

# Labour inputs to non-profit organizations

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**N**on-profit institutions (NPIs) constitute a significant and growing segment of the Canadian economy. From 1997 to 2003, the gross domestic product of the non-profit sector grew at an annual rate of 6.4%, faster than the economy as a whole (Hamdad et al. 2006). In 2003, the sector accounted for 7% of GDP, and more than 160,000 non-profit and voluntary organizations provided employment for about two million persons (Hall et al. 2004). Close to 20% of non-government employees worked for NPIs in that year, according to the Workplace and Employee Survey.

But the importance of NPIs extends beyond their share of GDP or their contribution to job creation. Non-profit organizations assume a wide variety of forms and deliver goods and services in many areas of society. This article classifies NPIs into 12 groups: arts and culture; sports and recreation; education and research; health and hospitals; social services; environment; housing and development; law and advocacy; grant-making, fundraising and voluntarism promotion; international; religion; and professional associations.<sup>1</sup>

In the face of major challenges in the field of human resources management and planning, leaders of NPIs need to be well informed about the composition of their human resources. For example, an aging of the labour force and a slowdown in the pace of labour force growth are leading to increased competition for good workers among organizations—NPIs included. And this in an era when operational financing is becoming more difficult (Hall et al. 2003).

So far, analysts have tended to quantify human-resource inputs merely in terms of the numbers of volunteers, employees and contractors. Unfortunately,

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simply adding the numbers for these three classes is rarely useful. Even among employees, adding the number of full-time and part-time employees has very limited usefulness for analysis and planning. Moreover, some employees work in two or more establishments, and thus risk being double-counted. This problem seems to be even worse with volunteers.

Instead of counting workers, it is better to use a unit of measurement such as hours of work per week, collected for every type of labour. The National Survey of Non-profit and Voluntary Organizations (NSNVO) of 2003 has gone a long way toward providing hours-of-work information for multiple kinds of labour inputs to NPIs. However, its handling of hours of work varies among the sources of labour. As a result, assumptions are required to integrate its hours-of-work data. These assumptions emerged from the Labour Inputs to Non-Profit Organizations Project, which aims to develop a procedure for

## Key concepts

Both the volume and composition of the labour inputs to NPIs are important. 'Composition of labour inputs' means the percentages of different types of labour. Seven types have been identified for this study: full-time employees, part-time employees, full-time contractors, part-time contractors, board members, frequent (more than twice a year) volunteers, and infrequent (only once or twice a year) volunteers.

To compute this percentage distribution, a standard unit of measure—the full-time equivalent (FTE) is used. The FTE is based on an arbitrary but widely accepted convention: a full-time employee working for one week represents one FTE, which is often considered to represent 40 hours of work. (This number is assumed to be the usual average weekly hours for full-time employees.) No other class of worker has an FTE value greater than 1, and the other classes' typical FTEs (also called 'standard labour units') are expressed as fractions of 1. For example, a typical part-time employee usually working an average of 20 hours would have an FTE of 0.5. To prepare the estimates in this paper, typical FTEs were established for each of the seven kinds of labour. (For further details see Nouroz and Stone 2007, Appendix A.)

comprehensive estimation of the use of human resources by non-profit organizations (see Nouroz and Stone 2007 for technical details).

This article provides some of the project’s results concerning the composition of labour inputs to NPIs (see *Key concepts*). The project represents a key, even if small step toward filling a major information gap. According to a Conference Board vice-president: “The 21st century will belong to human resources and to organizational capabilities, leading management guru Dave Ulrich assured The Conference Board of Canada. And the Board agrees.” (Benimadhu 2006).

### Labour inputs in various organizations

For-profit and non-profit sectors are alike in one notable respect: Close to 40% of organizations are very small—over 60% of establishments have less than 10 employees (Table 1). However, more non-profit organizations have 50 or more employees (11% versus 5%).

Consequently, employees in the non-profit sector are more likely to work in large establishments. According to the Workplace and Employee Survey, 82% work in establishments of 50 or more employees, compared with only 46% in the for-profit sector. In the NSNVO, with a different universe and different questions, the corresponding percentage is 78%.<sup>2</sup> This reflects the pre-eminence of educational and health institutions in the total volume of paid labour supplied to NPIs. However, even when these institutions are excluded, NPI employees still tend to have a greater concentration in large establishments than do business organizations.

A distinctive feature of non-profit organizations is that they rely heavily on volunteers—the percentages of volunteers in government and business organizations are probably much smaller<sup>3</sup> (Chart A). Moreover, recruiting and retaining volunteers has become a major challenge and source of worry for a large proportion of NPI leaders. Most reported declines in the availability

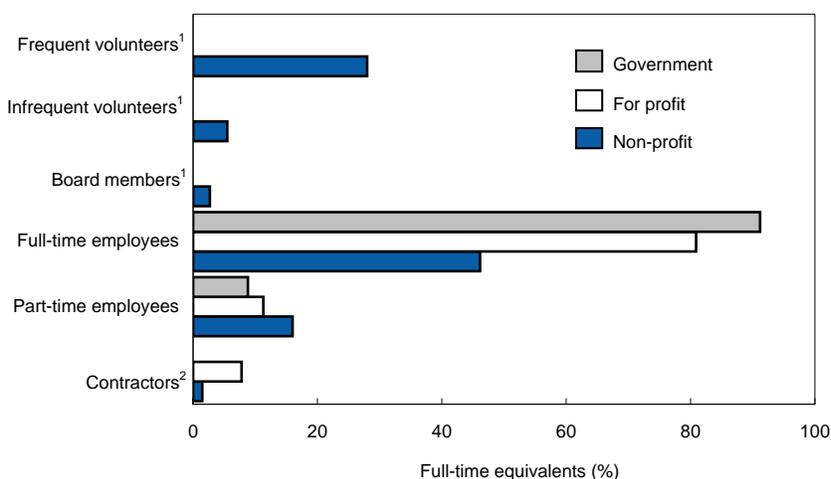
**Table 1 Employees and organizations by size-class of organization and sector**

	Total	Employees in organization				
		1-4	5-9	10-19	20-49	50 or more
	'000	%				
<b>Employees</b>						
For profit	9,704	7.3	11.9	14.6	20.0	46.2
Not for profit (NPI)	2,417	2.1	3.8	4.4	7.4	82.2
<b>Employers</b>						
For profit	667	43.2	26.7	16.0	9.6	4.5
Not for profit (NPI)	57	40.4	24.6	14.0	10.5	10.5

Source: Statistics Canada, Workplace and Employee Survey, 2003

of volunteers, and many were concerned about their over-dependence on a small core of volunteers (Hall 2003). And many of these volunteers work for more than one organization, helping to deliver programs, fundraising, campaigning or serving as board members.

**Chart A The non-profit sector relies heavily on frequent volunteers**



<sup>1</sup> Data for board members and volunteers in business and government are not available in the sources.

<sup>2</sup> Data for government contractors are not available in the source (Labour Force Survey). Sources: Statistics Canada, Labour Force Survey; National Survey of Non-profit and Voluntary Organizations; Workplace and Employee Survey, 2003

NPIs also seem to rely much more on part-time employees. Thus, among the three sectors, NPIs are least reliant on full-time employees. And, NPIs use contractors much less than business. The data source for government does not allow measurement of its reliance on contractors, but the percentage is also probably much less than 1%. The full-time equivalent (FTE) distribution of labour in NPIs is 36% volunteers and 64% employees and contractors (Table 2). In the business sector, volunteers are probably less than 1% of the workforce.

### Labour inputs to the non-profit sector

The use of different forms of labour input among NPIs is influenced by the type of organization (based on major field of activity and outputs), geographic location, and size and age of the organization, among other factors. Full-time employees are the most common labour input for the non-profit sector as a whole (46% of total FTEs), followed by frequent volunteers at 28% (Table 3). The FTE contribution from part-time employees amounts to 16%. The contributions of board members and infrequent volunteers are similar (around 5%), while contractors add just 1%.<sup>4</sup>

FTEs arising from frequent volunteers vastly outnumber those attributable to infrequent ones. Of the total volunteer FTEs, 77% are attributable to frequent volunteers. The shares for infrequent volunteers and board members are 15% and 8% respectively.

Of the total FTEs from employees and contractors, the contribution of full-time employees is of pre-eminent importance, as expected. Full-time employees contribute 72% of the FTEs arising from paid employees. Part-time employees make a much larger contribution than contractors.

### Labour input in quasi-governmental and core non-profit organizations

Within the non-profit sector, a major division exists between organizations that deliver health and educational services largely funded by taxes and borrowing, and organizations more heavily reliant on revenues from non-government sources. Sales are the largest revenue source for the latter group of NPIs (Nouroz and Stone 2007, Table 1). (The literature refers to these two classes as ‘quasi-governmental’ and ‘core’ NPI organizations.)

The labour profiles of core non-profit and quasi-governmental organizations are distinct (Chart B). Core non-profits rely much more on volunteers. Just less than half of their aggregate FTEs arise from volunteers. In contrast, quasi-governmental organizations derive around one-sixth of aggregate FTEs from volunteers and over 80% from employees. The greater reliance of core NPIs on volunteers also applies to FTEs contributed by board members—about 4% of total FTEs in core NPIs versus 1% in quasi-governmental NPIs.

Another aspect of the greater use of volunteers by core NPIs is their heavy reliance on frequent volunteers. Almost 40% of their total FTEs are attributable to frequent volunteers, more than twice that for quasi-governmental NPIs. In core NPIs, close to 10% of total FTEs arise from infrequent volunteers, compared with well below 5% among their quasi-governmental

**Table 2 Aggregate FTEs supplied to non-profit organizations**

	Organizations	Volunteers	Paid labour
			%
<b>Total</b>	<b>12,682</b>	<b>36</b>	<b>64</b>
<b>Quasi-governmental</b>	1,484	15	85
Education and research	779	26	74
Health and hospitals	705	10	90
<b>Core NPI</b>	11,198	48	52
Arts and culture	1,369	38	62
Environment	471	70	30
Grant-making, fundraising and voluntarism promotion	1,427	77	23
Housing and development	658	8	92
International	150	65	35
Law and advocacy	411	58	42
Professional associations	963	32	68
Religion	1,527	53	47
Social services	1,783	40	60
Sports and recreation	2,439	73	27

Source: Statistics Canada, National Survey of Non-profit and Voluntary Organizations, 2003

**Table 3 FTEs by type of labour input for non-profit organizations**

	Volunteers		Board members	Employees		Contractors	
	Frequent	Infrequent		Full-time	Part-time	Full-time	Part-time
<b>Total</b>	<b>28</b>	<b>5</b>	<b>3</b>	<b>46</b>	<b>16</b>	<b>1</b>	<b>0</b>
				%			
<b>Quasi-governmental</b>	13	2	1	59	25	1	0
Education and research	22	2	1	49	24	2	0
Health and hospitals	8	2	1	64	25	1	0
<b>Core NPI</b>	36	8	4	39	11	2	0
Arts and culture	25	8	5	39	13	9	1
Environment	50	17	4	25	3	1	0
Grant-making, fundraising and voluntarism promotion	53	18	6	17	5	1	0
Housing and development	4	1	2	87	4	1	0
International	53	8	4	29	3	2	0
Law and advocacy	42	10	7	32	7	2	0
Professional associations	25	4	3	39	28	1	0
Religion	41	6	6	37	9	1	0
Social services	29	9	2	44	15	2	0
Sports and recreation	61	8	4	18	8	1	0

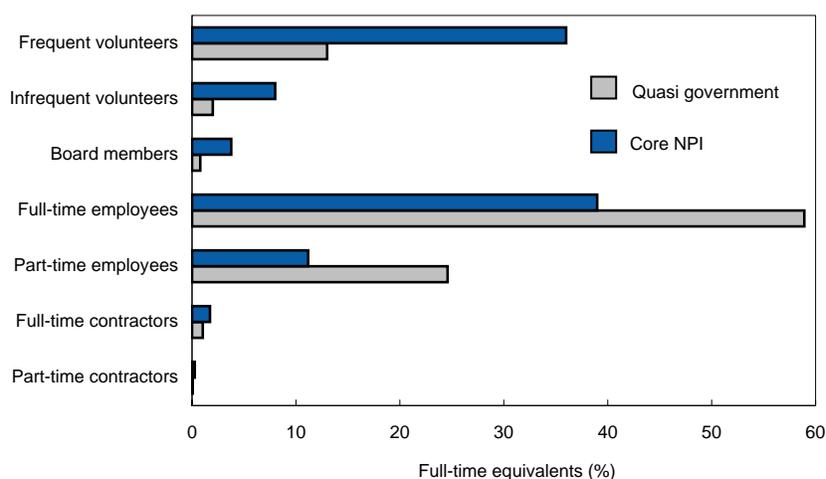
Source: Statistics Canada, National Survey of Non-profit and Voluntary Organizations, 2003; estimates developed by authors

counterparts. The ratio of infrequent to frequent volunteers is also greater for core NPIs.

The greater reliance of quasi-governmental NPIs on employees is true for both full-time and part-time employees—accounting for 59% and 25% of FTEs respectively. In contrast, among core NPIs, the corresponding shares are 39% and 11%. In both kinds of NPI organizations, full-time contractors contribute at most 2% of total FTEs.

### Variations within the two classes of NPIs

Among quasi-governmental health organizations and hospitals, the ratio of employees to volunteers is much higher than in education and

**Chart B Quasi-governmental non-profit organizations are much more reliant on paid employees**

Source: Statistics Canada, National Survey of Non-profit and Voluntary Organizations, 2003

research (Chart C). The ratio of full- to part-time employees is also higher. In consequence, education and research rely more on frequent volunteers.

The greatest reliance on frequent volunteers is found in the sports and recreation group. This is closely followed by international, fundraising and voluntarism promotion, environment, religion, and law and advocacy. Distinctly lower reliance is found in the remaining four groups of core NPIs.

The greatest reliance on infrequent volunteers is found in the fundraising and voluntarism promotion, and environment groups—over 15% of aggregate FTEs. The least reliance is found among housing, religion and professional associations.

Core NPIs can also be compared in terms of the degree of balance between the major sources of labour inputs. Social service has the closest to equal weight for infrequent volunteers, frequent volunteers, full-time employees, and part-time employees in its total FTEs. Next are professional associations, and arts and culture. Professional associations are also notable in having the greatest reliance on part-time employees.

The proportion of FTEs accounted for by board members varies widely among the NPIs. At the top of the ranking are religion; law and advocacy; arts and culture; and fundraising and voluntarism promotion. At the bottom are social services, housing and development, professional associations, environment, international, and sports and recreation.

## Summary

Non-profit organizations have a greater-than-average reliance on part-time employees, and especially on volunteers. They rely more on part-time employees than either government or business, and they use contractors much less than does business. However, full-time employees and frequent volunteers are the most common labour inputs for the non-profit sector as a whole—the heavy reliance on full-time employees arises largely from health and educational organizations (the quasi-governmental subsector).

The greatest reliance on frequent volunteers is in sports and recreation; international; fundraising and voluntarism promotion; and environment. At the other extreme, housing and development relies very little on volunteers of any kind.

Infrequent volunteers are much more likely to be found in core NPIs than in the quasi-governmental ones. The highest percentages for infrequent volunteers are in the fundraising and voluntarism promotion, and the environment groups.

The social services group had the closest approach to equal weight among infrequent volunteers, frequent volunteers, full-time employees and part-time employees. Professional associations and arts and culture followed, but were well behind.

Boards of directors can be expected to contribute very small shares of total FTEs to organizations, but the percentage varies widely among core NPIs. At the top are religion; law and advocacy; fundraising and voluntarism promotion; and arts and culture.

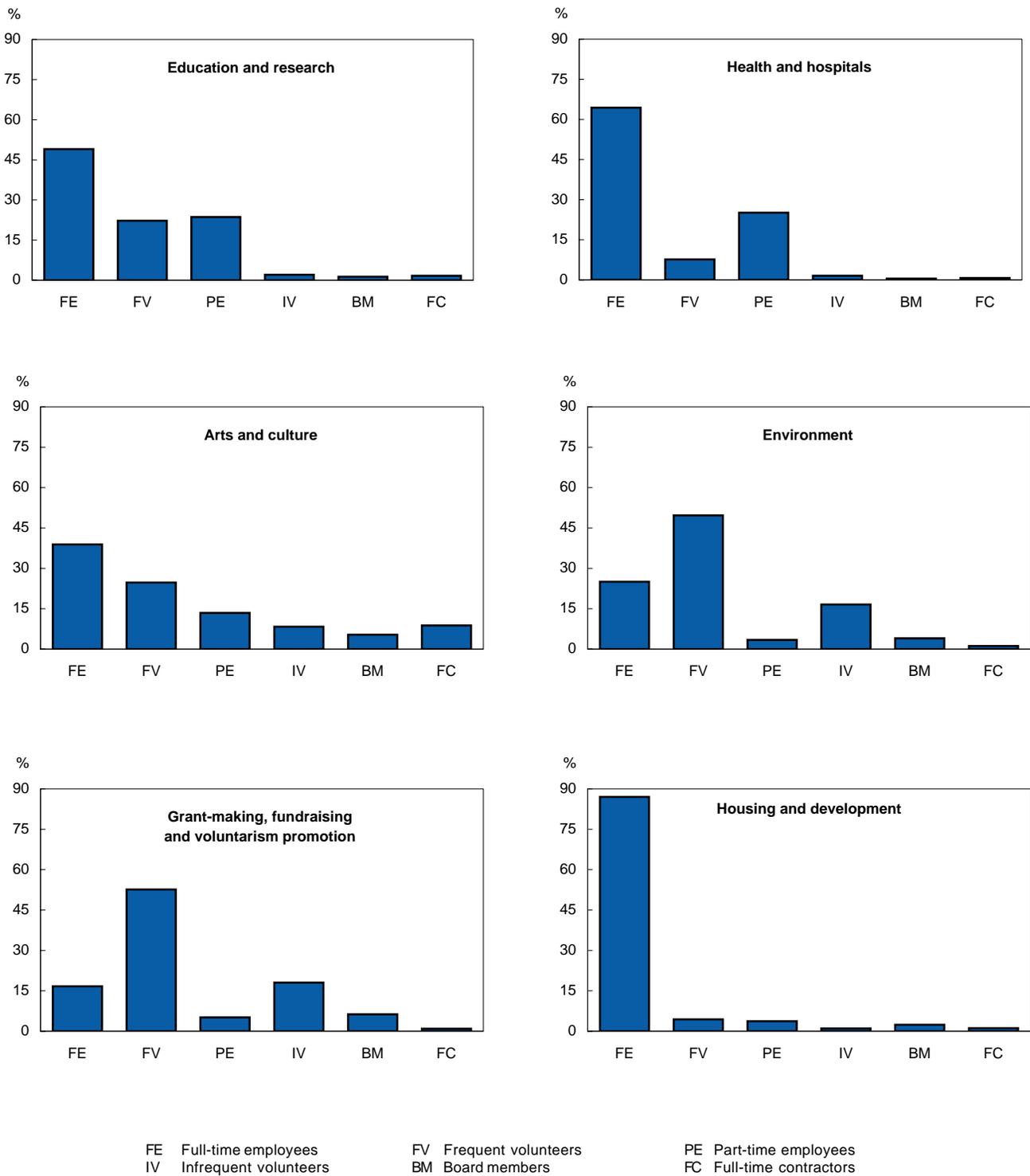
External changes, such as decreased funding for hiring paid staff, fewer volunteers in general, or shortages of certain kinds of volunteers are among the factors that have preoccupied NPI leaders (Hall et al. 2003; McMullen and Schellenberg 2003). An immediate concern in the presence of such changes is to monitor their consequences for the overall structure (or profile) of the labour supply to help pinpoint key vulnerabilities and review possible adjustments.

Its profile of labour inputs may be a key aspect of an organization's resilience and adaptability (McMullen and Brisbois 2003). While the size and stability of revenues are critical, the mix of human resources available to the organization (even after taking size and funding into account) is also important.

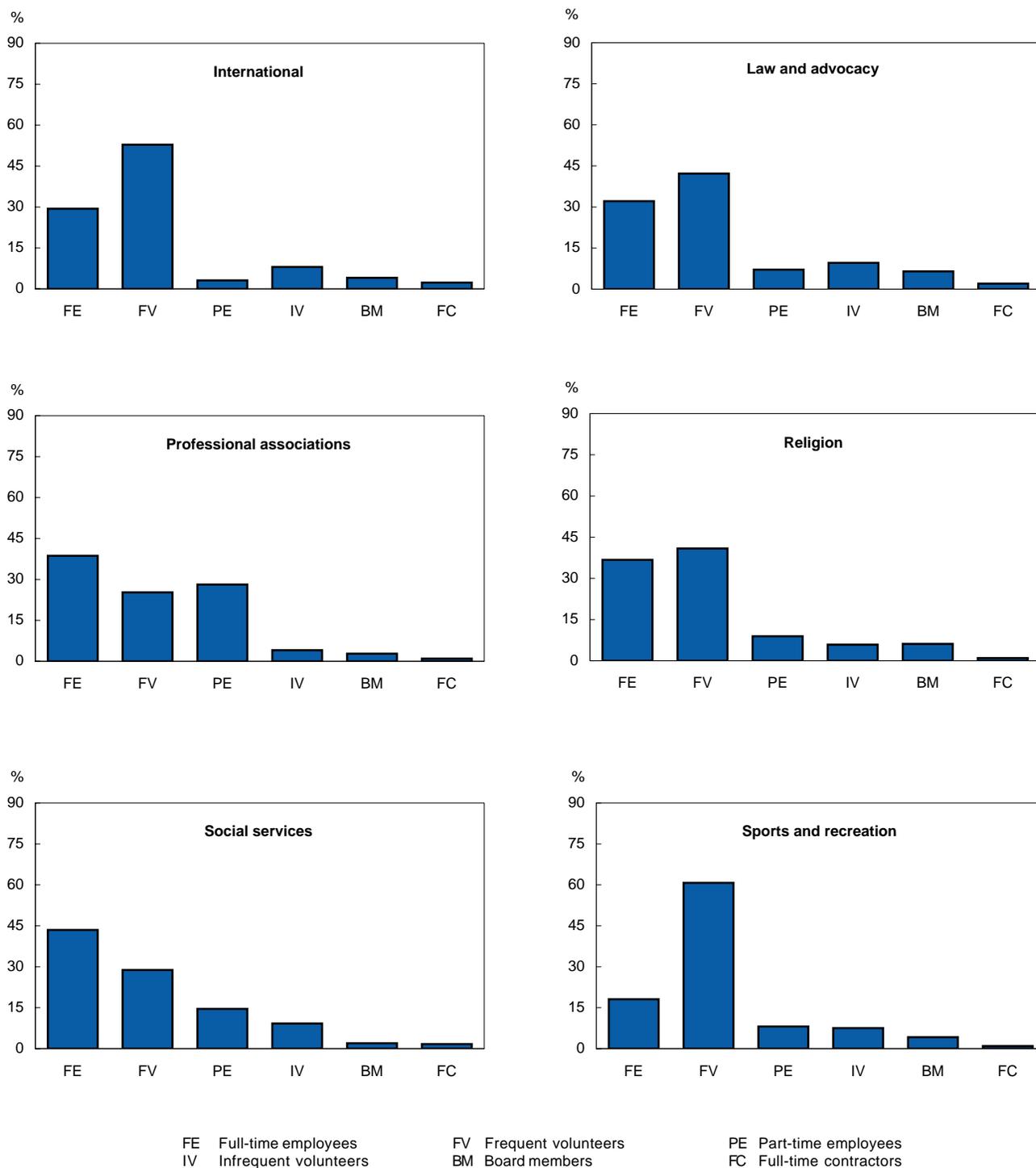
Despite the many advantages of largeness, size and adaptability may not be meaningfully correlated (very large size may inhibit adaptability). At more modest sizes, the exposure of paid staff or volunteers to a variety of other kinds of co-workers may be a powerful factor in promoting adaptability—thus the need to analyze the linkages between organizational adaptability and resilience and the composition of total human resources.

A large segment of the workforce wants part-time employment—and this may become more prevalent as baby boomers phasing into retirement seek to remain connected to the labour market to some degree. This development would provide an opportunity for NPIs to strengthen their performance through greater reliance on paid part-time employees

**Chart C The use of human resources (based on FTEs) varies considerably among non-profit organizations**



**Chart C The use of human resources (based on FTEs) varies considerably among non-profit organizations (concluded)**



Source: Statistics Canada, National Survey of Non-profit and Voluntary Organizations, 2003

with much labour-market experience, assuming the necessary financing is available. However, they will be competing with businesses that also seek to use part-timers more intensively. In getting ready to meet this competition, NPI leaders would do well to pay increased attention to analyzing the composition of their human-resource inputs.

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**Perspectives**

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■ **Notes**

- 1 This is based on the International Classification of Non-profit Organizations, as modified by Hall et al. 2004.
- 2 It is important to keep in mind that the reference here is to paid workers. A very different picture emerges when the volunteer workforce is taken into account.
- 3 The sources used for this paper provide no information about volunteers in businesses and government. The number of volunteers in these sectors may exceed 100,000 in one year; however the relative size of their labour input to government and to businesses would need to be measured in terms of a standard unit such as the FTE.
- 4 Frequent volunteers contribute their time more than twice a year; infrequent volunteers only once or twice a year. These volunteers have been termed 'systematic' and 'occasional' respectively by Brunnetti and Moreschi (2000). In the NSNVO, board members are separated from other kinds of volunteers, and this separation is maintained here.

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