

Nova Scotia Nonprofit Sector Pension Plan Feasibility Study: A Discussion Paper

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There will be others to be thanked as this process continues, for this is the beginning, not the end, of what is hoped will be a meaningful and productive discussion of pensions within, and for, the nonprofit sector in Nova Scotia

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Executive Summary

Background

La Fédération acadienne de la Nouvelle-Écosse (*FANE*), with support of the Voluntary Sector Capacity Trust, has undertaken a feasibility study of a pension plan for the nonprofit sector in Nova Scotia. This study has been initiated because of the convergence of three factors:

- More than 36,000 employees and 450,000 volunteers in 6,000 nonprofit/ voluntary sector organizations in Nova Scotia make a significant difference in the province and this needs to continue (*The Nonprofit and Voluntary sector in Atlantic Canada – 2006*)
- There is a chronic need to recruit and retain a strong nonprofit workforce in Nova Scotia and to provide the 60% of nonprofit employees with an affordable, reliable, and predictable pension plan (*The State of Health of the Non-Profit/Voluntary Sector in Nova Scotia – 2010*)
- The nonprofit workforce, like the rest of society, is aging and those without an adequate pension nonprofit employees risk falling into poverty (*Promises to Keep: Pension review Panel – 2009*).

Assumptions

- Public plans are inadequate to keep a person out of poverty.
- Individual RRSPs are inadequate and costly.
- Pension options exist that provide predictable pension incomes.
- Employees work in a variety of nonprofit organizations throughout their career.
- The capacity to contribute may vary considerably over time.
- Administrative costs need to be minimized.
- The plan should be easy for employees and employers to understand and operate.
- The long-term security and pension income of nonprofit sector employees is maximized.

Research: Four Pension Plan Models

Four existing pension plan models were examined:

- A Personal Pooled Pension Plan (Saskatchewan Pension Plan)
- A Simplified Money Purchase Pension Plan (Manitoba Day Care Worker Pension Plan)
- A Specified Multi-Employer Pension Plan (Quebec Member-Funded Pension Plan)
- A Defined Benefit Plan (by Regulation) (Nova Scotia Pension Agency)

Preliminary observations

- Defined contribution pension plans increase benefit risk to participants
- Low Management Expense Ratios increase potential pension benefits (up to 20% more benefit for each 100 basis points)
- Five years of start-up government support to cover or mitigate administrative costs is critical to moving toward plan self-sufficiency
- Lower risk is associated with defined benefit plans; medium risk with pooled pension plans; and higher risk with individual RRSPs and defined contribution plans
- Contribution matching by the employer or a third party may stimulate participation in a pension plan
- There are benefits associated with participating in or aligning with an existing pension plan or agency as start-up and management expense ratios can be minimized

Next Steps

For the future of the pension project, it will be important to determine the provincial government's role regarding the responsibilities of the Nova Scotia Pension Agency. The government is a key participant in establishing a pension plan that will adequately meet the needs of both the employees of the nonprofit sector and government.

Recommendation:

Under FANE's leadership and with funding from the Nova Scotia Department of Labour and Advanced Education, the second phase will be a consultation between the Not for profit sector and key government departments resulting in a specific pension plan recommendation for the not-for-profit sector of Nova Scotia.

Introduction

According to the HR Council for the Nonprofit sector, access to retirement or pension benefits for employees in the nonprofit sector is a major issue that needs to be addressed (HR Council for the Nonprofit Sector, nd). Only 17.5% of employers in the nonprofit sector provide an employer-sponsored pension plan and even fewer (10.4%) provide a group RRSP. This rate of pension provision is comparable to for-profit organizations with less than 20 employees (Dawkins, 2010). This situation exacerbates an already significant competitive salary disadvantage facing most nonprofit organizations (HR Council for the Nonprofit Sector, nd).

The issue is further complicated by the short term or part-time nature of employment for many in the sector (Stone & Nouroz, 2007), thus impacting the vesting of funds and a defined pension and by the few people employed in many organizations. At the same time funders rarely make allowances for pension or Group RRSP contributions. Both employers and employees, permanent or otherwise, are equally unaware of their pension options, obligations, or opportunities. The challenge facing the nonprofit sector is to generate a shared responsibility for people who have spent their lives doing so much for so many.

Purpose

This pension plan project is intended to reach out and provide a viable and sustainable option to the more than 60% of full and part-time nonprofit sector employees in Nova Scotia that do not have access to a pension plan or employer contribution to a RRSP (Pinfold, 2010). Specifically, the purpose of this study is to examine and profile four specific pension models and associated case studies for consideration by the nonprofit sector in Nova Scotia.

Assumptions

In examining the potential of each model the following assumptions have been made:

- Employees work in a variety of nonprofit organizations throughout their career.
- The capacity to contribute may vary considerably over time.
- The plan needs to minimize administrative costs.
- The plan is easy for employees and employers to understand and operate.
- The long-term security and pension income of nonprofit sector employees is maximized.

**Registered pension plans (RPPs) and members, by jurisdiction of plan registration, sector and type of plan
(Nova Scotia)**

	2006	2007	2008	2009	2010
	number				
N.S.					
Total					
Number of plans	495	503	498	497	496
Members	102,490	104,905	105,524	106,559	107,478
Males	52,976	53,473	53,111	53,418	54,866
Females	49,514	51,432	52,413	53,141	52,612
Public sector					
Number of plans	95	92	91	91	91
Members	37,912	39,975	40,904	42,926	44,854
Males	11,588	12,444	12,727	13,143	13,500
Females	26,324	27,531	28,177	29,783	31,354
Private sector					
Number of plans	400	411	407	406	405
Members	64,578	64,930	64,620	63,633	62,624
Males	41,388	41,029	40,384	40,275	41,366
Females	23,190	23,901	24,236	23,358	21,258
Defined benefit					
Number of plans	164	167	160	160	155
Members	56,176	55,486	53,732	55,209	59,148
Males	28,377	26,913	25,331	25,518	28,067
Females	27,799	28,573	28,401	29,691	31,081
Defined contribution					
Number of plans	326	331	328	327	332
Members	45,335	48,603	49,848	49,475	46,631
Males	24,123	26,158	26,800	26,963	25,967
Females	21,212	22,445	23,048	22,512	20,664
Notes:					
- The reference date for the number of Registered Pension Plans and their terms and conditions is January 1. However, the data on plan members are as of the plan's year-end (normally December 31st) in the previous calendar year.					
- Jurisdiction of plan registration refers to registered pension plans that are under provincial or federal legislation.					
Source: Statistics Canada, CANSIM, table 280-0009 .					
Last modified: 2011-05-09.					

In the nonprofit sector, only 34.9% of organizations offer a pension plan. This is skewed toward large organizations (100 + employees) yet more than 70% of nonprofit organizations in Nova Scotia employ 10 or fewer employees, and almost 60% employ 5 or fewer employees. Nationally, 30% of small nonprofits offer a pension plan; 34.5% of medium sized organizations (11- 99 employees); and 65% of large nonprofit organizations (100+) offer a pension plan.

The nonprofit sector in Nova Scotia is comprised of approximately 6,000 organizations, employing more than 83,000 people¹ across a wide range of activities, but dominated by religion, sports and recreation and social services (Rowe, 2006).

Why a pension plan?

While the nonprofit sector, like our society in general, is getting older, our life expectancy is also growing. This increased life expectancy means that we need pension income for an average of 20 – 25 years, even as prices continue to rise (Régime de retraite des groupes communautaires et de femmes, 2009).

The public pension plan is inadequate to provide replacement income at the recommended level – 75% of pre-retirement income. As with recent changes to Old Age Security, more constraints on public pension may appear in the future (Wolfson, 2011).

Advantages to Employers

Contributing to a pension plan is a recruitment tool and a competitive advantage, particularly when most equivalent private businesses do not offer pension plans.

A pension plan is consistent with the value placed by nonprofits in providing quality services and opportunities to those in need.

A pension plan provides an incentive for employee retention, security and partnership.

Advantages to employees

A pension plan is an investment in your own future, with added benefits associated with lower administrative costs and skilled, knowledgeable and accountable investment decisions.

A pension plan reduces your taxable income and ensures that when you retire you will have an adequate income.

The purchase of RRSPs is very expensive and returns are uncertain. A pension plan would spread risk across all participating employees in the nonprofit sector and increase your return on investment.

¹ Excluding those employed by hospitals, universities and colleges. This number is about 23,000.

Advantages to government

A pension plan is an investment in the long-term security of the nonprofit sector and their capacity to provide much needed and valued community services.

A pension plan is an investment in maximizing the retention of skilled and experienced employees in climate where shipbuilding demands could drain workers from the nonprofit sector. Employer pension contributions are a service contract expense.

A pension plan is an investment in ensuring that today's nonprofit support workers don't become tomorrow's nonprofit support recipients.

Fast Facts

- Public pensions such as the Canada Pension Plan, provide guaranteed benefits, indexed to the cost of living
- Public pensions are not enough – an additional pension plan is needed
- RRSPs can be three times as expensive to purchase than a pension plan
- Size matters – the more people who participate in a pension plan, the better
- A 1% decrease in administrative fees can increase pension benefits by 20%
- Most pension plans include an equal employer and an employee contribution
- Provincial governments have played a supporting role in the development of many nonprofit pension plans
- A defined contribution plan puts the risk of pension benefits on the employee
- Defined benefit plans are more expensive but provide more security
- Specified Multi-Employer Pension Plans can mitigate risk and increase benefits
- Governments are key partners in the development of pension plans

The Numbers ²

- There are 5,829+ nonprofit organizations in Nova Scotia
- 65% (3,788+) nonprofit organizations in Nova Scotia are registered charities
- 55% of nonprofit organizations in Nova Scotia serve the general public
- There are 36,098+ employees and 442,533 volunteers in the Nova Scotia Nonprofit sector
- Hospitals, universities and colleges in Nova Scotia account for 22% of all sector employees
- 34% of nonprofit organizations in Nova Scotia have difficulty recruiting staff
- 16% of nonprofit organizations in Nova Scotia report difficulty in retaining staff
- 60% of nonprofit workers in Nova Scotia earn less than \$40,000
- 23.4% of nonprofit employees in Nova Scotia report having a pension plan
- 76.6% or 27,650+ nonprofit employees in Nova Scotia do not have a pension plan

² These are approximate numbers, based on data collected in 2003 and published in 2006 (Rowe, 2006) and Pinfold, G. (2010). *The State of Health of the Non-Profit/ Voluntary Sector in Nova Scotia*. Halifax: Federation of Community Organizations/ Phoenix Youth Programs (see Appendix C).

Methodology

Evidence was gathered to generate this report and provide a basis on which the four pension plan options could be compared. A project advisory committee provided valuable and on-going input and feedback. Field consultations augmented this process and provided insights into the questions and issues such a pension plan would need to address if it was to be embraced by the nonprofit sector in Nova Scotia.

The initial process in this investigation was the identification of viable existing pension options that would also act as pension plan models and form the basis of a “make or buy” decision.

At a national level, the recently announced Pooled Registered Pension Plans (PRPPs), announced by the Federal government in December, 2010, was reviewed and found to lack enough operational clarity at this time to be included. Yet the Canada Pension Plan and Old Age Security have both been factored into the analysis of viable pension plans, under the assumption that nonprofit workers, while underpaid for their level of expertise, still contribute to, and benefit from, these plans (Pinfold, 2010).

Pension plans were identified across a number of provinces that were either developed for or by the nonprofit sector or were accessible to these groups. Commercial pension plans were not accessed unless they formed part of a broader investment or portfolio management plan by a pension administrator. In addition, pension plans particular to Nova Scotia were identified as was an investigation into the existence of any plans to develop a non-profit pension plan in other parts of Atlantic Canada. No other non-profit sector pension plan was identified in Atlantic Canada, although there was considerable interest in knowing more about this project and future collaborations are certainly possible.

Documentation on the pension plans included existing annual reports, feasibility studies, financial statements, press releases, and verification interviews with pension managers and researchers. Ten variables were proposed to assess each plan and to provide the basis for a comparative analysis. Recommendations are based on this assessment, in addition to stakeholder feedback and key informant interviews.

Pension models/ case studies

The following four models/ case studies will be explored: An independent, flexible, defined contribution plan; a decentralized, cost-shared, defined contribution pension plan; a cost-shared defined benefit pension plan with indexed contributions; and an administratively sponsored cost-shared and defined benefit plan. In addition, evidence was gathered to assess the nature of the key issues being debated with the pension arena, including: Does size matter? What is a pension? and Who pays?

Case 1: Saskatchewan Pension Plan

The Saskatchewan pension plan, established in 1986, is an example of a pension plan that is simple to administer and make contributions to. Anyone in Canada may contribute to the plan up to a maximum of \$2,500 per year. Employers and/or employees may contribute and the plan is independent of workplace. Administrative costs are 1% and a return of more than 8% has been realized since its inception (Hurst, 2010; Lizée, 2010; Saskatchewan Pension Plan, 2012a, 2012b, 2012c, 2012e).

Case 2: Manitoba Child Care Worker Pension Plan

The Manitoba Child Care Worker Pension Plan was established in 2010 as a deliberate workforce stabilization strategy to strengthen retention and ensure child care is a career with a future ("The Community Child Care Standards Act," 2011; Kusch, 2010; Minister Gord Macintosh, 2010). At this time the provincial government reimburses employer and employee contributions up to a total of 50% of contributions and will contribute an additional 50% of the employee contribution until 2013. Each day care centre is responsible for negotiating plans with a qualified provider and plans are not transferable although they are portable.

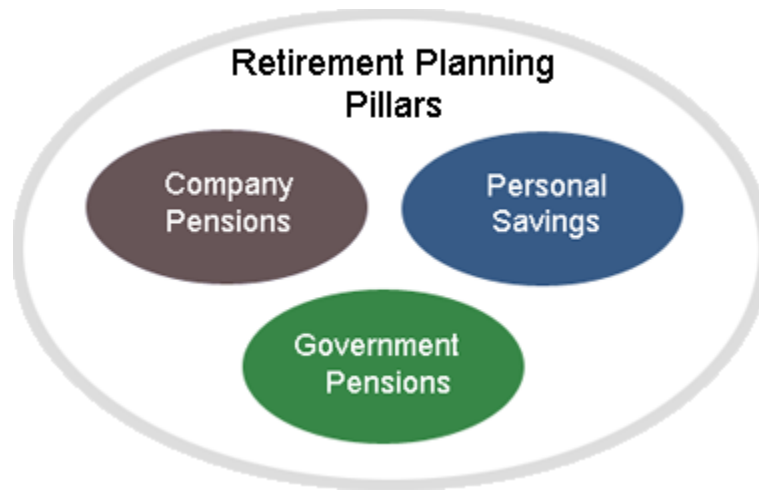
Case 3: Community and Women's Groups' member Funded Pension Plan (MFPP)

This pension plan, sponsored by the Régime de retraite des groupes communautaires et de femmes, has been in operation since October 1, 2008. As of September 2011 there are 2,514 plan members, 341 participating groups and assets of almost 8 million\$ (Lizée, 2011b). This is a defined benefit plan and the employer is required to contribute at least 50% of the total regular contribution. The defined benefit is \$10 annual pension for each \$100 contribution. The plan is 46% less expensive to administer than a defined contribution plan and has a flexible contribution rate (Régime de retraite des groupes communautaires et de femmes, 2010, 2011a, 2011b, 2011d).

Case 4: Nova Scotia Pension Agency Partner

This case is an examination of the feasibility of operating a nonprofit sector pension plan under the umbrella of the Nova Scotia Pension Agency (Nova Scotia Pension Agency, 2008). The Agency was established in 2006 and manages defined benefit plans for Nova Scotia teachers, public servants, members of the legislature and the Sydney Steel Corporation. As such it opens the possibility for a partnership with government and the agency to create a viable and long-term pension program for nonprofit workers in Nova Scotia.

PART 1: Retirement Planning Pillars



There are three basic retirement pillars – a company pension plan; personal savings and government pensions. Putting personal saving aside, this report will focus on the expected pension available through the Canada Pension Plan (CPP) and Old Age Security (OAS). With these two pension sources as a foundation, a basis for what a company pension plan would need to provide will be established.

Guaranteed Income Supplement, Old age Security, and the Canada Pension Plan

The Guaranteed Income Supplement, Old age Security, and the Canada Pension Plan each provide indexed benefits to eligible Canadians and must be taken into consideration when designing a supplementary private pension plan.

Guaranteed Income Supplement

The Guaranteed Income Supplement (GIS) is a tax-free benefit for low-income Canadians age 65 and over who receive the [Old Age Security pension](#), living in Canada. To be eligible for the GIS benefit, you must be receiving the Old Age Security pension and meet the income requirements explained below (Service Canada, 2012b).

To qualify for the GIS, you must be eligible for the Old Age Security pension. Eligibility also depends on whether the combined income of you and your spouse or common-law partner, if you have one, exceeds a specific amount. For the purpose of qualifying for the GIS, Old Age Security pension is not counted, but Canada Pension Plan payments other sources of income are included.

On July 1, 2008, an amendment to the *Old Age Security Act* came into effect increasing the GIS earnings exemption to \$3 500 from \$500. A single pensioner, for example, earning \$3 500 or more, will now be able to keep up to an additional \$1 500 in annual GIS benefits.

See Chart 1 for current 2012 benefit rates and maximum income levels.

Old Age Security

The [Old Age Security pension](#) is a monthly benefit available, if applied for, to most Canadians 65 years of age or over. Old Age Security legal status and residence requirements must also be met. An applicant's employment history is not a factor in determining eligibility, nor does the applicant need to be retired. Old Age Security pensioners pay federal and provincial income tax. Higher income pensioners also repay part or all of their benefit through the tax system (Service Canada, 2012c).

Eligibility conditions: To qualify for an Old Age Security pension, a person must be 65 years of age or over, and

1. must be a Canadian citizen or a legal resident of Canada on the day preceding the application's approval; or
2. if no longer living in Canada, must have been a Canadian citizen or a legal resident of Canada on the day preceding the day he or she stopped living in Canada.

A minimum of 10 years of residence in Canada after reaching age 18 is required to receive a pension in Canada. A minimum of 20 years of residence in Canada after reaching age 18 is required to receive a pension outside of Canada. *The residence requirement may be met under the terms of a Social Security Agreement.

Amount of OAS benefits:

The Old Age Security pension is like a large "pie" that is divided into 40 equal portions. If you qualify for the "full pension," you are entitled to receive all 40 portions of the pie each month. If you qualify for a "partial pension", you will receive some, but not all, of the 40 portions each month. Whether you qualify for a full or partial pension will depend on how long you've lived in Canada after the age of 18.

The amount of a person's pension is determined by how long he or she has lived in Canada, according to the following rules:

1. A person who has lived in Canada, after reaching age 18, for periods that total at least 40 years, may qualify for a full Old Age Security pension;

2. A person who has not lived in Canada for 40 years after age 18 may still qualify for a full pension if, on July 1, 1977, he or she was 25 years of age or over, and lived in Canada on July 1, 1977; or had lived in Canada before July 1, 1977, after reaching age 18; or possessed a valid immigration visa on July 1, 1977 .

A person who is not entitled to a full OAS pension (because he or she has more than 10 years but less than 40 years of residency), may compensate a lower OAS benefits and little other income by a higher GIS benefit.

This amounts to a maximum of \$6,481.44 per year as of April - June, 2012. This amount is adjusted quarterly according to the consumer price index (see Tablet 1). The money received under the OAS is taxable. In Table 1 below, for OAS, there is a clawback that begins at a net income of \$69,562. 15% of income above that amount must be reimbursed. With a net income equal or in excess of \$112, 722 no OAS benefit is payable.

Table 1

Old Age Security Benefit Payment Amounts April – June 2012

Type of benefit	Average amount (January 2012)	Maximum amount ¹	Income level cut-off ^{2a}	Income level cut-off for top-ups ^{2b}
Old Age Security pension ³	\$510.21	\$540.12	Not applicable	Not applicable
Guaranteed Income Supplement (GIS)				
Single	\$492.26	\$732.36	\$16,368	\$4,448
Spouse/common law partner of someone who:				
does not receive an OAS pension	\$468.55	\$732.36	\$39,264	\$8,896
receives an OAS pension	\$309.28	\$485.61	\$21,648	\$7,456
is an Allowance recipient	\$399.49	\$485.61	\$39,264 ⁴	\$7,456
Allowance	\$414.08	\$1,025.73	\$30,336	\$7,456
Allowance for the Survivor	\$645.14	\$1,148.35	\$22,080	\$4,448

[2a, 2b](#) The income level cut-offs do not include the OAS pension or the first \$3,500 of employment income.

Canada Pension Plan

The Canada Pension Plan is a contributory, earnings-related social insurance program. It ensures a measure of protection to a contributor and his or her family against the loss of income due to retirement, disability and death (Service Canada, 2012a).

There are three kinds of Canada Pension Plan benefits:

- **disability benefits** (which include benefits for disabled contributors and benefits for their dependent children);
- **retirement pension**; and
- **survivor benefits** (which include the death benefit, the survivor's pension and the children's benefit).

The Canada Pension Plan operates throughout Canada, although the province of Quebec has its own similar program, the Quebec Pension Plan. The Canada Pension Plan and the Quebec Pension Plan work together to ensure that all contributors are protected and benefits are comparable. For the purpose of this report, the retirement pension will be featured.

There is a mandatory employer/ employee contribution to the CPP up to a stipulated ceiling. Like the OAS, the CPP is an indexed pension. Recent changes provide incentives for people to wait until 65 (60 for women) or longer to start to receive their CPP and penalties for those who choose to receive it before 65 (60 for women).

The amount received will depend on the contributions, with allowances permitted for periods allocated to child rearing. Table 2 (Service Canada, 2012a) provides a overview of current monthly payments.

Table 2

Canada Pension Plan Payment Amounts

Type of benefit	Average benefit (January 2012)	Maximum amount (2012)
Retirement (at age 65) ¹	\$527.96	\$986.67
Disability	\$843.27	\$1,185.50
Survivor – younger than 65	\$378.91	\$543.82
Survivor – 65 and older	\$309.11	\$592.00
Children of disabled contributors	\$224.62	\$224.62
Children of deceased contributors	\$224.62	\$224.62
Death (maximum one-time payment)	\$2,279.96	\$2,500.00
Combined benefits		
Survivor/retirement (retirement at 65)	\$723.29	\$986.67
Survivor/disability	\$974.48	\$1,185.50

1. Starting in January 2012, if you are 60 to 65 years old, working outside of Quebec and receiving a retirement pension from the CPP or the QPP, you must make CPP contributions toward the Post-Retirement Benefit. If you are

at least 65 years old but under 70, you may elect not to make such contributions. The Post-Retirement Benefit will be paid to you automatically starting in 2013, if you are eligible

In Table 3, Michel Lizée of UQAM and architect of the regime de retraite des groups communautaires et de femmes in Quebec, provides a summary of the cumulative contribution of public pensions and the extent to which they are inadequate to replace the desired level of 75% of pre-retirement income (Lizée, 2011b). It is this difference between what public pensions provide and 75% of pre-retirement income that a supplementary private pension plan would need to address.

Kevin Milligan and Tammy Schirle in their 2008 analysis of Canada's public pensions conclude that there is a disincentive for GIS recipients to continue working past 65 when addition work time would increase their retirement income (Milligan & Schirle, 2007). This disincentive, for those eligible, amounts to a loss of 50 cents for each dollar of family income for single people and 25 cents for married couples. While the OAS is not affected by additional income, increase earnings will increase CPP payments and in turn decrease GIA payments upon retirement.

In fact, the marginal rate, taking into account the GIS reduction and the impact of the Quebec and federal tax system, is somewhere between 66% (for a person earning \$18,000) and 84% (for somebody earning \$21,000). It is only when the GIS is down to zero, at an income of \$23,000, that the marginal rate goes down to 30%.³

Table 3 Income replacement rate of public pensions

	If the person, during their working life, has an income equal to:			
	0% of average industrial wage	50% of average industrial wage	75% of average industrial wage	100% of average industrial wage
	\$0	\$22,450	\$33,675	\$49,000
OAS	\$6,028	6,028\$	6,028\$	6,028\$
CPP	0\$	5,307\$	7,961\$	10,615\$
GIA	7,608\$	4,955\$	3,628\$	2,301\$
Total	13,636\$	16,290\$	17,617\$	18,943\$
Income Replacement rate	N/A	73%	52%	42%

Source: Lizée, M. (2011). *A Presentation on the Community and Women's Groups' Member Funded Pension Plan (MFPP)*.

³ Michel Lizée – personal correspondence (April, 2012)

This analysis is consistent with the findings of the Nova Scotia Pension Review Panel. In the Panel's analysis 41% of Nova Scotians make less than \$29,000 (2008 figures) and the GIS, COO, OAS and spousal allowance replaces approximately 72% of this amount (More, 2010, p.5). It is for people making between \$29,000 and \$72,800 that the pension system is frequently inadequate.

Michel Lizée has estimated in his calculations that a total (employer and employee) contribution of 8 to 12% over 25 years will offer a desired pension level, that is, a 75% income replacement rate (Lizée, 2011b). For those not in a position to benefit from this contribution context, a Tax Free Savings Account (TFSA) has been recommended. Plans also frequently provide an opportunity to make additional contributions and transfer funds from other retirement plans.⁴

⁴ A helpful pre-retirement calculation guide is available from: <https://www.retirementadvisor.ca>

Scenario One

Mary has an income of \$33,675. According to Table 3 she has a potential retirement income of \$17,617, or 52% of her working income. To raise this to 75% or \$25,256, she would need to generate an additional \$7,639 in retirement income. Michel Lizée recommends that a contribution of between 8 to 12% is required. This translates into a contribution of between \$2,694 and \$4,041 per year. Based on a 50:50 employer-employee contribution ratio, each would contribute between \$1,347 and \$2,020 per year.

Basic types of company pension plans

A **Defined Benefit pension plan (DB Plan)** offers an employee the security of knowing what to expect at retirement. A monthly retirement income is specified up front (based on a formula set out in the plan). It is up to the employer to contribute enough to the plan to ensure that sufficient funds are available in the future. How much an employer must contribute will vary based on the changing market value of their investments. Thus, the investment risk is on the employer. The funds for all pension plan members are pooled into one investment plan and controlled by a plan administrator. The income that a retiree will receive is based on the set formula, usually dependant on years of service and income, for example, the average of their last five years' earnings (Woodget, 2009, p. 1).

Risks associated with a defined benefit plan for the plan sponsor (Brown & Meredith, 2012. p. 6):

- Investment risk (if assets underperform)
- Pension cost volatility risk (if plan deficits must be absorbed in a short period of time)
- Inflation risk (if the benefits in the payout period are indexed)
- Interest rate risk (if the payout is annuitized)
- Longevity risk (if the payout is not annuitized)
- Limited portability

In contrast, in a **Defined Contribution pension plan (DC Plan)**, an employer specifies how much will be contributed to the plan on a regular basis. Investment of the funds is generally directed by the employees from a selection of investment options available within the plan. This is similar to managing a personal RRSP. The amount a retiree will receive will vary based on the amount contributed and the performance of the invested funds over time. The DC Plan offers more flexibility for an employee than a DB Plan but puts all the investment risk on the employee (Woodget, 2009. p. 1).

Risks associated with a defined benefit plan for the employee:

- Investment risk (if assets underperform)
- Retirement income unknown
- fund management fees (DB plans have an incentive to minimize management fees)
- management of investment risk/ return mix

“Hybrid” or “mixed” pension plans are a relatively minor portion of the overall pension membership, but are gaining attention as alternatives to DB and DC plans. The Member Funded Pension Plan (MFPP) launched in Quebec is a variation on the DB plan. As a member funded plan, employers do not assume the risk associated with the plan, but are required to contribute at least 50% of the cost of premiums, which have been indexed to accommodate any potential shortfall in benefit payments. A Pooled Target-Benefit Pension Plan (PTBPP), not unlike multiemployer pension plans (MEPPs) has been proposed by the Institute for Research in Public Policy. In this case employer and employee contributions are fixed, a minimum investment pool is stipulated, and defined benefits are provided within an intended range (but not guaranteed). Another example is a Specified Multi-Employer Pension Plan (SMEPP) and while typically for unionized workers, a SMEPP can limit employer risk while both the PTBPP and the SMEPP call for joint trusteeship (Pink, Crawford, & Black, 2009).

Pension Issues

There are a variety of issues surrounding pension and they seem to grow by the day. However, these have been distilled down to three that are worth noting.

Is Bigger, Better or is Small Beautiful?

There is considerable debate in this regard, particularly the debate as to whether major pension plans such as the Ontario Teachers' Pension Plan (OTPP) should take over smaller funds. Yet a December 2011 posting to the OTPP says “The Ontario Teachers' Pension Plan is projecting future funding shortfalls because the cost of future pensions continues to grow faster than plan assets. Increased life expectancy, longer retirements and low interest rates are pushing up future pension costs faster than the expected growth in plan assets” (Ontario Teachers' Pension Plan, 2011).

A recent study by Dyck and Pomorski at the Rotman School of Business at the University of Toronto made a case that bigger is better, noting the economies of scale associated with internal management and the translation of these into investment strategies (Dyke & Pomorski, 2011). Yet using the same data set, CEM Benchmarking Inc., Bauer, Cremers and Frehen argue in a paper released within a month of the Dyck and Pomorski paper that while larger scale does bring cost advantages, fund size and performance are negatively associated, but funds with small cap mandates are able to outperform their benchmarks (Bauer, Cremers, & Frehen, 2010). Loudovic Phalippou from the University of Oxford put this in to perspective in his paper “Why is the Evidence

on Private Equity Performance is so Confusing?” His position is that performance measurements comparing private and public equity are biased in favour of private equity and that the actual returns are much closer than expected (Phalippou, 2011). Stay tuned.

Bauer Cremers and Frehen also have an instructive comment regarding defined benefit and defined contribution plans. They conclude that defined benefit performance appears to be better than defined contribution pension plans within the same investment field. Costs (MERs) also tend to be higher for defined contribution pension plans. The authors indicate that this is consistent with the idea that monitoring of external managers and using bargaining power to lower costs are more efficient at defined benefit plans, due to improved incentives (Bauer, et al., 2010). Otherwise, as Almeida and Forna point out from their study of pensions in the US, the cost to deliver the same level of retirement income to a group of employees is 46% lower in a defined benefit plan than it is in a defined contribution plan (Almeida & Forna, 2008).

In other words, managers of defined benefit plans have an incentive to keep costs as low as possible, whereas in defined contribution plans, the increased cost is passed on to the pensioner with lower returns on their investment.

What is a pension?

There are many who think that a pension is what they receive from collective savings and investment plans. Moske Milevsky and Alexandra Macqueen of York University argue that a pension involves a binding contract and a guarantee (Milevsky & Macqueen, 2010). A true pension involves both the contributor and the entity standing behind the promise of future life-long income. No guarantee, no pension. A substantial post retirement fund is no guarantee that it will last as long as the pensioner. Thus the ‘true’ pensions Canadians enjoy are the CPP, OAS and the GIS, guaranteed by the Government of Canada.

The authors identify three issues that need to be addressed in this context:

- Pensions provide a lifetime of income by pooling risk across heterogeneous groups using principles of insurance.
- Pensions guarantee a predictable income that matches the increased cost-of-living.
- Pensions must be paid for. A pension plan must be offered at the lowest possible cost.

Who pays?

The current absence of pension across Canada is telling and in many ways the lack of pensions in the nonprofit sector mirrors the situation facing for-profit firms of similar size (Dawkins, 2010; HR Council for the Nonprofit Sector, nd; Pinfold, 2010). There are costs to individuals, families, communities and society-at-large when people live in poverty, regardless of age. Poverty in retirement is particularly acute as it often goes unseen, yet it speaks volumes about how and if we, as a society, choose to respect and support those who have contributed to our country throughout their lives.

The models presented here provide a variety of payment options.

In the Saskatchewan Pension Plan, payments are made by individuals and any co-contribution arrangement from 0 to 100% can be made.

In the Manitoba pension plan for day care workers, the provincial government is currently subsidizing 75% of the cost of contributions.

In Quebec, the member-funded pension plan contributions can vary annually, but the employer must contribute at least 50% of the contribution.

In Nova Scotia, the defined benefit plan administered through the Nova Scotia Pension Plan requires a matching contribution, with level set on a five-year cycle to adjust to required funding levels.

In all plans reviewed for this study the provincial government played a critical role, particularly in the five-year start-up phase of new pension plans.

PART 2: Four Pension Plan Models

Pension Plan Model 1: Saskatchewan Pension Plan

The Saskatchewan pension plan, established in 1986, is an example of a pension plan that is simple to administer and make contributions to. Anyone in Canada may contribute to the plan up to a maximum of \$2,500 per year. Employers and/or employees may contribute and the plan is independent of workplace. Administrative costs are 1% and a return of more than 8% has been realized since its inception

Type of Fund

The Saskatchewan Pension Plan (SPP) is a personal pooled pension plan. It was first established in 1986. Any Canadian, from ages 18 to 71 may contribute to a maximum of \$2,500 per year without reference to earnings, without the requirement for an employee-employer relationship and without residency requirements.

Eligibility

Any Canadian citizen may contribute, with residency requirement.

Joining

As a personal pooled pension plan, there is no wait period and the funds are vested until age 55 to 71.

Employer/ employee contribution ratio

There is no requirement for an employer/ employee contribution ratio, although such an arrangement is possible.

Contribution flexibility

Individuals can contribute to the SPP in lump sums, via financial institutions, credit card or on-line or by periodic contributions via pre-authorized debit from a bank account. Contributions are tax-deductable.

Contributions can be made by an employer as an employee benefit; by the employee through a payroll deduction; or cost-shared by the employer and employee.

Contribution Limit

Individuals may contribute up to a maximum of \$2,500 per year.

Transfers from other registered pension plans are permitted to a maximum of \$10,000 per calendar year.

Defined benefit or contribution

The SPP is a defined contribution plan. Benefits are provided in relation to the amount contributed.

Administrative cost

The administrative cost for the SPP is 1% or 100 basis points or less per year. There is no minimum number of employees required to participate and additional employees may be added at no additional cost.

Portability

The SPP contributions are independent of place of work and thus follow the individual when they change jobs.

Investment risk

The SPP offers two investment strategy options: a Balanced Fund (BF) and a Short-term Fund (STF). The BF is designed to create capital accumulation and the STF is designed to reduce equity exposure and preserve capital. The individual can assign a proportion of their contribution to either or both funds in the proportion they direct, based on their risk tolerance and financial goals.

The SPP has averaged a return on investment of 8.2% since its inception to 2010. The return in 2010 was 9.4%

Table 4: Saskatchewan Pension Plan

Year	Balanced fund Earnings %	Short-term fund Earnings %	MER %*
2011	-1.01	0.57	1.1
2010	9.40	0.19	1.0
2009	12.70	N/A	1.0
2008	-16.20	N/A	1.0
2007	-0.30	N/A	0.9
2006	12.70	N/A	0.9
2005	10.10	N/A	0.8
2004	10.30	N/A	0.8
2003	7.84	N/A	0.9
2002	2.86	N/A	0.9
2001	5.87	N/A	0.8
2000	8.96	N/A	0.8

* MER = management expense ratio

Locked in or open

The SPP is locked-in and cannot be used before retirement, even if the individual leaves the organization. Savings grow-tax sheltered until received as pension income at retirement – anytime between age 55 and 71. All money is creditor protected so it cannot be seized, claimed or garnisheed.

Government pension assistance

There is currently no government assistance to the pension plan. However, the Saskatchewan government did cover the operating expenses of the pension fund for the first three years of its operation (1986 – 1989). For the following two years, 1989-1990 and 1990-1991 the government covered operating expenses in excess of 1% and 1 ¼% respectively. The Saskatchewan government thus covered operating expenses to a greater or lesser degree for the first five years as the asset base was developed. The plan has operated without government support from that point.

Start-up/ phase-in model requirements

None – this is a well established pension plan and there are no fees associated with joining the program or adding employees.

Other features

The SPP has an annuity fund and multiple options therein.

Sources:

(Krawetz & Wagner, 2011; Saskatchewan Pension Plan, 2012a, 2012b, 2012c, 2012d, 2012e)

Pension Plan Model 2: Manitoba Child Care Worker Pension Plan

The Manitoba Child Care Worker Pension Plan scheme is one component in a comprehensive workforce stability strategy that included a substantial wage increase (49% since 1999), training, and scholarships. The pension scheme was established in 2010 by provincial regulation under the Community Child care Standards Act.

Type of Fund

The Manitoba Child Care Worker Pension Plan was established in 2010 as a deliberate workforce stabilization strategy to strengthen retention and ensure child care as a career with a future. Each day care centre or nursery school is responsible for negotiating plans with a qualified institutional provider of a Simplified Money Purchase Pension Plan (SMPPP) and plans are not transferable, or necessarily portable.

The Manitoba pension plan promotes two pension options beyond existing, locked-in pension plans. The first is the use of a Simplified Money Purchase Pension Plan (SMPPP). These are registered pension plans managed by financial institutions and as such, the financial institution is the plan administrator. The second option in Manitoba is for the employer to sponsor their own pension plan. One the first option will be profiled here as it has broader applicability.

Eligibility

Employees, including administrative staff and cleaners, in all licensed, nonprofit day care centres, including home-based providers, and nursery schools in Manitoba must participate.

Joining

The waiting period will vary by the plan chosen by the facility, but must not exceed two years from the time the employee starts to work with the facility. Once the employee joins the program, the funds are vested.

Employer/ employee contribution ratio

Both the employer and employee must contribute at least 4% of the employee's salary, although higher contribution rates are possible. This arrangement must be set out in writing in the pension plan text and comply with Canada Revenue Agency rules.

Contribution flexibility

Contributions are tied to employment and cease when employment ends, unless a new employer operates the same plan and transfers are permitted. Otherwise, the employee needs to track their contribution and their plans across multiple employers.

Contributions in the pension scheme must be a minimum of 4%, by both employer and

employee, of the participating employees' salary, although higher contribution rates are possible⁵. Participation in the pension plan is mandatory. Existing registered pension plans may be converted into a SMPPP and existing RRSPs and the like can be transferred into a SMPPP.

Contribution Limit

The contribution limit is 18% of a person's annual salary.

Defined benefit or contribution

The SMPPP is a defined contribution plan. Benefits are provided in relation to the amount contributed. There is no "buy-back" option to allow employees to contribute to make up for previous years worked. This option is only available in defined benefit plans. However, in recognition of long-term employment in the child care sector, the government of Manitoba pays a lump-sum payment upon retirement of four days of pay per year up to a maximum of 10 years, subject to an 80 years rule⁶.

Administrative cost

The administrative cost is built into returns or pension benefits realized from the SMPPP. This can vary between 1.875 and 2.825% (185.5 to 282.5 basis points)⁷. According to Almeida and Forna, defined benefit plans have up to 46% savings as a percent of payroll over defined contribution plans (Almeida & Forna, 2008, p. 6).

Portability

The pension plan stays with the employee, even if they change jobs. However, this will depend on the type of plan the contributions are independent of place of work and thus follow the individual when they change jobs.

Investment risk

This is a defined contribution plan and the investment risk will vary with the SMPPP. The financial institution that provides the SMPPP administers the plan. The plan has a built-in creditor protection feature so funds cannot be accessed by the employer. However, the employee needs to determine their own risk tolerance and income goals. The financial institution administering the plan reserves the right to amend or discontinue the plan.

⁵ The statutory minimum contribution by the employer is 1%.

⁶ The 80 years rule means that the total of the age of the person (between 55 and 65), plus the number of years worked, must total 80.

⁷ Amount for Management expenses taken from a range of mutual fund portfolios of a company providing a Manitoba Simplified Money Purchase Pension Plan (MSMPP).

Locked in or open

The SMPPP chosen by the facility are immediately vested and locked-in. Under a SMPPP, contributions cannot be used before retirement, even if the individual leaves the organization. It is also vested so employer contributions cannot be removed. Savings grow-tax sheltered until received as pension income at retirement – anytime between age 55 and 71.

Government pension assistance

The provincial government reimburses employers up to 4% of each employee's wages to cover the employers' contribution. For home-based child care providers, the province pays 50% of an annual RRSP contribution up to \$1,700. When fully implemented, the government of Manitoba anticipated in 2010 that the program would cost \$6.6 million per year.

Start-up/ phase-in model requirements

Four companies in Manitoba provide SMPPPs. The facility registers with one of these plan providers.

Other features

In 2011, the Manitoba government announced that they would reimburse child care workers for half of their employee contribution up to 2% of their gross salary for a two year period (2011 -2013).

Sources:

("The Community Child Care Standards Act," 2011; Healthy Child Manitoba, 2011; Kusch, 2010; Manitoba Child Care Program, 2011; Manitoba Early Learning and Child Care, 2011; Minister Gord Macintosh, 2010)

Pension Plan Model 3: Community and Women's Groups' Member Funded Pension Plan (MFPP)

This pension plan, sponsored by the Régime de retraite des groupes communautaires et de femmes, has been in operation since October 1, 2008. As of March, 2012 there are 2,733 plan members, 361 participating groups, and assets of more than \$10 million.⁸ The plan was launched on October 1, 2008 with 1,500 plan members, 214 participating groups and \$1.6 million in assets. This is a defined benefit plan and the employer is required to contribute at least 50% of the total regular contribution. The defined benefit is a \$10 annual pension for each \$100 contribution.

The Plan has targeted a 70% rate of income replacement on retirement, taking into account public federal and Quebec⁹ pension plans, or to come as close to this rate as possible.

Type of Fund

This is a member-controlled, defined benefit plan. It is a variation of a Specified Multi-Employer Pension Plan (SMEPP) as referenced in the Nova Scotia Pension Review Panel Report (2009). The Plan is open to community and women's groups across Québec, including social economy and cultural-sector groups.

The Plan's pension committee approves the participation in the Plan of each eligible group, based on a set of predetermined criteria. To apply for membership, the organizations board of directors must agree to participate as must a majority of employees (70%).

Eligibility

The Plan is open to community and women's groups across Québec, including social economy and cultural-sector groups. The pension committee approves the participation in the Plan of each eligible group, based on a set of predetermined criteria. Groups that may join the Plan are defined as follows:

- * Must be a community action group or independent community action group that has a social or cultural mission;
- * Must be a group whose mission is or includes social transformation;
- * Must be a group whose whole mission is not dependent on government.

⁸ A continuous update on membership, group participation and assets is available: <http://regimeretraite.ca/site/>

⁹ The benefits from the QPP are equivalent to the CPP.

These criteria include the social economy groups, including workers' cooperatives, and those of the cultural milieu. They would exclude local development centers, professional associations, unions or political unions to strictly economic foundation whose sole mission is to collect and redistribute funds and faith-based organizations.

Joining

A regular employee must join 3 months after their hiring date. A person already member of the plan (*previous employment*) must join on hiring date. A non regular employee with 5 years of continuous service within a group must join the Plan. As is the case for all pension plans in Quebec, employees who work 700 hours or earn 35% of the YMPE in a year must be provided with the opportunity to join as of January 1st of the following year. There are no distinctions between full time and part-time employees.

Vesting is immediate (i.e. you earn the right to a pension, deferred or actual, from the first hour you contribute to the plan, as is the case for all employer pension plans in Quebec).

Employer/ employee contribution ratio

Both employers and employees contribute equally, although the employer may contribute more. For income tax purposes, the employer contribution is not added to the employee's taxable income as is the case for any registered pension plan in Canada. As of December 31st 2010, employer contribution was on average 3,0% of earnings and employee contribution was 2.2%: employers thus contributed on average 58% of total contributions.¹⁰

Employer's liability restricted to paying the agreed upon contribution. There is no employer liability whatsoever should a deficit arise, but the employer also has no control over the pension plan. Plan members, collectively, control the plan and support the risk; thus their contribution which may be increased should there be a deficit. The indexing reserve is the key element for managing risk; plan members and beneficiaries can be indexed, so long as plan remains fully funded and solvent.

Contribution flexibility

Contributions are at least matched between the employer¹¹ and its employees¹², are determined on an annual basis between the two parties, and can range from 2% to 18%. Existing registered pension plans or RRSPs may be converted into the Plan to provide an additional pension benefit as a past service buyback.

¹⁰ Michel Lizée – personal correspondence (April, 2012)

¹¹ The employee may choose to contribute more than 50%.

¹² Participation in the plan is compulsory once you meet the eligibility criteria.

Each employer group decides whether to participate in the plan (30% of salaried workers can block participation). The group also chooses the employer/member contribution rates (notwithstanding that the employer contribution rate must be equal to or greater than the member contribution), which can be increased or decreased annually, as required.

Contribution Limit

The contribution limit is 18% of a person's annual salary. The Plan allows each member to make additional voluntary contributions and to transfer existing RRSPs into the Plan.

Defined benefit or contribution

The plan is a defined benefit plan, paying out a guaranteed life-long pension of \$10 for each \$100 invested. That \$100 covers both the cost of providing this guaranteed pension (around \$70), but is also sufficient to index the \$10 every year from the time the contribution is made until retirement, and subsequently death. This "cushion" provides a very significant provision against adverse deviation, or reserve, and therefore significantly reduces the probability and the eventual size of a pension deficit. Depending on the returns for the Plan, there is a provision for indexing beyond this baseline. Employees can buy-back past service with their current employer at any time in their career.

Pension payments are based on average work-life earnings rather than the immediate pre-retirement five-year period, but there is a provision to index those earnings to the cost of living before and after retirement, depending on the financial situation of the plan (the cost of that indexing is built into the benefit formula of the plan and already paid for, but not guaranteed). The plan has already indexed the wages (or the benefits) for the calendar years 2008 to 2010.

Administrative cost

In the financial statement for the year ending December 31, 2010, the cost of administration and management fees paid from the fund amounted to 2.1% of average assets. Note that a number of expenses were assumed by a seed grant paid by the Quebec government. This is an amount of \$ 313,902, or 6.9% of average assets.

Overall, the total cost of administration and expenditure management amounts to just over 9% of assets. A significant portion of these expenses are fixed and will thus decrease in% of assets as and as the asset size will grow. It is anticipated that after 5 or 6 years, spending should fall below 2% of assets and should eventually stabilize around 1% of assets.

Portability

An employee carries the Plan with them to their new place of employment and must join upon hiring if the new employer is covered by the plan. Otherwise, the employee can choose between a deferred annuity and transferring to another pension plan or locked-in retirement account.

Investment risk

This is determined by a pension committee, elected and the annual meeting of employees and employers. The committee is composed of five active members, one inactive member, four employer representatives and 1 independent member, plus two non-voting members. The Plan stipulates a minimum number of woman's representatives. The investment philosophy is to be very prudent.

Locked in or open

The fund is locked-in

Government pension assistance

A number of expenses were assumed by a seed grant paid by the Quebec government. This is an amount of \$ 313,902, or 6.9% of average assets. In 2009, the first year of operation, the seed grant amounted to \$224,565. This assistance has occurred on a year-to-year basis and it is not known if it will continue.

Start-up/ phase-in model requirements

The plan is still in the start-up phase of its development, and this has affected the management costs, but pensions for people who joined since 2008 have benefited from indexing.

Other features

The pension plan automatically guarantees 5 years of pension disbursement to the spouse (legal or common law) or, if there is none, to the designated beneficiary. On the member's retirement, he/she may choose an option guaranteeing the payment of the pension for 10 years to his/her spouse or, if there is none, to the designated beneficiary (premium of about 3% of the pension). The spouse may also elect to have the protection of a survivor's benefit as long as he or she lives but the pension is then reduced on an actuarial basis (premium of around 15% of the pension).¹³

Sources:

(Actuaires-Conseils Bergeron & Associés Inc., 2011; Amstutz Mackenzie & associé, 2011; Healthy Child Manitoba, 2011; Lizée, 2010, 2011a, 2011b; Régime de retraite des groupes communautaires et de femmes, 2010, 2011a, 2011b, 2011c, 2011d)

Pension Plan Model 4: Nova Scotia Pension Agency

This case is an examination of the feasibility of operating a nonprofit sector pension plan under the umbrella of the Nova Scotia Pension Agency (NSPA). The Agency was established in 2006 and acts as the administrator for the Nova Scotia teachers, public servants, members of the legislature and the Sydney Steel Corporation. As such it opens the possibility for a partnership with government and the agency to create a viable and long-term pension program for non-profit workers in Nova Scotia.

Type of Fund

The NSPA is the administrator of the Public Service Superannuation Plan (PSSP). The benefits and policies outlined below relate to the PSSP.

Eligibility

Members must be employed by the agencies on whose behalf the NSPA operates, namely Nova Scotia teachers, public servants, members of the legislature, and the Sydney Steel Corporation

Contribution flexibility

Contributions are mandated by agreement with the participating parties or set by the government. Payments may vary by salary scale.

Defined benefit or contribution

The plans administered by the Agency are defined benefit plans. The indexing of the benefits (as of 2010) will be determined by the surplus liabilities existing in the (public service) fund. Indexing may be paid if the plan is funded at or above 100% on an on-going concern basis. This determination is made on a five year cycle. In this regard indexing is similar to the provisions outlined in the Quebec's Community and Women's Groups' Member Funded Pension Plan (MFPP)

Administrative cost

The administrative cost is an average of 0.40 % or 40 basis points.

Portability

The value of pensionable service may be transferred to a locked-in RRSP, subject to provisions within the Income Tax Act.

Investment risk

Established by regulation, the fund aims to achieve targeted long-term returns of 7%. The Minister of Finance is the Trustee of the Fund.

Locked in or open

Locked-in

Vesting (wait period)

Pension is vested after two years of pensionable service (public service).

Employer/ employee contribution ratio

For the public service fund, active members contribute an average of 9% of their salary. This is matched by the government.

Government pension assistance

Contribution and trusteeship responsibilities have been established.

Start-up/ phase-in model requirements

An Act of the provincial government and accompanying regulations is required.

Sources:

(KPMG, 2011; More, 2010; Nova Scotia Pension Agency, 2008, 2011a, 2011b, 2011c; Pinfold, 2010; Pink, et al., 2009)

PART 3: Comparative Analysis

A comparative of all four plan options on the basis of the following parameters:

1. Plan type
2. Year established
3. Assets
4. Management Expense Ratio (MER)
5. Eligibility
6. Joining
7. Employer/ employee contribution ratio
8. Contribution flexibility
9. Defined benefit or contribution
10. Portability
11. Investment risk
12. Locked in or open
13. Government pension assistance
14. Start-up/ phase-in model requirements

Scenario Two

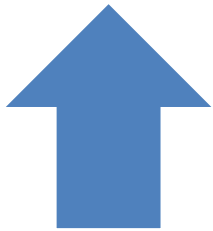
Mary (scenario one) still has an income of \$33,675. She also still needs to raise this to 75% or \$25,256 per year in retirement benefits. If she contributes a total of 8% of her salary (\$2,694), she could:

- Contribute \$2,500 per year to the Saskatchewan Pension Plan and put the rest in a tax-free savings account
- Contribute \$673.50 to a designated SMPPP in Manitoba if she was a day care worker and have \$2,020.50 covered by the provincial government via her employer.
- Contribute 1,347 to the Member-Funded Pension Plan if she worked for an eligible nonprofit in Quebec, if this was the amount negotiated for the year.
- Contribute \$3,030 in a government designated defined benefit plan in Nova Scotia if she worked in the public service with this contribution being matched by the provincial government.

Table 5: Comparison of Pension Plan Models

Pension Plan	Saskatchewan Pension Plan	Manitoba Day Care Pension Plan	Quebec Member-Funded Pension Plan	Nova Scotia Pension Agency
Plan type	Personal Pooled Pension Plan	Simplified Money Purchase Pension Plan	Specified Multi-Employer Pension Plan	Defined by Regulation
Year established	1986	2010	2008	2006
Assets	\$192.5 million	n/a	\$10.1 million	\$4 billion
MER (management expense ratio)	1% (100 basis points)	Varies by plan 1.875 to 2.825% (188-283 basis points)	2.1% net of government grant of 6.9% (210 basis points)	.40% (40 basis points)
Eligibility	Any Canadian citizen	Day care workers only	Nonprofit community agencies only	Plan members only
Joining	No wait period	No more than two years	Between 3 months and five years.	No more than two years
Employer/ employee contribution ratio	Not necessary, but permissible	4% employer contribution reimbursed by government	Ratio at least 50:50 to negotiated annual level	50:50 (average of 9% of salary each)
Contribution flexibility	Flexible to maximum of \$2,500 per year	Minimum of 8% of salary	Negotiated within member agency	Defined by regulation
Defined benefit or contribution	Defined contribution	Defined contribution	Defined benefit	Defined benefit
Portability	Yes	Yes	Yes	Yes
Investment risk	Active member	Active member	Active member	Trustee
Locked in or open	Locked-in	Locked-in	Locked-in	Locked-in
Pension plan assistance from government	Start-up operational support for five years	Contribution support of 4% of employer contribution	Two years of start-up support to date	Established by regulation
Start-up/ phase-in model requirements	Five years of operational start-up support	Projected \$6.6 million annually	Initial operational support until asset base increases	Government support and regulation

Summary



Defined contribution pension plans
increase benefit risk to participants



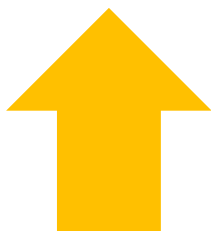
Defined benefit pension plans
decrease benefit risk to participants



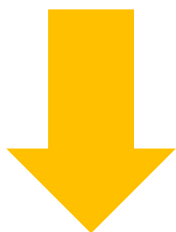
Low Management Expense Ratios
increase pension benefits



Higher Management Expense
Ratios decrease pension benefits



Strong start-up support, large
participant base, and pension plan/
RRSP transfers may positively
impact management expenses



Inadequate start-up support, small
participant base, and few pension
plan/RRSP transfers may negatively
impact management expenses

Community Consultation

Initial feedback on pension questions which the nonprofit community, key informants and the provincial government will be asked to consider.

Q1: Benefit Risk?



Defined Pension Plan Shared contributions Government Assistance	RRSP Defined Contribution Plan No government assistance
Manitoba Pension Plan Nova Scotia Pension Agency Saskatchewan Pension Plan Quebec Member-Funded Pension Plan	Current employees with no plan

In defined contribution pension plans, the risks are not shared; they rest with the individual contributor, regardless of who pays for the pension contributions. The risk is related to both the investment philosophy of the plan and plan administration costs, which, while mitigated by size, does not assure an enhanced return over time.

Defined benefit plans have an incentive to minimize management expense ratios and maximize returns. However, defined benefits plans are also taking steps to decrease their liability by indexing only when certain criteria are met and increasing contributions from an ever-declining membership.

Defined benefit pension plans are also more expensive for both the employer and the employee. An employee earning \$30,000 a year would contribute up to \$2,700 per year (9%) as would the employer. While balanced or matched contributions appear to be the order of the day, the additional funds need to be sustainable.

The Quebec Member-Funded Pension Plan, a Specified Multi-Employer Pension Plan, appears to have struck a balance between defined benefit and defined contribution plans. Risk is shared across the membership, contribution ratios are at least 50:50 and modest and attainable pension benefits are guaranteed with caveats related to indexing. Typically the employer pays 58% of the total cost and employees 42%. Pension payments are based on average work-life earnings rather than the immediate pre-retirement five-year period.

Q2: Contribution ratio?



No matching or Matched or lower by employer	Matched or higher by employer or Matched or shared with government
Current employees with no plan or Saskatchewan Pension Plan (no matching required)	Manitoba Pension Plan Quebec Member-Funded Pension Plan or Nova Scotia Pension Agency

The current situation facing the majority of nonprofit employees in Nova Scotia is that they are on their own when it comes to a pension. This leaves them vulnerable to living at or below the poverty line upon retirement. For a person earning \$30,000 a year, a contribution of 8% is \$2,400 a year, below the threshold of \$2,500 for the Saskatchewan Pension Plan and within limits of all the other profiled pension plans. If matched, this amounts to \$1,200 per year for the employee and the employer. In the context of full-cost account for service contracts, this and other benefit contributions should be factored in.

Q3: Make or buy?



Design a made- in/for the-sector pension plan	Contribute to an existing pension plan
Quebec Member-Funded Pension Plan Current employees with no plan Manitoba Pension Plan	Saskatchewan Pension Plan (open access to Canadians) Nova Scotia Pension Agency (administrative capacity)

There is a significant amount of additional research that would be required to fully explore the 'make or buy' option. Among other factors are:

- Start-up costs and the availability of phased-out government support over a five year period
- The investment goals and philosophy
- The administration of funds
- The inclusiveness or exclusiveness of membership
- Desired economies of scale
- Risk management and pension benefits
- Marginal costs of joining an existing scheme
- Fixed promotion, analysis and implementation costs
- The guarantee of benefits and cost-of-living adjustments

Recommendations for Future Research

Further research will be required based on the sector and government feedback on this initial feasibility analysis regarding the preferred model(s) to investigate further. This research will be required in order to:

- Determine the financial, statutory, administrative, and predictive implications of a specific pension plan.
- Develop an operational, management, and governance plan.

Recommendations for Future Action

This section develops recommendations for future actions in terms of community, administrative and government engagement for the establishment of a pension plan for the nonprofit sector in Nova Scotia.

During the next year, FANE and its community and government partners will continue their collaborative work towards the establishment of such a pension plan. It will also be important to find financial support to continue the work to develop an action plan and a comprehensive study towards its implementation.

FANE suggests, within a collaborative approach with its present partners, to continue working with the steering committee who led the feasibility study and in the coming months to consider its expansion in terms of participation. This would include new key partners or partners with specific knowledge that can support the project. FANE will also assure the consultation of the francophone non for profit sector in the province.

In our opinion the Department of Labour and Secondary Education, Volunteerism and Non-Profit Sector Division could greatly help with the next stages of consultation between the nonprofit sector and provincial government. These consultations would validate whether the project would be affordable, reliable and predictable as well as determine the best operating model and governance. They would also assess the support and commitment of the nonprofit sector in the establishment of such a provincial pension plan.

For the future of the pension project, it will be important to determine the provincial government's role regarding the responsibilities of the Nova Scotia Pension Agency. The government is a key participant in establishing a pension plan that will adequately meet the needs of both the employees of the nonprofit sector and government.

Recommendation:

Under FANE's leadership and with funding from the Nova Scotia Department of Labour and Advanced Education, the second phase will be a consultation between the Not for profit sector and key government departments resulting in a specific pension plan recommendation for the not for profit sector of Nova Scotia.

(Additions to be made based on feedback by key informants)

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Appendices

Appendix A: Consultation process

– locations, dates, and number of participants to be added

Stage One: **Discussion Paper**

Discussion Paper (draft)	March 30, 2012
Key informant consultation	April 23, 2012
Discussion Paper (Final)	April 30, 2012

Stage Two: **Community Consultation**

Establish Pension Plan Steering Committee

Stage Three: **Feasibility Analysis**

Governance structure
Membership
Participation
Operational structure
Actuarial and investment projections
Education and promotion program

Stage Four: **Stakeholder engagement**

Employer commitment and investment
Employee commitment and investment
Government commitment and investment

Stage Five: **Launch**

Appendix B: Relevant web sites

Canada Pension Plan	www.servicecanada.gc.ca/eng/isp/cpp/cpptoc.shtml
Guaranteed Annual Supplement	www.servicecanada.gc.ca/eng/isp/pub/oas/gismain.shtml
Old Age Security	www.servicecanada.gc.ca/eng/isp/pub/oas/oas.shtml
Nova Scotia Pension Agency	http://novascotiapension.ca
Saskatchewan Pension Plan	http://www.saskpension.com
Community and Women's Groups' member Funded Pension Plan (MFPP) – Quebec	http://regimeretraite.ca
Registered Pension Plans and Retirement Supports for Manitoba's Early Learning and Child Care Workforce	http://www.gov.mb.ca/fs/childcare/pension.html
RetirementAdvisor.ca	www.retirementadvisor.ca

Appendix C: Background Document (Phoenix-FOCO Report)

NOVA SCOTIA'S NON-PROFIT/VOLUNTARY SECTOR LABOUR FORCE

Discussion Paper

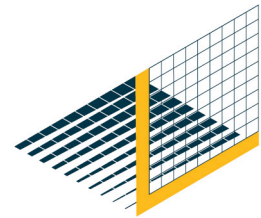
Submitted to:

***Federation of Community Organizations
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ANNEX – CONFERENCE DATA

EXECUTIVE SUMMARY

According to Statistics Canada (2003), the non-profit sector in Nova Scotia is comprised of 5,829 organizations that employ 36,098 persons. The non-profit sector is known for playing a significant role in provincial society and perhaps less known for its significant contribution to the economy. To put this in perspective, the construction sector in Nova Scotia reported annual employment levels of 24 – 28,000 persons over the past number of years. The construction sector has a higher profile as an important sector in the economy even though its total employment level is below that of the non-profit sector.

The primary purposes of this research study are to document the defining characteristics of the non-profit sector workforce and the challenges that exist related to human resource (HR) management. This study of the non-profit sector's workforce is the first of its kind in Nova Scotia, providing important data on which to base human resource strategies for this sector.

Research data was gathered via online surveys, personal interviews with key sector informants and a set of four focus groups. The survey design incorporated some features of a national study conducted in 2008 by the Human Resource Council for the Non-Profit Sector that allows this study to draw some national vs. provincial comparisons.

Key research findings related to workforce characteristics are as follows:

- ❑ Education levels among the workforce are very high, with over 75% having at least one university degree.
- ❑ The workforce in Nova Scotia is better educated than the national average, but salaries and wages paid in the sector are lower.
- ❑ Health benefits are available to about two thirds of the sector's workforce, while less than 40% have access to pension plans.
- ❑ There is a very high level of job satisfaction and commitment to organizations' missions.
- ❑ A substantial proportion (40%) of the workforce has been employed by their organization for less than two years, with "job hopping" evident among younger or entry-level employees. Interviewees suggested that many are employed on a project basis rather than having permanent positions, which helps explain the "job hopping".
- ❑ Women account for over 87% of the workforce, which is about 10% higher than the national average.
- ❑ Through the research a number of challenges affecting human resource management in the sector were also identified: There is a demand from society for virtually all organizations to do more.
- ❑ Long-term stable support is eroding for many organizations due, in part, to a greater reliance on short-term, project funding. There is also a perception of competition amongst agencies for limited funding sources.
- ❑ Tapping into of volunteer support has become increasingly difficult.

Without doubt, there is a wide array of issues that impact both those who work in the sector and clients of the various agencies.

Key issues include:

- ❑ Challenges at a management level being able to dedicate sufficient time and acquire sufficient expertise to cope with human resource issues. Only 13% of organizations have a dedicated staff for HR management, so this function is most commonly added on to another staff position, such as an Executive Director.
- ❑ The practice of “job-hopping” that takes place among the younger segments or entry-level staff of the workforce. This may be tied to the short-term, temporary nature of project-funded jobs.
- ❑ The perceived limitations on career advancement opportunities. Seventy percent of organizations in this study report less than 10 paid staff, consistent with national findings that three quarters of organizations are small, with under 10 paid staff.
- ❑ Rural organizations face additional challenges in recruitment with a smaller talent pool to recruit from and rural transportation issues.
- ❑ The administrative time and cost to recruit new staff is significant, making retention strategies paramount.
- ❑ Competition from other sectors in the economy for qualified staff is tough given the real limitations in non-profit sector wages and benefits. Dissatisfaction with salary and compensation is the key reason cited for staff resigning their positions.
- ❑ Demographic and market forces. The sector is confronting an ageing workforce and greater competition from both government and private sector employers for staff.
- ❑ Unstable or non-permanent employment positions associated with project funding.
- ❑ Training needs and availability related to ensuring it is targeted and cost effective.

I. INTRODUCTION

In 2007, the national Human Resource Council for the Voluntary Sector in Canada presented labour market information on the voluntary sector at a provincial conference in Dartmouth. While the study had much to share regarding the sector nationally, it also revealed that data for Nova Scotia was not available simply because it had not been collected. This lack of provincial labour market information combined with the challenges being experienced by organizations provided the impetus for a partnership between the Federation of Community Organizations (FOCO) and Phoenix Youth Programs to undertake a first-of-its-kind sector study in Nova Scotia. With funding from Human Resources and Skills Development Canada (HRSDC), FOCO and Phoenix embarked on a 22-month initiative to conduct a human resource study of non-profits in Nova Scotia. This initial research report outlines the research findings and identifies key trends for discussion. These findings will be presented at a provincial research conference on October 25th, and feedback from conference participants on the research data will be part of a final report scheduled for December 2010.

1. STUDY OBJECTIVES

The objectives of the study as taken from the Request for Proposal are as follows:

- ❑ Determine the size and scope of the sector in Nova Scotia in relation to economic contribution.
- ❑ Educational and training experience, employment history and compensation (salary and benefits) for staff at all levels including, but not limited: frontline workers, middle managers, senior managers and executive directors.
- ❑ Rates of staff turnover as well as push and pull factors associated with staff turnover /mobility.
- ❑ Identification of short-term and longer-term knowledge, skills and expertise needs for the sector.
- ❑ Identification of specific challenges in attracting and retaining “talent” in Nova Scotia non-profit/voluntary sector organizations.
- ❑ Exploration of current (and possible future) staff retention strategies with a view to future needs.

2. METHODOLOGY

This extensive research project was supported by rigorous framework of project controls. A seven-member provincial Advisory Group met on a regular basis to provide overall guidance to the project, a larger, provincial Sector Reference Group provided feedback and helped pilot-test research tools and methods, such as surveys and focus groups. Finally, the two sponsor organizations each provided a co-chair for the project and employed a project manager to oversee the daily administrative functions.

Over a 12-month period, research data has been gathered from over 400 sector participants via three main avenues. A detailed on-line survey of both organizations and employees was accessible to sector participants for over 9 months. One hundred thirty-one (131) organizations provided information about their individual circumstances related to characteristics of their workforce, their training needs and experience with recruitment and retention of staff. Organization surveys were completed most often by senior staff.

Over 225 employees also responded to the online survey sharing their work experiences, views on work conditions and reasons for working in the sector. They also noted their thoughts on continuing to participate in the sector and what type of training would be useful for career advancement.

Both online surveys were available in English and French and provided the opportunity for both quantitative and qualitative information to be collected. Also a notable feature of the two online surveys is that many of the questions mirrored a national survey conducted in 2008 by the Human Resource Council for the Non-Profit Sector. This has allowed for a comparison and contrast analysis against circumstances in the sector at a national level.

This data was further collaborated by the conduct of follow-up interviews with many of the organizations who responded to the on-line survey. In addition, four focus groups were conducted to further probe the experience of organizations in various parts of the province.

Extensive literature reviews complimented the data analysis, and of note, the non-profit sector has been analyzed at a national level and excellent research has been done in both the province of Ontario and Alberta. Unless otherwise attributed, opinions expressed throughout the document are those of the consultant.

3. ORGANIZATION OF THE REPORT

I. Introduction

In this section we describe the objectives of the study and the methodology used to achieve the objectives.

II. Summary of Key Findings

This section provides highlights of trends drawn from the research data.

III. Survey Key Findings

This section focuses primarily on the outcomes of the on-line surveys of the Organizational survey and the Employee survey.

IV. Focus Group and Interview Key Findings

This section draws on the results of the interviews and focus groups.

V. Sector Resources to respond to HR issues?

In this section, we provide a summary of resources identified by participants that can be focused on addressing both issues that currently exist and those which will confront the sector in the near term.

VI. Discussion Points of Central Issues

Topics are presented for discussion.

II. SUMMARY OF KEY FINDINGS

The research for this project has brought forward several key messages related to the health of the non-profit sector in Nova Scotia. These messages are based on first-hand feedback from over 400 sector participants and reflect the circumstances faced by the sector at this time in Nova Scotia.

- ❑ **Education levels are very high among the non-profit labour force in Nova Scotia:** Compared to the national sector, the education level of the Nova Scotia workforce in the non-profit sector is very high, (Table 3.17). Almost 75% have at least one university degree, which is about 10% higher than reported nationally. This clearly shows the sector in Nova Scotia has been successful in the past at recruiting a qualified and adaptive workforce. According to interviews and focus groups, this has enabled the sector to meet its labour force needs with people that are capable of providing necessary services.
- ❑ **Better qualified but pay is lower:** Despite high education levels, pay as compared to national sector participants, is markedly lower - in Nova Scotia almost 65% earn below \$40,000 per year compared to national (Table 3.23), where about 45% of workforce earn below this amount.
- ❑ **Availability of health benefits comparable to national sector benefits – pension plans a concern:** Approximately two-thirds of Nova Scotia organizations provided access to various health related benefit plans, (Table 3.24). The Nova Scotia results are very similar to national medium-sized organizations. The availability of pension plans is a concern, as only 35% of organizations in Nova Scotia do not offer such plans.
- ❑ **Women account for 87% of the workforce:** This high ratio compared to the national sector where women account for 76% of workforce. This issue was also a topic of discussion in both interviews and focus groups. Of note, sector managers referenced the workforce challenges associated with the provision of maternity benefits. This impacts their sector disproportionately to other sectors where a more gender-balanced workforce exists. Participants also suggested this may also account for the lower rates of pay in the sector.
- ❑ **Over 40% of workforce has been with their employer less than two years:** This increases to 60% working for less than 4 years with their agency. Interviews and focus groups indicated this could be explained, in part, by the project orientation of many positions and the desire for career advancement. This finding does directly impact on the operations and efficiency of organizations, as constant turnover of staff require constant orientation of new employees.
- ❑ **An important warning sign:** A warning sign to the sector is an expectation among one third of all employees that they will have some likelihood of being employed by different organizations within the next year. The two leading reasons relate to dissatisfaction with salary and lack of promotion opportunities.

- ❑ **Recruitment challenges – 75% of all organizations reported having to recruit in the past year:** Almost 35% found it to be difficult or very difficult. Through our interviews and focus groups, we also found that organizations must sometimes hire under-qualified people, as they are unable to find candidates with all of the qualifications they seek. Recruitment challenges were tied to poor pay level offered and the project orientation, thus non-permanent type of positions.
- ❑ **Human resource policies and practices are not well defined:** Only 20% of organizations reported having formal written policies on human resource management, (Table 3.4), and only one-third do formal employee performance valuations. Most often, human resource management responsibility is a part of one person's job responsibilities.
- ❑ **High rate of job satisfaction and commitment to mission:** Almost 90% of all employees stated they were satisfied with current jobs and more importantly, over 96% said they were strongly committed to their work and the cause of their employers.
- ❑ **The sector faces many key challenges:** Through the focus groups and interviews key challenges to the sector related to human resources were noted. The non-profit sector in Nova Scotia is facing major challenges that could have a detrimental affect on their ability to meet their visions:
 - There is a demand from society for virtually all organizations to do more.
 - Long-term stable support is eroding for many organizations associated with a greater focus on short-term project funding.
 - Tapping into of volunteer support has become increasingly difficult.
- ❑ **Challenges at a management level being able to dedicate sufficient time and also to acquire sufficient expertise to cope with human resource issues:** Only 13% of organizations have a dedicated staff for HR management, so this function is most commonly added on to another staff position, such as the Executive Director.
- ❑ **The practice of “job-hopping” that takes place among the younger segments or entry-level staff of the workforce:** This may be tied to the short-term, temporary nature of project-funded jobs.
- ❑ **The perceived limitations on career advancement opportunities:** Seventy percent of organizations in this study report less than 10 paid staff, consistent with national findings that three quarters of organizations are small, with under 10 paid staff.
- ❑ **Rural organizations face additional challenges:** in recruitment with a smaller talent pool to recruit from and rural transportation issues.
- ❑ **The administrative time and cost to recruit new staff is significant:** making retention strategies paramount.
- ❑ **Competition from other sectors in the economy for qualified staff is tough:** given the real limitations in the non-profit sector wages and benefits. Dissatisfaction with salary and compensation is the key reason cited for staff resigning their positions

- ❑ **Demographic and market forces:** The sector is confronting an ageing workforce and greater competition from both government and private sector employers for staff.
- ❑ **Unstable or non-permanent employment positions associated with project funding:** The main reasons for leaving: better opportunities for career advancement and compensation. There is no question that the tight labour market and wage inflation is limiting the ability of non-profit employers to compete for employees. Major employers in other sectors of the economy are taking great pains to fill vacancies – the for-profit sector is offering a variety of non-wage benefits and better pay as well as ‘fun’ workplaces, social incentives and perks like subsidized gym memberships and entertainment vouchers

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III. KEY FINDINGS OF ONLINE SURVEYS

A. ORGANIZATION FINDINGS

These surveys were completed by Executive Directors or Board Chairpersons.

1. GEOGRAPHIC DISTRIBUTION OF RESPONDENTS

An objective of this project is to reflect the labour situation in the sector across the province. Table 3.1 shows the sub-areas of the province represented in the response.

Table 3.1: Geographic Distribution of Responding Organizations

Area	%
Halifax Regional Municipality, (HRM)	49.7
South Shore / Valley	20.2
Northern and Eastern	17.3
Cape Breton Island	12.7

It is known that the non-profit sector does have a concentration of organizations in HRM and this is reflected in the responses.

2. TYPE OF ORGANIZATIONS

In terms of type of organizations responding, there is a near 50:50 split between registered (45.6%) charities and incorporated not-for-profit organizations (51.6%). Table 3.2 shows the main activities represented by respondents. The largest number relates to social services with some concentration in education and research, environment, development and housing, and health.

Table 3.2: Organizations Main Activities

Activity	%
Social Services	23.8
Development and Housing	11.9
Health	8.3
Education and Research	7.1
Environment	6.0

3. **RESPONSIBILITY FOR HUMAN RESOURCE MANAGEMENT VARIES WITH ORGANIZATION SIZE**

In 62% of organizations, the responsibility for human resource management is typically one part of one person's job (such as the Executive Director, the CEO or other senior manager). Table 3.3 shows the various ways responsibility for Human Resource Management is accomplished in provincial organizations.

Table 3.3: Responsibility for Human Resource Management in Nova Scotia

Responsibility	%
Human resources management comprises one part of one person's job, such as the Executive Director, the CEO or another senior manager	61.6
Board of Directors take responsibility	12.0
One person is responsible for human resources management	11.2
Other	9.6
Human resources management matters are not assigned to one person in particular	3.2
There is a separate human resource unit employing more than one person	1.6

At a national level, in most large organizations (61.5%) and some medium-sized organizations (16%), there is a dedicated staff person with sole responsibility for HR management.

We also asked a number of questions related to organizations' human resource plans and policies. The results are shown in Table 3.4. The table reveals that only 20% of organizations have a formal written policy, and approximately 30% conduct formal employee performance evaluations.

Table 3.4: Human Resources Policy Approval

Policy	%
My organization has a formal process for assessing/evaluating employee performance with formal discussions and written reports.	30.6
My organization plans for its staffing needs ahead of time in accordance with budget considerations.	25.7
My organization has a formal written policy on human resources management	20.0
The unit or person(s) responsible for human resources management in my organizations also responsible for managing or coordinating volunteers	18.0

4. BENEFITS OFFERED BY ORGANIZATIONS

Table 3.5 compares Nova Scotia findings to the National Study. Generally, two-thirds of Nova Scotia workers have health benefits, but less than 40% have access to a pension or retirement fund.

Table 3.5: Employee Benefits – National Compared to Nova Scotia

Benefit	Nova Scotia	National		
		Small	Medium	Large
	% of employers that offer each benefit			
Prescription drug plan	67.2	46.3	75.0	92.5
Dental care	65.0	42.8	66.3	85.0
Other medical coverage	64.0	39.2	63.2	80.0
Life and/or disability insurance	64.0	40.4	66.7	92.3
Vision care	63.2	31.9	54.5	75.0
RRSP contribution	41.6	18.1	35.7	47.5
Pension plan or pension contribution	34.9	30.1	34.7	65.0

5. NUMBER OF EMPLOYEES

In this study, non-profit organizations in Nova Scotia employ an average of 17 people (including full-time and part-time employees). However, 75% of organizations employ less than 10 staff persons, so larger non-profit organizations are increasing the average statistic. Table 3.6 shows the average for Nova Scotia relative to the national study.

Table 3.6: Average Number of Employees by Organization Size

Organization	Average # of Employees	
Nova Scotia	17.2	
National		
Small (1-10 employees)	4.2	
Medium (11-99 employees)	28.6	
Large (100+ employees)	280.7	
Total National	18.2	
Nova Scotia number of organization by number of employees		
Employees	# of Organizations	%
1 – 5	79	57.2
6 – 10	21	15.2
11 – 20	13	9.4
21 – 50	15	10.9
51 – 100	4	2.9
> 100	6	4.3

In Nova Scotia, organizations generally rely on a mix of full time and part-time employees. In this study, 86% of respondents are full-time employees and 14% are part-time

6. RECRUITMENT AND RETENTION: EASY OR DIFFICULT?

Many more organizations experience difficulty in recruitment than retention, both nationally and in Nova Scotia.

Recruitment efforts by employers

74.6% of organizations report recruitment activity in the past 12 months regardless of whether or not they actually hired any new employees.

Table 3.7: Ease/Difficulty of Recruitment and Retention

	Recruitment		Retention	
	Nova Scotia %	National %	Nova Scotia %	National %
Very difficult	5.9	10.3	4.4	3.5
Difficult	28.1	36.8	14.8	11.0
Neither easy nor difficult	40.7	27.0	34.1	16.7
Easy	20.0	22.1	30.4	30.6
Very easy	5.2	3.8	16.3	28.9

From Table 3.7 we see that almost 34% of organizations in Nova Scotia reported difficulty recruiting and nationally, 47% also found it difficult. Table 3.8 sets out the reasons for the difficulty reported both nationally and in Nova Scotia.

Table 3.8: Reasons for Recruitment Difficulty

Reason	Nova Scotia %	National %
Salary offered too low	77.5	67.0
Lack of money or funding	73.3	54.0
Applicants lacked relevant work experience	66.4	57.0
Applicant lacked skills	64.0	56.0
Competition from other organizations or government	55.4	45.0
Few or no applicants	54.4	70.0

7. WHAT JOBS REQUIRED RECRUITING?

Table 3.9 sets out a comparison of recruitment requirements by job category for both Nova Scotia and nationally.

Table 3.10 then shows how organizations responded when they could not find a qualified applicant. The main strategy reported was a sharing of job responsibilities.

Table 3.9: Recruiting for Specific Job Categories

Job Category	Organizations that Experienced Difficulty Recruiting		Organizations that Hired	
	Nova Scotia %	National %	Nova Scotia %	National %
Senior management	8.4	7.9	10.2	16.1
Mid-level managers & supervisors	6.5	11.1	8.4	18.8
Professionals	16.2	22.7	20.8	39.1
Paraprofessionals and technical staff	9.1	16.7	14.6	34.9
Clerical and administrative staff	5.2	13.7	13.7	38.4

Table 3.10: Response When Unable to Recruit Qualified Candidates

Response	Nova Scotia %	National %
Not an issue	28.9	
Share job responsibilities	18.7	32.7
Hire a less qualified applicant	12.8	20.6
Transfer internally	9.1	12.8
Not hire	7.5	19.3
Engage volunteers	7.5	16.0
Contract out	4.8	8.5
Introduced technology to help get work done	0.5	2.3
Other breakdown?	10.2	2.8

Table 3.11: Difficulty Retaining Current Employees

Difficulty	Nova Scotia %
Very difficult	4.4
Difficult	14.8
Neither easy nor difficult	34.1
Easy	30.4
Very easy	16.3

8. TURNOVER

All types of employers incur a turnover of employees. Table 3.12 compares the national experience to Nova Scotia by job category. Turnover rates in Nova Scotia tend to be lower at all levels.

Table 3.12: Voluntary Resignations by Job Category

Job Category	Nova Scotia %	National %
Senior management	10.6	18.6
Mid-level managers and supervisors	12.4	20.1
Professionals	24.8	36.3
Paraprofessionals and technical staff	17.7	28.6
Clerical and administrative staff	12.4	32.2
Other support staff	8.0	30.5

Strategies to Reduce Turnover

The survey provided a list of actions organizations might have taken in the past 12 months to make their workplaces more attractive. Table 3.13 summarizes the actions taken at both the national and Nova Scotia level.

Table 3.13: Strategies to Reduce Turnover

Actions	% of Employees Taking this Action	
	Nova Scotia	National
Introduced or increased flexibility in work schedules	8.0	11.0
Implemented ways to improve communication	7.8	4.0
Introduced or improved efforts to help employees feel they make a difference in the community or lives of others	7.3	
Introduced or improved efforts to make workplace more fun	7.2	4.3
Introduced or improved training opportunities for employees	6.5	5.0
Increased salaries throughout the organization	6.0	16.5
Improved physical environment and/or working conditions	6.0	10.5
Modified job descriptions, duties or responsibilities	5.6	4.6
Invested in work tools or technology	5.5	3.0
Introduced or improved non-wage benefits (health benefits, etc.)	4.6	10.1
Did not do anything to make the workplace more attractive	3.4	28.8
Introduced or improved employee rewards and recognition	2.7	4.7
Improved opportunities to work off site	2.7	
Introduced or increased regular salary increments	2.2	7.1

In Table 3.14, we tabulated the results related to a question about organizations' likelihood of hiring in the next two years by job category.

In Nova Scotia, the job category that has the highest likelihood of hiring is related to professionals, with 23% of all organizations expected to hire. Nationally, this category was also the highest with a rate of 35.4%. In all major job categories, Nova Scotia organizations expected to do less hiring. This is consistent with the voluntary resignation information shown in Table 3.12 where the national groups reported greater resignations across the board. It is also possible that job markets for the sector are tighter (less hiring by competitive employers) in the timeframe in which the Nova Scotia survey has been carried out. The national work was done prior to the recession.

Table 3.14: Likelihood of Hiring in the Next Two Years by Job Category

Job Category	Nova Scotia %	National %
Senior management	11.8	14.5
Mid-level managers and supervisors	12.6	20.9
Professionals	22.8	35.4
Paraprofessionals and technical staff	14.6	29.0
Clerical and administrative staff	17.9	28.3
Other support staff	14.6	1.7

9. SKILL DEVELOPMENT

An important aspect of a human resource planning is identifying the status of skill sets among employees in a sector. Table 3.15 identifies various skills that respondents felt needed development. The top three areas for skill development are: legal knowledge, marketing, research and campaigning/fundraising

Table 3.15: Employers Identify Skills that Fall Short of Organization Need

Skill Area	Nova Scotia %	National %
Legal knowledge	51.9	62.5
Marketing	46.5	48.8
Fundraising/resource development	40.3	42.1
Research	39.8	44.7
Campaigning	35.4	48.2
Understanding of technology	30.2	28.8
Strategic planning	30.5	32.7
Finance	27.3	24.9
Monitoring and evaluation	25.9	30.7
Contract management	23.4	23.2
Proposal writing	21.7	34.3
HR/personnel management	18.0	22.6
Project management	20.6	21.3

Table 3.16 illustrates how organizations support staff development activities. Generally, Nova Scotia organizations lagged behind their national counterparts in offering support by covering expenses or providing time off. In terms of paying expenses, over 75% of national organizations offered such support where as only 69.5% of Nova Scotia organizations paid for staff training. It should be noted in the 12-month period of this survey, Nova Scotia was in a recessionary period, and organizations may have cut back or frozen professional development funds. About 8% more organizations in Nova Scotia provide paid time off to participate in learning and development activities.

Table 3.16: Staff Development Activities

Activity	Nova Scotia %	National %
Provided paid time off for employees to participate in learning and development activities, such as taking a specific course, workshop, or attending a relevant conference	70.2	62.4
Paid some or all of the expenses for staff development or skills training, such as taking a specific course, workshop, or attending a relevant conference	69.5	76.3
Provided in-house training programs or courses	61.2	46.5
Provided staff training and development through mentoring, job shadowing, etc.	43.5	42.4
Provided career counseling or self-assessment tools to help employees better understand their skills levels and needs	13.7	19.6
None of the above	6.1	12.1

B. EMPLOYEE SURVEY KEY FINDINGS

1. EMPLOYEE DEMOGRAPHICS

Gender

Over 87% of employees in the Nova Scotia non-profit sector are female and 13% male. This compares to the national sector where 76% are female.

Age

The non-profit workforce in Nova Scotia can be characterized as mature with 45.2% reporting their ages to be over 45 years. Under 35 years accounted for 31.3%. The balance fell between 35 and 44 with 23.4% of the workforce. Also of note was the limited number who reported their age to be less than 30 years – 10.4%.

Education

The workforce in the non-profit sector in Nova Scotia is highly educated. In Nova Scotia, approximately 75% of all employees have at least one university degree with almost one quarter having two degrees. This is significantly higher than at a national level where 45% of the workforce have university degrees.

Table 3.17: Employee Education Levels

Education	% of Employees	
	Nova Scotia	National
Grade school or some high school	.4	1.2
High school	2.5	8.5
Some community college or university, did not finish	9.7	18.8
Technical or trade school or community college diploma	13.1	26.3
Undergraduate degree	51.5	31.1
Post-graduate degree (masters or doctorate)	22.8	14.1

Over 80% of employees in the non-profit sector identify themselves as white/caucasian, (Table 3.18). At a national level white/caucasian accounts for 89% of the workforce. In Nova Scotia, 6.8% of employees are members of a visible minority.

Table 3.18: Employee Group Identification

	% of Employees	
	Nova Scotia	National
White/caucasian	82.3	89.0
Member of a visible minority	6.8	5.9
Aboriginal	2.4	2.7
Member of an ethnic minority	1.6	2.5
Prefer not to say	2.0	1.9

The vast majority of employees are Canadian citizens born in Canada (86.5%) while 7.6% are born in a country outside Canada and now hold Canadian citizenship. Only 3.8% of respondents are landed immigrants / permanent residents. The citizenship profile of employees is very similar between Nova Scotia's workforce and the national workforce.

2. WORK EXPERIENCE IN CURRENT ORGANIZATION

In Table 3.19, we examine the length of time employees have been working for their current organizations. At both the national and Nova Scotia level, the percentage that have worked less than 1 year is very similar at 16.6% in Nova Scotia and 15.7% nationally. A significant difference is in the 1-2 year category where 27% of the Nova Scotia workforce lies compared with about 14% for the national workforce. Generally, the table shows that on a national level, employees have been with their organizations for longer periods of time.

Table 3.19: Length of Time Employed by Current Organization

Years	% of Employees	
	Nova Scotia	National
Less than a year	16.6	15.7
1-2 years	26.6	13.9
3-4 years	16.6	16.9
5-9 years	20.1	23.9
10-19 years	15.4	21.5
20+ years	4.6	8.1

We also asked employees about the length of time they have held their current positions. Table 3.20 shows that almost one third of the workforce have had their current jobs for 1-2 years as compared with the national survey where 20% of employees had been in current positions for this timeframe. Generally, at the national level, employees have been in existing positions for longer periods of time.

Table 3.20: Length of Time in Current Position

Years	% of Employees	
	Nova Scotia	National
6 months or less	15.3	11.3
7-12 months	12.1	9.6
1-2 years	32.3	19.9
3-4 years	20.2	21.4
5-9 years	11.1	21.2
10-19 years	5.6	13.2
20+ years	3.2	3.5

3. **HOW EMPLOYEES LEARNED THERE WAS A JOB OPENING**

Word-of-mouth is the most common way that people learn about employment opportunities in both Nova Scotia and at the national level. Over half of all employees heard about their current position this way. Internet job postings have now surpassed traditional newspaper advertisements as a preferred way of finding job postings. Only 12% of employees learned of the availability of their current positions from newspaper advertisements. Word-of-mouth dominates and we suspect various other social media are increasingly being used as a means of job availability awareness.

Table 3.21: How Employees Learned About Current Position

Learned about Position	% of Employees	
	Nova Scotia	National
From people in the organization	29.3	35.1
From friends, family, neighbours or work colleagues	18.1	20.9
Notice in newspaper or journal	12.4	14.6
Internet job sites	12.4	9.9
Internal posting on current organization's website	5.0	13.7

Why did employees take their current job?

Employees accepted their current job for many reasons. In fact, over 1,000 reasons were identified in the Nova Scotia survey. One of the highest reasons in terms of mentions is related to “belief in organization’s mission”. Other notable categories include “opportunity for career advancement” and “type of work”.

Employees' current situations

Table 3.22 compares the number of employees in various job categories. In Nova Scotia, 42% of study respondents were senior or middle management. National level data shows a higher proportion of employees in clerical or administrative positions than is the case in Nova Scotia. This may reflect the limited number of larger organizations that exist in Nova Scotia.

Full-time/part-time permanency

As part of the survey, we asked employees whether they worked 30 or more hours or less than 30 hours. Those over 30 hours we assumed are full-time and those less are part-time. Based on this, 86% of respondents are full-time in Nova Scotia and 14% are part-time. This is a slightly higher ratio to full-time than that reported in the national study where 81% were full-time.

We also asked about whether their jobs were permanent or contract. Just under 70% were permanent employees with balance of almost 30% on contract with set end dates.

Table 3.22: Employee Job Categories

Job Category	% of Employees	
	Nova Scotia	National
Senior management	21.0	12.0
Mid-level manager or supervisor	21.0	20.0
Accredited or certified professional	19.3	15.3
Technical staff and paraprofessionals	11.8	11.6
Clerical, administrative or support staff	14.7	25.0
Other	12.2	1.6

4. COMPENSATION AND BENEFITS

Table 3.23 shows the distribution of full-time employees across salary ranges. Across all job categories in Nova Scotia, almost 65% of employees reported salaries under \$40,000. At a national level, only 46% reported salaries below \$40,000. The table shows that generally, lower salaries are earned in Nova Scotia despite the higher ratio of management type positions.

Table 3.23: Salaries of Employees

Salary	% of Employees	
	Nova Scotia	National
Under \$19,999	12.4	5.3
\$20,000 to \$39,999	51.9	41.7
\$40,000 to \$59,999	29.2	32.7
\$60,000 to \$79,999	3.9	12.7
\$80,000 to \$99,999	2.1	5.3
\$100,000 or more	.4	2.3

Employee benefits are an important part of workplace compensation. Table 3.24 compares Nova Scotia and the national sector in terms of the number of employees with access to a variety of employee benefits. Generally, over 60% of workers have access to health benefits, but roughly 35% have access to pension or retirement funds.

Table 3.24: Employee Benefits

Benefits	% of Employees	
	Nova Scotia	National
Prescription drug plan	70.2	66.8
Dental care plan	66.4	61.4
Life and/or disability insurance	61.3	63.8
Vision care plan	61.3	50.5
Other medical coverage	47.2	52.2
Family and/or parental leave	43.4	39.1
RRSP contribution	36.5	29.6
Pension plan or pension contribution	23.4	45.3

Overtime

Table 3.25 shows the responses to the type of compensation received for working overtime. In Nova Scotia, the main type of compensation is “equivalent time off.” This suggests organizations in Nova Scotia do have the need for employees to work extra hours but they do not have the financial resources to compensate with pay.

Table 3.25: Compensation for Overtime

Type of Compensation	% of Employees	
	Nova Scotia	National
Equivalent time off	59.5	42.0
No financial compensation	16.7	19.3
I do not work overtime	7.6	15.3
Pay at regular rate	3.8	7.4
Combination of pay and time off	2.7	5.7
More than equivalent time off	2.7	9.6
Pay at premium rate	.8	8.2

5. JOB SATISFACTION

Generally, employees’ ratings of job satisfaction at work are quite positive both in Nova Scotia and nationally. Table 3.26 shows that almost 90% of employees are satisfied with their jobs both in Nova Scotia and at a national level.

Table 3.26: Satisfaction with Current Job

Satisfaction	% of Employees	
	Nova Scotia	National
Very satisfied	37.1	45.1
Somewhat satisfied	51.4	43.2
Neither satisfied nor dissatisfied	3.5	5.1
Somewhat dissatisfied	7.3	4.8
Not at all satisfied	.8	1.7

Table 3.27 further measures employee satisfaction. Consistent with the earlier finding of lower pay rates in Nova Scotia, we see an almost 15% lower level of satisfaction in Nova Scotia with pay. Satisfaction with benefits is more comparable even though there is a lower rate of access in Nova Scotia. Satisfaction with job security is also lower in Nova Scotia. Categories such as employment status and amount of responsibility are quite similar. Generally, satisfaction with opportunity for career advancement and development are lower in Nova Scotia than for the national sector.

Table 3.27: Employee Satisfaction

Category	Satisfied	Neutral	Dissatisfied
<i>Pay</i>			
Nova Scotia	43.4	8.9	46.5
National	61.6	14.0	24.4
<i>Benefits</i>			
Nova Scotia	51.7	11.2	22.8
National	57.4	21.0	21.6
<i>Job Security</i>			
Nova Scotia	54.3	16.7	27.9
National	70.1	16.9	13.0
<i>Employment Status (FT/PT/Temp)</i>			
Nova Scotia	80.2	7.4	12.1
National	86.1	7.0	6.9
<i>Amount of Responsibility</i>			
Nova Scotia	81.5	7.3	10.7
National	81.8	10.2	8.0
<i>Career Advancement</i>			
Nova Scotia	32.8	25.1	32.1
National	42.9	32.9	24.2
<i>Career Development</i>			
Nova Scotia	60.1	14.0	22.9
National	60.4	22.5	17.1

6. WORK – LIFE BALANCE

Table 3.28 shows a very significant difference between the work–life balance offered by the non-profit sector in Nova Scotia compared to the national sector. Although Nova Scotia workers cannot work from home as often (likely due to more front-line nature) they do have much greater flexibility related to workday schedule, vacation days and personal requirements. This may be part of the high job satisfaction rate, and be a significant employee retention strategy.

Table 3.28: Work-Life Balance

Work-Life Balance Statements	% of Employees Who Agree “Somewhat” or “Strongly”	
	Nova Scotia	National
Positive Statements		
I can interrupt my work day for personal reasons and then return	84.4	17.8
The number of working hours is manageable	81.9	9.0
I can take my vacation days pretty much when I want to	74.1	18.8
My work day has flexible arrival and departure times	72.5	30.7
I can work from home when and if I want to	44.0	57.5
Negative Statements		
My work schedule is subject to last minute changes	45.9	47.2
My job leaves me with little time to get other things done	45.7	46.3
I often end up working more hours than planned	37.2	29.5

7. COMMITMENT TO WORK AND CAUSE

An astounding 96% of employees in Nova Scotia are strongly committed to the cause of their current organization, (Table 3.29). This exceeds national commitment by more than 10%.

Table 3.29: Commitment to Work and the Cause

Statements About Commitment	% of Employees Who Agree	
	Nova Scotia	National
I am strongly committed to the cause(s) my current organization support(s)	96.1	85.4
I could work for any organization as long as it supports a cause I believe in	75.0	70.2
I am strongly committed to working for an organization in the voluntary and non-profit sector	66.5	63.8
I continue to work at this organization because I do not have any better alternatives	26.8	25.9

8. TRAINING AND PROFESSIONAL DEVELOPMENT

Table 3.30 illustrates employee preferences for various types of training. In Nova Scotia, the first choice was for workshops, seminars and conferences. The next most popular were professional association type programs and university or college courses. On-line training was favoured by about 20% of respondents.

Table 3.30: Preferences for Types of Training

Training Types	% of Employees	
	Nova Scotia	National
Workshops, seminars or conferences	83.8	73.6
Professional association courses	51.9	44.2
University or college courses	46.8	38.1
Formal mentoring or coaching	28.9	14.6
Informal mentoring or coaching	27.7	22.3
Courses provided by organization	26.0	36.6
Online training	19.2	19.8
Job shadowing	10.2	11.0
Internships	6.8	8.9

Table 3.31: Professional Development Opportunities

Type of Professional Development Opportunity Provided in the Past 12 Months	% of Employees	
	Nova Scotia	National
Paid time off for learning opportunities or skills training	56.2	45.3
In-house training program or course	40.8	50.7
Payment of some/all fees for tuition and career development	33.6	32.7
None	16.2	24.0
Other	10.2	2.1
In-house career counselling or self-assessment tools	5.1	12.1

9. GENERIC JOB SKILLS REQUIREMENTS

In Table 3.32 we asked employees to self-assess their generic skill requirements of current jobs. Employees are very confident that their communication, teamwork, and literacy skills fully meet job requirements. Computer skills are also strong, however, the lowest score, which was still 93%, related to numeracy skills.

As a baseline, employees were asked what specific skills were required for current jobs. Table 3.33 shows many employees must possess a wide range of skills to perform their jobs. Client services ranked high as did leadership, strategic planning and project management. Interestingly, the highest specific skills requirement related to working with other organizations. This shows the collaborative nature of the work done in the non-profit sector. Many groups obviously participate in multi-agency initiatives.

Table 3.32: Generic Job Skills Meet Requirements for Current Job

Skills	% of Employees	
	Nova Scotia	National
Communication	100	96.7
Literacy for daily activities	99.6	92.2
Ability to work in teams and collaborate	97.9	93.0
Computer skills, including proficiency with computer programs	97.9	80.0
Numeracy for daily activities	93.0	75.8

Table 3.33: Specific Job Skills Required for Current Job

Skills	% of Employees	
	Nova Scotia	National
Working with other organizations	83.4	55.8
Public relations	71.1	n/a
Project management	71.1	43.3
Monitoring and evaluation	70.6	57.5
Leadership	70.2	57.8
Client services	69.8	71.3
Strategic planning	69.8	44.1
Research	57.8	37.5
Proposal writing	52.3	28.3
Management of volunteers	51.9	31.4
Fundraising or resource development	48.1	23.6
HR & personnel management	42.1	34.0
Finance	38.3	32.8
Marketing	38.3	22.0
Management of paid staff	37.9	30.8
Procurement & purchasing	35.3	27.3
Managing contracts with suppliers	31.3	19.9
Legal knowledge	28.1	23.1
Campaigning	24.3	13.0
Language skills	9.4	8.2

10. FUTURE JOB INTENTIONS

In Tables 3.34 and 3.35, we have summarized employee current job search status. In Table 3.34, over three quarters of those employed nationally are emphatic that they are not looking for a new job. Compared to Nova Scotia, less than half of employees say they are not currently looking for a new job. In Table 3.35, we see that in Nova Scotia, almost one third of all employees feel there is at least some likelihood that they will resign in the next 12 months. Nationally, the comparable figure is about 8% lower, indicating the national workforce is somewhat more stable than our provincial non-profit workforce.

Table 3.34, shows the employee reason for seeking a new job.

Table 3.34: Job Search Situation

Status	% of Employees	
	Nova Scotia	National
I am not currently looking for a new job.	47.3	75.7
I am looking for a new job in a different organization.	16.6	11.8
I am looking for a new job either in my current organization or in a different organization.	9.0	8.3
I am looking for a new job within my current organization	3.9	4.2
Other	23.1	23.7

Table 3.35: Likelihood of Resigning in the Next 12 Months

Status	% of Employees	
	Nova Scotia	National
Definitely will	3.8	4.6
Very likely	12.2	6.8
Somewhat likely	16.0	13.2
Somewhat unlikely	20.7	15.4
Very unlikely	27.4	27.5
Definitely will not	14.3	29.4
Does not apply	5.5	3.3

Table 3.36: Reasons for Looking for a New job

Reasons	% of Employees	
	Nova Scotia	National
Dissatisfaction with salary	52.7	40.9
Lack of promotion opportunities	26.7	26.0
Limited opportunities for career or skill development	19.8	18.2
Current position not challenging	20.6	21.6
Not feeling valued	18.6	19.5
Workload too heavy	14.5	12.3
Dissatisfaction with benefits	16.0	9.6
Keeping all my options open	23.7	33.5
Lack of job security at my current organization	19.8	13.9
Interested in pursuing opportunities outside of the sector	14.5	12.4
Dissatisfaction with current employment status	9.2	12.5
Poor relationship with manager	5.3	11.7
Dissatisfaction with work schedule	4.6	10.2
Poor relationships with co-worker	1.5	4.5
Dissatisfaction with physical working conditions	0.8	6.8

The top reason to be looking for a new job in Nova Scotia is related to salary, as 52.7% gave that as their reason. Salary was also the top reason at a national level, but only 41% noted it. The other top reasons in Nova Scotia included lack of promotion opportunities, limited opportunities for current development and job security.

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IV FOCUS GROUP AND INTERVIEW KEY FINDINGS

Four focus groups were conducted across Nova Scotia with approximately 25 participants, and interviews have been completed to date with 30 organizations for a total of over 50 interactions with different organizations. In this section, we summarize some of the key messages provided by participants.

1. FOCUS GROUPS

Focus groups were conducted during the month of May 2010 in each of the following communities:

- ❑ Dartmouth
- ❑ Kentville
- ❑ New Glasgow
- ❑ Sydney

The format for each focus group included a presentation of interim on-line survey results to date, followed by a discussion on how the results were either consistent with experience in local regions and if there was important experiences which were not being captured or portrayed in the survey data.

- ❑ **No real surprises in initial findings:** Generally speaking, participants in the sector were not surprised by the key findings, such as – salaries are too low – education levels are very high – there is considerable turnover by younger employees on project-related jobs.
- ❑ **Recruitment of new employees really depends on the nature of the job and the area of the province:** For example, in the Annapolis Valley most available positions attracted sufficient applications from qualified people. In Cape Breton, organizations struggle to fill all positions with qualified candidates.
- ❑ **Transportation for employees a real issue in rural areas:** Public transit is simply not available to many potential employees in rural regions. Organizations report that this has affected their recruitment success for positions at the lower end of the pay scale.
- ❑ **Salary and wages not adequate:** Participants report challenges in attempting to maintain staffing levels when they could only offer pay that is below that available from alternative employment. Examples provided:
 - Accounts of loss of professional employees to government jobs.
 - Out-migration of young people from the area resulting in no applications from young people for non-permanent jobs.
- ❑ **Women comprise vast majority of workforce:** Several facets to this issue were raised:
 - Few men apply for many of the positions.
 - Filling temporary positions are difficult to attract good candidates who are job ready. There is a real cost associated with this.

- Recruitment of senior managers can be difficult in rural areas as often job opportunities for spouses do not exist.
 - Spouses often provide cross-subsidy through better benefit packages that enable women to work in the sector.
- ❑ **Findings related to job satisfaction and commitment must be viewed carefully:** Given the passion for the work, there is danger that employee burnout can occur. In human resource strategies this must be proactively managed for.
- ❑ **Funding challenges directly affect human resource practices:** Without doubt, the number one issue conveyed through the focus groups related to issues associated with funding. An ever-increasing amount of time is spent by senior managers applying for grants or coordinating fundraising activities. Often these same people are responsible for human resource management. The funding challenges impact on the time available for the practice of good human resources management. Needless to say, the level of funding support was also cited as the explanatory variable in why the sector offers generally low salaries and wages.
- ❑ **Networking is second nature to non-profit sector participants:** Most focus group participants noted that they are participants in many partnerships designed for both service delivery as well as targeting common sector issues.
- ❑ **Response of young people to working in the sector:** In two of the focus groups students participated in the sessions. They offered quite strong comments related to low salaries and wages offered to entry-level positions. University and college educations are expensive and many finish with high student debt. These debt levels will prevent many young people from entering the sector in Nova Scotia.

2. INTERVIEWS

The interviews with organizations were meant to be a follow-up to information provided in the on-line surveys.

- ❑ **Organizations lack formal human resource policy guidelines:** A key finding of the survey shows that only 20% of organizations have formal policy manuals or even job descriptions. There was a recognized need, but a self professed limited expertise in the field of human resource management. Some groups who reported undertaking this issue as a priority reported success in slowing turnover of staff.
- ❑ **Career advancement opportunity limited:** Due to the size of many organizations, a hierarchy does not exist for staff to move up through the ranks. The number of senior management positions are limited and most are associated with the few large organizations.
- ❑ **Flexible work arrangements have been a key strategy to dealing with turnover and retention issues:** As organizations have faced challenges providing adequate pay to employees, they have successfully adopted flexible work arrangements that have served to meet employee needs. It is recognized that some agencies have more difficulty in offering employees flexible work arrangements, due to the nature of their client services.

- ❑ **Best human resource policy enhancements have a significant participation from staff:** Where joint job analysis has been done in developing job descriptions, the results have been obvious to workers that their input has been reflected resulting in positive results.
- ❑ **Information on pay scales is generally available:** Most organization representatives felt they were quite well informed on the going salary rates for various positions in their organizations. In part, project guidelines dictate what could be provided to line staff. Senior Executives were aware of what others received in their sector for remuneration.
- ❑ **Organizations have been innovative in coping with funding shortfalls in meeting salary demands:** A variety of strategies were noted including extending a number of weeks' vacation in lieu of a salary increase, enhancing days off policies such as allowing for "call in well day", or "birthday off days," etc.
- ❑ **Organizations are noting the changing priorities of younger workers:** New entrants into the sector's workforce are expecting to be reasonably well paid, they are looking for defined career advancement opportunities, they do expect their work to be meaningful and strongly connect to missions. They have a greater expectation related to flexibility in the work environment.
- ❑ **Job satisfaction and commitment to mission are what sustains the sector:** As has been noted several places in this document, this is a key characteristic of the sector. Some Executive Directors offer caution that this commitment has potential to lead to burn out and commitment must be directed in a positive way.
- ❑ **Networks play positive role in addressing human resource issues:** Most interviewees were well connected to other non-profit organizations in their regions. Positive information flow and support was reported. Several also noted involvement in either provincial organizations or national organizations in their area of interest. Often human resource support was available at this level.

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V. HR RESOURCES AVAILABLE TO THE SECTOR

The sector does have both assets and potential partners that will provide support to deal with human resource challenges. The following resources were identified in focus groups and interviews with respondents and is not meant to be a complete or exhaustive listing.

- ❑ First and foremost, the availability of dedicated leaders associated with the sector – these leaders are comprised of both senior staff and board members of the various organizations. In keeping with this, the highly motivated workforce are key stakeholders in addressing the HR challenges of the sector.
- ❑ The province of Nova Scotia through the Department of Labour and Workforce Development has developed a strategy related to human resource development in the province¹. The strategy is based on strategic principles of partnership, shared ownership, innovation, protection and talent development. This plan is intended to foster the social and economic well being of Nova Scotians.
- ❑ The Human Resource Council on the Non-Profit Sector is also a resource available to the provincial sector.
- ❑ Capable human resource managers are active within the sector in Nova Scotia and the provincial professional body – the Human Resource Association of Nova Scotia.
- ❑ There are also post secondary education resources available such as those at Dalhousie University, Continuing Education, Acadia University's Centre for Social Business Enterprise, the Nova Scotia Community College and other institutions.

¹ Nova Scotia Department of Labour and Workforce Development Strategic Plan 2009 – 2013.

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VI. DISCUSSION POINTS

DISCUSSION OF CENTRAL ISSUES

1. HIGH JOB SATISFACTION

Can the high level be maintained?

As noted in the key findings of our survey, employees reported that they have a very high level of job satisfaction. Job satisfaction in most positions in the general workplace can be attributed to a number of variables including – pay rates, access to benefits, job security, flexibility, access to training, career opportunities. Interestingly, pay rates in the non-profit sector are lower than many other sectors and many do not have adequate job security. It is perhaps the high commitment to the organizational mission that plays a significant role in employee satisfaction.

Participants in the sector acknowledged that organizations are very fortunate to have such a satisfied and committed workforce and they attribute this finding in part to explaining why some employees continue in the sector despite poor salaries and wages.

The Canadian Policy Research Networks (CPRN), 2004 reinforces some of our provincial findings:

- ❑ Job satisfaction is high among non-profit employees.
- ❑ Concerns raised related to pay, benefits and career advancement.
- ❑ There is an earning gap compared to many other sectors.

To explore this a bit deeper, it helps to explain this phenomenon considering that workers in the sector must derive some value from the fact they believe in their organization's mission and their relative contribution toward achieving that mission. In the research done by the CPRN, they refer to this as the intrinsic rewards of working in the sector (fulfilling a valued vision) contrasted with the extrinsic rewards (pay, job security). We would fear that depending on the intrinsic rewards attributable to the work in the sector will not be sustainable over time. Economic realities of workers, such as recent graduates with debt loads and older workers needing pension or retirement support, may not be able to afford to stay employed in the sector.

2. RECRUITMENT AND RETENTION

Two of the main cornerstones of any organization labour force strategy are directly connected to the retention of dedicated and capable staff and the recruitment of new staff.

- ❑ 34% of organizations reported difficulty in recruiting for available positions.

The survey work completed, combined with the interviews and focus groups conducted for this study, show that some organizations are encountering real challenges attracting people with the right skill sets and required desire to work in the sector.

- ❑ 16% reported difficulty in retaining staff.

The top reasons cited for difficulty in recruiting staff and reasons for voluntarily resigning work are the same:

- ❑ Dissatisfaction with the low pay scale.
- ❑ Uncertainty of the short-term nature of the work.

The survey research and discussion via interviews and focus groups show that staff turnover appears to be inversely related to both job permanency and job tenure; it is also higher “for direct service workers, and for workers younger than 35 years old.” We also understand from our literature review that this is common to the sector in other jurisdictions.

We believe the sector should consider closely aligning with various provincial strategies for addressing labour market challenges. These include recruiting from non-traditional populations like newcomers to Canada, Aboriginal people, recent retirees and people with disabilities.

The on-line survey shows indications of “job hopping” taking place in the sector by mainly younger workers (less than age 35). We recognize that, in part, this is attributable to the project nature of employment arrangements and the maturing of significant portions of the workforce. Recent research in Canada conducted by the “Public Policy Forum”² has provided insight to what young people value in terms of work and the workplace and on the understanding of influences, interests and their priorities that shape decisions of whether to stay or leave a job. They also suggests this “job hopping” can cost organizations up to 200 percent of an employee’s salary to lose and replace. Their concern is that in this post-economic downturn era, the competition will become greater for these younger employees.

Key findings from Public Policy Research Forum’s research that are applicable:

- ❑ Mentoring is an essential component of professional development.
- ❑ Flexibility and informal work environments have great appeal to young people. It was pointed out that the information economy has brought about a shift in the meaning of work and work patterns. “Outcomes” should be the focus rather than “attendance” or “face time”. There is a need to increase trust between employers and employees.

Feedback from both our interviews and focus groups shed further light in this issue. Many managers in the sector have limited human resource management training and have inadequate skills to tackle retention issues. Some managers already report that they are in constant recruitment mode. The “job hopping” was seen as a direct outcome of the project nature of a lot of work done in the sector. In fact, some organizations have essentially given project staff permanent status and have taken on the risk of ensuring project funding is renewed. Focus groups and interviewees also recognize that without more prospects of career advancement opportunities, retention of staff could become an even greater issue.

² The Road to Retention, Public Policy Forum, 2010.

3. DEMOGRAPHIC AND MARKET FORCES

The non-profit sector in Nova Scotia will be affected by a number of demographic trends. Not only is the baby boom generation approaching retirement, there is a trend of decreasing retirement age that is speeding their exit from the general workforce. Our survey data shows a clustering of older workers who hold senior positions and a clustering of younger people holding entry-level positions.

It was noted that several Executive Directors are nearing retirement age and that generally the sector has not done succession planning for these positions. It was also noted that many see a potential future labour pool for the sector to come from early retirees who wish to remain active to some extent in the workforce, perhaps not full time.

A recent survey by the Conference Board of Canada found that “even though many baby boomers will want to supplement their income or keep active after retirement, very few employers plan to recruit from this large, underutilized labour pool”. If the trend continues, it may prove to be a boom to the sector in the short term, whether it can be sustained will remain to be seen.

Another interesting demographic feature is that the overall non-profit workforce is predominately female, so a movement towards earlier retirement is of added significance to our efforts to understand how the non-profit workforce will change over time. Will retiring males be interested in working in the sector?

4. SALARY AND COMPENSATION

Based on the survey results, wages and salaries paid in the non-profit sector are lower than those paid by other sectors in the economy.

Table 6.1: Average Weekly Earnings in Nova Scotia

Sector	Wage
Overall industrial averages	\$762
Educational services	\$818
Health Care/Social Assistance	\$808
Public administration	\$1,015/week June 2010
Provincial government	\$1,142

Source: Stats Can Annual Estimates of Employment Earnings.

In the survey it was noted that over 60% of the non-profit workforce in Nova Scotia earns less than \$40,000 per year, which would work out to less than \$770 per week, which is close to the overall industrial average.

There was a perception noted in the focus groups that organizations with core funding support from government are able to provide more competitive wages and benefits.

While many argue the sector does offer young people first opportunities at career building positions, young students informed one of our focus groups that due to the level of student debts, they will not be able to seek opportunities in the non-profit sector in Nova Scotia unless wage levels increase.

The sector's workforce is predominantly female. Those interviewed who held senior positions made the point that it might not be possible to continue work in the sector if not for access to spouse's stable income and job benefits that extend to families.

5. LIMITATIONS ON CAREER ADVANCEMENT

Career path flexibility

New entrant employees are often looking for career advancement opportunities. Small organizations often have limited capacity to provide this. Young people report bumping into seniority constraints within the non-profit sector in Nova Scotia, i.e., promotions can be based on time served rather than capability.

Given that three quarters of organizations are small, with under 10 employees, advancement within one organization does have real limits, and advancement opportunities may be better viewed as across the entire sector.

The recommendations of the Public Policy Research Forum, relative to retention and provision of advancement opportunities, related to the following:

- ❑ Recognize and nurture creative thinking.
- ❑ Understand the boundaries of the office have shifted.
- ❑ Maintain open door policies.
- ❑ Show young employees how they can grow.
- ❑ Shift the focus from the bottom line to people.
- ❑ When thinking about benefits, put yourself in their shoes.
- ❑ Stimulate inter-generational conversation.
- ❑ Be a corporate citizen (employers must be open about the environmental and social impacts of their organization).
- ❑ Eliminate gender and culture-related inequities.

6. TRAINING NEEDS AND AVAILABILITY

Education

Our surveys show non-profits boast a well-educated workforce. In some cases, employers are reporting that they have difficulty hiring people with the qualifications needed for the job but in many cases are able to hire people who can be trained for the position. This applies mainly to non-professional positions. Given the competitive nature of labour markets, this trend is expected to continue and its implications for training needs and ongoing staff development must be considered in the go-forward strategies.

Training & mentoring

Virtually all of the studies of the sector that looked at human resources issues recognized the need to improve knowledge sharing between veterans, brand-new staff and employees with some experience. We believe the high education possessed by the workforce in Nova Scotia lends itself well to training uptake.

It is fair to say that in terms of urgency, the most frequently mentioned training needs were sub sector, vocation or activity specific and related to keeping abreast of new knowledge and innovative practices for developing and delivering services.

Perhaps the biggest challenge to providing staff with development and training is the availability of resources – financial and expertise.

A number of strategies to improve the ability of organizations to provide their employees with training and professional development were cited in various reports reviewed for this research.

These included the following:

- ❑ Leveraging existing networks to share costs and resources with partner organizations;
- ❑ Cross-training in-house and allowing employees to gain experience or training at another organization;
- ❑ Offering incentives like promotions, and increased wages or education bursaries for staff to take classes on their own time; and
- ❑ Incorporating ongoing employee development into operational practice.

7. JOB QUALITY

Although the high level of job satisfaction could be interpreted as meaning that all is well, there are a number of aspects of job quality that need to be considered by sector human resource planners.

Job permanency

Job security is a key feature related to job quality and is a major factor that influences an individual's decision to remain with an employer. Contract positions are generally less attractive and they can be more difficult to fill. The lack of job security is also recognized as a contributor to workplace stress and anxiety.

Overtime work

Administrative and frontline staff, supervisors and senior managers all reported overtime work but there was marked difference in how or if that time was compensated. Front line and administrative staff were more likely to have their overtime work compensated, financially or in the form of earned-time-off.

Often senior managers reported that they, in effect, donate a significant number of hours to their organizations each week.

Engagement of employees in determining workplace arrangements and job descriptions

The ability to make alternative work arrangements is one of the more commonly cited job quality attributes in the survey of employees. Employees appreciated the fact that there was often flexibility in working hours with time in lieu of overtime pay available. With a predominance of women working in the sector, part-time work was seen as an important option for workers seeking to better balance jobs and family life.

Through the survey, we observe that the non-profit sector in Nova Scotia has done an excellent job in providing considerable flexibility to employees in terms of hours of work and location. This is commendable and compared to the national survey, the Nova Scotia organizations are recognized for offering good flexibility.

There is still room for further enhancement both in terms of increasing the number of organizations that are able to meet this need and ensuring the type of job features that can be flexible are fully considered. To assume there isn't more to do could stall what is seen as a job asset to work in the non-profit sector.

NOTES





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