

Passion and Commitment Under Stress: Human Resource Issues in Canada's Non-profit Sector – A Synthesis Report

Ron Saunders

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Available from:

Canadian Policy Research Networks Inc. (CPRN)

600-250 Albert Street

Ottawa, ON K1P 6M1

Tel: (613) 567-7500

Fax: (613) 567-7640

Web site: <http://www.cprn.org>

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Foreword

All Canadians benefit from the services provided by Canada's non-profit sector and many are active within the sector, either as volunteers or as paid employees. We might encounter non-profit organizations through such varied activities as child care, community sports programs, employment counselling, or home care provided for an elderly parent. Non-profit organizations play a central role in identifying and responding to community needs. They also help promote a sense of shared values in our society.

While the non-profit sector makes an important contribution, it also faces some serious challenges. Funding has become increasingly short-term and targeted, which makes it difficult for organizations to support core functions and invest in capacity for the long-term. There have been anecdotal reports of stress and burn-out among employees, but, until recently, research on such issues has been limited by the lack of national databases that allow comparisons between non-profit and other organizations.

Statistics Canada's *Workplace and Employee Survey (WES)* has opened up new possibilities for studying the non-profit sector. And CPRN is the first to exploit the new data in a series of studies of working conditions facing paid employees in the sector. Four reports have been published to date, looking in turn at: the overall size of the sector and the composition of its workforce; the quality of paid jobs in the sector; skill requirements and training activity; and organizational strategies and human resource practices.

This synthesis report looks at the highlights of the findings of those four studies, identifies common themes and key issues that emerge from this analysis, and recommends a number of changes designed to improve the non-profit sector's human resource capacity. A key conclusion of the report is that, while overall job satisfaction of paid employees in the non-profit sector remains fairly high, there is a sizeable risk that this cannot be sustained without changes within the sector and by the organizations that fund it. Ron Saunders, Director of the Work Network, therefore makes a number of suggestions for change designed to ensure that this valuable sector of our economy and society can establish a sustainable future.

I want to thank Ron Saunders for his summary of the findings and his overall direction of the latter stages of the project. I also want to thank Grant Schellenberg who designed the research and co-authored the first two studies, Kathryn McMullen, who co-authored all four of the analytical pieces, Richard Brisbois who co-authored the fourth study and provided research support throughout, and Richard Shillington, an independent consultant who assisted with the data analysis. Throughout the project, an Advisory Committee of practitioners and researchers provided valuable guidance to the research team, as did the people who provided peer review on each of the studies.

The study was made possible by a number of organizations, including the Muttart Foundation, an anonymous donor, Human Resources Development Canada, and especially Statistics Canada. Together, these partners have opened up the black box of the non-profit labour market and created a platform for ongoing research on the sector.

Judith Maxwell
January 2004

Executive Summary

Non-profit organizations play an important role in such diverse areas as arts and culture, sports and recreation, literacy and skills development programs, health services, business and labour associations, religious activity, and political advocacy. There has been growing interest in examining the contributions made by the non-profit sector to Canada's economy and society. However, until recently, there has been a lack of information about paid workers in the non-profit sector, such as their demographic characteristics, their working conditions, and the human resource challenges associated with their labour market experience.

An opportunity to help fill this gap arose with the release in late 2000 by Statistics Canada of the results from the first *Workplace and Employee Survey (WES)*. Drawing primarily on the *WES*, Canadian Policy Research Networks has produced a series of research papers focused on human resources in non-profit organizations, with an emphasis on paid employees. The four papers look at the size of the sector and the composition of its workforce, the quality of paid jobs in the sector, changing skill requirements and the incidence of training, and organizational strategies and human resource practices in the non-profit sector. In each study, comparisons are made with other sectors.

This synthesis report summarizes the key results of the four papers, identifies issues facing the non-profit sector that cut across our work to date, and makes recommendations to funders, individual employers within the non-profit sector, and the sector as a whole. We also identify areas where further research related to human resources in the non-profit sector would be helpful.

The *WES* data indicate that about 900,000 paid employees worked in the non-profit sector in 1999, about 8 percent of all paid employees in Canada. The paid workforce of the non-profit sector is predominantly (74 percent) female, older than the for-profit workforce, and with a high percentage of well-educated, professional staff.

The overrepresentation of women in the non-profit sector means that the particular needs and aspirations of women regarding their workplace must be taken into account. For example, the demand for flexible work schedules, such as flexible hours and part-time work, is heightened in the non-profit sector. Also, university-educated women are more likely than university-educated men to value respect and commitment in the employer-employee relationship, and to place a high value on communication and workplace relations.

In many respects, working conditions in the non-profit sector are above average: the percentage of employees with access to benefits, flexible work hours, and training is higher in the non-profit sector than the for-profit sector. However, there is more temporary work in the non-profit sector (which is associated with reduced job security), there are more concerns about the adequacy of training, and fewer opportunities for advancement than in other sectors. There is also much lower pay for managers and professionals (especially in comparison with the 'quango' or quasi-government sector –

schools, hospitals, universities, colleges, etc). Moreover, access to benefits and training opportunities is better in the quango sector.

The problems of more temporary employment and lower pay reflect the difficult challenges facing many non-profit organizations: increased responsibilities with less funding and a shift in the nature of funding from long-term support for core services to a focus on short-term funding for specific projects.

Many non-profit organizations cite the importance of business strategies that increase employees' skills, improve product and service quality, and increase employee involvement/participation. In this, they are not unlike their for-profit counterparts. However, there is more involvement of staff in decision-making in the non-profit sector, greater availability of personal and family supports, and a higher likelihood of a procedure for resolving workplace disputes.

Overall job satisfaction remains almost as high in the non-profit sector as in the quango and for-profit sectors, with about 86 percent of paid employees reporting that they were either satisfied or very satisfied with their job in 1999. However, employees in the non-profit sector, especially those 45 years of age or older, were more likely than those in the quango or for-profit sectors to say that they were 'dissatisfied/very dissatisfied' with their pay and benefits.

The findings point to a gap between intrinsic and extrinsic rewards to working in the non-profit sector. Employees are committed to their work, but are concerned about pay. Some non-profit organizations, particularly the smaller ones, may be caught in a squeeze in relation to recruitment and retention strategies. On the one hand, they may lack the funds to offer competitive pay rates, and may lack the stability of funding to provide a better ratio of permanent to temporary work. On the other hand, if they continue to offer weaker 'extrinsic' rewards in the form of compensation, non-profit employers are likely to lose talented staff, and to have difficulty replacing them. In addition, smaller non-profit organizations may lack the resources to invest in the recruiting process.

The targeted and short-term nature of most funding makes it difficult for non-profit organizations to invest in capacity building, such as through new technologies, developing the skills of their employees and volunteers, or outreach recruiting measures. Project-funding also weakens the ability of non-profits to engage in long-term planning and to adhere to their primary missions, which can turn staff commitment into disillusionment.

With that in mind, we have identified a number of areas where changes are needed, and have suggested the following actions:

- While there is no single formula for funding non-profit organizations and activities, funders need to consider a mix of long-term financial support and grants designed for capacity building in addition to more targeted mechanisms. Non-profit organizations, in turn have a responsibility to articulate the roles they play and the funding mechanisms required to sustain those roles. They also need

to undertake periodic evaluations to demonstrate that the longer term arrangements are producing a pay-back.

- A human resource sector council should be established. Its roles could include:
 - analyzing the human resource needs of the sector;
 - identifying skill requirements and developing affordable training programs targeted at sub-groups within the sector;
 - establishing ways for small non-profit organizations to engage in outreach recruiting on a collective basis;
 - facilitating the provision of multi-employer benefit plans; and
 - articulating to funders the needs of the sector with regard to investing in human resource capacity.
- Non-profit employers need to address the pay gap for highly qualified staff between the non-profit sector and the for-profit and quango sectors.
 - In the short-term, non-profit organizations should at least make an effort to ensure that the wages, salaries, and benefits that they offer are competitive in comparison with other employers within the sector. Boards of Directors should insist on seeing these comparisons before approving compensation plans.
 - In the longer term, however, non-profit business plans have to consider ways to ensure that they are able to compete in the “war for talent” through pro-active recruitment and retention strategies, that may well include higher rates of compensation for key staff. Non-profit boards need to take steps to avoid the loss of talented staff through inadequate compensation and uncertain funding.
- In recruiting people to work in their organizations, non-profit employers should emphasize the three unique advantages they can offer: a high quality working environment, the opportunity to serve the community and to do interesting and satisfying work alongside colleagues who are committed to the same goals.

The challenges facing non-profit organizations include the need to develop better information about the nature of work in the sector, the characteristics of its employees, and the aspirations, expectations, and perceptions that employees have about their jobs. The findings of this study may help in improving working conditions in the sector, but the need is clearly there for more research to further that objective.

Résumé

Les organismes à but non lucratif jouent un rôle important dans des domaines aussi diversifiés que ceux des arts et de la culture, des sports et des loisirs, des programmes d'alphabétisation et de perfectionnement des compétences, des services de santé, des associations de gens d'affaires et de travailleurs, des activités religieuses et de la défense d'intérêts politiques. L'examen de l'apport fait par le secteur à but non lucratif à l'économie et à la société au Canada suscite un intérêt croissant. Toutefois, il y avait jusqu'à tout récemment une pénurie de données sur les travailleurs rémunérés dans le secteur à but non lucratif, comme leurs caractéristiques démographiques, leurs conditions de travail et les défis en matière de ressources humaines liés à leur expérience sur le marché du travail.

Une possibilité de combler cette lacune s'est présentée avec la publication en 2000 par Statistique Canada des résultats de la première *Enquête sur le lieu de travail et les employés* (ELTE). En s'appuyant surtout sur l'ELTE, les Réseaux canadiens de recherche en politiques publiques ont préparé une série de documents de recherche, dont l'accent porte sur les ressources humaines dans les organismes à but non lucratif, en accordant une attention spéciale aux travailleurs rémunérés. Les quatre documents sont consacrés à un examen de la taille du secteur et de la structure de son effectif, de la qualité des emplois rémunérés dans le secteur, de l'évolution des besoins en compétences et de l'incidence de la formation, et des stratégies organisationnelles et des pratiques en matière de ressources humaines dans le secteur à but non lucratif. Dans chacune des études, des comparaisons sont faites avec les autres secteurs.

Dans ce rapport de synthèse, nous présentons un résumé des principales conclusions des quatre documents, nous identifions les enjeux auxquels le secteur à but non lucratif est confronté selon ce que nos travaux ont permis de recouper à ce jour, et nous formulons des recommandations aux bailleurs de fonds, aux employeurs individuels à l'intérieur du secteur à but non lucratif, et au secteur dans son ensemble. Nous indiquons aussi les domaines où des recherches plus poussées liées aux ressources humaines dans le secteur à but non lucratif seraient utiles.

Les données de l'ELTE indiquent qu'environ 900 000 employés rémunérés travaillaient dans le secteur à but non lucratif en 1999, environ 8 pour cent de l'ensemble des employés rémunérés au Canada. L'effectif rémunéré du secteur à but non lucratif se compose surtout de femmes (74 pour cent), il est plus âgé que l'effectif du secteur à but lucratif et il possède une proportion élevée de personnel professionnel hautement scolarisé.

La surreprésentation des femmes dans le secteur à but non lucratif signifie qu'il faut tenir compte des aspirations et des besoins particuliers des femmes en ce qui concerne leur milieu de travail. Par exemple, la demande concernant des horaires de travail flexibles, comme des heures flexibles et du travail à travail partiel, prend plus d'importance dans le secteur à but non lucratif. De plus, les femmes qui ont fait des études universitaires sont plus susceptibles que les hommes qui ont fréquenté l'université de valoriser le respect et l'engagement dans les relations employeurs-employés et d'accorder une valeur élevée aux communications et aux relations en milieu de travail.

À bien des égards, les conditions de travail dans le secteur à but non lucratif sont supérieures à la moyenne : la proportion des employés qui ont accès à des avantages sociaux, à des heures de travail flexibles et à des programmes de formation est plus élevée dans le secteur à but non lucratif qu'elle ne l'est dans le secteur à but lucratif. Toutefois, il y a un plus grand nombre d'emplois temporaires dans le secteur à but non lucratif (qu'on associe à une sécurité d'emploi moindre) que dans les autres secteurs, les préoccupations concernant le caractère adéquat de la formation y sont plus répandues et les possibilités d'avancement y sont plus limitées. La rémunération des cadres et du personnel professionnel y est aussi beaucoup moins élevée (surtout si on la compare à celle du secteur parapublic – écoles, hôpitaux, universités, collèges, etc.). De plus, le secteur parapublic offre une meilleure accessibilité à des avantages sociaux et à des possibilités de formation.

Les problèmes du plus grand nombre d'emplois temporaires et de la rémunération plus faible sont le reflet des défis difficiles auxquels font face de nombreux organismes à but non lucratif : des responsabilités accrues avec des moyens de financement moindres et un déplacement dans la nature du financement d'un soutien à long terme pour des services de base vers un accent mis sur le financement à court terme de projets précis.

De nombreux organismes à but non lucratif font état de l'importance d'adopter des stratégies d'entreprise qui contribuent à enrichir les compétences des employés, à améliorer la qualité des produits et des services, et à favoriser l'implication et la participation des employés. À cet égard, ils ne se distinguent pas tellement de leurs homologues du secteur à but lucratif. Toutefois, la participation du personnel à la prise de décision dans le secteur à but non lucratif est plus élevée, la disponibilité de mesures de soutien à la famille et aux individus y est plus répandue et la probabilité de l'existence d'une procédure de règlement des conflits en milieu de travail y est aussi plus élevée.

Dans l'ensemble, la satisfaction professionnelle demeure à peu près aussi élevée dans le secteur à but non lucratif que dans les secteurs à but lucratif et parapublic, puisque 86 pour cent des employés rémunérés ont déclaré qu'ils étaient satisfaits ou très satisfaits de leur emploi en 1999. Mais, les employés du secteur à but non lucratif, notamment ceux de 45 ans et plus, étaient plus susceptibles que ceux des secteurs parapublic et à but lucratif d'indiquer qu'ils étaient insatisfaits ou très insatisfaits de leur rémunération et de leurs avantages sociaux.

Les résultats font état d'un écart entre les mesures intrinsèques et extrinsèques de rétribution au travail dans le secteur à but non lucratif. Les employés sont motivés par leur emploi, mais ils s'inquiètent de leur rémunération. Certains organismes à but non lucratif, notamment les plus petits, peuvent se retrouver dans une impasse en ce qui concerne leurs stratégies de recrutement et de conservation des effectifs. D'une part, ils n'ont peut-être pas les ressources nécessaires pour offrir des taux de salaires concurrentiels et ils ne disposent peut-être pas d'une stabilité de leurs moyens de financement leur permettant d'offrir un meilleur ratio d'emplois permanents par rapport aux emplois temporaires. D'autre part, s'ils continuent d'offrir des mesures de rétribution « extrinsèques » moins généreuses sous forme de rémunération, les employeurs du secteur à but non lucratif perdront probablement des travailleurs talentueux et ils auront

de la difficulté à les remplacer. De plus, des organismes de plus petite taille n'auront peut-être pas les ressources suffisantes pour investir dans le processus de recrutement.

Le caractère ciblé et à court terme de la plupart des moyens de financement rend la chose difficile pour les organismes à but non lucratif d'investir dans le renforcement des capacités, comme l'adoption de technologies nouvelles, le perfectionnement des compétences de leur personnel et de leurs bénévoles ou le recours à des mesures d'extension en matière de recrutement. Le financement de projets tend aussi à limiter l'aptitude des organismes à but non lucratif à faire de la planification à long terme et à remplir leurs missions premières, ce qui peut contribuer à transformer la motivation du personnel en un désenchantement généralisé.

C'est dans ce contexte que nous avons identifié plusieurs domaines où des changements s'imposent et que nous proposons les orientations suivantes :

- Il n'y a pas de formule unique de financement des activités et des organismes à but non lucratif, mais les bailleurs de fonds doivent envisager un dosage de mesures de soutien et de subventions à long terme visant à renforcer les capacités, en plus des mécanismes de financement plus ciblés. Les organismes à but non lucratif ont la responsabilité, en retour, d'articuler les rôles qu'ils remplissent et les mécanismes nécessaires pour soutenir ces rôles. Ils doivent aussi entreprendre des évaluations périodiques pour démontrer que des arrangements à plus long terme donnent des résultats positifs.
- Un conseil sectoriel des ressources humaines devrait être mis sur pied. Ses fonctions pourraient comprendre les suivantes :
 - Analyser les besoins en ressources humaines du secteur;
 - Identifier les besoins en compétences et concevoir des programmes de formation à des coûts abordables orientés vers des sous-groupes à l'intérieur du secteur;
 - Mettre en place des moyens pour les petits organismes à but non lucratif de participer collectivement à des activités d'extension en matière de recrutement;
 - Faciliter l'établissement de régimes d'avantages sociaux interentreprises;
 - Renseigner les bailleurs de fonds sur les besoins du secteur d'investir dans son potentiel en ressources humaines.
- Les employeurs du secteur à but non lucratif doivent se pencher sur la question de l'écart salarial parmi le personnel hautement qualifié entre le secteur à but non lucratif et les secteurs à but lucratif et parapublic.
 - À court terme, les organismes à but non lucratif devraient à tout le moins faire un effort pour faire en sorte que les salaires, les traitements et les avantages sociaux qu'ils offrent soient concurrentiels par rapport à ceux des autres employeurs du secteur. Les membres des conseils d'administration devraient insister pour voir ces comparaisons avant d'approuver des régimes de rémunération.

- À plus long terme, toutefois, les plans d'entreprise dans le secteur à but non lucratif devront considérer des moyens de s'assurer que les organismes pourront soutenir la concurrence pour attirer des talents en adoptant des stratégies de recrutement et de conservation proactives, qui pourraient fort bien comprendre des taux de rémunération plus élevés pour le personnel-clé. Les conseils d'administration des organismes à but non lucratif devront prendre des moyens d'éviter la perte de personnel talentueux à cause d'une rémunération insuffisante et d'un financement incertain.
- Au moment de recruter des gens pour travailler dans leurs organismes, les employeurs du secteur à but non lucratif devraient insister sur trois avantages uniques qu'ils peuvent offrir : un environnement de travail de haute qualité, la possibilité de servir la collectivité et l'occasion de faire du travail intéressant et satisfaisant avec des collègues qui partagent les mêmes objectifs.

Les défis auxquels font face les organismes à but non lucratif comprennent la nécessité de rassembler de meilleurs renseignements sur la nature du travail dans le secteur, les caractéristiques de ses employés et les aspirations, les attentes et les perceptions que les employés ont à l'égard de leur emploi. Les résultats de cette étude pourraient aider à améliorer les conditions de travail dans le secteur, mais le besoin existe véritablement d'entreprendre d'autres recherches pour expliciter cet objectif.

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1. Introduction

In recent years, there has been growing interest in examining the contributions made by the non-profit sector to Canada's economy and society. Dow (2002) documents a dramatic growth in published research on the sector in the past few years. Universities have developed programs of teaching and research focused on the non-profit, or 'voluntary', sector, such as the Third Sector program at the School of Policy Studies at Queen's University or the Centre for Voluntary Sector Research and Development at Carleton University and the University of Ottawa. Perhaps most significant has been the establishment in 2000 of the Voluntary Sector Initiative (VSI), a five-year, \$94.6 million joint undertaking between the voluntary sector and the federal government. This reflects recognition of the role that the sector plays in providing services that are important to Canadians. It may also reflect an awareness of financial strains faced by the sector (which are well-documented in the recent report by Katherine Scott (2003)) and the need to support capacity building if the sector is to be able to effectively respond to the demands placed on it.

However, in many respects, research on the sector is still in its infancy. In particular, researchers and experts in the field have identified a lack of information about paid workers in the non-profit sector, such as their demographic characteristics, their working conditions, and the human resource challenges associated with their labour market experience.

An opportunity to help fill this gap arose with the release in late 2000 by Statistics Canada of the results from the first *Workplace and Employee Survey* (WES). While paid employees in non-profit organizations had been present in all of Statistics Canada's surveys of the labour force, it is only with the development of the WES that it has been possible to distinguish these employees from those in for-profit organizations.¹

Drawing primarily on the WES, Canadian Policy Research Networks has produced a series of research papers focused on non-profit organizations, with an emphasis on paid employees. The four papers, authored by Kathryn McMullen, Grant Schellenberg, and Richard Brisbois address the following themes:

Report One – *Mapping the Non-profit Sector*

This paper, released in December of 2002, focused on providing estimates of the size the non-profit sector, in terms of number of employers as well as paid employees; describing the industry, regional, and size characteristics of the organizations within it; and identifying the demographic (gender, age, education, family) characteristics of the sector's paid employees.

¹ The WES does not include information on volunteers and so excludes both organizations that are run exclusively by volunteers and the volunteer component of non-profit organizations that have paid employees.

Report Two – *Job Quality in Non-Profit Organizations*

This report, released in January 2003, provided comparisons of measures of job quality across the non-profit, for-profit, and quasi-government (or ‘quango’) sectors. Job characteristics that were examined included earnings, access to benefits, working arrangements (such as the extent of temporary or part-time work, and access to flexible hours), and job satisfaction. We also looked at factors affecting job quality, such as the changing revenue base of many non-profit organizations.

Report Three – *Skills and Training in the Non-Profit Sector*

The focus of this report, released in March 2003, was on changing skill requirements, the incidence of training, types of training provided, and employees’ perceptions of the adequacy of training. Again, comparisons were made among the non-profit, for-profit, and quango sectors.

Report Four – *Coping with Change: Human Resource Management in Canada’s Non-Profit Sector*

The fourth report in our series, released in December 2003, looks at organizational strategies and human resource practices in the non-profit sector (again, in comparison with other sectors).

This purpose of this synthesis report is fivefold. One objective is to summarize the key results of the first four papers, so that there is a self-contained overview of our findings. In addition we aim to identify issues facing the non-profit sector that cut across our work to date. Third, this paper explores the implications of our findings for strategies to improve recruitment of people to work in the non-profit sector and retention of paid employees currently working in the sector. We also develop recommendations directed at funders, at individual employers within the non-profit sector, and at the sector as a whole. Finally, we identify areas where further research related to human resources in the non-profit sector would be particularly helpful.

The paper is organized with these purposes in mind. The second chapter looks at the broad context underlying our analysis of human resource issues: the role of the non-profit sector in our economy and society and the challenges it faces in attempting to fulfil that role. Chapter 3 describes the methodology used in our research and the data on the size of the sector and the organizations within it. The description of data sources and methodology can also be found in the first paper in this series (and, with less detail, in the other papers) but is provided here for ease of reference.

Chapter 4 focuses on the key demographic characteristics of the paid workforce in the non-profit sector, Chapter 5 on characteristics of work, and Chapter 6 on human resource practices. Chapter 7 then turns to the identification of cross-cutting themes and issues that emerge from these findings; and Chapter 8 looks at the implications for recruitment and retention. The concluding chapter focuses on recommendations for employers and governments that arise from the findings. It also identifies research gaps.

2. Context: Roles and Challenges

Much is expected of the non-profit sector. Does it have the capacity to realize these expectations? In this chapter, we first review the various ways in which the non-profit sector contributes to our economy and society. We then examine some recent evidence of strains on the sector. This serves as context for our examination of human resource characteristics and workplace issues in the non-profit sector. We shall see that the broad constraints facing the sector are affecting its capacity to attract and retain talented staff.

Role of the Non-profit Sector

As noted in the first paper of CPRN's series on human resources in the non-profit sector, the role of the sector in Canadian society is affected by the wider context of social norms, the structure of our economy, and the role of government. In particular, it has been argued (and, by some, decried) that the social welfare state developed in the post World War II years has been eroded since the late 1980s by cuts to social programs, which has led to growing demands in recent years on the non-profit sector to provide services and supports that governments used to provide.² This can be seen, for example, in the increased visibility of food banks, and in the non-profit sector's provision of counselling and skills upgrading assistance to people who are no longer able to access such help through government programs. Some have argued that governments have turned to the sector as a less expensive vehicle for delivering social programs and services. Expectations of the sector are high, yet, as we will see in the next chapter, there are signs that the level and nature of funding of the sector make it difficult to realize these expectations. Hall and Banting (2000 p. 18) observe that while "the elimination or retrenchment of public social service increases demand for non-profit services...reductions in government funding for many social service nonprofits simultaneously weaken their capacity to respond."

The scope of the non-profit sector's activities is also widening in light of societal changes. For example, changes in family structure and the dramatic growth of women's participation in the paid workforce have contributed to the development of before- and after-school programs. The de-institutionalization of health care, along with the forces just mentioned, has led to growing involvement of the non-profit sector in home care services.

Non-profit organizations play an important role in such diverse areas as arts and culture, sports and recreation, literacy and skills development programs, health services, business and labour associations, religious activity, and political advocacy. This diversity may lead some to question whether it is meaningful to speak of the collection of non-profit organizations as a sector. However, non-profit organizations share several important traits in common. They rely upon external organizations for their funding, but, unlike the broader public sector (which includes schools, hospitals, universities, and colleges), have little or no base (continuing) funding from governments. They also are generally characterized by a public service mission. That is, non-profit organizations are rooted in

² See, for example, Reed and Howe (2000).

community needs. They also rely upon a strong voluntary component in responding to those needs.

The non-profit sector contributes to Canada's economic and social development in at least four ways.

- It is, as we document below, an important part of the economy.
- It is a significant service provider, especially of important human services such as child care, home care, counseling, and skill development.
- It is a valued site for citizens to associate and to express their contribution to society.
- It builds "social capital", which refers to the networks of social relations that provide access to needed resources and supports.³ It thereby enhances the capacity of the communities it serves to respond to the needs of their populations. The non-profit sector promotes social cohesion in the sense of shared values and commitment to community. "By providing forums wherein individuals can participate in organizations that serve a wide range of causes, non-profit organizations foster a sense of belonging and inclusion." (McMullen and Schellenberg, 2002, p.6.

I think the biggest contribution that the sector is making is really about the capacity building of society as a whole. (Participant in CPRN Roundtable on Human Resources in the Non-profit Sector, September 19, 2003.)

The federal government has recognized the important role the non-profit sector plays in the Canadian economy and society. This is evident, in particular, in the establishment in 2000 of the Voluntary Sector Initiative (VSI), a five-year project designed to strengthen the sector's capacity, modernize regulatory frameworks that affect it, and improve relationships with the federal government.⁴

Challenges Facing the Non-profit Sector

The non-profit sector's role in our economy and society is wide-ranging. However, there are signs of strain as the sector strives to meet high expectations with limited and increasingly targeted funding.

Hall et al. (2003) have recently reported on the results of consultations held across Canada with representatives of non-profit and voluntary associations on the challenges

³ The Organization for Economic Co-operation and Development (OECD 2001, p.41) defines social capital as "networks together with shared norms, values and understandings that facilitate co-operation within or among groups."

⁴ For a description of activities and processes under the VSI, see, for example, the 2002 report of the Voluntary Sector Steering Group, *Building a Stronger Voluntary Sector: How the VSI is Making a Difference*.

they are facing in working to fulfill their missions.⁵ Most of the organizations studied cited the dedication of their volunteers and the commitment of their paid employees as important strengths. However, participants in the study noted a number of factors external to their organizations that are presenting challenges, including: government downloading; funding cutbacks; funders focusing on short-term projects rather than long-term activities or core costs; competition for scarce resources; a shortage of volunteers; and difficulties in recruiting and retaining paid staff with specialized skills.

Participants in the study by Hall et al. felt that the most difficult issue is the increasingly short-term focus of funders. The unpredictability of funding was seen as contributing to other problems, such as staff turnover. The authors of the report suggest that new funding models are needed with respect to non-profit and voluntary organizations, to give them more stability and greater capacity to engage in long-term planning.

The difficulties posed by short-term funding are also central to the findings of the recent (2003) report by Katherine Scott of the Canadian Council on Social Development, *Funding Matters: The Impact of Canada's New Funding Regime on Nonprofit and Voluntary Organizations*. Scott's work, sponsored by the VSI Working Group on Financing, involved focus groups with representatives of non-profit and voluntary organizations, roundtable discussions, a survey, case studies, and a review of other research.⁶ Scott summarizes her key conclusion as follows:

Much organizational time is now devoted to chasing short-term sources of funding, often at the expense of the organizations' mission and core activities. (Scott, 2003, p. 2).

More specific findings in *Funding Matters* include the following:

- Funders, especially, governments, are increasingly adopting a more targeted approach, based on contracts for short-term projects rather than support of organizations' core costs.
- Funding is increasingly unpredictable.
- Funders are placing additional burdens on non-profit and voluntary organizations, such as through more onerous reporting requirements and by specifying that other funding partners must be found as a condition of support.
- These changes in the funding environment are causing large swings in revenue for non-profit organizations, undermining stability, long-term planning, and the capacity to recruit and retain experienced staff. Some organizations are also 'drifting' away from their primary missions in an effort to obtain funds.

⁵ This is the first phase of the National Survey of Nonprofit and Voluntary Associations, sponsored by the Capacity Table of the Voluntary Sector Initiative. The second phase involves a survey by Statistics Canada of more than 10,000 non-profit and voluntary associations across Canada.

⁶ Scott (2003), p.3 and pp.6-7.

- The strains associated with funding pressures are taking a toll on both paid staff and volunteers.

Scott argues that the new funding relationship, “is reflective of a philosophy that introduced values associated with the private marketplace – competition, diversification, entrepreneurialism, innovation, focus on the bottom line – into the mix with more traditional public sector values of accountability, stability, responsiveness to clients and community, and serving the public interest” (Scott, 2003, p.8). While participants in her study were supportive of goals of accountability and efficiency, they expressed concerns that the new funding model was compromising their ability to deliver on their mission. This was particularly true for smaller organizations, which have less capacity than the larger non-profits to cope with the instability of the short-term funding regime.

The special difficulties of small non-profit organizations are the focus of a 2001 report by Linda Roberts for the Voluntary Sector Initiative, *Caught in the Middle: What Small, Non-profit Organizations Need to Survive and Flourish*. Roberts conducted focus groups in several Canadian communities with representatives of small non-profit organizations and agencies.⁷ She found that small size had its advantages, such as allowing the organization to be more focused on the local community and therefore more in touch with “what is happening on the ground”.

Small means that organizations can address specific local issues and needs, in contrast to a broader, more generic approach by larger organizations and institutions with broader mandates....Small and local meant that the agency had a good knowledge of the community and was known in the community(Roberts, 2001, pp.6-7).

However, Roberts also found that many of the focus group participants were struggling for survival, finding it difficult to recruit and retain volunteers, and spending what they felt was too much time raising funds at the expense of “doing the work.” Many of the themes picked up in Scott’s more recent, broader study are strongly emphasized in Robert’s findings.

A common issue brought up by representatives of small organizations and agencies was the impact of downloading by governments to the voluntary sector, and the resulting stresses and strains of addressing local needs. At the same time, the terms and conditions of funding from public and private sources have become ever more arduous for small organizations and agencies: less money (cuts to grants, more competition for available dollars, etc.), more strings (contracts vs. core funding, short term, more paperwork, etc.) (ibid., p.8).

⁷ Agencies were distinguished from the other non-profit organizations by their function of operating a direct service to the public. Representatives from 19 agencies and 21 other organizations participated in the focus groups. The maximum income in the previous year for those providing such data (29 of the 40) was \$115,000.

The federal government has shown some recognition of the special needs of small non-profit organizations with respect to building their human resources capacity. Human Resources Development Canada, through the Capacity Joint Table of the VSI, has funded a project on *Developing Human Resources in the Voluntary Sector* (HRVS). This project, targeted at organizations with 5 to 30 paid employees, is focused on providing practical assistance such as a “good HR practices” tool kit and information on human resource management learning opportunities.⁸

As we shall see below, CPRN’s analysis of human resource issues in the non-profit sector demonstrates that funding constraints are spilling over into issues of the adequacy of compensation, as well as working conditions that often demand long work hours, but limited career development opportunities. Evidence is emerging that the strains associated with the funding environment are making it difficult to retain employees within the sector. People come to non-profit organizations with a passionate commitment to the mission, but find it difficult to sustain that passion amid low salaries, high workloads, and mission drift.

⁸ These tools are available on the HRVS website: www.hrvs.ca.

3. Size of the Non-profit Sector and the Organizations Within It

In this chapter, we review the key findings of McMullen and Schellenberg (2002) regarding various measures of the overall size of the non-profit sector, as well as the evidence on the size (by number of employees) of the establishments within the sector. Before doing so, it is necessary to recap the description of data sources and methodology used throughout CPRN's series of studies on human resources in the non-profit sector.

Data Sources and Methodology⁹

Data for our research on human resources in the non-profit sector are drawn primarily from Statistics Canada's 1999 *Workplace and Employee Survey (WES)*. However, for information on the scale and scope of the non-profit sector, we also turned to another Statistics Canada source, the *Business Register (BR)*.¹⁰

The Business Register

Statistics Canada's *Business Register (BR)* is a central database of entities engaged in the production of goods and services in Canada (see Cuthill, 1998). It included information on about 2 million entities in early 2002, including for-profit businesses, some non-incorporated businesses, self-employed individuals, religious organizations, government departments and agencies, institutions and other non-profit organizations. The *BR* exists primarily for the purpose of supplying sampling frames for all of Statistics Canada's economic surveys.

Statistics Canada's *BR* is updated on a monthly basis using administrative information from Canada Customs and Revenue Agency on all entities receiving a Business Number. Overall, the *Business Register* includes all incorporated organizations in Canada that have filed a federal income tax return within the past three years, regardless of whether or not they employ paid workers, as well as unincorporated organizations that either employ paid workers or collect the GST.

The *BR* distinguishes between for-profit entities and non-profit entities. Within the non-profit category are organizations that exist inside government and those that are outside government. Non-profits inside government include government ministries, departments and agencies, as well as boards, commissions and funds (including the Canada and Quebec Pension plans) created and controlled by government. Also included are non-profit institutions (like hospitals and universities) that are outside public administration, but that are financed/controlled by government (see Statistics Canada, 1999).

⁹ This section, with minor modifications and the deletion of some detail, is taken from McMullen and Schellenberg (2002), chapter 3.

¹⁰ See McMullen and Schellenberg (2002), pp. 16-17 for a discussion of the differences between the WES and the BR as sources of information on the size and composition of the non-profit sector in Canada.

The *BR* includes information on organizational characteristics such as size, industry, and geographic location; it also distinguishes between business entities that have paid employees and those that do not.¹¹

The Workplace and Employee Survey

The *Workplace and Employee Survey* (*WES*) was first fielded by Statistics Canada in the summer and fall of 1999. It contains information collected from just over 6,300 business establishments in Canada and approximately 23,500 paid employees who worked in those establishments, weighted to reflect the population of business establishments and employed workers in Canada in 1999. A ‘business establishment’ may be thought of as a single work location, with ‘enterprises’ such as Sears, McDonalds or the YMCA having numerous establishments across the country.¹² The *WES* includes detailed information on establishment characteristics, such as technology use, human resource management practices and business strategies, as well as detailed information on employee characteristics, such as demographic characteristics, compensation and work arrangements. The sample of business establishments included in the *WES* was drawn from the *Business Register*.

The *WES* does not include establishments in the Yukon, Northwest Territories or Nunavut, nor those in public administration (i.e., government) and selected primary industries.¹³ Religious organizations are deserving of a special note. Most definitions of the non-profit sector include religious organizations and they are included in the *Business Register*. However, their unique features place them outside the normally accepted definition of a ‘business,’ especially in the context of an establishment survey like the *WES* that collects information on business strategy, investment in technology, job design, skills and training. As a result, religious organizations were not included in the *WES*. Finally, the *WES* includes only establishments that have one or more paid workers; in other words, own-account self-employed individuals and organizations run exclusively by volunteers are excluded.

Within these parameters, the sample of establishments included in the *WES* is representative of workplaces across different industries, regions and size categories. Likewise, the sample of employees is representative of paid employees in Canada, within the parameters noted above. Finally, each establishment and employee in the *WES* was assigned a ‘sampling weight’ for the purpose of statistical analysis. The 6,322 establishments were weighted to represent approximately 718,000 establishments in

¹¹ See Appendix 1 of McMullen and Schellenberg (2002) for a detailed and more technical discussion of the criteria used to allocate entities in the *Business Register* to the non-profit sector.

¹² In more technical terms, “the establishment is the level at which the accounting data required to measure production is available (principal inputs, revenues, salaries and wages). The establishment, as a statistical unit, is defined as the most homogeneous unit of production for which the business maintains accounting records from which it is possible to assemble all the data elements required to compile the full structure of the gross value of production (total sales or shipments, and inventories), the cost of materials and services, and labour and capital used in production.” Statistics Canada, *Statistical Methods: Important Standard Definitions*. <http://www.statcan.ca/english/concepts/stat-unit-def.htm>.

¹³ Public administration includes federal, provincial, territorial, local, aboriginal, international or extra-territorial public administration worksites. The primary industries that are not included in the *WES* are agriculture, fishing, hunting and trapping.

Canada in 1999, while the 23,500 employees in the survey were weighted to represent approximately 10,780,000 paid employees.

For our research series on human resources in the non-profit sector, two pieces of information were used to identify and classify non-profit organizations. First, representatives from each establishment included in the WES were asked: *At this location, is this workplace a non-profit organization?* Responses to this question were used to differentiate non-profit from for-profit workplaces.¹⁴ Second, industry information was used to distinguish quasi-autonomous non-governmental organizations (quangos), such as those engaged in the provision of health, education and public infrastructure, from other non-profit organizations. As Hall and Banting (2000, p.6) note, although quangos are incorporated as non-profit organizations, they "... are so strongly influenced by government that they may be better considered to be government institutions for some purposes." Included in the quango category are hospitals, elementary and secondary schools, colleges and universities, utilities (e.g., power plants and pipelines), transportation and warehousing establishments (e.g., harbour authorities and municipal bus lines), selected construction establishments (e.g., bridge, street and sewer construction), and waste-disposal establishments.

Overall, using the non-profit and industry variables, organizations and their employees were grouped into three broad sectors: (1) the non-profit sector; (2) the quango (or quasi-public) sector; and (3) the for-profit sector. Detailed industry information was used to further disaggregate each of these three sectors into subgroups to facilitate more nuanced comparisons within and across sectors.

The International Classification of Non-profit Organizations

A number of frameworks have been proposed to classify the non-profit sector into more detailed subgroups. One prominent approach is the International Classification of Nonprofit Organizations (ICNPO) that has been developed as part of The Johns Hopkins Comparative Nonprofit Sector Project.¹⁵ The ICNPO framework categorizes non-profit organizations into 'major groups' and 'subgroups' based on their primary area of activity.

The Johns Hopkins Comparative Nonprofit Sector project defines non-profit organizations as those that are:

- 1) ***Organized*** – they are "institutionalized to some extent ... This is signified by a legal charter of incorporation, some degree of internal organizational structure ... or meaningful organizational boundaries. Excluded are purely ad

¹⁴ Meetings with Statistics Canada personnel have confirmed that detailed quality checks were undertaken to confirm the reliability of the 'non-profit' classification. These quality checks resulted in some cases being reclassified to the for-profit sector when it was clear that establishments initially labelled as non-profits in fact were part of for-profit firms (satellite offices, for example) or when a for-profit establishment reported 'no profits' for that year.

¹⁵ See *The International Classification of Nonprofit Organizations (ICNPO)*, Revision 1, developed by The Johns Hopkins Comparative Nonprofit Sector Project (see L.M. Salamon and H.K. Anheier, *In Search of the Nonprofit Sector II: The Problem of Classification*, Working Paper No. 3. Baltimore: The Johns Hopkins University, 1992).

hoc and temporary gatherings of people with no real structure or organizational identity.”

- 2) **Private** – “i.e., institutionally separate from government ... They are ‘non-governmental’ in the sense of being structurally separate from the instrumentalities of government, and they do not exercise government authority.”
- 3) **Self-governing** – “... organizations must control their own activities to a significant extent, have their own internal governance procedures, and enjoy a meaningful degree of autonomy.”
- 4) **Non-profit distributing** – “i.e., not returning profits generated to their owners or directors. Nonprofit organizations may accumulate surplus in a given year, but the profits must be plowed back into the basic mission of the agency...”
- 5) **Voluntary** – “i.e., involve some meaningful degree of voluntary participation ... the organization must engage volunteers in its operations and management, either on its board or through the use of volunteer staff and voluntary contributions.”

The ICNPO framework provides a way of disaggregating the non-profit sector that better distinguish the different kinds of activities within the sector than do existing industry classifications like the North American Industry Classification System (NAICS).

Using the industry detail available through the NAICS, we mapped industries onto the ICNPO framework.¹⁶ Because only 463 of the 6,300 business establishments included in the *WES* were identified as non-profit, it was not possible to use all 12 ICNPO major groups. Doing so would have resulted in many categories having too few observations to support reliable statistical analysis. Consequently, the ICNPO groups were aggregated to form larger industry groups (see Table 1).¹⁷ These were created with an eye to creating meaningful groupings comprised of establishments engaged in similar activities and with sufficient sample size to allow valid statistical analysis.

Three groups of non-profit establishments were created for our analysis using the *WES*, including:

- Non-profit culture, recreation, and associations: This includes non-profits engaged in arts, entertainment, recreation and culture, as well as civic and social organizations that serve their members. Examples include performing arts companies, museums, summer camps, publishers, campus radio, and sports clubs. Also included are business and professional associations, unions, and a small number of grant-making and grant-giving organizations (e.g., philanthropic foundations). This category includes ICNPO Major Groups 1, 8, and 11.

¹⁶ See Appendix 3 of McMullen and Schellenberg (2002) for a more detailed description of this methodology.

¹⁷ All Major Groups within the ICNPO are included in the three aggregated non-profit industry groups created for our analysis, with the exception of ICNPO Major Group 10 – Religious Organizations (e.g., churches, mosques, synagogues, temples and seminaries) – which, as was noted above, were not included in the *WES*.

- Non-profit health, education and social services: This includes non-profits engaged in ambulatory health care (e.g., community clinics) as well as nursing homes and residential care facilities. Also included are non-profit providers of education (excluding elementary and secondary schools, colleges and universities), such as literacy groups, and organizations engaged in research.¹⁸ Finally, social services agencies, such as food and emergency relief, individual and family services, and non-profit childcare, are included here. The number of non-profit providers of education in this category is in fact quite small and this group is primarily comprised of health and social service providers. This category includes ICNPO Major Groups 2, 3 and 4.
- Non-profit other: The WES includes self-identified non-profit organizations across a range of other industries, including residential construction, manufacturing, retail trade, professional services and finance. The small number of cases in each of these industries prohibited the creation of distinct categories, and these organizations did not ‘fit’ with the groupings listed above. Consequently, an ‘other’ category was created. This category includes ICNPO Major Groups 5, 6, 7, 9, and 12.

¹⁸ Philanthropic foundations associated with quango organizations like hospitals and universities are included in the non-profit sector (non-profit culture, recreation and associations).

Table 1: Aggregation of the International Classification of Non-profit Organizations (ICNPO)

WES/ICNPO Aggregation	Component ICNPO Industries
Category 1 Culture, Recreation and Associations	<p>Group 1 Culture and Recreation</p> <p>1 100 Culture and Arts (e.g., performing arts, zoos and aquariums, libraries)</p> <p>1 200 Sports 1 300 Other recreation and social clubs</p> <p>Group 8 Philanthropic Intermediaries and Voluntarism Promotion</p> <p>8 100 Grant-making Foundations</p> <p>8 200 Other Philanthropic Intermediaries and Voluntarism Promotion</p> <p>Group 11 Business and Professional Associations, Unions</p> <p>11 100 Business Associations</p> <p>11 200 Professional Associations</p> <p>11 300 Labour Unions</p>
Category 2 Health, Education and Social Services	<p>Group 2 Education and Research</p> <p>2 100 Primary and Secondary Education</p> <p>2 200 Higher Education</p> <p>2 300 Other Education (e.g., vocational education)</p> <p>2 400 Research</p> <p>Group 3 Health</p> <p>3 100 Hospitals</p> <p>3 200 Nursing Homes</p> <p>3 300 Mental Health and Crisis Intervention</p> <p>3 400 Other Health Services (doctors' offices, dental services, public health services, pharmaceutical services)</p> <p>Group 4 Social Services</p> <p>4 100 Social Services (e.g., elder care, child care)</p> <p>4 200 Emergency and Relief (e.g., shelters)</p> <p>4 300 Income Support and Maintenance</p>
Category 3 Other	<p>Group 5 Environment</p> <p>5 100 Environment 5 200 Animal Protection</p> <p>Group 6 Development and Housing</p> <p>6 100 Economic, Social and Community Development</p> <p>6 200 Housing</p> <p>6 300 Employment and Training</p> <p>Group 7 Law, Advocacy and Politics</p> <p>7 100 Civic and Advocacy Organizations</p> <p>7 200 Law and Legal Services</p> <p>7 300 Political Organizations</p> <p>Group 9 International</p> <p>9 100 International Activities (e.g., exchange programs, disaster and relief organizations, human rights)</p> <p>Group 12 Not Elsewhere Classified</p>

Source: Based on Lester M. Salamon, Helmut K Anheier and Associates (1999a). *The Emerging Sector Revisited: A Summary*. The Johns Hopkins Comparative Nonprofit Sector Project, Phase II. Baltimore: Center for Civil Society Studies, Institute for Policy Studies, The Johns Hopkins University.

Table 2 provides basic information from the *WES* showing the number of establishments and employees in the sample for the three main sectors defined for our analysis – non-profit, quango and for-profit – and for the three non-profit ‘industries’ – culture, recreation and associations; health, education and social services; and other non-profit.

Table 2: Sample Counts of Establishments and Employees in the WES 1999, by Sector, Canada

	Establishments Sample Count	Employees Sample Count
Non-profit Sector	463	1,616
Culture, recreation and associations	156	450
Health, education & social services	179	665
Other	128	501
Quango Sector	358	2,145
For-profit Sector	5,501	19,779
Total	6,322	23,540

Source: Based on data from the WES, 1999.

It should be noted that the actual (unweighted) count of establishments is limited in many of our non-profit categories. Consequently, statistical results are subject to a larger margin of error than is the case with larger samples and in the case of some of our analysis, results cannot be shown at an industry level because the underlying number of cases is too small to provide reliable statistical estimates.

Size of the Non-profit Sector

Efforts to estimate the size of the sector have been hampered by ambiguity regarding its boundaries, and a scarcity of data. Statistics Canada has been developing a Satellite Account of Nonprofit Institutions and Volunteering, scheduled for release in 2004. This will provide standard economic statistics for a broadly-defined non-profit sector, elaborating the value of the production, incomes, outlays, and capital financing of the Canadian non-profit sector. Statistics included in the satellite account will be fully comparable to those already available for other sectors of the economy and to standard economic aggregates, such as the Gross Domestic Product (GDP). Having statistics available to account for the economic contributions and to measure the size of the Canadian non-profit sector will make an important contribution to filling existing gaps in our knowledge.

In the meantime, CPRN has drawn on existing data sources, namely the *Business Register* and the *Workplace and Employee Survey*, to look at the size and composition of the non-profit sector, including both organizations that fall within the definition of a ‘charity’ and those that fall outside that definition. However, since only organizations that have paid

employees are included in the *WES*, non-profit organizations run entirely by volunteers were not included in our estimates of the sector based on that data source.

We estimated that non-profit organizations account for about 6 to 8 percent of all employers in Canada. Focussing on organizations that employ paid workers (which gives us more reliable data but excludes a portion of the non-profit sector), we found there were just over 1 million employers included in the *Business Register* in 2002, of which 59,700 (5.7 percent) were non-profit entities outside government. Somewhat different data arise from an examination of the *WES*, which excludes public administration, some primary industries, and religious organizations. The *WES* yields an estimate of approximately 718,000 business establishments with paid employees in 1999: 654,500 were for-profit establishments, 5,400 were in the quango sector (i.e., hospitals, schools and infrastructure), and 58,000 were in the non-profit sector. In percentage terms, employers in the non-profit sector accounted for about 8 percent of all employers in the *WES*.

In terms of employment, the *WES* data indicate that about 900,000 paid employees worked in the sector in 1999, about 8 percent of all paid employees (Table 3, reprinted from McMullen and Schellenberg, 2002).

Non-profit organizations accounted for approximately \$22 billion of total payroll expenditures in 1998-99. This represented about 6.6 percent of all payroll expenditures made by employers outside public administration, selected primary industries, and religious organizations.

Table 3: Distribution of Employees and Payroll, based on the WES, by Sector, Canada, 1999

	Employees		Payroll expenditures	
	Number	Percent	Billions of Dollars	Percent
Non-profit sector	891,000	8.3	22.1	6.6
Quango sector	1,347,100	12.5	42.0	12.6
For-profit sector	8,539,500	79.2	270.2	80.8
Total	10,777,600	100.0	334.3	100.0

Source: Based on data from the WES, 1999.

The estimated numbers of employees have been rounded to the nearest 100.

McMullen and Schellenberg (2002) used data from the WES and from the *Labour Force Survey* to ‘match’ international estimates produced by Salamon et al. (1999a). These data show Canada with 5.9 percent of paid employment in the non-profit sector, which was a bit above the 4.8 percent average for the 22 countries studied, but below the figures of 6.2 percent for the U.K. and 7.8 percent for the U.S.

We also examined the distribution of non-profit employers in Canada across industries. Table 4 shows that non-profit organizations with paid employees exist in many sectors of the economy, but that they are concentrated in a few areas: religious organizations (26 percent); civic and social organizations (17 percent); social assistance organizations (about 13 percent); business, professional, and labour associations (10 percent); and arts, entertainment and recreation (about 6 percent).

Table 4: Distribution of Non-profit Employers outside Government, by Industry, *Business Register*, Canada 2002

	Non-profit Entities Outside Government
	Percent
Religious	26.0
Civic and social	16.8
Social assistance	12.6
Business, professional and labour associations	10.2
Arts, entertainment and recreation	5.9
Health	4.2
Professional, scientific, and management services	4.0
Education	3.8
Social advocacy	3.4
Real estate	2.6
Grant-making and -giving	2.5
Accommodation and food	1.3
Culture and information	1.3
Retail	0.9
Finance	0.9
Construction	0.7
Transportation	0.7
Wholesale	0.6
Personal and other services	0.5
Manufacturing	0.5
Primary industries	0.4
Utilities	0.1
TOTAL	100.0

Source: Statistics Canada, *Business Register*. Custom tabulations.

Non-profit organizations are not only diverse in terms of their focus of activity, but also in terms of their size and sophistication. The significance of this is explored in Chapter 8, below. Here we briefly summarize key findings about the size of non-profit employers.

Small organizations predominate in both the non-profit and for-profit sectors. Data from the *WES* indicate that 53.4 percent of all non-profit establishments had fewer than five paid employees in 1999, and almost three-quarters employed fewer than ten workers (Table 5). Only about five percent of non-profit establishments employed fifty or more paid workers. This is similar to the size composition of employers in the for-profit sector. Larger workplaces were more prevalent in the quango (or quasi-public) sector, where close to 40 percent had 50 or more paid workers. Much of that sector consists of hospitals and educational institutions, which tend to employ relatively large numbers of people.

Table 5: Distribution of Establishments by Number of Employees, by Sector, Canada, 1999

	Percentage of Establishments Having:					Total
	1 to 4 Employees	5 to 9 Employees	10 to 19 Employees	20 to 49 Employees	50 or more Employees	
	Percent					
Non-profit sector	53.4	20.0	12.0	9.4	5.2	100.0
Quango sector	--	--	--	--	38.8	100.0
For-profit sector	47.4	26.5	13.9	8.3	4.0	100.0
All sectors	47.7	25.9	13.8	8.4	4.3	100.0

Note: '--' Estimates are not shown due to high sampling variability.

Source: Based on data from the *WES* 1999. Reprinted from McMullen and Schellenberg (2002).

However, the pattern looks different when size is considered from the perspective of employees. Just over half of employees in the non-profit sector reported that they worked in establishments where there were 50 or more employees and another 20 percent worked in establishments where there were between 20 and 49 employees. From the perspective of where employment is concentrated, then, non-profit employers are not necessarily small organizations. In fact, employment in the for-profit sector is somewhat less concentrated in large organizations: about 44 percent of employees in the for-profit sector reported working in workplaces of 50 or more employees and 19 percent were employed at locations where there were between 20 and 49 employees. In contrast, 97 percent of employees in the quango sector reported working at locations where there were 50 or more employees.

Overall, then, we see that the non-profit sector in Canada is sizeable and operates in a wide range of activities. Most non-profit organizations are small, but over half of employment in the sector is in establishments with 50 or more employees.

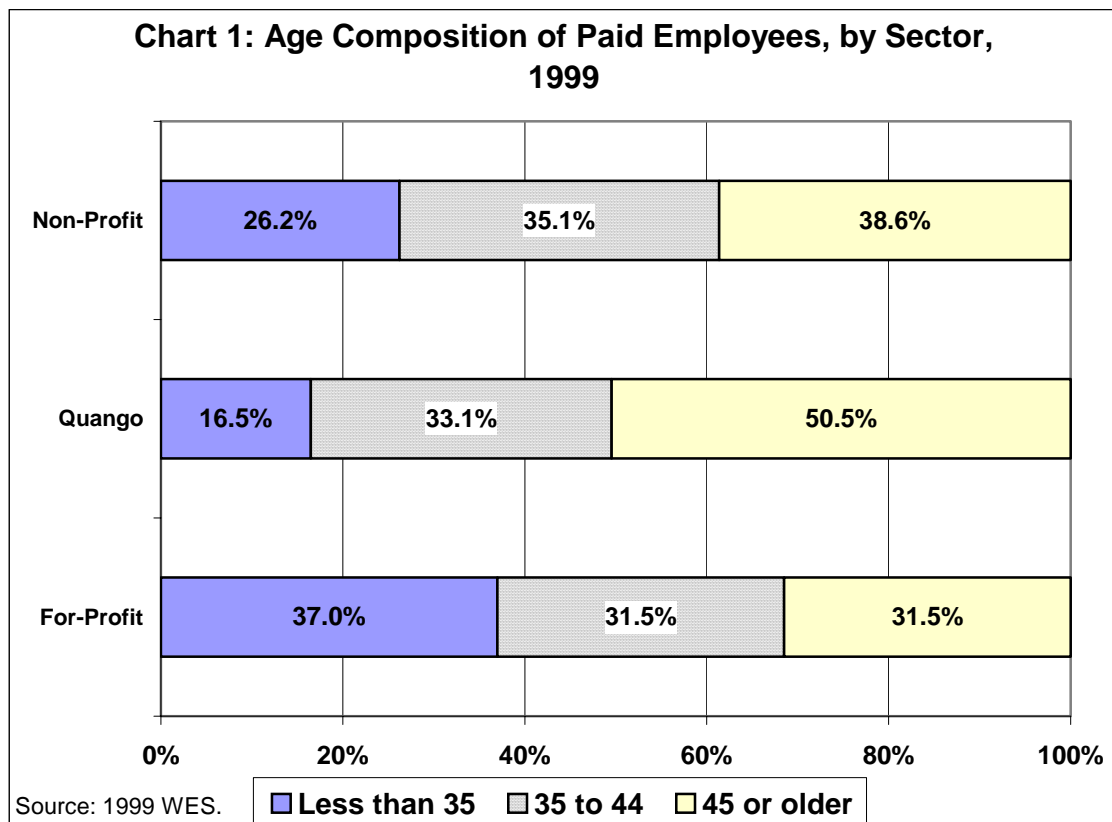
We now turn to an examination of the characteristics of the workforce in the non-profit sector.

4. Characteristics of the Non-profit Workforce

In this chapter, we summarize key findings from CPRN's earlier work about the people who work for pay in the non-profit sector. In particular, we look at the age, gender, education, and occupation profile of the non-profit workforce, as well as the percentage who are immigrants.

Age

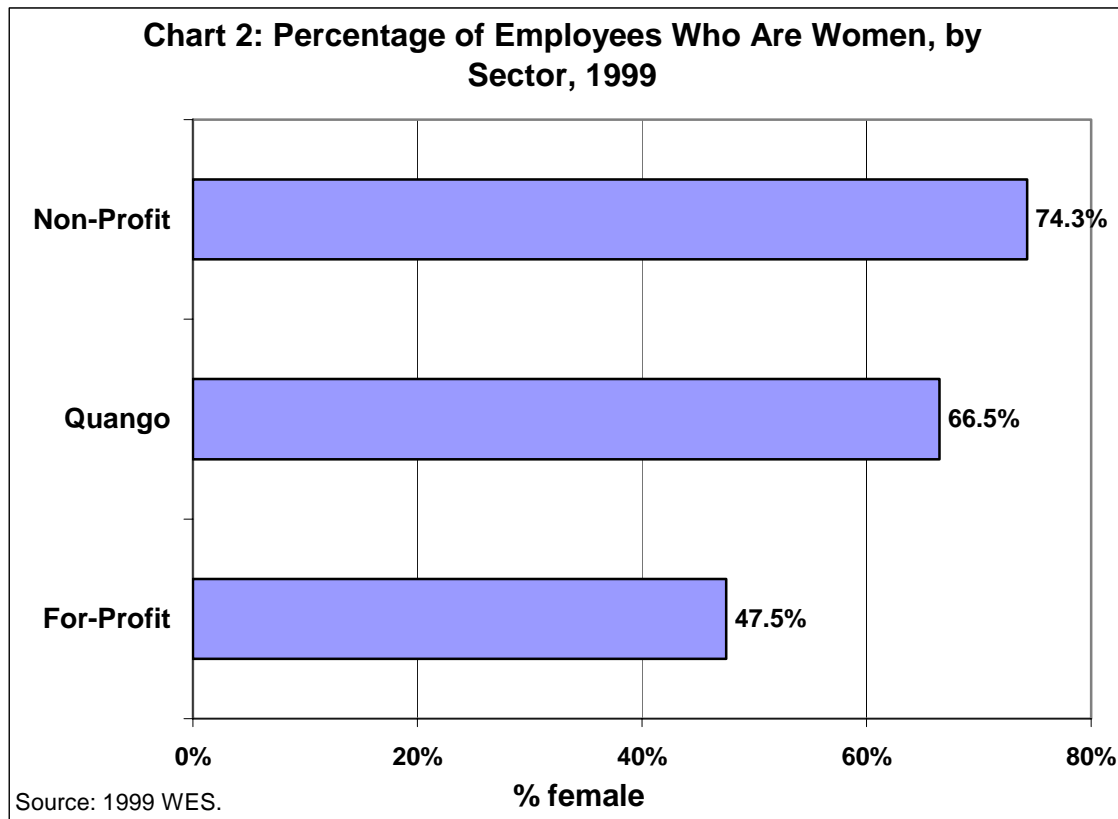
Chart 1, reprinted from McMullen and Schellenberg (2002), compares the age distribution of paid employees in the non-profit sector to that of the for-profit and quasi-government (quango) sectors. Three age groupings are examined: under 35, 35-44, and 45 years of age and older. Employees in the non-profit sector are relatively concentrated in the 35-44 age group, with about 35 percent of paid employees in this category, a larger share than in both of the other sectors.



The non-profit sector has both a smaller share of younger employees and a larger share of older workers than does the for-profit sector. This suggests that the demographic shift associated with the ageing of the baby-boom cohorts is a bigger issue for non-profits than for the private sector. As we will see in the next chapter, the need to recruit younger workers and retain more experienced staff is made particularly challenging in light of the lower compensation rates generally available in the non-profit sector. On the other hand, the need to replace an ageing workforce is even more pressing in the quango sector, where over half of the paid workforce is over 44 years of age.

Gender

As shown in Chart 2, almost three-quarters of paid employees in the non-profit sector are women, a figure which is somewhat higher than that for the quango sector and dramatically higher than the 47.5 percent share in the for-profit sector.¹⁹ While all employers need to be sensitive to the particular needs and aspirations of women in order to attract and retain female employees, it is clear that this is particularly critical for the non-profit sector. We examine this in more detail in Chapter 8, below.



The disproportionate representation of women in the paid workforce of the non-profit sector extends to the managerial ranks. Sixty-eight percent of managers in the non-profit sector are women, in contrast 49 percent in the quango sector and thirty-six percent in the for-profit sector (McMullen and Schellenberg, 2002, p. 37).

¹⁹ At a more disaggregated level, McMullen and Schellenberg find that women are particularly concentrated in the health and education industries (whether non-profit, for-profit, or quango).

Education

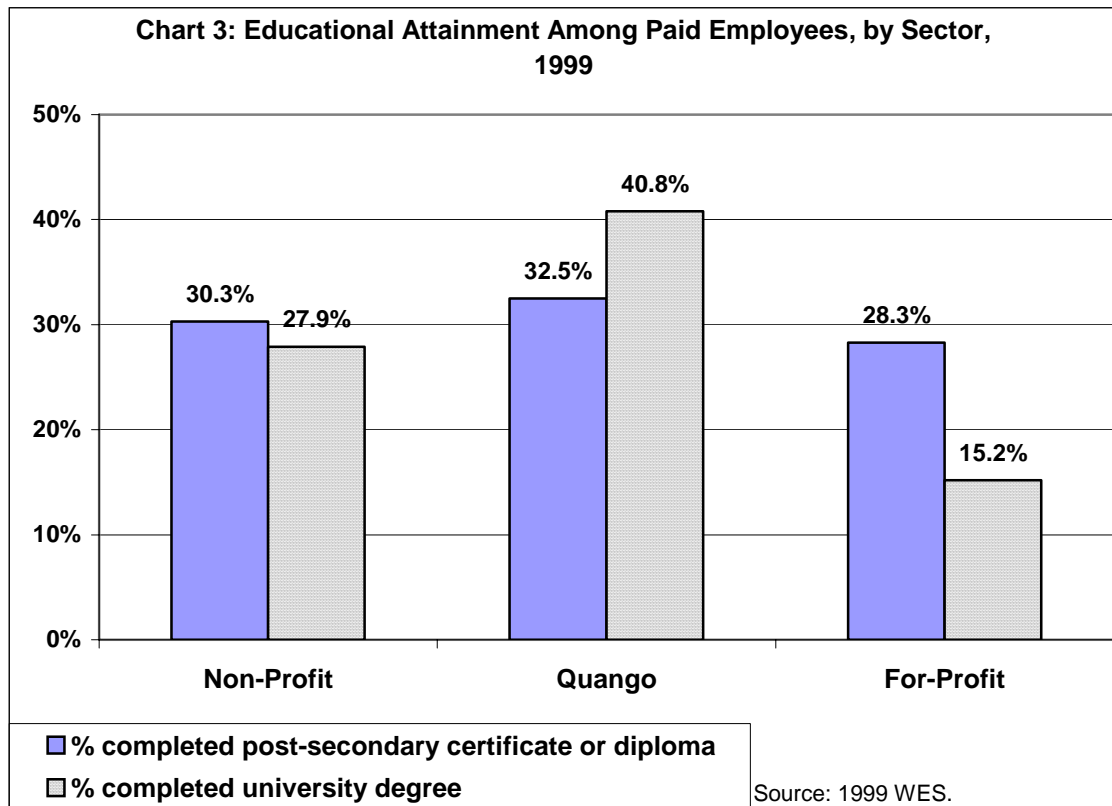


Chart 3 looks at the educational attainment of employees in the three sectors. The most striking finding is the high percentage of employees with university degrees in the non-profit and quango sectors (28 percent and 41 percent, respectively) in comparison with the for-profit sector (15 percent).

Occupation

Employment in the non-profit sector is relatively concentrated in professional occupations, with about one third of paid employees in professional jobs compared with only about 10 percent in the for-profit sector (but lower than the 47 percent figure for the quango sector). This mirrors the findings above regarding high educational attainment.

Immigrants

The ability of all sectors, including the non-profit sector, to attract immigrants is of considerable significance, given that "... immigrants are expected to account for all net labour force growth by 2011" (HRDC 2002, p. 49). McMullen and Schellenberg (2003a) report that about 14 percent of paid employment in the non-profit sector was accounted for by immigrants in 1999, which is similar to the share in the quango sector but somewhat below the figure of over 18 percent for the for-profit sector.

Overview of Characteristics of the Non-profit Workforce

Overall then, we have a paid workforce in the non-profit sector that is predominantly female, older than the for-profit workforce, and with a high percentage of well-educated, professional staff. The particular recruitment and retention challenges that this configuration poses for non-profit employers are discussed in Chapter 9.

5. Characteristics of Work in the Non-profit Sector

In this chapter, we turn our focus away from the characteristics of the workers of the non-profit sector and towards a look at the characteristics of their jobs. In particular, we look at issues such as employment status (full-time vs. part-time; permanent vs. temporary), work hours pay, access to employment benefits, skill requirements, access to training opportunities, and measures of job satisfaction. Here we draw on two previous CPRN reports, both released early in 2003: *Job Quality in Non-Profit Organizations* and *Skills and Training in the Non-Profit Sector*.

Employment Status

Temporary Employment

Temporary employment (jobs with a fixed end-date) constituted 14 percent of employment in the non-profit sector in 1999, similar to that for the quango sector but much higher than the figure of 8 percent in the for-profit sector.²⁰ This may reflect issues regarding scarcity and instability of funding, as described in Chapter 5, above. The rate of temporary employment was particularly high in the non-profit culture, recreation and associations sub-sector, at 18.8 percent. The incidence of temporary employment for people in professional occupations in the non-profit sector, at 16.3 percent, was almost four times the corresponding figure of 4.3 percent in the for-profit sector. Temporary work in the health services area (for example, among nurses) is one well-known example of this phenomenon.

As noted in the *Job Quality* report, the high rate of temporary employment in non-profit organizations raises concerns about access to employment benefits (such as pensions, medical/dental coverage, and disability insurance). A recent Statistics Canada study (Marshall, 2003) provides data on employees' access to non-statutory benefits in 2000. While 58 percent of full-time workers and 57 percent of permanent workers in the labour force overall were covered by extended medical, dental, life, and disability insurance plans, only 17 percent of part-time workers and 14 percent of temporary workers benefited from this cluster. Similar gaps arise for access to employer-sponsored retirement pension plans. Access to such benefits is also strongly associated with firm size and with job tenure. We will see that this issue clearly arises for temporary workers in the non-profit sector.

Temporary work is also associated with reduced job security which, as Lowe and Schellenberg (2001) have demonstrated, tends to dampen employees' commitment. Fewer than half (43 percent) of temporary workers in the labour force as a whole believe it is somewhat or very likely that their temporary job will lead to a permanent position with their employer, with workers in smaller organizations being less optimistic in this respect (Lowe and Schellenberg, 2001; 13). This is especially significant for the non-

²⁰ The WES does not include information on whether or not workers in temporary jobs would prefer to have permanent positions. Lowe and Schellenberg (2001) find that 76 percent of temporary workers in the Canadian labour force overall would prefer to have a permanent job.

profit sector since the vast majority of non-profit organizations employ fewer than 10 workers.

Part-time Employment

About one-quarter of non-profit employees worked on a part-time basis (less than 30 hours per week) in 1999 (Table 6), a much greater rate than in either the quango or for-profit sectors. While women work part-time more often than do men (in all sectors), the incidence of part-time employment in the non-profit sector is particularly elevated for men, in comparison with the other sectors.

Table 6. Incidence of Part-time Employment, by Sector and Selected Employee Characteristics, 1999

	Non-profit Sector	Quango Sector	For-profit Sector
		--Percent--	
Both sexes	25.6	19.9	13.4
Men	18.3	10.8	6.8
Women	28.2	24.6	20.7
By age group			
Age 15 to 34 years	22.5	22.5	18.2
Age 35 to 44 years	24.2	19.8	9.2
Age 45 years or older	29.1	18.8	11.8
By occupation			
Managers	--	--	1.9
Professional occupations	25.8	23.3	6.6
Technical/trades occupations	24.3	17.9	8.8
Clerical/Administrative occupations	--	--	14.7

-- Estimates are not shown due to high sampling variability.

Source: Based on data from the WES 1999. Reprinted from McMullen and Schellenberg (2003a).

Is the high rate of part-time work in the non-profit a reflection of financial constraints or the preferences of its workforce? McMullen and Schellenberg looked at data on preferences regarding work hours to shed light on this question. They found that across all three sectors, about two-thirds of part-time employees say they would not change the number of hours they work, about one-third say they would prefer to work more hours, and an inconsequential fraction say they would prefer working fewer hours each week. This indicates that part-time workers in the non-profit sector, as a group, are neither more nor less satisfied with their work hours than are part-time workers in the other two sectors. In other words, despite the higher incidence of part-time work in the non-profit sector, there is no increase in the rate of dissatisfaction with work hours, which suggests that, to some extent, that higher incidence of part-time work is a reflection of a greater preference for such work among non-profit employees.

Scheduling Flexibility

One attraction that work in the non-profit sector has in comparison with other sectors is a greater degree of flexibility regarding the scheduling of their work hours.

Almost one-half of employees in the non-profit sector (46.2 percent) were able to work flexible hours in 1999, in that they could vary the start and stop times of their work day. This rate compares with 40.6 percent in the for-profit sector (40.6) and only 29.3 percent in the quango sector (29.3) (Table 7). This higher rate of scheduling flexibility arises for both men and women, particularly for those aged 35 years and over. It is concentrated in managerial and professional occupations. Indeed, clerical and administrative staff have more scheduling flexibility in the for-profit sector than in the non-profit sector.

Thus, managers and professionals in the non-profit sector do have greater flexibility in the scheduling of their work hours than do their counterparts in other sectors, which can help in balancing work and family or personal responsibilities. This may be a particular attraction for female employees, who, as we have seen, make up a disproportionate share of the non-profit workforce.

Table 7. Percentage of Employees Who Work Flexible Hours, by Selected Characteristics

	Non-profit Sector	Quango Sector	For-profit Sector
		--percent--	
Both sexes	46.2	29.3	40.6
Men	53.4	35.7	43.8
Women	43.8	26.0	37.0
By age group			
Age 15 to 34 years	41.6	30.0	42.5
Age 35 to 44 years	49.1	30.9	40.5
Age 45 years or older	46.6	27.5	38.2
By occupation			
Managers	68.6	38.3	55.3
Professional occupations	52.8	33.4	47.5
Technical/trades occupations	34.7	24.9	38.0
Clerical/Administrative occupations	21.9	20.0	28.8
Sales/marketing occupations	--	--	43.4
Production occupations	--	--	33.5

‘—’ Estimates are not shown due to high sampling variability.

Source: Based on data from the WES 1999. Reprinted from McMullen and Schellenberg (2003a).

On the other hand, Duxbury and Higgins (2003), in their latest study of work-life balance issues in organizations with 500 or more employees, report that people working in the non-profit sector are more likely than employees in the public and private sectors to experience “role overload” (having too much to do, considering work and personal responsibilities together).

Earnings and Benefits

How well-paid people are, and the extent to which they have access to employment benefits such as extended medical coverage, dental plans, and pensions, are clearly central aspects of the attractiveness of employment. Here we review our findings regarding how the non-profit sector compares with other sectors in terms of pay and benefits.

Hourly Earnings

In all sectors, wage and salary rates will, of course, vary by occupation, reflecting the different skill requirements and responsibilities associated with different kinds of work. Accordingly, in making comparisons across sectors, we do so by occupation (Table 8). The most striking finding is that the median hourly earnings of non-profit employees in managerial, professional and technical/trades occupations are about \$2.00 to \$4.00 per hour lower than for their counterparts in the for-profit sector, and much lower still than for employees in these occupations in the quango sector.

Table 8: Median Hourly Wages, by Occupation and Sector, 1999

	Non-profit Sector	Quango Sector	For-profit Sector
	1999 Dollars		
Managers	16.44	32.88	20.14
Professionals	19.73	26.16	23.00
Technical /Trades	13.52	18.00	15.46
Marketing/Sales	--	--	8.82
Clerical/Administrative	13.66	15.85	13.13
Production workers	--	15.57	11.57

‘—’ Estimates are not shown due to high sampling variability.

Source: Based on data from the WES 1999.

McMullen and Schellenberg (2003a) also show that managers and professionals in the non-profit sector are both over-represented in the bottom of the distribution of hourly rates of pay, and under-represented at the top, in comparison with the for-profit and, especially, quango sectors.

The hourly pay gap between the non-profit sector and the others for managers and professionals is clearly sizeable. Moreover, as part-time and temporary work are more prevalent in the non-profit sector, the gap in annual earnings will tend be accentuated for many.

This pay gap is likely to be, at least in part, a reflection of the funding constraints facing the non-profit sector that were discussed earlier.

Non-wage Benefits

Benefits such as supplemental medical insurance, dental benefits, life and disability insurance, and employer-sponsored pension plans can be an important part of the overall compensation package and a major factor in the ability to attract and retain employees.

Table 9 shows the percentage of employees who participated in selected non-wage benefits in 1999, by sector. The rate of participation in a range of non-wage benefits is generally very similar in the non-profit sector to that in the for-profit sector. In both sectors, slightly more than half of employees participated in supplemental medical insurance, dental plans and life/disability insurance. In the case of employer-sponsored pension plans, the rate of participation of employees in the non-profit sector (44.7 percent) was lower than for medical/dental/disability coverage. Nevertheless, participation in employer-sponsored pension plans was substantially greater in the non-profit sector than in the for-profit sector (34.2 percent) but much less than that in the quango sector (78.2 percent). In general, the highest rates of coverage for all the forms of benefits examined were in the quango sector. This likely reflects the differences in organization size, with larger organizations accounting for a greater share of employment in the quango sector than in the other two. It may also reflect unionization rates. As noted in chapter 7, below, the percentage of employees covered by a collective agreement is highest (by far) in the quango sector, followed by the non-profit sector, with the for-profit sector having the lowest rate.

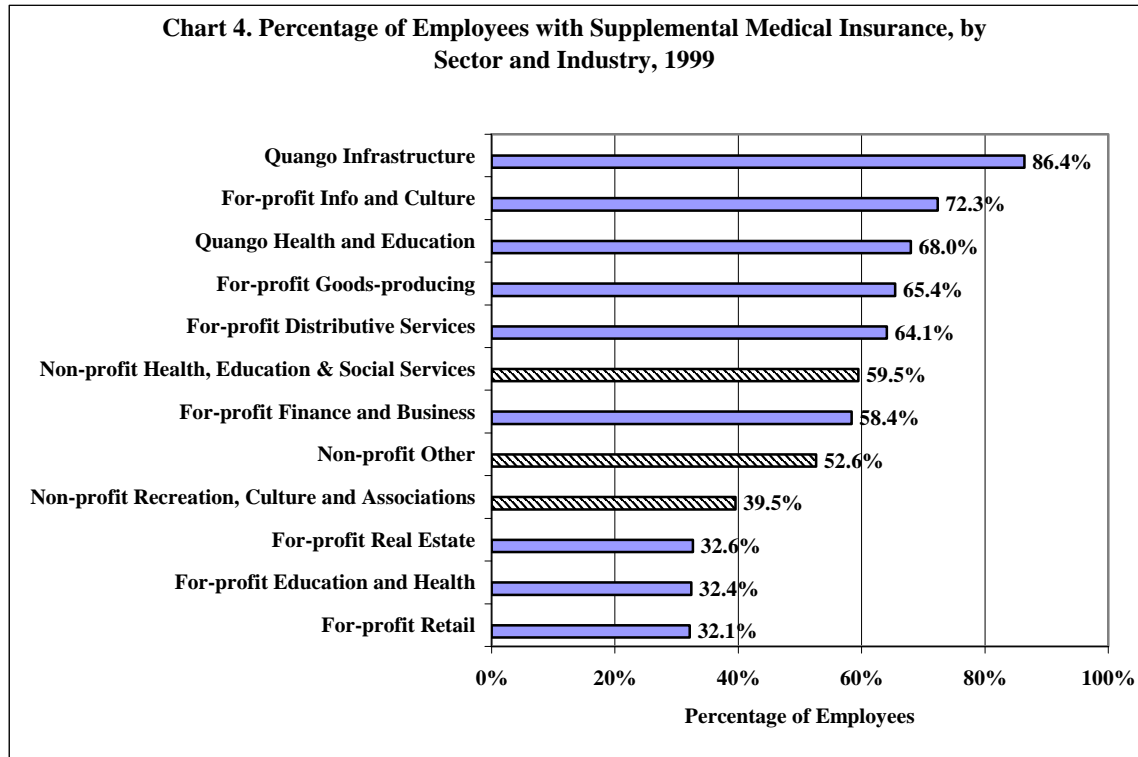
Table 9: Percentage of Employees Who Participate in Selected Non-wage Benefits, by Sector, 1999

	Supplemental Medical Insurance	Dental Plan	Life/Disability Insurance	Employer-Sponsored Pension Plan	Group RRSP	Supplemental Employment Insurance
	Percentage of Employees					
<i>All Employees</i>						
Non-profit sector	53.8	52.7	54.3	44.7	17.8	35.2
Quango sector	69.5	64.6	77.5	78.2	13.5	57.9
For-profit sector	52.0	51.5	55.1	34.2	18.9	28.8
<i>Full-time Permanent Employees</i>						
Non-profit sector	66.4	64.4	67.1	54.6	22.5	43.5
Quango sector	78.9	74.4	88.2	87.6	16.2	63.4
For-profit sector	60.4	59.7	63.6	39.1	21.9	32.2
<i>Part-time and/or Temporary Employees</i>						
Non-profit sector	28.4	28.9	28.5	24.7	8.4	18.4
Quango sector	43.4	37.4	47.9	52.1	6.2	42.7
For-profit sector	15.0	15.1	18.0	12.4	5.8	13.8

Source: Based on data from the WES 1999. Reprinted from McMullen and Schellenberg (2003a)

In all sectors, the rate of participation in non-wage benefits was much lower for part-time and/or temporary employees than it was for those employed on a full-time permanent basis, with the size of this drop-off particularly large in the for-profit sector.

Access to benefits is one area where there are substantial differences within the non-profit sector (Chart 4). Accordingly, we reprint here the chart from McMullen and Schellenberg (2003a) that looks at the variation across sub-sectors and industries in the percentage of employees who have supplemental medical insurance. The rate of participation was much lower (at 40 percent) in non-profit recreation, culture and associations than in other parts of the non-profit sector (53 to 60 percent).



Source: Based on data from the WES, 1999.

The above analysis focuses on numbers of employees participating in various benefit plans. Access to benefits can also be examined by looking at what percentage of workplaces (employers) offer benefits. Table 10 shows that just over one-third of non-profit workplaces offered supplemental medical insurance, dental plans or life/disability insurance to their full-time/permanent staff in 1999. About 18 percent offered an employer-sponsored pension plan, while 10 percent offered a group RRSP. These percentages are lower than those based on a number of employees, reflecting that small workplaces, which predominate in the non-profit (and for-profit) sectors, are less likely to provide benefits than larger workplaces. Table 10 shows the dramatic difference in provision of benefits between employers with 20 or more employees and those with fewer than 20.

The effects of small size help explain the lower rate of benefit provision in the non-profit culture, recreation and associations sub-sector and the 'other non-profit' sub-sector,

compared with the non-profit health, education and social services sub-sector. Employers with 20 or more employees constitute 25 percent of the non-profit health, education and social services sub-sector, but only 7 percent or less in the other two non-profit sub-sectors.

Table 10: Percentage of Employers Who Provide Selected Non-wage Benefits to Permanent, Full-time Employees, by Sector and Establishment Size, 1999

	Supplemental Medical Insurance	Dental Plan	Life/ Disability Insurance	Employer- Sponsored Pension Plan	Group RRSP	Supplemental Employment Insurance
	Percentage of Employers					
All Establishments						
<i>Non-profit sector</i>	37.8	33.7	37.0	17.5	10.4	6.0
Quango sector	66.3	52.6	72.5	66.3	25.3	21.0
For-profit sector	30.0	27.8	29.1	9.2	11.8	4.4
Less Than 20 Employees						
<i>Non-profit sector</i>	29.8	26.7	28.4	13.7	5.5	4.3
Quango sector	--	--	--	--	--	--
For-profit sector	24.8	23.0	23.8	6.5	8.9	3.3
20 or More Employees						
<i>Non-profit sector</i>	82.8	72.8	85.0	38.9	38.0	15.5
Quango sector	81.8	68.6	94.5	89.8	34.9	35.2
For-profit sector	67.0	62.0	66.0	28.4	31.9	12.3

-- Estimates are not shown due to high sampling variability.

Source: Based on data from the WES 1999.

Skill Requirements

The opportunity to use and develop high-level skills is important for both employers and employees in all sectors of today's 'knowledge-based' economy. The extent to which such opportunities are prevalent in the non-profit sector will affect the sector's ability to recruit and retain highly-trained workers. Moreover, as a service-oriented sector, organizations in the non-profit sector necessarily rely heavily on the skills and creativity of their people in order to carry out their missions.

One indicator of the level of skill required on the job is the expected level of educational attainment. The WES includes a question to employees about their perception of the minimum level of education necessary to do their job. In 1999, 61 percent of non-profit employees believed that a post-secondary credential (university, college or trade

certificate) was needed to do their job, a bit below the figure for the quango sector, but well above the 36 percent of employees in the for-profit sector who believed that post-secondary education was required to do their job (Table 11). This reflects in part the higher intensity of managerial and professional occupations in the non-profit sector. However, McMullen and Schellenberg (2003b) found that managers and employees in technical/trades occupations in non-profits were more likely than their counterparts in for-profits to report the need for a university degree.

Table 11: Employees' Perceptions of the Minimum Level of Education Required for Their Job, by Sector, 1999

Minimum Level of Education Required	Non-profit Sector	Quango Sector	For-profit Sector	All Sectors
	Percentage of Employees			
High school or less	31.4	24.4	57.0	50.1
Some post-secondary	7.7	5.4	6.9	6.8
Trade certificate	6.8	4.6	6.9	6.6
College diploma	27.0	22.7	14.5	16.7
University degree	27.0	42.9	14.7	19.8
Total	100.0	100.0	100.0	100.0

Source: Based on data from the WES 1999. Reprinted from McMullen and Schellenberg (2003b).

The WES also looks at employees' perceptions of how skill requirements have changed since they first began working in their current job. In 1999, just over one-half of employees in both the non-profit and for-profit sectors reported that the overall skill requirements of their jobs had increased since they started in their position. (The rate in the quango sector was higher, at about 64 percent.) (McMullen and Schellenberg, 2003b, pp.13-15.) However, managers in the non-profit sector were much less likely to report increases in the overall skill requirements of their jobs than managers in the for-profit and the quango sectors.

Employer-sponsored Training

Incidence of Training

Data from the 1999 WES show that over two-thirds of establishments in the non-profit sector provided at least one type of training (classroom training,²¹ on-the-job training, and/or subsidies/reimbursements for training) to at least some of their employees in the previous year, a rate somewhat lower than that for the quango sector but substantially higher than in the for-profit sector. The differences between the sectors are particularly striking for classroom training.

²¹ Classroom training is defined in the WES as all training activities that have a pre-determined format, including a pre-defined objective, with specific content, and with progress that can be monitored and/or evaluated.

These WES data also illustrate the different capacities of smaller and larger establishments. For each type of training examined, the percentage of establishments with fewer than 20 employees that offer training is about 40 percentage points below that for establishments with 20 or more employees (Table 12).

Table 12: Percentage of Establishments that Paid for or Provided Training for Employees in the Previous Year, by Sector and Establishment Size, 1999

	Non-profit Sector	Quango Sector	For-profit Sector	All Sectors
Classroom training	Percentage of Establishments			
Less than 20 employees	43.2	--	24.2	25.7
20 or more employees	83.4	96.3	66.1	68.6
All establishments	49.1	65.3	29.3	31.2
On-the-job training				
Less than 20 employees	38.7	--	39.7	39.6
20 or more employees	80.3	89.6	82.9	82.8
All establishments	44.8	63.0	45.0	45.1
Subsidies, reimbursements				
Less than 20 employees	29.7	--	16.1	17.2
20 or more employees	61.2	76.8	51.6	53.2
All establishments	34.3	48.2	20.4	21.8
Any of the above				
Less than 20 employees	63.3	--	50.3	51.3
20 or more employees	98.5	100.0	91.3	92.2
All establishments	68.4	74.7	55.3	56.5

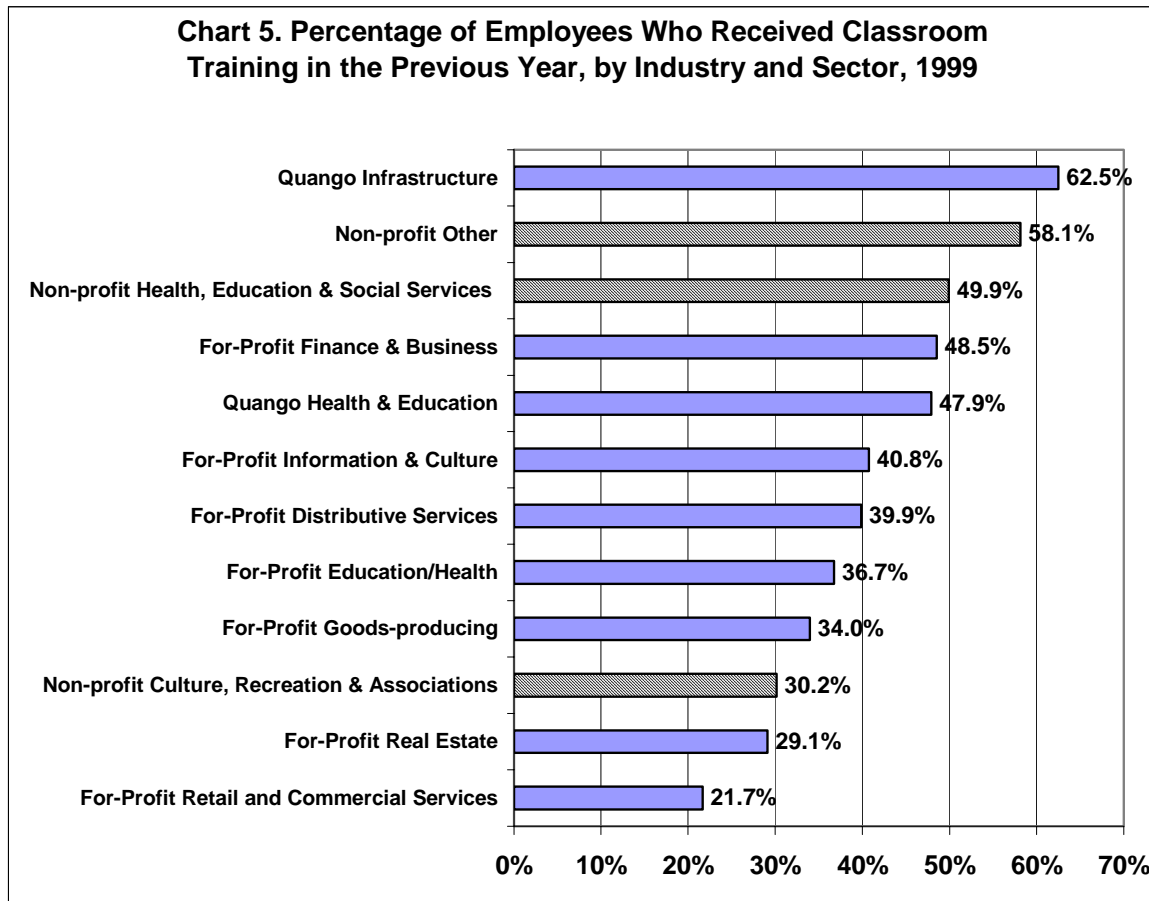
Note: '--' Estimates are not shown due to high sampling variability.

Source: Based on data from the WES, 1999. Reprinted from McMullen and Schellenberg (2003b).

McMullen and Schellenberg (2003b) also looked at the share of employees who participated in training. Almost half of employees in the non-profit and quango sectors reported receiving employer-sponsored classroom training, compared to about one-third of employees in the for-profit sector. Women in the non-profit sector were far more likely than women in the for-profit sector to have received classroom training (a difference of 20 percentage points), while there was little difference among men.

In each of the three sectors, employees with a university degree were more likely to receive classroom training than other groups. However, non-profit sector employees with less advanced educational qualifications (high school or less, some post-secondary or college completion) were much more likely to have received classroom training in the previous year than their counterparts in the for-profit sector.

There was considerable variation in the rate of participation in classroom training by employees in different non-profit sub-sectors. The percentage of employees who received classroom training was 50 and 58 percent respectively in health, education and social services and in ‘other’ non-profit industries, but only 30 percent in the non-profit culture, recreation, and associations sub-sector (Chart 5).



The provision of on-the-job training was similar across the three sectors, with about 30 percent of employees in each of the non-profit, quango and for-profit sectors reporting that they had received on-the-job training in the previous year.

The Perceived Adequacy of Training

Although participation in training is relatively high in the non-profit sector compared to the for-profit sector, WES data also show that over a third of employees in both the non-profit sector and the quango sector believe that the training they receive is too little for the demands of the job, a higher share than the 27 percent figure in the for-profit sector. McMullen and Schellenberg (2003b, p. 39) offer the following possible explanation for this finding:

First, the 1990s were a period of significant change in the public sector, with reduced spending, downsizing, and substantial organizational change. There are strong links between the public sector and both the non-profit sector and the quango sector, with

changes in the public sector having ripple effects on the latter two. It may be the case, then, that many employees in the non-profit and quango sectors felt that the incidence and adequacy of training were not keeping pace with the rate of change in job and skill demands. Second, the two sectors include a number of occupations, like nurses, doctors and teachers, for whom continuous skills upgrading through formal training may be a requirement for maintaining professional certification. Third, the fact that many employees in these sectors have post-secondary credentials and are employed in managerial, professional and technical occupations, may mean that expectations regarding training are generally high. Such individuals tend to be particularly aware of the importance of skills upgrading and concerned about getting the training they need to stay up-to-date in their fields.

Another possible reason for the concern among non-profit employees about the adequacy of training is that they are more likely (according to *WES* data) than employees in the other sectors to say that, since they began working for their current organization/company, the amount of training had decreased.

Leaders in the non-profit sector appear to recognize that more needs to be done to develop a 'culture of learning'. The Coalition of National Voluntary Organizations and the Association of Canadian Community Colleges jointly undertook a series of workshops in the fall of 2002 with sector leaders to determine the competencies that they need to have. The report on these consultations (Smith et al. 2003) indicates that non-profit sector leaders felt their must be change within the sector to develop a culture of learning and that boards of directors and funders need to better recognize the need to invest in training, education, and other learning activities.

Opportunities for Advancement

Employees naturally care not only about the quality of their current job, but also about the availability of opportunities to move up the ladder within the organization. To what extent do non-profit establishments provide an opportunity for career development through internal promotion? Given the tight budgets and small size of many non-profit organizations, do they experience difficulties providing opportunities for career advancement for their paid employees?

WES respondents were asked if they had ever been promoted since working with their current employer. A promotion is defined as "a change in duties/responsibilities that lead to both an increase in pay and the complexity or responsibility of the job."

Overall, 28 percent of non-profit employees had received at least one promotion, compared with 31 percent of quango employees and 41 percent of for-profit employees (Table 13).

The low incidence of promotion in the quango sector warrants a comment. In some occupations, such as elementary and secondary school teacher, individuals move up the pay grid as their job tenure increases, but their job duties do not change substantially. Hence, unless they become a departmental head (in the case of high school teachers), they have not received a promotion insofar as the complexity or responsibility of their job

has not changed. We see this in the low incidence of promotion among professionals in the quango sector in the table below.

Women in the non-profit sector are far less likely than those in the for-profit sector to say that they have received a promotion (26 percent and 39 percent respectively). Similarly, the incidence of promotions in the non-profit sector is low among all age groups (especially 45+), among all occupations (especially managers), and across firm size.

Table 13: Percentage of Employees who have Received a Promotion, by Sector and Selected Characteristics

	Non-profit	Quango	For-profit	Total
Both Sexes	28.2	31.1	40.8	38.6
Men	35.5	35.7	42.9	41.9
Women	25.7	28.7	38.5	35.4
Age Group				
Less than 35	30.8	23.7	44.1	42.0
35 to 44	33.2	30.2	42.0	39.7
45 or older	21.8	34.0	35.8	34.2
Occupation				
Management	40.7	62.9	61.5	59.9
Professionals	30.9	25.1	47.3	36.5
Technical/Trades	25.1	30.8	40.1	38.3
Clerical/Admin	29.2	32.2	36.9	35.9
Sales/Marketing	na	na	23.8	23.8
Production	na	na	23.9	22.8
Job Tenure				
Less than 4 years	26.6	15.9	30.5	29.3
4 to 8 years	18.3	18.5	45.8	40.5
9 years or more	35.0	38.4	49.2	45.9
Establishment Size				
Less than 20	19.9	na	33.7	32.7
20 or more	31.3	31.2	44.9	41.3

Source: Based on data from the WES 1999.

The table also illustrates the importance of organization size. In all sectors, employees in establishments with fewer than 20 employees were much less likely to have received a promotion than those employed by larger organizations.

Job Satisfaction

The job characteristics that we have examined -- pay rate, access to benefits, job security, flexibility of hours, access to training, promotional opportunities—are all likely to affect how employees feel about the quality of their jobs and the attractiveness of their workplace. We have seen that, on some of these dimensions (benefits, flexibility, training) the non-profit sector seems to fare relatively well. However, on other dimensions (job security, hourly earnings, opportunities for advancement) it fares relatively poorly. Moreover, there are other dimensions of job attractiveness not captured by the *WES* data such as the extent to which the values and objectives of the organization match those of the employee. How does this all add up? The *WES* allows us to obtain a sense of the combined effect of these variables through its questions about overall job satisfaction.

About 86 percent of paid employees in the non-profit sector reported that they were either satisfied or very satisfied with their job in 1999 (Table 14), a rate that is similar to (albeit slightly below) that in the other sectors. Job satisfaction appears to increase with age: the share of employees reporting that they were very satisfied with their job rises from slightly less than one-quarter of younger employees (less than 35 years old) to 43 percent of those aged 45 years or more.

Table 14: Level of Job Satisfaction Reported by Paid Employees, by Sector, Gender and Age Group, 1999

	Very satisfied	Satisfied	Dissatisfied/ Very Dissatisfied	Total
	Percentage of Employees			
All Employees				
Non-profit sector	33.4	52.6	13.9	100.0
Quango sector	37.5	54.3	8.2	100.0
For-profit sector	34.7	55.0	10.4	100.0
Male Employees				
Non-profit sector	30.9	57.5	11.6	100.0
Quango sector	44.3	46.5	9.2	100.0
For-profit sector	34.7	54.9	10.4	100.0
Female Employees				
Non-profit sector	34.3	51.0	14.7	100.0
Quango sector	34.1	58.1	7.7	100.0
For-profit sector	34.6	55.0	10.3	100.0
Less than 35 years				
Non-profit sector	23.5	66.3	10.2	100.0
Quango sector	34.0	56.2	9.9	100.0
For-profit sector	30.2	57.4	12.3	100.0
Aged 35 to 44				
Non-profit sector	32.6	52.3	15.1	100.0
Quango sector	35.2	56.9	7.8	100.0
For-profit sector	36.4	54.3	9.3	100.0
Aged 45 or older				
Non-profit sector	43.0	48.2	8.8	100.0
Quango sector	40.5	52.6	6.9	100.0
For-profit sector	38.2	52.8	9.0	100.0

Source: Based on data from the WES 1999.

The *WES* also looks separately at the question of satisfaction with pay and benefits. Employees in the non-profit sector were more likely than those in the quango or for-profit sectors to say that they were ‘dissatisfied/very dissatisfied’ with their pay and benefits (Table 15), especially among employees in older age groups. About 38 percent of non-profit employees who were 45 years of age or older in 1999 were dissatisfied with their pay and benefits – compared with 23 and 20 percent, respectively, in the quango and for-profit sectors. Relative dissatisfaction was also high among those in professional occupations (32 percent), in technical/trades occupations (37 percent), and among full-time employees (34 percent).

Table 15: percentage of Employees Who Are ‘Very Dissatisfied’ or ‘Dissatisfied’ With Their Pay and Benefits, by Sector and Selected Characteristics, 1999

	Non-profit Sector	Quango Sector	For-profit Sector
	Percent		
All Employees	31.7	27.0	24.5
Men	25.3	23.9	21.6
Women	32.7	28.5	27.8
By Age			
Aged 15 to 34	23.7	25.5	27.6
Aged 35 to 44	26.9	29.5	24.1
Aged 45 or older	37.5	23.2	20.3
By Occupation			
Managers	--	--	18.0
Professionals	31.7	27.5	19.3
Technical /Trades	36.9	28.9	24.9
Marketing/Sales	17.1	25.7	26.6
Clerical/Administrative	--	--	27.9
Production workers	--	--	24.3
Full-time/Part-time Status			
Full-time	34.4	27.4	24.0
Part-time	23.6	25.0	26.9

‘—’ Estimates are not shown due to high sampling variability.

Source: Based on data from the WES 1999.

The WES data also show that (at 35 percent) dissatisfaction with pay and benefits was particularly high in non-profit health, education and social services.²²

These findings indicate that, overall, job satisfaction is almost as high in the non-profit sector as in the quango and for-profit sectors, but that, among older employees, there is much more dissatisfaction about pay and benefits in the non-profit sector than in the others. The implications of this are explored in Chapters 8 and 9, below.

²² See McMullen and Schellenberg (2003a), p. 45.

6. Workplace Strategies and Practices

The fourth report (McMullen and Brisbois 2003) of CPRN's series on human resources in the non-profit sector looks at business and human resource management strategies and practices. In this chapter, we review key findings of this work

From an organizational perspective, employers in the non-profit sector share many features in common with those in the quango and for-profit sectors.

First, in terms of broad business strategies, McMullen and Brisbois report that non-profit employers most frequently cite the following as important: increasing employee skills (70 percent of establishments), improving product/service quality (67 percent), increasing employee involvement/participation (62 percent), application of total quality management (55 percent), improving performance measures (54 percent), enhancing labour-management cooperation (53 percent), and reducing other operating costs (49 percent). All of these strategies also rank high among employers in the quango and for-profit sectors, with somewhat greater emphasis in the latter on improving product/service quality, improving performance measures, and reducing costs. Strategies of increasing employee participation and enhancing labour-management cooperation are more often cited as important in the quango sector, which is more highly unionized than the other two.

Second, when organizational change did occur, in all three sectors it was most likely to consist of re-engineering, defined as the redesign of processes to improve performance and costs.

Third, McMullen and Brisbois find that 54 percent of non-profit employers reported that the most significant organizational change they had introduced had in fact resulted in an increase in the quality of the products/services they produced; this outcome was reported by about 44 percent of employers in both the quango and the for-profit sectors. An increase in productivity was also reported by the majority (57 percent) of employers in the non-profit sector. This is comparable to the 56 percent of employers in the for-profit sector and is more than twice the percentage of employers reporting productivity increases in the quango sector (27 percent).

However, McMullen and Brisbois also suggest that many non-profit employers find it difficult to relate to the kinds of questions asked in the *WES* on business strategies, as indicated by a high rate of answering 'not applicable' to many of them (for example, level of inventories, profitability, or geographical markets). They point to the need for a survey of organizational strategies that is more closely attuned to the nature of organizations in the non-profit sector, and the service sector more broadly.

In the remainder of this chapter, we focus on results from the *WES* regarding human resource management practices and the nature and quality of labour-management relations in the non-profit sector.

Responsibility for Decision Making

The *WES* asked employers to report on who normally makes decisions in the workplace about a range of activities, such as daily and weekly planning of individual work, follow-up of results, customer relations, quality control, purchase of supplies, setting staffing levels, filling vacancies, and training. The results are shown in Table 16.

The data show that decision-making is somewhat less centralized in the non-profit sector compared to the quango sector, and much less so in comparison with the for-profit sector. In particular, non-managerial employees and work groups are much more likely to be involved in the daily and weekly planning of individual work and in the follow up of results in the non-profit sector than in the for-profit sector. McMullen and Brisbois (2003) suggest that this may reflect the high share of highly educated and skilled professionals in employment in the non-profit sector.

The *WES* data also indicate that, more so than in other sectors, decisions about human resource issues in the non-profit sector are often made by an individual or group outside the workplace. This may reflect greater oversight by boards of directors on such matters, but the *WES* does not provide data that would allow us to test that hypothesis.

Table 16: Responsibility for Decision-making, by Sector (reprinted from McMullen and Brisbois 2003, Table 5.1)

Who Normally Makes Decisions with Respect to:	Non-managerial employee	Work Group	Supervisor	Senior Manager / Owner	Individual / Group Outside the Workplace
Percentage of Establishments					
Daily planning of individual work					
Non-profit	33.1	13.0	30.1	33.3	13.8
Quango	46.8	14.5	36.5	30.8	--
For-profit	27.1	5.6	20.1	60.9	5.5
All sectors	27.8	6.3	21.1	58.2	6.2
Weekly planning of individual work					
Non-profit	33.6	14.3	31.6	35.1	--
Quango	49.7	16.2	28.7	38.6	--
For-profit	23.7	5.1	19.1	65.3	5.8
All sectors	24.7	6.0	20.3	62.5	6.1
Follow up of results					
Non-profit	17.6	10.9	33.6	44.5	15.3
Quango	20.4	7.2	39.4	61.1	--
For-profit	13.8	3.5	19.5	75.2	5.9
All sectors	14.2	4.2	20.9	72.5	6.7
Customer relations					
Non-profit	28.4	15.6	27.5	42.8	10.6
Quango	36.2	12.9	40.7	55.8	--
For-profit	27.0	8.6	17.8	74.4	6.4
All sectors	27.1	9.2	18.8	71.7	6.7
Quality control					
Non-profit	19.2	13.8	30.7	48.4	16.6
Quango	24.1	8.7	53.5	57.2	--
For-profit	19.7	7.0	20.4	74.4	7.8
All sectors	19.7	7.5	21.4	72.2	8.5
Purchase of supplies					
Non-profit	28.8	7.6	27.3	39.3	18.4
Quango	36.8	4.1	31.3	42.9	3.6
For-profit	25.2	4.7	16.5	66.7	6.8
All sectors	25.6	5.0	17.5	64.2	7.8
Maintenance of machinery and equipment					
Non-profit	23.6	11.2	18.3	35.0	26.9
Quango	53.9	9.9	23.4	31.8	6.6
For-profit	25.1	6.6	15.0	57.7	12.7
All sectors	25.2	7.0	15.3	55.6	13.9
Setting staffing levels					
Non-profit	--	--	15.7	54.8	33.5
Quango	--	--	19.4	82.1	7.1
For-profit	4.6	1.4	10.8	84.8	8.1

Who Normally Makes Decisions with Respect to:	Non-managerial employee	Work Group	Supervisor	Senior Manager / Owner	Individual / Group Outside the Workplace
All sectors	4.6	1.8	11.3	82.2	10.3
Filling vacancies					
Non-profit	--	--	19.9	56.4	27.3
Quango	--	--	24.5	83.5	--
For-profit	4.0	1.4	13.9	83.4	7.4
All sectors	4.1	1.9	14.5	81.0	9.1
Training					
Non-profit	12.4	9.1	27.2	53.0	23.4
Quango	16.0	5.2	38.2	69.4	4.9
For-profit	12.6	4.6	20.8	73.7	9.2
All sectors	12.6	5.0	21.5	71.9	10.4
Choice of production technology					
Non-profit	--	12.6	16.6	50.8	27.8
Quango	10.1	4.6	30.0	79.5	7.3
For-profit	6.6	3.7	9.8	77.5	13.2
All sectors	6.7	4.4	10.4	75.4	14.4
Product/service development					
Non-profit	9.0	12.5	16.7	57.0	30.2
Quango	12.6	6.2	41.9	69.6	9.4
For-profit	7.6	4.6	10.4	79.8	13.7
All sectors	7.8	5.2	11.2	77.8	15.0

Personal and Family Supports

The *WES* surveys employees on the availability of employer support for childcare, eldercare, employee assistance, fitness and recreation services, and ‘other’ supports. The percentage of employees reporting access to such supports is generally highest in the quango sector, likely reflecting the dominance there of larger establishments (Table 17). Availability of these supports in the non-profit sector is greater than in the for-profit sector. The percentage of employees reporting some form of personal or family support is 38 percent in the non-profit sector and only 25 percent in the for-profit sector. The largest part of this difference arises from greater availability of employee assistance programs.

Table 17: Personal and Family Supports Provided by the Employer (reprinted from McMullen and Brisbois 2003, Table 5.3)

	Non-profit	Quango	For-profit	All sectors
	Percentage of Employees Reporting Yes:			
Help with childcare	8.9	21.1	3.4	6.1
Employee assistance (counselling, substance abuse, financial, etc)	33.5	60.9	21.9	27.8
Help with eldercare	--	--	3.0	3.5
Fitness and recreation services	12.9	32.3	11.6	14.4
Other personal support or family services	--	5.5	2.5	2.9
Any personal or family supports	37.7	64.8	25.3	31.3

Nature and Quality of the Labour-management Relationship

As noted by McMullen and Brisbois (2003), the data on extent of union membership or coverage by a collective agreement differs markedly depending on whether it is measured by percentage of establishments or percentage of employment. Table 18 shows that collective agreements are in place in only a small share of establishments in the non-profit sector, and an even smaller share in the for-profit sector—markedly so for professional occupations, which account for a much larger percentage of employment in the non-profit sector (33 percent) than in the for-profit sector (9.5 percent) (McMullen and Schellenberg 2002).

Table 18: Percentage of Employers Reporting Collective Agreement Coverage, by Occupational Group (reprinted from McMullen and Brisbois, 2003, Table 5.5)

	Professional Occupations	Technical/Trades Occupations	Clerical/Administrative Occupations
	Percentage of Employers		
Non-profit sector	6.2	4.3	6.9
Quango sector	32.7	43.4	39.1
For-profit sector	0.6	4.3	1.2

When the focus is on employees, the figures for collective agreement coverage are considerably larger, reflecting the concentration of employment in larger establishments described in chapter 3, above. About 40 percent of employees working in the non-profit sector reported that they were members of a union or were covered by a collective agreement (McMullen and Brisbois 2003, Table 5.6). This compares with 75 percent in the quango sector and 19 percent in the for-profit sector.

While the rate of unionization clearly varies markedly across sectors, there is little variation in employers' ratings of the quality of the labour-management relationship,

which was rated “good” by the vast majority of employers in all three sectors (McMullen and Brisbois, Table 5.4).

In unionized workplaces, there is generally a grievance procedure for the resolution of claims brought by employees who feel they have been treated in a way that violates the collective agreement. However, some non-unionized employers also provide a formal mechanism whereby employee complaints of unfair treatment can be brought forward and resolved. The *WES* asks employees about the availability of a system in the workplace for the resolution of disputes or complaints. The results (McMullen and Brisbois, Table 5.7) indicate that the percentage of employees in the non-profit sector who report being covered by a dispute resolution system (62 percent) is lower than in the quango sector (86 percent), but much higher than in the for-profit sector (42 percent). These results are heavily influenced by establishment size. Across all three sectors, employees in establishments with 50 or more employees were almost three times as likely as those in establishments with fewer than 20 employees to have had access to such a mechanism. However, even within the largest size category, a dispute resolution system was more likely to be in place in the non-profit sector than in the for-profit sector. Also, disputes are more likely in the non-profit than the for-profit sector (but less likely than in the quango sector) to be resolved by someone other than the management of the organization.

Overview of Findings on Workplace Strategies and Practices

Many non-profit organizations cite the importance of business strategies that increase employees’ skills, improve product and service quality, and increase employee involvement/participation. In this, they are not unlike their for-profit counterparts.

However, the pattern of human resource practices in the non-profit sector is somewhat different from that in the for-profit sector. In particular, there is more involvement of staff in decision-making in the non-profit sector, greater availability of personal and family supports, and a higher likelihood of a procedure for resolving workplace disputes, especially one that is independent of management. Nevertheless, access to supports and to dispute resolution procedures is still well below that in the quango sector.

7. Key Human Resource Issues in the Non-profit Sector

We have reviewed key findings of CPRN's work to date on the workers and workplaces of the non-profit sector: the demographic characteristics of paid employees, the characteristics of jobs in the sector, the level of job satisfaction, and human resource practices. This chapter looks at the key issues that emerge from this analysis. In particular, we focus on three themes that cut across many of the findings.

1. There is a gap between intrinsic and extrinsic rewards to working in the non-profit sector.
2. The challenges faced by the sector are particularly acute for small organizations.
3. The predominance of women in the paid workforce of the non-profit sector needs to be considered in developing human resource strategies.

We now explore each of these themes, in turn.

The Gap Between Intrinsic and Extrinsic Rewards

These findings reviewed in Chapters 6 and 7 indicate that, in some respects, jobs in the non-profit sector may be quite attractive. Hours of work tend to be relatively flexible, which ought to help employees in the sector to balance the responsibilities of work with those of their personal lives. Access to employment benefits, such as medical, dental, and pension plans, while still an issue for many, compares well with the for-profit sector (although not with the quango sector), as does access to training opportunities. Decision-making is more decentralized than in the for-profit sector, and mechanisms for resolving workplace disputes are more prevalent. Moreover, while many managers and professionals employed in non-profit organizations work unpaid overtime hours, the same is true of managers and professionals employed elsewhere in the economy.

However, there are some important dimensions of job quality where the relative standing of the non-profit sector is not so strong. Temporary work is more prevalent in the sector, perhaps reflecting the uncertain, project-based funding faced by many non-profit organizations. For employees, temporary work raises concerns about job security. Concerns about the adequacy of training are also relatively high in the non-profit sector, despite the apparently high rate of participation in training. There is also evidence of fewer promotional opportunities in the non-profit sector compared to the other two sectors.

Most striking is the gap in hourly earnings between the non-profit sector and the others, especially for those in managerial and professional occupations. The average earnings of managers in non-profit organizations are eight to ten dollars per hour lower than the earnings received by managers in other sectors. These earnings gaps clearly affect the findings regarding job satisfaction. While overall job satisfaction is almost as high in the non-profit sector as in the others, there is much more dissatisfaction regarding pay and benefits. One-third of employees in non-profit health, education and social services and non-profit culture, recreation and associations say they are dissatisfied with their wages and benefits – a larger proportion than in almost every other industry.

There are both optimistic and pessimistic ways of looking at these results. On the one hand, one could focus on the fact that a high percentage of paid employees in the non-profit sector is, all things considered, satisfied with their job. Whatever disadvantages there are to working in the sector are largely offset by some advantages, not all of which can be captured in the *WES* data. In particular, the results are consistent with a hypothesis that many people who work in the non-profit sector have a commitment to the mission of their organization, share its values, and gain satisfaction from being able to do work that they find meaningful and important. This suggests that people will continue to be attracted to work in the non-profit sector.

On the other hand, one could focus on the relative dissatisfaction with pay and benefits and the considerably lower pay rates in the sector for professionals and managers. While overall job satisfaction may be high, there is a question of how sustainable that can be if people are unhappy about their pay. Particularly noteworthy in this regard is that dissatisfaction with earnings in the non-profit sector rises with age, suggesting that employees in the sector eventually reach a point where the gap between the intrinsic rewards of working in the sector (fulfilling a valued mission) and the extrinsic rewards (pay, job security) becomes a problem for them. Since the paid workforce in the sector is older, on average, than that of the for-profit sector, this issue may become more acute in the coming years. In other words, being able to attract staff largely on the basis of intrinsic rewards may not be sustainable over time. McMullen and Schellenberg (2003a, p. 51) cite some recent evidence on this issue.

Researchers from various disciplines have drawn attention to the value-orientations of employees in non-profit organizations, and in particular, to the influence these values have on employment decisions. Yet, in spite of this emphasis, relatively little evidence has been brought forward to demonstrate that employees in non-profit and for-profit organizations are really different. Townsend (2000) has undertaken an exploratory study in this direction, comparing the outlooks of administrative workers in performing arts with those in for-profit organizations. While non-profit arts employees attach greater value to work that creates something of value to the community, they do not differ from for-profit employees in the value they attach to personal development, to money, or to work relative to other activities in their lives. As Townsend notes, “money is probably an equally valid motivator for arts workers” as it is for for-profit employees.

CPRN’s recent study (McMullen 2003) of how fundraising professionals in the non-profit and quango sectors view their jobs also calls attention to the gap between intrinsic and extrinsic rewards. The following table, reprinted from the report, *A Portrait of Canadian Fundraising Professionals: Results of the AFP/CPRN Survey of Fundraisers 2002*, looks at a range of job-satisfaction indicators.

Table 19: Perceptions of Intrinsic and Extrinsic Aspects of the Job, All Respondents, AFP/CPRN Survey of Fundraisers 2002

	Strongly Disagree/ Disagree	Neither Agree/ Disagree	Agree/ Strongly Agree
	Percentage		
I really care about the fate of this organization	--	--	94.2
I feel very committed to this organization	2.2	7.4	90.3
My values and my organization's values are similar	6.2	11.0	82.8
I am proud to work for this organization	2.0	7.9	90.1
Morale in this workplace is low	46.6	20.7	32.6
I feel very committed to the kind of work I do in my job	2.6	7.9	89.5
My chances for career advancement in this organization are good	41.4	29.6	29.0
My job security is good	16.9	20.9	62.2
The pay is good	24.6	20.8	54.6
The benefits are good	19.4	17.0	63.6
On an average day, I look forward to doing my work	5.8	14.5	79.7

The differences in the responses on intrinsic and extrinsic aspects of the job are striking. Very high percentages of the respondents agreed or strongly agreed that they care about their organization, share its values, and are committed to their work. However, only about half agreed that the pay is good, and less than a third felt that they had good chances for career advancement. Moreover, these concerns lead many fundraisers to look for other jobs; 42 percent of survey respondents reported that they had looked for a job with another employer in the previous year and/or had made plans to become self-employed. When asked why they had been planning a job change, close to two-thirds of this group reported that it was to earn a higher salary.²³ Almost half of respondents who had been planning a job change cited a desire to find more interesting or challenging work, and 40 percent said that it was because they see better opportunities for advancement elsewhere.

More research is needed on this question of the extent to which employees in the non-profit sector are willing to sacrifice monetary gain for the intrinsic rewards of working in the sector. At the very least, however, the evidence that we have raises concerns about whether, without better 'extrinsic' rewards, the sector will be able to continue to attract talented people, especially if labour markets tighten as the baby-boom cohorts reach retirement age.

There may be an expectation by some that work in the non-profit sector should be of a philanthropic nature – that is, that people who choose to work in the sector should do it out of the good of their hearts, rather than because it is a real job. But, change in the non-profit sector, like in other sectors, is such that jobs have become more skill intensive and skilled professionals are needed to carry out the work. These are no less 'real' jobs than in the case of other sectors, and the rewards need to go beyond the satisfaction of serving

²³ McMullen (2003a), pp.68-70.

the community. Boards of directors of non-profit organizations need to pay particular attention to this, or risk seeing the future of their organizations undermined by the loss of their best people.

The Gap Between Smaller and Larger Organizations

Another important pattern that emerges from the data on the non-profit sector is that smaller organizations generally experience the challenges facing the sector more acutely than do the larger non-profits. We have seen in Chapter 3 of this report that small organizations predominate in all sectors, including the non-profit sector. As Table 20 shows, this is particularly the case in non-profit culture, recreation, and associations and in the category of ‘other’ non-profit industries, and less so for non-profit health, education, and social services.

Table 20: Size Distribution of Employers in the Non-profit Sub-sectors, based on the WES 1999

	Percentage of Employers Having:		
	Less than 20 Employees	20 Employees or More	Total
	Percent		
Non-profit culture, recreation and associations	94.4	5.6	100
Non-profit health, education and social services	75.1	24.9	100
Other non-profit industries	92.6	7.4	100
Non-Profit Sector – Total	85.4	14.6	100

Source: Based on data from the WES 1999.

We would expect small organizations to have fewer, and less stable, financial resources than their larger counterparts, so that pressures associated with limited finances would be intensified for them. There is, indeed, evidence of this. For example, small firms tend to pay lower wages than their larger counterparts. As McMullen and Schellenberg (2002) point out, this, coupled with the fact that wages tend to be relatively low in the non-profit sector overall, suggests that small organizations in the sector are unlikely to be able to offer attractive compensation packages to potential recruits or current employees. In Chapter 5, above, we noted that the percentage of non-profit organizations with fewer than 20 employees who provide benefit plans is dramatically lower than that for those with 20 or more employees. Similarly, there was a 40 percentage point gap between these two groups regarding the percentage of employers offering employer-sponsored training. McMullen and Schellenberg (2002) also found that only one-quarter of non-profit establishments with fewer than 20 employees rated increasing employee skills as a very important or crucial organizational strategy, compared to half of non-profit establishments with 20 or more employees. Finally, as one would expect, employees in smaller organizations are much less likely to have experienced an internal promotion than those in larger establishments.

Once again, a similar picture emerges from the results of the *AFP/CPRN Survey of Fundraisers 2002*. Fundraisers who work in larger, more established organizations reported much better satisfaction with earnings, benefits, training opportunities and prospects for career advancement than did respondents employed by smaller organizations. In particular, respondents working for small organizations, measured in terms of revenues generated through fundraising in the previous year, found that to move ahead, they had to change employers. Interest in finding another job was higher for respondents in small organizations, with the most important motivators for changing employers being to earn a higher salary and to improve one's chances for career development.

We have, then, evidence of segmentation in the labour market in the non-profit sector, with the larger, more well-established organizations much better-equipped than the many smaller non-profits to offer attractive pay, benefits, training, and advancement opportunities.

The Gendered Nature of Work in the Non-profit Sector

As we saw in Chapter 4, almost three-quarters of paid employees in the non-profit sector are women, compared to two-thirds in the quango sector and 47.5 percent share in the for-profit sector.²⁴ Paid employment in the non-profit sector is very disproportionately female. Possible reasons for this include: the 'caring' nature of much work in the sector; the greater flexibility in hours of work that we saw in Chapter 5; and better opportunities for women to obtain senior management positions. However, we have also seen that the sector is characterized by relatively low pay and greater incidence of temporary work. Is the gap between intrinsic and extrinsic rewards related to gender issues? More research would be needed to answer that question.

Employers in all sectors need to pay attention to the needs and aspirations of all of their employees and prospective employees. They need, for example, to eliminate any barriers to advancement for their female staff, and to ensure that their workplace policies respond to the particular needs and values of women employees. For the non-profit sector, the high female percentage of the workforce enhances this imperative.

Do women and men have different needs and expectations regarding their workplaces? Duxbury and Higgins (2001) find that women are more likely to feel stressed by the combined demands of work and family responsibilities. McMullen and Schellenberg (2003a, pp.43-44) report that one fifth (19.9 percent) of all paid employees in the non-profit sector are women with at least one child under 12 years of age at home. This share is similar in the quango sector (18.8 percent), but substantially higher than the 14.2 percent figure in the for-profit sector.

Hughes, Lowe and Schellenberg (2003) find that there are important gender differences in what people value at work, especially between university-educated men and women.

²⁴ At a more disaggregated level, McMullen and Schellenberg find that women are particularly concentrated in the health and education industries (whether non-profit, for-profit, or quango).

This is of particular significance for the non-profit sector, in light of the high percentage of staff who have graduated from university.²⁵

Compared with their male counterparts, Hughes, Lowe and Schellenberg find that university-educated women are more likely than university-educated men to place a high value on respect and commitment in the employer-employee relationship, and to place a high value on communication and workplace relations. Moreover, the expectations of university-educated women regarding people-supportive workplace practices are not being met. One-third of female university graduates have a job-quality deficit in the area of work-family balance and flexibility, in the sense that their experience of this dimension of job quality at work does not match the importance that they attach to it.²⁶ One-quarter of university-educated women have a job-quality deficit in the area of commitment and respect, and one-in-seven in the area of communication. University-educated women are also unhappy about the extrinsic rewards of their jobs: one quarter of women graduates has a job-quality deficit in the area of pay, benefits, security and opportunity for advancement. These deficit rates are higher than those reported by men.

These findings imply that employers in all sectors, but particularly in the non-profit sector, need to recognize and address the needs of women employees. This, as well as many of our findings, has implications for recruitment and retention strategies, to which we turn in the next chapter.

²⁵ We saw in Chapter 6 that 28 percent of employees have university degrees in the non-profit sector, compared to 15 percent in the for-profit sector.

²⁶ See Hughes, Lowe and Schellenberg (2003, p. 25) for a description of the methodology used to calculate job quality deficits.

8. Implications for Recruitment and Retention

One of the primary objectives of human resource practices in the non-profit sector must be to recruit and retain talented staff. The sector focuses on the provision of services and is inherently reliant on its people to deliver those services. Non-profit organizations depend on highly qualified employees who are often called upon to be multi-skilled, adaptable and entrepreneurial. Moreover, the sector has an older workforce, so that as the baby-boom cohorts age, the challenges of filling vacancies and retaining existing staff will be particularly acute in the non-profit sector.

In this chapter, we consider the implications of our findings about human resources in the sector for recruitment and retention strategies. In particular, each of the key issues identified in the previous chapter—the gap between intrinsic and extrinsic rewards; the gap between smaller and larger organizations; and the gendered nature of work in the sector—has implications for the development of these strategies.

The overrepresentation of women in the non-profit sector means that the particular needs and aspirations of women regarding their workplace must be taken into account. For example, the demand for flexible work schedules, such as flexible hours and part-time hours, is heightened in the non-profit sector. In this respect, the sector seems responsive, as we have seen the part-time work and flexible hours are common. However, as McMullen and Schellenberg (2003a) note, flexibility in work schedules can be a double-edged sword. On the positive side, it can help employees to balance work and family responsibilities. However, to the extent that flexibility means shift work, overtime or insufficient hours, being on-call, and working nights and weekends, then it will negatively contribute to job quality and may make it more difficult, rather than easier, to balance work and family responsibilities. This will serve as a deterrent to recruiting and retaining staff. In other words, it clearly matters whose flexibility we are talking about, employees' or employers'. If employers in the sector are serious about offering flexibility in an attractive way, their practices in this regard need to be designed in light of the preferences of their employees, and the predominance of women will necessarily affect the outcome.

Gender matters in other ways, as well. We have seen that university-educated women are more likely than university-educated men to value respect and commitment in the employer-employee relationship, and to place a high value on communication and workplace relations. Since non-profit employers rely on well-educated women to be a key part of their workforce, they must pay more attention to meeting these expectations. For example, in designing their specific workplace practices, they need to consult with staff to identify how to ensure that communication is effective, and that recognition for good work is provided in a way that is valued by staff, including the high proportion of female staff.

Hughes, Lowe and Schellenberg (2003) show that failure to provide jobs that meet employees' expectations is associated with negative outcomes for the employer. Employees with deficits in the areas of communication and psychological attachment are likely to perceive that workplace morale is low. Job quality deficits are also associated with higher rates of absenteeism. Of particular significance regarding recruitment and

retention issues is that employees who experience job quality deficits are more likely to be looking for another job.

Our findings regarding the gap between intrinsic and extrinsic rewards also have implications for recruitment and retention in the non-profit sector. We have seen that overall job satisfaction is almost as high in the non-profit sector as in the quango and for-profit sectors, but that, especially among older employees, there is much more dissatisfaction about pay and benefits in the non-profit sector than in the quango and for-profit sectors. The *WES* data do not speak directly to the question of what keeps overall job satisfaction high. However, as we noted earlier, CPRN's report on a survey of fundraising professionals finds that respondents have a commitment to the mission of their organization, share its values, and take pride in the importance of the work that they do. The *WES* results are consistent with a hypothesis that these intrinsic rewards extend broadly to employees in the non-profit sector.

However, the relatively high degree of dissatisfaction with the pay and benefits package should not be ignored. Pay rates for managers and professionals are much below those in other sectors. Moreover, while access to benefits in the non-profit sector compares reasonably with the for-profit sector, it remains well below that available in the quango sector, which (along with the public sector) may be the more likely destination of disaffected non-profit employees. There is cause for concern that, without better 'extrinsic' rewards, the sector will have difficulty in attracting and retaining talented people, especially if labour markets in Canada tighten with the ageing of the baby-boom cohorts. Boards of directors of non-profit organizations need to recognize this risk, and become advocates for better remuneration and benefits for the sector's paid employees.

A recent report (Toupin 2003) for the Developing Human Resources in the Voluntary Sector project reinforces this concern. The report, *Finding, Supporting and Keeping Employees in the Voluntary Sector: How Are We Doing?* is a summary of consultations with 137 Executive Directors or managers with responsibility for human resources in non-profit organizations across the country. Its findings include the following:

Low salaries and lack of employee benefits top the list of challenges to attracting and keeping employees. Employees are expected to deliver high quality results and work long hours for relatively low pay. In addition, the qualifications demanded for many of the jobs in the voluntary sector are high, without the commensurate pay and benefits.

It is true that people working in the sector are highly motivated by their organization's mission and they may be willing to receive discounted wages for that opportunity. However, voluntary sector workers are becoming increasingly aware of the growing gap in compensation, especially between the voluntary and public sectors.

While entry-level salaries in the voluntary sector are generally seen to be fairly competitive with other sectors, they are quickly outpaced by the salary increases in other sectors in a matter of a few years. Consequently, many younger or newer employees move on after two or three years.

Employees with longer experience who enjoy their work and make a rich contribution to their organization may leave when they are in their late thirties or early forties because of financial considerations (for example, children in university or retirement planning).

... Fewer organizations now have access to core funding and project funding tends to be short-term. Short-term funding limits organizations' ability to offer anything more than short-term contractual employment. Chronic uncertainty about funding makes it more difficult to attract and keep employees. Over time, employees wanting stability and job security will gravitate to jobs with more stable non-profits or they will go entirely outside the sector.²⁷

The report also notes concerns about work-life balance, investment in training and learning, and opportunities for advancement. These findings are broadly consistent with the results from the WES reported in Chapter 5, above. Together these research results suggest that strains related to the funding environment may be 'turning off' some employees in the sector. People come to non-profit organizations with a passionate commitment to the mission, but find it difficult to sustain that passion amid low salaries, high workloads, and mission drift.

I'm increasingly aware that conditions of employment in our sector [arts] are a major hindrance. When we're young, we get into this field because we love the arts so passionately we're willing to forego ordinary rewards. As we get older, it's more obvious that our skills are not valued in any of the ways operative in the outside world—in pay, in respect—so people come to their senses and leave, for government, for business, or other non-profits. (A performing arts manager, as cited in Harvey (2002, p.25.)

Some non-profit organizations, particularly the smaller ones, may be caught in a squeeze in relation to recruitment and retention strategies. On the one hand, they may lack the funds to offer competitive pay rates, and may lack the stability of funding to provide a better ratio of permanent to temporary work. On the other hand, if they continue to offer weaker 'extrinsic' rewards in the non-profit sector, non-profit employers are likely to lose talented staff, and to have difficulty replacing them. The resource squeeze also makes it difficult for non-profit organizations to invest in the recruiting process. For example, a recent survey of child welfare agencies in Canada (Anderson and Gobeil 2003, p.6) found that, "Often agencies do not have either the funds or the human resources expertise required to develop and launch effective recruitment procedures, putting them at a severe disadvantage in a highly competitive recruitment climate."

Nobody's going to have any time or energy to do compensation, salary reviews and to look at policies and to even have time to get on the web

²⁷ Finding, *Supporting and Keeping Employees in the Voluntary Sector: How Are We Doing?* (2003), pp. 1-2.

and download tools that are there if they don't know how to pay the rent. (Roundtable participant)

Of particular concern for non-profit employers is the difference in earnings and benefits between non-profits and quango organizations. In Chapter 5, we reviewed findings from the *WES* showing that the median hourly earnings of non-profit employees in managerial, professional and technical/trades occupations are far below those of their counterparts in the quango sector. In the case of managerial employees, hourly pay in the quango sector is almost double that in the non-profit sector. The *WES* data also indicate less access to benefits in the non-profit sector than the quango sector. A recent report on interviews with non-profit sector stakeholders about employee benefits suggests that the scarcity of core funding limits benefit provision in the non-profit sector. “[B]uilding in a budget line for benefits becomes increasingly challenging when an organization’s work is being funded on a project basis” (ASSOCIUM Consultants 2003).

Most employees in the non-profit sector are women employed in managerial, professional or technical occupations, and most have a post-secondary certificate, diploma or degree. Since employers in the quango sector as well as the public sector (i.e. all levels of government) tend to employ individuals with many of these same characteristics, non-profit employers are facing stiff competition in trying to attract and retain highly trained staff. This competition is likely to intensify as the workforce ages and large numbers of current employees in these sectors reach retirement age.

Recent trends in volunteering add to the pressure to find new strategies for recruiting and retaining employees. The 2000 National Survey of Giving, Volunteering and Participating found that the number of persons volunteering in Canada fell by 13 percent (almost one million people) between 1997 and 2000 (Hall, McKeown and Roberts, 2001). The number of hours volunteered also declined, by an amount equivalent to 29,000 full-time, full-year jobs. Perhaps this recent decline will be reversed as the large baby-boom cohorts begin to move into their retirement years. However, the recent decline adds to the stresses faced by the non-profit sector.

In responding to these pressures, the non-profit sector needs to pay particular attention to attracting and retaining younger employees. Again, competition with the quango and government sectors in this regard will be intense. The non-profit sector does have some special attractions, however. The greater flexibility of work hours should appeal to young graduates. Also, the small size yet multiple roles of many non-profits offers opportunities for entrepreneurship that may be attractive to young professionals.

Data from the *WES* indicate that new recruits to the non-profit sector are much more likely to come from older age groups than is the case for the for-profit sector.²⁸

²⁸ Similarly, McMullen (2003, p. 10) reports that of those respondents to the *AFP/CPRN Survey of Fundraisers* with less than five years’ experience as a paid fundraiser, almost half were 40 years of age or older.

Table 21: Selected Characteristics of Employees with Less than 4 Years of Job Tenure (percent of each category)

Gender	Non-profit	Quango	For-profit	Total
Men	35.5	30.7	48.6	46.5
Women	64.5	69.3	51.4	53.5
Age	Non-profit	Quango	For-profit	Total
Less than 25	11.1	10.3	24.0	22.2
25 to 34	33.0	30.4	32.5	32.4
35 to 44	30.7	28.8	24.9	25.6
45 to 54	17.2	23.9	14.9	15.6
55 or older	8.0	6.7	3.7	4.2
Occupation	Non-profit	Quango	For-profit	Total
Management	13.3	5.5	13.8	13.2
Professional	35.4	46.4	10.5	14.6
Technical/Trades	28.3	28.7	38.2	36.9
Sales/Marketing	1.4	0.0	14.0	12.2
Clerical/Admin	13.3	15.0	13.6	13.6
Production	8.3	4.3	9.9	9.5

Source: WES 1999

One issue that may arise in recruiting is access to computers. For young people in particular, computers have become the mechanism of choice for communication and information management. The *WES* includes a question about whether employees spend at least half their time at work using a computer. For men, the percentage answering yes to this question is actually somewhat higher in the non-profit sector than in the other sectors. For women, it is lower: 23 percent in the non-profit sector, 28 percent in quango and 42 percent in the for-profit sector. For those in professional occupations, computer use in both the non-profit (23 percent) and quango (18 percent) sectors is well below that in the for-profit sector (72 percent). As McMullen and Schellenberg (2003b) note, this partly reflects the more ‘hands-on’ nature of professional work (e.g., nursing, teaching, social services) in the non-profit and quango sectors. However, the non-profit sector and its funders need to pay attention to computer availability as part of their recruitment and retention strategies.

Technology is also a very critical important factor to younger people that come into the organisation, and being in a non-profit sector, we don't have generally the dollars to afford to have the technology that younger people are used to... (Roundtable participant)

We have seen that the challenges of recruiting and retaining talented staff are likely to be particularly acute for small organizations. The labour market of the non-profit sector is a segmented one, with smaller non-profits offering lower wages, less benefit coverage, and less access to training opportunities than do the sector's larger organizations. Moreover, Dow (2001) points out that the shift toward project-based funding may act to widen the range of tasks that staff of non-profit organizations have to perform to include developing and ‘selling’ projects, negotiating partnerships, managing and administering contracts,

and documenting and evaluating project outcomes. Again, the pressures associated with this multi-tasking are likely to be particularly strong in smaller organizations. Small establishments are also less likely to have the resources to develop and implement recruiting strategies, putting them at a further disadvantage compared to their larger counterparts.

In order to be successful in recruiting and retaining staff, employers in the non-profit sector will need to work within their limited means to provide quality jobs. The work of Lowe and Schellenberg (2001) shows that, while employee perceptions of how well paid they are do matter in terms of job satisfaction, there are many other variables that affect employment relationships and the quality of work life.

For employers, a major insight emerging from this study is that the ingredients of strong employment relationships are embedded in the work environment. Management has direct influence over three features of the work environment that most affect employment relationships: the resources provided to enable people to be effective in their work; how work is organized and managed; and the task content of jobs.

Creating a supportive and healthy work environment is a prerequisite for strong employment relationships. This taps into the physical, social and psychological aspects of the workplace – everything from workloads to respect. It also means providing workers with the resources needed to do their job, such as training, equipment and information.

Equally important is how work is organized. Low levels of commitment and trust are associated with restructuring and downsizing, a clear sign that the turmoil associated with work reorganization in the 1990s continues today despite a booming economy. And workplaces organized to give workers more say, through formal participation programs and team work, have somewhat stronger employment relationships. Finally, job content also is important: workers who perform more skilled and interesting tasks tend to have stronger employment relationships.²⁹

This suggests that, while non-profit employers need to do what they can to offer competitive pay rates, secure jobs, and training opportunities, they can also improve their ability to attract and retain employees by providing interesting work, involving staff in decision-making, communicating clearly about expectations, providing feedback and recognition, avoiding work overload, and ensuring that there is an atmosphere of mutual respect in the workplace. The *WES* data reported in chapter 6 suggest that many non-profit employers do go further than their for-profit counterparts in providing an involving and supportive workplace environment. As McMullen and Brisbois (2003, p.39) note, “Small organizations with a philosophy of shared decision making, individual control over work, and based on a foundation of mutual respect and trust offer employees positive employment relationships that can act as a strong recruitment and retention tool.”

Non-profit employers also need to emphasize the special advantages of working in the non-profit sector: the opportunity to meet community needs and work alongside people who are highly committed to the values and mission of their organization.

²⁹ Lowe and Schellenberg (2001), p. 65

The funding environment does pose some difficult constraints on non-profit employers, constraints that governments may need to re-evaluate if the sector is to continue to meet the expectations that have been placed on it. But within those constraints, there are opportunities for non-profit employers to go some distance towards maintaining or improving the attractiveness of their organizations as a place to work. In the next chapter, we look at some specific recommendations for both employers and governments in this regard.

9. Conclusions

The non-profit sector plays a major role in the Canadian economy and society, delivering a wide variety of social services and playing an important role in such diverse areas as arts and culture, sports and recreation, religious activity, and political advocacy. Total employment in the sector is about 8 percent of all paid employees in Canada.

Until recently, there has been little information about the characteristics and working conditions of paid employees in the non-profit sector. Statistics Canada's *Workplace and Employee Survey (WES)* has provided an opportunity to begin filling that gap. It is the primary source of data for our series on human resources in the non-profit sector.

Overview of Key Findings

Non-profit organizations are facing some difficult challenges, including: increased responsibilities with less funding; a shift in the nature of funding from long-term support for core services to a focus on short-term projects; competition for scarce resources; and a shortage of volunteers. This translates into lower earnings and less stable employment for the paid employees of the sector in comparison with the for-profit and quasi-government (quango) sectors, which makes recruiting and retaining staff more difficult.

The paid workforce of the non-profit sector is predominantly female, older than the for-profit workforce, and with a high percentage of well-educated, professional staff. Evidence from other studies indicates that women, particularly highly-educated women, have different expectations of their workplace than do their male counterparts. They place a higher value on respect and commitment in the employer-employee relationship, and on communication and workplace relations. They also face greater challenges in balancing work and family responsibilities.

In some respects, working conditions are relatively good, as the percentage of employees with access to benefits, flexible work hours, training, opportunities to participate in decision-making, and dispute resolution mechanisms is higher in the non-profit sector than the for-profit sector. However, in most of these areas, the quango sector surpasses the non-profit sector. Moreover, there is more temporary work in the non-profit sector (which is associated with reduced job security), concerns about the adequacy of training, and fewer opportunities for advancement than in other sectors. There is also much lower pay, dramatically so for managers and professionals (especially in comparison with the quango sector), reflecting the financial constraints faced by many non-profit organizations.

Overall job satisfaction remains almost as high in the non-profit sector as in the quango and for-profit sectors, with about 86 percent of paid employees reporting that they were either satisfied or very satisfied with their job in 1999. However, employees in the non-profit sector, especially those 45 years of age or older, were more likely than those in the quango or for-profit sectors to say that they were 'dissatisfied/very dissatisfied' with their pay and benefits.

The findings point to a gap between intrinsic and extrinsic rewards to working in the non-profit sector. Employees are committed to their work, but are concerned about pay and benefits. Other studies also point to concerns about opportunities for advancement, and about workload. These concerns are particularly strong in smaller organizations.

Based on this evidence of both strengths and weaknesses in the sector, CPRN has identified the need for change in several areas. The first two relate to the systemic issues facing the sector and the others are addressed to Boards of Directors and management teams in non-profit organizations.

1. The Funding Environment

In general, non-profit organizations do not have access to internally generated revenues. Rather, they depend on governments, donations from individuals and foundations, corporate gifts and sponsorships to finance their activities. In the past 15 years, both governments and corporations have stopped funding core operating costs and basic infrastructure. Overall revenues have increased, but most revenues are tied to particular projects or services, and are short-term in nature.

Project funding can have its merits, as exerting ongoing pressure to find sponsors means that non-profit organizations have to ensure that their work is responsive to perceived needs. However, a total shift in this direction undermines the sustainability of these organizations, as they are unable to finance internal systems and organizational development such as through investments in new technologies, developing the skills of their employees and volunteers, or outreach recruiting measures. Project funding also makes it difficult for non-profits to engage in long-term planning and to adhere to their primary missions, which can turn staff commitment into disillusionment.

It seems clear that the funding mix has become too concentrated on short-term, unstable targeted funding. In their stewardship role, boards of directors of non-profit organizations need to pay particular attention to working conditions and financial rewards in the sector in coming years. Otherwise, they risk seeing the future of their organizations undermined by the loss of their best people.

While there is no single formula for funding non-profit organizations and activities, funders need to consider a mix of long-term financial support and grants designed for capacity building in addition to more targeted mechanisms. Non-profit organizations, in turn have a responsibility to articulate the roles they play and the funding mechanisms required to sustain those roles. They also need to undertake periodic evaluations to demonstrate that the longer term arrangements are producing the requisite results.

2. A Human Resource Sector Council

Many of the human resource challenges in the non-profit sector are common to most organizations in the sector. Yet, very few of them are of a size that permits investment in professional human resource systems and staffing. McMullen (2003) has noted the

potential value of a Human Resource Council for the non-profit sector. Efforts are now under way to consider the feasibility of establishing such a sector council.³⁰

Sector councils have been operating in other fragmented industries and sectors (e.g. environment industry, construction, tourism) to undertake longer range HR planning, coordinate skills development, and strengthen the sector in other ways.

The roles of a human resource council for the non-profit sector could be to:

- **Work with organizations in the sector to analyze the human resource needs and challenges;**
- **Identify skill requirements;**
- **Develop affordable training targeted at sub-groups within the sector;**
- **Identify and package information useful to those working in the sector;**
- **Establish ways for small non-profit organizations to engage in outreach recruiting on a collective basis;**
- **Link with universities and colleges which offer programs that may help develop potential employees for the sector;**
- **Facilitate the provision of multi-employer benefit plans, to make it possible for smaller organizations to offer benefits; and**
- **Articulate to funders the needs of the sector with regard to investing in human resource capacity.**

3. *Pay Rates*

The pay gap for highly qualified staff between the non-profit sector and the for-profit and quango sectors is clearly becoming a major issue. Failure to pay adequately can lead to an erosion in the organization's capacity to deliver results over the mid to long term. Given their precarious financial situations, non-profit employers, especially the smaller organizations, have limited capacity to address this gap.

In the short-term, non-profit organizations should at least make an effort to ensure that the wages, salaries, and benefits that they offer are competitive in comparison with other employers within the sector. Boards of Directors should insist on seeing these comparisons before approving compensation plans.

In the longer term, however, non-profit business plans have to consider ways to ensure that they are able to compete in the "war for talent" through pro-active recruitment and retention strategies, that may well include higher rates of compensation for key staff.

Board of Director responsibilities include identifying the resources that are needed for the organization to fulfill its mission, and helping the organization to secure those resources. Accordingly, non-profit boards need to take steps to avoid the loss of talented staff through inadequate compensation and uncertain funding.

³⁰ The feasibility study is being undertaken jointly by Community Foundations of Canada, the Coalition of National Voluntary Organizations and United Way of Canada – Centraide Canada.

4. *Providing a Supportive Work Environment*

Evidence from CPRN's research on job quality and employment relationships (Lowe and Schellenberg 2001) points to the importance of providing a supportive and healthy work environment. This builds commitment and trust, and tends to reduce absenteeism and turnover. The evidence from the WES indicates that non-profit employers have a good track record in creating a supportive work environment. More of their employees have access to benefits and flexible work hours than in the for-profit sector. The rate of access to employer-sponsored training is also fairly high in the non-profit sector, as is the opportunity of staff to influence decision-making and the availability of personal and family supports. In addition, decision-making is more decentralized. However, there is room for more widespread adoption of 'high performance' workplace practices. Moving ahead in this area could enhance the attractiveness of the sector as a place to work.

Non-profit employers should ensure that they have in place human resource policies and practices that promote flexible working conditions, open communications, opportunities for skill development, and involvement of staff in decision-making. Workplace policies and practices also need to be responsive to the needs and aspirations of the individuals in the organization.

5. *Emphasizing the Sector's Attractions in Recruitment*

The more supportive work environment of many non-profit organizations is an attraction in recruiting staff. The other great advantage of non-profit organizations is their mission and values. They offer their staff the opportunity to serve their communities in a tangible way through the delivery of needed public services. For example, CPRN's study of professional fundraisers (McMullen 2003) reported the high degree of commitment the respondents have to their organizations, and the strong sense of shared values. Moreover, despite the differences in compensation levels, these employees often have the opportunity to work with both community leaders and people in need.

In recruiting people to work in their organizations, non-profit employers should emphasize the three unique advantages they can offer: a high quality working environment, the opportunity to serve the community and to do interesting and satisfying work alongside colleagues who are committed to the same goals.

Research Gaps

The development of the *Workplace and Employee Survey* allows researchers, for the first time, to map the characteristics of work and workers in the non-profit sector. We have been able to look at such variables as the demographic characteristics of the paid workforce, hourly earnings, prevalence of temporary and part-time work, access to benefits, flexibility of hours, provision and perceived adequacy of training, job satisfaction, and workplace practices. Nevertheless, some important gaps in our knowledge of human resources in the non-profit sector remain.

One area where more information is needed is regarding job satisfaction. While the WES includes a question on overall job satisfaction, as well as one about satisfaction with pay and benefits, it lacks information about employee perceptions of other elements of job quality, such as opportunities for advancement, feedback and recognition on performance, and ability to influence decisions. It also lacks questions about such matters as values and commitment. It would be helpful to have a more complete picture of what employees are looking for in a job, how they experience their jobs, and whether this varies by age group.³¹ What would it take to attract more young people to work in the sector? What changes would older workers in the sector want in order to delay or phase-in their retirement? Research in this area could, in particular, shed more light on the trade-offs employees are willing to make between intrinsic and extrinsic rewards.

There is also room for much more work on changing skill requirements and training activities. The range of activities in which non-profits are engaged means that specific skill requirements may vary markedly across organizations within the sector. Further research is needed to identify what those skill needs are and how training can be used to meet those needs. The effectiveness of training activities is another gap. Indicators of the incidence of training in the WES focus on whether training occurred or not; they do not provide information about the quality or relevance of the training.

We need more research on training and lifelong learning, I think the practices and the habits are changing and we need to know a whole lot more about what people want, what type of learning, the context in which they want to learn and whether the training and learning that they are getting now satisfies them. What we're hearing anecdotally is it doesn't. It's not responsive to their needs. (Roundtable participant)

Another area not covered by the WES or other existing surveys is the relationship between paid employees of non-profit organizations and volunteers. How do they work together? What complementarities and what tensions characterize this relationship?

Some future research needs involve further exploring the data that the WES does provide. For example, it would be useful to examine the relationship of unionization—a variable included within the WES—to wages, access to benefits, training, and job satisfaction, as well as to gender gaps. More detailed analysis of how work environments differ between smaller and larger organizations would also be warranted.

As the WES is an annual survey with a longitudinal component, the release of successive years of WES data makes it possible to track employees in the non-profit sector over time. Useful research topics along these lines would include: flows of employees into and out of the sector; movement of employees within the sector from smaller to larger organizations; and changes in the pay of individuals over time.

³¹ The CPRN-Ekos *Changing Employment Relationships Survey* (CERS) did include such questions. However, the CERS used a much smaller sample than does the WES, and the CERS does not permit the separate identification of non-profit, quango, and for-profit employees. For a description of the CERS, see Lowe and Schellenberg (2001), p.8.

The challenges facing non-profit organizations include the need to develop better information about the nature of work in the sector, the characteristics of its employees, and the aspirations, expectations, and perceptions that employees have about their jobs. The findings of this study may help in improving working conditions in the sector, but the need is clearly there for more research to further that objective.

Concluding Comments

In our effort to shed light on the non-profit labour market, we have discovered some assets and some potentially serious liabilities. Knowledge gaps still remain. So there will be more to discover in coming years as new data becomes available and researchers continue their investigations. CPRN will continue to support this kind of research, working in partnership with others in the sector and in the research community. We welcome feedback on the work done to date.

In the meantime, it is important to stress the growing role of non-profit organizations and the people who work in them. Together, they are at the leading edge of community service and in reaching out to people who would be otherwise left on the margins of society. In doing their jobs well, they are doing much good for Canada. All Canadians therefore have an interest in seeing non-profits operate on a sustainable basis for the long-term.

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