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Research Highlights

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

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What all Board Members of Non-profits Need to Know

by Ron Saunders, Director,
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Overview

Until recently, there has been a lack of information about paid workers in the non-profit sector, such as their demographic characteristics, their working conditions, and the human resource challenges associated with their labour market experience. Drawing on a new source of data from Statistics Canada, CPRN has provided the first baseline analysis of the non-profit workplace (see Box on page 2).

This document presents highlights of the research published in five related studies in 2002, 2003 and 2004. In each study, comparisons are made with the for-profit sector and the quasi-government or “quango” sector (schools, hospitals, universities, colleges, public infrastructure).

Surprisingly, the non-profit and for-profit sectors are similar in several ways.

- 53% of non-profits are very small with less than five employees, compared to 48% of for-profits.
- 5% of non-profits have over 50 employees, compared to 4% for the private sector. Of course, the private sector includes some very large organizations.
- 7% of non-profit employees work in the smallest organizations (less than five employees); and 52% work in the largest organizations (50 or more employees).

However, larger establishments are more prevalent in the ‘quango’ sector (quasi-government, e.g., schools and hospitals) – 97% of employees in this sector work in establishments with 50 or more employees.

CPRN Research Series on Human Resources in the Non-profit Sector

An opportunity to provide baseline information about the non-profit sector, its paid workforce, and its human resource practices arose with the release in late 2000 by Statistics Canada of the results from the first *Workplace and Employee Survey (WES)*.

Drawing primarily on the *WES*, CPRN has produced a series of research papers focused on human resources in non-profit organizations, with an emphasis on paid employees. Topics examined include:

- the size of the sector,
- the composition of its workforce,
- the quality of paid jobs in the sector,
- changing skill requirements and the incidence of training, and
- organizational strategies and human resource practices.

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

- Non-profit culture, recreation, and associations: non-profits engaged in arts, entertainment, recreation and culture; civic and social organizations that serve their members; business and professional associations; unions; and a small number of grant-making and grant-giving organizations (e.g., philanthropic foundations).
- Non-profit health, education and social services: non-profits engaged in ambulatory health care (e.g., community clinics); nursing homes and residential care facilities; a small number of non-profit providers of education (excluding elementary and secondary schools, colleges and universities), such as literacy groups; and social services agencies, such as food and emergency relief, individual and family services, and non-profit childcare.
- Non-profit other: 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.

The *WES* excludes religious organizations and establishments in government, some primary industries, and the Territories.

Details on data sources and methodology can be found in all five non-profit series reports.

As a result of their small size, relatively few non-profits have formal human resource systems and full-time HR officers.

Nonetheless, working conditions in the non-profit sector are better than in the for-profit sector on a range of indicators.

Yet, despite these strengths, there are signs of stress on the people who work in the sector – stress that should be addressed by boards of directors, funders, and governments who depend on these organizations to provide essential community services.

Who Works in the Sector?

- About 900,000 paid employees worked in the non-profit sector in 1999, about 8 percent of all paid employees.
- The paid workforce of the non-profit sector is predominantly female (74%).
- A higher percentage than in the for-profit workforce are over 45 years of age.
- Non-profits have a higher percentage of well-educated, professional staff – 28% have a university degree, compared to 15% for the for-profit sector.

How do Working Conditions Compare?

First the good news:

- Access to employment benefits in the non-profit sector is comparable to the for-profit sector in some areas (e.g., supplementary medical insurance, dental plans) and superior

in others (e.g., 45% of non-profit employees have access to employer-sponsored pension plans compared to 34% of for-profit employees).

- More non-profit organizations offer flexible work hours.
- More employers in the non-profit sector (68%) than the for-profit sector (55%) provide training to employees.

But:

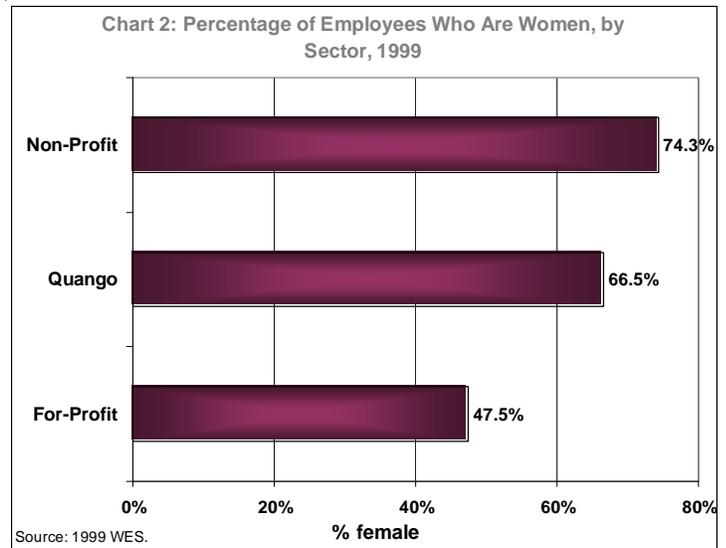
- While training opportunities and access to benefit plans in the non-profit sector compares well with the for-profit sector, most non-profit organizations cannot compete with the (generally larger) quango organizations in these areas.
- There are more temporary jobs in the non-profit sector than in the for-profit sector, and therefore higher levels of job insecurity.
- Workers are expressing more concern about the adequacy of training and about opportunities for advancement than in the for-profit sector.
- Pay is about the same for clerical positions but pay for non-profit managers and professionals is much lower than in either the for-profit or the quango sectors. Average pay for managers in the non-profit sector is half that in the quango sector.

These concerns seem to be associated with the precarious financial structures of most non-profit organizations. In the past 15 years, their revenues have become more short-term and unpredictable, while their mandates and responsibilities have been growing as governments have withdrawn from some service areas and the Canadians they serve face more economic insecurity.¹

How do Non-profits Respond to Organizational Change?

Just as in the for-profit sector, non-profits have adjusted their business strategies in ways that affect employees. For the most part, however, they have adopted positive strategies such as increasing employees' skills, improving product and service quality, and enhancing employee involvement/participation. In general, there is more

involvement of staff in decision-making in the non-profit sector, greater availability of personal and family supports, and a higher likelihood of a procedure for resolving workplace disputes than is seen in the for-profit sector. Once again, however, the quango sector tends to surpass the non-profit sector in these areas.



What About Job Satisfaction?

Again, the sectors are rather similar. About 86% of paid employees reported that they were either satisfied or very satisfied with their job in 1999 in the non-profit sector, compared to 90% in the for-profit sector and 92% in the quango sector. However, employees in the non-profit sector, especially those 45 years of age or older, were more likely to say that they were 'dissatisfied/very dissatisfied' with their pay and benefits.

This points to the paradox of working in the non-profit sector. People like to work there for the intrinsic benefits of meaningful work, doing "good works", and so on. They are also attracted to the relatively flexible working arrangements with more opportunities to play a role in the decisions that affect their work. But the more senior employees are making significant financial sacrifices which can be costly to them and their families over a lifetime.

Thus, in the "war for talent" in a knowledge-based society, non-profit employers face real challenges with recruitment and

retention. And, most lack the resources to invest in the recruiting process.

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

Studies such as those by Hall and Scott make it clear that the targeted and short-term nature of most funding makes it difficult for non-profit organizations to build for the future, for example, to:

- Invest in capacity building, such as through new technologies.
- Develop the skills of their employees and volunteers.
- Reach out with new recruiting measures.
- Engage in long-term planning.

All these weaknesses make it hard for non-profits to adhere to their primary missions, which can turn staff commitment into disillusionment.

Change in the non-profit sector, like in other sectors, is such that jobs have become more skill intensive. Highly skilled professionals are needed to carry out the work. These non-profit jobs are no less "real" jobs than in the case of other sectors, and the rewards need to go beyond the satisfaction of serving the community.

The Action Agenda

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

In their stewardship role, boards of directors of non-profit organizations need to pay particular attention to working conditions and financial rewards in the sector in coming years. Otherwise, they risk seeing the future of their organizations undermined by the loss of their best people.

1. The Funding Environment

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

Project funding can have its merits. It means that non-profit organizations have to ensure that their work is responsive to perceived needs. However, a total shift in this direction undermines the sustainability of these organizations, as they are unable to finance internal systems and organizational development. It seems clear that the funding mix has become too concentrated on short-term, unstable targeted funding.

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

2. A Human Resource Sector Council

Many of the human resource challenges in the non-profit sector are common to most organizations in the sector. Yet, very few of them are of a size that permits investment in professional human resource systems and staffing. McMullen (2003) has noted the potential value of a Human Resource Council for the non-profit sector. Efforts are now under way to consider the feasibility of establishing such a sector council.²

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

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

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

3. Pay Rates

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

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

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

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

4. Providing a Supportive Work Environment

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

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

5. Emphasizing the Sector's Attractions in Recruitment

The more supportive work environment of many non-profit organizations is an attraction in recruiting staff. The other great advantage of non-profit organizations is their mission and values. They offer their staff the opportunity to serve their communities in a tangible way through the delivery of needed public services. For example, CPRN's study of professional fundraisers (McMullen 2003) reported the high degree of commitment the respondents

have to their organizations, and the strong sense of shared values. Moreover, despite the differences in compensation levels, these employees often have the opportunity to work with both community leaders and people in need.

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

Concluding Comments

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

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

Notes

¹ See Scott (2003) and Hall et al., (2003) for an elaboration of how precarious funding is affecting non-profit organizations.

² The feasibility study is being undertaken jointly by Community Foundations of Canada, the Coalition of National Voluntary Organizations and United Way of Canada – Centraide Canada.

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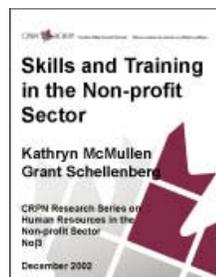
CPRN's Series on Human Resources in the Non-profit Sector



Report One: *Mapping the Non-profit Sector* – The first paper in the series does the essential groundwork of defining and setting the boundaries of the sector. The authors draw on two Statistics Canada data sources in particular: the 1999 *Workplace and Employee Survey* and the *Business Register*. Because of data limitations, they focus on paid employees and their non-profit employers.



Report Two: *Job Quality in the Non-profit Organizations* – Canadians depend increasingly on non-profit organizations for a host of essential goods and services, especially in the wake of cuts in the public sector. Despite the economic and social significance of non-profits, little is known about the quality of jobs in the sector, nor about its ability to compete for skilled workers in future. This paper compares the non-profit and for-profit sectors in terms of a number of key job quality indicators.



Report Three: *Skills and Training in the Non-profit Sector* – The focus of this report is on training – its incidence across establishments and employees, the types of training provided, training practices, the characteristics of employees who received training, and the perceived adequacy of training. Having this information is an important step in the process of deepening our understanding of human resource issues in the sector and lays the groundwork for further research on the skill and training needs of non-profit organizations and the people they employ.



Report Four: *Coping with Change: Human Resource Management in Canada's Non-profit Sector* – The fourth study in a pioneering series on the non-profit sector finds the sector under stress, but highly innovative in its responses. It examines the impact of changes in the external environment on both organization and human resources policies of non-profits.



Report Five: *Passion and Commitment Under Stress: Human Resource Issues in Canada's Non-profit Sector – A Synthesis Report* – The final report finds this key contributor to the country's economy and society seriously challenged. It examines the forces that threaten the sustainability of non-profit enterprise and suggests measures to relieve some of the pressure.

The Work Network explores the cutting edge of labour market and workplace change and the evolving interface between learning and work. The Network has built an impressive track record, making vital contributions to public discussions of emerging work and learning issues, policy development, and employer's best practices. Our focus is on how learning achievement, labour market conditions and work environments influence outcomes important to workers, employers and public policy. By highlighting how the changing world of work affects the lives of Canadians, our research contributes to informed public discussion of policy options.

An overarching objective of our work is to identify strategies that provide 'inclusive' paths to strong economic performance. That is, we seek to identify policies that will sustain or improve the efficiency, productivity, and competitiveness of our labour markets and workplaces while including more Canadians in work that involves adequate pay, decent working conditions, and access to opportunities for skill development.

Research Themes

Our research program is organized around four broad themes:

- Vulnerability in Labour Markets
- Creating Tomorrow's Workplace
- Developing Tomorrow's Workforce
- The Learning and Work Nexus

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