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## ABSTRACT

The quality of jobs in nonprofit organizations in Canada was examined through a review of data from Canada's Workplace and Employer Survey, which collected data from a nationally representative sample of Canadian workplaces and paid employees in those workplaces. Key findings of the analysis were as follows: (1) overall, compared to the for-profit sector and nonprofit organizations in "quasi-public" industries (termed the "quango sector"), the nonprofit sector employs larger proportions of workers on a temporary or part-time basis; (2) average hourly earnings of managers, professionals, and technical/trades workers in the nonprofit sector lag behind those of their counterparts in the for-profit and quango sectors; (3) only a minority of non-profit employers offer benefits such as medical insurance; (4) approximately two-thirds of employees of non-profits reported that they were satisfied with both their job and overall pay and benefits, which was similar to the percentage in the quango sector and slightly lower than that in the for-profit sector; (5) only 63% of nonprofit sector employees over age 45 were satisfied with both their pay and benefits compared with 75% of employers over age 45 in the for-profit sector; and (6) many paid employees in the nonprofit sector were women with postsecondary credentials. (Thirty-one tables/charts are included. The bibliography lists 43 references.) (MN)

# JOB QUALITY IN NON-PROFIT ORGANIZATIONS

**Kathryn McMullen  
Grant Schellenberg**

CPRN Research Series on  
Human Resources in the Non-profit Sector  
No|2

January 2003

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Human Resources in the Non-profit Sector**

**No. 2**

**Job Quality in Non-profit Organizations**

Kathryn McMullen and Grant Schellenberg

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## Foreword

We hear lots about the quality of work these days. Job quality matters for a number of reasons. Most obviously, it matters to individual workers because so much of their time is spent at work. And employers increasingly are waking up to the fact that there is a direct link between job quality and the bottom line. Job quality affects worker morale, job satisfaction, and the scope workers have to apply their skills and abilities to the job – all key contributors to productivity performance. It also plays a role in keeping rates of absenteeism and turnover – both of which can be very costly for employers – at reasonable levels.

The non-profit sector employs a large number of Canadians and that alone justifies an interest in knowing more about the quality of work in the sector. But, more than that, there is a real need for employers in the sector to have a good understanding of who their employees are, under what terms and conditions they are working, and their overall satisfaction with their jobs. Many workers in the sector are well-educated and highly skilled, and most of them are women. Demand is rising throughout the economy for such workers and competition for them will likely intensify as the labour force ages. The ability to attract and retain skilled workers will be needed by all employers, non-profit, for-profit and government alike. The quality of the jobs the non-profit sector is able to offer will play an important role in enabling it to meet the challenges of employee recruitment and retention.

But, the interest in job quality in the non-profit sector should go even further. As Kathryn McMullen and Grant Schellenberg document in this report, the environment in which non-profit organizations operate is complex. The on-going battle to secure adequate funding, while continuing to meet client needs, presents special challenges. Boards of directors, funders, and governments need to be aware of what those challenges are and the implications they have for working conditions, skill demands and job quality.

Comparisons of job quality across different sectors are not straightforward. While non-profit employers are not always able to compete on the basis of wages or financial security, they often attract people with a desire to do socially meaningful work. In fact, many ingredients go into making a 'good job.' Flexible work arrangements and the scope to apply and develop one's skills are important, as are respect, good relationships with colleagues, and a sense of enjoyment or fulfillment in going to work each day.

This report is the second in a CPRN series of papers on human resources in the non-profit sector. It provides a first look at various aspects of job quality in the non-profit sector and provides data to compare the sector to the public and private sectors on a number of dimensions. In some respects, the non-profit sector compares rather well. But the report shows that non-profit employers will have to be attentive to all aspects of job quality in the labour market of the 21st century.

Judith Maxwell  
January 2003

## Executive Summary

Interest in the non-profit sector has surged in recent years, along with recognition of the contributions of the sector, socially, culturally and economically. But, while we have begun to learn more about volunteers and charitable giving,<sup>1</sup> relatively little is known about how the sector, and organizations within it, is organized. In particular, there has been a notable absence of information about paid employees and human resource issues in the sector.

Statistics Canada's *Workplace and Employee Survey (WES)* provides data, never before available, on non-profit organizations and the paid workers they employ. Drawing on the *WES*, Canadian Policy Research Networks examines a range of human resource issues in the non-profit sector in a series of five research reports. This is the second in that series.

This report provides a comparative overview of selected measures of job quality across the non-profit, for-profit and quasi-government, or 'quango' sectors. We discuss the various dimensions of job quality and the factors that are likely having an impact on job quality in non-profit organizations. These factors include the changing revenue base of many non-profit organizations and the challenges non-profit organizations face in maintaining a match between the value orientations of the organization and its staff in the context of a changing environment.

Using data on non-profit status and industry classification, we classify employers and employees into three sectors, which are further subdivided into sub-sectors:

- *For-profit*;
- *Quango* (non-profit organizations in 'quasi-public' industries, including elementary/ secondary schools, colleges/universities, hospitals and public infrastructure);
- *Non-profit* (culture, recreation and associations; health, education and social services; and 'other non-profit' industries).

Aspects of job quality examined include the incidence of temporary and part-time employment; unpaid overtime; scheduling flexibility; earnings; access to benefits; and job satisfaction and satisfaction with pay and benefits.

### ***The 1999 Workplace and Employee Survey (WES)***

For the purposes of our analysis of the non-profit sector in Canada, the following key features of the *WES* are worth noting:

- Data were collected from a nationally representative sample of workplaces and paid employees in those workplaces;
- The *WES* includes only workplaces that have at least one paid employee; it does not include workplaces run entirely by volunteers, nor does it include volunteers who work alongside of paid workers;
- The *WES* excludes religious organizations and establishments in government, some primary industries, and the Territories.

<sup>1</sup> See Statistics Canada, National Survey of Volunteering, Giving and Participating.



## **Working Arrangements**

- Overall, compared to the for-profit and quango sectors, larger proportions of paid employees in the non-profit sector are employed on a temporary or part-time basis. Temporary employment is especially evident in non-profit health, education and social services and in culture, recreation and associations. The share of part-time employees who would prefer to work more hours is comparable across the non-profit, for-profit and quango sectors.
- Unpaid overtime is prevalent in the non-profit sector, although it is not unique in this respect. Indeed, considerable shares of managers and professionals across the labour force work unpaid hours of overtime.
- Higher proportions of both men and women in the non-profit sector have flexible work arrangements compared to workers in other sectors. Such flexibility can suit the needs of both employers and employees. But, there can be a downside in that the prevalence of such jobs has important implications for job security, benefit coverage, and annual earnings.

## **Earnings**

- Average hourly earnings of managers, professionals and technical/trades workers in the non-profit sector lag behind their counterparts' in the for-profit and quango sectors. This gap can translate into substantial earnings differences on an annual basis.
- Another way of comparing earnings across sectors is to rank earnings of individuals in each occupational group. Here, we find that managers and professionals in the non-profit sector particularly stand out as being over-represented at the bottom of the earnings distribution, and under-represented at the top.
- Since the incidence of temporary and part-time employment is relatively higher in the non-profit sector, employees are more likely to work fewer total hours during the year, further increasing the earnings gap on an annual basis.
- Variable pay – pay systems that link individual pay to performance – are becoming increasingly prevalent in the for-profit sector. They are far less common in the non-profit sector. A number of factors may account for this, such as concerns among non-profit managers and board members regarding public perceptions; legal strictures against commissions or bonuses for fundraising; lack of objective measures on which to base variable pay; and managerial or board perceptions that incentive pay is inconsistent with the non-profit organization's mandate or mission.
- That being said, some organizations have merit or incentive systems in place, though other evidence suggests that these often are very small – token recognition of effort and performance.



## Access to Benefits

- Earnings are only one part of the overall compensation package. Another important part consists of benefits like supplemental medical insurance, dental plans, life and disability insurance, employer-sponsored pension plans, group RRSPs, and supplemental Employment Insurance. Offering such benefits often entails a cost to employers and so will vary from employer to employer.
- Furthermore, not all employees will choose to participate in some benefits if participation is optional and they have coverage through a spousal plan, for example. Indicators based on the rates of participation in benefits can therefore only provide an approximation of the extent to which employers offer such benefits to their employees.
- Only a minority of non-profit *employers* offer benefits, ranging from about 38 per cent in the case of supplemental medical insurance and about one-third for dental plans, to close to 30 percent for employer-sponsored pension plans or group RRSPs and 6 per cent in the case of supplemental Employment Insurance.
- The vast majority of non-profit workplaces are small, having fewer than 10 paid employees. It is these small workplaces that are least likely to provide benefits to their employees.
- Most non-profit employees work in larger workplaces, however. Therefore, the percentage of paid *employees* in the sector who are covered by non-wage benefits is considerably higher than the percentage of employers offering such benefits. Slightly more than half of employees participate in supplemental medical insurance, dental plans, and disability/life insurance, and over 60 per cent participate in an employer-sponsored pension plan or group RRSP.
- The non-profit sector scores higher on this dimension of job quality than the for-profit sector. This is especially the case for larger employers (20 or more paid employees). The non-profit sector is also more likely to offer such benefits to part-time or temporary workers, though the participation rate in most benefits remains low, at just over 25 per cent for this group of workers.
- Employers in non-profit health, education and social services, where many of the larger employers are located, are most likely to provide various benefits while employers in culture, recreation and associations and in 'other non-profit' are less likely to do so.

## Job Satisfaction and Satisfaction with Pay and Benefits

- In the literature on non-profit employment, attention is often drawn to the intrinsic rewards that individuals derive from working in the sector. It is argued that while wages may be low, other factors such as the opportunity to make a contribution to the community or to help

others, provides an incentive for individuals to work in the sector. The opportunity to have flexible work arrangements may also be such an intrinsic benefit.

- Overall, about two-thirds of employees of non-profits reported that they were satisfied with both their job and with their pay and benefits. This is similar to the percentage in the quango sector and slightly less than that in the for-profit sector.
- However, the gap between the non-profit sector and the other two sectors is considerably larger in the case of workers aged 45 years or more. In the non-profit sector, only 63 per cent of employees in this group were satisfied with both their pay and benefits compared to 75 per cent in the for-profit sector. Close to three in 10 non-profit employees aged 45 years or more were satisfied with their job, but dissatisfied with their pay and benefits.

### **Conclusions and Implications**

- The relatively higher incidence of temporary and part-time employment in the non-profit sector is consistent with an interpretation that many non-profit organizations rely on these means to cope with financial uncertainty and instability – organizations uncertain of their funding on a year-to-year basis are not in a position to offer their employees permanent or full-time employment.
- The relatively high incidence of part-time employment may offer advantages to both employees who are seeking to balance work and family responsibilities and to employers. The fact that the sector consists largely of women attests to this possibility, as does the fact that about two-thirds of part-timers do not want additional hours of work.
- However, individuals' needs for such flexibility vary throughout their working lives. This raises the question of whether some individuals seek work in the non-profit sector especially during the years in which they have the heaviest family responsibilities.
- This raises retention issues if individuals take a slightly different perspective once those responsibilities begin to lighten. The higher rate of dissatisfaction with pay and benefits, in spite of being satisfied with the job overall, among individuals aged 45 years or older suggests that some, at least, may be re-evaluating the trade-offs.
- Many paid employees in the non-profit sector are women, many of whom have post-secondary credentials. The literature suggests that many have strong project management and organizational skills, as well as commitment to providing a 'public good.' Employers in the quango and government sectors tend to employ individuals with these same characteristics. This means that in the years ahead, non-profit employers will likely be competing with quasi-public and public sector employers for the same pool of labour.
- Job quality is important both in terms of retaining employees currently working in the sector and in terms of recruiting new employees. For job seekers assessing whether or not non-profit organizations are 'employers of choice,' earnings are likely to be a serious drawback.

- But, while the non-profit sector is unique in some respects, it is not in others. Downsizing, restructuring and budgetary constraints have had impacts on employees across the private, quango and public sectors as well and evidence of long hours and heavy workloads are widely reported.

Perhaps more than for any other sector, the non-profit sector is human-resource intensive. It is vital, then, that the sector continue to build solid knowledge and understanding of the nature of work and the characteristics of employees in the sector. Moreover it is critical to have an accurate assessment of what its human resource needs will be in the future, as well as the needs that workers bring to their jobs. This kind of information is crucial for managing the challenges of retention and recruitment and for improving working conditions in the sector.

## Résumé

L'intérêt suscité par le secteur à but non lucratif a monté en flèche ces dernières années, de concert avec la reconnaissance de l'apport du secteur à la vie sociale, culturelle et économique. Mais, même si nous avons commencé à en apprendre davantage sur les bénévoles et les dons de charité<sup>1</sup>, nous ne connaissons que relativement peu de choses sur la façon dont le secteur et les organismes qui le composent sont structurés. En particulier, il existe une absence notable de données sur les employés rémunérés et les questions de ressources humaines dans ce secteur.

L'*Enquête sur le lieu de travail et les employés (ELTE)*, réalisée par Statistique Canada, contient des données qui n'étaient pas disponibles auparavant sur les organismes à but non lucratif et les travailleurs rémunérés qu'ils emploient. En s'appuyant principalement sur l'*ELTE*, les Réseaux canadiens de recherche en politiques publiques examinent un large éventail de questions relatives aux ressources humaines dans le secteur à but non lucratif dans une collection de cinq rapports de recherche. Il s'agit dans ce cas-ci du deuxième rapport dans cette collection.

Ce rapport contient un survol comparatif d'indicateurs choisis de la qualité des emplois dans les secteurs à but non lucratif, à but lucratif et parapublic (organisations gouvernementales quasi-autonomes). Nous y analysons les diverses dimensions de la qualité des emplois et les facteurs qui sont susceptibles d'avoir une incidence sur la qualité des emplois dans le secteur à but non lucratif. Parmi ces facteurs figurent l'évolution de l'assiette de revenu de plusieurs organismes à but non lucratif et les défis pour ces organismes d'assurer une concordance entre les orientations de l'organisation sur le plan des valeurs et son personnel dans le contexte d'un environnement en mutation.

En utilisant les données fournies par les répondants en ce qui concerne le caractère à but non lucratif et la classification industrielle, les employeurs et les employés furent répartis en trois secteurs, qui furent ensuite subdivisés en sous-secteurs :

- *Secteur à but lucratif;*
- *Secteur des organisations gouvernementales quasi-autonomes ou secteur parapublic* (organisations à but non lucratif dans des industries « parapubliques », y compris les écoles primaires et secondaires, les collèges et les universités, les hôpitaux et l'infrastructure publique);

### ***L'Enquête sur le lieu de travail et les employés (ELTE) de 1999***

Pour les besoins de notre analyse du secteur à but non lucratif au Canada, soulignons les caractéristiques majeures suivantes de l'*ELTE* :

- Les données furent tirées d'un échantillon national représentatif de milieux de travail et d'employés rémunérés dans ces milieux de travail;
- L'*ELTE* comprend uniquement des milieux de travail qui avaient au moins un employé rémunéré; elle ne comprend pas les milieux de travail dont le fonctionnement est assuré entièrement par des bénévoles, et elle ne comprend pas non plus les bénévoles qui travaillent de concert avec des travailleurs rémunérés;
- L'*ELTE* exclut les organisations religieuses et les établissements dans le secteur public, certaines industries primaires et les Territoires.

<sup>1</sup> Voir Statistique Canada, *Enquête nationale sur le don, le bénévolat et la participation*.

- *Secteur à but non lucratif* (culture, loisirs et associations; santé, éducation et services sociaux; et « autres industries à but non lucratif »).

Parmi les aspects de la qualité des emplois que nous avons examinés, mentionnons l'incidence des emplois temporaires et à temps partiel, le surtemps non rémunéré, la flexibilité des horaires de travail, la rémunération, l'accès aux avantages sociaux, ainsi que la satisfaction à l'égard de l'emploi, de la rémunération et des avantages sociaux.

## **Modalités de travail**

- Dans l'ensemble, une comparaison avec les secteurs à but lucratif et parapublic révèle que des proportions plus élevées des employés rémunérés dans le secteur à but non lucratif occupent des emplois temporaires ou à temps partiel. Le travail à caractère temporaire est particulièrement répandu dans les sous-secteurs à but non lucratif de la santé, de l'éducation et des services sociaux et dans ceux de la culture, des loisirs et des associations. La proportion des employés à temps partiel qui préféreraient travailler de plus longues heures est comparable parmi les secteurs à but non lucratif, à but lucratif et parapublic.
- Le surtemps non rémunéré est monnaie courante dans le secteur sans but lucratif, même s'il n'est pas confiné à ce secteur. Dans les faits, des proportions considérables de cadres et de travailleurs spécialisés dans tous les rangs de la population active font du surtemps non rémunéré.
- Des proportions plus élevées d'hommes et de femmes dans le secteur sans but lucratif ont des modalités de travail flexibles par rapport aux employés des autres secteurs. Cette flexibilité peut répondre aux besoins tant des employeurs que des employés. Mais elle peut aussi comporter des inconvénients en ce sens que la prévalence de ces emplois comporte des répercussions importantes sur la sécurité d'emploi, l'accès aux avantages sociaux et les gains annuels.

## **Rémunération**

- Les gains horaires moyens des cadres, des travailleurs spécialisés et des gens de métiers dans le secteur à but non lucratif traînent de l'arrière par rapport à ceux de leurs homologues dans les secteurs à but lucratif et parapublic. Cet écart peut se traduire par d'importants écarts de gains sur une base annuelle.
- Une autre façon de comparer les gains entre les secteurs est de classer les gains des personnes dans chacun des groupes professionnels. Dans ce contexte, nous pouvons observer que les cadres et les travailleurs spécialisés dans le secteur à but non lucratif sont particulièrement sur-représentés au bas de l'échelle de rémunération et sous-représentés au sommet de celle-ci.
- Comme la fréquence des emplois temporaires et à temps partiel est relativement plus élevée dans le secteur à but non lucratif, les employés sont susceptibles de travailler un nombre total

d'heures de travail moindre pendant l'année, ce qui a pour effet de creuser davantage l'écart de rémunération sur une base annuelle.

- La rémunération variable – des régimes de rémunération qui relient la rémunération d'une personne à son rendement au travail – devient un phénomène de plus en plus répandu dans le secteur à but lucratif. Ces régimes sont beaucoup moins répandus dans le secteur à but non lucratif, ce qui peut s'expliquer par un certain nombre de facteurs, dont les suivants : des préoccupations de la part des cadres et des membres des conseils d'administration dans le secteur à but non lucratif concernant les perceptions du public à l'égard de ces régimes; des règles d'ordre juridique qui interdisent le versement de commissions ou de primes dans le contexte de campagnes de levée de fonds; l'absence de mesures objectives sur lesquelles la rémunération variable pourrait s'appuyer; et les perceptions des cadres et des administrateurs selon lesquelles la rémunération au rendement est incompatible avec le mandat ou la mission des organisations à but non lucratif.
- Ceci dit, certaines organisations ont mis en place des régimes de rémunération au rendement ou au mérite, mais d'autres indices nous portent à croire qu'il s'agit souvent de mesures d'une importance très limitée – une reconnaissance symbolique des efforts déployés et du rendement atteint.

### **Accès aux avantages sociaux**

- Les gains ne sont qu'une partie du régime de rémunération globale. Un autre segment important comprend les avantages sociaux tels que l'assurance médicale supplémentaire, les régimes de soins dentaires, l'assurance-vie et l'assurance-invalidité, les régimes de retraite offerts par l'employeur, les REER collectifs et l'Assurance-emploi supplémentaire. Ces avantages sociaux offerts par l'employeur comportent souvent des déboursés pour ceux-ci, de sorte qu'ils varient d'un employeur à l'autre.
- De plus, les employés ne choisiront pas tous de participer à certains régimes d'avantages sociaux, entre autres, lorsque la participation est facultative et qu'ils sont protégés par l'intermédiaire d'un régime auquel leur conjoint participe. Des indicateurs fondés sur les taux de participation aux régimes d'avantages sociaux ne peuvent donc offrir qu'un ordre de grandeur approximatif de la mesure dans laquelle les employeurs offrent de tels régimes à leurs employés.
- Seule une minorité d'*employeurs* dans le secteur à but non lucratif offrent des régimes d'avantages sociaux; ces proportions varient entre environ 38 pour cent dans le cas de l'assurance médicale supplémentaire, près d'un tiers dans le cas des régimes de soins dentaires, aux environs de 30 pour cent pour les régimes de retraite offerts par l'employeur ou les REER collectifs et 6 pour cent dans le cas de l'Assurance-emploi supplémentaire.
- La vaste majorité des milieux de travail dans le secteur à but non lucratif sont de petite taille, puisqu'ils emploient moins de 10 travailleurs rémunérés. Ces milieux de travail de petite



taille sont ceux qui sont les moins susceptibles d'offrir des avantages sociaux à leurs employés.

- Mais la plupart des employés du secteur à but non lucratif œuvrent dans des milieux de travail de taille plus importante. Donc, la proportion des *employés* rémunérés du secteur qui sont protégés par des avantages non salariaux est considérablement plus élevée que celle des employeurs qui offrent de tels avantages. Un peu plus de la moitié des employés participent à des régimes d'assurance médicale supplémentaire, de soins dentaires et d'assurance vie-invalidité, tandis que plus de 60 pour cent ont accès à des régimes de retraite offerts par l'employeur ou à des REER collectifs.
- Le secteur à but non lucratif se classe à un rang supérieur à celui du secteur à but lucratif en ce qui concerne cette dimension de la qualité des emplois. C'est notamment le cas des employeurs les plus importants (20 employés rémunérés ou plus). Le secteur à but non lucratif est aussi plus susceptible d'offrir ces avantages aux travailleurs temporaires ou à temps partiel, même si le taux de participation à la plupart des régimes d'avantages sociaux demeure faible, avec un taux d'un peu plus de 25 pour cent pour ce groupe de travailleurs.
- Les employeurs dans le sous-secteur à but non lucratif de la santé, de l'éducation et des services sociaux, dans lequel on retrouve un nombre important de grands employeurs, sont plus susceptibles d'offrir divers avantages sociaux, tandis que les employeurs dans le domaine de la culture, des loisirs et des associations ainsi que dans celui des « autres industries à but non lucratif » sont moins susceptibles de le faire.

### **Satisfaction à l'égard de l'emploi, de la rémunération et des avantages sociaux**

- Dans les études portant sur l'emploi dans le secteur à but non lucratif, l'attention est souvent tournée vers la rétribution intrinsèque que les personnes retirent de leur travail dans ce secteur. Les auteurs soutiennent que, même si les salaires peuvent être peu élevés, d'autres facteurs comme la possibilité de contribuer au bien-être de la collectivité ou d'aider d'autres personnes représentent une incitation pour les gens à œuvrer dans le secteur. La possibilité d'avoir accès à des modalités de travail flexibles peut aussi représenter un avantage intrinsèque.
- Dans l'ensemble, environ les deux tiers des employés des organismes à but non lucratif ont déclaré qu'ils étaient satisfaits tant de leur emploi que de leur rémunération et de leurs avantages sociaux. Il s'agit d'une proportion semblable à celle du secteur parapublic et un peu inférieure à celle du secteur à but lucratif.
- Toutefois, l'écart entre le secteur à but non lucratif et les deux autres secteurs est considérablement plus profond dans le cas des travailleurs âgés de 45 ans ou plus. Dans le secteur sans but lucratif, seulement 63 pour cent des employés de ce groupe d'âge étaient satisfaits tant de leur rémunération que de leurs avantages sociaux, comparativement à 75 pour cent dans le secteur à but lucratif. Près de trois employés sur 10 âgés de 45 ans ou plus



dans le secteur à but non lucratif étaient satisfaits de leur emploi, mais insatisfaits de leurs salaires et de leurs avantages sociaux.

## Conclusions et répercussions

- L'incidence relativement plus élevée des emplois temporaires et à temps partiel dans le secteur à but non lucratif est compatible avec l'interprétation selon laquelle plusieurs organismes du secteur sans but lucratif comptent sur ces moyens pour faire face à l'instabilité et à l'incertitude financière – les organisations aux prises avec une situation d'incertitude sur le plan de leur financement ne sont pas en mesure d'offrir à leurs employés des emplois permanents ou à temps plein.
- L'incidence relativement élevée des emplois à temps partiel présente peut-être des avantages tant pour les employés qui tentent de concilier leurs responsabilités professionnelles et personnelles que pour les employeurs. Le fait que le secteur compte un grand nombre de femmes témoigne de cette possibilité, tout comme le fait qu'environ les deux tiers des employés à temps partiel n'aspirent pas à travailler des heures plus longues.
- Toutefois, les besoins des gens en ce qui concerne cette flexibilité varient au cours de leur vie active. Par conséquent, il y a lieu de se demander s'il est possible que certaines personnes soient intéressées à travailler dans le secteur sans but lucratif surtout pendant les années au cours desquelles leurs responsabilités familiales sont les plus lourdes.
- Cette possibilité soulève des questions de conservation du personnel si les gens adoptent une optique quelque peu différente lorsque ces responsabilités commencent à s'alléger. Le taux d'insatisfaction plus élevée à l'égard de la rémunération et des avantages sociaux, en dépit d'un niveau de satisfaction générale à l'égard de l'emploi, parmi les personnes âgées de 45 ans ou plus nous portent à croire qu'au moins certaines personnes ont peut-être tendance à réévaluer les compromis en cause.
- Plusieurs employés rémunérés parmi l'effectif du secteur à but non lucratif sont des femmes, dont plusieurs possèdent une formation postsecondaire. Les études disponibles révèlent que plusieurs d'entre elles possèdent des compétences poussées en gestion de projet et en activités organisationnelles, ainsi qu'une motivation à offrir un « bien public ». Les employeurs dans les secteurs parapublic et public ont tendance à employer des gens qui possèdent les mêmes caractéristiques. Il s'ensuit que, dans les années à venir, les employeurs du secteur à but non lucratif devront probablement concurrencer les employeurs des secteurs public et parapublic pour recruter du personnel à partir du même bassin de travailleurs.
- La qualité des emplois est importante tant sous l'angle de la conservation des employés déjà à l'œuvre dans le secteur que sur le plan du recrutement de nouveaux employés. Pour les personnes à la recherche d'un emploi qui tentent d'évaluer si les organisations à but non lucratif sont des « employeurs de choix », la question de la rémunération se révélera probablement un sérieux inconvénient.

- Mais, même si le secteur à but non lucratif a un caractère unique à certains égards, il ne l'est pas sous d'autres aspects. La compression des effectifs, la restructuration et les contraintes budgétaires ont aussi eu des répercussions sur les employés des secteurs privé, public et parapublic, tandis que de longues heures et de lourdes charges de travail sont également des phénomènes qui sont largement évoqués.

Le secteur des organismes à but non lucratif, peut-être plus que tout autre secteur, possède une forte intensité en ressources humaines. Il est donc primordial pour ce secteur de continuer à miser sur une connaissance et une compréhension profonde de la nature du travail et des caractéristiques des employés du secteur. De plus, il est essentiel de procéder à une évaluation précise des besoins en ressources humaines que le secteur devra combler à l'avenir ainsi que des aspirations que les travailleurs associeront à leur emploi. Ces renseignements sont indispensables pour relever les défis de la conservation et du recrutement des effectifs et pour améliorer les conditions de travail dans le secteur.

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## 1. Introduction

The role and importance of the voluntary sector have received considerable attention over the past decade. Policy makers, researchers, front-line workers and the public have looked toward the sector as a source of job creation, as a key player in the delivery of goods and services to Canadians, and as an important contributor to the health and vitality of neighbourhoods and communities.

Such contributions are the result of many ingredients, including the volunteer hours donated by Canadians, the financial contributions made by citizens and organizations, and the work performed by paid employees of non-profit organizations. This report focuses on the last of these. Drawing on data from Statistics Canada's *Workplace and Employee Survey (WES)*, this is the second in a series of five reports being produced by Canadian Policy Research Networks that examines human resource issues in non-profit organizations.

Human resource capacity is a critical ingredient that allows non-profit organizations "...to do their work and fulfil what is expected of them by stakeholders" (Panel on Accountability and Governance in the Voluntary Sector 1999). Such capacity includes the knowledge, skills, creativity and energy that individuals bring to the job (on both a paid and an unpaid basis). It also includes the characteristics of the work environment and the extent to which it provides the conditions and resources that enable individuals to use their abilities to the fullest extent.

To date, very little information has been available on the working environments and job characteristics of paid employees in non-profit organizations. This constitutes a serious gap in our knowledge since the quality of jobs and work environments make significant contributions to the sustainability of organizations, regardless of sector. In a climate in which the demand for certain types of labour is especially high, the quality of jobs offered by organizations will be an important determinant of their ability to attract and retain skilled labour.

Non-profit organizations may face particular challenges in this regard. In some parts of the sector, non-profit organizations employ relatively small shares of younger workers and hence have further to go in recruiting the next generation of leaders. They also tend to employ well-educated, highly-skilled workers and are therefore likely to face stiff competition from for-profit and public-sector organizations that are also vying to attract such talent.

Job quality is also an important consideration in terms of financial security and quality of life. In Canada, approximately 60,000 non-profit organizations (excluding religious organizations and quasi-governmental organizations, like hospitals and schools) employ paid workers, and together, they provide jobs for almost 900,000 Canadians (McMullen and Schellenberg 2002). Overall, the non-profit sector accounts for a significant share of employment in Canada. In relative terms, paid employment in the sector is comparable to total employment in Newfoundland, Nova Scotia and New Brunswick, or to total

employment in the construction, mining and oil and gas industries. In short, the quality of the jobs offered by non-profits has a very direct impact on the well-being of many Canadians. And, from an ethical perspective, one might argue that if non-profit organizations are mandated to work towards such goals as community health, quality of life or individual well-being, the best place to start is at home by offering competitive wages, good benefits and reasonable hours of work.

Job quality in the non-profit sector has been placed at centre stage in recent years as the sector has struggled to adjust to changes in its external environment. Over the last decade, governments have withdrawn from the direct provision of some goods and services, opening up opportunities and challenges for non-profit and for-profit organizations (Hall and Banting, 2000). Many observers argue that non-profit organizations are being called upon to meet a wider range of demands, but are not being allocated the additional resources they need to meet those demands.<sup>1</sup> Consequently, they must find ways 'to do more with less,' placing paid employees under the strains of increasing workloads, longer hours, low wages and job insecurity. Concerns have also been raised that services previously provided by unionized public-sector employees with good pay, benefits, and job security are now being provided by non-unionized 'non-profit' employees in low-wage, insecure jobs (Shragge et. al. 2001). Public opinion data show that, while Canadians want a strong and vibrant non-profit sector, they do not want the "...sector to be a substitute for services and programs that governments ought to deliver" (Husbands et al. 2001).

These concerns place job quality at centre stage. But, despite the importance of these issues, there has been a longstanding absence of information on working conditions and job quality in non-profit organizations. While data on the characteristics and activities of volunteers have been collected through successive cycles of Statistics Canada's *National Survey of Giving, Volunteering and Participating*, there have been no comprehensive sources of information on paid employees in the sector.<sup>2</sup> Researchers have repeatedly drawn attention to this issue. For example, in 1998, Betcherman and his colleagues reported that there "...is a lack of basic data on the number of people with paid employment in the sector, the conditions under which they work, and the HR [human resource] needs they and their organizations face" (Canadian Centre for Philanthropy and Canadian Policy Research Networks, 1998). More recent reviews indicate that very little has changed in the last few years (Dow, 2001; McKechnie et. al., 2000).

The objective of this paper is to provide a comparative overview of selected job quality measures across the non-profit, for-profit and quasi-government, or 'quango,' sectors of the economy. The analysis locates the non-profit sector vis-à-vis broader labour force benchmarks and draws more detailed comparisons between industries. As Edwin Dreesen

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<sup>1</sup> See, for example, Dart and Zimmerman (2000), Jenson and Phillips (2000), Graham and Phillips (2000), Reed and Howe (2000), Roberts (2001), and Brown and Troutt (2002).

<sup>2</sup> Paid employees in non-profit organizations have been present in all of Statistics Canada's nationally representative surveys of the labour force. However, the information necessary to identify these individuals was not available. One could identify the types of industries in which individuals were employed, but not the type of organization (i.e. non-profit versus for-profit).

notes, our information on non-profit organizations is “astonishingly incomplete,” and while fragments of information are available on various issues, “...in the absence of an overall picture we cannot put these fragments into perspective” (Dreesen, 2001: 16). The analysis below is a step forward in constructing a ‘complete picture’ and provides much needed breadth of perspective on employment in the sector.

We begin in Chapter 2 with a short description of the *Workplace and Employee Survey (WES)* and a discussion of the methodology used to identify and classify non-profit and for-profit organizations. This is followed in Chapter 3 with a brief overview of the various dimensions of job quality. Chapter 4 discusses the trends and factors that have an impact on the quality of employment in non-profit organizations. These include two sets of issues that are woven through much of the literature on non-profit employment. The first of these concerns changes that have affected the revenue base of many non-profit organizations and the impacts these changes are having on the organization of work. A second issue flagged in the literature concerns the challenge non-profit organizations face in terms of maintaining a match between the value orientations of the organization and its staff in an environment that is undergoing significant change. Chapter 5 presents information on the incidence of temporary and part-time employment, unpaid overtime and scheduling flexibility, while the focus of Chapter 6 is on earnings, access to benefits and satisfaction with the job and with pay and benefits. Conclusions and policy implications are presented in Chapter 7.

## 2. Defining the Non-profit Sector<sup>3</sup>

The analysis presented below is based on data from Statistics Canada's *Workplace and Employee Survey (WES)*. The *WES* is a longitudinal survey that tracks responses from a sample of approximately 6,320 business establishments and 23,500 employees who work in those establishments. This report is based on data from 1999.

Several design characteristics of the *WES* are particularly relevant to our discussion. First, the *WES* includes only establishments that employ one or more paid workers. This means that non-profit organizations run exclusively by volunteers are not included in our analysis and the discussion of job quality is limited to that experienced by paid employees. Information is not available on volunteers.

Second, the *WES* does not include establishments or employees in public administration or some primary industries.<sup>4</sup> This means that we cannot compare the job characteristics of employees in non-profit organizations with those in government, for example. Moreover, estimates of labour force characteristics drawn from the *WES*, such as the incidence of part-time employment, will be different from those drawn from the *Labour Force Survey* or other sources which include all industries as well as the own-account self-employed.<sup>5</sup>

Third, the *WES* does not include religious organizations. While conceptually, these are usually considered to be part of the non-profit sector, organizations like churches, mosques, temples and synagogues do not fit easily in the context of a survey of business establishments and their business strategies, technology investments and human resource practices. As a result, they were excluded from the *WES* and consequently from our analysis of the non-profit sector using the *WES*.

For this study, two pieces of information were used to identify and classify non-profit organizations. First, representatives from each of the establishments included in the *WES* were asked: "*At this location, is this workplace a non-profit organization?*" Responses to this question were used to differentiate non-profit from for-profit firms.<sup>6</sup> Second, detailed industry information available through the *North American Industry Classification System (NAICS)* was used to further refine the working definition of the

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<sup>3</sup> For a more detailed discussion of the methodology used to identify sector and industry, see the first report in the CPRN Series on Human Resources in the Non-profit Sector, *Mapping the Non-profit Sector in Canada* (McMullen and Schellenberg 2002).

<sup>4</sup> Public administration is defined as federal, provincial, territorial, local, aboriginal, international or extra-territorial public administration work-sites. Primary industries include agriculture, fishing, hunting and trapping.

<sup>5</sup> By definition, own-account self-employed workers do not employ paid workers, and hence, they are not included in the *WES*.

<sup>6</sup> Meetings with Statistics Canada personnel have confirmed that detailed quality checks were undertaken to confirm the reliability of the 'non-profit' classification. These quality checks resulted in some cases being reclassified to the for-profit sector when it was clear that establishments initially labelled as non-profits in fact were part of for-profit firms (satellite offices, for example) or when a for-profit establishment reported 'no profits' for that year.



non-profit sector. Hospitals, elementary and secondary schools, and colleges and universities were re-classified as quasi-autonomous non-governmental organizations (quangos) distinct from other non-profit organizations. As Hall and Banting note, although quangos are incorporated as non-profit organizations, they "...are so strongly influenced by government that they may be better considered to be government institutions for some purposes" (Hall and Banting 2000). Similarly, non-profit organizations engaged in the provision of public infrastructure were re-classified as quangos, including those engaged in utilities (e.g. power plants and pipelines), transportation and warehousing (e.g. harbour authorities and municipal bus lines), some construction industries (e.g. bridge, street and sewer construction), and waste disposal.

Based on the non-profit designation and the industry variables, organizations and their employees were grouped into three broad sectors: (1) the non-profit sector; (2) the quango sector; and (3) the for-profit sector. Table 1 below shows the distribution of employees and establishments across these sectors in 1999. Overall, the non-profit sector accounted for about 8 percent of employment and for about 8 percent of establishments, as defined in the *WES*.

**Table 1. Distribution of Employees and Organizations across Sectors, Canada 1999**

	Percentage of employees	Percentage of organizations
Non-profit sector	8.1	8.1
Quango sector	12.4	0.8
For-profit sector	79.5	91.2
Total	100.0	100.0
Number	10,780,047	718,083

Source: Based on data from the *WES*, 1999.

## BOX 1 Defining Non-profit Organizations

We note that our identification of non-profit organizations is based on a more limited set of criteria than that prescribed by other models, such as the International Classification of Non-profit Organizations (ICNPO) framework.<sup>7</sup> Under that framework, non-profit organizations are those which are:

- 1) **Organized** – they are “institutionalized to some extent...This is signified by a legal charter of incorporation, some degree of internal organizational structure, ...or meaningful organizational boundaries. Excluded are purely ad hoc and temporary gatherings of people with no real structure or organizational identity.”
- 2) **Private** – “i.e. institutionally separate from government...They are 'non-governmental' in the sense of being structurally separate from the instrumentalities of government, and they do not exercise government authority.”
- 3) **Self-governing** – “...organizations must control their own activities to a significant extent, have their own internal governance procedures, and enjoy a meaningful degree of autonomy.”
- 4) **Non-profit distributing** – “i.e. not returning profits generated to their owners or directors. Non-profit organizations may accumulate surplus in a given year, but the profits must be plowed back into the basic mission of the agency...”
- 5) **Voluntary** – “i.e. involve some meaningful degree of voluntary participation...the organization must engage volunteers in its operations and management, either on its board or through the use of volunteer staff and voluntary contributions.”

Because the *WES* sampled formal establishments (i.e. places of business), it excludes “ad hoc and temporary gatherings of people.” Hence, the non-profit organizations in our study meet the first ICNPO criterion. They also meet the fourth criterion, that is, they are ‘non-profit distributing.’ However, the *WES* does not include information on the “private”, “self-governing” or “voluntary” aspects of ‘non-profit’ organizations – criteria 2, 3, and 5 above. We have tried to address these on the basis of industry location – that is, by distinguishing quango (quasi-public sector organizations) from other non-profits – but this is an admittedly imperfect approach. As Hall and Banting (2000 p. 7) have noted, “Clearly, those with an interest in this topic must be prepared to tolerate substantial ambiguity in the language that is employed and the boundaries of the subject.”

Each of the three broad sectors identified above was further disaggregated into subgroups to facilitate more detailed comparisons within and across sectors. Industry information was used to group the 463 non-profit organizations in the 1999 *WES* into three categories:

- Non-profit culture, recreation and associations: This includes non-profits engaged in arts, entertainment, recreation and culture, as well as civic and social organizations that serve their members. Examples include performing arts companies, museums,

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<sup>7</sup> The International Classification of Non-Profit Organizations (ICNPO) is a widely used framework developed by researchers at The Johns Hopkins University. The ICNPO sets out five criteria for identifying non-profit organizations and a classification system for grouping non-profits into 12 major activity groups (Salamon and Anheier 1997).

summer camps, publishers, campus radio, and sports clubs. Also included are business and professional associations, unions, and a small number of grant-making and grant-giving organizations (e.g. philanthropic foundations). This category corresponds to ICNPO Major Groups 1, 8, and 11.

- Non-profit health, education and social services: This includes non-profits engaged in ambulatory health care (e.g. community clinics) as well as nursing homes and residential care facilities. Also included are non-profit providers of education (excluding elementary, secondary, colleges and universities), such as literacy groups, and organizations engaged in research. Finally, social services agencies, such as food and emergency relief, individual and family services, and non-profit child-care, are included here. Since, the number of non-profit providers of education is quite small, this group is primarily comprised of health and social service providers. This category corresponds to ICNPO Major Groups 2, 3 and 4.
- Non-profit other: The WES includes non-profit organizations across a range of other industries, including residential construction, manufacturing, retail trade, professional services and finance. The small number of cases in each of these industries prohibited the creation of distinct categories and these organizations did not 'fit' with the groupings listed above. Consequently, an 'other' category was created.

The 358 quango organizations included in the *WES* were classified into two groups based on industry information:

- Quango infrastructure: This includes 'non-profits' engaged in heavy construction (e.g. streets and bridges), utilities, transportation and warehousing, and waste disposal.
- Quango health and education: This includes hospitals, elementary and secondary schools, and colleges and universities.

Finally, the 5,501 establishments in the for-profit sector were disaggregated into eight groups based on their industry location. These include: goods-producing industries (mining, manufacturing and construction); distributive services (wholesale trade, transportation and warehousing); retail trade; finance, insurance and business services; real estate and leasing; health and education (primarily doctors, dentists, and other for-profit healthcare providers); and information and culture.

By comparing the characteristics of employees, jobs and establishments across these 13 industry categories, we are able to locate the non-profit sector within a broad labour market context and to draw comparisons across sectors as well as across more detailed industries.

### 3. The Dimensions of Job Quality

Before considering the evidence on how job quality compares across different sectors, it is necessary to ‘unpack’ this concept into component parts that are more meaningful and measurable. In fact, there is no single indicator of job quality since a wide range of factors go into making a ‘good job.’ Table 2 provides an overview of eight dimensions that could be used to measure job quality, along with key indicators that could be included in each of these. Note that these dimensions and indicators are intended to be illustrative, rather than exhaustive.

Extrinsic rewards are certainly an important aspect of job quality, as earnings, non-wage benefits and security are determinants of the financial well-being of employees and their families. Against these tangible job rewards, one might juxtapose intangible or intrinsic rewards, such as doing work that is interesting or rewarding. When asked which characteristics they would value most if looking for a new job, Canadians ranked intrinsic rewards very highly (Lowe and Schellenberg 2001) – a point we return to below.

The employment relationship – meaning the underlying social and psychological dynamics of the workplace – is another dimension of job quality. Again, when asked about the characteristics they would value most in a new job, more Canadians ranked “respect” as ‘very important’ than was the case for any other any other job feature. Good communication and friendly colleagues were also at the top of the list. Workload and scheduling of hours is another dimension that is on the minds of Canadians, as evidenced by public concerns regarding ‘time crunch’ and work-life balance.<sup>8</sup>

Job quality might also be defined in terms of the opportunities that employees have to participate in decisions that affect their job or workplace and the presence of a culture of openness and information sharing. Likewise, job design is a consideration, particularly the degree to which employees have autonomy and control over their work, feedback on their work, and adequate resources to do their job. The opportunity to develop and use one’s skills and abilities is another important dimension of ‘job quality,’ with relevant indicators including access to formal training, opportunities for on-the-job learning, and prospects for promotion and career advancement. Finally, health and safety is a critical consideration. This includes the physical work environment, the physical demands of the job, as well as psychosocial risks to health.

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<sup>8</sup> For a thorough discussion of time-crunch and work-life issues, see Duxbury, Linda and Chris Higgins (2001). *Work-Life Balance in the New Millennium: Where Are We? Where Do We Need to Go?* CPRN Discussion Paper W|12. Ottawa: Canadian Policy Research Networks.

**Table 2. Dimensions of Job Quality**

<b><u>Extrinsic rewards</u></b> <ul style="list-style-type: none"> <li>- Earnings</li> <li>- Benefits</li> <li>- Job Security</li> </ul>	<b><u>Intrinsic rewards</u></b> <ul style="list-style-type: none"> <li>- Interesting work</li> <li>- Sense of accomplishment</li> <li>- Use of creativity and initiative</li> </ul>
<b><u>Employment relationships</u></b> <ul style="list-style-type: none"> <li>- Respect</li> <li>- Communication</li> <li>- Trust and commitment</li> <li>- Fairness</li> </ul>	<b><u>Hours and Scheduling</u></b> <ul style="list-style-type: none"> <li>- Work hours, including overtime</li> <li>- Flexibility</li> <li>- Work-life balance</li> </ul>
<b><u>Organizational structure</u></b> <ul style="list-style-type: none"> <li>- Employee influence</li> <li>- Participation in decision-making</li> <li>- Information sharing</li> </ul>	<b><u>Skill use and development</u></b> <ul style="list-style-type: none"> <li>- Training and learning opportunities</li> <li>- Opportunities for promotion</li> <li>- Use of technology</li> </ul>
<b><u>Job design</u></b> <ul style="list-style-type: none"> <li>- Autonomy and control</li> <li>- Feedback</li> <li>- Resources</li> </ul>	<b><u>Health and safety</u></b> <ul style="list-style-type: none"> <li>- Physical work environment</li> <li>- Physical demands of job</li> <li>- Psychological demands of job</li> </ul>

The breadth of the job-quality concept is reflected in the large body of research that has been undertaken with respect to each of the dimensions listed in Table 2 (see Lowe 2000). In this report, we focus on selected aspects of job quality, including *extrinsic rewards* (hourly earnings, variable pay, non-wage benefit and temporary employment) and *hours and scheduling* (part-time hours, overtime, unpaid work done at home and flexible hours). The *WES* also provides information on individuals' satisfaction with their jobs overall and with their pay and benefits.<sup>9</sup> The *WES* does not include information on other dimensions of job quality, including intrinsic rewards, employment relationships and health and safety, so these issues remain to be explored.

<sup>9</sup> The *WES* includes information on skill use and development and organizational structure, but given the depth of analysis warranted on each of these topics, they are addressed in separate reports.

#### 4. Job Quality in a Changing Environment

Employers in all sectors of the economy are facing a number of pressures arising from changes in the external environment. Two of these pressure points concern shifts in the demographic composition of the labour force and rising demand for highly-educated, highly-skilled workers. In addition, organizations in the non-profit sector face additional pressures that are unique to the sector. These include a changing revenue base and a need to continue to balance the value orientations of the organization and its employees in a context in which external pressures are leading to changes in how organizations function.

##### Demographic Shifts

In a climate in which the demand for workers with particular skills is especially high, organizations will face more intense competition in attracting and retaining the people they need. The quality of employment they offer will be an important determinant of their ability meet these goals. The ageing of the workforce and the imminent retirement of the baby-boom generation are already pushing this issue to the forefront of public discussion.

The demographic pressures faced by non-profit organizations in some sub-sectors will be particularly acute. As shown in Table 3, in 1999, only about 26 percent of employees in the non-profit sector were less than 35 years old, compared to 37 percent of employees in the for-profit sector. The under-representation of younger workers is most pronounced in the non-profit health, education and social services and 'other non-profit' sub-sectors. Organizations in these sub-sectors have furthest to go in recruiting a new generation of employees to replace those now in their 40s and 50s. We note that the situation is even more acute in the quango sector, where fewer than 20 percent of employees are less than 35 years old.<sup>10</sup> Various for-profit industries fare much better in this regard. For example, in finance and business services, over one-third of employees are less than 35 years old, providing a basis for succession planning. And close to half of employees in retail trade – traditionally a locus of youth employment – are less than 35 years old.

Other demographic characteristics of the non-profit sector have implications for recruitment. Notably, about three-quarters of employees in the sector are women, compared with less than half of employees in the for-profit sector. Non-profits seeking to recruit new employees will likely continue to draw heavily on female workers, raising the question of which job characteristics appeal to them most.

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<sup>10</sup> In Ontario, for example, one-quarter of elementary and secondary school teachers are expected to retire in the next five years. However, the number of applications to Ontario teacher education programs declined from 20,000 in 1990 to fewer than 8,000 in 1997 and 1998, creating concerns regarding an imminent shortage of qualified personnel (Canadian Teachers Federation, 2001). Likewise, the Canadian Nurses Association predicts a shortage in Canada of approximately 60,000 nurses by 2011 – about 25 percent of the current nursing labour force (Davis 2001).



The ability of the sector to attract immigrants also warrants consideration, given that "... immigrants are expected to account for all net labour force growth by 2011 ...." (HRDC 2002, p. 49). At 14.1 percent of employment accounted for by immigrants in 1999, the non-profit sector falls slightly behind the for-profit sector, at 18.4 percent Table 3). There are wider differences cross industries, with industries in the non-profit sector tending to rank lower than industries in the other sectors. The notable exception is quango infrastructure, which, at 6.2 percent, has the smallest percentage of employment accounted for by immigrants.

**Table 3: Selected Characteristics of Employees, by Sector and Industry, 1999**

	Percentage of Employees less than age 35	Percentage of Employees who are women	Percentage of employees who are immigrants
<b>Non-Profit Sector – Total</b>	<b>26.2</b>	<b>74.3</b>	<b>14.1</b>
Culture, recreation and associations	40.1	60.7	11.6
Health, education and social services	22.1	81.8	15.6
Other non-profit	23.6	65.8	12.1
<b>Quango Sector – Total</b>	<b>16.6</b>	<b>66.5</b>	<b>14.5</b>
Infrastructure	17.1	23.8	6.2
Health and education	16.6	70.3	15.3
<b>For-Profit Sector – Total</b>	<b>37.0</b>	<b>47.5</b>	<b>18.4</b>
Goods-producing industries	32.1	28.1	19.3
Distributive services	31.5	34.2	15.2
Retail	47.6	60.3	15.6
Finance and business services	35.2	58.1	24.9
Real estate and leasing	38.6	51.6	15.7
Education and health	27.5	83.6	20.6
Information and culture	34.0	42.7	14.7

Source: Based on data from the *WES*, 1999.

### Skill Shifts

Increasing demand for well-educated and highly-skilled workers in a knowledge-based economy must also be considered. As noted in the Federal government's *Knowledge Matters: Skills and Learning for Canadians* report, "By 2004, more than 70 percent of all new jobs created in Canada will require some form of post-secondary education, and 25 percent of new jobs will require a university degree" (Human Resources Development Canada 2002, p.8).

Non-profit organizations face somewhat unique circumstances in this respect. As shown in Table 4, the sector relies on a highly-qualified workforce – in 1999, 58 percent of employees had completed a post-secondary certificate, diploma or university degree and one-third were in professional occupations. This compares to 44 percent of employees in the for-profit sector having post-secondary qualifications and only about 10 percent being



in professional occupations.<sup>11</sup> Non-profit employees were also more likely than for-profit employees to say that a post-secondary credential was the minimum level of education needed to do their job (at 53 and 30 percent respectively – data not shown).

All in all, the non-profit sector relies heavily on a group of workers (highly educated, skilled) for whom demand is increasing. It is expected that competition for these kinds of workers will intensify among employers across all sectors of the economy in coming years, due to demographic shifts and to on-going increases in skill requirements characteristic of a knowledge-based economy. The quality of jobs offered by non-profit organizations will be critical to their success in this environment, especially given the somewhat older age profile of the sector compared to the for-profit sector and the need to attract a new generation of employees. This pressure is made greater by the fact that the average age of workers in government is even higher, especially among the professional, technical and managerial occupations (Lowe 2001). That means that the non-profit sector can expect to face competition for highly-skilled workers from this quarter as well.

**Table 4: Educational Attainment and Percentage of Employees in Professional Occupations, by Sector and Industry, 1999**

	Percentage of employees who have a completed post- secondary credential	Percentage of employees in professional occupations
<b>Non-Profit Sector – Total</b>	<b>58.2</b>	<b>33.0</b>
Recreation, culture and associations	53.7	33.0
Health, education and social services	62.9	36.4
Other non-profit	42.9	23.1
<b>Quango Sector – Total</b>	<b>73.3</b>	<b>47.1</b>
Infrastructure	56.4	14.4
Health and education	74.6	50.0
<b>For-Profit Sector – Total</b>	<b>43.5</b>	<b>9.5</b>
Goods-producing industries	43.0	8.3
Distributive services	43.2	5.1
Retail	30.5	--
Finance and business	56.8	23.2
Real estate and leasing	40.9	--
Education and health	65.9	21.0
Information and culture	57.1	25.1

‘—’ Estimates are not shown due to high sampling variability.

Source: Based on data from the *WES* 1999.

<sup>11</sup> We note that the material discussed here repeats some of what was reported in the first report in this series (McMullen and Schellenberg 2002). However, since the demographic and education characteristics of workers are germane to a discussion of job quality, those data are summarized again here.

## Shifts in the Revenue Base

Historically, many non-profit organizations have received the largest share of their revenue from various levels of government (Brown, Troutt and Boame 2000; Reed and Howe 2000). Through the 1990s, policies of fiscal restraint led to reduced government spending and a reduction in the amount of funding available to non-profit organizations. At the same time, governments were themselves withdrawing from the direct provision of some services, thereby adding to the client demands being served by many of those same organizations (Reed and Howe 2000).

In addition to a reduction in the amount of government funding available, there has also been a shift away from longer-term funding in the form of operating grants, to shorter-term funding for specific projects or service contracts (Brown and Troutt 2002). McFarlane and Roach (1999 p. 6) report that insufficient funding "...typically means that staff are poorly paid and overworked; in this way, governments exploit the social commitment of non-profit agencies and their staff." They find that reliance on government contracts also forces a focus on the short term focus and leads to instability, stress, consumption of scarce staff resources, and uncertainty.

Hall and Banting (2000 p. 18) observe that while "the elimination or retrenchment of public social service increases demand for non-profit services...reductions in government funding for many social service nonprofits simultaneously weaken their capacity to respond." As a result, non-profits scramble to compensate for lost revenues by seeking alternative funding arrangements, like adopting measures to generate private donations or by implementing user fees, for example. Studies by Dart and Zimmerman, Jenson and Phillips, and Graham and Phillips collected in a volume edited by Banting (2000) point to some of the consequences of changes in the level and type of government funding; these include restructuring, mergers and alliances; changes toward more entrepreneurial leadership styles; narrowed mandates; and changes in the mix of services provided and clients served (Hall and Banting 2000). Roberts (2001 p. 6) also reports that funding and fundraising present major challenges for non-profits, especially for small organizations, observing that "[t]he feast/famine of funding is not healthy, and the terms and conditions of grants they do get are sometimes unrealistic." These kinds of pressures are being reported among workers in the non-profit sector in the U.S. as well, where similar funding cuts have led to "...another year of cutbacks, pay and hiring freezes, and short staffing"(Light 2002 p. 7).

Shifts in the funding base have many implications for non-profit organizations. Reliance on project-based funding has increased financial uncertainty, as staffing levels or even the organization's very existence may depend on its ability to find successive contracts. Brown and Troutt (2002) find that organizations that rely on project funding "report that they are insecure about their funding within each fiscal year, as well as for future years. The degree of uncertainty varies inversely with the duration of the projects; shorter-term projects elevate insecurity." A non-profit organization may experience tension between its mandate and its day-to-day activities, as it is compelled to undertake projects that generate revenues rather than activities that are more closely congruent with its mission

(Hall and Banting, 2000). The shift to project-based funding may also compel the organization to diversify its sources of revenue, perhaps by engaging in gift-giving campaigns or commercial activities (Dart and Zimmerman, 2000).

These factors have considerable implications for employees of non-profit organizations. First, given limited revenues and financial uncertainty, non-profits may be unable or unwilling to offer employees full-time hours or permanent positions, relying instead on part-time and temporary workers and volunteers (Social Planning Council of Ottawa-Carleton, 2001). Second, limited revenues and financial uncertainty may place a low ceiling on the wage and benefit packages non-profit organizations are able to offer. Third, the shift toward project-based funding may act to widen the range of tasks that must be undertaken by individual employees. In addition to their traditional duties, staff might now be expected to devote more time to developing and 'selling' projects, negotiating partnerships, managing and administering contracts, and documenting and evaluating project outcomes (Dow 2001). In the absence of additional staff to do these tasks, workers may find themselves shouldering heavier workloads and working longer hours. The burden of these additional responsibilities will be even greater if an organization has been forced to reduce its staff size because of funding cuts. Finally, new funding arrangements and job demands have implications for recruitment and training, since non-profit organizations may find themselves in greater need than previously of employees who have such skills as project development, sales and marketing, contract administration and accounting, and project evaluation.

### **Matching the Value Orientations of Non-profit Organizations and Workers**

In addition to changes in the external environment, the value orientations of non-profit organizations and the individuals they employ is another consideration in the discussion of job quality. This issue is woven throughout much of the literature on compensation and benefits. It is often argued that non-profit organizations are more value-driven or mission-oriented than for-profit businesses (Armstrong, 1992; Barbeito and Bowman, 1998). While board members and managers must deal with financial and operational challenges, the strategies they adopt must be congruent with the values and principles set out in the non-profit organization's mandate and mission statement.

This has implications for human resources practices. For example, Barbeito and Bowman (1998) report that innovative compensation practices, such as incentive pay, pose a problem for non-profits because of financial uncertainty and an organizational culture that questions the use of bonuses for employees (also see Costello 1999). Similarly, researchers examining earnings differentials between non-profit and for-profit employees often underscore the importance of employee value-orientations. Leete argues that, "...individuals accept lower pay from a non-profit organization in return for assisting with production in which the worker finds intrinsic value" (Leete 2001, 137).

Otherwise known as the 'donative-labour hypothesis,' the argument is that individuals who seek out employment with non-profit organizations are willing to forego wages in

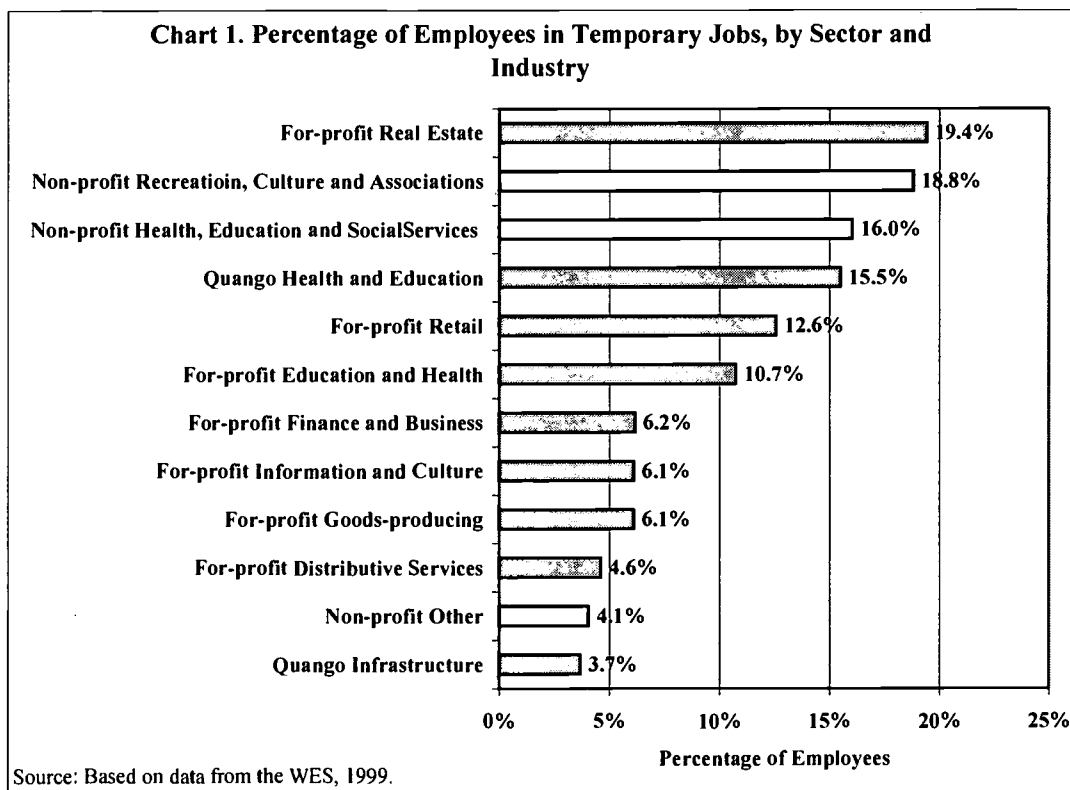
return for work that they view as being more ‘morally palatable’ or socially worthwhile than available elsewhere (Frank 1996; Rose-Ackerman 1996). Handy and Katz argue that non-profit organizations deliberately offer relatively low wages when recruiting managerial staff. They argue that a “lower monetary wage...is adopted by nonprofits to generate positive self-selection among its managerial staff...Lower wages will attract managers that are more committed to the cause of the non-profit” (Handy and Katz 1998, 259). Overall, such arguments are premised on the view that employees in non-profit and for-profit organizations have significantly different values or perspectives and that these differences have a bearing on the employment decisions they make. This tension between extrinsic rewards (e.g. earnings) and intrinsic rewards (e.g. value congruence with the organization) is a theme that runs through much of the discussion on job quality in non-profit organizations.

## 5. Employment Contracts, Schedules and Work Hours

### Temporary Employment

Given concerns regarding the adequacy and stability of funding received by non-profit organizations, one might expect to find a relatively high incidence of temporary employment, defined as employment that has a fixed end-date, in this sector. Indeed, in 1999, the rate of temporary employment in the non-profit sector, at 14 percent, was considerably higher than it was in the for-profit sector, where it stood at 8 percent. However, the rate in the quango sector was similar to that in the non-profit sector.

Differences are more pronounced when detailed industries are considered (Chart 1). Ranking at the top of the list in terms of the incidence of temporary employment is a group of three industries:<sup>12</sup> non-profit culture, recreation and associations, at 18.8 percent; non-profit health, education and social services, at 16.0 percent; and quango health and education, at 15.5 percent. The rates of temporary employment found in these industries are more than double those found in many other parts of the economy.



Source: Based on data from the *WES*, 1999.

<sup>12</sup> We note that the rate of temporary employment is also relatively high in the for-profit real estate industry (19.4 percent). The nature of work and employment contracts in that industry are not typical of standard jobs in the rest of the economy.

Interesting differences are apparent when the incidence of temporary employment is examined from the points of view of gender, occupation, and age. Here, we find that the incidence of temporary employment is consistent for both men and women in the non-profit sector, both at rates that are substantially higher than for either men or women in the for-profit sector. In the quango sector, temporary employment is concentrated among female employees (Table 5).

**Table 5. Incidence of Temporary Employment, by Sector and Selected Employee Characteristics, 1999**

	Non-profit Sector	Quango Sector	For-profit Sector
		--Percent--	
<b>Both sexes</b>	<b>14.5</b>	<b>14.5</b>	<b>8.3</b>
Men	16.8	7.6	8.2
Women	13.7	17.0	8.4
<b>By age group</b>			
Age 15 to 34	14.1	22.2	9.7
Age 35 to 44	18.9	14.0	7.4
Age 45 years or older	7.5	10.8	7.7
<b>By occupation</b>			
Managers	--	--	4.5
Professional occupations	16.3	18.4	4.3
Technical/trades occupations	15.0	12.8	9.2
Clerical/Administrative occupations	--	--	6.2
Sales/marketing occupations	--	--	48.7
Production occupations	--	--	20.2

'--' Estimates are not shown due to high sampling variability.

Source: Based on data from the *WES* 1999.

Rates of temporary employment are considerably higher among both professionals and workers in technical/trades occupations in the non-profit sector than they are in the for-profit sector.<sup>13</sup> This is especially the case for professionals, with the rate in the non-profit sector being close to four times the rate in the for-profit sector (16.3 percent versus 4.3 percent). The quango sector is similar to the non-profit sector in this respect.

The relatively higher incidence of temporary employment in the non-profit health, education and social services and quango health and education may explain part of these patterns among women and among the professional and technical groups. In its October 2000 report, the Advisory Committee on Health Human Resources (ACHHR) reported that ... the casualization of the workforce has ... been cited as a serious quality of work life issue, as well as requiring more nurses to meet scheduling demands' (p. 10).

<sup>13</sup> Because the number of observations is too small, data are not available for rates of temporary employment among managers, clerical/administrative workers, and other occupational groups in the non-profit and the quango sectors.



Between 1990 and 1997, the number of Registered Nurses working on a casual/on-call basis (excluding Quebec) increased 37.5 percent.<sup>14</sup> The ACHHR notes that nurses at different stages in their careers and family lives want flexibility in scheduling options. On the other hand, "... this type of deployment is particularly hard on new nurses because it deprives them of a stable work environment with clinical supervision" (ACHHR 2000, p. 10). They argue that employers in the health sub-sectors have 'casualized' many jobs in the sector in an effort to maintain flexibility in a context of collective agreement provisions designed to protect the job security of nurses in a period of substantial restructuring. According to the ACHHR, the downside is a need for more net nurses, increased overtime for nurses when sufficient staffing cannot be found, and an administrative burden for staff nurses who have become responsible for scheduling and call-in.

While nurses are an important part of the non-profit sector, they are not necessarily representative of all temporary workers in the non-profit sector. Nevertheless they do provide an example of how fiscal pressures and restructuring can affect the shape of employment contracts. Certainly, organizations that can only be sure of funding levels on a year-to-year or even contract-to-contract basis are not in a position to offer permanent positions to their employees.

In terms of age group, temporary employment in the non-profit sector is highest for those aged 35-44 years (18.9 percent) and aged 15-34 years (14.1 percent). The rate drops considerably, however, among employees aged 45 years or more, making the non-profit sector no different than the for-profit sector, with the rate of temporary employment being about 8 percent in both sectors.

The drop in the share of over 45-year-olds in the non-profit sector who are in temporary positions is really quite striking and raises a number of questions. For example, in an effort to retain experienced workers, do non-profit employers offer the older incumbents of temporary positions permanent jobs? But, there is little reason to expect that an employer can magically transform a temporary job into a permanent one, if the underlying conditions that led to the job being temporary in the first place have not changed. Alternatively, are turnover rates higher for older workers in the sector? It may be the case that workers eventually become disenchanted with being in temporary jobs, which, by their very nature, are insecure. A desire for greater job security may also be driven in part by the fact that, if displaced from their job, older workers are more likely than younger workers to experience difficulty in successfully finding new employment, at a similar salary level and within a reasonable period of time (see, for example, Galarneau and Stratychuk 2002). Further, it might be expected that as workers age, they may become more aware not only of the financial insecurity than often accompanies jobs that require that contracts be renewed on a regular basis, but they may also become increasingly aware of the longer-term implications of reduced access to pensions and other non-wage benefits that more often accompanies temporary jobs compared to permanent jobs (a point we return to later in this report).

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<sup>14</sup> In 1990, 14 percent of Registered Nurses outside Quebec were in casual positions; by 1997, that percentage had reached 19 percent.



We take up these issues again in a later report in this series when we examine questions relating to recruitment and retention. Using data from the 1999 and 2000 *WES*, we will be able to track individuals through time. That will allow us to determine whether workers in temporary positions in the non-profit sector are able to secure permanent status with their current employer, whether they seek permanent jobs with other employers in the non-profit sector, or whether they leave the non-profit sector altogether.

The *WES* does not include information on whether or not workers in temporary jobs would prefer to have permanent positions. However, recent evidence indicates that about three-quarters of temporary workers in the Canadian labour force (76 percent) would prefer to have a permanent job (Lowe and Schellenberg, 2001). While there appears to be little *a priori* reason to expect that temporary workers in the non-profit sector are different in this respect, this remains a question for further research.

The high rate of temporary employment in non-profit organizations raises concerns regarding job quality. As will be shown below, compared to workers in full-time permanent jobs, relatively few workers in temporary jobs receive workplace benefits, such as pensions, medical plans or dental coverage. Likewise, eligibility for protections and benefits under provincial and federal labour laws are tied to length of continuous service. These factors take on added significance when we consider that most temporary jobs are not short, one-off spells of employment, but rather links in a chain of jobs that span a longer period of time (Lowe and Schellenberg, 2001; 12-13). The implications for job security and for longer-term commitment also must be considered. Across the labour force, fewer than half (43 percent) of temporary workers believe it is somewhat or very likely that their temporary job will lead to a permanent position with their employer, with workers in smaller organizations being less optimistic in this respect (Lowe and Schellenberg, 2001; 13). This is especially significant for the non-profit sector since the vast majority of non-profit organizations employ fewer than 10 workers.

### **Part-time Employment**

Part-time employment in the non-profit sector is even more prevalent than temporary employment. Overall, about one-quarter of non-profit employees worked on a part-time basis in 1999, that is, less than 30 hours per week (Table 6). This compares to about 20 percent of employees in the quango sector and is close to double the rate of part-time employment in the for-profit sector.

Unlike the case for temporary employment, however, greater differences are apparent when men are compared to women, with women employed by non-profit organizations being much more likely to work part time (28.2 percent) than men (18.3 percent). That being said, the incidence of part-time employment among men in non-profit organizations is more than 2.5 times the rate for men in the for-profit sector. So, while the gender bias in part-time employment is evident for women in the non-profit sector (as

in the other sectors), it is men in the sector who stand out as having elevated rates of part-time employment compared to men employed in the other sectors.

**Table 6. Incidence of Part-time Employment, by Sector and Selected Employee Characteristics, 1999**

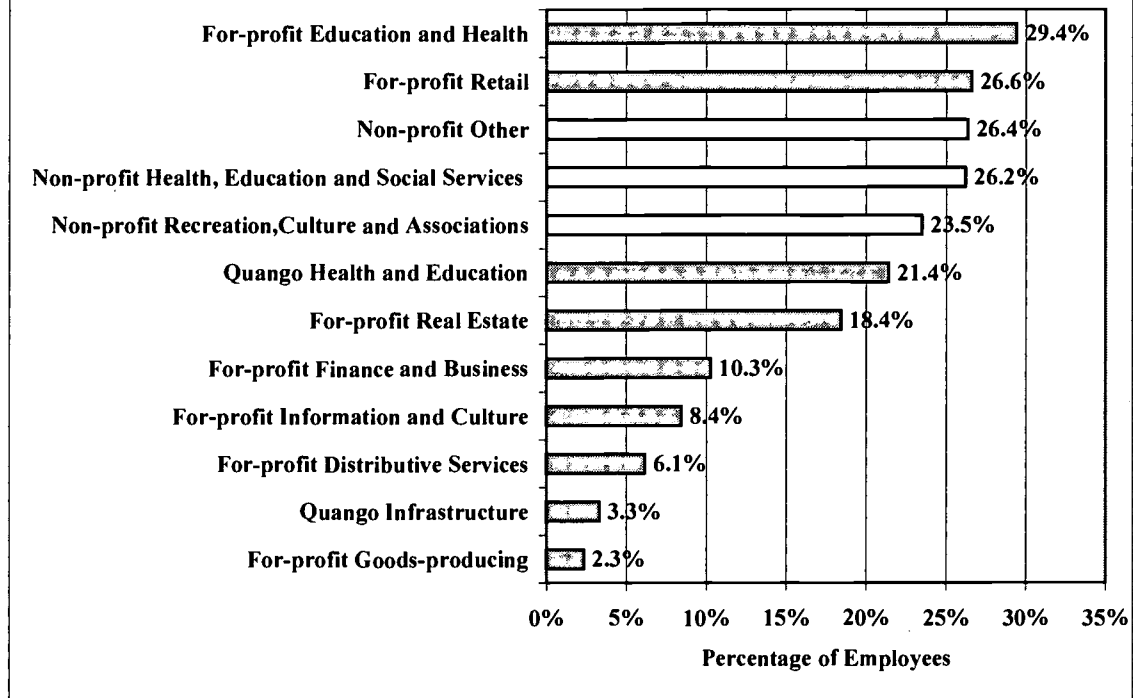
	Non-profit Sector	Quango Sector	For-profit Sector
		--Percent--	
<b>Both sexes</b>	25.6	19.9	13.4
Men	18.3	10.8	6.8
Women	28.2	24.6	20.7
<b>By age group</b>			
Age 15 to 34 years	22.5	22.5	18.2
Age 35 to 44 years	24.2	19.8	9.2
Age 45 years or older	29.1	18.8	11.8
<b>By occupation</b>			
Managers	--	--	1.9
Professional occupations	25.8	23.3	6.6
Technical/trades occupations	24.3	17.9	8.8
Clerical/Administrative occupations	--	--	14.7

-- Estimates are not shown due to high sampling variability.

Source: Based on data from the *WES* 1999.

At a more detailed industry level, the three non-profit industries rank among those with the highest rates of part-time employment. Over one-quarter of employees in non-profit health, education and social services and 'other non-profit' work part-time, as do slightly less than one-quarter in non-profit culture, recreation and associations (Chart 2). These rates match those in the for-profit retail sector, usually considered to be well above the labour force average on this measure. Rates of part-time employment are even higher in the for-profit education and health industry and are above 20 percent in quango health and education as well.

**Chart 2. Percentage of Employees in Part-time Jobs, by Sector and Industry**



Source: Based on data from the *WES*, 1999.

The fact that the health and education components of each of the non-profit, quango and for-profit sectors have relatively high rates of part-time employment raises some questions. The rate of female employment in these industries is high. Do women choose to work in these industries because of the availability of part-time work or is there something about the structure of these industries and the organization of work that means that women are only able to find jobs that are part time? The fact that rates of part-time employment are relatively high in non-profit culture, recreation and associations as well raises further questions about whether there is something about the non-profit sector as a whole that results in higher rates of part-time employment. For example, it may be the case that individuals choose to work in the sector because it offers greater scope for flexibility in work arrangements. Alternatively, faced with tight budgets and scarce resources, non-profit organizations may be constrained in the number of hours of work they can offer their employees. Evidence on work hour preferences provides some insights on these issues.

Table 7 shows the percentage of employees who would prefer to work fewer hours, the same number of hours, or more hours each week at their job. Across all three sectors, about two-thirds of part-time employees say they would not change the number of hours they work, about one-third say they would prefer to work more hours, and an inconsequential fraction say they would prefer working fewer hours each week. The non-profit sector is not unique in this respect. Most part-timers are satisfied with the number

of hours they get, although a considerable share (one-third) are *underemployed* (i.e. they work fewer hours than they would prefer).

**Table 7. Work Hour Preferences of Employees, by Sector, 1999**

	Non-profit Sector	Quango Sector	For-profit Sector
		--Percent--	
<b>Part-time Employees</b>			
Prefer to work fewer hours	--	--	--
Prefer to work same number of hours	62.7	64.3	62.6
Prefer to work more hours	36.5	33.4	35.7
Total	100.0	100.0	100.0
<b>Female Part-time Employees</b>			
Prefer to work fewer hours	--	--	--
Prefer to work same number of hours	63.3	66.7	64.3
Prefer to work more hours	35.8	31.1	34.4
Total	100.0	100.0	100.0
<b>All Employees</b>			
Prefer to work fewer hours	11.3	12.2	9.2
Prefer to work same number of hours	68.1	69.7	71.7
Prefer to work more hours	20.6	18.1	19.1
Total	100.0	100.0	100.0

'--' Estimates are not shown due to high sampling variability.

Source: Based on data from the *WES* 1999.

## Overtime

Financial uncertainty and budgetary constraints, along with increasing client demands, increasing reporting requirements, and reduced staff sizes have been associated with heavy workloads, long hours, and unpaid overtime worked by employees in non-profit organizations (Reed and Howe 12000; Doherty et al. 2000; Almond and Kendall 2000).

Unpaid overtime is indeed prevalent in the non-profit sector. Unpaid overtime accounts for about 5 percent of the total aggregate hours worked by employees in the non-profit sector. In other words, one of every twenty hours worked by paid employees in the sector is 'donated' labour. However, the non-profit sector is not unique in this respect – unpaid overtime also is prevalent in the quango and for-profit sectors as well.

As shown in Table 8, slightly more than one-quarter of employees in the non-profit sector (27 percent) reported that they usually worked unpaid overtime during the week in 1999. Unpaid overtime is also quite common in the for-profit sector, reported by 23 percent of employees and accounting for about 4 percent of total aggregate hours. The primary difference between the for-profit and non-profit sectors is the greater extent to which overtime hours are compensated in the former – in the for-profit sector, unpaid overtime hours account for about 60 percent of total overtime hours worked, whereas 85 percent of

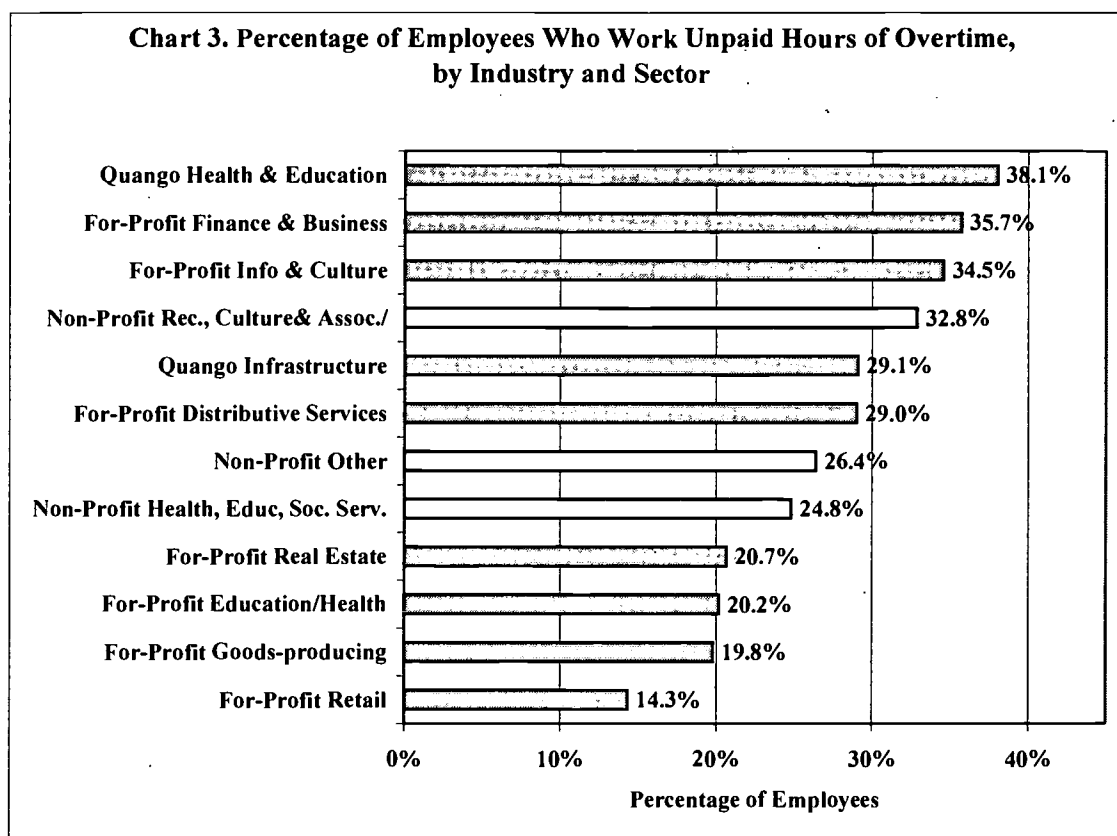
overtime hours in the non-profit sector are unpaid. Rates on all three indicators – percentage of employees who work unpaid overtime, percentage of total hours worked as unpaid overtime, and percentage of total overtime hours that are not paid – are highest in the quango sector.

**Table 8. Selected Indicators of Overtime Hours, by Sector**

	Percentage of employees who usually work unpaid overtime during the week	Percentage of total aggregate hours worked as unpaid overtime	Percentage of total aggregate overtime hours that are unpaid
Non-profit	26.9	5.1	84.7
Quango	37.3	8.8	91.8
For-profit	22.7	4.4	60.4
<b>All sectors</b>	<b>24.9</b>	<b>4.9</b>	<b>66.0</b>

Source: Based on data from the *WES* 1999.

Chart 3 shows the incidence of unpaid overtime at a more detailed industry level. Here, we find that rates are highest in the quango health and education industry, for-profit finance and business, for-profit information and culture, and non-profit culture, recreation and associations. The two remaining non-profit sub-sectors – non-profit health, education and social services and ‘other non-profit’ industries – in fact fall ‘in the middle of the pack.’



Source: Based on data from the *WES*, 1999.

In all sectors, the incidence of unpaid overtime is highest among managers. But, managers in the non-profit sector fare somewhat better in this regard – the percentage of managers reporting working unpaid overtime is highest in the quango sector (68.8 percent), followed by the for-profit sector (52.3 percent) and lastly, by the non-profit sector (43.8 percent). The same pattern is evident for professionals. Only in the case of workers in technical/trades occupations does the non-profit sector outrank the other two sectors. Finally, in all three sectors, the incidence of unpaid overtime is considerably higher for full-time workers compared to part-time workers. But, compared to the for-profit sector, part-time workers in the non-profit sector are much more likely to report working unpaid overtime.

These data suggest that the incidence of unpaid overtime is driven not so much by sector as by the occupational composition of employment. Relatively high percentages of managers, professionals, and to a somewhat lesser extent, technical/trades workers, throughout the economy report working unpaid overtime hours. In fact, the non-profit sector compares relatively well on this indicator. However, since managers and professionals constitute a larger share of employment in the non-profit sector, the incidence of unpaid overtime at the aggregate level exceeds that in the for-profit sector. In the for-profit sector, much larger shares of workers are in skilled and semi-skilled occupations; legislation and collective agreement provisions generally ensure that workers in the latter kinds of jobs are paid for the overtime hours they work (after a pre-determined threshold).

**Table 9. Percentage of Employees Reporting Working Unpaid Overtime, by Gender, Age, Occupation and Full-time/Part-time Status, 1999**

	Non-profit Sector	Quango Sector	For-profit Sector
		--Percent--	
Men	31.5	39.5	24.1
Women	25.3	36.2	21.2
Age 15 to 34 years	20.6	33.1	19.9
Age 35 to 44 years	30.1	34.2	25.9
Age 45 years or older	27.4	40.6	22.9
Managers	43.8	68.8	52.3
Professionals	28.0	49.3	41.7
Technical/trades occupations	26.1	18.7	17.3
Clerical/administrative occupations	18.3	22.6	14.8
Sales and marketing occupations	--	--	5.8
Production occupations	--	--	4.9
Full-time	30.5	39.9	25.2
Part-time	16.2	26.9	6.6

'--' Estimates are not shown due to high sampling variability.

Source: Based on data from the *WES* 1999.

Many Canadians are experiencing a spillover of work into their personal and family lives. Duxbury and Higgins (2001) report that the increase over the past decade in the percentage of employees reporting doing additional (unpaid) work outside their normal working hours, often during the evenings and on weekends, has been accompanied by an increase in the percentage reporting high role overload (“having too much to do and too little time to do it in”). They find that the percentage of workers reporting high role overload rose from 47 percent in 1991 to reach 59 percent in 2000. Over the same period, individuals with families reported that the number of hours spent weekly in family activities decreased from 16.1 hours in 1991 to 10.9 hours in 2000. Duxbury and Higgins (2001 p. 15) suggest that “...the observed increase in role overload can be attributed to increased demands at work rather than increased time in family role activities.” This is an issue for workers throughout the economy.

### **Scheduling Flexibility**

The degree of flexibility and control that individuals exercise over their work schedules is another aspect of job quality. The ability to adjust the time at which one arrives and leaves work provides a buffer that can allow an individual to meet both work and family or personal responsibilities.

Overall in 1999, close to one-half of all employees in the non-profit sector (46.2 percent) were able to work flexible hours, that is, they worked a certain number of core hours, but were able to vary the start and stop times. This rate is higher than it is in the for-profit sector (40.6) and much higher than in the quango sector (29.3) (Table 10). Working arrangements that involve flexible hours are most prevalent among non-profit employees in culture, recreation and associations and in ‘other non-profit’ industries, where about half of employees have flexible work arrangements (see Chart 4). All other industries are well below the 50 percent mark; about 42.9 percent of employees in non-profit health, education and social services work flexible hours.

Higher proportions of both men and women in the non-profit sector have flexible work arrangements compared to men and women in the other sectors, with the differential being particularly marked in the case of men and for workers aged 35 and over. There are noticeable differences across occupations. Close to 70 percent of managers in the non-profit sector work flexible hours, as do just over half of professionals. However, flexible work arrangements are less common among employees in technical/trade and clerical/administrative positions.

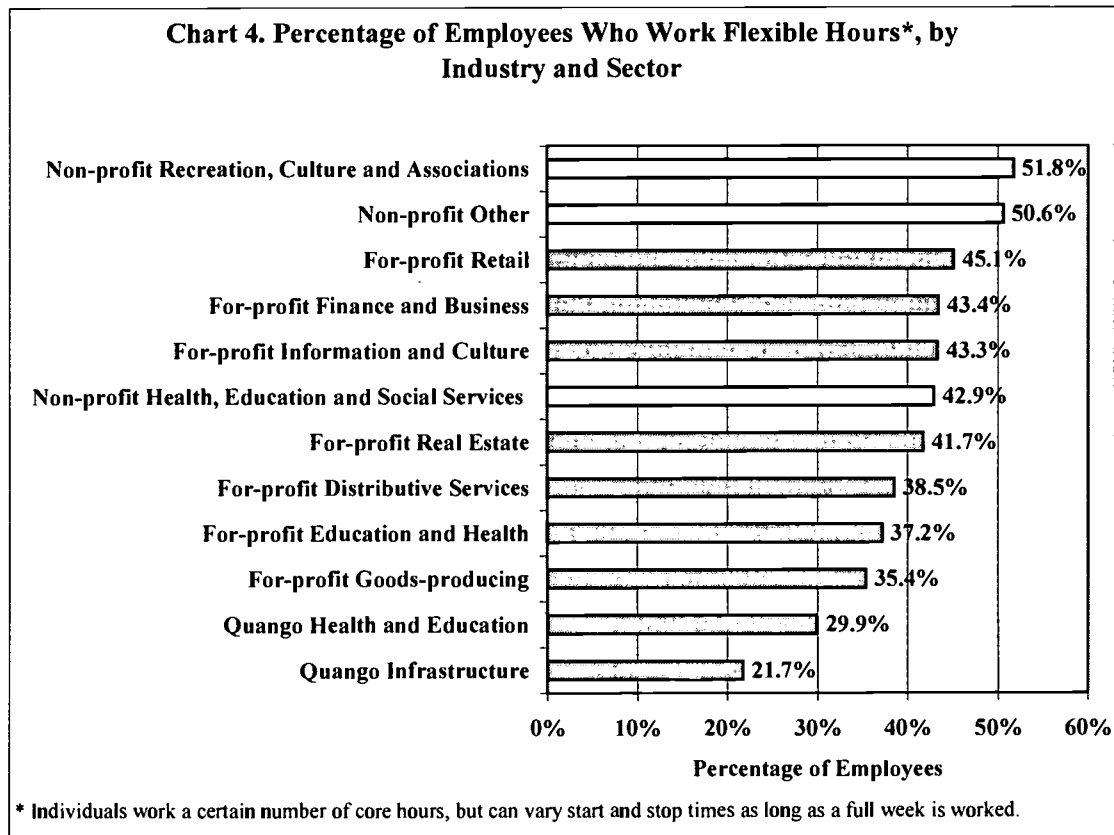


**Table 10. Percentage of Employees Who Work Flexible Hours, by Selected Characteristics**

	Non-profit Sector	Quango Sector	For-profit Sector
		--Percent--	
<b>Both sexes</b>	46.2	29.3	40.6
Men	53.4	35.7	43.8
Women	43.8	26.0	37.0
<b>By age group</b>			
Age 15 to 34 years	41.6	30.0	42.5
Age 35 to 44 years	49.1	30.9	40.5
Age 45 years or older	46.6	27.5	38.2
<b>By occupation</b>			
Managers	68.6	38.3	55.3
Professional occupations	52.8	33.4	47.5
Technical/trades occupations	34.7	24.9	38.0
Clerical/Administrative occupations	21.9	20.0	28.8
Sales/marketing occupations	--	--	43.4
Production occupations	--	--	33.5

-- Estimates are not shown due to high sampling variability.

Source: Based on data from the *WES* 1999.



Source: Based on data from the *WES*, 1999.

The evidence also suggests that while flexible scheduling of this more informal nature tends to be fairly prevalent, more formalized types of alternative schedules are less so. More specifically, only about 8 percent of employees in each of the three sectors work either a compressed or a reduced work week.<sup>15</sup>

The higher incidence of non-standard employment in the non-profit sector in the form of part-time jobs and flexible working hours raises a number of questions. For example, is this a change from past practice as organizations turn to short-term contracts and shorter workweeks to deal with financial uncertainty and budgetary constraints or have non-standard working arrangements historically been typical of the sector? The data we currently have provide a snapshot of a single year and so do not allow us to answer this question directly. However, the relatively higher incidence of part-time and flexible hours in the sector suggests that flexibility in working arrangements may serve the interests of both employers and employees. Women over the age of 35 account for a considerable share of the non-profit workforce and part-time hours likely have a positive impact on their ability to balance work and family/personal responsibilities. Similarly, non-profit employees have considerable flexibility in the start and end of their workday, again providing them with an opportunity to strike a better balance between paid employment and other responsibilities. Such flexibility could act as a drawing card to attract new employees to the sector.

There is a downside, however. We know that the prevalence of such jobs can have important implications for job security, benefit coverage and annual earnings. Moreover, the prevalence of unpaid overtime hours, some of which consist of additional work at home outside of normal working hours, suggests that for many employees, the job is not over at the end of the shift. This may reflect employees' 'dedication to the cause' and their willingness to put in extra hours on their own time, or, less positively, to onerous workloads that employees in understaffed organizations are expected to shoulder. The non-profit sector is not unique in this respect – workers in managerial positions in all sectors are especially prone to work unpaid overtime hours. In fact, there is growing concern being expressed by many workers regarding 'time crunch' and the struggle to maintain work-life balance.

These aspects of working life need to be of concern to employers. Employee retention is a critical factor from a business point of view, because without it, employers stand to lose workers with experience, specialized skills, and knowledge and understanding of an organization's mission.

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<sup>15</sup> Compressed work weeks mean working longer hours each day to reduce the number of days worked per week. Reduced work weeks are agreements reached with the employer to work fewer hours every week, such as job sharing agreements where part-time employees share a full-time job.

## 6. Hourly Earnings, Variable Pay and Non-wage Benefits

### Hourly Earnings

Employee recruitment and retention are critical considerations if the human resource capacity of the non-profit sector is to be maintained over the long term. The earnings and benefits offered by organizations in the sector are important ingredients in this respect.

To date, very little information on the wages and salaries paid by non-profit organizations has been available in Canada. Studies have been limited to specific provinces or industries and have offered only limited scope for drawing comparisons against wider labour-market benchmarks (for a review, see Dow 2001). Our objective in this section is to determine, in fairly broad terms, how the hourly earnings received by employees in different sectors and industries compare. In particular, are non-profit employees over-represented at either the low or the high end of the earnings distribution?

Table 11 shows the median hourly earnings of employees in various occupations in the non-profit, for-profit and quango sectors. Overall, the median earnings of non-profit employees in managerial, professional and technical/trades occupations are about \$2.00 to \$4.00 per hour lower than for their counterparts in the for-profit sector. There is little difference in the median earnings of clerical/administrative workers in non-profit and for-profit organizations. Earnings are highest among employees in the quango (i.e. quasi-public) sector.

**Table 11. Median Hourly Wages, by Occupation and Sector, 1999**

	Non-profit Sector	Quango Sector	For-profit Sector
	1999 dollars		
Managers	16.44	32.88	20.14
Professionals	19.73	26.16	23.00
Technical /Trades	13.52	18.00	15.46
Marketing/Sales	--	--	8.82
Clerical/Administrative	13.66	15.85	13.13
Production workers	--	15.57	11.57

-- Estimates are not shown due to high sampling variability.

Source: Based on data from the *WES* 1999.

In order to develop a more detailed look at the relative earnings of non-profit sector employees, hourly earnings 'tertiles' were constructed for four occupational groups.<sup>16</sup> Employees in each occupation, regardless of sector, were first sorted on the basis of their hourly earnings from lowest to highest and then divided into three groups of equal size. By definition, one-third of employees is found in each of the bottom, middle and top third of the earnings distribution for each occupational group. By comparing employees in

<sup>16</sup>The number of employees in marketing and sales occupations and in production (i.e. skilled and semi-skilled) occupations in the non-profit sector was too small to allow a more detailed analysis of earnings.

non-profit organizations against these ‘tertile’ benchmarks, we can determine whether they are under- or over-represented at the low or the high end of the wage distribution.<sup>17</sup>

As shown in Table 12, managers in non-profit organizations were over-represented at the bottom of the managerial wage distribution in 1999, with 44.9 percent being located in the bottom third of the earnings distribution for managers. Conversely, non-profit managers were under-represented at the high end of the distribution, with only about 20 percent being in the top tertile. Professionals employed by non-profit organizations fared even worse – over one-half (51.7 percent) were at the low end of the earnings distribution in 1999 and fewer than one-fifth (17.9 percent) were in the top third. A similar pattern is evident for employees in technical/trades occupations. Employees in clerical/administrative occupations in the non-profit and the for-profit sector were roughly evenly distributed over the three earnings tertiles. Employees in the quango sector, especially those in managerial and clerical/administrative positions, tended to be over-represented at the upper end of the occupational earnings distribution.

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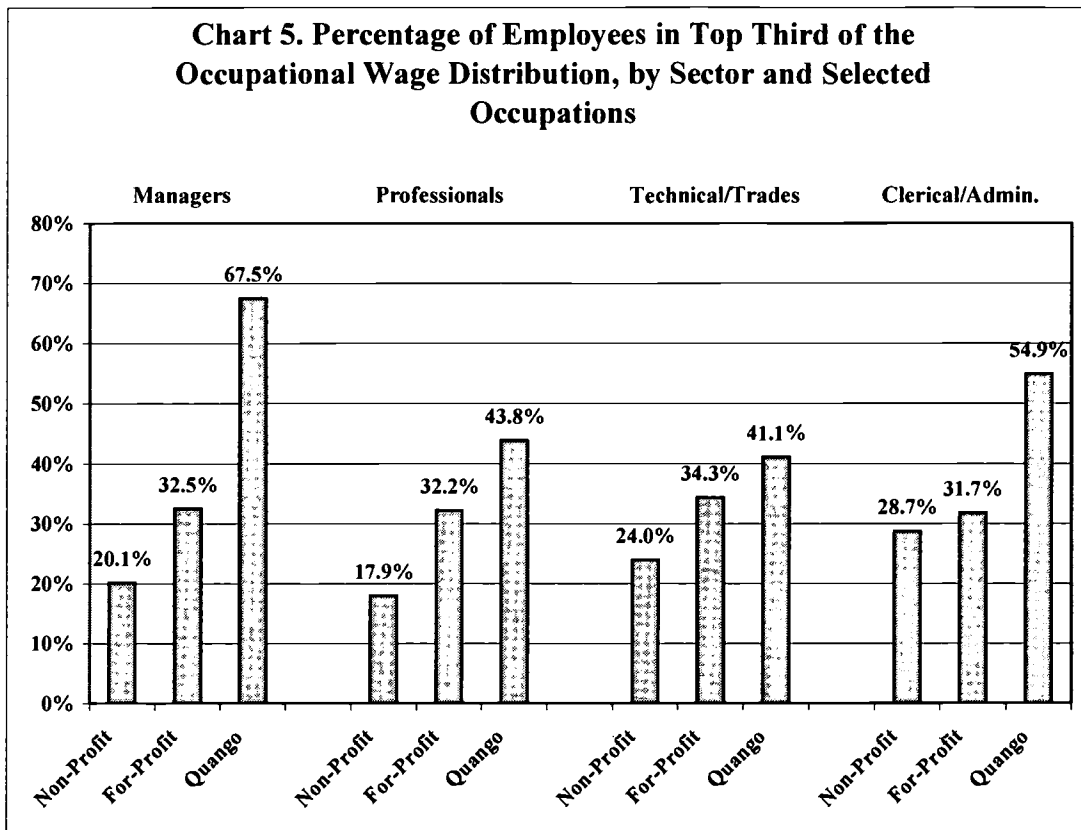
<sup>17</sup> If 33.3 percent of non-profit employees are found in each tertile, we would say that they are neither over-represented nor under-represented at the top or bottom of the distribution. If more than 33.3 percent are located in, say, the bottom tertile, then we can say that they are over-represented at the bottom of the earnings distribution; if less than 33.3 percent are located in the bottom tertile, we can say that they are under-represented at the bottom of the earnings distribution. The further away from 33.3 percent, the greater the magnitude of over- or under-representation.

**Table 12: Percentage of Employees in Bottom, Middle and Top One-third of the Earnings Distribution, by Occupation and Sector, Canada, 1999**

	<b>Bottom One -third</b>	<b>Middle One-third</b>	<b>Top One-third</b>	<b>Total</b>
Percentage of employees				
<b>Managers</b>				
Non-profit sector	44.9	35.0	20.1	100.0
Quango sector	6.7	25.8	67.5	100.0
For-profit sector	34.0	33.5	32.6	100.0
All managers	32.9	33.1	34.1	100.0
<b>Professionals</b>				
Non-profit sector	51.7	30.4	17.9	100.0
Quango sector	19.4	36.7	43.8	100.0
For-profit sector	36.8	31.0	32.2	100.0
All professionals	33.0	33.0	34.0	
<b>Technical/Trades</b>				100.0
Non-profit sector	43.9	32.1	24.0	100.0
Quango sector	15.9	43.0	41.1	100.0
For-profit sector	33.9	31.8	34.3	100.0
All technical/trades	33.0	32.8	34.2	100.0
<b>Clerical/Administrative</b>				
Non-profit sector	32.7	38.6	28.7	100.0
Quango sector	8.1	37.1	54.9	100.0
For-profit sector	36.4	31.9	31.7	100.0
All clerical/administrative	33.0	32.9	34.1	100.0

Source: Based on data from the *WES* 1999.

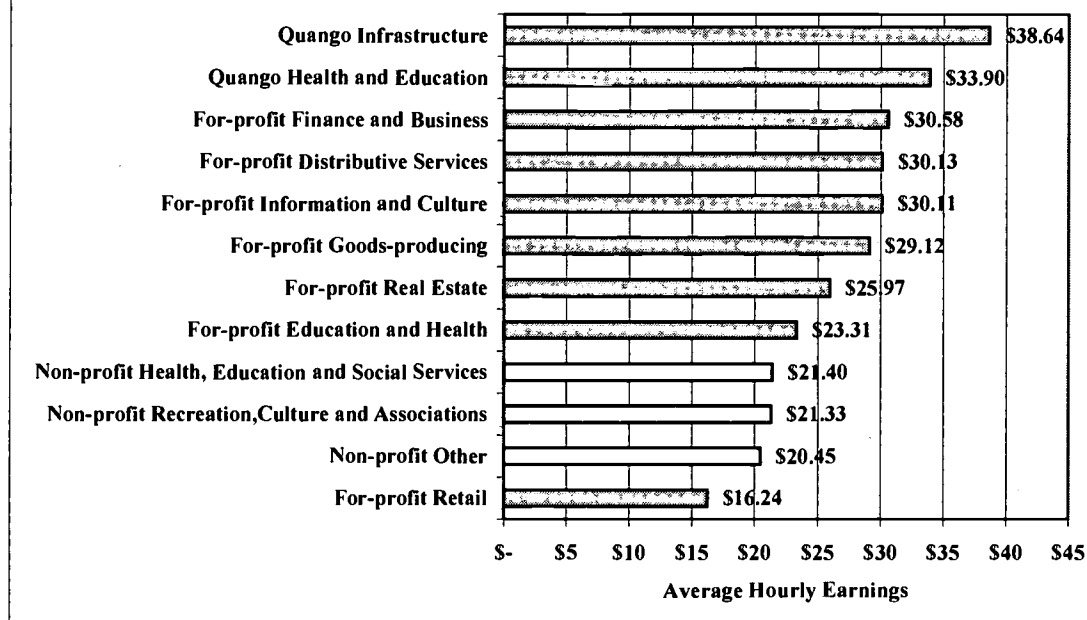
The under-representation of non-profit employees at the high ends of the occupational earnings distributions is even more evident when the information is displayed graphically (see Chart 5). Without exception, relatively small shares of non-profit employees in each occupational group have earnings in the top third of their respective earnings distributions. These differences are dramatic when the non-profit and quango sectors are compared.



Source: Based on data from the *WES*, 1999.

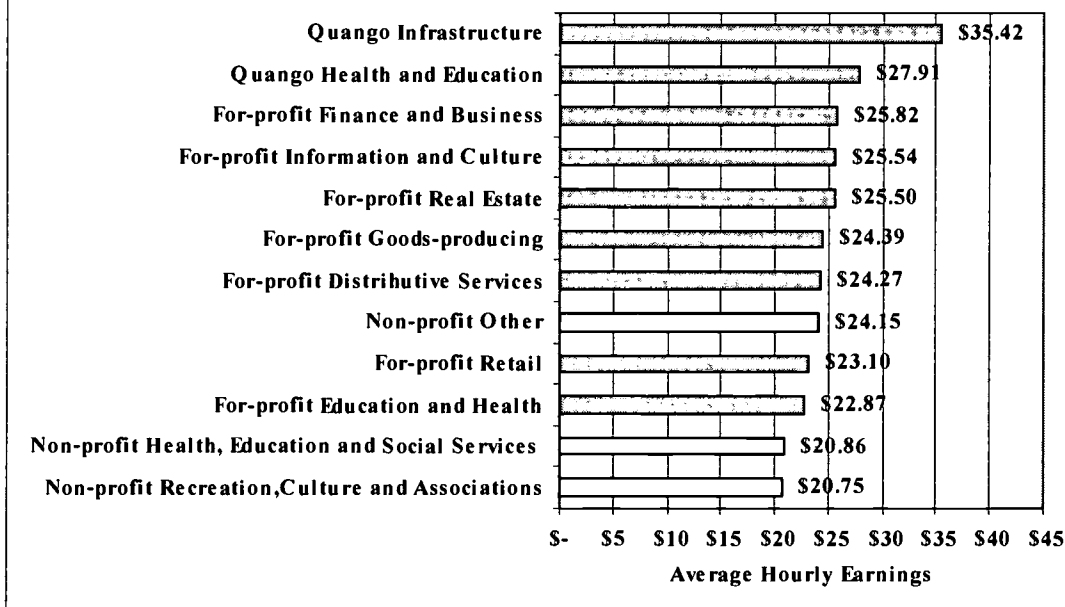
Further perspective on the relative earnings of non-profit employees can be gained by comparing average hourly earnings across detailed industries. This is shown for selected occupations in Charts 6 through 9. On average, managers in the non-profit sector have average hourly earnings that range between about \$20.50 and \$21.50. Such wages are lower than those received by managers in most for-profit sectors, with a difference of about \$2.00 to \$9.00 per hour in most cases. The difference is even larger when comparisons are drawn with managers in the quango sector.

**Chart 6. Average Hourly Earnings of Employees in Managerial Occupations, by Sector**



Source: Based on data from the *WES*, 1999.

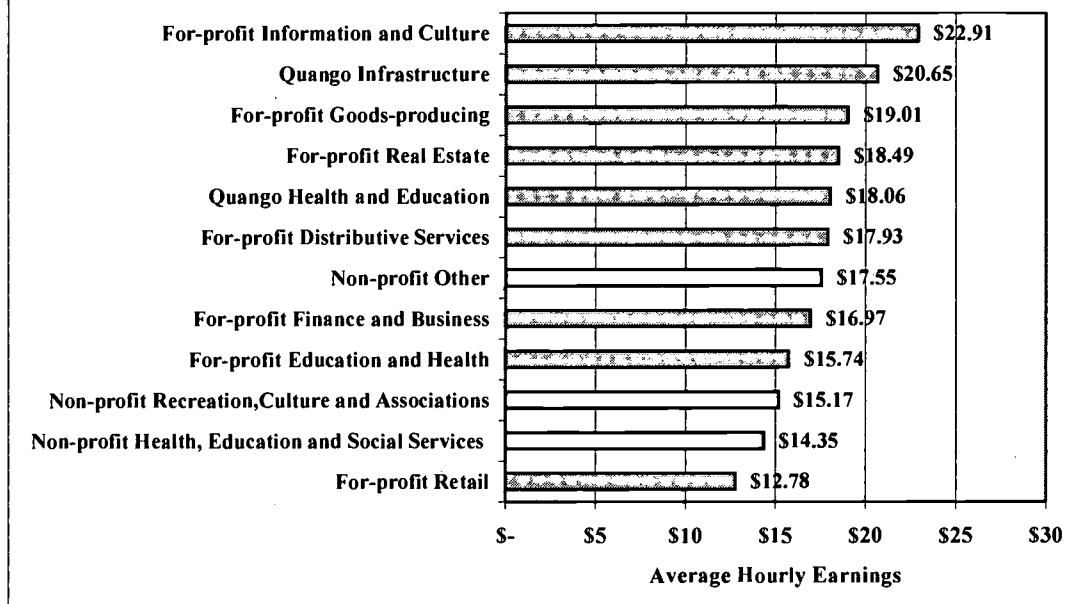
**Chart 7. Average Hourly Earnings of Employees in Professional Occupations, by Sector**



Source: Based on data from the *WES*, 1999.

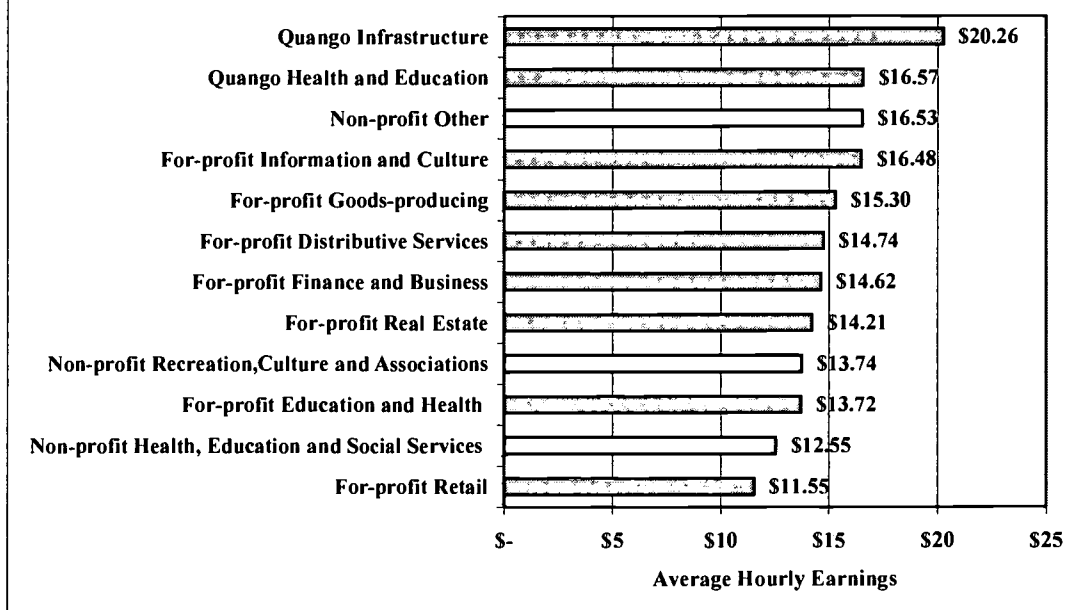


**Chart 8. Average Hourly Earnings of Employees in Technical/Trades Occupations, by Sector**



Source: Based on data from the *WES*, 1999.

**Chart 9. Average Hourly Earnings of Employees in Clerical/Administrative Occupations, by Sector**



Source: Based on data from the *WES*, 1999.

A similar story is evident within professional occupations. As shown in Chart 10, the average hourly earnings of professionals employed in non-profit health, education and social services and in non-profit recreation, culture and associations were slightly less than \$21.00 an hour in 1999. Professionals in most for-profit industries earned, on average, at least \$2.00 more per hour, with those in the quango sector faring even better.

And finally, when technical/trades occupations and clerical/administrative occupations are considered, the average hourly earnings of employees in non-profit health, education and social services, non-profit culture, recreation and associations and, we note, in for-profit education and health, rank near the bottom compared to other industries. It is only in for-profit retail trade where average wages were lower for these occupational groups.

In 1998, the Muttart Foundation engaged KPMG Consulting to conduct a compensation review of registered charitable organizations in Alberta and Saskatchewan (see Adsit and Mah 1998). Data were collected from 455 respondents. Due to sample size, analysis of compensation practices was limited to paid full-time employees only, and refer to the positions of executive director, second-level manager, and manager of volunteers. This study provides a number of insights into compensation in the charity sector and how compensation practices vary across organizations in the sector.

Adsit and Mah (1998) find that two key factors influencing compensation levels are size of an agency's budget and size of community in which an organization is located. They also report that smaller communities tend to have a larger proportion of agencies with smaller budgets; agencies with larger budgets tend to be located in medium-sized and larger municipalities. Agencies in arts, culture, charitable, sports and recreation, and religion tended to have the highest proportion of agencies with small budgets. Many agencies reported that the number of volunteers they managed was several times larger than the number of paid staff.

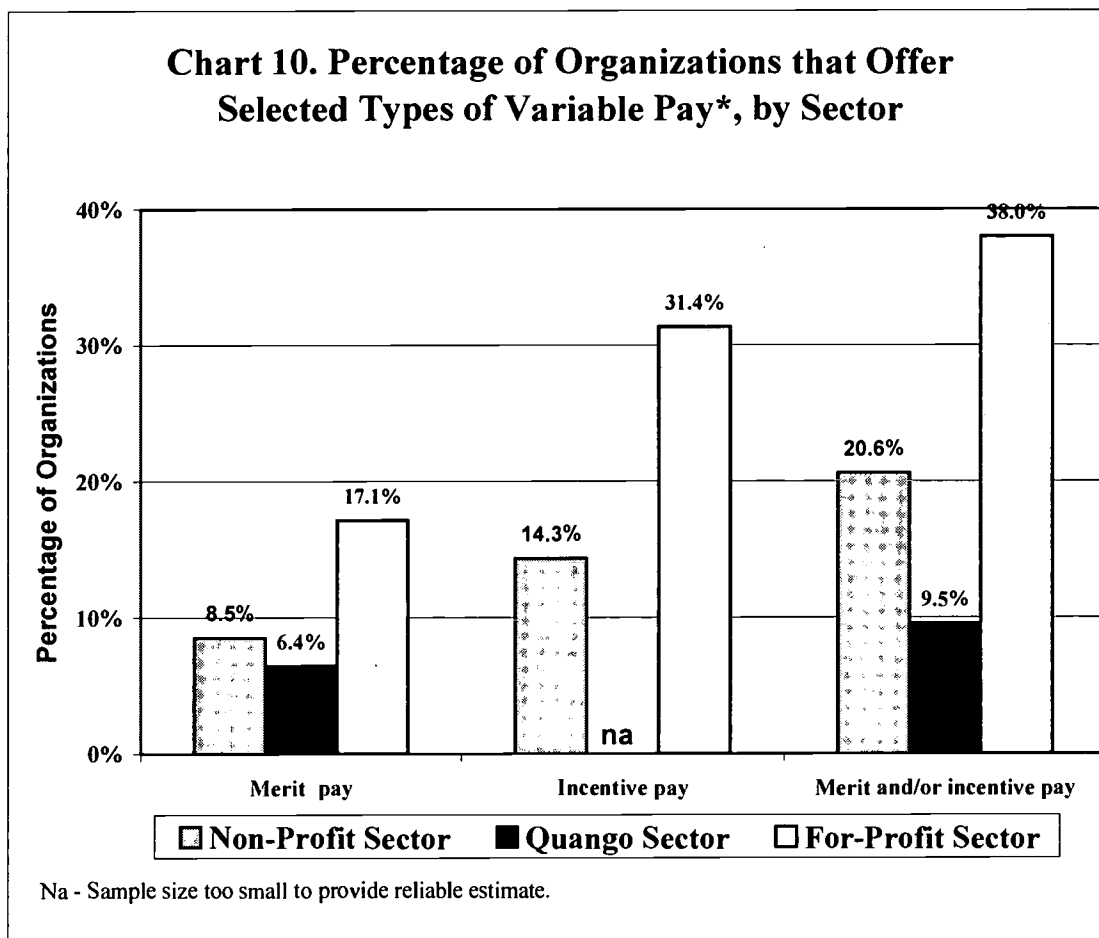
Earnings represent a fundamental aspect of job quality and on this score, the performance of the non-profit sector is rather weak. The sector lags behind both the for-profit and the quango sectors on median and average hourly earnings and on the distribution of earnings by occupation. Such pay differences are likely to be quite large when translated into annual pay. For example, in 1999, a manager in non-profit recreation, culture and associations could expect to earn about \$42,000 if employed on a full-time, full-year basis, whereas in for-profit information and culture, average annual pay for managers is estimated at \$59,000. Moreover, because the incidence of both part-time and temporary employment is relatively higher in the non-profit sector, employees are more likely than their for-profit counterparts to work fewer total hours during the year, thereby further increasing the earnings gap on an annual basis.

### **Variable pay**

Variable pay, or alternative compensation schemes, are pay systems that link individual pay to job performance. Such compensation schemes are generally implemented with the

goal of increasing individual productivity and/or providing an incentive for individuals to accept and participate in workplace change (Leckie et al. 2001). Such plans can take many forms, such as profit-sharing (any plan by which employees receive a share of the profits from the workplace); individual incentive systems (bonuses, piece rate, commissions and stock options); gain sharing and group incentives (benefits to employees for gains realized by increased productivity); and merit or skill-based pay (recognition of superior skills, qualities, or performance).

When all four types of systems are considered, 40 percent of for-profit organizations offered some type of variable pay to their employees, compared with 23 percent of organizations in the non-profit and quango sectors (Leckie et al. 2001). This difference is not surprising given that, by definition, non-profit organizations do not distribute profits and hence cannot offer profit-sharing plans. Even so, variable pay systems that do not necessarily involve a redistribution of profits are not very common in non-profit organizations. As shown in Chart 10, only 9 percent of non-profit organizations have a merit pay system in place compared with 17 percent of for-profit organizations, while the figures for incentive pay are 14 and 31 percent respectively.



\*Merit pay refers to additional pay in recognition of superior skills, qualities, or performance.

\*Incentive pay includes bonuses, piece rate, commissions and stock options.

Source: Based on data from the WES, 1999.

Data from the *WES* employee survey can also be used to assess the extent to which the job performance of employees is evaluated and, in the context of this discussion, the extent to which such evaluations have an impact on pay and benefits. Employees who responded to the *WES* were asked if their job was evaluated by a standard process, and if so, whether the results of their evaluation had any impact on the pay or benefits they received. Over 60 percent of all non-profit employees reported that their job performance was evaluated through a formal process (Table 14). As a point of comparison, employees in the for-profit sector were less likely to go through such an evaluation process (49 percent are evaluated). In this respect, it appears that organizations in the non-profit sector do fairly well at providing formal feedback to their staff. However, the majority of non-profit employees also reported that the results of the performance evaluation did not usually affect the pay or benefits they received. In contrast, the majority of employees in the for-profit sector who were evaluated reported that the results of the evaluation did have an impact on their pay or benefits; this was especially the case for managers.

**Table 14. Incidence of Job Performance Evaluations by Sector and Occupation, 1999**

	Job performance not evaluated by a standard process	Job performance is evaluated by a standard process ...		Total
		But evaluation results <u>do not</u> affect pay or benefits	And evaluation results <u>do</u> affect pay or benefits	
	Percentage of employees			
<b>Non-profit sector – Total</b>	37.9	43.8	18.4	100.0
Management	30.7	45.7	23.6	100.0
Non-management	39.1	43.0	17.4	100.0
<b>Quango sector – Total</b>	35.1	52.7	12.2	100.0
Management	19.7	52.2	28.1	100.0
Non-management	36.7	52.8	10.4	100.0
<b>For-profit sector – Total</b>	48.9	20.6	30.5	100.0
Management	41.3	13.8	44.9	100.0
Non-management	50.3	21.9	27.8	100.0

Source: Based on data from the *WES* 1999.

In their study of compensation among registered charities in Alberta and Saskatchewan, Adsit and Mah (1998, p. 2-3) report that "...the use of bonuses has become relatively predominant in the sector ... [but they] are still a relatively small portion of total compensation." Bonuses for executive directors, for example, averaged 3.6 percent of salary.

Patterns in the use of variable pay by organizations in the non-profit sector reflect a number of factors. First, non-profit organizations may be less likely to offer variable pay because of concerns over public perceptions. Available evidence suggests that, while Canadians have a considerable amount of trust in non-profit organizations, they express concerns "... about how organizations solicit, use and manage donations" (Husbands et al. 2001). In this context, boards of directors and senior managers may be reluctant to implement pay systems that could be perceived as being generous. Second, legal issues play a role; for example, professional fundraisers employed by registered charities are prohibited by law from receiving bonuses or commissions on the charitable dollars they raise. Third, research shows that such systems tend to be found in larger, non-unionized firms that operate in international markets and are engaged in innovative practices and technological or organization change (Leckie, 2001); many non-profit organizations, however, tend to be small and to serve local clientele. Fourth, non-profit organizations may find it difficult to identify objective measures of organizational performance upon which to base variable pay. Unlike for-profit businesses, measures such as return on assets, net operating profit or share price do not apply to non-profits. In this context, alternative performance measures, such as service quality (as rated by clients), organizational growth or administrative efficiency could be explored (Werner and Gemeinhardt, 1995).

A key issue is the impact that variable pay systems (or their absence) have on the capacity of non-profit organizations to attract and retain valued employees. Such systems are increasingly used in the for-profit sector as a way to attract skilled workers and to reward them for peak performance. This could widen the compensation gap between for-profit and non-profit organizations, making it increasingly difficult for the latter to attract the employees they need. Moreover, in the context of high demands and limited resources, employees in non-profit organizations are being called upon to be adaptable, multi-skilled and entrepreneurial. Most of them are also employed in managerial, professional and technical occupations. Variable pay systems may be particularly attractive to such highly skilled and adaptable workers.

### **Non-Wage Benefits**

Earnings are only one part of the overall compensation package. Another important part consists of non-wage benefits offered by an employer. These typically consist of supplemental medical insurance, dental benefits, life and disability insurance, employer-sponsored pension plans, group RRSPs, and supplemental Employment Insurance (EI) benefits. Offering such benefits often entails a cost to the employer and the elements that comprise such 'benefit packages' will therefore vary from employer to employer. Small firms or organizations are less likely to offer such benefits than large organizations. Differences in the rate of participation of employees in non-wage benefits across sectors will therefore reflect, in part, sectoral differences in the size composition of employers.

Furthermore, not all employees will choose to participate in benefits that are available through their employer. In cases where participation requires a financial contribution

from the employee, some individuals may opt out if they have access to those benefits through other means, such as through a spousal plan. On the other hand, having access to such benefits may represent an important part of the overall compensation package for employees who otherwise would not have these benefits and as such, may act as a significant tool for attracting employees and for employee retention.

Table 15 shows the percentage of employees who participated in selected non-wage benefits in 1999, by sector. Since employee participation in such benefits usually is optional, these percentages can provide only an approximation of the extent to which employers offer these benefits to their employees. Further, the option of participating in such plans often is available only to full-time, permanent workers. Therefore, differences across sectors will also reflect, in part, differences in the percentages of workers who are employed on a part-time or temporary basis.

Looking first at all employees, we find that the rate of participation in a range of non-wage benefits is generally very similar to that in the for-profit sector. Thus we find that slightly more than half of employees in the two sectors participated in supplemental medical insurance, dental plans and life/disability insurance. In the case of employer-sponsored pension plans, however, the rate of participation of employees in the non-profit sector (44.7 percent) exceeded the rate in the for-profit sector (34.2 percent) by a wide margin. A higher percentage of employees of non-profits were covered by supplemental Employment Insurance as well, at 35.2 percent compared to 28.8 percent of employees in

**Table 15: Percentage of Employees Who Participate in Selected Non-wage Benefits, by Sector, 1999**

	Supplemental Medical Insurance	Dental Plan	Life/ Disability Insurance	Employer- Sponsored Pension Plan	Group RRSP	Supplemental Employment Insurance
Percentage of employees						
<b>All Employees</b>						
Non-profit sector	53.8	52.7	54.3	44.7	17.8	35.2
Quango sector	69.5	64.6	77.5	78.2	13.5	57.9
For-profit sector	52.0	51.5	55.1	34.2	18.9	28.8
<b>Full-time Permanent Employees</b>						
Non-profit sector	66.4	64.4	67.1	54.6	22.5	43.5
Quango sector	78.9	74.4	88.2	87.6	16.2	63.4
For-profit sector	60.4	59.7	63.6	39.1	21.9	32.2
<b>Part-time and/or Temporary Employees</b>						
Non-profit sector	28.4	28.9	28.5	24.7	8.4	18.4
Quango sector	43.4	37.4	47.9	52.1	6.2	42.7
For-profit sector	15.0	15.1	18.0	12.4	5.8	13.8

Source: Based on data from the *WES* 1999.

the for-profit sector. Rates of employee coverage by the complete range of non-wage benefits were far higher in the quango sector.<sup>18</sup>

In all sectors, the rate of participation in non-wage benefits was much lower for part-time and/or temporary employees than it was for those employed on a full-time permanent basis. Unfortunately, the data do not allow us to identify the extent to which this is because fewer part-time/temporary workers choose to participate in the benefit (because they have access to the benefit through a spouse) or because the benefit is simply not available to them. The much lower rate of participation among part-time and/or temporary employees in benefits that are tied to an individual, like life/disability insurance, pension plans/RRSPs, and supplemental EI benefits, however, suggests that for these benefits at least, the option of participating is not available to them. That being said, the non-profit sector scores higher than the for-profit sector on this dimension, with larger shares of part time/temporary employees participating in each benefit. Nevertheless, the participation rate for most benefits remains low, at just over 25 percent for this group of workers.

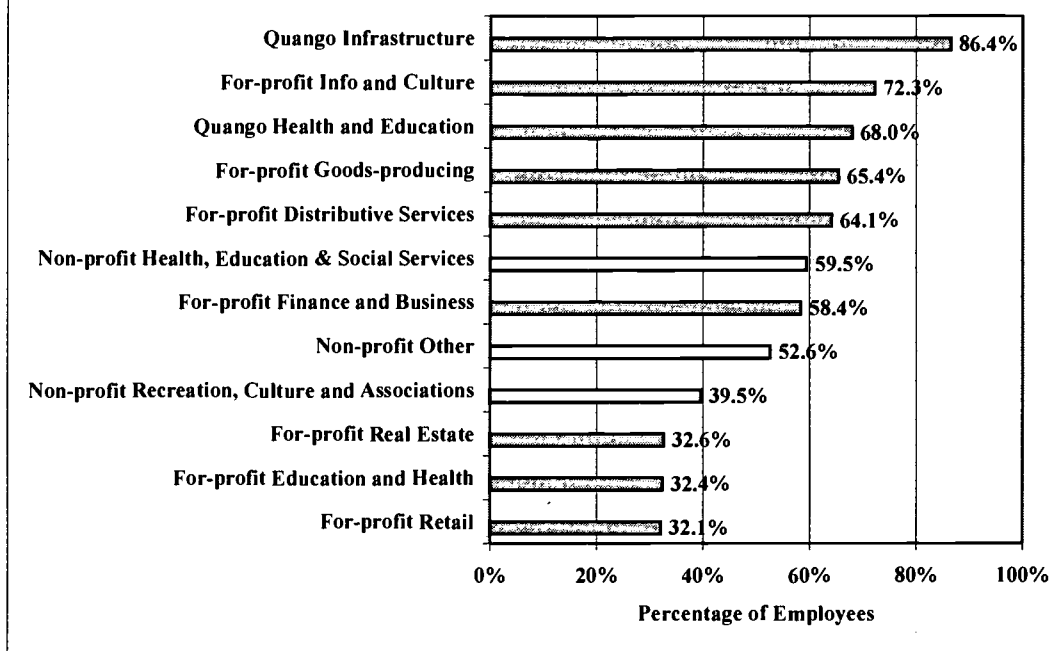
Further detail is presented in Chart 11, which shows the percentage of employees who have supplemental medical insurance, by industry. Between about 55 and 60 percent of employees in non-profit health, education and social services and in 'other' non-profit industries had such coverage, while only 40 percent of employees in non-profit recreation, culture and associations did.

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<sup>18</sup> The case of group RRSPs deserves a special note, in that employer-sponsored pension plans and group RRSPs are substitutes. Therefore, the fact that close to 80 percent of employees in quango organizations have access to an employer-sponsored pension plan necessarily means that only small proportions will also have the option of participating in a group RRSP.



**Chart 11. Percentage of Employees with Supplemental Medical Insurance,  
by Sector and Industry, 1999**



Source: Based on data from the *WES*, 1999.

The provision of non-wage benefits can also be assessed in terms of how many non-profit workplaces offer benefits to their employees. In this case, the unit of analysis is the workplace (or employer) rather than employees. As shown in Table 16, just over one-third of non-profit workplaces offered supplemental medical insurance, dental plans or life/disability insurance to their full-time/permanent staff in 1999. Just under one-fifth of non-profit workplaces offered an employer-sponsored pension plan, while 10 percent or less offered a group RRSP or supplemental Employment Insurance benefits. Quite clearly, only a minority of non-profit employers offer benefit packages to their full-time permanent staff. Most do not. Readers will recall that the vast majority of non-profit (and for-profit) workplaces employ fewer than 10 employees, and most employ fewer than five. It is these small workplaces that are least likely to provide benefits to their employees (data not shown). Consequently, the fact that just over one-third of non-profit *employers* offer a dental plan, for example, and over one-half of non-profit *employees* participate in a dental plan reflects greater provision of and access to such a benefit in larger workplaces.

Within the non-profit sector, employers in health, education and social services were most likely to provide various benefits to their full-time, permanent staff while employers in recreation, culture and associations, and in other non-profit industries were less likely to do so.

**Table 16: Percentage of Employers Who Provide Selected Non-wage Benefits to Permanent, Full-time Employees, by Sector and Establishment Size, 1999**

	Supplemental Medical Insurance	Dental Plan	Life/ Disability Insurance	Employer-Sponsored Pension Plan	Group RRSP	Supplemental Employment Insurance
	Percentage of employers					
<b>All Establishments</b>						
Non-profit sector	37.8	33.7	37.0	17.5	10.4	6.0
Quango sector	66.3	52.6	72.5	66.3	25.3	21.0
For-profit sector	30.0	27.8	29.1	9.2	11.8	4.4
<b>Less Than 20 Employees</b>						
Non-profit sector	29.8	26.7	28.4	13.7	5.5	4.3
Quango sector	--	--	--	--	--	--
For-profit sector	24.8	23.0	23.8	6.5	8.9	3.3
<b>20 or More Employees</b>						
Non-profit sector	82.8	72.8	85.0	38.9	38.0	15.5
Quango sector	81.8	68.6	94.5	89.8	34.9	35.2
For-profit sector	67.0	62.0	66.0	28.4	31.9	12.3
<b>Non-profit Establishments in:</b>						
Culture, recreation and associations.	32.1	24.3	26.1	10.8	--	--
Health, education and social services	48.8	46.4	51.9	26.3	18.0	--
Other non-profit	26.7	26.2	28.0	13.1	--	--

-- Estimates are not shown due to high sampling variability.

Source: Based on data from the *WES* 1999.

At the aggregate level, these data suggest that the non-profit sector compares relatively well in terms of its performance in providing employees with a range of non-wage benefits. This conclusion best applies to comparisons with the for-profit sector. For many reasons, including size of organization and high rates of unionization in some parts of the sector, the quango sector scores highest on this indicator. But, compared to the for-profit sector, larger percentages of paid workers in the non-profit sector have access to benefits. Further, this gap is apparent not only for full-time permanent employees, but for part-time and/or temporary employees as well. The gap between the non-profit and for-profit sectors is particularly large in the case of employers with 20 or more employees. Access to benefits drops considerably for employees in workplaces having fewer than 20 employees, but the percentage of non-profit employers offering benefits nevertheless remains slightly higher than in the case of small for-profit employers.

Upon closer inspection, however, it becomes apparent that this relatively good assessment of the non-profit sector is driven largely by the non-profit health, education and social services sub-sector, where close to half of employers offer supplemental medical insurance, a dental plan and life/disability insurance. The non-profit culture, recreation and associations sub-sector and the 'other non-profit' sub-sector, in fact, are

similar to the for-profit sector in this respect. To a certain extent, this reflects differences in the size composition of employers across the non-profit sub-sectors. But that can explain only part of these differences, since employers with 20 or more employees constitute only 25 percent of the non-profit health, education and social services sub-sector (compared to 7 percent or less in the other two non-profit sub-sectors). The percentage of establishments that is unionized is also higher in non-profit health, education and social services (17.2 percent) than in either 'other non-profit' (7.9 percent) or non-profit culture, recreation and associations (5.1 percent) (data not shown). But again, this does not appear to fully account for the fact that relatively large percentages of employers in non-profit health, education and social services offer a range of non-wage benefits to their employees.

### **Satisfaction with the Job and with Pay and Benefits**

As noted earlier, much has been made of the value orientations of individuals who take employment in the non-profit sector, in particular, the extent to which they are willing to accept lower wages and benefits to do work that is consistent with their values, moral convictions or political perspectives. While the *WES* does not provide information on employees' value orientations, it does provide information on job satisfaction and on satisfaction with pay and benefits.

Overall, about 86 percent of paid employees in the non-profit sector reported that they were either satisfied or very satisfied with their job in 1999 (Table 17). Rates are similar in the quango and for-profit sectors. The percentage of non-profit employees reporting that they were dissatisfied/very dissatisfied with their job was slightly elevated for women and for employees aged 35-44 years, both at about 15 percent. That being said, the share of employees reporting that they were very satisfied with their job increased with age, rising from slightly less than one-quarter of younger employees (less than 35 years old) to 43 percent of those aged 45 years or more.

**Table 17. Level of Job Satisfaction Reported by Paid Employees, by Sector, Gender and Age Group, 1999**

	Very satisfied	Satisfied	Dissatisfied/ Very Dissatisfied	Total
	Percentage of employees			
<b>All Employees</b>				
Non-profit sector	33.4	52.6	13.9	100.0
Quango sector	37.5	54.3	8.2	100.0
For-profit sector	34.7	55.0	10.4	100.0
<b>Male Employees</b>				
Non-profit sector	30.9	57.5	11.6	100.0
Quango sector	44.3	46.5	9.2	100.0
For-profit sector	34.7	54.9	10.4	100.0
<b>Female Employees</b>				
Non-profit sector	34.3	51.0	14.7	100.0
Quango sector	34.1	58.1	7.7	100.0
For-profit sector	34.6	55.0	10.3	100.0
<b>Less than 35 years</b>				
Non-profit sector	23.5	66.3	10.2	100.0
Quango sector	34.0	56.2	9.9	100.0
For-profit sector	30.2	57.4	12.3	100.0
<b>Aged 35 to 44</b>				
Non-profit sector	32.6	52.3	15.1	100.0
Quango sector	35.2	56.9	7.8	100.0
For-profit sector	36.4	54.3	9.3	100.0
<b>Aged 45 or older</b>				
Non-profit sector	43.0	48.2	8.8	100.0
Quango sector	40.5	52.6	6.9	100.0
For-profit sector	38.2	52.8	9.0	100.0

Source: Based on data from the *WES* 1999.

However, employees in the non-profit sector were somewhat more likely than those in the quango or for-profit sectors to say that they were 'dissatisfied/very dissatisfied' with their pay and benefits (Table 18). Differences across sectors were most striking among employees in older age groups. Indeed, close to 40 percent of non-profit employees who were 45 years of age or older in 1999 were dissatisfied with their pay and benefits – almost twice as many as in the quango and for-profit sectors (at 23 and 20 percent respectively). Among non-profit employees, dissatisfaction was relatively high among those in professional occupations (32 percent), in technical/trades occupations (37 percent), and among full-time employees (34.4 percent).

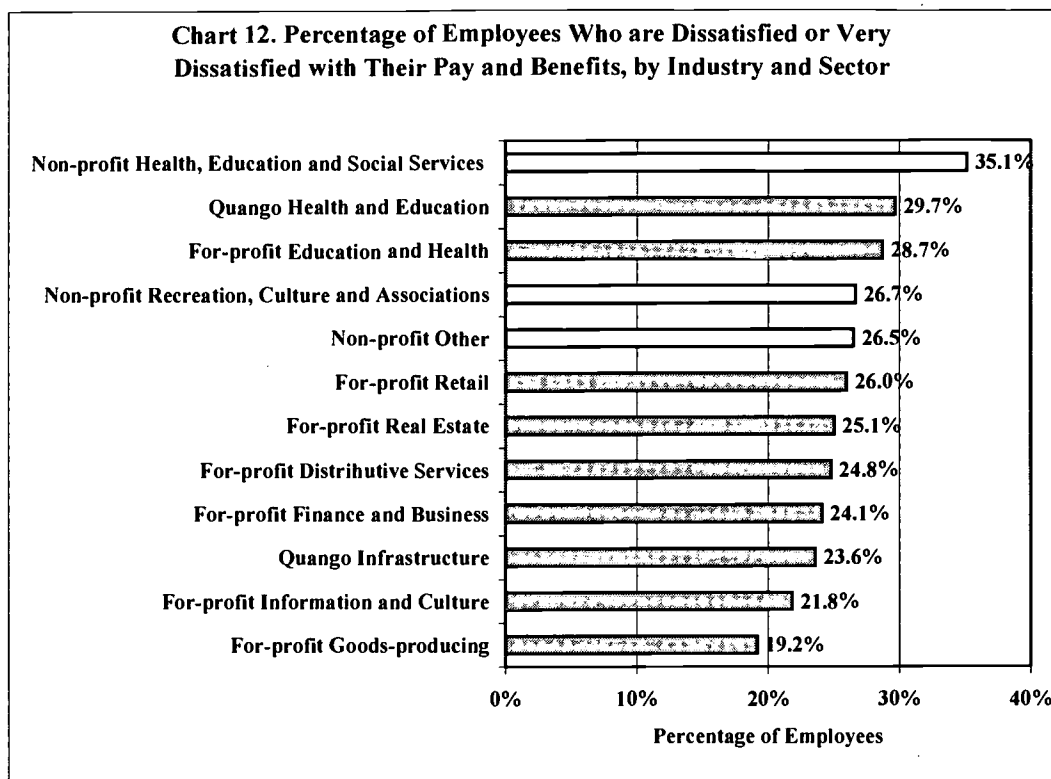
**Table 18. Percentage of Employees Who Are 'Very Dissatisfied' or 'Dissatisfied' With Their Pay and Benefits, by Sector and Selected Characteristics, 1999**

	Non-profit Sector	Quango Sector	For-profit Sector
	Percent		
<b>All Employees</b>	<b>31.7</b>	<b>27.0</b>	<b>24.5</b>
Men	25.3	23.9	21.6
Women	32.7	28.5	27.8
<b>By Age</b>			
Aged 15 to 34	23.7	25.5	27.6
Aged 35 to 44	26.9	29.5	24.1
Aged 45 or older	37.5	23.2	20.3
<b>By Occupation</b>			
Managers	--	--	18.0
Professionals	31.7	27.5	19.3
Technical /Trades	36.9	28.9	24.9
Marketing/Sales	17.1	25.7	26.6
Clerical/Administrative	--	--	27.9
Production workers	--	--	24.3
<b>Full-time/Part-time Status</b>			
Full-time	34.4	27.4	24.0
Part-time	23.6	25.0	26.9

'--' Estimates are not shown due to high sampling variability.

Source: Based on data from the *WES* 1999.

In 1999, over one-third of employees in non-profit health, education and social services were dissatisfied with the pay and benefits they received (Chart 12). Dissatisfaction with pay and benefits among employees in culture, recreation and associations and in 'other non-profit' was comparable to that in many other industries in the for-profit and quango sectors. These findings suggest that although many employers in health, education and social services offer benefit packages to their employees, they still have some distance to go in meeting employees' preferences with respect to pay and benefits.



Source: Based on data from the *WES*, 1999.

As we have noted, in the literature on non-profit employment, attention is often drawn to the intrinsic rewards that individuals derive from working in the sector. While wages may be relatively low, other factors such as the opportunity to make a contribution to the community or to help others, provide an incentive to work in the sector in spite of relatively poor wages and benefits. By juxtaposing overall levels of job satisfaction reported by individuals with the level of satisfaction they express regarding wages and benefits, we can gain a better sense of the extent to which individuals make a distinction between intrinsic and extrinsic rewards.

For this analysis, we grouped respondents into one of four mutually exclusive categories (see Table 19). The first category includes individuals who say that they are satisfied or very satisfied with both their job and with the pay and benefits they receive. These are 'happy' workers. The second category includes individuals who say they are very satisfied or satisfied with their job, but not with the pay and benefits they receive. In simplistic terms, one could argue that some aspects of their job – such as the ability to make a difference – results in overall job satisfaction in spite of their dissatisfaction with their pay and benefits. This is the classic argument for workers in the non-profit sector. The third category includes individuals who are very dissatisfied or dissatisfied with their job overall and with the pay and benefits they receive. These are 'unhappy' workers. The final category includes employees who are very dissatisfied or dissatisfied with their job despite the fact that they are satisfied with the wages and benefits they receive. This is something of a residual category with only a small share of employees.

In 1999, about two-thirds of employees reported that they were satisfied with both their job and their pay and benefits. This percentage is similar to that found in the quango sector and slightly less than that in the for-profit sector. However, the gap between the non-profit sector and the other two sectors is considerably larger in the case of workers aged 45 years or more. In the non-profit sector, only 63 percent of workers in this age group were satisfied with both their job and their pay and benefits, compared to three-quarters of those in the quango and for-profit sectors. Non-profit employees in this age group were more likely than other workers to report that they were satisfied with their job, but not with their pay and benefits. For these individuals, pay is an issue but it appears that other aspects of their jobs offer some offsetting rewards – a compensating differential to use the language of economists – that results in an overall degree of job satisfaction. While details on what accounts for this pattern are not available on the *WES*, the fact that a considerable share of non-profit employees falls into this category is consistent with theoretical views. Finally, slightly fewer than one in ten employees in the non-profit sector reported being dissatisfied with their pay and benefits and with their job overall.



**Table 19. Level of Satisfaction with the Job and with the Pay and Benefits Received, by Sector and Selected Characteristics, 1999**

	Non-profit Sector	Quango Sector	For-profit Sector
	Percentage of employees		
<b>All Employees</b>			
Satisfied with job and with pay <sup>1</sup>	65.1	69.8	71.9
Satisfied with job, but dissatisfied with pay <sup>2</sup>	22.8	22.1	17.7
Dissatisfied with job and with pay <sup>3</sup>	9.2	5.0	6.8
Dissatisfied with job, but satisfied with pay <sup>4</sup>	2.9	3.1	3.6
<b>Total</b>	100.0	100.0	100.0
<b>Female Employees</b>			
Satisfied with job and with pay <sup>1</sup>	64.7	69.8	69.0
Satisfied with job, but dissatisfied with pay <sup>2</sup>	23.9	24.3	20.7
Dissatisfied with job and with pay <sup>3</sup>	8.5	3.7	7.1
Dissatisfied with job, but satisfied with pay <sup>4</sup>	--	--	3.3
<b>Total</b>	100.0	100.0	100.0
<b>Employees Aged 45 Years or More</b>			
Satisfied with job and with pay <sup>1</sup>	63.2	76.2	76.2
Satisfied with job, but dissatisfied with pay <sup>2</sup>	29.0	20.6	15.0
Dissatisfied with job and with pay <sup>3</sup>	--	--	5.7
Dissatisfied with job, but satisfied with pay <sup>4</sup>	--	--	3.1
<b>Total</b>	100.0	100.0	100.0

<sup>1</sup> Includes respondents who reported that they were are satisfied/very satisfied with both their job and their pay and benefits.

<sup>2</sup> Includes respondents who reported that they were satisfied/very satisfied with their job, but dissatisfied/very dissatisfied with their pay and benefits.

<sup>3</sup> Includes respondents who reported that they were dissatisfied/very dissatisfied with both their job and their pay and benefits.

<sup>4</sup> Includes respondents who reported that they were dissatisfied/very dissatisfied with their job and satisfied/very satisfied with their pay and benefits.

‘—’ Estimates are not shown due to high sampling variability.

Source: Based on data from the *WES* 1999.

These findings raise the question of the cost such intrinsic rewards and dedication to a cause might exact in terms of earnings, benefits, job security and other aspects of job quality. If there is little or no difference in the extrinsic rewards (e.g. earnings or benefits) offered by non-profit and for-profit employment, the additional intrinsic rewards non-profit employees derive from their work (such as value orientation of the job) could be considered a windfall. However, if the costs that intrinsic rewards exact in terms of earnings or benefits become too high, non-profit employees may re-evaluate whether it is worthwhile remaining in the sector.

It may also be the case that such intrinsic rewards include the greater scope that work in the non-profit sector offers for flexible work arrangements, like part-time work and flexibility in schedules. But, individuals' needs for such flexibility vary throughout their working lives. A question for further research is whether some individuals, and women in particular, seek work in the non-profit sector especially during the years in which they have the heaviest family responsibilities – when their children are very young or when they have increasing eldercare responsibilities. This raises retention issues if individuals leave the sector once those responsibilities begin to lighten. The higher rate of dissatisfaction with pay and benefits among individuals aged 45 or more, despite being satisfied with the job overall, suggests that some individuals, at least, may be re-evaluating these trade-offs.

## 7. Conclusion and Implications

The primary objective of this paper has been to compare selected aspects of job quality across different sectors and industries of the economy. To date, very little information on job characteristics and working conditions in non-profit organizations has been available in Canada and we have lacked an 'overall picture' in which available pieces of evidence could be located. The analysis presented above is a step forward in constructing such a picture.

The comparative analysis allows us to draw a number of conclusions. First, the most appropriate location for quango (or quasi-public sector) organizations has been a central issue in discussions about how best to identify and classify the non-profit sector. In short, should quango organizations be counted as part of the non-profit sector? The evidence presented above underscores the large differences in job characteristics evident in quango and non-profit organizations, as reflected in working arrangements, earnings and benefits. Any analysis of job quality that did not differentiate between these two sectors would certainly be including 'apples and oranges' in the same analytical bin and consequently, would produce misleading results. However, differentiation of these two sectors would be less pressing if one were considering volunteer activities, given that Canadians donate significant amounts of time to schools and health care institutions. The lesson to be learned is that the most appropriate way to identify and classify 'non-profit organizations' depends to some extent on the questions being asked.

The difference in earnings and benefits between non-profits and quango organizations also has implications for recruitment and retention. Most employees in the non-profit sector are women employed in managerial, professional or technical occupations, and most have a post-secondary certificate, diploma or degree. The literature also suggests that many have project management and organizational skills, as well as a commitment to providing a 'public good.' Employers in the quango sector as well as the public sector (i.e. all levels of government) tend to employ individuals with many of these same characteristics. This means that in the years ahead, non-profit employers will likely be competing with quasi-public and public sector employers for the same pool of labour. However, the non-profit sector is in a poor competitive position given its relatively low wages. It is worth noting that both the quango and public sectors are facing a considerable demographic challenge. For example, "by 2005, about 90 percent of senior level executives in the federal public service will be eligible for retirement benefits and in the lower levels 70 percent of employees are nearing retirement" (Lowe, 2001). In the face of this challenge, employers will be undertaking intensive efforts to recruit new employees, which will intensify the competition faced by non-profit organizations.

More broadly, many observers point to the fact that the range of skills required by non-profit organization is becoming wider as the range of services expected of the sector increases and as changes take place in how the sector's activities are funded. Some of these skills include the ability to design, 'sell' and manage projects; to network and maintain inter-organizational relationships; to manage commercial ventures; to participate in gift-giving campaigns; and to manage volunteer staff. Such skills may be in

addition to technical or professional capacities that individuals have in a specific field, such as counselling, health care, research or performing arts. In short, non-profit organizations rely on highly qualified employees who are often called upon to be multi-skilled, adaptable and entrepreneurial. These are the hallmarks of employees in the so-called 'knowledge-based economy' for whom demand is expected to be considerable from all quarters.

Job quality is certainly important in terms of the jobs available to workers currently employed in the sector, as well as in terms of attracting new employees. Evidence from the *WES* suggests that the non-profit sector is unique in some respects. The sector is characterized by a relatively higher incidence of temporary employment compared to the for-profit and quango sectors. This is especially evident in non-profit health, education and social services and non-profit culture, recreation and associations. This is consistent with an interpretation that many non-profit organizations must rely in part on using non-standard forms of employment to cope with financial uncertainty and instability – organizations uncertain of their funding on a year-to-year basis are not in a position to offer employees long term, permanent contracts. For employees, temporary contracts are associated with job insecurity and lack of non-wage benefits. The higher rate of part-time employment also makes the sector somewhat unique. One interpretation is that, given the concentration of women in the sector, working time has been constructed in a flexible way with part-time jobs and variable start and stop times enabling employees to balance paid work with other activities.

Employees in the non-profit sector fare quite poorly in terms of earnings, as they are consistently over-represented at the bottom of occupational wage distributions and under-represented at the top. Likewise, the average hourly earnings tend to be low. Managers in non-profit organizations fare particularly poorly in this respect, as their average earnings are at least eight to ten dollars per hour lower than the earnings received by managers in other industries. When annualized over a full-year of employment, the implications for financial well-being are pronounced. Given these facts, it is not surprisingly that one-third of employees in non-profit health, education and social services and non-profit recreation and culture say they are dissatisfied with their wages and benefits – a larger proportion than in almost every other industry. Not only does this raise concerns regarding the quality of employment offered to today's worker, it has implications for attracting tomorrow's. For job seekers assessing whether or not non-profit organizations are 'employers of choice,' earnings are likely to be a serious drawback.

But, while the non-profit sector is unique in some respects, it is not in others. For example, while many managers and professionals employed in non-profit organizations work unpaid overtime hours, the same is true of managers and professionals employed elsewhere in the economy. Downsizing, restructuring and budgetary constraints have had impacts on employees across the private, quango and public sectors and evidence of long hours and heavy workloads are widely reported. One implication is that the relative quality of jobs in non-profit organizations, at least as measured on some dimensions, is no worse or even better than the quality of jobs available elsewhere. In this respect,

caution is warranted against viewing the 'grass as greener' in other sectors, when in fact organizations and employees across the labour force face many of the same challenges.

Researchers from various disciplines have drawn attention to the value-orientations of employees in non-profit organizations, and in particular, to the influence these values have on employment decisions. Yet, in spite of this emphasis, relatively little evidence has been brought forward to demonstrate that employees in non-profit and for-profit organizations are really different. Townsend (2000) has undertaken an exploratory study in this direction, comparing the outlooks of administrative workers in performing arts with those in for-profit organizations. While non-profit arts employees attach greater value to work that creates something of value to the community, they do not differ from for-profit employees in the value they attach to personal development, to money, or to work relative to other activities in their lives. As Townsend notes, "money is probably an equally valid motivator for arts workers" as it is for for-profit employees. More studies of this sort are needed to assess accurately whether there are systematic differences in the values of employees in different sectors and whether these influence employment decisions.

Furthermore, if employees in the non-profit sector do indeed have somewhat unique value orientations, further evidence on the trade-offs they are willing to make between intrinsic and extrinsic rewards is warranted. One might expect that satisfaction derived from socially valuable or 'morally palatable' work could start to wear thin if juxtaposed against low wages, poor benefits, and job insecurity over the longer term. More information is needed on employees' assessments of this trade-off and the implications for workplace morale, absenteeism, turnover and retention.

In addition to the implications of a tight labour market and more intense competition for highly skilled personnel, other trends are also likely to have an impact on job quality in the non-profit sector. For example, job quality will continue to be influenced by the strategies used by non-profit organizations to adapt to a rapidly changing environment. Some organizations have had little choice but to cut operating costs – relying on fewer paid employees, longer hours, temporary employment contracts and low wages. Whether this is sustainable over the longer term, and at what cost, remains to be seen. Some organizations have undertaken commercial activities to underwrite their non-profit activities, which again has implications. For example, Dart and Zimmerman (2000) document how a commercial sideline undertaken by a non-profit social service agency resulted in the introduction of a variable pay system, as staff counsellors were able to 'top up' their fairly meagre base salaries by earning professional fees. Other strategies and consequences are likely to emerge as organizations find new ways of operating.

Another, perhaps more nascent, trend is the move towards 'professionalization.' Academic programs in fundraising and non-profit management are offered in many colleges and universities in both Canada and the United States. Similarly, professional associations are becoming well established in some fields, such as fundraising. One consequence of these developments is that the core competencies of individuals in these fields are being codified in academic curricula, professional standards, codes of conduct,

and a move toward professional certification. Association membership and alumni standing also provide opportunities for individuals within an occupation to foster social and working relationships. All in all, the formal recognition of specific skills and expertise results in an identifiable occupational niche and in the development of professional identity, recognition and, in some cases, representation. In other cases where professionalization has occurred, improvements in earnings, benefits and working conditions have typically followed.

The non-profit sector faces a number of challenges. These include the need to continue to build knowledge about its size, composition and structure, and how it is affected by changes in its external environment. Perhaps more than is the case for any other sector, the non-profit sector is human-resource intensive. It is vital, then, that the sector develop solid knowledge and understanding of the nature of work and the characteristics of employees in the sector, and what its needs will be in the future, as well as the needs that workers bring to their jobs. This kind of information is essential for managing the challenges of retention and recruitment and for improving working conditions in the sector.

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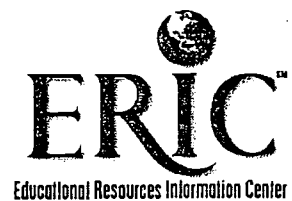
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