

Job Quality in Non-profit Organizations

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Executive Summary

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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, is 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 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 second in that series.

This report provides a comparative overview of selected measures of job quality across the non-profit, for-profit and quasi-government, or 'quango' sectors. We discuss the various dimensions of job quality and the factors that are likely having an impact on job quality in non-profit organizations. These factors include the changing revenue base of many non-profit organizations and the challenges non-profit organizations face in maintaining a match between the value orientations of the organization and its staff in the context of a changing environment.

Using data on non-profit status and industry classification, we classify employers and employees into three sectors, which are 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).

Aspects of job quality examined include the incidence of temporary and part-time employment; unpaid overtime; scheduling flexibility; earnings; access to benefits; and job satisfaction and satisfaction with pay and benefits.

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.

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

Working Arrangements

- Overall, compared to the for-profit and quango sectors, larger proportions of paid employees in the non-profit sector are employed on a temporary or part-time basis. Temporary employment is especially evident in non-profit health, education and social services and in culture, recreation and associations. The share of part-time employees who would prefer to work more hours is comparable across the non-profit, for-profit and quango sectors.
- Unpaid overtime is prevalent in the non-profit sector, although it is not unique in this respect. Indeed, considerable shares of managers and professionals across the labour force work unpaid hours of overtime.
- Higher proportions of both men and women in the non-profit sector have flexible work arrangements compared to workers in other sectors. Such flexibility can suit the needs of both employers and employees. But, there can be a downside in that the prevalence of such jobs has important implications for job security, benefit coverage, and annual earnings.

Earnings

- Average hourly earnings of managers, professionals and technical/trades workers in the non-profit sector lag behind their counterparts' in the for-profit and quango sectors. This gap can translate into substantial earnings differences on an annual basis.
- Another way of comparing earnings across sectors is to rank earnings of individuals in each occupational group. Here, we find that managers and professionals in the non-profit sector particularly stand out as being over-represented at the bottom of the earnings distribution, and under-represented at the top.
- Since the incidence of temporary and part-time employment is relatively higher in the non-profit sector, employees are more likely to work fewer total hours during the year, further increasing the earnings gap on an annual basis.
- Variable pay – pay systems that link individual pay to performance – are becoming increasingly prevalent in the for-profit sector. They are far less common in the non-profit sector. A number of factors may account for this, such as concerns among non-profit managers and board members regarding public perceptions; legal strictures against commissions or bonuses for fundraising; lack of objective measures on which to base variable pay; and managerial or board perceptions that incentive pay is inconsistent with the non-profit organization's mandate or mission.
- That being said, some organizations have merit or incentive systems in place, though other evidence suggests that these often are very small – token recognition of effort and performance.

Access to Benefits

- Earnings are only one part of the overall compensation package. Another important part consists of benefits like supplemental medical insurance, dental plans, life and disability insurance, employer-sponsored pension plans, group RRSPs, and supplemental Employment Insurance. Offering such benefits often entails a cost to employers and so will vary from employer to employer.
- Furthermore, not all employees will choose to participate in some benefits if participation is optional and they have coverage through a spousal plan, for example. Indicators based on the rates of participation in benefits can therefore only provide an approximation of the extent to which employers offer such benefits to their employees.
- Only a minority of non-profit *employers* offer benefits, ranging from about 38 per cent in the case of supplemental medical insurance and about one-third for dental plans, to close to 30 percent for employer-sponsored pension plans or group RRSPs and 6 per cent in the case of supplemental Employment Insurance.
- The vast majority of non-profit workplaces are small, having fewer than 10 paid employees. It is these small workplaces that are least likely to provide benefits to their employees.
- Most non-profit employees work in larger workplaces, however. Therefore, the percentage of paid *employees* in the sector who are covered by non-wage benefits is considerably higher than the percentage of employers offering such benefits. Slightly more than half of employees participate in supplemental medical insurance, dental plans, and disability/life insurance, and over 60 per cent participate in an employer-sponsored pension plan or group RRSP.
- The non-profit sector scores higher on this dimension of job quality than the for-profit sector. This is especially the case for larger employers (20 or more paid employees). The non-profit sector is also more likely to offer such benefits to part-time or temporary workers, though the participation rate in most benefits remains low, at just over 25 per cent for this group of workers.
- Employers in non-profit health, education and social services, where many of the larger employers are located, are most likely to provide various benefits while employers in culture, recreation and associations and in 'other non-profit' are less likely to do so.

Job Satisfaction and Satisfaction with Pay and Benefits

- In the literature on non-profit employment, attention is often drawn to the intrinsic rewards that individuals derive from working in the sector. It is argued that while wages may be low, other factors such as the opportunity to make a contribution to the community or to help others, provides an incentive for individuals to work in the sector. The opportunity to have flexible work arrangements may also be such an intrinsic benefit.

- Overall, about two-thirds of employees of non-profits reported that they were satisfied with both their job and with their pay and benefits. This is similar to the percentage in the quango sector and slightly less than that in the for-profit sector.
- However, the gap between the non-profit sector and the other two sectors is considerably larger in the case of workers aged 45 years or more. In the non-profit sector, only 63 per cent of employees in this group were satisfied with both their pay and benefits compared to 75 per cent in the for-profit sector. Close to three in 10 non-profit employees aged 45 years or more were satisfied with their job, but dissatisfied with their pay and benefits.

Conclusions and Implications

- The relatively higher incidence of temporary and part-time employment in the non-profit sector is consistent with an interpretation that many non-profit organizations rely on these means to cope with financial uncertainty and instability – organizations uncertain of their funding on a year-to-year basis are not in a position to offer their employees permanent or full-time employment.
- The relatively high incidence of part-time employment may offer advantages to both employees who are seeking to balance work and family responsibilities and to employers. The fact that the sector consists largely of women attests to this possibility, as does the fact that about two-thirds of part-timers do not want additional hours of work.
- However, individuals' needs for such flexibility vary throughout their working lives. This raises the question of whether some individuals seek work in the non-profit sector especially during the years in which they have the heaviest family responsibilities.
- This raises retention issues if individuals take a slightly different perspective once those responsibilities begin to lighten. The higher rate of dissatisfaction with pay and benefits, in spite of being satisfied with the job overall, among individuals aged 45 years or older suggests that some, at least, may be re-evaluating the trade-offs.
- Many paid employees in the non-profit sector are women, many of whom have post-secondary credentials. The literature suggests that many have strong project management and organizational skills, as well as commitment to providing a 'public good.' Employers in the quango and government sectors tend to employ individuals with these same characteristics. This means that in the years ahead, non-profit employers will likely be competing with quasi-public and public sector employers for the same pool of labour.
- Job quality is important both in terms of retaining employees currently working in the sector and in terms of recruiting new employees. For job seekers assessing whether or not non-profit organizations are 'employers of choice,' earnings are likely to be a serious drawback.
- But, while the non-profit sector is unique in some respects, it is not in others. Downsizing, restructuring and budgetary constraints have had impacts on employees across the private,

quango and public sectors as well and evidence of long hours and heavy workloads are widely reported.

Perhaps more than for any other sector, the non-profit sector is human-resource intensive. It is vital, then, that the sector continue to build solid knowledge and understanding of the nature of work and the characteristics of employees in the sector. Moreover it is critical to have an accurate assessment of what its human resource needs will be in the future, as well as the needs that workers bring to their jobs. This kind of information is crucial for managing the challenges of retention and recruitment and for improving working conditions in the sector.