Notes to A Human Capital Renewal Strategy for Ontario

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Rob Howarth

Steering Committee Member, Ontario Nonprofit Network
Executive Director, Toronto Neighbourhood Centres

The following is an abridged version of Rob Howarth's speech, delivered at the Ontario Trillium Foundation's impact.innovation.inspiration Conference 2012

The Opportunity

In order to develop a human capital renewal strategy for Ontario, we must look to the solutions that can be provided by the nonprofit sector. Over time, structural issues have given rise to significant challenges for the sector; even so, as the Premier has noted, there is a key opportunity to seize here. In the brief time I have to speak with you, I would like to consider the scope and context of that opportunity, and what shape it might take.

The Contribution of Ontario's Nonprofit Sector

The nonprofit sector makes a significant contribution to Ontario's social and economic development, as Don Drummond noted in his recent report. Demographic changes have huge implications for the sector, which plays three distinct roles that support the province's wellbeing. The nonprofit sector is:

1) An employer (employing 16% of Ontario's workforce),

2) A service provider (consisting of 40,000 public benefit organizations across the province) and

3) A steward of communities (mobilizing over 5 million volunteers).

The numbers paint a good picture of where we stand. The Ontario Nonprofit Sector Today, excluding hospitals and universities:

- Represents 47.7 billion or 2.6% of Ontario's GDP
- Mobilizes over 5 million provincial volunteers
- Provides over 600,000 Ontarians with employment
- Includes 40,000 registered charities and nonprofits operating for the public benefit
- Obtains 43% of revenue through earned income (e.g. fee for service and sales) supplemented by government funding (36%) and donations (17%)
- Generates $20 in donations and volunteer resources for every $10 invested by government

The Demographic Situation

Although concrete demographic data is not readily available, we can roughly estimate that Ontario's nonprofit sector workforce reflects similar demographic characteristics as the broader public sector and the government itself – it faces the looming retirement of baby boomers, a squeezing out of middle management positions and a significantly underemployed younger population.

In general terms, one of the most significant issues is a 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 that their nonprofit does not have a succession plan in place (pg 2). Particular sustainability challenges in the sector contribute to this:

- Funding models (in particular a lack of core funding that encourages contract-based work).
- Survival of organizations is uncertain (as private and public funding bases decrease).
- Competition across sectors (which can put NFP sector at a disadvantage as an employer with lower fiscal benefits and job stability).
- Younger generations (who haven't been able to acquire skills and training to step up, due to a lack of middle management and other transition opportunities to leadership roles. Instead they are facing precarious work or volunteering).

Together, these factors create a perfect storm: people are working to keep their lips above water.

Data - The Missing Ingredient

The nonprofit sector's contribution to Ontario's wellbeing makes a human capital renewal strategy for the sector essential – a key pillar of renewal for the province.

Premier McGuinty has highlighted this renewal factor, suggesting financial incentives for younger generations to get involved in the nonprofit sector.

Despite the sector's important role, it is a challenge to speak about the effect of aging demographics on the sector, and how to respond without specific research and comprehensive databases. The Commission on the Reform of Ontario's Public Services says it well: "Data gaps limit Ontario's ability to effectively target investments in labour-market programming" (pg 238).

A Human Capital Renewal Strategy for the Sector

To build an effective and evidence-based human capital renewal strategy for the nonprofit sector in Ontario requires strategic data collection, analysis, and evaluation as foundational elements. We also need partnerships across sectors to create and implement a strong strategy.

Elements of this strategy could include:

- A study of the labour force factors in our sector (e.g. pay, benefits, required certificates, etc.);
- A joint table to bring employers, trainers, educators, unions and employees together to build a strategy;
- Government investment in evidence-based planning to support the social and economic development the nonprofit sector brings to our communities as an employer, service provider, and a way to build civic engagement;
- Partnerships with colleges, universities, The Ministry of Training Colleges and Universities (MTCU) to develop a human capital advisory group to the sector;
- Support for existing initiatives in community economic development, including co-ops, work experience opportunities, etc.

Thanks to the HR Council for the Nonprofit Sector's Building Cohesion project, we can take lessons from other provinces,[1] many of whom have moved through strategy design to implementation, and build on the work happening in these areas. Rather than get left behind, Ontario can leap ahead, creating an innovative human capital renewal strategy that builds on the nonprofit sector's role as a contributor to Ontario's social and economic development.

[1] http://hrcouncil.ca/labour/initiatives.cfm