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MAPPING THE NON-PROFIT SECTOR

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Foreword

Canadians have a long tradition of participating in their communities. This participation takes many forms – coaching sports teams, leading Scout and Girl Guide groups, giving to charitable groups, volunteering at hospitals, and being members of religious communities. But, while we have begun to learn more about the voluntary activities in which Canadians engage, rather little information has been available that can tell us about the organizations, and the workers they employ, that keep the non-profit sector running. For it is organized groups of people who ensure that organizational missions and mandates are defined, that goods and services are delivered, that fundraising activities are carried out, that funds are received and properly accounted for, and that volunteers are recruited, trained and managed.

Until recently, non-profit organizations and employees could not be distinguished from for-profits in national databases. That changed with the arrival of data from Statistics Canada's *Workplace and Employee Survey (WES)*, beginning with data for 1999. Now, we can begin the process of mapping out the non-profit sector and getting a fix on the characteristics of organizations within the sector and on the workers they employ. There are many reasons for wanting to do this.

First, this is a significant sector in the Canadian economy, accounting for about 8 per cent of employees in the *WES* and for a similar percentage of employers. Just as we measure the size and contributions of other sectors of the economy, it is important that we have a picture of the non-profit sector.

But, second, there is a real need to advance our understanding of how organizations in the sector operate, what their challenges are, and what strategies they use to meet their goals. There also is a real need to deepen our knowledge about the people employed by non-profit organizations and the human-resource challenges that affect workers in the sector.

On one level, like in other sectors, there is a natural curiosity among workers in the non-profit sector concerning their own characteristics. But, on a deeper level, there is a need to know more about the human-resource characteristics of paid employees in the sector and about working conditions and job quality compared to other sectors of the economy. For, despite the fact that many individuals choose to work for non-profit organizations because they feel a strong connection to the mission of the organization, it is also the case that these are real people with real jobs. Incomes matter, as do job security, working conditions, and access to pensions and to training. These certainly matter to individuals. But they should also matter to employers who need to be able to attract and keep qualified workers who have the resources and working conditions to do their jobs well.

To begin the process of filling this information gap, Canadian Policy Research Networks has undertaken to produce a series of papers on human resources in the non-profit sector. This is the first report in that series; the next four will be released in the first half of 2003. In producing this series, it is our hope that non-profit employers and employees, governments, and the Canadian public will gain a better sense of how organizations in the non-profit sector are structured and a better appreciation for paid workers in the sector.

I wish to thank Grant Schellenberg, Director of the Work Network, who led the research, and Kathryn McMullen, Senior Researcher and lead author. I also want to acknowledge the input of the anonymous reviewers who provided useful comments and a group of advisors from the sector who have guided our work. They are as pleased as we are to discover the contours of the non-profit sector and gain a better understanding of the similarities to, and the differences that set the sector apart from, the for-profit and quasi-government sectors.

Judith Maxwell
December 2002

Executive Summary

Interest in the non-profit sector has surged in recent years, along with recognition of the contributions of the sector, socially, culturally and economically. But, while we have begun to learn more about volunteers and charitable giving,[1] relatively little is known about how the sector, and organizations within it, are organized. In particular, there has been a notable absence of information about paid employees and human resource issues in the sector.

Statistics Canada's *Workplace and Employee Survey* (*WES*) provides data, never before available, on non-profit organizations and the paid workers they employ. Drawing primarily on the *WES*, Canadian Policy Research Networks examines a range of human resource issues in the non-profit sector in a series of five research reports. This is the first in that series of reports. Here, we address issues relating to identification, classification, and measurement, and provide information on the size and composition of the sector and on the characteristics of both organizations and paid workers in it. Subsequent reports in the series examine the quality of work in the non-profit sector; training and skill development; human resource practices and organizational change; and recruitment and retention.

Using data on non-profit status provided by respondents and industry classification, we classified employers and employees into three sectors, which were further subdivided into sub-sectors:

- *For-profit*;
- *Quango* (non-profit organizations in 'quasi-public' industries, including elementary/secondary schools, colleges/universities, hospitals and public infrastructure);
- *Non-profit* (culture, recreation and associations; health, education and social services; and 'other non-profit' industries).

***The 1999 Workplace and Employee Survey* (*WES*)**

For the purposes of our analysis of the non-profit sector in Canada, the following key features of the *WES* are worth noting:

- Data were collected from a nationally representative sample of workplaces and paid employees in those workplaces;
- The WES includes only workplaces that have at least one paid employee; it does not include workplaces run entirely by volunteers, nor does it include volunteers who work alongside of paid workers;
- The WES excludes religious organizations and establishments in government, some primary industries, and the Territories.

Size of the Non-profit Sector

- Based on the *WES*, there were about 900,000 paid employees in Canada's non-profit sector in 1999; this represented about 8 percent of employees in the *WES*. Non-profits numbered close to 60,000, accounting for about 8 per cent of workplaces in the *WES*, and for about $22 billion in payroll.

- Estimates of the size of the non-profit sector place Canada 'in the middle of the pack' when compared to international data collected by The Johns Hopkins Comparative Nonprofit Sector Project (roughly comparable to the United Kingdom and Australia).

[1] See Statistics Canada, National Survey of Volunteering, Giving and Participating.

- The non-profit sector resembles the for-profit sector in terms of the size distribution of establishments, with small establishments (fewer than 10 employees) accounting for close to three-quarters of establishments in both sectors. Large establishments are more common in the quango (quasi-government) sector, where about half are establishments with 20 or more employees.

- But, while small establishments are prevalent in the non-profit sector, about half of employees work in establishments with 50 or more employees. Differences are evident within the sector, with only one-third of employees in the culture, recreation and associations industry working in establishments of this size.

Characteristics of Employees and Jobs in the Non-profit Sector

Employment in the non-profit sector is composed largely of women

- Women account for a clear majority of paid employees in the non-profit sector, more so than in the for-profit and the quango sectors. Women accounted for about three-quarters of paid employees in the non-profit sector in 1999, compared to about two-thirds in the quango sector and slightly less than half in the for-profit sector.

- There are sharp differences in the gender composition of employment across sub-sectors. Traditionally, women have made up a large proportion of employment in ‘caring’ industries, like health and education. Indeed, we find that in 1999, women accounted for over 80 percent of paid employees in both the non-profit health, education and social services industry and the for-profit education and health industry, and for 70 percent of paid employment in the quango health and education industry.

- That being said, women also accounted for over 60 per cent of paid employees in the culture, recreation and associations non-profit sub-sector and in the ‘other non-profit’ sub-sector. The for-profit sector shows much greater variation. Women account for comparable shares of employment in the cases of only two for-profit industries – retail trade and finance and business.

- The *WES* data cannot tell us why employment in the non-profit sector is composed primarily of women. Possible reasons include: a traditional concentration of women in ‘caring’ occupations, like health and education; non-profits may offer more flexible working arrangements that are attractive to women seeking to balance work and family-care responsibilities; or non-profits may offer women greater opportunity to assume senior management roles than is the case for other sectors. It may also be the case that relatively fewer men are willing to accept the kind of work and working conditions that the sector is able to offer.

- The human-resource profile of the non-profit sector has implications for human resource management practices. Job quality in the sector will have a particularly large impact on women. Managers will require an ability to manage a workforce that has, perhaps, a greater need for flexibility in working arrangements.

- Moreover, recent research suggests that men and women differ in terms of the values and expectations they bring to the job. This research suggests that effective human resource management strategies in the non-profit sector will need to recognize and respond to the unique needs of women, who show a preference for good quality communications in the workplace, a strong employer-employee commitment, and work-life balance.

Employment in the non-profit sector is concentrated in the middle age groups

- At 26 percent of employees, the non-profit sector lies between the for-profit and the quango sectors in terms of the percentage of paid workers who were less than 35 years old in 1999.

- At 39 percent, the non-profit sector also lies between the for-profit and the quango sectors in terms of the percentage of employees who were aged 45 years or more in 1999.

- However, while exhibiting a somewhat younger age profile than the quango industries, both the non-profit health, education and social services and the 'other non-profit' sub-sectors exhibit somewhat older age profiles than other industries.

- The age composition of employment in the non-profit sector has implications for retention and recruitment over the coming decade, placing the spotlight on issues relating to job quality, working conditions, terms of employment, and job satisfaction.

Employment in the non-profit sector consists of a relatively large percentage of university-educated workers

- Clear differences are apparent across the three sectors with respect to educational attainment. While they are similar in terms of the share of paid workers who have completed a non-university post-secondary program (each at about 30 percent) only about 15 percent employees in the for-profit sector have completed a university degree, compared to close to 30 percent in the non-profit sector and over 40 percent in the quango sector.

- Competition for highly-educated, highly-skilled workers is expected to increase over the next couple of decades as the baby-boom generation reaches retirement age. Retention and recruitment will therefore become crucial human-resource issues for employers in all sectors, but especially in the non-profit and quango sectors where reliance on these kinds of workers is high.

Employment in the non-profit sector consists of a large professional and managerial component

- Employment in the non-profit sector, like the quango sector, consists of a heavy 'professional' component. About one-third of paid employees in the non-profit sector are in professional occupations. This is lower than in the quango sector (at 47 percent) but is much higher than in the for-profit sector, at only about 10 percent.

- The large 'professional' component in the non-profit sector is partly a reflection of the nature of the work performed in key sub-sectors, like health and education, where many employees, like nurses and teachers, have professional qualifications.

Close to one in five employees in the non-profit sector have children younger than 12 years old at home

- One-fifth of all paid workers in the non-profit sector are women who have at least one child less than 12 years of age at home. This share is similar in the quango sector (at 19 percent), but higher than in the for-profit sector (at 14 percent).

- Employers in the non-profit sector will therefore need to be sensitive to the fact employees with family responsibilities, especially those with younger children, will be more likely to encounter competing demands from work and family and experience stress due to 'time crunch.'

- Failure to respond to workers' needs for work-family balance can have serious consequences for recruitment of new workers and retention of experienced employees. This is an issue especially in industries, like those in the non-profit sector, that rely heavily on women as an integral part of the workforce.

Conclusions and Implications for Human Resource Management

- We acknowledge that there are intrinsic motivators to working in the non-profit sector – commitment to the cause of an organization, having a strong civic sense, and finding a good match with an one's values, for example.

- However, that does not mean that workers in non-profit organizations are unmindful of job quality, pay and benefits, working conditions, and terms of employment.

- In coming years, the non-profit sector will find itself competing with both the government and the for-profit sectors for skilled workers as the Baby Boom generation retires. This places the spotlight on the workplace – the quality of jobs, access to training opportunities and human resource management practices.

With these considerations in mind, future papers in CPRN's Research Series on Human Resources in the Non-profit Sector will examine the quality of work, including the terms of employment, pay levels and working hours among non-profits; training and skill development; human resource practices and organizational change; and recruitment and retention.

Résumé

L'intérêt suscité par le secteur à but non lucratif a bondi ces dernières années, de concert avec la reconnaissance de l'apport du secteur à la vie sociale, culturelle et économique. Mais, même si nous avons commencé à en apprendre davantage sur les bénévoles et les dons de charité[1], nous ne connaissons que relativement peu de choses sur la façon dont le secteur et les organismes qui le composent sont structurés. En particulier, il existe une absence notable de données sur les employés rémunérés et les questions de ressources humaines dans ce secteur.

L'*Enquête sur le lieu de travail et les employés* (*ELTE*), réalisée par Statistique Canada, contient des données qui n'étaient pas disponibles auparavant sur les organismes à but non lucratif et les travailleurs rémunérés qu'ils emploient. En s'appuyant principalement sur l'*ELTE*, les Réseaux canadiens de recherche en politiques publiques examinent un large éventail de questions relatives aux ressources humaines dans le secteur à but non lucratif dans une collection de cinq rapports de recherche. Il s'agit dans ce cas-ci du premier rapport de cette collection. Nous y abordons des questions relatives à l'identification, la classification et la mesure du secteur, et nous présentons des données sur sa taille et sa composition et sur les caractéristiques des organisations et des travailleurs rémunérés qu'il emploie. D'autres rapports de la collection seront consacrés à l'examen de la qualité des emplois dans le secteur à but non lucratif, la formation et le perfectionnement des compétences, les pratiques de gestions des ressources humaines et le changement organisationnel, et le recrutement et la conservation des effectifs.

En utilisant les données fournies par les répondants en ce qui concerne le caractère à but non lucratif et la classification industrielle, les employeurs et les employés furent répartis en trois secteurs, qui furent ensuite subdivisés en sous-secteurs :

- *Secteur à but lucratif*;
- *Secteur des organisations gouvernementales quasi-autonomes* ou *secteur parapublic* (organisations à but non lucratif dans des industries « parapubliques », y compris les écoles primaires et secondaires, les collèges et les universités, les hôpitaux et l'infrastructure publique);
- *Secteur à but non lucratif* (culture, loisirs et associations; santé, éducation et services sociaux; et « autres industries » à but non lucratif).

L'Enquête sur le lieu de travail et les employés (ELTE) de 1999

Pour les besoins de notre analyse du secteur à but non lucratif au Canada, soulignons les caractéristiques majeures suivantes de l'*ELTE* :

- Les données furent tirées d'un échantillon national représentatif de milieux de travail et d'employés rémunérés dans ces milieux de travail;
- L'*ELTE* comprend uniquement des milieux de travail qui avaient au moins un employé rémunéré; elle ne comprend pas les milieux de travail dont le fonctionnement est assuré entièrement par des bénévoles, et elle ne comprend pas non plus les bénévoles qui travaillent de concert avec des travailleurs rémunérés;
- L'*ELTE* exclut les organisations religieuses et les établissements dans le secteur public, certaines industries primaires et les Territoires.

[1] Voir Statistique Canada, *Enquête nationale sur le don, le bénévolat et la participation*.

Taille du secteur à but non lucratif

- En s’appuyant sur les données de l’*ELTE*, il y avait environ 900 000 employés rémunérés dans le secteur à but non lucratif au Canada en 1999; ce chiffre représentait environ 8 pour cent des employés compris dans l’*ELTE*. Le nombre d’organismes à but non lucratif atteignait près de 60 000 et ceux-ci intervenaient pour environ 8 pour cent des milieux de travail compris dans l’*ELTE* et leur masse salariale s’établissait à près de 22 milliards de dollars.

- Les estimations de la taille du secteur à but non lucratif situent le Canada au milieu du peloton lorsqu’on le compare aux données internationales recueillies par le Johns Hopkins Comparative Nonprofit Sector Project (approximativement comparable à celui du Royaume-Uni et de l’Australie).

- Le secteur à but non lucratif ressemble au secteur à but lucratif sur le plan de la répartition des établissements selon leur taille, les petits établissements (moins de 10 employés) représentant près des trois quarts des établissements dans les deux secteurs. Les grands établissements se retrouvent en plus grand nombre dans le secteur parapublic, puisque environ la moitié des établissements comptent 20 employés ou plus.

- Mais, même si les petits établissements dominent dans le secteur à but non lucratif, près de la moitié des employés sont à l’emploi d’établissements de 50 employés ou plus. Des différences se manifestent à l’intérieur du secteur, puisque seulement un tiers des employés qui œuvrent dans l’industrie de la culture, des loisirs et des associations sont à l’emploi d’établissements de cette taille.

Caractéristiques des employés et des emplois dans le secteur à but non lucratif

L’emploi dans le secteur à but non lucratif se compose largement de femmes.

- Les femmes détiennent une majorité imposante des emplois rémunérés dans le secteur à but non lucratif et cette caractéristique est plus prononcée dans ce secteur qu’elle ne l’est dans les secteurs à but non lucratif et parapublic. Les femmes représentaient environ les trois quarts des employés rémunérés dans le secteur à but non lucratif en 1999, comparativement à près des deux tiers dans le secteur parapublic et à un peu moins de la moitié dans le secteur à but lucratif.

- Il existe de profondes différences sur le plan de la répartition des emplois selon le sexe parmi les sous-secteurs. Traditionnellement, les femmes ont compté pour une proportion élevée de l’emploi dans les industries de « soins », comme celles de la santé et de l’éducation. Dans les faits, nous avons pu constater qu’en 1999, les femmes représentaient plus de 80 pour cent des employés rémunérés tant dans l’industrie à but non lucratif de la santé, de l’éducation et des services sociaux que dans l’industrie à but lucratif de l’éducation et de la santé, et 70 pour cent des emplois rémunérés dans l’industrie parapublique de la santé et de l’éducation.

- Ceci dit, les femmes intervenaient aussi pour plus de 60 pour cent des employés rémunérés dans le sous-secteur à but non lucratif de la culture, des loisirs et des associations ainsi que dans celui des « autres industries » à but non lucratif. Le secteur à but lucratif affiche des variations beaucoup plus prononcées. Les femmes représentent des proportions comparables de l'emploi dans le cas de seulement deux industries à but lucratif – le commerce de détail et les services financiers et commerciaux.

- Les données de l'*ELTE* ne nous permettent pas d'expliquer pourquoi l'emploi dans le secteur à but non lucratif se compose surtout de femmes. Parmi des raisons possibles figurent les suivantes : une concentration traditionnelle de femmes dans les emplois de « soignants », comme ceux de la santé et de l'éducation; les organismes à but non lucratif offrent peut-être des modalités de travail plus souples et, par conséquent, plus attrayantes pour les femmes qui cherchent à concilier leurs responsabilités professionnelles et familiales; et les organismes à but non lucratif offrent peut-être aux femmes de meilleures occasions d'occuper des postes de cadres supérieurs que ce n'est le cas dans les autres secteurs. Il se peut aussi que des nombres plus restreints d'hommes soient disposés à accepter le type de travail et les conditions de travail que le secteur est en mesure d'offrir.

- Le profil des ressources humaines dans le secteur à but non lucratif a des incidences sur les pratiques de gestion des ressources humaines. La qualité des emplois dans le secteur a un impact particulièrement important sur les femmes. Les gestionnaires doivent posséder une aptitude à gérer un effectif qui a peut-être besoin d'une flexibilité plus grande sur le plan des modalités de travail.

- De plus, des recherches récentes révèlent que les hommes et les femmes se distinguent en ce qui concerne les valeurs et les aspirations qui les animent dans leur travail. Ces travaux laissent entendre que des stratégies efficaces de gestion des ressources humaines dans le secteur à but non lucratif doivent reconnaître et tenir compte des besoins uniques des femmes, qui affichent une préférence pour des communications de haute qualité en milieu de travail, une forte importance à l'égard des relations employeurs-employés et une conciliation des responsabilités professionnelles et familiales.

L'emploi dans le secteur à but non lucratif compte une forte concentration de travailleurs dans les groupes d'âge moyen

- Avec une proportion de 26 pour cent des employés, le secteur à but non lucratif se situe entre le secteur à but lucratif et le secteur parapublic sur le plan du pourcentage des travailleurs qui avaient moins de 35 ans en 1999.

- Avec une proportion de 39 pour cent, le secteur à but non lucratif se situe aussi entre le secteur à but lucratif et le secteur parapublic sur le plan du pourcentage des travailleurs qui étaient âgés de 45 ans ou plus en 1999.

- Toutefois, même s'il possède une structure par âge un peu plus jeune que celle des industries du secteur parapublic, tant le sous-secteur à but non lucratif de la santé, de l'éducation et des services sociaux que celui des « autres industries » à but non lucratif affichent une structure par âge un peu plus élevée que celle des autres industries.

- La composition de l'emploi selon l'âge dans le secteur à but non lucratif aura des incidences sur la conservation et le recrutement des effectifs pendant les prochaines décennies, contribuant ainsi à mettre en relief l'importance des questions de qualité des emplois, de conditions de travail, de modalités d'emploi et de satisfaction professionnelle.

L'emploi dans le secteur à but non lucratif comprend une proportion relativement élevée de travailleurs possédant une formation universitaire.

- Des différences manifestes se dégagent d'une comparaison des trois secteurs en ce qui concerne le niveau de scolarité. Les trois secteurs sont semblables sur le plan de la proportion des travailleurs rémunérés qui ont terminé un programme d'enseignement postsecondaire non universitaire (environ 30 pour cent dans chacun des cas), mais seulement environ 15 pour cent des employés du secteur à but lucratif possèdent un diplôme universitaire, comparativement à près de 30 pour cent dans le secteur à but non lucratif et à plus de 40 pour cent dans le secteur parapublic.

- On prévoit que la concurrence pour les travailleurs hautement scolarisés et fortement qualifiés augmentera au cours des prochaines décennies à mesure que les membres de la génération du baby-boom atteindront l'âge de la retraite. La conservation et le recrutement des effectifs deviendront donc des questions primordiales de gestion des ressources humaines pour les employeurs de tous les secteurs, mais plus spécialement dans les secteurs à but non lucratif et parapublic dans lesquels le recours à ces types de travailleurs est élevé.

L'emploi dans le secteur à but non lucratif comporte un segment important de travailleurs spécialisés et de cadres.

- L'emploi dans le secteur à but non lucratif, à l'instar de celui du secteur parapublic, comporte une forte composante de travailleurs spécialisés. Environ un tiers des employés rémunérés dans le secteur à but non lucratif font partie de professions spécialisées. Il s'agit d'un pourcentage moins élevé que celui du secteur parapublic (qui s'établit à 47 pour cent) mais il est beaucoup plus élevé que celui du secteur à but lucratif, qui n'atteint qu'environ 10 pour cent.

- La composante élevée d'emplois spécialisés dans le secteur à but non lucratif est le reflet en partie de la nature des tâches accomplies dans des sous-secteurs importants, comme la santé et l'éducation, dans lesquels plusieurs employés, tels les infirmières et les enseignants, possèdent des titres de compétences professionnelles.

Près d'un employé sur cinq dans le secteur à but non lucratif ont des enfants de moins de 12 ans au foyer.

- Un cinquième de tous les travailleurs rémunérés dans le secteur à but lucratif sont des femmes qui ont au moins un enfant de moins de 12 ans au foyer. Cette proportion est semblable dans le secteur parapublic (19 pour cent) mais elle est plus élevée que celle du secteur à but lucratif (14 pour cent).

- Les employeurs du secteur à but non lucratif devront donc être sensibilisés au fait que les employés ayant des responsabilités familiales, notamment ceux qui ont de jeunes enfants, auront plus de chance de faire face à des obligations concurrentes sur le plan professionnel et familial, et d'être aux prises avec un stress engendré par des horaires surchargés.

- Le défaut de répondre aux besoins des travailleurs en ce qui concerne la conciliation des responsabilités familiales et professionnelles pourrait avoir des répercussions sérieuses sur le recrutement de nouveaux travailleurs et la conservation des employés expérimentés. Il s'agit d'un enjeu important notamment pour des industries comme celles du secteur à but non lucratif qui comptent énormément sur les femmes comme partie intégrante de leur effectif.

Conclusions et répercussions sur la gestion des ressources humaines

- Nous reconnaissons qu'il y a des facteurs de motivation intrinsèque chez une personne en ce qui concerne le travail dans le secteur à but non lucratif – le fait de ressentir un engagement envers la mission d'une organisation, de posséder un sens profond du civisme et de trouver des valeurs qui concordent bien avec les siennes, par exemple.

- Mais, cela ne signifie pas que les travailleurs à l'emploi d'organisations à but non lucratif sont indifférents à l'égard de la qualité des emplois, des salaires et des avantages sociaux, des conditions de travail et des modalités d'emploi.

- Dans les années à venir, le secteur à but non lucratif devra concurrencer le secteur public et le secteur à but lucratif pour attirer des travailleurs spécialisés à mesure que les membres de la génération du baby-boom prendront leur retraite. Le milieu de travail deviendra alors le point de mire – qualité des emplois, accès à des possibilités de formation et pratiques de gestion des ressources humaines.

Compte tenu de ces considérations, les futurs documents dans la collection de recherche des RCRPP sur les ressources humaines dans le secteur à but non lucratif seront consacrés à l'analyse de la qualité des emplois, y compris les modalités d'emploi, les niveaux de rémunération et les heures de travail dans les organismes à but non lucratif, la formation et le perfectionnement des compétences, les pratiques de gestion des ressources humaines et le changement organisationnel, et le recrutement et la conservation des effectifs.

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1. INTRODUCTION

Interest in the non-profit sector has surged in recent years. This reflects increasing recognition of the contributions of the sector, not only socially and culturally, but to the national economy as well, both in terms of the paid and unpaid employment it provides and the value of its output. In this context, work is ongoing to describe what the sector does and to measure its contribution. As with most emerging fields, attempts at definition, classification and measurement have moved ahead through a process of debate and re-evaluation. For example, there has been considerable discussion even regarding the appropriate name of the sector, ranging from the 'third' sector to the 'voluntary' or 'non-profit' sector, to 'civil society' – all intended to refer to the range of institutions operating outside either the market or the state (Hall and Banting, 2000).

This evolution in our conception of the non-profit sector is reminiscent of the efforts in the 1980s to describe and classify in a more sophisticated and adequate way the wide range of industries in the 'service economy.' As employment and output of many western nations shifted from primary industries, to manufacturing industries, to service industries, it became apparent that definitions and measures developed for goods-producing economies were no longer adequate. Thus efforts were made to develop new definitions and conceptual frameworks to grasp the scope and complexities of the service sector. The same process is now underway for the non-profit sector. It would seem that as economies evolve and the composition of employment and output shifts, new definitions and measures are needed to adequately understand sectors that can no longer be regarded as marginal.

Experts continue to debate trends in the size of the sector, but definitive answers in this regard await development of time-series data based on a consistent definition of what kinds of activities and organizations constitute the sector. While such data have not yet been collected for Canada, recent initiatives at Statistics Canada are targeted at filling this void.[1] There can be little doubt, however, that interest in the non-profit sector has grown in recent years. That interest reflects a number of factors – among them, growing self-awareness within the sector, increasing recognition of the contribution of the sector socially and economically separate from the for-profit sector and government, and emergence of a sense that the sector in under stress due to resource constraints. This growing interest is partly reflected in the establishment in 2000 of the Voluntary Sector Initiative, a five-year, $94.6 million joint undertaking between the voluntary sector and the federal government.

[1] These initiatives include the National Survey of Giving, Volunteering and Participating (NSGVP) which has already produced data for 1997 and 2000. Plans are for the NSVGP to be undertaken every three years. Statistics Canada has also been working to develop a Satellite Account of Nonprofit Institutions and Volunteering in the System of National Accounts. The Satellite Account will provide standard economic statistics for the non-profit sector, comparable to those already available for other sectors of the economy. More detail regarding the Satellite Account is given in Chapter 2.

CPRN Research Paper Series on the Non-profit Sector

In spite of apparently widespread agreement on the importance of the non-profit sector, rather little is known about how the sector, and the organizations within it, are organized. This reflects the relatively recent emergence of 'non-profit research,' the fact that definitions and taxonomies of the sector are only now being developed, and a lack of comprehensive, reliable information on the sector. The urgent need for research has been noted by a number of observers; Dreesen (2001) provides a good summary of what is known and not known about organizations in the non-profit sector and presents an eloquent case for pushing the research agenda forward.

Much remains to be learned. Most of the research done to date has relied on data sources, like Canada Customs and Revenue Agency's tax files on registered charities, that have been collected for administrative, rather than statistical purposes. But, registered charities represent only part of the non-profit sector. Comprehensive information on non-profit organizations that are not registered charities has not been available, and hence it has been impossible even to estimate how much of the sector is captured in the registered charity portion.[2]

Another key perspective on the sector is provided by the National Survey of Giving, Volunteering and Participating (NSGVP) (Hall, McKeown and Roberts, 2001). That survey is a rich source of information on the volunteer activities of Canadians and their contributions through donations of time and money to various organizations and causes. However, the NSVGP does not provide information on paid workers in the non-profit sector. In fact, virtually no data have been available that can tell us about employment and human resources in the sector. How many people are employed by non-profit organizations and how is that employment distributed across sub-industries and organizations? What are the characteristics of employees? What are working conditions like in the sector and what kinds of human resource management issues does it face? How are skill needs changing and do employees have access to training? What types of challenges do non-profit organizations face and what types of strategies are they adopting in response to those challenges?

While paid employees in non-profit organizations have been present in all of Statistics Canada's surveys of the labour force, the information needed to distinguish them from for-profit organizations has not been collected. That situation changed recently with the release of Statistics Canada's 1999 *Workplace and Employee Survey* (*WES*) in late fall 2000. The *WES* is a nationally representative survey of employers and employees that provides information, never before available, on non-profit organizations and the paid workers they employ. The *WES* provides a wealth of information on human resource and workplace issues, allowing comparisons to be made between the non-profit and the for-profit sectors. The *WES* does not include information on volunteers and so excludes both organizations

[2] While the registered charities' tax files cannot provide a complete picture of the non-profit sector in Canada, they form an important ingredient, along with other existing data sources, for constructing a set of economic accounts on the sector within the System of National Accounts.

that are run exclusively by volunteers and the volunteer component of non-profit organizations that have paid employees.

Drawing primarily on the *WES*, Canadian Policy Research Networks has undertaken to produce a series of five research papers focused on non-profit organizations, with an emphasis on paid employees. Our primary purpose in producing these reports is to provide information on the sector at a national level – information that has simply not been available before this. To the extent possible, the policy implications of our findings will be drawn out where appropriate. The five papers will address the following themes:

- Mapping the non-profit sector;
- Quality of work (wages, benefits, hours, non-standard employment);
- Training and skill development (skill requirements, training, training outcomes);
- Human resource practices and organizational change; and
- Recruitment and retention.

A critical first step in any analysis of the non-profit sector consists of defining and setting the boundaries of the sector – what we refer to as 'mapping' the sector. That means that much of the discussion in this report must be concerned with fairly technical issues. It is important that these be addressed so that what we are measuring is transparent to readers and to other researchers in the field. Other studies have taken different approaches and used different data sets that have applied to different points in time. Because of such differences, analytical results have not been comparable across studies. Despite this, there has been a tendency to compare different estimates, leading to sometimes erroneous conclusions regarding trends in the sector. For this reason, we devote a fair amount of discussion in this report to describing the databases and the methodology we use to allocate activities to the non-profit sector, while acknowledging that not all readers are equally interested in all of the technical details.

In this paper, we estimate the size and composition of the non-profit sector, in terms both of employers and paid employees. We also provide data describing the characteristics of both employers and employees. We begin, in Chapter 2, by providing a perspective on the sector and the ways in which it fits into Canadian society. This chapter also provides a discussion of the definitional and measurement issues that have complicated research on the sector. Chapter 3 provides an overview of the data sources that form the basis for the analysis presented in this series of research reports on the non-profit sector and describes the methodology used to allocate activities to the sector. The two key data sources are the *Business Register (BR*) and the *Workplace and Employee Survey (WES)*, both of which are held at Statistics Canada. To the extent allowed by the data, the sector is subdivided into smaller industry groups to allow somewhat more detailed analysis. Chapter 4 presents the results of our analysis using data from the *BR* and the *WES* pertaining to the size of the sector in terms of number of non-profit employers, number of non-profit employees, and gross aggregate payroll. Inter-provincial and international comparisons are provided. Chapter 5 focuses on the characteristics of non-profit *organizations*, including their industry composition, their size characteristics, and their regional distribution, while Chapter 6 provides a description of *paid employees* in non-profit organizations, including their gender, age, educational, and family characteristics. In Chapter 7, conclusions and implications of our findings are presented.

2. A PERSPECTIVE ON THE NON-PROFIT SECTOR IN CANADA

How the Non-profit Sector Touches Our Daily Lives

The place of the non-profit sector in Canadian society and perceptions of the sector reflect on-going shifts in the social and economic fabric of society and in the role of government. Taking a historical view, Roberts (2001) argues that the 'location' of charity or 'mutual aid' in society has shifted through time. In previous centuries, "public-spirited people worked individually and in groups to help their neighbours." The 20th century marked a large-scale move to a more formalized income security and social welfare system, located within government – what Roberts (citing Armstrong 1997) refers to as "collective responsibility and shared risk." Roberts (2001, p. 6) goes on to argue that "[o]ver the past 20 years, however, the social welfare system has started to unravel as governments cut programs and services with the expectation that volunteers and volunteer groups, including social action and self-help groups, can take on more and more responsibility for the social welfare of Canadians." In other words, according to this view, recent years have seen a number of non-profit or voluntary or charitable activities being re-located back to organizations, agencies, formal and less-formal groups, and individuals outside government.

The 20th century saw the development of a range of government-sponsored programs, like a universal pension system for workers, universal health care, and unemployment insurance. In the decades immediately following World War II, Canadian families typically consisted of one income earner, usually the man, with mothers who stayed at home. Employers tended to provide stable jobs, a range of pension and health benefits, and the rewards for long service were steadily rising incomes and the promise of a comfortable retirement.

Through the latter decades of the 20th century, shifts began to occur in all facets of social and economic life. The profile and characteristics of Canadian families have undergone profound change. Women began to enter the paid labour force *en masse* in the 1970s and the typical family is now characterized by two earners who rely on paid childcare at some point in their lives. Fertility rates have declined over the same period and the 'bean pole family' has emerged. This is a family structure that spans many generations because of increasing life expectancy (i.e., the family structure is tall), but that is comprised of only a few family members within each generation (i.e., the family structure is thin). This has implications for families' capacities to care for their members. Rising standards of living have also provided Canadians with the financial means to engage in a wide range of leisure and cultural activities, from figure skating and piano lessons to gourmet cooking and car clubs. The range of pursuits available to most Canadians today would likely astonish members of earlier generations.

Political changes have also been evident. With rising levels of educational attainment and growing frustration with traditional forms of political representation, Canadians have sought new ways to exert influence on issues such as environmental protection, poverty, international development, and gender equality. From the local to the international level, the formation of a wide array of associations has transformed the landscape of political activity. Changes have also been evident within government itself. With growing concerns about budget deficits and public debt in the 1980s, governments began to shed many of their social welfare functions. The ‘universality’ of health care is currently under close scrutiny, access to ‘employment benefits’ has been greatly reduced, and ‘workfare’ programs have been introduced in some jurisdictions. All of these have resulted in greater emphasis on self-sufficiency and the individualization of risk, and a more limited role for the state.

The various trends have had a tremendous impact on the role and importance of the non-profit sector. The following provides a few illustrations.

Some of the non-profit services used today concern the socialization and education of children. As in previous generations, children still participate in Girl Guides and Boy Scouts, softball and soccer, often with parent volunteers. But a new layer of non-profit services have developed in the form of before- and after-school programs, many of which operate out of community centres and schools, to provide childcare at the beginning and end of the school day.

Non-profit organizations are also active in fields related to the health and well being of family members. For example, there has been a proliferation of non-profit organizations seeking to raise funds for a variety of causes. While some still raise funds door-to-door, many rely on computerized communications technologies and call-centre staff for reaching potential donors. Demand for home-care services has also increased, due in part to population aging, the limited capacity of families to care for their members, and changes in healthcare delivery (e.g., reduced length of hospital stays and outpatient treatment). Other services have been taken on by non-profit organizations in response to social needs and limited state involvement. Some that come immediately to mind include food banks, soup kitchens and shelters; drop-in centres for youth on the street; employment counselling services; community groups delivering basic computer training or literacy programs; and counselling services for depression, suicide prevention, and assault victims.

Non-profit organizations are also central in the social and cultural lives of Canadians. Volunteers and paid staff provide services at museums, libraries and art galleries and organize concerts and other cultural events. They work for political parties, run community associations, and work for advocacy groups for a host of causes. Religious organizations – the church, the temple, the mosque, and the synagogue – continue to play an important role in the lives of many as well.

Contribution to Social Cohesion

It is argued that non-profit organizations also play an important role in promoting social cohesion, defined as ‘shared values and commitment to a 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. Indeed, the 2000 National Survey of Giving, Volunteering and Participating (Hall, McKeown and Roberts, 2001) found that 95 percent of volunteers agreed that the reason they volunteer is to help a cause in which they believe. About 80 percent volunteered because they wanted to put their skills and experience to use and over two-thirds volunteered because they had been personally affected by the cause which the organization supports. Moreover, non-profit organizations operate with the sanction, and sometimes the financial support of government, and provide an organizational framework within which political debate and discussion can occur. Issues such as *belonging*, *inclusion*, *participation* and *maintenance of the legitimacy* of public and private institutions are key dimensions of social cohesion according to Jenson (1998).

On the other hand, the 2000 National Survey of Giving, Volunteering and Participating found that the total number of persons volunteering in Canada dropped by close to one million people between 1997 and 2000, a decrease of 13 percent (Hall, McKeown and Roberts, 2001). This was accompanied by a drop, equivalent to 29,000 full-time full-year jobs, in the total number of hours that were volunteered. Decreases in the overall volume of volunteering reflect the impact of a number of complex factors such as changes in the demographic structure of society, ease of access to paid employment, and time constraints faced by time-crunched families. Some observers, like Roberts (2001) report that burnout is a growing issue among volunteers. So, while many argue that Canadians are looking for means by which they can contribute and feel connected to society, the evidence suggests that, for whatever reason, fewer Canadians were volunteering in 2000 compared to 1997.[3] It may be, then, that part of the stress felt within the non-profit sector reflects this decrease in the number of volunteers who are available to share the workload.

Economic Contribution of the Non-profit Sector

A thorny issue for research on the non-profit sector has concerned the definition of what should be included in the sector. Definitions, and consequently the names applied to the sector and the methodologies used to measure it, have varied by academic discipline, by the research questions being addressed, and by the availability of data. The perspectives of economists, sociologists, political scientists and even lawyers and accountants all have differed. As a result, each has used different criteria to carve up that part of the economy/society that falls outside government and the for-profit sector (see Thayer Scott, 1997 and Reed and Howe, 1999).

This has led to two outcomes. First, confusion has arisen because there has been no commonly agreed-upon term that has been applied to the sector. The five most commonly terms used are non-profit sector, not-for-profit sector, voluntary, third, and independent sector (Thayer Scott, 1997). Many thoughtful commentators have addressed the theoretical bases for the various definitions and names for the non-profit sector and rather than engage in the debate here, we refer readers to a few of these.[4] We simply state that the term we elected to use throughout this series of reports is the term 'non-profit sector.'

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[3] It is interesting to note that those who increased the amount of time they donated through volunteering were individuals who were not 'connected' by virtue of having a job – the unemployed, individuals aged 65 years or older, and those not in the labour force (Hall, McKeown and Roberts, 2001). Trends in volunteering and in perceptions of the volunteer experience are important issues deserving of further study.

[4] See for example Canadian Policy Research Networks and Canadian Centre for Philanthropy 1998; Day and Devlin, 1997; Dreesen, 2000; Febbraro, Hall and Parmegiana, 1999; Reed and Howe,1999; Salamon et al., 1999a; Salamon et al., 1999b; and Thayer Scott, 1997.

Second, because the criteria used to define which activities are in and not in the sector differ, estimates of the size of the sector have also differed. This problem has been further compounded by the fact that no comprehensive and definitive database currently exists that would provide a common basis for allocating the various activities that might be considered to be part of the sector. As a result, statements regarding the size of the sector have been based on estimates, which themselves have varied depending on which assumptions various researchers have used.

Reed and Howe (1999, p.7) argue that "[n]ational legislation and associated policy tends to shape the data which will be available, the categories into which those data will be organized, and key definitions and labels." In Canada, national tax laws assign charitable status in order to confer tax-exempt status on organizations that meet certain administrative criteria. Because data on organizations that meet the definition of a 'charity' for tax purposes exist, some researchers have used those data to try to learn more about the non-profit sector. But this raises two problems. First, some types of institution, like hospitals and universities, while having status as charitable institutions for tax purposes, are included in a separate 'quasi-governmental' category in many definitions of the non-profit sector. In other words, the charities tax file includes some charitable institutions that are closely associated with government as well as those that lie within the non-government non-profit sector.[5] Second, many organizations in the non-profit sector do not meet the criteria for tax-exempt charitable status. The problem is that no one really knows how many of the latter there are. As a result of both of these factors, the charitable organizations tax file cannot provide a true picture of the non-profit sector – nor, in fairness, was it ever intended to.

Debate over trends in the size of the non-profit sector has also been ongoing. In the view of some experts, we are now in the midst of "… a veritable global associational revolution … a massive upsurge of organized, private, voluntary activity in literally every corner of the world" (Salamon et al., 1999a). Salamon et al. base their conclusions on international research they have done over the past decade for the Johns Hopkins Comparative Nonprofit Sector Project. Based on evidence collected from several countries[6] for the period 1990-95, Salamon et al. (1999a, p. 4) conclude that organizations that comprise the sector have attracted increased attention in part because of "… the sheer growth in their number and scale." They argue that the explosion in the number of non-profit organizations, a key component of 'civil society,' is the result of several factors: the diminution of the role played by the state in the provision of social welfare, broadly defined; an expansion in the desire of the educated middle class for alternative means of social and political expression; and an increasing desire to find structures that allow the delivery of a range of services with the virtues of market-delivery mechanisms, but outside government.

The work being undertaken by the group at the Johns Hopkins University has garnered a great deal of interest in a number of countries. Work is ongoing by an international team to refine the definitions and methodology used to compile international statistics on the size and composition of the non-profit sector in a wide range of countries. The System of

[5] This issue is discussed in more detail in Chapter 3.

[6] Canada has not to date participated in the Comparative Nonprofit Sector Project, but plans to do so in Phase III, with the Canadian Centre for Philanthropy as the local associate.

National Accounts guidelines used for compiling economic statistics have, until recently, been viewed as inadequate with respect to their characterization of the non-profit sector.[7] To address these concerns, cooperative work has been undertaken by The Johns Hopkins University and the United Nations Statistical Division to develop a new set of international guidelines for measuring the economic contribution of the sector in a 'satellite account.' The resulting document, The Handbook on Nonprofit Institutions in the System of National Accounts, builds on concepts developed through The Johns Hopkins Comparative Nonprofit Sector Project and elaborates them explicitly in a national accounting framework. The overriding objective is to encourage systematic collection of statistics on the size, scope and nature of the non-profit sector within official economic statistics. The Handbook contains recommendations on building economic statistics on the non-profit sector, including information on definition, classification and data compilation. It has been accepted for official publication by the United Nations and will serve as the basis for future international comparative studies.

Statistics Canada has been working to develop a Satellite Account of Nonprofit Institutions and Volunteering (see Statistics Canada, 2001). That work has informed the development of the international Handbook through Statistics Canada's participation, along with a group of 11 other countries, in testing the Handbook and providing feedback on early drafts. As recommended in the Handbook, the satellite account 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. It will also include a non-market extension to put a monetary value on unpaid voluntary activity. 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). The first official estimates for Canada are slated to be published in 2003.

This work being undertaken by Statistics Canada is a vital step forward in the development of data that tracks the sector over time, for it is only when time-series data are available that definitive statements regarding trends in the size and composition of the sector can be made.

[7] The System of National Accounts rules recommend that only a subset of non-profit institutions – those serving households and not having significant ties to government or significant market activity – be explicitly identified as 'non profit' in published statistics. This definition has been viewed as being overly restrictive and misleading by researchers in the non-profit field.

3. DATA SOURCES AND METHODOLOGY

Data for this paper are drawn from two Statistics Canada sources: the *Business Register (BR)* and the 1999 *Workplace and Employee Survey (WES).*

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).

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.[8]

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

[8] Interested readers are referred to Appendix 1 for a detailed and more technical discussion of the criteria used to allocate entities in the *Business Register* to the non-profit sector.

establishments across the country.[9] 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.[10] Religious organizations are deserving of a special note. Most definitions of the non-profit sector include religious organizations. 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 Canada in 1999, while the 23,500 employees in the survey were weighted to represent approximately 10,780,000 paid employees.

For this study, 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.[11] Second, industry information was used to distinguish quasi-autonomous non-governmental organizations (quangos), such as those engaged in the provision of health, education and

[9] 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.

[10] 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.

[11] 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.

public infrastructure, from other non-profit organizations.[12] 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 Oganizations (ICNPO) that has been developed as part of The Johns Hopkins Comparative Nonprofit Sector Project.[13] The ICNPO framework categorizes non-profit organizations into 'major groups' and 'subgroups' based on their primary area of activity. Various experts have examined the relative merits of the approach and while some have proposed refinements to take into account aspects of the sector that are unique to the Canadian context, most agree that the ICNPO approach provides a solid basis for classifying the sector (Davidman et al., 1998). Statistics Canada's National Survey of Giving, Volunteering and Participating uses the ICNPO as an organizing framework, for example.

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 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."

[12] More detailed information on the methodology used to differentiate between non-profit and quango industries is given in Appendix 2.
[13] 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).

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."

What does the ICNPO framework provide that existing industry classifications like the North American Industry Classification System (NAICS) do not? Why is there a need to develop and use a second taxonomy? The simple answer is that existing industry classification systems have not been developed with non-profit organizations in mind. First, NAICS provides detailed classification of goods-producing activities and of service-producing activities in the for-profit sector, but these general taxonomies fail to capture the qualitatively 'different' nature of many of the activities that take place in the non-profit sector. Second, many non-profits are found in a catch-all category that includes religious institutions, grant-making and grant-giving organizations, associations of all types, and advocacy organizations of all types. It is necessary to disaggregate the different kinds of activities undertaken by non-profits to better understand the sector.[14]

Using the industry detail available through the NAICS, we mapped industries onto the ICNPO framework. Appendix 3 presents a detailed description of the methodology used to complete the mapping of the NAICS on to the ICNPO and describes some of the challenges we faced in the process. It should be noted that 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).[15] 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

[14] As was noted in Chapter 2, efforts are under way in a number of countries, including Canada, to build special-purpose ('satellite') accounts that are separate from, but linked to, the more standard, general-purpose classifications of national activities and that reflect the detailed information needs unique to specific sectors or industries. The ICNPO will be used in the Canadian Satellite Account of Nonprofit Institutions and Volunteering to classify statistics on Canada's non-profit sector.
[15] All Major Groups within the INCPO are included in the three aggregated non-profit industry groups created for our analysis, with the exception of INCPO Major Group 10 – Religious Organizations (e.g., churches, mosques, synagogues, temples and seminaries) – which, as was noted above, were not included in the *WES*.

organizations (e.g., philanthropic foundations). This category includes ICNPO Major Groups 1, 8, and 11.

- 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. 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.

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

WES/ICNPO Aggregation	Component ICNPO Industries
Category 1 **Culture, Recreation and Associations**	**Group 1 Culture and Recreation** 1 100 Culture and Arts (e.g., performing arts, zoos and aquariums, libraries) 1 200 Sports1 300 Other recreation and social clubs **Group 8 Philanthropic Intermediaries and Voluntarism Promotion** 8 100 Grant-making Foundations 8 200 Other Philanthropic Intermediaries and Voluntarism Promotion **Group 11 Business and Professional Associations, Unions** 11 100 Business Associations 11 200 Professional Associations 11 300 Labour Unions
Category 2 **Health, Education and Social Services**	**Group 2 Education and Research** 2 100 Primary and Secondary Education 2 200 Higher Education 2 300 Other Education (e.g., vocational education) 2 400 Research **Group 3 Health** 3 100 Hospitals 3 200 Nursing Homes 3 300 Mental Health and Crisis Intervention 3 400 Other Health Services (doctors' offices, dental services, public health services, pharmaceutical services) **Group 4 Social Services** 4 100 Social Services (e.g., elder care, child care) 4 200 Emergency and Relief (e.g., shelters) 4 300 Income Support and Maintenance
Category 3 **Other**	**Group 5 Environment** 5 100 Environment5 200 Animal Protection **Group 6 Development and Housing** 6 100 Economic, Social and Community Development 6 200 Housing 6 300 Employment and Training **Group 7 Law, Advocacy and Politics** 7 100 Civic and Advocacy Organizations 7 200 Law and Legal Services 7 300 Political Organizations **Group 9 International** 9 100 International Activities (e.g., exchange programs, disaster and relief organizations, human rights) **Group 12 Not Elsewhere Classified**

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.[16]

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.

While both the *WES* and the *Business Register* offer a new opportunity to examine the size, composition and characteristics of the non-profit sector in Canada, it is important to note the differences between these two data sources:

- First, the *Business Register* primarily contains information based on administrative sources, while the *WES* contains information drawn from a survey questionnaire completed by a selection of business establishments and employees. Both types of data are subject to error, and while Statistics Canada goes to considerable lengths to minimize these, some error is likely to remain. The types of errors associated with these two types of data are likely to vary as well.[17]

- Second, non-profit organizations are identified in different ways on the *WES* and the *BR*. In the *WES*, non-profit organizations are *self-identified* – based on the response of the organizational representative who completed the survey questionnaire – though again, we note that Statistics Canada employs a variety of tools to ensure the quality of the data. In the *BR*, non-profit organizations are identified on the basis of administrative criteria.

[16] 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.

[17] For example, in the *Business Register*, errors may arise from incomplete or missing linkages between administrative data files (i.e., not all organizations are captured in the census) or from incorrect or outdated information provided on administrative forms. In the *WES*, error may arise in a number of ways, such as sampling error, response error or coverage error (for a discussion of these see Leckie et al., 2001, Appendix A).

- Third, the research design used for the *WES* ensures that only business establishments were included in the sample. As noted above, organizations such as Sears or the YMCA have many establishments across the country; it was the representatives at the establishment level who completed the questionnaire. In the *Business Register*, there is less certainty regarding the organizational units included in administrative files. In some cases, information may be provided by the 'enterprise' rather than the establishment – such that Sears or the YMCA would be counted as a single large unit rather than as many smaller ones. If 'enterprises' rather than 'establishments' are included on the *BR*, then estimates of the actual number of non-profit establishments in Canada drawn from this source will be conservative. Work is ongoing at Statistics Canada to address this issue.

- Fourth, as noted above, the *Business Register* includes criteria that are used to differentiate non-profit organizations that are *inside* and *outside* government.[18] With the exception of industry location, the *WES* does not include such information. Hence, the ability to identify non-profit organizations in the quasi-public (or quango)[19] sector of the economy varies between these two data sources.

- Finally, the *Business Register* includes business entities in all the provinces and territories as well as those in all industries. As noted above, the *WES* sample is limited to the ten provinces and excludes public administration, certain primary industries, and religious organizations.

Clearly, the identification of non-profit organizations is not an easy task. Even at the conceptual level, there remains considerable debate and uncertainty about what types of organizations should or should not be counted as 'non-profit.' This issue becomes even thornier when existing data – with its limitations and shortcomings – are examined. Nevertheless, these data allow us, for the first time, to begin to draw a more detailed picture of non-profit employers and employees in Canada.

[18] Non-profits inside government include entities that are general public administration and those that are classified as government due to funding and/or control. We have classified the latter as 'quangos' for the purposes of our analysis.
[19] 'Quango' stands for quasi-autonomous non-governmental organizations. It refers to institutions such as hospitals, colleges and universities that are in the 'grey area' between the non-profit and public sectors of the economy.

4. THE SIZE OF THE NON-PROFIT SECTOR

Attempts to measure the size of the non-profit sector in Canada have been problematic due to lack of agreement on what constitutes the sector and lack of data upon which to base measurement. Estimates have varied, according to the definition of 'non-profit' used and the assumptions underlying the estimates.[20] As Hall and Banting (2000, p.10) observe, "[w]hat little information we have about non-profit organizations primarily pertains to registered charities … There is … no central registry for non-profit organizations that are not registered charities. No one can say with any certainty how many of these organizations exist, what resources they depend upon or what their contributions are."

Drawing on data in the *Business Register* and the *Workplace and Employee Survey* provides an opportunity to take a different perspective on the non-profit sector, one that includes both those 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 are not included in our estimates of the sector based on that data source.

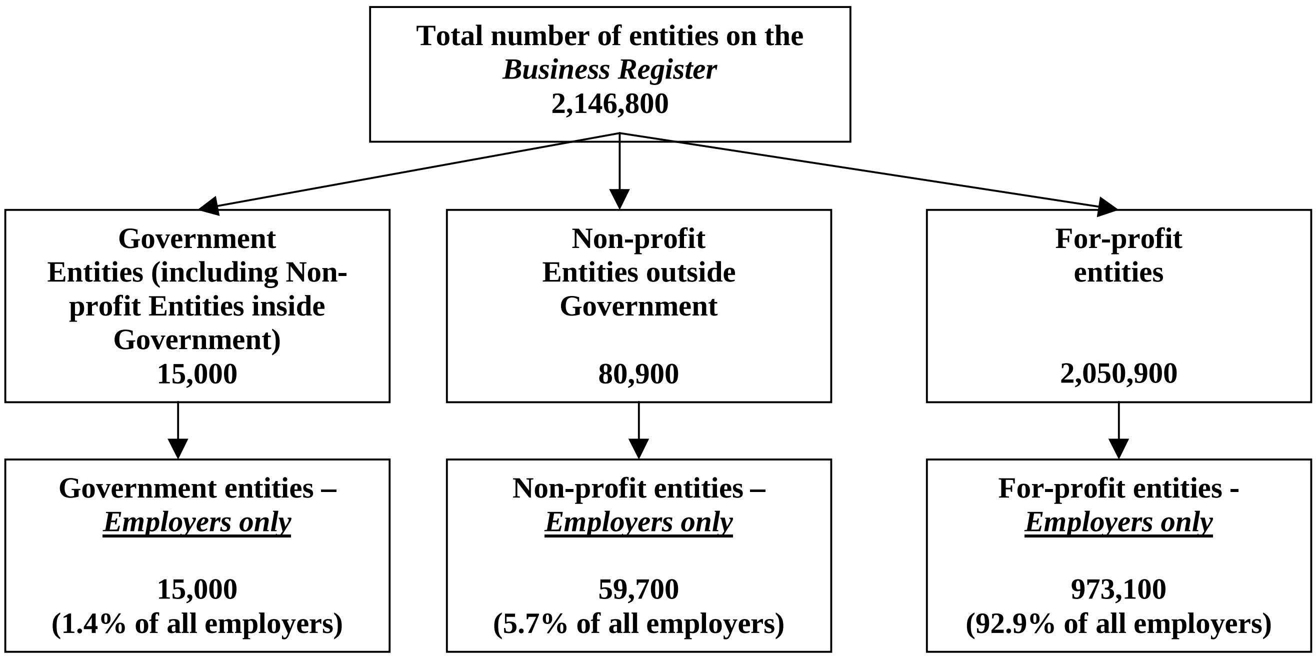
Overall, we find that the non-profit sector is a significant source of paid employment in Canada. Estimates from the *Business Register* and the *Workplace and Employee Survey* indicate that non-profit organizations account for about 6 to 8 percent of all employers in Canada. Moreover, according to the *WES*, about 900,000 paid employees worked in the sector in 1999 and it accounted for approximately $22.1 billion in payroll expenditures.

Number of Employers

Of the 2.1 million business entities contained in the *Business Register* in 2002, just over 2 million were for-profit entities and just under one half of these (973,100) had paid employees. There were close to 96,000 non-profit entities, with 80,900 of those being non-profits outside government and 15,000 being non-profits inside government (including public administration and other entities, like hospitals and universities, that are financed by government) (see Diagram 1 below).

[20] For example, Hall and Banting (2000) citing Revenue Canada figures, report that there were 77,926 registered charities in Canada in 1999. The Canadian Centre for Philanthropy also estimated that Canadian charities received $90.5 billion in 1994 (Hall and Banting, 2000, p. 13). Registered charities, it will be recalled, include hospitals and teaching institutions, many of which are included in the 'quango' category in the taxonomy we developed for our analysis in this report. Moreover, the *WES* does not contain data on religious organizations; these are included in the estimates cited by Hall and Banting.

Diagram 1: Composition of Entities on the *Business Register*, by Non-profit Status and Presence of Employees, Canada, 2002



We note that the overall figure of 80,900 non-profit entities outside government undoubtedly underestimates the size of the non-profit sector in Canada. This is because unincorporated organizations that do not employ paid workers or collect the GST are undercounted in the *BR*.[21] On the other hand, unlike the *WES*, the *BR* does include religious organizations, providing us with a picture of the sector that includes this important component.

A more reliable picture of the non-profit sector can be gained if we limit our analysis to entities that employ paid workers. It is a statutory requirement that employers collect personal income tax, Employment Insurance premiums and Canada/Quebec Pension Plan premiums on behalf of their employees and file these with the appropriate government agencies. Consequently, organizations that employ paid workers are very 'visible' within administrative records and are captured within the *Business Register*. A focus on employers ensures that we are using more reliable data, but with the trade-off of capturing only a

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[21] An entity is included in the *BR* if it meets at least one of the following criteria: has an employee workforce for which it submitted payroll remittances to Canada Custom and Revenue Agency; collects the GST (entities with annual sales below $30,000 are generally exempt from collecting GST); is incorporated under a federal or provincial act and has filed a federal corporate income tax return within the past three years. Also, registered charities are exempt from filing a federal income tax return (T2), even if they are incorporated (they complete a T3010 instead); as a result, registered charities 'miss' the T2 administrative 'signal' that gets them included in the Business Register. Finally, a number of categories of non-profit organizations have a higher GST registration threshold than for-profit business entities. For example, registered charities must register for GST only if gross revenues are greater than $250,000 and have sales of taxable goods and services greater than $50,000 (for the majority of economic entities, the threshold is $30,000).

segment of the non-profit sector. Overall, 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.

As shown in Table 3, the *WES* yields an estimate of approximately 718,000 business establishments (excluding public administration, some primary industries, and religious organizations) with at least one paid employee in the provinces in 1999. Of these organizations, 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.[22] In percentage terms, employers in the non-profit sector accounted for about 8 percent of all employers in the *WES*.

Table 3: Estimate of the Share of Employers Accounted for by the Non-profit Sector, based on the *Workplace and Employee Survey (WES)*, Canada, 1999

	Number of Establishments (weighted count)	Percentage of Establishments
	Number	Percent
EMPLOYERS		
Non-profit sector	58,100	8.1
Quango sector	5,400	0.8
For-profit sector	654,600	91.2
Total	**718,100**	**100.0**

Source: Based on data from the *WES*, 1999.
Weighted count estimates have been rounded to the nearest 100.

Number of Employees

The importance of non-profit organizations as employers can also be assessed in terms of the number of workers they employ and their total payroll expenditures. Based on the *WES*, non-profit organizations employed close to 900,000 workers across the ten provinces in 1999, and accounted for about 8 percent of all paid employees (Table 4).

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.

[22] Estimates produced using data from the *WES* are higher than those obtained using data from the *Business Register*, as would be expected given the differences between the two databases that were discussed in Chapter 2. The estimates based on the *BR* shown in Diagram 1 above include religious organizations, of which there were close to 15,000 on the *BR* in 2002. If these were to be excluded (as they are in the *WES*), then the *BR* would yield an estimate of about 44,753 non-profit employers, accounting for about 4.3 percent of all employers in 2002.

Table 4: 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.

Overall, the non-profit sector accounts for a significant share of employment in Canada. In relative terms, paid employment in the sector is comparable to total employment in Newfoundland, Nova Scotia and New Brunswick, or to total employment in the construction, mining and oil and gas industries.[23]

International perspective

It is useful to place Canada's non-profit sector in an international context. The Johns Hopkins Comparative Nonprofit Sector Project is a source of information on the size and composition of the non-profit sector in a number of countries. To date, Canada has not been a participant in the Project, though there are plans to participate in Phase III of that Project. We therefore used data from the *WES* and from the *Labour Force Survey* to estimate the size of Canada's non-profit sector, expressed in terms of full-time equivalent employment in order to 'match' the international estimates produced by Salamon et al. (1999a).[24] Based on our estimates, Canada is in the 'middle of the pack' in terms of the contribution of the non-profit sector to total employment in selected countries (Table 5).

[23] Based on employment levels in 1999.
[24] The international estimates in Table 5 exclude employment in agriculture and religious organizations. Also, "full-time equivalent" employment has been computed "by converting part-time employment into "full-time" jobs using the country's standard number of hours for a full-time worker." (Salamon et al., 1999a).

Table 5: Non-Profit Share of Total Paid Non-agricultural Employment (Full-time Equivalents), by Country, 1995*

	Percentage of Full-time Equivalent Employment
	Percent
Netherlands	12.5
Ireland	11.5
Belgium	10.5
Israel	9.2
United States	7.8
Australia	7.2
United Kingdom	6.2
CANADA	**5.9***
France	4.9
Germany	4.9
22 Country Average	**4.8**
Spain	4.5
Austria	4.5
Argentina	3.7
Japan	3.5
Finland	3.0
Peru	2.4
Colombia	2.4
Brazil	2.2
Czech Republic	1.7
Hungary	1.3
Slovakia	0.9
Romania	0.6
Mexico	0.4

* The estimate for Canada is for 1999; it is based on estimates by the authors of non-agricultural full-time-equivalent employment using the *WES* and the *Labour Force Survey*. Estimates for other countries are for 1995.

Source: For all countries except Canada, Salamon, Lester M., Jelmut Anheier and Associates (1999a). *The Emerging Sector Revisited: A Summary*. Boston: The Johns Hopkins University, Institute for Policy Studies, Center for Civil Society Studies. Estimates for Canada are by the authors based on data from the *WES* and the *Labour Force Survey*.

The data shown in Table 5 also suggest that there is considerable national variation in the relative size of the non-profit sector. The non-profit sector accounts for relatively large shares of total non-agricultural employment in the Netherlands, Ireland and Belgium (at 10.5 to 12.5 percent). Employment in the non-profit sector accounts for about 6 to 8 percent of total non-agricultural employment in the United States, Australia, and the United Kingdom, while in France, Germany, Spain and Finland, the non-profit sector accounts for less than 5 percent of total non-agricultural employment. Our estimates for Canada suggest that the non-profit sector accounts for about six percent of non-agricultural employment (expressed as full-time-equivalent jobs) – comparable in its relative size to the United Kingdom.

5. CHARACTERISTICS OF NON-PROFIT ORGANIZATIONS

To date, information on the characteristics of non-profit organizations, particularly those that are not registered charities, has been scarce in Canada. This has made it difficult to assess in a comprehensive way what non-profit organizations do, the resources they are able to muster, and so on. In the following section, we provide new evidence on selected characteristics of non-profit organizations.

Sectoral Composition

Non-profit organizations that employ paid workers are found in a variety of industries. Table 6 shows the industrial composition of the non-profit sector (outside government), using data from the *Business Register*. Considerable numbers of non-profit employers are found in religion, arts and entertainment, social assistance, real estate, and even manufacturing. That being said, the largest shares of non-profit employers (outside government) are found in relatively few industry categories. The largest share (26 percent) consists of religious organizations.[25] This is followed by civic and social organizations, at 17 percent. Social assistance organizations account for slightly less than 13 percent of non-profit employers; business, professional, and labour associations account for another 10 percent; and non-profit employers in arts, entertainment and recreation account for about 6 percent. Overall, these five industries account for over 70 percent of all non-profit employers outside government included in the *Business Register*.

[25] As noted earlier, the *Business Register* includes religious organizations. They are included here in order to provide as complete a picture of the composition of the non-profit sector as possible. In many cases, however, assuming data on number of employees in religious organizations would be collected at the establishment level, many of these would in fact consist of a very small number of employees.

Table 6: 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 employers (outside government) in more atypical industries (for non-profits), such as construction, transportation, wholesale, manufacturing, utilities and primary industries account for small shares of the total. Nonetheless, the presence of non-profits in these various goods-producing industries testifies to the breadth and diversity of the sector.

Sectoral Composition: An International Perspective

The composition of the non-profit sector in Canada can also be assessed from an international perspective. Drawing on data collected as part of The Johns Hopkins Nonprofit Sector Project, Table 7 shows the distribution of full-time equivalent (FTE) employment across selected ICNPO industry categories for selected countries. In most countries, four ICNPO categories (culture and recreation, education and research, health, and social services) account for about 80 to 90 percent of all FTE employment in the non-profit sector. The remaining seven categories generally account for 10 to 20 percent. That being said, it is apparent that there are large national differences in the composition of the sector.

Salamon and his colleagues (1999a) suggest that "it is possible to discern five more or less distinct patterns of nonprofit structure" among the 22 countries included in the Johns

Hopkins study. Among these patterns are an *education-dominant model*, a *health-dominant model*, a s*ocial-services-dominant model* and a *culture/recreation-dominant model*. Each of these models is characterized by a concentration of non-profit employment within a specific industry. For example, in those countries classified within the education-dominant model (e.g., the United Kingdom, Ireland and Belgium), about 40 to 60 percent of non-profit employment is located in educational activities. The same logic applies to those countries classified as health- or social-services-dominant. The fifth model identified by Salamon et. al. is the *balanced model*, characterized by a more even distribution of non-profit employment across industries. It is within this model that Canada most aptly fits.[26] Indeed, none of the five ICNPO categories shown in Table 7 accounts for more than 30 percent of non-profit employment (outside government) in Canada, and the overall composition of the sector is comparable to Australia and Finland – two of the countries Salamon et. al. classify within the balanced model. The only exception is the relatively small share of non-profit employment in 'education and research' in Canada, which is not surprising given the strong role of the state in education in Canada.

[26] Using the complete set of 12 ICNPO categories for all of our detailed analysis is not feasible using the *WES* because of limited sample size and the consequent preclusion of any meaningful cross-tabulations; this is especially the case for analysis using the employer database. However, the *WES* can provide straightforward estimates of the number of paid employees in selected ICNPO industries, allowing the composition of the non-profit sector in Canada to be compared to that in other countries.

Table 7: International Comparisons of Composition of Non-profit Sector, based on Number of Full-time-Equivalent Employees, Selected Countries and Selected ICNPO Industry Groups[1]

	Culture & Recreation	Education & Research	Health	Social Services	Other	Total
	Percent					
Education Dominant						
United Kingdom	24.5	41.5	4.3	13.1	16.6	100.0
Ireland	6.0	53.7	27.6	4.5	8.2	100.0
Belgium	4.9	38.8	30.4	13.8	12.1	100.0
Health Dominant						
United States	7.3	21.5	46.3	13.5	11.4	100.0
Japan	3.1	22.5	47.1	16.6	10.7	100.0
Netherlands	3.5	28.0	42.1	19.3	7.1	100.0
Social Services Dominant						
Austria	8.4	8.9	11.6	64.0	7.1	100.0
France	12.1	20.7	15.5	39.7	12.0	100.0
Germany	5.4	11.7	30.6	38.8	13.5	100.0
Culture Dominant						
Czech Republic	31.0	14.6	13.6	11.2	29.6	100.0
Slovakia	36.7	28.5	1.9	5.2	27.7	100.0
Balanced						
Australia	16.4	23.3	18.6	20.1	21.6	100.0
Finland	14.2	25.0	23.0	17.8	20.0	100.0
Canada	**14.4**	**4.3**	**28.8**	**25.3**	**27.1**	**100.0**

[1] Readers are reminded that the definition of 'non-profit' employed by Salamon et al. (1999a, p. 22) excludes non-profit organizations that are "… so tightly controlled either by governmental agencies or private businesses that they essentially function as parts of these other institutions even though they are structurally separate." ICNPO Group 10 'Religious Organizations' is not included in this table because the necessary data were not collected in all countries. Data for Austria, France, Germany, United Kingdom, Australia and the United States refer to 1995; data for Canada are based on the *WES* (1999).
Source: Salamon et al. (1999a), *The Emerging Sector Revisited: A Summary*. Appendix Table 1.

Sectoral Composition: Blurred Sector Lines

In recent decades, the lines between government, the for-profit sector and the non-profit sector have been redrawn. In Canada, for example, debate over the appropriate role of for-profit companies in health care, education, utilities and other industries traditionally thought of as being in the quasi-public or non-profit sectors is ongoing.

The *Business Register* offers an interesting opportunity to examine the sectoral composition of different industries. The evidence presented in Table 8 shows the shares of employers in specific industries that are for-profit, non-profit entities outside government or government entities (non-profit entities inside government). These shares allow us to gain some insight into the relative importance of different types of organizations in specific areas of the economy.

Table 8: Composition of Industries (Employers), by Sector, Canada 2002

INDUSTRY	Government entities (non-profit entities inside government)	Non-profit entities outside government	For-profit Entities	Total
	Percent			
Religious, civic, associations	0.2	99.8	0.1	100.0
Social assistance	2.6	40.2	57.2	100.0
Educational services	9.6	19.2	71.2	100.0
Information, culture and recreation	2.0	12.3	85.7	100.0
Museums, historical sites etc	4.9	55.0	40.1	100.0
Performing arts, sports etc	0.4	18.6	81.0	100.0
Amusement, gambling and recreation	0.7	13.1	86.1	100.0
Information services and data processing	17.5	10.2	72.3	100.0
Broadcasting and telecommunications	0.8	5.9	93.3	100.0
Publishing industries	0.0	4.6	95.4	100.0
Motion picture and sound recording	0.1	2.2	97.6	100.0
Health care	5.6	3.7	90.6	100.0
Nursing and residential care facilities	25.0	18.8	56.2	100.0
Hospitals	74.8	6.4	18.8	100.0
Ambulatory health care services	1.4	1.8	96.8	100.0
Real estate	3.1	3.7	93.1	100.0
Financial services	0.2	1.5	98.3	100.0
Professional, management and scientific	0.1	1.3	98.7	100.0
services	0.4	0.8	98.5	100.0
Distributive services	0.0	0.7	99.2	100.0
Food, accommodation. and personal services	0.0	0.4	99.6	100.0
Goods-producing industries	0.0	0.2	99.5	100.0
Wholesale and retail trade	100.0	0.0	0.0	100.0
Public administration				

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

Several broad conclusions can be drawn from Table 8. As would be expected, virtually all employers that are religious organizations, civic organizations, associations (business, labour, professional), grant-making organizations, political parties, and so on, are contained in the non-profit sector. Conversely, virtually all employers in several industries operate on a for-profit basis; these include employers in goods-producing industries; food, accommodation and personal services; distributive services; professional, managerial and scientific services; and financial services. This is not surprising given the market-driven nature of activity in these areas of the economy.

Other industries, however, fall between these extremes. For example, of the 17,400 employers in social assistance, over one-half (57 percent) are operated on a for-profit basis, likely reflecting the presence of for-profit childcare providers in this category. Non-profit entities outside government account for 40 percent of all employers in social assistance. In educational services, there is also quite a mix. The largest share of employers in this sector is comprised of for-profit entities. This includes businesses that provide instruction in a wide array of areas, such as dance and music instruction, driving instruction, computer and business schools and so on. In contrast, about one in ten employers in educational services are government entities. These tend to be relatively large organizations (about half of them have 250 or more paid employees), such as school boards and post-secondary institutions. Finally, about one in five employers in educational services are non-profit entities outside government.

Even with broad industry groups, there is considerable variation in the balance across the three sectors. This is illustrated in Table 8 for two industries – the information, culture and recreation industry, and health care.

Establishment Size

Establishment size is an important consideration when considering paid employees in any sector of the economy. Generally, smaller organizations tend to offer lower wages, fewer benefits and less job security to their employees than larger firms. Similarly, smaller organizations are less likely to offer formal training (Betcherman, Leckie and McMullen, 1998). With respect to organizational structure, small establishments are likely to have fairly informal approaches to employment contracts and human resource management. For example, a recent CPRN study found that, compared with employees in larger firms, those in smaller ones are far less likely to have a written employment contract and far more likely to have a verbal agreement (Lowe and Schellenberg, 2001).

Small organizations are numerically dominant in both the non-profit and for-profit sectors. Data from the *WES* show that just over one-half of all non-profit establishments (53.4 percent) had fewer than five paid employees in 1999, and close to three-quarters employed fewer than ten workers (Table 9). Only about five percent of non-profit establishments – or one in twenty – employed fifty or more paid workers.[27] This is very similar to the size composition of employers in the for-profit sector, where about three-quarters of establishments employed fewer than ten paid workers and only about 4 percent had fifty employees or more.

Larger workplaces were more prevalent in the quango (or quasi-public) sector, where close to 40 percent had 50 or more paid workers. This is not surprising given that a significant part of the sector consists of hospitals and educational institutions, which tend to employ relatively large numbers of people.

[27] Of course, the picture would be somewhat different, and in some cases, very different, were volunteers to be included in these estimates.

Table 9: Distribution of Establishments by Number of Employees, by Sector, Canada, 1999

	Percentage of establishments having:					
	1 to 4 employees	**5 to 9 employees**	**10 to 19 employees**	**20 to 49 employees**	**50 or more employees**	**Total**
	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.

Small organizations are quite prevalent across the non-profit sector. As shown in Table 10, over 90 percent of establishments in non-profit culture, recreation and associations and in 'other' non-profit industries had fewer than 20 employees. Larger establishments (those with 20 or more employees) were somewhat more common in health, education and social services.

The *Business Register* allows us to consider the size composition of employers at a finer level of industry detail.[28] Estimates from the *BR* also indicate that small establishments are prevalent throughout the non-profit sector. Indeed, over one-half of non-profit entities in every ICNPO category have fewer than ten full-time equivalent employees, and in several categories, over 80 percent of non-profit entities employ fewer than ten full-time equivalent employees (Table 11). It is only in health and in education and research where larger employers are more prevalent.

[28] Employment counts on the *BR* are estimated using aggregate payroll information. For more information on the *BR*, see Appendix 1.

Table 10: Size Distribution of Employers in the Non-profit Industries, 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.

Table 11: Distribution of Non-profit Employers Outside Government, by Estimated Number of Full-time-Equivalent Employees, by ICNPO Major Activity Group, Canada, 2002

	1 to 9 employees	**10 to 24 employees**	**25 to 49 employees**	**50 or more employees**	**Total**
	Percent				
Culture and recreation	81.0	12.0	3.0	4.0	100
Education and research	62.0	20.0	8.0	10.0	100
Health	51.0	23.0	9.0	17.0	100
Social services	58.0	30.0	7.0	6.0	100
Development and housing	77.0	12.0	3.0	5.0	100
Law, advocacy and politics	81.0	13.0	3.0	3.0	100
Philanthropic intermediaries and voluntarism promotion	83.0	12.0	2.0	2.0	100
Religion	94.0	4.0	1.0	1.0	100
Business and professional associations,	74.0	17.0	4.0	5.0	100
unions	68.0	15.0	5.0	11.0	100
Other					

Source: Estimates by the authors, based on authors' methodology for mapping NAICS codes onto the ICNPO (see Chapter 3 and Appendix 3) and estimates from Statistics Canada's *Business Register* of full-time-equivalent employment based on payroll information.

From an organizational standpoint, the small size of most non-profit establishments has a number of implications. First, while one must be cautious about equating small staff size with a small operating-revenue base, it is likely that small organizations have fewer resources than their larger counterparts. A small (paid) workforce and small revenue base mean that small organizations have very limited organizational capacity to deal with changes or shocks in their external environment. Consequently, paid staff in small non-profit organizations are likely to find themselves scrambling to cope with changes in their funding environment or demands to provide new services. Small organizations may also be unlikely to have the funds needed to bring in outside consultants or expertise. But, second, the small size of many non-profit organizations may mean that they are adaptable and responsive to change, since they are less likely to be encumbered by bureaucratic structures. In should be noted that these issues are not unique to the non-profit sector. Most for-profit firms in Canada are very small and have limited resources and capacity to cope with external change. They too face financial uncertainty on an ongoing basis, although perhaps for different reasons than their non-profit counterparts. In this respect, small non-profit and for-profit firms likely share many common traits and circumstances.

Third, the small size of most non-profit organizations means that they may face particular challenges recruiting and retaining paid staff. As noted above, small firms tend to pay lower wages than their larger counterparts. This, coupled with the fact that wages tend to be relatively low in the non-profit sector overall, suggests that small firms in the sector are unlikely to be able to offer attractive compensation packages to potential recruits or current employees.[29]

In addition to considering the size composition of the non-profit sector in terms of *employers*, size composition can be considered in terms of the percentage of employees working in different sized establishments. When this approach is taken, a somewhat different picture emerges. Specifically, employees in the non-profit sector are somewhat more likely to be working in larger establishments than is the case for employees in the for-profit sector (Table 12). Thus we find that about 27.4 percent of paid employees in the non-profit sector work in establishments with fewer than 20 workers, compared to 36.8 percent of paid workers in the for-profit sector. At the other end of the scale, over half of non-profit employees work at locations where there are 50 or more employees. This is the case for 44.5 percent of workers in the for-profit sector. Employment in the quango sector is found almost exclusively in establishments of 50 employees or more.

Compared to the other two non-profit sector industries, paid employees in non-profit culture, recreation and associations were more likely to be employed in small establishments, with 46 percent of employees being found at locations with fewer than 20 employees. Employees in non-profit health, education and social services were more likely to be employed in larger establishments (50 or more employees), while the 'other non-profit' industry displayed a more polarized distribution of employees in organizations with less than 20 employees or more than 50 employees.

[29] Issues around job quality in the non-profit sector, including earnings, hours of work and access to benefits, are treated in the second report in the CPRN research series on the non-profit sector.

Table 12: Distribution of Employees, by Establishment Size and Sector, Canada, 1999

	Percentage of paid employees working in establishments that have:					
	1 to 4 employees	**5 to 9 employees**	**10 to 19 employees**	**20 to 49 employees**	**50 or more employees**	**Total**
Non-profit sector	7.3	9.3	10.8	20.3	52.2	100.0
Quango sector	--	--	--	--	97.4	100.0
For-profit sector	8.3	13.8	14.7	18.7	44.5	100.0
All sectors	7.2	11.7	12.7	16.7	51.7	100.0

Note: '--' Estimates are not shown due to high sampling variability.
Source: Based on data from the *WES* 1999.

Table 13: Distribution of Non-profit Employees, by Establishment Size and Industry, Canada, 1999

	Percentage of non-profit employees working in establishments that have:			
	Less than 20 Employees	**20 to 49 employees**	**50 or more employees**	**Total**
Non-profit culture, recreation and associations	45.5	21.3	33.2	100.0
Non-profit health, education and social services	17.7	23.4	58.9	100.0
Other non-profit industries	37.8	8.5	53.7	100.0
Non-Profit Sector – Total	27.4	20.3	52.2	100%

Source: Based on data from the *WES* 1999.

Regional Perspective

Finally, non-profit organizations can be considered in terms of their regional characteristics. The importance of non-profit organizations as a source of paid employment varies across regions, ranging between 7.5 percent of *employers* in the Atlantic provinces to 4.4 percent in British Columbia (based on data from the *BR*) (Table 14).

Table 14: Distribution of business entities with paid employees, by sector and region, 2002

	Atlantic	Quebec	Ontario	Prairies	British Columbia	Territories
	Number					
Non-profit entities	6,300	15,500	18,500	11,600	7,000	400
Government entities	1,900	3,700	2,800	4,400	1,800	400
For-profit entities	76,500	224,700	323,400	196,500	148,800	3,300
Total	**84,800**	**244,000**	**344,700**	**212,500**	**157,600**	**4,100**
	Percent					
Non-profit entities	7.5	6.4	5.4	5.5	4.4	10.6
Government entities	2.3	1.5	0.8	2.1	1.1	9.5
For-profit entities	90.2	92.1	93.8	92.5	94.4	80.0
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Statistics Canada, *Business Register*. Custom tabulations.
Population estimates have been rounded to the nearest 100.

Table 15 draws on the *WES* to show the composition of *employment* across the three sectors by region. Here we find only small differences across regions, with the share of employment found in non-profit organizations ranging between about 7 and 10 percent.

Table 15. Distribution of employment, by sector and region, 1999

	Atlantic	Quebec	Ontario	Prairies	British Columbia
	Percent				
Non-profit sector	9.1	9.7	7.4	10.1	8.0
Quango sector	15.1	13.2	11.0	16.6	13.4
For-profit sector	75.8	77.2	81.7	73.3	78.6
Total	100.0	100.0	100.0	100.0	100.0

Source: Based on data from the *WES* 1999.

6. CHARACTERISTICS OF NON-PROFIT EMPLOYEES

Demographic and economic trends are reshaping the Canadian labour force and have important implications for the non-profit sector. The ageing of the labour force is certainly a key consideration in this regard. Between 1990 and 2001, the share of the workforce comprised of persons aged 45 or older increased from one quarter to one-third, and over the coming decade, the large cohort of workers in the baby-boom generation will begin to retire. Hence, it is important to consider the age profile of the non-profit sector to determine how large a challenge it will face in terms of labour turnover, recruitment and retention in the years ahead.

The role played by women in the sector is another consideration. The entry of women into the paid labour force is a long-established trend in Canada and today women account for just under one-half of all paid employees (48 percent in 2000). Evidence indicates that women still experience greater difficulty in balancing paid employment with family responsibilities. For example, Duxbury and Higgins find that "mothers reported the highest levels of role overload [i.e., too much to do and not enough time to do it] and family-to-work interference …." Similarly, Statistics Canada reports that 'time crunch' is most prevalent among mothers employed on a full-time basis (Duxbury and Higgins, 2001; Frederick and Fast, 2001). Gender and the presence of children have human resource management implications for individuals and the firms they work for.

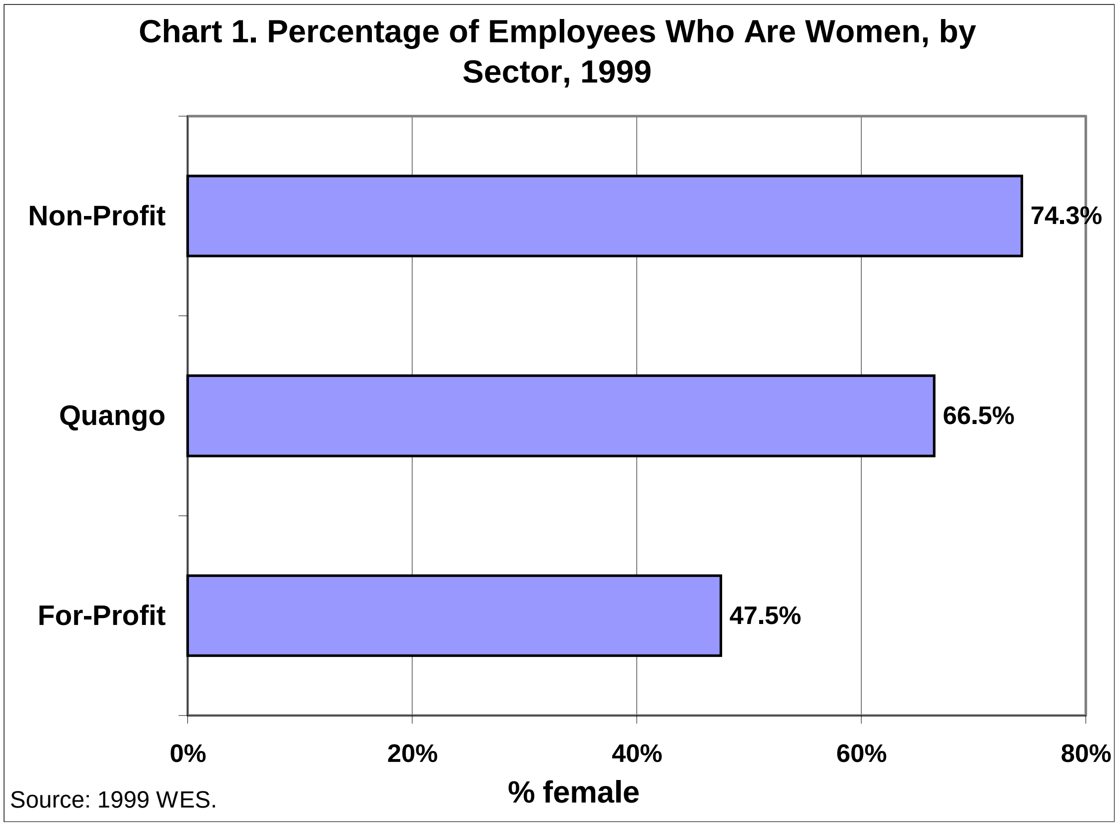
The role of immigration in the Canadian economy is another factor that warrants consideration. While immigration accounted for only 10 to 20 percent of net labour force growth through the 1970s and early 1980s, it now accounts for over 70 percent of labour force growth. Moreover, it is anticipated that in the next five-to-ten years, virtually all labour force growth will derive from immigration. In this context, immigrants will likely be an important source of paid labour for employers in all sectors of the economy.

Of critical importance are the education and skills that employees bring to their jobs, both in the form of formal education and in terms of years of experience. In its recent report, *Knowledge Matters: Skills and Learning for Canadians*, Human Resources Development Canada (2002, p. 8) states that "by 2004, more than 70 percent of all new jobs created in Canada will require some form of post-secondary education, and 25 percent of new jobs will require a university degree." Knowledge, skills and expertise are likely to be especially important for non-profit organizations given the involvement of these organizations in fields such as culture, health, social services and other 'high-end' activities.

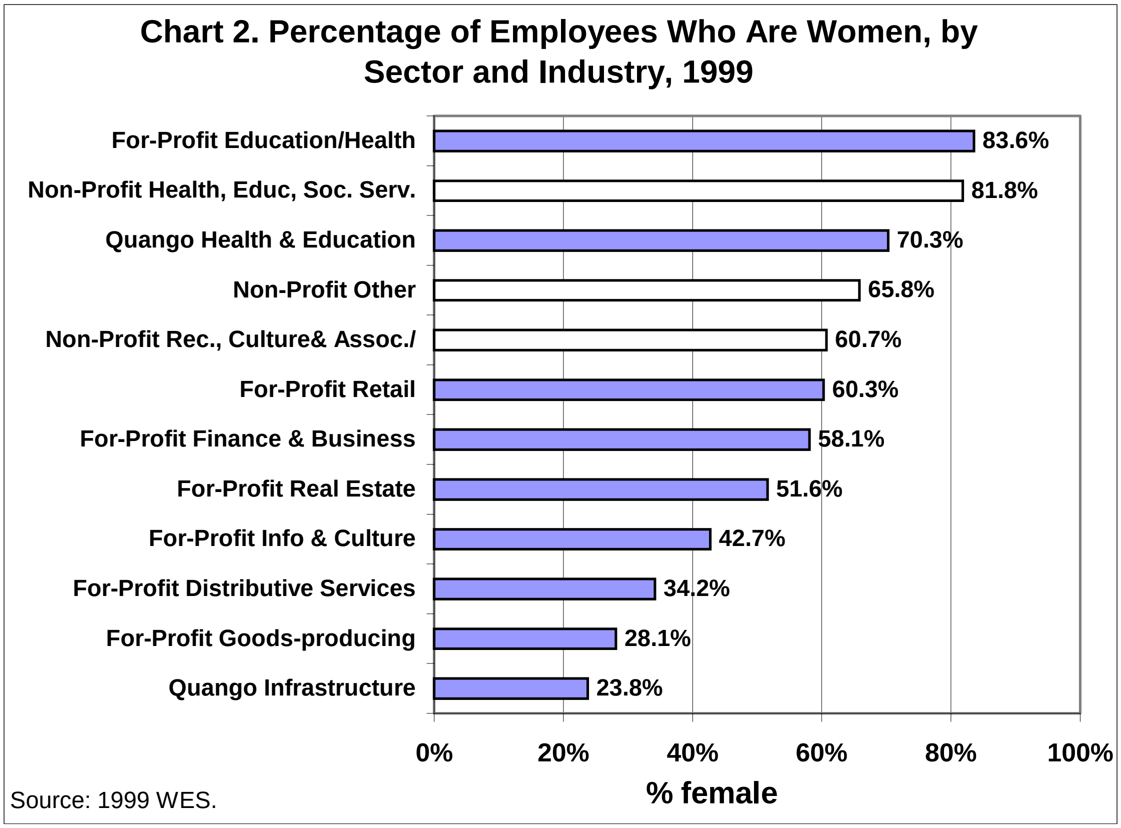
We begin our discussion by looking at the gender profile of the sector.

Gender

The non-profit sector is distinct in terms of the share of paid employment that is comprised of women. As shown in Chart 1, the sector is clearly female-dominated, with women accounting for about three-quarters of paid employees. Women also predominate in the quango sector, but to a lesser extent, at about two-thirds of employees. In contrast, women account for slightly less than half of employment in the for-profit sector.



There are differences in the gender composition of employment across industries within each of these three sectors. The health and education industries are clearly female-dominated, regardless of sector (Chart 2). Women account for over 80 percent of paid employees in both the for-profit education and health and in the non-profit health, education and social services industries, and for 70 percent of employment in the quango health and education industry. In fact, women account for well over half of employment in each of the three non-profit industries. The for-profit sector shows greater variation, with women accounting for relatively large shares of employment in retail trade and finance and business industries, and for relatively small shares in the goods-producing industry. It is interesting to note that women account for about 61 percent of employment in non-profit culture, recreation and associations, but for only 43 percent of employment in the for-profit information and culture industry.



Overall, the numerical dominance of women in the non-profit sector is striking. What accounts for this pattern? While more research is needed, a number of reasons can be suggested. First, we note that many jobs in the non-profit sector are in the 'caring professions,' like nursing, social work, and child care. Traditionally, occupations such as these have attracted more women than men. Indeed, while shifts are becoming evident, it has long been the case that women have enroled in programs of study at the post-secondary level related to 'caring occupations' in far greater numbers than men.

Second, it may also be the case that that small, non-profit organizations provide the flexible schedules that women want and need to balance paid employment and family responsibilities. This is a point that is explored in some detail in the second report in this series, which addresses issues around job quality in the non-profit sector.

Third, it has been argued for many years that many women encounter a 'glass ceiling' with respect to reaching the ranks of management, or, if they do reach those ranks, they do so at significant personal cost, whether that be in terms of work-family balance or in terms of other choices. It may be then that work in non-profit organizations offers women the opportunity both to assume senior management roles and to do so with greater flexibility. Is that because there are more women in the sector, reducing any real or perceived gender barriers? Indeed, women occupy two-thirds of the managerial positions in the non-profit sector, but about one-half of managerial positions in the quango sector and about one-third in the for-profit sector (Table 16). While there are differences in the pay accorded to managerial positions across the three sectors (documented in the next report in this series), the non-profit sector appears to provide women with greater latitude for entry into managerial, professional and other roles, and with greater flexibility.

Table 16: Gender Composition of Managerial Employees, by Sector, Canada 1999

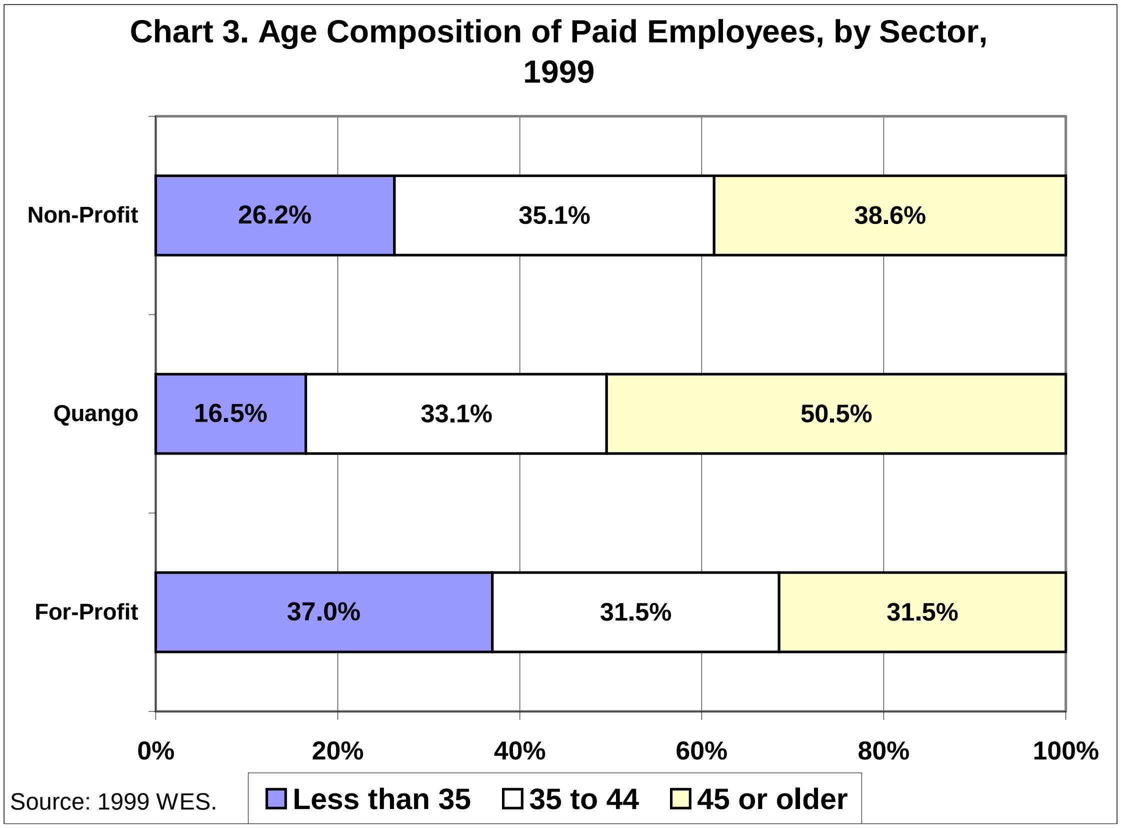
	Non-profit sector	**Quango Sector**	**For-profit Sector**
Percentage of managers who are:			
Women	67.6	49.0	35.8
Men	32.4	51.0	64.2
Total	100%	100%	100%

Source: Based on data from the *WES* 1999.

What are the implications of female dominance of employment in the non-profit sector? Again, while more research is needed, we can offer some hypotheses about the possible human resource implications. One of these is that the demand for flexible work schedules, such as flexible hours and part-time hours, may be higher for workers in the sector. Having a labour force that consists largely of workers with these needs will require an ability to manage a highly flexible work force. Second, the quality of employment in the sector will have a particularly large impact on women. Third, recent research suggests that women and men may differ in terms of the values and expectations they bring to the job. For example, Hughes, Lowe and Schellenberg (forthcoming) suggest that women are more likely than men to place a high value on good quality communication in the workplace, on a strong employer-employee commitment, and on flexibility and work-family balance. Moreover, gender differences on these dimensions are most evident between women and men with university degrees – and, as will be seen below, women with university degrees account for a significant share of employment in the sector. What this means is that effective human resource management strategies in the non-profit sector may need to recognize and respond to the unique needs of women.

Age

Employees in the non-profit sector are relatively concentrated in a ‘middle age’ group, compared with other sectors. As shown in Chart 3, 26 percent of paid employees in the non-profit sector in 1999 were less than 35 years old. This share is significantly larger than in the quango sector, where only about 16 percent of employees were younger than 35, but it is significantly smaller than in the for-profit sector where 37 percent of employees were younger workers. At the other end of the age spectrum, the share of older workers (aged 45 or more) in the non-profit sector (at 39 percent) again falls between the quango and the for-profit sectors (at 51 and 32 percent, respectively).



In the coming decade, the non-profit sector will find itself competing increasingly with employers in other sectors for employees to replace current employees who retire – and it is likely that many employers will find themselves competing for workers with similar characteristics. The older age profile of employees in the quango sector and, we know as well, in government (Lowe 2001), means that employers in those sectors are likely to face recruitment and retention issues earlier than other sectors. To the extent that women, especially highly-qualified women in managerial and professional roles, represent a key source for the kinds of jobs that will need to be filled, it can be expected that employers in the non-profit sector will encounter a highly competitive labour market over the next few years.

Table 17 provides detail on the age composition of employees at a more disaggregated industry level. Quango infrastructure and quango health and education exhibit the oldest age profiles, with only 17 percent and 16 percent of employees respectively being less than 35 years old in 1999 and 46 percent of employees or more being over the age of 45. These two industries are followed closely, however, by the 'other non-profit,' non-profit health, education and social services and for-profit education and health industries in terms of having a relatively small proportion of young workers and a relatively large proportion of older workers. Again, as noted above, many of these industries, especially those in health, education and social services, will likely be competing for the same kinds of workers over the next few years.

The non-profit culture, recreation and associations industry exhibits a somewhat different age profile than the other two non-profit industries, having a larger share of young workers and a relatively smaller share of older workers. There are not enough data to allow us to provide age breakdowns at a finer level of industry detail. However, it is very likely that there are differences within this industry across its component parts. For example, it might be expected that employees in recreation would tend to be relatively younger. On the other hand, a recent study of the not-for-profit culture industry finds that issues around recruitment and retention of managers are high on the industry's agenda. Harvey (2002) observes that many organizations in the sector coped with government cutbacks in the late 1990s by reducing staff and eliminating many entry-level career-path jobs that traditionally were the means for developing future managers. Recruitment of younger workers, succession planning and the need to address a number of human resource management issues in the industry are key issues, since it is expected that many experienced managers will be retiring over the next few years.

Table 17: Age Distribution of Paid Employees, by Sector and Industry, 1999

	Less than 35 Years	35-44 Years	45 Years or More
Non-profit culture, recreation and associations	39.9	30.7	29.3
Non-profit health, education and social services	22.1	38.2	39.8
Non-profit other	23.4	31.2	45.3
Quango infrastructure	17.1	37.5	45.5
Quango health and education	16.4	32.7	50.9
For-profit goods-producing	32.1	35.0	32.9
For-profit distributive services	31.5	36.7	31.8
For-profit retail	47.6	25.4	27.0
For-profit finance and business	35.2	33.2	31.6
For-profit real estate	38.6	29.3	32.1
For-profit education and health	27.5	28.1	44.3
For-profit information and culture	34.0	30.6	35.4

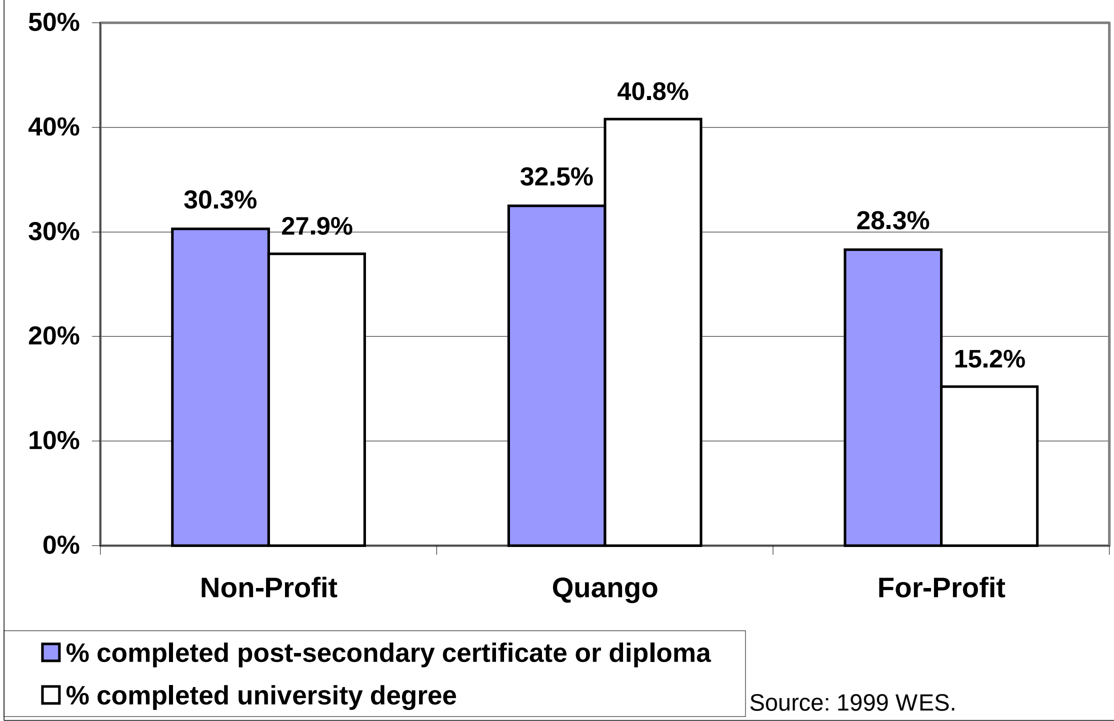
Source: Based on data from the *WES* 1999.

The culture industry is typical of many parts of the non-profit sector. Clearly, the sector will be confronted with issues around recruitment and retention over the coming decade as increasing numbers of employees reach retirement age. This will come at a time when other industries, many of which will be looking to recruit workers with similar qualifications, will also be grappling with these same issues. The competition for highly-qualified workers in a very competitive job market means that issues around job quality, working conditions, terms of employment, and job satisfaction will rise to the top of the agenda for many workers – and for their prospective employers. This is demonstrated by the health, education and social services industries, where, it could be argued, the effects of expenditure cuts by governments, lay-offs and deteriorating working conditions have already resulted in a weak recruitment trend. To the extent that other parts of the non-profit sector also are experiencing these kinds of pressures, it can be expected that the environment for succession planning will be a challenging one.

Education

Chart 4 shows the educational attainment of employees across each of the three sectors. The three sectors are very similar with respect to the percentage of employees who have completed a non-university post-secondary program, all at about 30 percent. A striking difference is apparent, however, when those who have completed a university degree are considered. Here we find that the for-profit sector ranks lowest, at about 15 percent. The share holding a university degree is almost twice as high in the non-profit sector, at 28 percent, and it is higher still in the quango sector where over 40 percent of employees had completed university in 1999.

Chart 4. Educational Attainment Among Paid Employees, by Sector, 1999



Source: 1999 WES.

Again, there are large differences in educational attainment across industries in all three sectors (Table 18). Clearly, educational attainment is highest in the quango health and education industry where 43 percent of paid workers had a university degree and another 31.6 percent had completed a post-secondary certificate or diploma. Non-profit health, education and social services and for-profit education and health ranked second in terms of the overall percentage of employees with post-secondary qualifications. But the mix of post-secondary differed between the two, with the former having a higher share of employees who had completed university, while the latter was more heavily composed of employees with a non-university post-secondary education. The educational attainment of employees in non-profit culture, recreation and associations industry most closely resembles the post-secondary profile of the for-profit finance and business sector, which, it will be recalled, is also a big employer of women.

Over the past couple of decades, shifts in labour market demand have been placing a premium on post-secondary education and this trend is expected to intensify in the future in response to on-going changes in the technological and global environment. So, not only will recruitment and retention issues grow as retirements begin to increase, but the competition will increasingly focus on those with a post-secondary education. So far, at an aggregate level, the supply of new graduates with a college or university education has been such that overall demand has been met. But, the generation now entering the labour market is smaller than the soon-to-retire baby-boom generation, so the recruitment pool is smaller.

Table 18. Educational Attainment Among Paid Employees, by Sector and Industry, Canada 1999

	Completed Non-University Post-Secondary (e.g., college diploma, trade certificate) Percent	Completed University Percent
Non-profit culture, recreation and associations	27.7	26.0
Non-profit health, education and social services	35.2	27.7
Non-profit other	20.1	22.8
Quango infrastructure	37.3	19.2
Quango health and education	31.6	43.0
For-profit goods-producing	30.6	12.4
For-profit distributive services	29.7	13.5
For-profit retail	21.7	8.8
For-profit finance and business	28.4	28.4
For-profit real estate	26.1	14.7
For-profit education and health	47.6	18.3
For-profit information and culture	28.7	28.5

Source: Based on data from the *WES* 1999.

Furthermore, the real issue in some fields, like health and education, concerns the supply of people with specialized education and training. In other cases, the question concerns the ability to recruit and retain employees with advanced education, but who have skills that could be applied in different industry and organizational settings. We saw earlier, in Table 9, that many industries in fact consist of a mix of non-profit, for-profit and government organizations. For example, in the museums and historical sites industry, 55 percent of employers are non-profits outside government and 40 percent are for-profit. Similarly, 17.5 of employers in information services and data processing are non-profits inside government, 10.2 percent are non-profits outside government and 72.3 percent are for-profit. It could be expected that many workers in these sectors would have the skills needed to work in any of the three sectors. Working conditions and overall job quality, as well as personal values and philosophy, will play roles in the choices workers make.

Occupation

Employment in the non-profit sector, like that in quango organizations, consists of a heavy ‘professional’ component (Table 19). In 1999, about one-third of workers in non-profit establishments were in professional occupations. This rises to close to half of those in the quango sector, whereas in the for-profit sector, workers in professional occupations accounted for only about 10 percent of employees. The percentage of employment accounted for by managers was similar in the non-profit and the for-profit sectors, both at around 15 percent. The concentration of employment in professional occupations is consistent with the high educational attainment of workers in the sector.

Table 19: Occupational Composition of Employment, by Sector

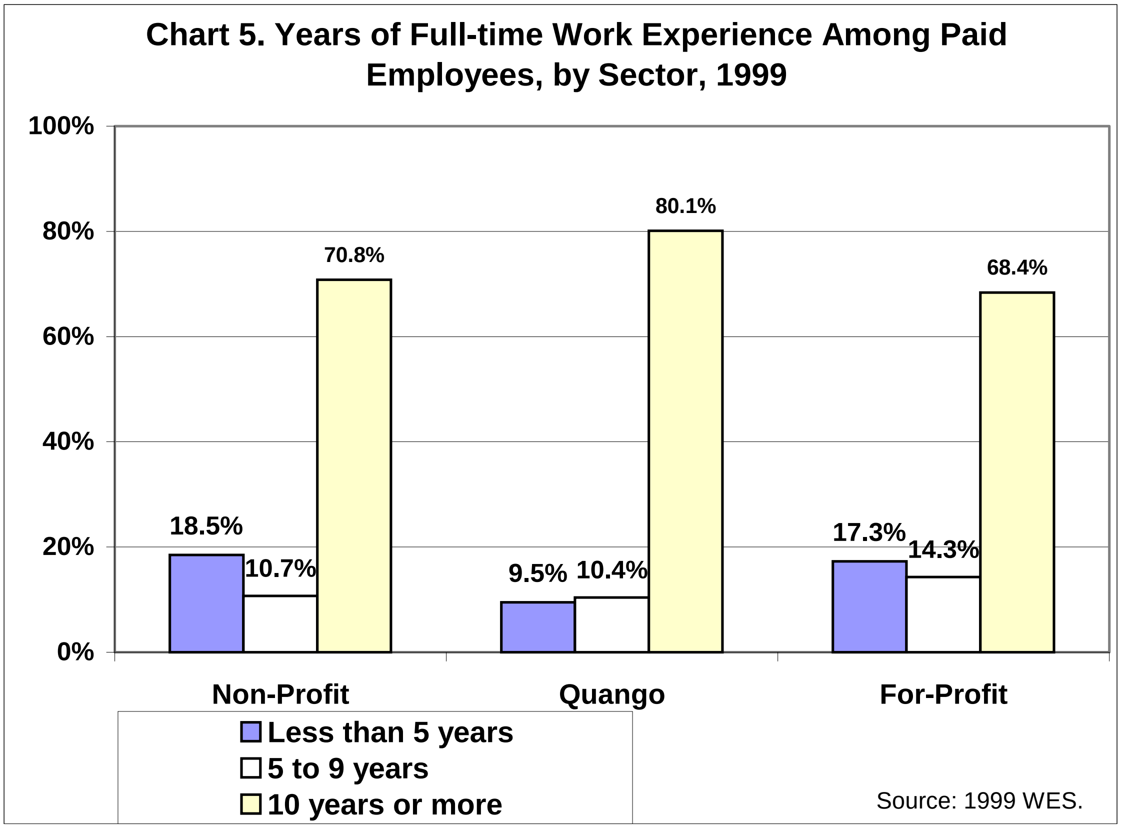
	Non-Profit Sector	Quango Sector	For-Profit Sector
		Percent	
Managerial	14.9	9.0	16.1
Professional	33.0	47.1	9.5
Technical/Trades	31.8	27.6	41.6
Sales/Marketing	--	--	10.4
Clerical /Administrative	10.8	12.4	14.6
Production	8.1	3.9	7.9
Total	100%	100%	100%

Note: ‘--‘ Estimates are not shown due to high sampling variability.
Source: Based on data from the *WES* 1999.

Work Experience

We turn now to consider two aspects of employment that serve as indicators of experience that employees bring to a job.

The first of these is number of years of full-time work experience. Here we find relatively small differences between the non-profit and the for-profit sectors. In both cases, close to 70 percent of workers have more than 10 years of full-time work experience. These two sectors stand in contrast to the quango sector, where almost 80 percent of workers have more than 10 years of full-time work experience (Chart 5). The other end of the scale – workers with less than 5 years of work experience – is an indicator of recent recruitment trends. Here, we find again that the non-profit and for-profit sectors are similar, both having close to 18 percent of employees in this category. In the quango sector, only about 9 percent of workers have been in the labour market for less than five years.



Again, there are large differences across industries with respect to years of full-time work experience. Among the non-profit industries, 'other non-profit' stands out as having an experienced work force with slightly more than nine out of ten employees having 10 years or more of full-time work experience. In non-profit culture, recreation and associations, about three-quarters of employees reported having been in the labour market on a full-time basis for 10 years or more and in non-profit health, education and social services, the percentage was 63 percent.

While these data are helpful in drawing a picture of employees in non-profit industries, they leave a lot of questions unanswered. First, they are not necessarily an indicator of overall work experience since, as later reports in this series show, many employees could have worked for more years, but on a part-time basis. And others may have entered the work force after having spent some time at home, with young children, for example.

Dependent Children

The status of employees with respect to having young children is an important characteristic, since it can be expected that these employees will be more likely to encounter competing demands from work and family and to experience stress due to 'time crunch.' As Duxbury and Higgins (2001) observe, women are more likely to report feeling stressed by such work-family demands, so awareness of the extent of the issue is particularly important in the non-profit sector where the percentage of female employees is high. One might expect, in fact, that industries in which employers are able to offer employees flexible schedules and opportunities for time off for the care and nurturing of young children will be more successful in attracting and retaining employees who are struggling to balance work and family. In fact, 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), setting these two sectors apart from the for-profit sector, where only 14.2 percent of employment is comprised of women with younger children.

Of course, flexibility in work schedules can be a double-edged sword. On the one hand, it can offer opportunities for balancing work and family responsibilities. On the other hand, and this is perhaps most evident in the case of healthcare workers, flexibility may work more strongly in favour of the employer if it means shift work, overtime or insufficient hours, being on-call, and working nights and weekends. (Such aspects of the quality of work in the non-profit sector are examined in the second report in this series.) While some women choose this kind of flexibility so that childcare responsibilities can be shared with their spouse, it is also the case that such non-standard schedules can make arranging appropriate childcare and accessing other services much more difficult. Failure to recognize and respond to the need for workers to balance work and family can lead to serious problems in recruitment of new workers and retention of experienced employees. This will be an issue especially in industries that rely heavily on women as an integral part of the workforce and therefore should be of concern to much of the non-profit sector. Depending on how employers implement such flexibility, it can act either as a tool that attracts and retains workers or as a factor that works against these goals.

7. CONCLUSION

The non-profit sector has grown and evolved to become an important part of Canadian society and of the Canadian economy. With some blurring around the edges, the lines delineating the spheres of activity of government and the for-profit sector tend to be more or less clear. The same cannot be said of the non-profit sector, with the space it occupies cutting across both the government and the for-profit sectors. That, in part, accounts for some of the complexity we see in the sector, given that it encompasses a wide range of very diversified economic and social activities, some of which are unique to the sector and some of which are also performed by for-profit and government organizations.

Ultimately, our interest in producing this series of reports is to provide a first look at human resources in the sector. On the one hand, Statistics Canada's *Business Register* is very helpful in providing information on employers and is a key resource for beginning the process of measuring the size of the non-profit sector. On the other hand, the *Workplace and Employee Survey* offers a unique opportunity for beginning the process of drawing a picture of people who work in the sector, but with the constraint that it includes only *employers and paid employees.* Thus, we can provide a description that applies to paid employees in non-profit organizations, but not of workers in non-profit entities that are operated solely by volunteers, nor of volunteers who work alongside paid employees. That being said, this first report in the CPRN research series on human resources in the non-profit sector provides detailed information on the size and industry composition of the sector and on the characteristics of paid workers. Subsequent reports in this series address related issues like working arrangements and the quality of work in non-profit organizations, training and skill development, human resource practices and organizational change, and issues around recruitment and retention.

Estimates based on the *WES* indicate that overall, the non-profit sector in Canada consisted of close to 900,000 paid employees in about 58,000 establishments in 1999, excluding religious organizations which were not included in the *WES*. Small employers characterize many parts of the sector. But the sector is not homogeneous in this respect, with some industries, especially those in healthcare, consisting of large employers. The sector is heavily composed of women. Educational attainment in the sector is high, with many paid employees holding university degrees. Many are in professional occupations and are either in their prime working years or slightly older (over age 45), and many have family responsibilities that involve young children.

Having such an employee profile presents two sets of issues. First, employers in the sector need to be aware of the characteristics of their primary pool of workers, from two perspectives. One of these is the need to recognize and build on the opportunities these workers can offer for the vitality of the sector. But, employers must also be aware of the needs and wants that this group of workers brings to the job. Second, are issues around recruitment and retention. Large parts of the non-profit sector employ workers with characteristics similar to workers in the quango and government sectors. Competition for these kinds of workers will intensify over the coming years.

These issues come together to put the spotlight on the workplace – the quality of jobs offered, access to training opportunities, and human resource practices. This is not to say that workers in the sector are motivated only by extrinsic rewards related to their jobs. To the contrary, many observers make the case that intrinsic motivators like a strong commitment to the cause of the organization, a strong civic sense, and a good match with an individual's values play a key role in attracting and retaining many of those who work in the non-profit sector. However, that does not mean that workers in the sector are unmindful of working conditions and terms of employment. If employers in the sector want to be able to compete for the educated and highly-skilled workers they need in order to be able to function in a complex environment, then they, like employers in other sectors, will have to assess their performance not only in terms of providing interesting and rewarding work, but also in terms of the quality of the jobs they offer.

This first report in the CPRN research series on human resource issues in the non-profit sector has addressed a number of challenging definitional and methodological issues and has provided a profile of the industry and size characteristics of employers in the sector and a range of demographic characteristics that describe paid workers in the sector. This basic information provides the foundation upon which we extend our analysis in subsequent reports in this series, beginning with a consideration of working arrangements (wages, benefits, hours and non-standard employment) in the second report in this series.

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Appendix 1
Identifying and Measuring the Non-profit Sector Using Data from 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. In 2002, the *BR* file contained information on approximately 2.1 million business entities in Canada.[31] 'Entities' on the *BR* include for-profit businesses, some businesses that are not incorporated, 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.

Organizations are included on the *BR* if they have a business number and meet one or more of the following criteria (Statistics Canada 2001):

- the organization is incorporated under a federal or provincial Act and have filed a federal corporate income tax return (T2) with Canada Customs and Revenue Agency (CCRA) within the past three years;
- the organization has an employee workforce for which they submit payroll remittances to CCRA;
- the organization collects the Goods and Services Tax (GST – i.e., it has a GST account).[32]

The *Business Register* is updated on a monthly basis using administrative information from the CCRA on all entities receiving a Business Number. Overall, the *Business Register* includes all incorporated organizations in Canada, regardless of whether or not they employ paid workers, as well as unincorporated organizations that either employ paid workers or collect the GST.

An organization is identified as 'non-profit' in the *Business Register* if it meets any one of the following conditions:

- the organization filed a Registered Charity Information Return (T3010);
- the organization filed Non-profit Organization Information (T1044)[33];
- the organization is a non-taxable corporation (T2);
- the organization is a federal, provincial or municipal government establishment;

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[31] Our description of the *Business Register* draws heavily on Statistics Canada 2001.

[32] Organizations with annual sales of less than $30,000 per year are generally exempt from collecting GST (Statistics Canada 2001). Also, a number of categories of non-profit organizations have a higher GST registration threshold than business entities. For example, only registered charities with gross revenues greater than $250,000, or sales or taxable goods and services greater than $50,000, are required to register for the GST.

[33] Since 1993, the CCRA has required larger non-profit organizations – those with annual revenues of more than $10,000, or assets of more than $200,000 – to file Form T1044.

- the organization has been assigned a North American Industry Classification System (NAICS) code in a non-profit industry. The relevant codes include Religious Organizations, Labour Organizations, Political Organizations, Grant-making and Giving Services Organizations, Social Advocacy Organizations, and Civic and Social Organizations.

As a general rule, the *BR* uses administrative information as 'signals,' but does not contain the actual information reported on these administrative sources. For most entities, employment estimates are derived from information on payroll deductions. These model-based estimates have proven to be a good estimator of employment-equivalent figures and are used for survey stratification purposes.

We note that registered charities are likely to be under-represented in the *BR*, for two reasons. First, registered charities are exempt from filing a federal income tax return (T2) even if they are incorporated (they are only required to file a T3010). Second, a number of categories of non-profit organizations have a higher GST-registration threshold than business entities. For example, registered charities are required to register for GST only when gross revenues exceed \$250,000 or sales of taxable goods and services are greater than \$50,000 (for the majority of economic entities, the GST threshold is sales of taxable goods and services of \$30,000). For these reasons, registered charities always 'miss' the T2 administrative signal that would automatically get them included in the *BR*, and they are also less likely to be included because of the higher GST-registration threshold applied to them

In addition to the non-profit/for-profit distinction, the *BR* allows for the identification of non-profits that are *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 that are outside public administration, but that are largely financed and controlled by government. Included in the latter are some entities in the health and education industries, for example (see Statistics Canada 1999).

Briefly stated, an entity is classified to the public sector/government (i.e., it is *inside government*) if it meets any of the following criteria:

- is non-commercial in nature (i.e., not having a view to a profit);
- is entirely owned by government (a government holds the legal deed to the entity's property, and assets would revert to government in the event of the entity's liquidation);
- is controlled by government, defined as 50 percent of more of the entity's expenditures are derived from public funds, and the entity is accountable to government for the use of public funds, as determined by any one of the following:
    - the entity's budget is approved by government;
    - the entity must undergo official audits and report to government;
    - the entity's operations and use of resources is reflected in government's financial accounts;

    - the entity’s financial accounts are subject to examination by the auditor general;
    - the entity’s employees negotiate collective agreements with a government;
- performs an intrinsically governmental function, such as performing a regulatory function or providing goods and services only to government.

In addition to identifiers for entities that are for-profit, non-profit entities outside government or non-profit entities inside government, the *Business Register* includes information on organizational characteristics such as size, industry, and geographic location.

Because a large number of non-profit organizations outside government are included in the *Business Register,* it is possible to categorize these organizations using all 12 groupings in the ICNPO framework. The challenges faced in doing so are discussed in Appendix 3.

Appendix 2
Using Industry as a Proxy for Non-Profit / Public Sector Identification

The boundary between the non-profit and the public sectors has long been fuzzy. Governments and public sector organizations have been restructured over the past decade and have withdrawn from the provision of some goods and services. At the same time, non-profit and for-profit organizations have taken on activities that were previously 'public sector' responsibilities. Hence, activities have shifted and there is increased scope for confusion regarding boundaries. The fact that many non-profit organizations are heavily reliant on governments for large shares of their revenues further increases confusion regarding the 'institutional separation from government' of some organizations.

The 'public sector' nature of some industries is also a theme that runs through the literature. For example, colleges and universities are often considered to be 'public sector' rather than 'non-profit' sector institutions given funding arrangements, legal accountability, and collective agreements. One might also argue that organizations in industries such as transportation or utilities are 'public sector institutions' insofar as they are presumably owned and operated by (or at least responsible to) government.

The same issue arises in our *WES* analysis. In the *WES*, business establishments in various industries are identified as 'non-profit' by the organizational representative who completed the survey. This allows us to differentiate 'non-profit' from 'for profit' establishments, but it does not allow us to cleanly differentiate *non-profit establishments outside government* from *non-profit establishments inside government* – the two categories included on the *BR*.

One can take industry sector as a proxy for the latter distinction, which is the approach that we took. That is, self-identified non-profit organizations were further subdivided into 'qausi-public sector' or 'quangos' (quasi-autonomous non-governmental organizations) based on their industry location. Included in the quango category were 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), certain construction establishments (e.g., bridge, street and sewer construction) and waste-disposal establishments. These were deemed to be 'quasi-public sector'organizations – distinct from other non-profit organizations – based on the types of activities in which they're engaged.

However, this raises the question of the accuracy of what might be regarded as a somewhat arbitrary exercise. For example, of the self-identified non-profit establishments in 'social services,' how many should be considered as being *inside* vs. *outside* government? Likewise, of the self-identified non-profit nursing homes and ambulatory health care facilities included in the *WES*, what proportions would best be categorized as *inside* vs. *outside government* (or public sector vs. non-profit sector using different terms)? The *WES* provides relatively few clues on this issue.

The *BR* allows us to gain some insights into this issue. Using industry data from the *BR* for 2002, we calculated the share of non-profit entities that lie inside and outside government. Hence, we asked, for example:

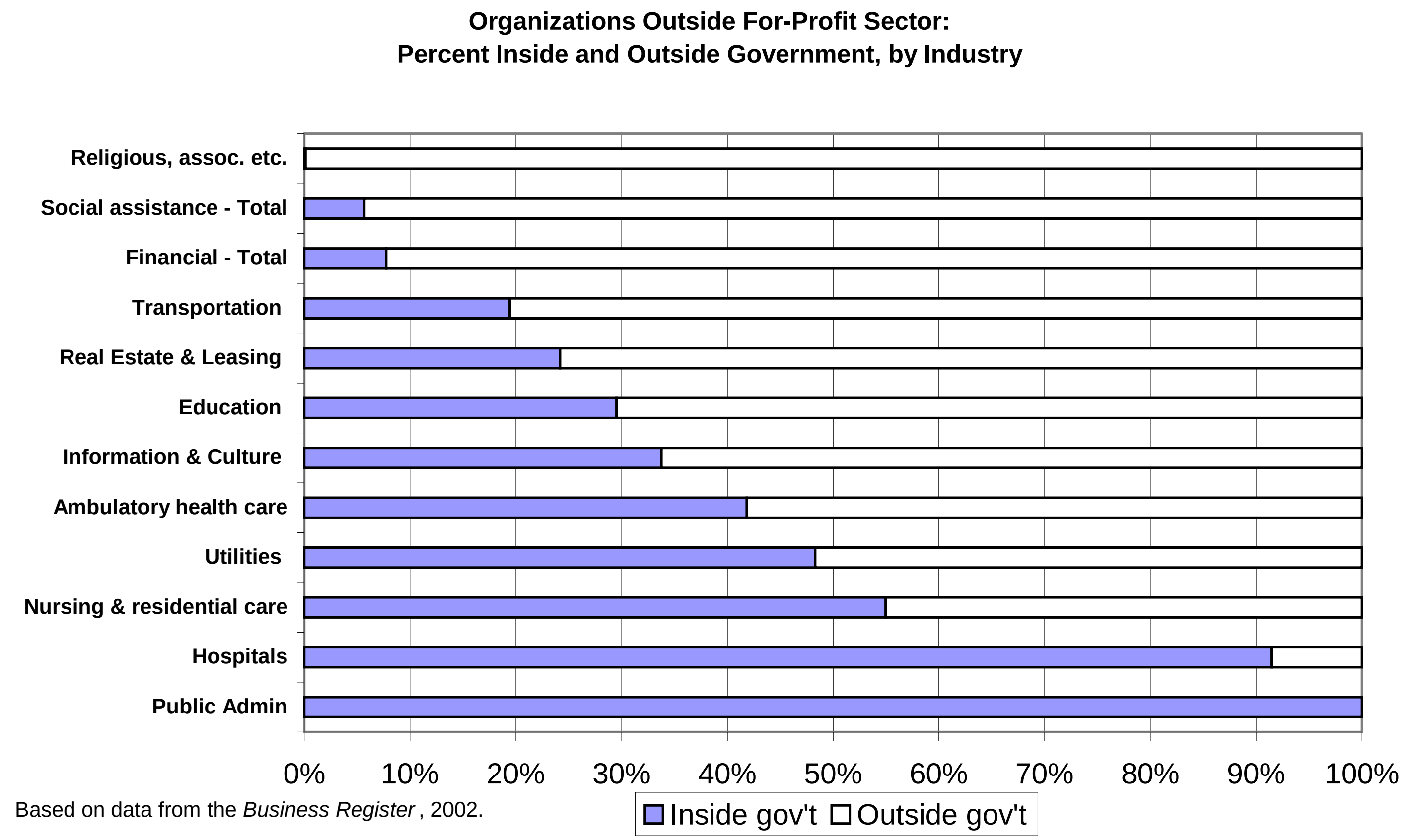
> *Of all ambulatory health care entities that are <u>not</u> run on a for-profit basis, what proportion are in the non-profit sector (i.e., outside government) and what proportion are in the public sector (i.e., inside government)?*

As expected, all religious organizations, associations and similar organizations are located *outside government* (Chart A1). At the bottom of the graph, all entities in public administration (by definition) are located *inside government*. The industries between these extremes are more interesting.

Of all social assistance entities on the *BR*, over 95 percent were located outside government in 2002 (based on Statistics Canada's criteria set out in *Guide to the Public Sector of Canada*). Of all the ambulatory health care entities not operated on a for-profit basis, about 45 percent were located *inside government* and 55 percent were located *outside government*. The vast majority of hospitals that were not operated on a for-profit basis were located *inside government* (about 92 percent).

We know that the 'non-profit sector' as defined in the *WES* is likely to include some 'quasi-public sector organizations.' Industries for which there is a clear and dominant government presence, like hospitals and public education institutions, were allocated to a category we called quasi-autonomous non-governmental organizations (quangos) (see Chapter 3). But this analysis of the data from the *BR* shows that there are some non-profit industries that, while consisting *predominantly* of non-profits that operate outside government, are also likely to include some establishments that would fall within the definition of a non-profit inside government. This issue is most likely to be the case for ambulatory care and nursing and residential care facilities.

Chart A1



Based on data from the *Business Register* , 2002.

Appendix 3
Mapping the INCPO Using NAICS

Two challenges are faced when using the NAICS information to re-classify business entities into the Johns Hopkins International Classification of Nonprofit Organizations (ICNPO) framework. These include the level of industry detail that is needed and the adequacy of the information that is available.

- *Level of industry detail*: Information is often needed at the four-, five- or even six-digit NAICS level (i.e., very precisely defined and small categories) to accurately re-classify business entities into the ICNPO framework. However, given the small number of non-profit entities outside government in some industries and official guidelines for the public release of data, information at such a level of disaggregation is generally limited. This presents a challenge to the construction of 'clean' ICNPO. For our analysis, three-digit NAICS industries were used in most cases to classify industries in the *Business Register* (the only exception was NAICS 813 where four-digit industry codes were used).

- *Adequacy of information:* A second challenge was posed by the fact that even if information were available at the four- or five-digit NAICS level, the industry detail does not provide clear guidance as to the appropriate ICNPO location of the entity. For example, Substance Abuse Facilities (included in NAICS 6232) could be considered Health Services or Social Services (ICNPO Groups 3 and 4, respectively) depending on the content and nature of the intervention. As a result, somewhat arbitrary decisions regarding the precise location of some detailed NAICS industries within the ICNPO were required.

Goods-producing Industries

Goods-producing organizations in the non-profit sector are deserving of a special note. The ICNPO framework includes Groups and Subgroups that relate primarily to service-producing organizations (e.g., culture, education, health, social services, law and advocacy, and so on). The one exception is Group 6 Development and Housing, which includes Economic, Social and Community Development (6100) and Housing (6200) as two of its subgroups.

Non-profit entities engaged in the production or distribution of goods (as opposed to services) tend to get classified here by default given the broad parameters of the Economic, Social and Community Development industry. The other option would be to included them in Group 12 (not elsewhere classified).

Data from the *BR* for early 2002 showed that there were approximately 1800 non-profit organizations outside government which were engaged in the production and distribution of goods (including construction, transportation, wholesale, manufacturing, primary industries and utilities); these represented about 3 percent of non-profit employers outside government.

(These figures rise to about 3,400 and 4 percent of all non-profit organizations outside government when both employers and non-employers are counted.)

The number of such non-profit goods-producing and -distributing organizations is quite small, so even inclusion in Group 12 – not elsewhere classified – is not particularly problematic. However, this is a group that should not be overlooked as it testifies to the breadth and diversity of the non-profit sector.

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