

**DRAFT**

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## **A Human Capital Renewal Strategy for Ontario's Nonprofit Sector – A Discussion Paper**

**May 2012**

"There are two components to potential growth – the labour force and productivity." [...] "Data gaps limit Ontario's ability to effectively target investments in labour-market programming at a strategic level." (Public Services for Ontarians: A Path to Sustainability and Excellence, Commission on the Reform of Ontario's Public Services, 2012, p.89 & p.283)

"Capacity building includes addressing some of the key human resource challenges facing the not-for-profit sector [...] as the population ages, there are further concerns about a looming leadership deficit for senior positions. The not-for-profit sector is also facing the same challenges as other sectors, including a lack of diversity in its workforce and the need to integrate a new generation of younger workers." (Government of Ontario, Partnership Project Report, 2011, p.20)

### **Ontario's Nonprofit Sector**

The nonprofit sector makes a significant contribution to Ontario's social and economic development, as The Commission on the Reform of Ontario's Public Service noted in its recent report.<sup>1</sup> The sector plays three distinct roles that support the province's growth and wellbeing: as an employer; a service provider; and a steward - of communities, civic engagement, and solutions for lasting public benefit in our province.

- The nonprofit sector in Ontario is large, influential and effective – Made up of 40,000 registered charities and nonprofit organizations operating for public benefit
- The nonprofit sector is a major employer all across Ontario and it is present in communities large and small – Providing over 600,000 Ontarians with employment
- The nonprofit workforce makes important contributions to the social and economic health of our community – Mobilizing over 5 million volunteers in its work
- In the number of paid workers, the sector's workforce rivals that of the finance/insurance sector or the construction industry – Representing 2.6% of Ontario's GDP (equivalent to the auto sector's share of GDP)

Nonprofit organizations contribute to strengthening the fabric of communities and the quality of life in our province. They offer services, research and ongoing support for the work of public service providers – Generating \$20 in donations and volunteer resources for every \$10 invested by government (excluding hospitals and universities) and obtaining 43% of revenue through earned income.

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<sup>1</sup> Public Services for Ontarians: A Path to Sustainability and Excellence, Commission on the Reform of Ontario's Public Services, 2012, p.273

## The Need for a Human Capital Renewal Strategy for the Nonprofit Sector

“The sector is only as strong as its workforce. To attract and develop the leadership, ingenuity, and commitment needed to do this important work, nonprofits will need resources and information about recruitment, retention, mobilizing non-traditional workers, succession planning and new models of shared leadership and management.”<sup>2</sup>

The nonprofit sector’s contribution to the delivery of Ontario’s public benefit programs and services makes a human capital renewal strategy for the sector essential – a key pillar of renewal for the province. Premier McGuinty has previously highlighted this renewal factor, suggesting financial incentives for younger generations to get involved in the nonprofit sector.

Although concrete demographic data on the nonprofit sector in Ontario is not readily available, we can anecdotally estimate that Ontario’s nonprofit sector workforce reflects similar demographic characteristics as the broader public sector and the Ontario Public Service – it faces the looming retirement of baby boomers, the apparent collapse of middle management positions and the troubling underemployment of younger generations.

In general terms, one of the most pressing labour market issues identified is the lack of an intergenerational conversation or “succession planning.” The HR Council’s recent report, Driving Change: A National Study of Canadian Nonprofit Executive Leaders speaks to this. It finds that over half of executive directors plan to leave their current positions within four years – and yet most board members say that their nonprofit does not have a succession plan in place.<sup>3</sup>

A second, and closely related issue, is the evident skills mismatch that fosters uneven employment results in the sector’s labour market. Organizations struggle to find qualified employees even as high numbers of unemployed and underemployed individuals seek work in the nonprofit sector.

Particular sustainability challenges in the sector contribute to these issues, which have an impact on current human resource requirements and future human capital developments:

- Funding models (in particular a lack of ongoing funding that encourages short-term contract-based work).
- Survival of organizations is uncertain (as private and public funding bases decrease).
- Competition across sectors (which can put the nonprofit sector at a disadvantage as an employer with lesser employment benefits and job stability).
- Younger workers haven’t been able to acquire appropriate skills and training to secure stable employment in the sector, or face challenges in advancing their careers, especially in leadership positions.

Together, these factors create a series of interrelated challenges for a key employer in Ontario. In

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<sup>2</sup> Convergence – How Five Trends Will Reshape the Social Sector, LaPiana Consulting, 2009, prepared for the James Irvine Foundation

<sup>3</sup> Driving Change: A National Study of Canadian Nonprofit Executive Leaders, The HR Council for the Nonprofit Sector, 2012, p.2



2003, the nonprofit sector comprised 7.5% of the province's workforce with 597,000 employees.<sup>4</sup>

Despite the important role of nonprofits for Ontario's social and economic development, the sector's identity as an employer and an industry has only emerged in recent years. Sector specific research and comprehensive databases are largely unavailable, which is a barrier to meaningful human resource planning and human capital development for the sector. As previously noted, the report of the Commission on the Reform of Ontario's Public Services indicates: "Data gaps limit Ontario's ability to effectively target investments in labour-market programming."<sup>5</sup>

The experience of other Canadian jurisdictions reinforces the necessity of data to accomplish useful human resource planning.<sup>6</sup> As part of a significant investment by the Government of British Columbia (using LMP) to create and implement a human resource strategy with the nonprofit sector, data development and collection was viewed as foundational to the success of the project and the strategy's development.

Given the importance of the nonprofit sector's labour force in Ontario, the province requires a sector-driven human capital renewal strategy – built on a strong data platform – to creatively and effectively respond to a range of pressing challenges, including but not limited to:

- Attracting the people and talent required for a rapidly changing field, to address new and growing demands for community services.
- Building the skill sets of existing employees, to prepare for changing demands.
- Adapting to an aging workforce. Baby Boomers are moving out of the sector, which has created a skills and labour transition, and a need for a new generation of skilled workers for public benefit work.
- Reflecting and engaging the cultural diversity of communities.
- Responding to increased income generation and accountability requirements.
- Ensuring robust and strategic support for communities to develop innovative solutions that respond to economic, health, and social concerns.

Data to inform a human capital renewal strategy for the nonprofit sector is not readily accessible, and in many cases, not collected at all.<sup>7</sup> To the best of our knowledge, no comprehensive data collection on the province's nonprofit labour force has been done. In many instances individualized capacity building and localized planning is underway, however, we have not encountered sustained, evidence-based, systematic human resource planning even at the subsectoral level.<sup>8</sup>

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<sup>4</sup> National Survey of Nonprofit and Voluntary Sector Organizations, Statistics Canada, 2003

<sup>5</sup> Public Services for Ontarians: A Path to Sustainability and Excellence, The Commission on the Reform of Ontario's Public Services, 2012, p.238

<sup>6</sup> See Appendix II of this document: Nonprofit Sector Labour Force Planning Initiatives Across Canada, HR Council for the Nonprofit Sector, 2011

<sup>7</sup> The Ontario Nonprofit Network in partnership with the Toronto Workforce Innovation Group issued a report, Not Working For Profit: A Labour Market Description of The Non-Profit Sector In Toronto, Tom Zizys, 2011. This report determined that current data is not able to support meaningful human resource planning in the nonprofit sector.

<sup>8</sup> See Appendix III of this document: Working for the Good of Ontario Communities – Implementing a Labour Force Strategy for the Nonprofit Sector in Ontario, Ontario Nonprofit Network, 2010. (A Submission to the Ontario Partnership Project.)



## **Ontario Labour Market Partnerships and the Nonprofit Sector's Human Capital Renewal Strategy**

ONN understands that LMPs are designed to encourage and support partnerships among employers, employer/ employee associations, and community organizations in addressing labour force issues through partnership and innovative strategies.

Based on years of information sharing and collaboration with partners from across the nonprofit sector, the Ontario Nonprofit Network (ONN) (see Appendix I for background) has determined the importance of developing a Human Capital Renewal Strategy for Ontario's nonprofit sector. The key objective of undertaking such planning is to develop and promote labour market intelligence for the nonprofit sector in Ontario, and ensure that this intelligence is used to help develop the sector's labour market over the coming decade. In other words, **in partnership with key stakeholders across the sector, ONN plans to collect data, build a human resource plan with that data, and begin implementing a human capital renewal strategy for Ontario's nonprofit sector.**

ONN's efforts to date have evolved from consensus among key partners in the nonprofit sector – such as the Social Planning Network of Ontario, Toronto Neighbourhood Centres, and the Ontario Network of Employment Skills Training Projects – that there is a lack of capacity for human resource planning in Ontario's nonprofit sector.

### **Overview: Developing a Human Capital Renewal Strategy for Ontario's Nonprofit Sector**

Phase 1 – Data Collection

Phase 2 – Designing the Human Capital Renewal Strategy

Phase 3 – Implementation and Assessment

Timeline – Three years (2012-2015)

Estimated Project Costs – TBD

### **Phase 1: Data Collection for Evidence-Based Strategic Human Resource Planning (2012-2013)**

The Ontario Nonprofit Network, in conjunction with other key sector partners and with the support of the HR Council for the Nonprofit Sector, will undertake a detailed study of a scaled sample of the nonprofit sector. This study will provide data on labour market conditions such as employment, wages, qualifications, job openings, recruitment/retention, training opportunities and working conditions. The evidence collected will provide critical data and information that can be leveraged to advance continuous human resource planning and capacity building in Ontario's nonprofit sector.

This phase will include focus group work to determine in greater detail the data set requirements for labour force planning in Ontario's nonprofit sector. Convening stakeholders from across the sector to provide input will be critical to the successful use of data in the planned Phases 2 & 3 of the Human Capital Renewal Strategy's development. ONN has been working extensively in partnership with the HR Council for the Nonprofit Sector, which will continue to provide human capital and expertise. In addition to contributing its own human and intellectual resources, the network is also positioned to collaborate



with associations and other organizations throughout the nonprofit sector, and other groups such as Ontario's Workforce Planning Boards, building on previous consultation and partnership.

Building on the parameters of similar work completed in other jurisdictions, a labour market research study will be designed and executed. The resulting data will be used to inform and provide evidence for detailed human resource planning in the sector and the development and implementation of a human capital renewal strategy.

Specific components of the study may include:

- Summary of relevant existing knowledge
- Data collection for identified information requirements
- Clarification of data that cannot be realistically collected within the scope of this study
- Recommended structure and methodology for continued data collection mechanisms to update, refresh and inform future human resource planning within the sector

*Timeline: 12-15 months*

## **Phase 2: Designing the Human Capital Renewal Strategy (2013)**

ONN will support the development and implementation of a collaborative and comprehensive human capital renewal strategy for the nonprofit sector. The strategy will be informed by evidence collected in Phase 1, including promising practices of other jurisdictions. It is anticipated that it should include:

- The establishment of a **joint Partnership Council** comprised of employers, employees, trainers, educators, policy makers and other potential partners to develop and guide the human capital renewal strategy, including attention to policy and regulatory developments that affect human resource planning across the sector.
- Pilot projects to test sector driven labour force adjustments before considering the broader use of proposed initiatives. Projects may include research, cross-sectoral "constellations" or working groups, partnership formation, program development and training in order to:
  - Develop or expand existing initiatives such as sector specific work experience opportunities.
  - Develop a clearing house of province-specific training materials, opportunities and information resources.
  - Create, develop or expand sustainable mentorship programs and techniques across the sector and for specific sub-sectors (e.g. child care, youth outreach) or employees with specific skill sets (e.g. technology, management, communications).
  - Design and develop institutional partnerships between the sector and universities, colleges and other training institutions to promote labour market opportunities.
  - Adapt strategies employed by co-ops and other groups advancing community economic development.

To develop strategic human resource planning and strategy development, ONN will work with groups previously mentioned and a wide array of other sectoral, governmental, academic and expert partners.

ONN will also be able to strengthen links forged across government through the Partnership Project and the Open For Business process. The implementation of Open For Business results is a critical forward



path to further partnerships with multiple Ministries for a human capital renewal strategy, and will be able to provide a unique approach to bring existing as well as younger nonprofit expertise to a tangible and high level public policy development relationship.

*Timeline: 6-12 months \*Overlap with Phase 1. In particular, the Partnership Council should help inform the development of the research study.*

### **Phase 3: Implementation of Strategic Actions and Assessing Early Impacts (2014-2015)**

The Partnership Council will work with MTCU-EO and other funders to begin implementing the human capital renewal initiatives developed during Phase 2, assess early impacts, and at the same time establish long-term, sustainable plans for continuing the review of human resources and labour market issues affecting the sector, assessing future supply and demand challenges, and identifying and implementing future human resource approaches to support the growth and development of the nonprofit sector's labour force in Ontario.

Anticipated high level outcomes from the development of a Human Capital Renewal Strategy for the nonprofit sector will help address key labour market issues in the nonprofit sector that will likely measure:

- Improved data on local nonprofit labour markets
- Increased resources and higher capacity (including human resource management and development)
- Enhanced numbers of volunteers contributing to nonprofit public benefit work
- Strengthened processes and better results in matching qualified candidates to positions in the sector
- Increased professional succession planning
- Improved career opportunities in the sector for visible minorities and members of diverse communities

Specific performance indicators and impact measurements will be articulated in-depth by the Partnership Council in Phase 2 of the strategy's development.

*Timeline: 12-18 months*

### **Appendices**

I – Ontario Nonprofit Network Backgrounder

II – Nonprofit Sector Labour Force Planning Initiatives Across Canada, HR Council for the Nonprofit Sector, 2011

III – Working for the Good of Ontario Communities – Implementing a Labour Force Strategy for the Nonprofit Sector in Ontario. A Submission to the Ontario Partnership Project, Ontario Nonprofit Network, 2010