ONTARIO NONPROFIT NETWORK

To:
Statistics Canada
Re: participation in the revision of the North American Industry Classification System (NAICS) Canada
By email: statcan.opmic-standards-industry-bgpvpci-normes-industrie.statcan@canada.ca

July 21, 2020

Dear Statistics Canada,

On behalf of the Ontario Nonprofit Network (ONN), we are writing to you to provide insights from the nonprofit and charitable sector on the North American Industry Classification System (NAICS) as you undertake a revision of the system for today's labour market. We recommend that Statistics Canada raise the issue of how NAICS can better serve the nonprofit and charitable sectors and social economies across North America during trilateral consultations (Canada, USA, Mexico).

As the standard framework across North America from the perspective of employers and industries for classifying industries and enterprises by type of primary activity, NAICS is an important foundation for labour market information (LMI) in Canada. NAICS and the National Occupation Classification (NOC) together are the building blocks for critical LMI data, enabling coordinated workforce planning and industry development.

From the nonprofit sector's perspective, the NOC/NAICS framework has a major gap: it is unable to identify and isolate our sector's employment characteristics. Canada's 167,000 charities and nonprofits employ more than two million people in communities across the country and contribute more than 8% to the national GDP. That is more than both the automotive and retail sectors. We cannot imagine a scenario in which important decisions about any other sector are taken in the absence of comprehensive and up-to-date data. It is essential to have LMI for charities and nonprofits, especially given our sector's role in tackling Canada's greatest economic, social, and environmental challenges. Yet the NOC/NAICS framework offers no way of identifying nonprofit sector workers, employers, industrial activity, or trends.

As Statistics Canada's recent data release on the nonprofit sector suggests, there may well be three parallel labour forces in Canada -- private, public, and nonprofit.[1] While average

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[1] A composite study of the sector was released by Statistics Canada in March 2019, drawing on "data extracted from administrative files and derived from other Statistics Canada surveys and/or other sources." Statistics Canada. "Non-profit institutions and volunteering: Economic contribution, 2007 to 2017." https://www150.statcan.gc.ca/n1/daily-quotidien/190305/dq190305a-eng.htm

compensation for the entire economy was approximately $59,800 in 2017, broader public sector workers[2] were paid $63,000 while workers in community- governed non-profits earned $42,500, on average. Without being able to identify nonprofit work and workplaces in the NOC/NAICS system, we have no evidence to demonstrate the extent to which this income gap reflects a skills differential or an industry challenge related to the undervaluing of nonprofit work. Needless to say, this income gap reflects the challenge that many nonprofits face in offering decent work to their employees -- a challenge that makes it more difficult for our sector to recruit and retain top talent.

There are concerns that important distinctions between work in the nonprofit sector and other sectors are not reflected in the data currently available. As a foundational report on Canadian nonprofit LMI explains, "While most sector councils can rely on a single NAICS code or a group of codes to describe their work and workers, this is not the case for the nonprofit sector. As the nonprofit sector includes organizations working in numerous industries with varying areas of activity, one cannot look to a single NAICS category or code to find relevant information. While one can identify some codes that are particularly relevant to the sector, these codes are not exclusive to the nonprofit sector and often include for-profit or government entities."[3] For example, child care or long-term enterprises can be either nonprofit, for-profit, or government entities.

Partly as a result of the gap in the NOC/NAICS framework, there is no comprehensive LMI available on nonprofits in Canada. A comprehensive study of our sector's labour force has not been conducted in over a decade.[4] The lack of employment data for our sector has been noted by (among others) the Special Senate Committee on the Charitable Sector,[5] as well as Imagine Canada's Data Working Group,[6] the Manitoba Federation of Non-Profit Organizations,[7] and the Ontario Nonprofit Network's Pensions Task Force.[8] Dating back to 2011, the (now-defunct) HR

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[2] The Satellite Account calls the broader public sector "the government non-profit sector."

[3] HR Council for the Nonprofit Sector. "Developing labour market information for the nonprofit sector: Final report." March 2011. http://www.hrcouncil.ca/documents/developing_LMI.pdf

[4] Statistics Canada. "Non-profit institutions and volunteering." Cited above.

[5] See the Special Senate Committee on the Charitable Sector's report, entitled "Catalyst for Change: A Roadmap to a Stronger Charitable Sector" and released in June 2019. Recommendation 16 reads: "That the Government of Canada prioritize data about the charitable and non-profit sector in all Statistics Canada economic surveys, . . . and that the Government of Canada support collaboration between Statistics Canada and the charitable and non-profit sector to determine what additional data could be collected and disseminated in a timely and consistent manner to support the evidence base for decisions by organizations in the sector." https://sencanada.ca/en/info-page/parl-42-1/cssb-catalyst-for-change/

[6] Jason Goertzen. "Getting to know Canada's nonprofit sector: why we need better data." Blog post. August 28, 2017. Imagine Canada blog.
http://www.imaginecanada.ca/blog/getting-know-canadas-nonprofit-sector-why-we-need-better-data

[7] Karine Levasseur and Andrea Rounce. *Analysis of Labour Market Surveys of Non-Profit Organizations, 2017 and 2018*. Manitoba Federation of Non-Profit Organizations. November 30, 2018. p. 6.

[8] Ontario Nonprofit Network (ONN). *Roadmap for a Nonprofit Sector Pension Plan. Technical Report, 2017*. "Foundational data on the Canadian nonprofit sector should be developed by creating nonprofit categories in Statistics Canada surveys, such as by incorporating nonprofit status into the National Occupational Classification (NOC), the North American Industry Classification System
(NAICS), and labour force surveys. This practice is common in other industrialized countries and would, if implemented in Canada, provide the foundation for much higher quality research on the sector's labour force." https://theonn.ca/wp-content/uploads/2017/03/ONNPensionRoadmap.TechnicalReport.pdf p. 52.

Council for the Nonprofit Sector noted that "industrial and occupational classifications used in labour statistics make it difficult to isolate nonprofit workers and employers."[9] The Chantier de l'economie sociale in Quebec has been successful in getting framework legislation[10] requiring the Government of Quebec to incorporate nonprofit enterprises into its measurement frameworks, but no requirement currently exists at the federal level. Because the NOC/NAICS framework does not serve our sector's workforce planning needs, many of these intermediary organizations have undertaken their own LMI studies, without the benefit of standardization that the NOC/NAICS provides.

The COVID-19 pandemic highlights the importance of LMI for nonprofits during crises. All levels of government have been keenly interested to know the impact of the crisis on the nonprofit labour force but there is no data available on the nonprofit sector. Major decisions are being made about how to preserve nonprofit sector jobs and workplaces with little to no data. With comprehensive and up-to-date LMI based on NOC/NAICS, by contrast, the sector could accurately estimate the impact of the pandemic on its labour force and more quickly identify supports needed to continue providing essential services with minimal disruptions.

The update to NAICS, therefore, offers an important opportunity to lay the groundwork for the development of useful and consistent data on the nonprofit sector's labour force in Canada. We would welcome the opportunity to work with you on how best to ensure that nonprofits in Canada have crucial LMI for coordinated workforce planning, as is done in other sectors of the economy. This data is critical to ensure that nonprofits and charities can recruit and retain talent, that young workers can make informed decisions about their training and career paths, and that the sector can collectively solve challenges related to leadership development, succession planning, and labour market conditions.

We are in an unprecedented decade of change where the nature of work, the skills needed, and enterprises are rapidly changing. Without LMI, the sector is ill equipped to constructively address these labour force transformations facing the sector, let alone emerging crises. The work of the nonprofit sector supports communities across Canada to thrive, during crisis, economic downturns, and beyond.

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[9] HR Council. "Developing labour market information for the nonprofit sector." Final report. March 2011. http://www.hrcouncil.ca/documents/developing_LMI.pdf
[10] Government of Quebec. "Social Economy Act." 2013. http://legisquebec.gouv.qc.ca/en/ShowDoc/cs/E-1.1.1

Thank you for taking into account our sector's insights on how the updates to the NAICS system can facilitate our workforce development and industry planning. We look forward to hearing from you.

Sincerely,

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