

Halton's Nonprofit & Voluntary Sector Labour Force Study

WORKING PAPER SERIES

No. 1

**Positioning the Nonprofit and Voluntary Sector:
An Economic Contribution to Prosperity**

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Human Resources and Skills Development Canada (HRSDC) funded this research initiative on the Halton Nonprofit and Voluntary Sector Labour Force to increase awareness of the labour force issues of this sector composed of both paid workers and volunteers.

INTRODUCTION

Community Development Halton (CDH) has launched a study of the nonprofit human services sector in Halton Region. An important focus of this research is the economic contribution of the sector to the community through its human resources, both paid employees and volunteers. The study is funded by Human Resources and Skills Development Canada (HRSDC) and is the third HRSDC-funded study on employment in the nonprofit sector in Ontario. The others were done in the Niagara Region and in London.

CDH's research is being done in conjunction with the work of the Regional Chairman's Roundtable on the Nonprofit and Voluntary Sector that has been set up to address issues related to the diminishing infrastructure faced by nonprofit organizations in Halton Region.

As governments expect more of the nonprofit sector in terms of human service delivery and as other parts of the province begin to compile more information on the composition and function of the nonprofit sector in their areas, it is important that Halton Region also collect evidence to understand more fully the situation of its own nonprofit and voluntary sector. Using agency survey and focus group methods, this research will provide nonprofit human service agencies in Halton with hard information for strengthening their own relationships with governments and other funders. It will also provide a knowledge base for Halton agencies to develop a sectoral strategy for stability and growth as community demands and needs change over the next decade.

This is the first of a series of working papers on the nonprofit sector in Halton and, specifically, its human resource base. This paper will focus on the economic role of the nonprofit and voluntary sector and is based on national survey research to date and a presentation made by Peter Clutterbuck of the Social Planning Network of Ontario at the "Funding Matters Workshop" organized by CDH in November 2003.

Joey Edwardh

A Decade of Growing Interest in the Nonprofit Sector

Since the mid-1990s, CDH has witnessed a growing research interest in the nonprofit and voluntary sector in Ontario and Canada. The impetus for this trend arose from the period of government restraint and cutbacks to public services triggered by the economic recession of the early 1990s. Downloading and devolution policies of provincial and federal governments created increased service demand at the community level affecting both municipalities and community agencies in the voluntary sector. At the same time many of the funding programs for community services were also being cut back (Hall and Reed, 1998).

Ironically, as the voluntary sector was being challenged to adapt to growing service demands in the face of shrinking resources, it also was forced to contend with the pressures of business management models for “efficiencies and accountability”. As well, an “advocacy chill” settled on much of the sector as organizations voicing criticism of the direction of social policy became concerned about the risks to their registered charitable status.

Thus, the capacity of the voluntary sector to respond to the social and economic conditions of the 1990s, higher expectations for performance and accountability in the sector, and the need for clarity on the reasonable allowances and limits in areas such as advocacy activity, all combined to focus more attention on the role of the nonprofit voluntary sector in Canadian life.

A spate of dialogue and research activity has ensued over the last decade, including:

- The Panel on Accountability and Governance in the Voluntary Sector was composed of several major national voluntary sector organizations and chaired by Ed Broadbent. The Panel's report *Helping Canadians Help Canadians: Improving Governance and Accountability in the Voluntary Sector* described the pressures facing the sector in terms of both its capacity and role (e.g. legitimate advocacy activity) (Panel on Accountability and Governance in the Voluntary Sector, 1999).
- Three Canadian Leader's Forums on the Voluntary Sector between 1997 and 1999, bringing together senior government policymakers and representatives from national voluntary sector organizations (Voluntary Sector Task Force, 2000).
- A series of Joint Task Forces between the federal government and voluntary sector leadership on issues of concern, culminating in the Voluntary Sector Initiative (VSI) in 1999. The VSI invested more than \$95 million over the next five years into research and policy development on the voluntary sector primarily at the national level (Voluntary Sector Task Force, 2000).
- Partly supported through the VSI, two *National Surveys on Volunteering, Giving and Participating* were done in 1997 and 2000 reporting primarily at the national level on the state of voluntarism in Canada (Hall, McKeown and Roberts, 2001).
- Statistics Canada's *National Survey of Nonprofit and Voluntary Organizations* (2003), engaging a representative sample of 13,000 of the 161,000 nonprofit organizations across Canada and producing the most comprehensive profile of the sector ever done in Canada. In addition,

Statistics Canada has released two reports for the 1997 to 2001 period called *Satellite Account of Nonprofit Institutions and Volunteering*, that attempt to measure at the national level the economic contribution of the sector (Statistics Canada, 2004, 2004a, 2005).

- National research organizations such as the Canadian Council on Social Development and the Canadian Policy Research Networks have also produced major research studies on the sector through the VSI over the last five years or so (Scott, 2003; McMullen and Schellenberg, 2002 and 2003,).

Establishing the “Ground Level” Perspective

The research findings on the sector in the last decade are encouraging. Clearly, however, these national research studies require some grounding and validating at the community level.

A number of communities across Ontario did document the impact of funding cuts and changes to the community service sector in the mid-1990s. Community Development Halton produced *Meeting Human Needs: The Impact of Funding Restraints on Halton Agencies* in 1997 reporting on findings of 59 respondents to an agency survey (40% response rate) (Hildebrandt and McEwan, 1997).

It was important to document the impact of a changing funding environment on the nonprofit human service sector in the mid-1990s. National interest is now shifting to getting a clearer fix on the composition and role of the sector in contributing to the quality of community life and civic participation in Canada. It is important that national survey work be supplemented and enriched with both quantitative and qualitative data generated at the ground level in communities and regions across the country. An important focus of this research must be the human resource capacity of the sector, both its paid employees and its volunteer component.

In this regard, survey and focus group research has been done in Niagara Region and in London, Ontario. The Centre for Community Leadership at Niagara College released the results of its labour force survey and focus group research in September 2003, and is planning a follow-up study in the near future (Centre for Community Leadership, 2003). An inter-agency community organization in London called Pillar issued its employment and training needs report in April 2004 (Daya, El-Hourani, and De Long, 2004). Both research reports position their respective communities well to benefit from the new public policy frameworks and emerging resource strategies that recognize and support the work of the nonprofit sector.

Halton Region is presently undertaking similar research, although, more tightly focused on the nonprofit human services sector (the Niagara and London studies included the full range of nonprofit organizations in their surveys including professional and business associations, political organizations, etc.).

There is much to build on in Halton Region as it enters into this new phase of research and learning. In November 2003, Community Development Halton organized the “*Funding Matters Workshop*”, in which Katherine Scott of the Canadian Council on Social Development presented the findings of her national survey research report (Scott, 2003). One hundred and fifty representatives of nonprofit and public sector organizations in Halton Region attended and participated enthusiastically in roundtable discussions on the implications of this research for Halton. A series of recommendations

were generated for further study and action on restoring and fortifying the sector's infrastructure and service capacity (Community Development Halton, 2004).

The need for collaborative work within the sector to improve public awareness and understanding of the role and contribution of the nonprofit sector was highlighted in the recommendations. Specifically, workshop participants requested that the Halton Regional Chairman Joyce Savoline "convene a roundtable to actively engage a broad representation of community and of the funded and funders to address and resolve the issues of inadequate and diminishing infrastructure faced by Halton and voluntary sector organizations." (Community Development Halton, 2004, p. 4).

Chairman Savoline has convened the Chairman's Roundtable on the Nonprofit and Voluntary Sector in Halton to take a meaningful look at the sector in three areas: i) the funding system and structure; ii) the importance and impact of the sector on the Halton economy and quality of life; and, iii) the necessary components and status of the agency infrastructure necessary to support the nonprofit and voluntary sector. The Roundtable has met several times since September 2005.

Recognizing the Economic Contribution of the Sector

The Nonprofit and Voluntary Sector contributes to the quality of life in communities throughout the region. There is a growing realization, however, of the sector's significant contribution to the economy as well.

Preliminary Canadian research, using workplace data and information on charitable organizations, indicates that more than 900,000 employees work in 58,000 nonprofit workplaces of which about 73% are small work settings employing less than 10 people. This proportion of employees in smaller workplaces is almost equivalent to the proportion of employment for small business workplaces in the private sector (McMullen and Schellenberg, 2003).

Hall and Macpherson in their study, *A Provincial Portrait of Canada's Charities*, estimate that the annual payroll expenditures of the nonprofit sector, excluding hospitals, universities and colleges, is more than \$20 billion and that the total value of assets in the voluntary sector is between \$44 and \$78 billion (Hall and Macpherson, 1997). The economic scale of the sector is beginning to be appreciated from these first research explorations.

In recent years, Statistics Canada is measuring the contribution of the voluntary sector to Canada's Gross Domestic Product (GDP). Two studies create a picture of the nonprofit sector's status within the national accounts. Called the *Satellite Account of Nonprofit Institutions and Volunteering* (2004 and 2005), these reports use administrative tax file data to develop estimates of the economic activity of the sector for the 1997 to 2001 period.

The *Satellite Account* estimates indicate that the nonprofit sector's GDP grew from \$65.03 billion in 1998 to \$70.5 billion in 2001, a growth rate of +8.4%, twice that of the overall Canadian economy for the same period. The entire nonprofit sector makes up 6.8% of the overall economy, which is a higher share than either the mining, oil and gas industry (\$60.91 billion which is 6.3% of the Canadian economy) or the retail trade industry (\$51.35 billion, 5.3%) in Canada (Statistics Canada, 2005).

Core Nonprofit Sector

When hospitals, colleges and universities are removed from these totals, leaving what the *Satellite Account of Nonprofit Institutions and Volunteering* (2005) designates as the **core nonprofit sector**, the core GDP amounts to \$25.4 billion in 2001, which is still 2.5% of the overall Canadian economy. In 2000, **the core nonprofit sector's** share of GDP is higher than either agriculture (\$14.47 billion, 1.5%) or motor vehicle manufacturing industries (\$13.46 billion, 1.4%) and about equivalent to the Canadian accommodation and food services industry (\$23.43 billion, 2.4%).

Interestingly enough, the **core nonprofit sector** accounts for more of the overall nonprofit sector's GDP growth between 1997 and 2001, registering +10.2% growth rate compared to a +5.4% growth rate for hospitals, colleges and universities. The social services component accounts for almost one quarter (23.5%) of the **core nonprofit sector's** GDP between 1997 and 2001. Social services averaged a +10% annual growth rate over the period, second only to education and research. GDP for social service organizations grew from \$4 billion in 1997 to \$6 billion in 2001, a 50% increase. This may indicate the increasing reliance on the nonprofit social services sector to pick up on service demand offloaded by governments in the 1990s.

The *Satellite Account for Nonprofit Institutions and Volunteering* when discussing the **core nonprofit sector** reports payroll expenditures of \$19.8 billion in 2001, which is 78% of its GDP. These payroll expenditures have increased from \$14.7 billion in 1997, a 35% increase. Revenue growth for the **core nonprofit sector** is also high, averaging +7.5% annually between 1997 and 2001. Significantly, most of this revenue growth comes from sales of goods and services (40%), rather than government transfers and has been supplemented with income from donations, memberships, and other sources.¹ The 2005 *Satellite Account for Nonprofit Institutions and Volunteering* notes: "Social service organizations, which led the [**core nonprofit**] group in terms of value-added, receives a lesser share of total income and ranks only second in terms of revenue" (Statistics Canada, 2005, p.18). This suggests that the social services nonprofit sector is highly productive and economically efficient, and probably under-resourced for the social and economic benefits that it produces.²

Economic Value of Volunteers

In economic terms, the value-added of the social service organizations and the overall nonprofit sector is enhanced by the volunteer contribution brought to the work of the sector. The *National Survey of Giving, Volunteering and Participating* (2001) reports that 6.5 million volunteers contributed just over one billion hours annually in Canada in 1997, which is equivalent to more than half a million full-time jobs (Hall, McKeown and Roberts, 2001).

The *Satellite Account for Nonprofit Institutions and Volunteering* calculates the "extended value of labour compensation" produced from volunteer activity supported by the nonprofit sector. It

1 Lynn Eakin's case study research of ten nonprofit human service agencies in Toronto shows that as government income has shifted from transfers to purchase of service and project funding, nonprofit agencies are actually forced to subsidize the infrastructure costs (e.g. employee benefits, supervision, administration) of government funded programs from these other revenue sources (See *Community Dispatch*, Sept. 2004, Vol. 9, No. 1)

2 Eakin's research suggests that these are partly false efficiencies in that governments are not funding their programs at the full cost to nonprofit agencies delivering them. Eakin questions the long-term sustainability of this "draining of community capacity" in the sector.

estimates that volunteer activity produced an additional \$14 billion in GDP for the sector as a whole in 2000. More than 85% of this extended value is generated by the **core nonprofit sector** (\$12.1 billion in 2000), which has increased this sector's share of the overall Canadian economy from 2.3% to 3.5% in 2000. For the whole sector, culture and recreation (\$3.6 billion of volunteer effort) and social services (\$2.9 billion) are the largest contributors to the "extended value" component of the nonprofit sector's GDP (Statistics Canada, 2005).

Care and Caution on Framing the Economic Role of the Sector

The discovery of the economic value of the nonprofit sector and documentation of its productive contribution to the Canadian economy will be important in repositioning the sector and raising awareness about its full social and economic contribution. Yet, there are important cautions here.

Analyzing Statistics Canada's *Workplace and Employee Survey* (WES), McMullen and Schellenberg point out the low wage rates in the nonprofit sector compared to the private sector – \$2.00 to \$4.00 lower median hourly wages despite the fact that nonprofit workplace employees are generally better educated than private sector workers. The nonprofit sector also has a higher proportion of temporary and part-time jobs than the private sector. Non-wage benefits are not as available in the smaller nonprofit workplaces as they are in larger workplaces, which is significant since almost three-quarters of nonprofit employees work for smaller organizations with less than ten employees (McMullen and Schellenberg, 2003).

All of this suggests that, at least in the **core nonprofit sector**, the quality of employment leaves something to be desired. One early study by Browne and Landry entitled, *The Third Sector and Employment* suggests that the sector reflects mostly poor quality jobs. (Browne and Landry, 1996). Given the economic value and importance of the sector, poor quality employment would seem to be a risk factor for maintaining economic strength in the long run. Also, this may be evidence of the economic exploitation of the sector as a low wage sector used for downloading and offloading of responsibilities previously provided through higher quality public service employment.

Another caution about the economic contribution of the nonprofit sector has to do with measuring volunteer activity as the "extended value of labour compensation" to the sector's overall GDP. While volunteer time and talent are part of the productive capacity of the nonprofit sector, it is very important to make sure that converting this human resource capacity into full-time equivalent jobs does not lead to faulty conclusions.

Stating volunteer hours in terms of full-time job equivalents can suggest that volunteers are a substitute to a paid labour force and a potential source of higher sector efficiencies, especially when resources are constrained. Although volunteers contribute to the work of the nonprofit organization, volunteers themselves are also an output of the nonprofit sector's work via their recruitment, orientation, coordination and ongoing support. Institutional infrastructures based on paid employees are critical to enabling and supporting volunteer participation.

The study, *Profile of a Changing World*, surveyed 382 nonprofit community service agencies in Metro Toronto in 1995 and 1996. This research suggests a negative relationship between weakened nonprofit infrastructure and the capacity to maintain volunteer involvement. As funding to the agencies fell by \$11 million between 1995 and 1996, and about one third of the agencies in the

sample reduced their staff complements, the proportion of the surveyed agencies' workforce made up of volunteers fell by 9% (Social Planning Council of Metropolitan Toronto et al., 1997, p. 28). Overall at the sector level in this study, there was no substitute labour effect from the loss of staff and the presence of volunteers. Rather volunteer loss accompanied funding cuts and staff reductions (Social Planning Council of Metropolitan Toronto et al., 1997).

As a final caution, establishing the economic contribution of the nonprofit sector does not necessarily mean that it will be recognized as an integrated and valued part of the larger economy. In his book, *The End of Work*, Jeremy Rifkin sees another possibility that is the evolution of the "third sector" or the "social economy" as the salvation of society from the vagaries of complete market domination. According to Rifkin, the new economy dominated by the private market depends less on human labour and more on technological innovation for its productive capacity. At the same time, the public sector is shrinking and providing less relief against job loss and income reduction (Rifkin, 1995).

Rifkin points to an emerging world of greater polarization and social disintegration as the ranks of the unemployed and the under-employed increase. He suggests another vision for the future:

Another choice is available – one that could help **provide a cushion *against*** the increasingly harsh blows imposed by the technological juggernaut of the Third Industrial Revolution. With the employed having more free time at their disposal and the unemployed having idle time on their hands, the opportunity exists to harness the unused labour of millions of people toward **constructive tasks *outside the private and public sectors***. The talents and energy of both the employed and unemployed – those with leisure hours and those with idle time – could be effectively directed toward rebuilding thousands of local communities and creating a third force **that flourishes *independent of the marketplace and the public sector***. [bold and italics added] (Rifkin, 1995, p. 239).

Rifkin proposes a variety of tools that governments could introduce to facilitate the social economy (e.g. shadow and social wages; reduced work weeks). He also indicates that the infrastructure of the third sector would need to be supported by investments such as grants in order for it to become the centre of employment creation for community initiatives.

Still, as the bold and italicized sections of the above quote highlight, Rifkin makes the third sector and the social economy sound like a last refuge or beachhead for survival in a world totally overtaken by the private market. His vision suggests a two-stream society, each with its own labour force. The producing and consuming economy is left primarily to the privileged with good jobs, wages and benefits. Meanwhile, the "***disinherited workforce***" (Rifkin, 1995, p. 287) would be left to support the social economy. Ultimately, this scenario presents a low wage sector supporting a highly marginalized population.

Other visions offer more hope for the nonprofit sector to be an integral part of the new economy and central to the future social and cultural development of Canadian society and community life. Browne and Landry point out:

Clearly, the third sector is in no position to supplant or replace government. However, it plays a vital role in ***complementing*** services provided directly by government. [bold and italics added] (Browne and Landry, 1996, p. 61).

Clutterbuck and Howarth also envision a healthy nonprofit social sector being more connected than disconnected from other parts of the economy and society:

Government-run services and programs and not-for-profit community-based agencies work *interdependently* to deliver a full range of social infrastructure supports necessary for maintaining healthy, vibrant, and supportive communities. . .

In addition to its [sic] **service role**, community organizations also make critical contributions to community cohesion and economic well-being ***through the mobilization of volunteers and the promotion of civic participation*** (Clutterbuck and Howarth, 2002, pp. 69-70).

CONCLUSION

The point of recognizing the economic as well as social contributions of the nonprofit sector should not be to hive it off for the sustenance of those excluded from mainstream society. Rather, the sector's strengths and contributions should be recognized for the added value and benefits they bring to the whole community and Canadian society. This means clear and mutually reinforcing relationships with the public and market sectors.

All Canadians have a stake in the governments that provide high quality public services; all have a stake in a business community that creates wealth in a socially and environmentally responsible manner. Similarly, all Canadians should come to realize and value the role of the nonprofit sector in contributing to the social, economic, cultural and political development of community life.

Community Development Halton's Labour Force Study on Human Services in the Nonprofit and Voluntary Sector will create some hard data and clarity about the value of the nonprofit sector in Halton Region by generating and analyzing data about the sector's most valuable asset – the paid employees and volunteers in its human resource base.

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