

### PENSIONS

# Providing pensions for retention purposes

## *Sector-wide, multi-pronged approach makes most sense for non-profit sector*

By Monina Febria

**A**cross Canada, there are more than two million people who work for non-profits and charities — one million alone in Ontario. The bulk of the sector is made up of small organizations with fewer than 20 employees, much like the small business community. The sector contributes nearly \$50 billion to Ontario's economy, according to a 2012 analysis from the Ontario government.

Employees in the non-profit sector are the people and power behind the services and programs Canadians count on — social services, mental health services, housing, food banks, newcomer supports, sports and recreation facilities, arts and culture experiences, education and child care, seniors' programs, faith-based activities and many more. This is a sector made up of passionate people deeply invested in their work, delivering benefits to their communities.

By 2022, employee retention will be HR's dominant challenge, according to a 2012 report by the Society for Human Resource Management, and the non-profit sector will be no different. In the next five years, about 60 per cent of non-

profit leaders (executive directors and senior directors or managers) plan to leave their current roles, according to a 2013 survey of 1,450 respondents in the non-profit sector by the Ontario Nonprofit Network (ONN).

Across Canada, there are more than 170,000 non-profit organizations, often operating without formal human resources staff. They do this in a constantly shifting landscape, with tensions in the workplace mounting as many seek to reconcile both the diversity of generational and demographic perspectives, as well as conflicting employee and employer needs in order to meet emerging expectations.

Simultaneously, there is increasing concern the sector may not be poised to recruit the talent that will be needed in the future to meet its missions and serve its communities. There are indications young people are discouraged from entering (or staying in) the sector, despite the creative and meaningful work opportunities available at non-profits. This is because they are not convinced the sector can provide them with decent work opportunities.

A 2015 report from the Youth and Philanthropy Initiative in Toronto, titled *Youth Perceptions of the Non-*

*Profit Sector*, revealed striking attitudes among young Canadians toward non-profit careers.

Sixty-three per cent would not even consider a career in the sector, with many reasons related to "not being able to earn a living."

While the sector relies heavily on the passion of its volunteers, in an increasingly complex regulatory and economic landscape, the sector also needs to be able to compete for professional talent in the paid labour market.

### Road map for pension plan

One area where the sector continually competes for talent — and often loses — is pensions. Across the non-profit sector, with unique funding pressures and a legacy of doing more with less, there are few resources available for pension plans for many of the sector's workers.

And with 50 per cent of the non-profit labour force working for organizations with 10 or fewer employees, pension coverage is low. Yet pensions are an important element of decent work for the sector.

"Decent work" is a concept developed by the International Labour Organization at the United Nations that provides a lens to conceptualize fair, equitable and stable work. Decent

work practices improve the quality of life for employees, while also supporting more effective and impactful outcomes for organizations.

On that note, ONN wants to mobilize a decent work movement across the Ontario non-profit sector that will allow organizations to more effectively achieve their missions by providing decent work to employees. With healthier, happier and better-supported workers, employers can better meet their mission and deliver their programs and services. Plus, there's an important financial incentive: Investing in the workforce will save them money and time.

The decent work approach also presents an opportunity for the non-profit sector to act as a champion of working conditions and social policies that not only ensure dignified and supportive work environments for their employees, but for all Ontario workers.

Many non-profit workers are surprised to know their organization does not provide anything for them in retirement, and government supports are not enough. There is currently no broader group pension plan for non-profit employers, such as the one teachers have in the Ontario Teachers'

Pension Plan, that any non-profit organization can join. There are smaller plans, but they are often subsector-specific, such as social services or health, or only limited to unionized workplaces.

This lack of access, especially for smaller workplaces, means non-profits either have no retirement savings plans in place, must create their own pension plans, or establish a group RRSP.

#### Making changes

In response to this, ONN brought together a pensions taskforce in 2015 to develop recommendations for the design of a sector-wide pension plan that is affordable, shares risks, provides adequate benefits and is easy to administer for On-

tario's non-profits and charities.

By the end of the year-long work, the taskforce determined a multi-employer pension plan with target benefits was a strong option that would balance the needs of employers and employees, offer low administrative costs, and take advantage of the sector's scale. It was evident there was increasing interest for a sector-wide approach that could provide secure retirement income for comparable contribution rates.

Moreover, this plan could also give employers a powerful recruitment and retention tool for the sector.

ONN is on the way to a developing a sector-wide pension plan, but it recognizes the additional costs will not be easy to find for resource-strapped organizations like non-

profits. No doubt, many businesses, especially small businesses, can relate. This includes startup costs, which will need investors, and the ongoing contribution issue.

ONN is looking at a multi-pronged solution to find support from government, private funders and the non-profit sector to get a pension plan off the ground and running. It plans to bring the sector together to work towards finding investment strategies and a successful approach to support the current and future labour force when they reach their retirement years.

With the recently proposed changes to workplace legislation in Ontario, it seems governments are starting to recognize their role in creating and enforcing policy

that supports decent work environments, such as increased minimum wage, equal pay for part-time workers and paid leave.

Creating, from scratch, systemic solutions to pensions and retirement planning can be a daunting task. A single organization likely doesn't have the resources and expertise to do this, so ONN sees a sector approach as the best option. For Ontario's non-profit sector, we can be a driving force together to create systemic change, and champion pensions and other decent work practices for all workers.

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