving arts and culture sector.

Throughout the COVID-19 pandemic, Business / Arts had swiftly re-evaluated our role to meet the new needs of the arts sector. We mobilized a series of free virtual gatherings for the sector to hear from arts and business leaders and key government officials including Heritage Minister Stephen Guilbeault and Parliamentary Secretary to the Minister of Heritage Julie Dabrusin. Meanwhile, in partnership with the National Arts Centre and Nanos Research, Business / Arts spearheaded the [Arts Response Tracking Survey](#) to monitor and gauge Canadians attitudes on returning to arts and culture events across the country.

Five Recommendations for the Recovery of the Arts and Culture Sector:

Recognizing that the arts and culture sector has been among the hard-hit segments of the economy during the COVID-19 pandemic, Business / Arts proposed the following five measures to be included in the up-coming Federal Budget to stimulate and support the recovery and rebuilding efforts.

1. Extend wage and rental subsidies until all government-mandated restrictions on gatherings are no longer in effect.

The Canadian Emergency Wage Subsidy (CEWS) has been essential for arts and culture organizations of all sizes during the pandemic. Support from CEWS enabled organizations to avoid lays-off of critical staff and has ensured organizations can maintain an essential base level of operations while venues are closed for public presentations. Additionally, the revised rental subsidy has made it possible for many cultural facilities to avoid permanent closure when they are forced to have their doors shuttered. Once the pandemic is over, this ensures community cultural infrastructure, venues and facilities will be ready to reopen as soon as it is safe and viable.

Business / Arts thanks the federal government for implementing these vital emergency subsidies that are scheduled to continue until June 2021. As we face the spectre of a third-wave of the pandemic, we strongly recommend that both the wage and rental subsidies continue to operate until all government-mandated restrictions (whether federal, provincial or regional) on public gatherings are no longer in effect.

2. Recognizing that the arts and culture sector is among the hardest-hit industries, provide a sector-specific wage subsidy for the recovery period that includes contract arts workers.

The Canadian Emergency Response Benefit (CERB) was a critical lifeline for independent artists and contract culture workers who are not normally eligible for EI. Access to CERB was essential for a large portion of arts workers to be able to cover life's essentials such groceries and rent when their normal forms of revenue-generating activities within the cultural economy were almost completely shut-down. Business / Arts is grateful that these gig and freelance workers were supported during the critical time of emergency, but now the sector need to get them back to work.

Self-employment is extremely high among professional artists (52%) and culture workers (26%) compared to only 12% of all Canadian workers. In 2016, Hill Strategies reported there are 158,100 artists, representing almost 1% of the overall Canadian labour force and making up more than the total of workers in automotive manufacturing (146,000) and utilities (136,400). Additionally, cultural workers account for 4% of the overall labour force, double those working in real estate and slightly higher than the labour force in the wholesale trade industry.⁽¹⁾

While the CEWS ensures that cultural organizations can retain their core employees, it does not include self-employed gig and contract workers, which make up the bulk of arts organizations' expenses for producing performances, exhibitions, arts education programming and other cultural presentations.

Even once restrictions on public gatherings are lifted, the arts sector is going to take many months to be up and running at a level in which organizations can begin to generate revenue. After a full year of lost box office sales, cultural organizations have depleted their reserve funds and endowments and have

little capital to invest in restarting artistic productions. How can arts companies hire the artists, tech crews, designers and other essential contractors needed for rehearsals, production and promotion that must all take place before a single ticket can be sold? Arts organizations want to get their artists back to work, but the financial risk of hiring all the contractors necessary to re-open is daunting, especially when the appetite of audiences to return to public gatherings is uncertain.

Business / Arts calls on the Federal government to implement a sector-specific subsidy for two years after venues are first permitted to reopen at limited capacities. It will be essential to include gig and contract workers within this recovery subsidy so that arts and culture organizations can mitigate the enormous risks of restarting artistic production. In doing so, the arts sector can get their creative labour force back to work and contributing to the Canadian economy.

3. Support safe reopening with funds for venues to invest in HVAC, PPE, cleaning, security staff and other requirements necessary to rebuild public confidence in gathering spaces and offsets high operating costs during a time of lower ticket revenues.

When the time comes to reopen, performance arts venues, museums, galleries, cultural centres and other arts and culture facilities will be facing significant new costs to make their spaces both safe and welcoming to patrons.

Investments will need to be made in Personal Protective Equipment for front-of-house staff, signage for way-finding and crowd-control. Less visible, but equally important, will be increased cleaning supplies and cleaning staff. Many venues that previously did not employ security staff will now need to hire security teams to manage crowd flow as well as enforce social distancing, mask wearing and other safety protocols for patrons. Many venues will lower capacity in their spaces, while some may even need to make changes to architecture and the built environment to ensure physical distancing. Finally, to create safe indoor environments for both staff and patrons, venues will need to make substantial investments to update HVAC systems, which will be particularly costly and difficult for older and historic buildings.

In the [Arts Response Tracking Survey](#), survey respondents listed the precautions needed to feel comfortable attending indoor arts and culture events. The top precaution patrons identified were physical distancing (36%), followed by masks (35%) and cleaning protocols (10%). Additionally, respondents listed their perceived obstacles to attendance. The top barrier listed was 'fear of being exposed to the virus', with the second obstacle was 'crowds / other people not respecting health measures.' The public's fears and priorities demonstrate the high importance for cultural venues to have security teams in place to manage patrons' behaviour and ensure compliance with safety protocols. Without these investments, it will take a long time to rebuild public confidence in public gathering spaces.

Without a doubt, all public arts and culture venues want to comply with government mandated safety protocols and restrictions to ensure a safe environment for their patrons. However, depending on the size, design and vintage of a venue, the combined costs for all these safety measures, increased HR needs and physical space adaptations could range from tens of thousands to millions of dollars. Similar to hiring contractors, these safety investments need to be made before venues can begin to generate revenue from admissions and ticket sales. Once venues have re-opened, capacity limits will likely still be in place for some time; thereby restricting ticket sales to much lower levels than pre-pandemic.

As a result, Business / Arts suggests the need for a dedicated Safe Reopening Fund for arts and culture venues and facilities to off-set the high fixed costs associated with making these spaces safe for public gatherings. Until the public feels safe to attend, artistic productions of all forms will be operating at a significant loss.

4. Stimulate and encourage private giving through two measures:

a. Temporarily boost tax refunds for donations

The [Arts Response Tracking Survey](#) showed that intentions by private citizens to make donations to arts and cultural organizations dropped 20% in 2020 compared to 2019.⁽²⁾

Imagine Canada estimates that individual Canadians made approximately \$14.3 Billion in donations to charities in 2014, but arts and culture accounts for just 1% of those donations.⁽³⁾ Donations comprise a significant portion of arts and cultural organizations' revenues, with individual donations accounting for 7% of operating revenues in 2010 for not-for-profit performing arts orgs while fundraising events added another 4% to operating revenue. For not-for-profit heritage organizations (including museums and art galleries), support from individuals, fundraising, corporations, and foundations (combined) accounted for 11% of total revenues in 2009.⁽⁴⁾

The Arts Response Tracking Survey report also showed that arts donors had an expectation that they would increase their donations by 40% in 2021. Arts and culture charities desperately need those donations during the second and third wave of the pandemic to fill huge gaps caused by lost ticket revenue. How do we transform that intention into reality?

Business / Arts suggests a temporary one-year boost to the tax refund donors receive on private donations from 50% to 75%. This would create an incentive for donors to make good on their intentions to support the charitable organizations that are important to them in 2021 when they need it most.

Typically, in the non-profit sector, a high portion of organizations' budgets are going to paying salaries of workers who fulfill the organization's mission. In addition to ensuring that the important work of the organization can continue, by stimulating private donations to charities, the federal government would see more jobs protected in the not-for-profit sector.

b. Eliminate the capital gains tax on gifts on charitable donations of private company shares and real estate to registered charities

Along with dozens of other organizations in the Canadian charitable sector, Business / Arts endorses the proposal by the esteemed Donald K. Johnson, O.C. LL.D. to [eliminate the capital gains tax](#) on donations of private company shares and real estate to registered charities. This simple step would provide additional funding for thousands of charities across the country at a crucial time.

It is estimated that the elimination of capital gain tax would cost the government only an incremental \$50 million a year while stimulating an estimated \$200 million a year in donations to healthcare, educational, arts and cultural, religious and community organizations. Like the above proposal to boost the tax refund for private donations, this proposal would also ensure charitable organizations can continue to operate during these difficult times and deliver their much-needed services while protecting jobs in the charitable sector.

Mr. Johnson has been calling for this measure for many years, but the need is more urgent than ever before. For more information, please consult the [Globe and Mail editorial written by Mr. Johnson](#) on September 9, 2019.

5. Reinvest in programs that strengthen and increase capacity in the sector such as the Strategic Initiatives program to build a more resilient, innovative, equitable and sustainable sector

Many serious and systemic challenges existed for the arts and culture sector long before the pandemic, which have now become impossible to ignore. These challenges range from shifting the precarious workforce model while recruiting a more diverse workforce and supporting more equitable hiring practices, to the lack of training and skill development and the urgent need for organizations to adopt more innovative and diversified business models. For the sector to “build back better” after the pandemic as a more sustainable and equitable industry, we need investment in funds that support capacity building, skill development, training, equity and inclusion initiatives.

There already exists a key program within the Department of Canadian Heritage aimed at addressing these core issues of sustainability in the sector. The Strategic Initiatives component of the Canada Cultural Investment Fund provides financial assistance for projects involving multiple partners that help arts and heritage organizations improve their business practices and diversify their revenues. Projects can include the “development and dissemination of expertise, best practices and tools, marketing and audience development, innovation, experimentation and development of new approaches; and the strategic use of technologies.”

Thus, the Strategic Initiatives program is well positioned to help address systematic capacity issues in the sector; however, the program has not received an increase in funding for a decade and is highly over-subscribed.

Business / Arts proposes that the Federal Government substantially re-invest in the Strategic Initiatives component of the Canada Cultural Investment Fund. A significant boost to Strategic Initiatives would ensure more large-scale multi-partner projects can be funded, each with the aim of strengthening and improving the sustainability of the arts and culture sector for years to come.

- 1) Hill Strategies: A Statistical profile of Artists in Canada in 2016.
<https://hillstrategies.com/resource/statistical-profile-of-artists-in-canada-in-2016/>
- 2) Business / Arts, National Arts Centre and Nanos Research: Arts Response Tracking Survey.
<http://www.businessandarts.org/resources/arts-response-tracking-study/>
- 3) Imagine Canada: 30 years of Giving in Canada. https://imaginecanada.ca/sites/default/files/2019-05/30years_report_en.pdf
- 4) Hill Strategies: Volunteers and Donors in Arts and Culture organizations in Canada in 2010
<https://hillstrategies.com/resource/volunteers-and-donors-in-arts-and-culture-organizations-in-canada-in-2010/>