



## THE NONPROFIT SECTOR: OVERVIEW OF LABOUR FORCE TRENDS AND CONDITIONS

### Introduction

The nonprofit sector has experienced many challenges in the last decade including increased funding shortages, increased demands for service and more recently, recessionary times which continue to challenge the sector. Over the past few years studies on the nonprofit labour force present similar challenges. Using the results of the 2006 study, *Pushing The Limits*, as a starting place, this *Community Dispatch* looks at subsequent research on the nonprofit labour force to see what has changed in the sector, if anything much at all.

### Pushing the Limits

In 2006, Community Development Halton researched the economic contribution and the human resource base of the nonprofit human service sector in Halton. The goals of the study included gathering and sharing of information about human service agencies to strengthen their relationships with government and other funders; raising awareness of the sector's social and economic value; and, contributing to the development of a strategy to enhance the stability of the sector and its ability to meet growing community needs over the next decade.

The study uncovered a dedicated, skilled and vital component of not only our local communities, but also of our local economy. However, the study also revealed a sector pushed to the limits of its human resource

capacity and precariously balanced between sustainability and disaster.

*Pushing the Limits* identified five challenges that pose a threat to the strength and vitality of the sector's paid workforce and volunteer base in Halton<sup>1</sup>:

- Challenge #1: Gender Equity and Balance
- Challenge #2: Capacity to Compete for the Best
- Challenge #3: Engaging the Workforce of the Future
- Challenge #4: Nurturing Volunteers
- Challenge #5: The Risk of Concentration and Consolidation

### Not Working For A Profit

*Pushing the Limits* is one of many accounts of the constraints faced by the nonprofit sector. The Ontario Nonprofit Network (ONN) released a study, *Not Working for Profit: A Labour Market Description of the Non-Profit Sector in Toronto*, carried out in partnership with the Toronto Workforce Innovation Group. This report analyzed statistics from the 2001-2006 period in order to examine the labour force in Toronto.<sup>2</sup>

The report substantiates the findings to that of *Pushing the Limits*. Overall, women continue to make up the majority of workers in the nonprofit sector while earning less. In fact, the ONN study showed that women in the nonprofit sector fare worse, compared to the ratio

between female and male wages across all industries.

As a sector, nonprofit workers also earn less than that of the total labour force yet tend to have higher educational attainment. Furthermore, women employed in the nonprofit sector are more likely to have college and related diplomas, while their males counterparts are more likely to have bachelor degrees or higher.

### **Economic Recession**

Over the last few years, the sector has been faced with recessionary times, which have had a significant impact on the human resource base of nonprofit organizations and threatened the quality of life of citizens in communities in Ontario and across Canada as well as the sustainability of social service agencies.

During the 2008 economic recession, the demand for service continued to increase in most agencies while experiencing funding cuts. In the report, *Hard Hit: The Impact of Economic Recession on the Nonprofit Community Social Services in Ontario*<sup>3</sup>, a survey of over 400 community service agencies from across Ontario revealed that agencies were not able to meet the demand for service.

In Halton, human service agencies followed the same pattern and were unable to respond to increased demand. Many agencies continued supporting more people with the same staff and were forced to realign priorities and/or reallocate resources; others sought volunteers to assist them in meeting the demand.

During this time of recession, about 33% of Halton agencies anticipated a reduction in United Way and foundation funding; about 12% had already seen a reduction. Over half (57%) of the agencies expected reduced private

donations, about 45% had seen a reduction. Four in 10 agencies anticipate a decrease in self-generated revenue, while over one-third (36%) of the agencies indicate their self-generated income (fundraising, fee for service) was down.

Clouding further this already difficult situation is the ongoing tension between the nonprofit community service agencies and funders. This is not uncommon. Eakin (2006)<sup>4</sup> documented the challenges of financial issues faced by the sector years before the downturn of the economy. Recessionary times have just exacerbated the tensions and challenges.

She states “never before have so many organizations sought charitable donations... more nonprofit providers are resorting to charging fees, leaving fee-paying participants with less income. At the same time, nonprofits are faced with escalating operating costs... as all types of organizations scramble to increase revenues” (p. 5). Eakin (2006) points out that strengthening the relationships between government and the nonprofit sector is needed to address the issues facing the sector. Moreover, the sector needs to come together to address the issues and raise awareness of the contributions to communities and quality of life.

### **HR Council for the Nonprofit Sector**

Between 2007 and 2009, the HR Council completed a labour force study, *Toward a Labour Force Strategy for Canada's Voluntary & Non-profit Sector*,<sup>5</sup> which provided an evidence-based understanding of the sector and its human resource (HR) needs. Completed in three stages, the study first provides a comprehensive look at the trends and demands of the sector; second, by administering the first ever Canada-wide surveys of the sector's employers and employees, it provides empirical evidence and information about gaps in skills

that organizations need, the skills that employees bring to organizations, information about people who work in the sector and also their attitudes about their jobs. Finally, the HR Council provides recommendations for action grounded in the findings of the labour study.

According to the HR Council's Labour Force Study, demographic change was identified by nearly all key informants as the most significant challenge affecting employment in the sector. Specifically, the transition out of the labour force by baby boomers as well as the shift in Canada's population to an increasingly ethnic and more diverse population which ultimately shapes the labour force. The various factors contributing to the make-up of the sector as identified in the HR Council's labour study are described below.

#### ***Aging Population***

According to the study, there is an increase in labour force participation of Canadians aged 55 and over; "the influx of baby boomers into this 55+ age group reversed the previous trend of increasingly early retirements."<sup>6</sup> This provides the sector with a group of potential employees and volunteers who will bring various skill and experience that could benefit the sector.

On the other hand, the exiting of baby boomers from the labour force will also mean that organizations will lose experienced workers particularly from leadership positions. This will place greater strain on small organizations due to small staff size, inability of infrastructure to support change and lack of opportunity to develop leadership skills.

#### ***Diversity***

The key informants in the study expressed that although the population as a whole continues to change, the labour force is less reflective of these changes – "change is not happening fast

enough in hiring practices, work environments and working conditions."<sup>7</sup>

There is also a new generation of workers identified as those born after 1980. This generation has less focus on loyalty to organizations and are more prepared to move on to other jobs if their expectations are not fulfilled. Moreover, this generation places greater demand on work-life balance, they are more ethnically and culturally diverse and accepting of this diversity compared to previous generations, grew up with technology, and lastly, they "thrive on multitasking and creative problem-solving and seek opportunities to learn".<sup>8</sup>

#### ***Tight Labour Market***

With the labour market becoming a seller's market, employers have to become more creative and work harder at attracting and keeping staff. There is a projected labour force slowdown over the next 25 years due to the combination of lower birth rates and population aging. There is concern over how the sector will be affected in a more competitive labour market.

#### ***Growing Sector***

The Nonprofit and Voluntary Sector has grown faster than the rest of the economy between 1997 and 2004, with social services showing the largest growth at 9%.<sup>9</sup> Although the sector is growing, there has, over the past couple of decades, been a shift in focus in government away from service delivery. This means that community nonprofit agencies such as health and social service organizations are experiencing increased demand for service while undergoing shortages of professionals in these fields. This will place even greater demand on these services as the population continues to age.

### **Funding**

The sector is inadequately funded and at the same time accountability requirements continue to increase. Challenges with funding affect the human resource base, work environment, employee training, salaries and benefits. In an increasingly competitive market, this will influence the attractiveness of the sector to the new generations of workers.

### **Relationships with Governments**

Organizations and governments have various types of relationships such as “funder, contractor, policy-making body, etc.”<sup>10</sup> As a result, government policies, priorities and expectations vary throughout the sector. This may result in tensions between governments and organizations with relation to what each is attempting to achieve.

### **Partnership Project (2011)**

Results of various studies on the labour force show that tension between funders and nonprofit organizations continue to be strained. Signs of progress and a sense of hope was present when the Government of Ontario and the Ontario Trillium Foundation released the findings and recommendations of the Partnership Project (2011).<sup>11</sup>

The Partnership Project explored strategies to strengthen the relationship between the government and the nonprofit sector in an effort to build sector recognition and sector capacity.

Some of their key recommendations include rebuilding a relationship between government and the nonprofit sector with recognition of the importance of the sector and its contributions; address funding issues; and support initiatives aimed at increasing volunteerism.

### **Recent Statistics on the Labour Force**

In 2011, Imagine Canada released a fourth *Sector Monitor* report. “The *Sector Monitor* survey program was launched at the end of 2009 to regularly monitor the state of charities across the country and their ability to deliver their missions.”<sup>12</sup> The 2011 report suggests that while some issues continue to remain, there are promising improvements within the sector:

- Organizations are continuing to see an increase in demand for products and services, which has remained unchanged since 2010.
- As of late 2010, just under a quarter of organizations report that their existence is at risk, down from the high of nearly a third seen in mid-2010.
- Fewer charities are in immediate financial crisis compared to 2010.
- About one in eight charities (12%) is under high stress, down from a high of more than one in six (17%) in mid-2010. Although arts, culture, recreation and organizations with 1 to 4 paid staff are more likely to be under high stress.
- The number of charities reporting increased revenues has risen but the increases are minimal for most organizations. The average reported increase is less than 1% compared to 4.9% reported by Canadian businesses.
- More organizations are reporting increases in volunteer numbers (28% vs. 23% in mid-2010) and, on average, the number of volunteers has increased by 4.9% over the previous year compared to 1.9% in the previous year.

### **Conclusion**

It appears that some movement toward recovery from the impact of recessionary times can be seen in the movement toward building relationships with funders. However, this takes time and with the continued rise in demand for

service, it is difficult to tell when more funds will be available to balance the need for service with resource capacity. Furthermore, no dramatic changes have occurred since the release of *Pushing the Limits* in 2007.

Moreover, a recent article highlights an Ipsos Reid study which found that only 2% of 17 to 27 year old Canadians view the nonprofit sector as a desirable sector.<sup>13</sup> Factors such as lower wages and poor benefits contribute to the lack of interest.

This plummeting interest in the nonprofit sector is troublesome. Furthermore, the changing face of Halton indicates that the Halton community continues to welcome

newcomers and as such, the nonprofit labour force will need to reflect this diverse population.

The research that has followed the release of *Pushing the Limits* substantiates the Halton findings. Furthermore, it appears that many of the challenges identified in the report persist and neither government nor philanthropy have responded to the challenges of the community nonprofit social sector. While there are signs of some progress with recovery since the recession as well as the beginnings of partnership building between the sector and the government, if the nonprofit sector is to move forward, significant changes must occur.



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A United Way Agency



<sup>1</sup> Community Development Halton. (2007). *Pushing the Limits: Challenges of Halton's Nonprofit and Voluntary Sector Labour Force* available at [www.cdhalton.ca](http://www.cdhalton.ca).

<sup>2</sup> For full report please refer to <http://ontariononprofitnetwork.ca/>

<sup>3</sup> Social Planning Network of Ontario (October, 2009), *Hard Hit: Impact of the Economic Downturn on Nonprofit Community Social Services in Ontario* available on [www.cdhalton.ca](http://www.cdhalton.ca).

<sup>4</sup> Eakin, L. 2006. *Advancing the Nonprofit Sector in Ontario*.

<sup>5</sup> *Toward a Labour Force Strategy for Canada's Voluntary & Non-profit Sector*. For full report, please visit the HR Council website at <http://hrcouncil.ca/home.cfm>

<sup>6</sup> Ibid.

<sup>7</sup> Ibid.

<sup>8</sup> Ibid.

<sup>9</sup> Ibid.

<sup>10</sup> Ibid.

<sup>11</sup> Full report and recommendations are available on the Partnership Project website at: <http://partnershipproject.ca>.

<sup>12</sup> Imagine Canada.(2011). *Sector Monitor Report*. Full report is available on the Imagine Canada website at: <http://www.imaginecanada.ca>.

<sup>13</sup> Shupac, J. (2011). *Growing Younger: Youth Recruitment in an Aging Nonprofit Sector*. Full article can be found at: <http://www.charityvillage.com/cv/archive/acov/acov11/acov1112.asp>.