Human Capital Renewal in the Nonprofit Sector

Framing the strategy

Prepared by Elizabeth McIsaac, Stella Park, Lynne Toupin
Mowat NFP, University of Toronto

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Based on years of information sharing and collaborating with partners from across the nonprofit sector, the Ontario Nonprofit Network (ONG) is undertaking a data collection project to inform a made-in-Ontario, nonprofit-sector Human Capital Renewal Strategy (HCRS). ONG is pleased to be working with a number of key partners to complete Phase I of HCRS development:

PARTNERS’ ADVISORY COUNCIL (PAC) - KEY SECTOR & PARTNER EXPERTS

The PAC, comprised of sector leaders, academics and researchers, has a role in guiding and shaping Phase I development of the HCRS. PAC members have helped to inform the parameters of this review and provided critical feedback on an earlier version of this paper.

Peter Clutterbuck, Social Planning Network of Ontario
Anne Healy, Canadian Union of Public Employees
Rob Howarth, Ontario Nonprofit Network
Ed Kothiringer, Ontario Network of Employment Skills Training Projects
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Debra Mountenay, Elgin Middlesex Oxford Workforce Planning and Development Board
Dr. John Shields, Ryerson University, Department of Politics and Public Administration
Bonnie Shiell, HR Council for the Nonprofit Sector
Matt Wood, First Work

MOWAT NFP - RESEARCH PARTNER

Mowat NFP is providing key research support and advice to ONG and the Partners’ Advisory Council for Phase I of the HCRS. Mowat NFP has prepared this interim report to advance strategic data collection that will inform the development of the HCRS.

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Purpose

The Ontario Nonprofit Network (ONN), in collaboration with partners across the not-for-profit sector, the labour and academic communities, and with the support of a Labour Market Partnership with the Ontario Ministry of Training, Colleges and Universities, is undertaking the development and implementation of a human capital renewal strategy for the not-for-profit sector in Ontario. The first phase of this process involves data collection. Phase two will involve designing the human capital renewal strategy, and phase three will conclude the development process with the implementation of strategic actions and assessment of early impacts.

The Mowat Centre was retained by the ONN to collect the data for phase one. As a preliminary step in framing the research questions that the data will answer, a review of the relevant literature and existing data sets, a series of key informant interviews, and conversations with the Partners’ Advisory Council (PAC) were completed in March 2013. This report, prepared by the Mowat Centre, provides a summary of the findings of this process and begins to frame the research questions that a province-wide survey and a series of focus groups will explore.

This report offers an overview of the key internal and external drivers shaping human capital challenges and opportunities in the not-for-profit sector in Ontario, and explores three key human capital priorities: closing the leadership gap, finding and keeping talent, and developing human capital. The report is intended to be useful to not-for-profit leaders thinking about the future of the sector, policy makers that work and partner with the not-for-profit sector, and researchers and academics that are also working on issues related to human capital in the sector.

Mowat NFP, the research hub of the Mowat Centre focused on the not-for-profit sector, has undertaken the research portion of phase one in ONN’s HCRS project as part of its Sector Opportunities research stream. Sector Opportunities respond to current research opportunities in the sector that relate to the broader research agenda of the hub.
Human Capital Renewal Strategy in the Nonprofit Sector: Framing the Strategy

The importance of human capital cuts across all sectors, and is a strategic priority for the nonprofit sector. The ability of the sector to attract and retain the right talent, develop effective leadership, provide relevant training and skills development, and offer competitive benefits and compensation will be critical in determining the future vibrancy and sustainability of the nonprofit sector in Ontario.

As Canada faces a slowdown in labour force growth, the nonprofit sector will need a deliberate human capital renewal strategy to strengthen its capacity to innovate and compete with the private and public sectors for skilled workers.

A human capital renewal strategy will enable the sector to prepare for impending demographic change, technological advancements, and other emerging trends including increasingly networked behavior, rising interest in civic engagement and volunteerism, and the blurring of sector boundaries (Gowdy et al., 2009). A human capital strategy should address the particular needs of the sector and contribute to the resilience of communities across the province.

Defining “human capital strategy” is an important first step. For the purposes of this paper, human capital refers to the collection of skills, knowledge, competencies and personal attributes that create value in the workforce. A human capital strategy is understood as a forward looking approach to understanding the social and economic context in which the sector operates, the internal and external drivers that are shaping the sector, how these drivers impact human capital challenges, and the resulting opportunities and potential solutions.

Human capital planning is distinct from human resource planning, which is the process that links the human resource needs of an organization to its strategic plan to ensure that staffing is sufficient, qualified, and competent with the right skills to achieve the organization’s objectives.

The key to a human capital strategy is that it is forward looking. Nonprofit leaders must think about the future of the sector in terms of whether it will grow or contract, how it
will compete, and how prepared it is to navigate the changes that lie ahead.

The Ontario Nonprofit Network (ONG) has embarked on the development of a human capital renewal strategy for the nonprofit sector in Ontario. The purpose of the strategy is to develop a position of strength for the sector through effective human capital renewal. The Mowat research team was retained to work with the Partners’ Advisory Council (PAC) and the ONG to collect the necessary data that will inform the development of a human capital renewal strategy for the nonprofit sector in Ontario.

As the first step in the research process, the research team set out to identify potential research questions by reviewing relevant literature and conducting key informant interviews. This report provides a synthesis of the reviewed literature and an analysis of the interviews, formulates a framework for understanding human capital in the nonprofit sector, and identifies priorities for strategy development.

The report begins with an overview of the context in which this strategy is being developed, looking both at external and internal drivers acting on the sector, and how these drivers are shaping human capital concerns. From the interviews and the literature three key human capital priorities are identified and explored: closing the leadership gap, finding and keeping talent, and developing human capital.

I. The Context: External Drivers Shaping the Nonprofit Sector

DEMOGRAPHICS

One of the most powerful drivers shaping human capital across all sectors, in Canada and globally, is demographic change. In particular, an aging population, intergenerational cultural change, and immigration have important implications for a human capital strategy.

An aging population means that there is an impending retirement wave (Special Senate Committee on Aging, 2009; Statistics Canada, 2012; Arundel, 2011). In the nonprofit
sector this will play out most significantly at the leadership level, where 55 per cent of Executive Directors (EDs) have said they plan to leave their current position within four years; and only 40 per cent of EDs said they were most likely to remain in the sector when they leave their current role (HR Council for the Nonprofit Sector, 2012a).

It is still common for leaders to have trouble letting go. Many EDs have been at the helm for years and strongly identify with their role. Others are delaying retirement due to tough economic conditions.

The withdrawal of leadership raises a range of concerns for the sector, including challenges around succession planning and the loss of institutional memory (Casner-Lotto, 2007; HR Council for the Nonprofit Sector, 2010; Toupin and Plewes, 2008). One study found that 72 per cent of board members surveyed had no succession plan in place for the ED position (HR Council for the Nonprofit Sector, 2012a).

How the sector and individual organizations develop opportunities to tap into the experience of aging leaders will be an important strategic lever for supporting emerging leadership in the sector (HR Council for the Nonprofit Sector, 2010d).

Much has been written about the challenges of intergenerational relations in the workplace (HR Council for Nonprofit Sector 2010a, 2010b, 2010c). With the boomer generation preparing to exit the labour force, there are growing opportunities for the next generations. The most concerning questions facing the sector include: How well will the current organizational culture serve the expectations of young people? Do young people have the right leadership skills? How well have they been served by career laddering opportunities?

While it is widely recognized that young people bring important skills in terms of technology, they also have different expectations of the workplace, work-life balance and career ambitions. Both the literature and the key informant interviews stressed the importance of the need to more effectively engage the next generation of workers (HR Council for Nonprofit Sector, 2010a, 2010b, 2012; Saunders, 2004). Traditional ways of engagement through front line volunteering or board membership may not be as interesting to young people who are more focused on direct action and solution seeking for the cause(s) that interest them and whose engagement with the sector is more fluid (HR Council for the Voluntary and Nonprofit Sector, 2003; HR Council for Nonprofit Sector, 2010b).
As a key demographic trend in Canada, immigration is widely held as a positive response to potential labour shortages in the near and long-term. The role of immigration in labour market growth in Ontario has been widely documented, particularly with the launch of Ontario’s Immigration Strategy in 2012 (Ontario Chamber of Commerce, Mowat Centre for Policy Innovation, Leger Marketing, 2013; Government of Ontario, 2012). In fact, immigration dominates human capital strategies in all sectors.

For the nonprofit sector, immigration and inclusion of immigrant talent, both as employees and board members, is paramount (DeCoito and Williams, 2004; HR Council for the Nonprofit Sector, 2012b; Maytree, 2011). Not only are immigrants an important source of talent, but the continued reliance on immigration to grow Ontario’s labour force means that communities and service users are increasingly diverse, and the organizations that serve them need to reflect this change.

Diversity and inclusion are critical issues for the sector beyond paid employment (boards, volunteers, clients). Organizations that are not progressing on this front will certainly be left behind (Conference Board of Canada, 2008; HR Council of Nonprofit Sector, 2012b; Maytree, 2011).

**BUDGET RESTRAINT, GOVERNMENT FUNDING AND RESULTING PRECARIOUSNESS**

In Ontario, most nonprofits rely heavily on government funding (49 per cent) as their main source of revenue. Only one-third (35 per cent) of revenues were earned from non-government sources such as memberships and sales of goods and services; and 13 per cent were received through gifts and donations (Imagine Canada, 2006). For nonprofit organizations that primarily deliver government services (health, settlement, employment, child care, housing, etc.) and rely heavily on government contracts for their overall revenue, there are challenging times ahead with smaller budgets and expected funding constraints (Commission on the Reform of Ontario’s Public Services, 2012; Mulholland et al., 2011; Scott and Struthers, 2006).

One of the toughest challenges facing the sector is the culture of doing more with less, resulting in the expectations of funders to continually find further savings. At the same time, the core sector is seeing increased demands for services (Cardozo,
Nonprofits will need to be innovative to meet these demands, and they may have to consider other strategies to build capacity and sustain their organizations (Cortez et al, 2009; La Piana, 2000; McIsaac and Moody, 2013; Mulolland, Mendelsohn and Shamshiri, 2012).

Negotiating the resources needed to deliver services will require solidarity amongst nonprofits. Otherwise there is a risk of heightened competitiveness and organizations undercutting each other, effectively creating a race to the bottom. With very little manoeuvrability in ever-shrinking budgets, this inevitably impacts salaries and other employment conditions, such as hiring of temporary staff on contract-based funding (Akingbola, 2004; Clutterbuck and Howarth, 2009).

Increasingly, the sector is being asked to demonstrate outcomes and improve accountability. Government and other funders are asking for quantitative, evidence-based reporting, and are framing this as an accountability issue. In an era of increasing fiscal pressure, nonprofits are required to do even more to demonstrate organizational efficiency and community impact (Bertz and Tucke, 2012; Lasby and Barr, 2010). This places additional strain on nonprofits that will need to hire for specific skills to deliver on these requirements.

As a result of increasing fiscal pressure, governments and other funders have moved away from core funding to project-based funding. Project-based funding is short-term and unpredictable and results in an overall “temporariness” in the sector. This temporariness shapes employment in the sector adversely, resulting in increased part-time and contract employment, lower wages, increased shift work, and fewer benefits and pensions (PEPSO 2013; Clutterbuck and Howarth, 2009; Akingbola, 2004; Community Development Halton, 2007; Daya et al., 2004; Eakin and Richmond 2005; Evans and Shields, 2010; McMullen and Schellenberg, 2003; Saunders, 2004; Shields, forthcoming). This kind of precarious employment contributes to job dissatisfaction and may result in people abandoning the nonprofit sector for more stable employment.

Conversely, there may be positive effects from this temporariness as well. For example, some retirees may want to volunteer/work part-time after retirement, and parents may prefer flexible working conditions in order to balance work and family responsibilities (HR Council for the Nonprofit Sector 2010c, 2010d). The flexibility in the nonprofit sector may, in part, explain the overrepresentation of women in the sector (70 per cent
of nonprofit employees are women, compared to 47.5 per cent in the for-profit sector and 66 per cent in the public/government sector (Saunders, 2004).

Nonetheless, insofar as flexibility contributes to precarious work conditions, it is a double-edge sword and a deterrent to recruiting and retaining staff.

As part of a climate of fiscal restraint, government is looking more broadly at alternative service delivery options and is considering private sector interests in the “traditional” work of the nonprofit sector. This blurring of the sectors’ roles and increased competition has significant and direct implications for the stability of the nonprofit sector and human capital strategies. Private sector firms that provide similar services would then compete for the same pool of talent. Furthermore, as private sector firms move beyond the single bottom line, employees who want to ‘do good’ may have other options besides nonprofit employers.

TECHNOLOGY

Our workplace environments, the technologies we use, how our expectations are changing – all of these contribute to how we think and work. The pace of change in this sphere is exponential. Some key informants felt that current sector leadership does not fully leverage the opportunities new technologies provide, while the younger generation with skills in new technologies does not have the depth of experience or strategic capacity to leverage these skills effectively.

Key informants felt the private sector has greater access to resources and capacity to invest in technology to increase productivity and effectiveness. The nonprofit sector, on the other hand, does not have the same ability to invest, and yet there is an imperative to keep pace. The sector’s capacity to adapt and use new technology is both a challenge and a necessity.

People access all kinds of information and analysis through the internet. They no longer rely on intermediaries to process or analyse information for them. This has a profound impact on the way nonprofit employers are re-thinking how work is done, and how to engage younger generations who demand direct and immediate access to information and open networking.
WORKING ACROSS SECTORS - FUTURE OF INNOVATION

The lines between sectors are increasingly being blurred as social innovation and solutions to complex social challenges increasingly demand multi-stakeholder partnerships. The nonprofit sector has a longstanding role as the voice of the community and brings unique knowledge and expertise to the table. New frameworks for problem solving that involve multiple stakeholders in the process and the need for new partnerships can create uncertainty for the sector.

Funders, donors, corporate and other civic leaders want to be more closely connected to the work they support. A more sophisticated donor base and engaged corporate sector want to see a defined return on their investment and linkages to other agendas (Bertz and Tucker, 2012). As a result, this drives a need for the sector to develop specific and sophisticated skill sets that include demonstrating impact, building effective partnerships with the private sector, and leveraging relationships beyond dollars. Nonprofits will need to adjust their decision-making processes in order to attract and keep donors who want to do much more than just put money on the table.

To work effectively across sectors, the nonprofit sector must strengthen its capacity to find and retain leaders who are big picture thinkers, can engage with other sectors, and have courage to bring together a diversity of other thinkers, including the antagonists, from the private and public sectors. By doing this, the sector will position itself, not at the margins of thought leadership, but as a catalyst capable of addressing fundamentally big, complicated and messy problems (i.e. environmental stewardship, Aboriginal self-government, etc).

II. The Context: Internal Drivers Shaping the Nonprofit Sector

RESOURCES - SCARCITY OR ABUNDANCE?

There are two competing narratives on how the nonprofit sector should and does view itself in terms of resources. First, there is an emerging view that that the sector should claim a sense of abundance and autonomy. Abundance because many organizations are no longer dependent entirely on government funding but are finding new ways to create
cost efficiencies and are beginning to move away from the view of scarce resources; and autonomy because new monies free them up to set their own course.

The second, and competing narrative, is scarcity. Resources and funding are declining, and this limits opportunity and capacity as it relates to human resources. There is not enough money to pay people fairly, and people are leaving the sector because of poor compensation (Clutterbuck and Howarth, 2009; Eakin et al. 2004; Saunders, 2004). Precariousness in employment and the associated stress related to it is taking a toll on staff in the nonprofit sector, particularly at the leadership level (HR Council of Nonprofit, 2012a).

One key informant noted that in some cases EDs are being pulled into frontline service work in order to justify funding. This kind of resource allocation undercuts the ability of senior leaders to fulfill their role in strategic planning and big picture thinking. The appeal of community values and vision is not enough to keep high performing talent in the sector, and should not be a trade off for fair wages. The nonprofit sector is challenged to sustain a strong workforce because employees need more stability, and increasingly, with the blurring of sectors, there are opportunities in other sectors that call for the same skills and that also offer value-based opportunities.

In addition, greater emphasis is being placed on financial diversification. Nonprofits feel the need to improve their capacity in marketing and fundraising, which requires more complex, professional and sophisticated skills sets. For example, there is pressure for nonprofits to explore social enterprise (SE) as a revenue option, and SE has been positioned as an indicator of innovation and growth. However, SE is still new to most organizations and it is not clear that there will be immediate financial benefits, particularly if the organization is unstable to begin with and if strategic planning is not in place. In itself, SE will not solve the resource challenges of the sector.

As government funding wanes some organizations feel pressured to re-invent themselves in order to fill funding gaps. The underlying problem here is that meeting the challenge of alternative resource generation for nonprofit organizations, including SE, requires a skill set that may not be readily available in the sector. The resulting challenge is for organizations to identify their own needs in this regard, and to develop a culture of entrepreneurship across the sector.
BRANDING AND PERCEIVED VALUE

There is a growing awareness across the sector of the need to reframe and strengthen the sector’s narrative, value proposition, and external brand (Imagine Canada, 2009, 2010, 2011). This notion was reinforced by key informants noting that the sector needs to become more effective in communicating and marketing the benefits (values and opportunities) of working in this sector. A compelling case needs to be made on the values, creative space and innovative opportunities available in the sector, especially for young people (HR Council for the Voluntary and Nonprofit Sector, 2003).

The sector’s narrative becomes an increasingly vital element in the context of the emerging competition for talent across sectors. While Imagine Canada is working to develop a macro level sector narrative, there is also a demand at the sub-sectoral and organizational levels to develop strategic approaches to attracting top talent.

ORGANIZATIONAL STRUCTURES

According to 2003 data from the National Survey of Nonprofit and Voluntary Organizations (NSNVO), less than half of all nonprofit and voluntary organizations in Ontario (47 per cent) and Canada (46 per cent) rely exclusively on volunteers to pursue their missions. The vast majority of nonprofits in Ontario are small organizations. Fifty-seven per cent are micro employers, from an organizational perspective, and have less than 5 employees. Only 6 per cent of nonprofits have more than 100 paid-employees (Imagine Canada, 2006). This reality has significant implications for the organizational capacity and options of the sector as a whole.

As the majority of nonprofits are small, they are also flat and have limited ability to develop career laddering opportunities for their employees. Even in mid-sized organizations, cutbacks in funding make it difficult to develop the managerial level of the organization and grow internal leadership. Because many nonprofits cannot offer career growth within one workplace, sector employees often have to move across organizations in order to grow and develop their skills and leadership potential.

Current funding models limit nonprofits’ ability to provide professional development for their employees. Professional development requires significant organizational commitment to learning and there are limits to the resources available to support this
kind of development in current funding models. While some nonprofits are building their capacity to deliver training and develop skills across the organization, provision of training and skills development is not common or consistent across the sector.

Within nonprofit organizations, boards are seen as a critical factor in the human capital equation (Board Development Program, 2009; HR Council, n.d.; Le Blanc, 2010). Boards provide critical support to the executive, and accountability to the membership. They need to be able to deal with the complexities of the sector and should have the capacity to provide direction and support to executive leadership. Boards are responsible for succession planning, but may not be well equipped for this type of planning. The challenges facing volunteer boards are often more accentuated in rural areas, where there is a limited supply of, and high demand for, volunteers.

Another structural challenge identified by key informants, especially among smaller organizations, is the ability to remain nimble. The work of organizations evolves, sometimes from year to year, and the skills required to do the work change. Small organizations often do not have the capacity to maintain a role for a particular person because the organizational needs may change. In one example of a very small arts organization, shorter term contracts with staff enable the organization to be more nimble and responsive and therefore better able to deliver on its mandate.

A final observation was the challenge of reconciling current workplace cultures with the culture of younger, emerging leaders, who may see rigid organizational structures as a barrier to direct impact and feel frustrated. Emerging leaders are skilled and passionate, but often unable to reinvent organizational forms and structures to meet their expectations. In some cases, the value of existing organizations is not evident to emerging leaders due to an entirely different sense of engagement (HR Council for the Voluntary & Non-profit Sector 2003). The sector is challenged to find creative space within current organizational structures to attract the entrepreneurial spirit of the next generation of leaders.

III. Human Capital Priorities

Three key priorities for a human capital strategy emerge from the trends identified in Sections I and II: closing the leadership gap; finding and keeping talent; and developing human capital. Each of these priorities contains a complex set of challenges and opportunities which are explored in the following section.
CLOSING THE LEADERSHIP GAP

The aging population and the impending retirement of the boomer generation has been well documented (McDonald, 2011; Arundel, 2011; Toupin and Plewes, 2008). In the nonprofit sector this raises deep concerns over the potential exodus of leadership and an ensuing “leadership gap.”

But the issue of the leadership gap is about much more than retirements, and in fact it is strongly impacted by structural issues in the sector. The leadership, meaning executive directors and directors, is the critical workforce segment of the sector; that is, those who generate a disproportionate share of current and future value (Deloitte, 2007). As such, they are the strategic priority in a human capital strategy.

In assessing the extent of a leadership gap, it is necessary to look at the leadership bench strength for executive directors, namely the number of high potential leadership candidates who are ready to step up (Deloitte, 2007, Oldenburg et al., 2012). In a sector where career ladders are almost non-existent, succession planning that is deliberate and proactive is a real challenge. While this is less of an issue in mid to large organizations, smaller nonprofits are facing a significant challenge. This challenge is further exacerbated in rural communities where the supply of talent generally is further limited (see also Stowe and Barr, 2005).

In response to the challenge of succession planning and the underdeveloped pipeline of talent in the sector generally, some have suggested the need to look outside the sector, to import talent, because the sector does not have the capacity to develop its own. This approach is related to an emerging trend of cross-sectoral movement and the growing need for new skills to provide effective leadership and for an ability to work across all three sectors, the “tri-sector” leader (Lovegrove and Thomas, 2012).

The leadership issue cuts across the sector, especially when considering the particular skills that are needed to be an effective sector leader (HR Council for the Nonprofit Sector 2012a; Oldenburg et al., 2012). Key informants noted that sector leadership requires a more strategic understanding of emerging contexts as well as the business and management skills needed to navigate new terrain as critical skills sets. More specifically, sector leaders must have an ability to deal with the changing philanthropic landscape and evolving business models in the sector. Sector leaders must also
understand social finance and how to leverage the related tools (community impact bonds, community investment funds, etc.).

Notably, these skills are not always available widely in the sector today. As a result, the sector will be challenged to tap into important leadership skills to build the sector’s future effectiveness and innovation.

More sophisticated skills in relationship building and capacity development were also seen as necessary to work across sectors and in deep collaboration with a range of stakeholders. It is increasingly important to leverage assets and skills with the business sector and fully engage donors in shaping community solutions. Sector leaders will need to create opportunities to build partnerships and position nonprofits as critical and valued players in problem solving. The challenge will be for nonprofit leaders to be adaptive, transformative and able to work from a sense of abundance.

Another key element of the leadership gap is the need for renewal. Aligning with the findings from the HR Council’s National Study of Nonprofit Executive Leaders Survey (2012), many key informants spoke about the stresses and strains of leadership in the sector, and the continued need for renewal at both the organizational and personal level. Leadership in the sector takes its energy from a place of social justice, transformation, creativity and community stewardship. Leaders are challenged to step away from day to day business to do the necessary big picture thinking that is critical to renewing and sustaining a vibrant and effective sector.

Finally, the literature and key informants suggest that the impending leadership gap puts institutional knowledge and memory at risk. As leaders leave their organizations they take with them much of the institutional history and learning that took place during their tenure. While other sectors are implementing strategies to capture the skills and knowledge of retirees, nonprofits are limited in their capacity to implement these strategies. In a sector where so much intellectual and relationship capital resides with the leadership, there is need for a strategy that deliberately taps into this valuable resource (Arundel, 2011; HR Council of Nonprofit Sector, 2010c, 2010d; McDonald, 2011).
FINDING AND KEEPING TALENT

Framing a human capital strategy involves consideration of how best to attract and retain the people and the skills that are needed to promote a resilient sector. Making predictions about the supply and demand for talent is difficult because a wide range of factors comes into play, including all the external and internal drivers discussed in Section I and II.

The literature and key informants consistently point to three spheres in which the sector in Ontario faces major challenges: attracting and keeping talent; engaging youth and immigrants; and the particular challenges faced by rural communities.

Finding the right people and skills for an organization is a function of effective outreach and recruitment strategies. The ability to attract talent is strongly linked to being competitive in the broader labour market. Increased incentives (e.g. compensation, benefits etc) are directly related to both attraction and retention issues, and these were identified as a challenge for the sector.

It was widely accepted that organizational mission and alignment with individual personal values was a key driver of attracting new employees. But even where mission and values are compelling they are not seen to be sustainable solutions to keep talented employees. Among key informants, there was concern about overworking and underpaying staff, leading to burnout, health issues, and movement away from the sector.

Volunteer engagement was not mentioned in key informant interviews. However, research suggests that increasing the engagement of volunteers is one effective strategy to recruiting new employees to the sector (Arundel, 2011). This is particularly relevant since over 53 per cent of nonprofit organizations are completely run by volunteers and have no paid staff (approximating 7.8 million volunteers including board members).

It is clear that a human capital strategy needs to consider the diversity of employee demographics and their corresponding needs and expectations. Youth engagement (students, new graduates, interns) was a particular focus of much of the literature on human capital strategies in the nonprofit, public and private sectors (e.g., Deloitte, 2006).

Key informants spoke broadly about the sector’s need to better engage with youth and immigrants and to strengthen the talent pipeline from colleges and universities by
better connecting the sector to post-secondary institutions. More accessible internship programs are seen as an opportunity to engage both youth and immigrants (HR Council for the Voluntary and Nonprofit Sector, 2003).

Research findings showed that young people perceived nonprofit work to be meaningful and rewarding. They were willing to work, even with comparatively less pay, and build experience if they could find jobs in a relatively short time after graduation. They also wanted to find jobs that provided them with skills to move across public/private sectors and opportunities for promotion and connected their work to tangible results (HR Council for the Voluntary and Non-profit Sector, 2003; HR Council for Non-profit Sector, 2010b).

Interviews and research also pointed to the next generation’s frustration with the structures and opportunities in the sector and suggested these were seen as significant barriers to keeping young talent in the sector. These include: work life balance, expectations for career development and the desire for multiple employment experiences within a single organization, opportunities for mentoring, a tech-savvy work environment, opportunities to build social networks, and a culture that embraces open communication (see Deloitte, 2006; HR Council for Non-Profit Sector, 2010b).

New immigrants continue to be a vital source of labour market growth in Ontario. It is widely recognized that there is a growing imperative for employers to engage immigrants more effectively in the workplace.

For the nonprofit sector in particular, there is much more that can be done to leverage immigrant talent in filling skills shortages, promoting diversity as a core value of the sector, providing better services to diverse communities, and increasing innovation and diversity of thought. Studies show that visible minorities and immigrants are currently under-represented (both as paid-employees and volunteers) in the sector. While they make up 16 per cent and 20 per cent of Canada’s population respectively, only 6 per cent of nonprofit employees are visible minorities and 11 per cent are immigrants (HR Council of Nonprofit Sector, 2011, 2012b, see also Maytree, 2012).

Several strategies have been advanced to include more immigrants in the workplace. Among these strategies are: building the HR capacity of employers linking immigrants to employers through internships; mentoring and bridging programs; and developing stronger networks across professional communities (see www.hireimmigrants.ca, www.triec.ca, www.hireimmigrantsottawa.ca).
While nonprofit organizations in urban and rural communities face similar challenges, organizations in rural communities have greater difficulty in meeting such challenges. They are dealing with a small and shrinking pool of potential board members, staff members, volunteers, and donors as older generations retire and younger generations see future opportunity in urban centres. In addition, rural nonprofit organizations face higher costs in serving clients who are spread out over great distances, as well as smaller economies of scale.

These challenges mean that rural nonprofits have both higher operating costs than urban nonprofits and fewer human and financial resources from which to draw (Barr et al., 2004; Stowe and Barr, 2005). Again, as with issues related to engaging youth and immigrants, a human capital strategy will need to consider the diversity of contexts across the province in order to identify relevant solutions.

**DEVELOPING HUMAN CAPITAL**

While recruitment and retention form an integral part of a talent management approach, a human capital strategy must also consider how to align training and development with the future needs of the sector. A core challenge identified in interviews was that investments in training within the sector are modest at best, with limited capacity to develop the learning opportunities that are required. Notwithstanding the challenge of resources, opportunities to develop human capital were explored in three key areas: professional development, post secondary education, and the development of accreditation.

Key informants felt that the value of professional development was not sufficiently understood or respected in the sector, where there is limited financial commitment and often is not part of the organizational culture. This is in contrast with the investment seen in the private sector, and the commitment to ongoing professional development seen in regulated professions.

The need for professional development is seen at all levels of the sector, not just the leadership, and in fact may serve as a retention strategy and support the development of the leadership pipeline. There was a broad consensus among informants that there is a need to invest more in training both across the sector and inside organizations.
Some nonprofit organizations and umbrella organizations offer programs for growth and skills development in the sector. Nonetheless, there is a potential role for post-secondary educational institutions (PSEs) to work in partnership with the sector to develop and customize formal learning opportunities in nonprofit education.

While there has been tremendous growth in the development of nonprofit management education in Canada over the past five years (Nenshi, 2008), it remains underdeveloped compared to the United States. In 2006, there were 19 Canadian PSEs delivering programs about the nonprofit sector compared to United States with 238 institutions offering 426 programs (Mirabella 2006, 2007). Based on an analysis of developments and changes in 240 post-secondary institutions in the US over the past 10 years we can predict further growth in programs on social enterprise, growth in for-profit businesses by nonprofits to support their programs, and an increased tendency of for-profit businesses acting as socially responsible members of the community (Mirabella, 2007).

With specific reference to the development needs of leaders in the sector, particularly for new leaders in the upcoming years, the focus should be on supporting leaders’ growth skill development to avoid the critical skills gaps discussed above. There were two approaches identified for pursuing this: develop a consistent curriculum that addresses management skills, governance structures, finances, and fundraising, and enhanced by one to one coaching or mentoring; and/or, focus on higher level strategic thinking and how to innovative, keys to leadership and dealing with future challenges. As well, the need for leadership renewal is prevalent, and providing opportunities for executive directors to take time to do the big picture thinking and refresh intellectually is critical.

The development of the strategic and innovative capacity of the leadership can be part of a virtuous circle that addresses other challenges underpinning the sector. As the lines between the sectors blur, as the competitive field of funding and innovative partnerships increases, and as the demand for accountability and demonstrating results in new ways escalates, the need for insightful leadership that can expertly navigate this terrain will be essential.

A final theme that emerged in the interviews was the move toward accreditation and credentialism. Based on the experience of the UK (Chartered Institute of Housing), the housing sector in Ontario is developing an accreditation program to professionalize the
sector. With a focus on economics, tax, law, social work, and property management, they are working in partnership with PSEs in an effort to lend credence to the sector. By partnering with PSEs, the credential gains currency and allows the profession to become a mainstream career.

Recognizing that credentialism can lead to over-regulation and other unanticipated consequences, there is care being taken to prevent this. The goal is to build profile for the profession, create professional standards that are transferrable, and attract talent to the sector. The sector needs to identify which skills and competencies need buttressing and work with PSEs to develop the necessary curricula.

IV. Data in Demand

The purpose of this research project is to respond to the need for labour market data that supports the development of a human capital strategy for the nonprofit sector in Ontario. The forthcoming survey will not be able to answer all concerns facing the sector today, however a wide array of research questions and desire for data that relate to the broad topic of human capital in the sector surfaced from the key informant interviews. Below is a summary of additional questions raised, organized by the human capital priorities explored in Section III. The questions below have not been prioritized or evaluated, but offer a range of suggestions for future data collection and strategic focus.

CLOSING THE LEADERSHIP GAP

Succession planning: How many executive directors are planning to retire? How many organizations have succession planning in place? Is this more relevant to smaller organizations? What is the board’s capacity for succession planning? In the context of government cutbacks to nonprofits, are mergers a reasonable alternative to succession planning, especially for smaller and rural nonprofits? How prepared are nonprofits to merge?

Attraction and Retention: What is our ability to attract or create the kind of leaders we need? What is the level of stress and burnout in the sector generally, and for leaders in particular? When they leave, where do they go?

Skills gap: What are the future skills required of leaders? What is the leadership skills gap? What are the 3 most important needs of a nonprofit executive director? Will
organizations need to acquire new skills to meet changing demands? Will they do so with existing staff? Or will they hire new staff with the requisite skill sets? Are there alternative strategies or practices in place to acquire those skills (i.e. outsourcing finance, technology, fundraising)? What strategies are in place to capture institutional knowledge and memory with the pending exodus? What is the potential knowledge / experience gap?

*Role of boards of directors:* How ready are boards to face the big decisions and to support leadership effectively? Do they need / get enough training? Do boards understand their role? If the board is operational what should members be doing? If it is a policy board, can / should members also do fundraising?

**FINDING AND KEEPING TALENT**

*Youth:* What makes work satisfying to young people? What do they want that’s different? Is it about flex time, career growth, or money? How well are we communicating to youth and shaping the pipeline for future leadership? How do we find out what future leaders are looking for? What are the meaningful employment experiences next generation workers hope to get? How do we leverage their assets? What competencies do they want to develop?

*Immigrants:* What are the motivations for new Canadians choosing to work in the sector? What challenges are they facing in terms of credential recognition or prior learning assessment?

*Retention and mobility:* What jobs are going unfilled? What have organizations done successfully to engage their workers? When employees leave, where are they going (private sector, public sector or nonprofit)? What are their future plans? Have they been approached by head hunters? When they choose to stay, why do they choose to stay? What is the HR capacity of the sector/organizations? How much time do nonprofits actually spend on HR planning and management? What skills do they have, paid or unpaid, to do this?

*Role of unions:* What is the extent of unionization? In the context of government cutbacks, are unionized nonprofits treated differently? Are funding allocations influenced by whether there is a union? What is the effect of unionization on retention of employees? Are unionized employees better compensated than non-unionized
employees? Do unions offer some source of stability in the context of a sector that is structured around “just-in-time” financing and other contingent models of operation?

DEVELOPING HUMAN CAPITAL

Postsecondary education: What are the links between nonprofit organizations and PSEs? What is the landscape of postsecondary programming that serves the sector? What is the value (real and perceived) of an MBA or MPA in the sector? Is there another credential, program or vehicle that could provide the skills and learnings to support the sector?

Professional development: What kind of training do organizations undertake? Do they have adequate budgets? When they look at skills gaps in their organizations, do they look to train internally, or do they look to hire? What impact will credentialism have? Will it help or hinder?

V. The Way Forward

This report has been prepared to provide an overview of the current research and priorities on human capital issues in the Ontario nonprofit sector. The context is complex and involves powerful internal and external drivers that are shaping the sector and that have important implications for developing a human capital strategy.

Overall, three clear themes emerged from the interviews and literature: the research should be forward looking; the strategy must be solution-focused and sector-wide; and, the work must build on learnings from other sectors and jurisdictions. These are critical guiding principles for decision making in the phases that follow and for future research in this field.

Building on these findings, a survey has been designed to explore the leadership skills that are needed in the sector today and in the future, and identify key challenges for attracting and keeping the right talent and the right leadership in the sector. The survey is an important first step in collecting the evidence that will help shape strategy and action for the sector going forward. Results of the survey will be available in September 2013.
References


ABOUT THE ONTARIO NONPROFIT NETWORK (ONN)
The Ontario Nonprofit Network (ONN) is the sector leader for the 46,000+ nonprofit organizations across the province, convening and connecting nonprofits for public benefit, and bringing sector voices to government, foundations and segments of the for-profit sector. ONN’s network is 7,000-strong, with a reach of 42,000 individuals, committed to vibrant, resilient communities. ONN works strategically at the policy and systems level to connect and mobilize sector knowledge and leadership.

Centre for Social Innovation, Annex Location
720 Bathurst Street, Toronto, ON M5S 2R4
Tel. 416.642.7586
Fax. 416.572.3736
www.theonn.ca

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Mowat NFP undertakes collaborative applied policy research on the not-for-profit sector. As part of an independent think tank with strong partnerships with government and the sector, Mowat NFP brings a balanced perspective through which to examine the challenges facing today’s sector and to support its future direction.

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The Mowat Centre, 720 Spadina Avenue, Suite 218 Toronto, ON M5S 2T9
Tel: 416.978.7858
Fax: 416.978.7203
www.mowatcentre.ca
info@mowatcentre.ca
@MowatCentre