

Investment Appraisal of Upskilling of Employees in the Non-Profit Sector

Report

Submitted to

The Wheel

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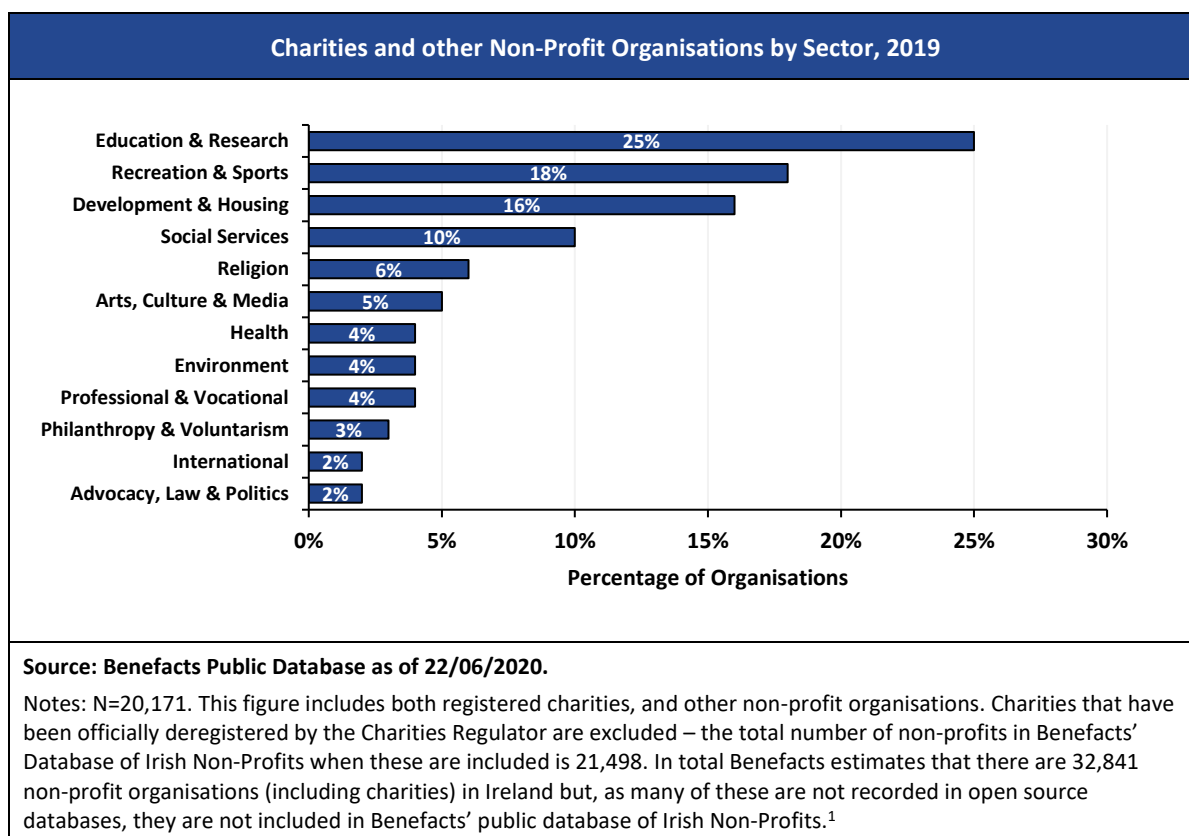
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Executive Summary

Introduction

Indecon International Research Economists were appointed by The Wheel to undertake an independent investment appraisal report on the upskilling of employees in the non-profit sector in Ireland. The Wheel is Ireland's national association of community and voluntary organisations, charities and social enterprises. The purpose of the appraisal is to generate policy-relevant knowledge concerning the current training and skills levels of employees in the Irish non-profit sector and to evaluate the social and economic cost and benefits of investment in building skills in the sector. This is important given that non-profit organisations in Ireland provide services in a wide range of areas including healthcare, education, sports, arts, community development and social services.

In the course of this appraisal, Indecon engaged extensively with a wider range of stakeholders and inputs/submissions were received from 15 organisations. Indecon also undertook new primary research in order to assess the level of skills gaps in the sector. This included a survey of CEOs of a representative sample of organisations across the non-profit sector (with 157 responses received), and a survey of staff and volunteers in these organisations (541 staff responses received). The very high number of responses reflects the level of awareness in the sector of the importance of having sufficient skills to meet the needs of service users.

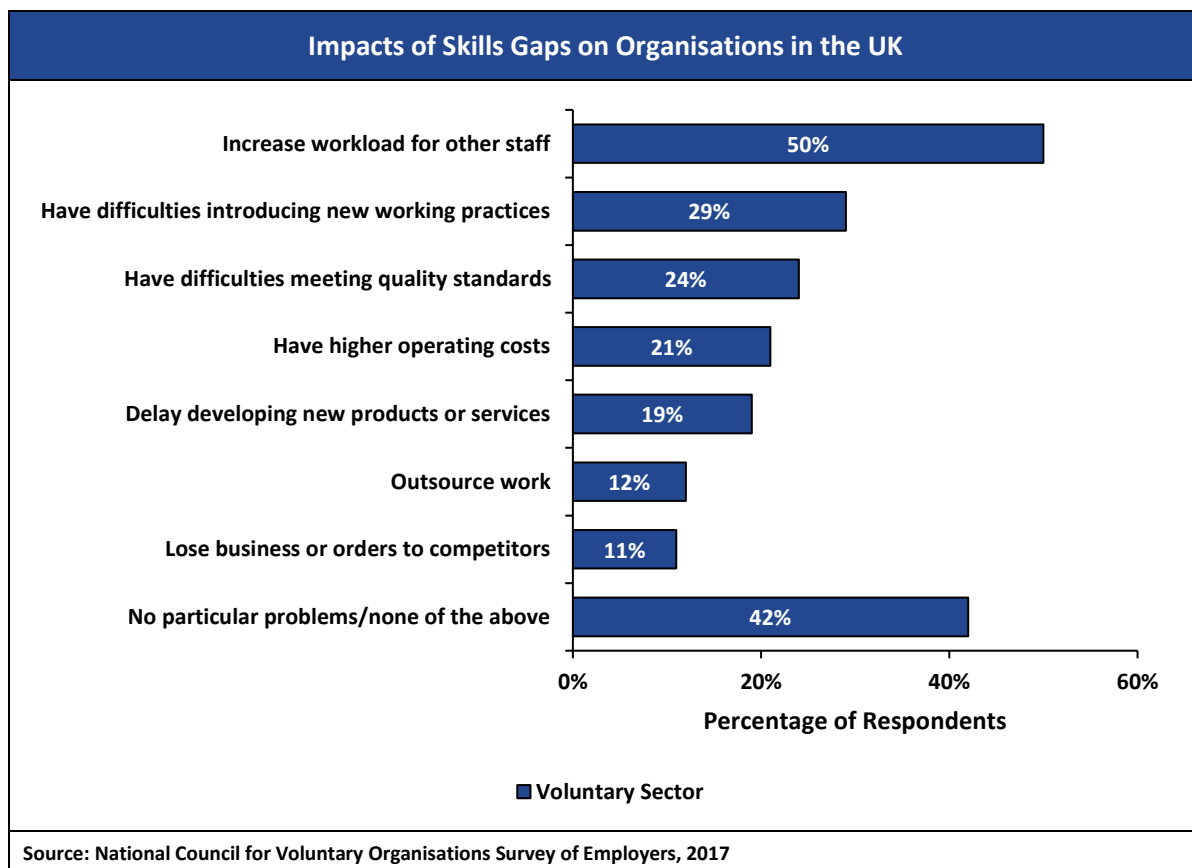


International Evidence on Impact of Skill Gaps in Non-Profit Sector

A number of international studies have identified skills gaps in the non-profit sector. For example, UK charities reported that there were a number of areas where vacancies were hard to fill. Research in the UK also shows

¹ <https://www.benefacts.ie/help/about-the-data-in-benefacts-database-of-irish-nonprofits-2/>

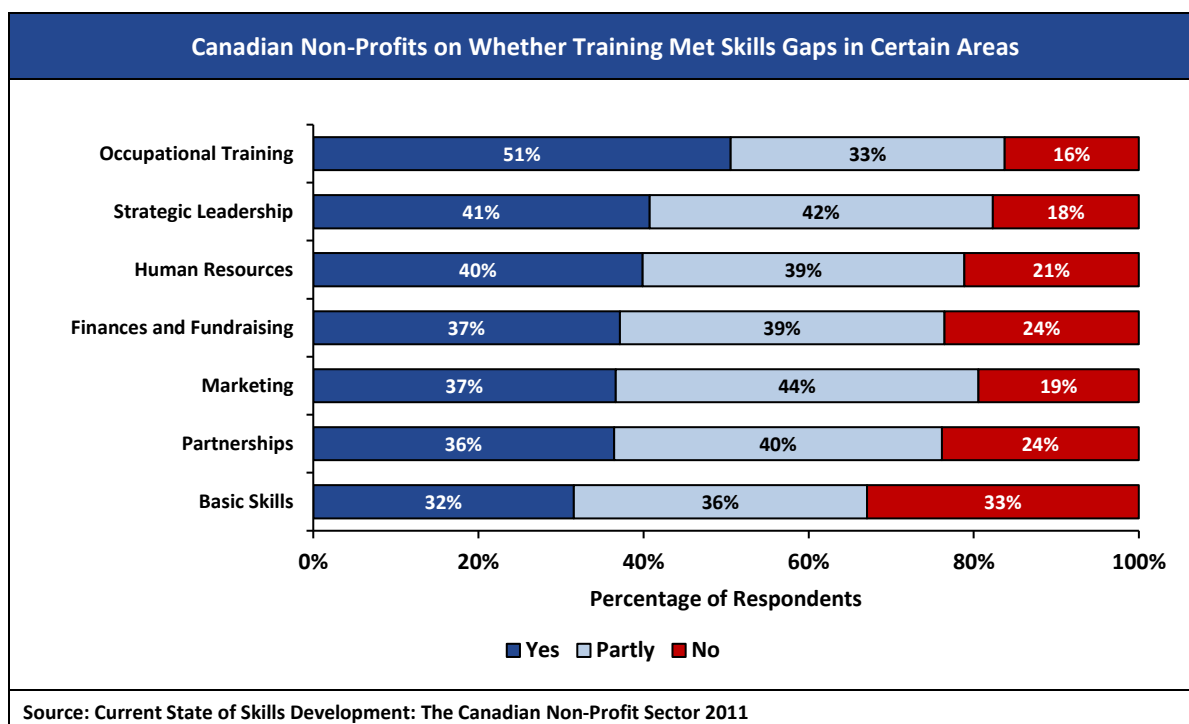
that half of voluntary organisations indicated that skills gaps resulted in an increased workload on other staff while for many organisations this resulted in difficulties in introducing new work practices.



Evidence from Australia shows that 36% of non-profit managers indicated that there were skills gaps across their organisation. The Australian research also highlighted a higher level of skill gaps compared to the retail and manufacturing sectors.²

Evidence from the Canadian non-profit sector indicated the important role that training plays in meeting skills gaps. Just over half of non-profits indicated that investment in training helped address skills gaps in the area of occupational training, and most organisations stated that training met or partially met skills gaps in a wide range of areas.

² Lindorff, M., 2011. *Skills gaps in Australian firms. Journal of vocational education and training*, 63(2).



Low Levels of Investment in Training in the Irish Non-Profit Sector

New empirical research completed by Indecon for this study reveals that the current level of investment in training by non-profit organisations in Ireland is very low. The median percentage of overall expenditure allocated to the training of employees and volunteers in non-profit organisations was only 1.0%. In our consultations it emerged that this low level of expenditure on training was due to financial constraints faced by many non-voluntary organisations and the pressure on staff time which restricted the ability of employees to engage in training.

Percentage of Non-Profit Organisations' Overall Expenditure Allocated to Training	
Median	1.0%
Source: Indecon analysis of survey of non-profit organisations	

The low level of training in many non-profit organisations in Ireland is also reflected in the average annual number of training days provided. The median results for non-profit organisations surveyed by Indecon indicates that they only able to provide 4.5 days of training to staff and volunteers.

Annual Training Days of Paid Employees and Volunteers Provided by Non-Profits	
Median	4.5 days
Source: Indecon analysis of survey of non-profit organisations	

Evidence from the OECD confirms that training intensity is low in the non-profit sector in Ireland. The OECD's Survey of Adult Skills (PIAAC) examined the time spent on training/courses in the last twelve months. Those working in the non-profit sector were least likely to describe the amount of time they spent on training as being in weeks.

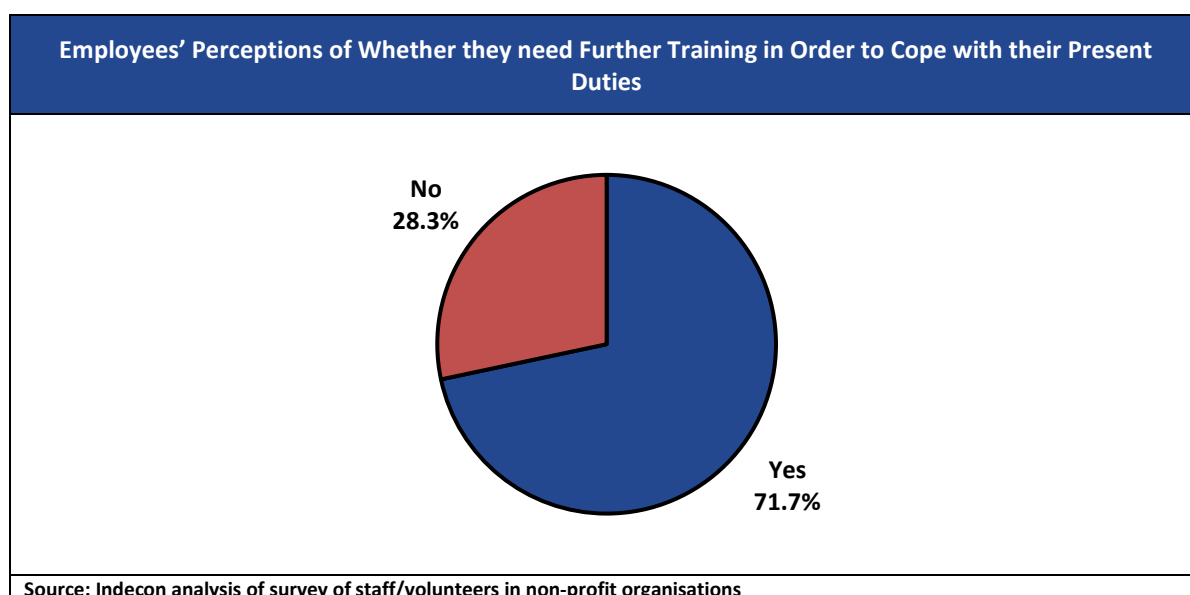
Time Spent on All Types of Courses/Training Etc. in Last 12 Months by Sector in Ireland			
Respondents' estimate of time spent on courses/training in last 12 months	Private sector	Public sector	Non-Profit Sector
Weeks	19.1%	17.4%	14.6%
Days or Hours	80.9%	82.6%	85.4%
Source: Indecon analysis of PIAAC – OECD data			

The research also indicates that respondents working in the non-profit sector in Ireland were less likely to have spent weeks in training when compared to non-profit organisations in the UK and the OECD.

Time Spent on All Types of Courses/Training Etc. in Last 12 Months in Non-Profit Sector			
Respondents' estimate of time spent on courses/training in last 12 months	Ireland	UK	OECD
Weeks	14.6%	17.6%	20.0%
Days or Hours	85.4%	82.4%	80.0%
Source: Indecon analysis of PIAAC – OECD data			

Training and Skill Needs in Irish Non-Profit Sector

In assessing the adequacy of current skills in the non-profit sector in Ireland, Indecon surveyed employees and volunteers of non-profit organisations concerning whether they needed further training in order to cope with their present duties. Almost 72% of staff and volunteers indicated that they needed further training to cope with their present duties.



OECD research provides evidence that indicates a higher percentage of employees of non-profit organisations compared to other sectors of the Irish economy, wanted to engage in training but did not. The high percentage of employees in Irish non-profit organisations who wished to undertake additional learning activities was confirmed by Indecon's survey of the non-profit sector.

In the Last 12 Months Were There Any/More Learning Activities You Wanted to Participate in But Did Not (Ireland)				
	Private sector	Public sector	Non-Profit Sector – OECD PIAAC Survey	Non-Profit Sector – Indecon
Yes	30.4%	36.0%	43.9%	51.6%
No	69.6%	64.0%	56.1%	48.4%

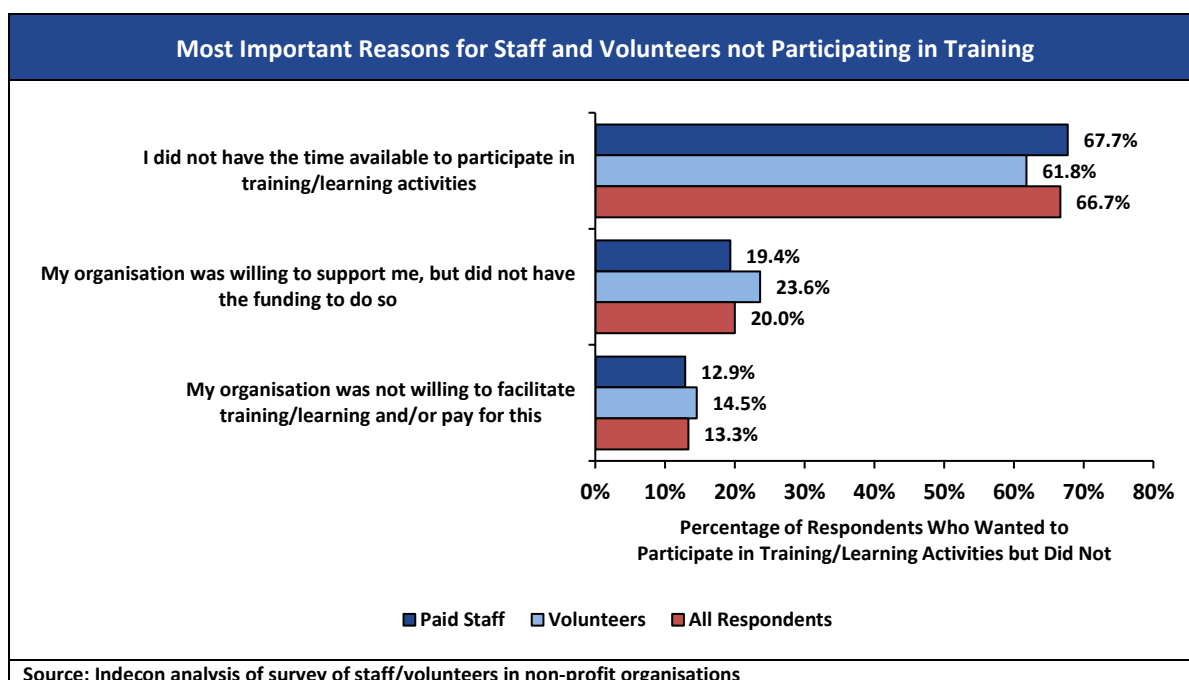
Sources: OECD PIAAC survey; Indecon survey of non-profit employees and volunteers

When comparing across different countries, those working in the non-profit sector in Ireland were less likely to have participated in training or learning activities than employees in non-profit sector organisations in the UK or the OECD.

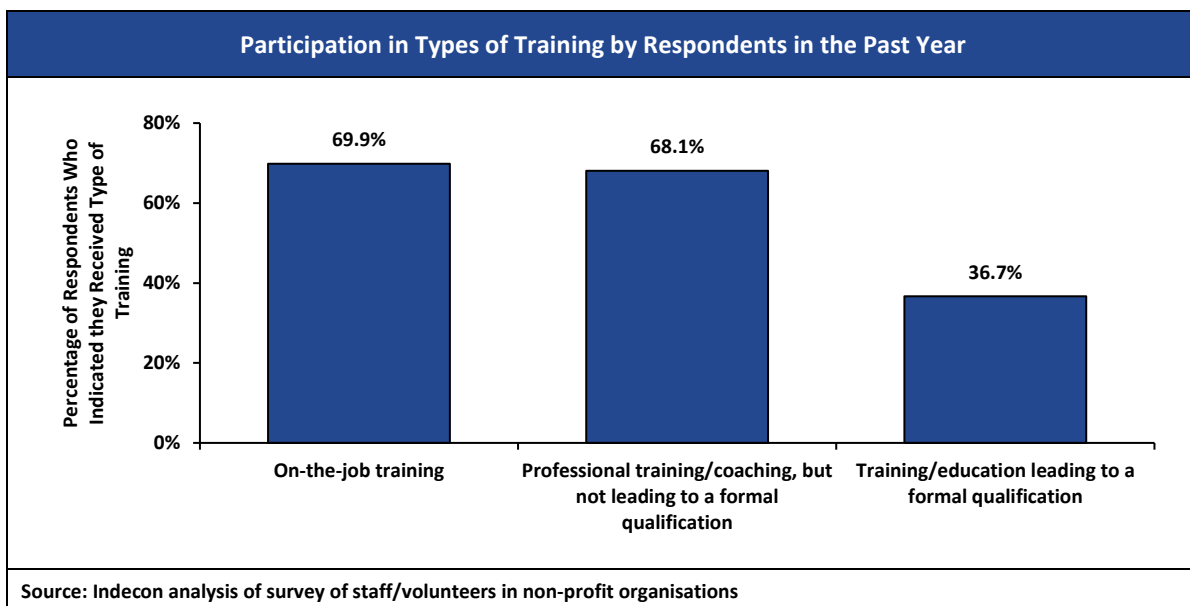
In the Last 12 Months Were There Any/More Learning Activities You Wanted to Participate in But Did Not (Non-Profit Sector)			
	Ireland	UK	OECD
Yes	43.9%	36.4%	37.2%
No	56.1%	63.6%	62.8%

Sources: OECD PIAAC survey; Indecon survey of non-profit employees and volunteers

A lack of time available to participate in training was seen as one of the most important reason by staff and volunteers at non-profits for non-participation.

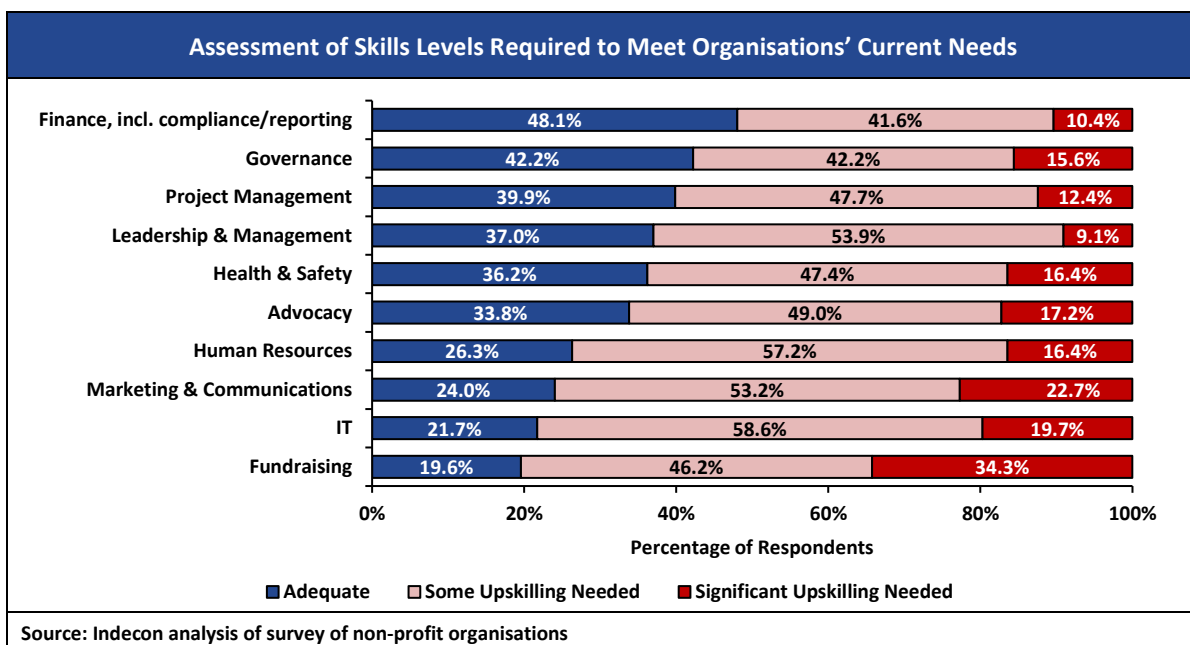


Over two thirds of staff/volunteers in Irish non-profit organisations indicated that they received on-the-job training and professional training or coaching that did not lead to a formal qualification in the past twelve months. However, only 37% indicated that they received training or education that lead to a formal qualification.

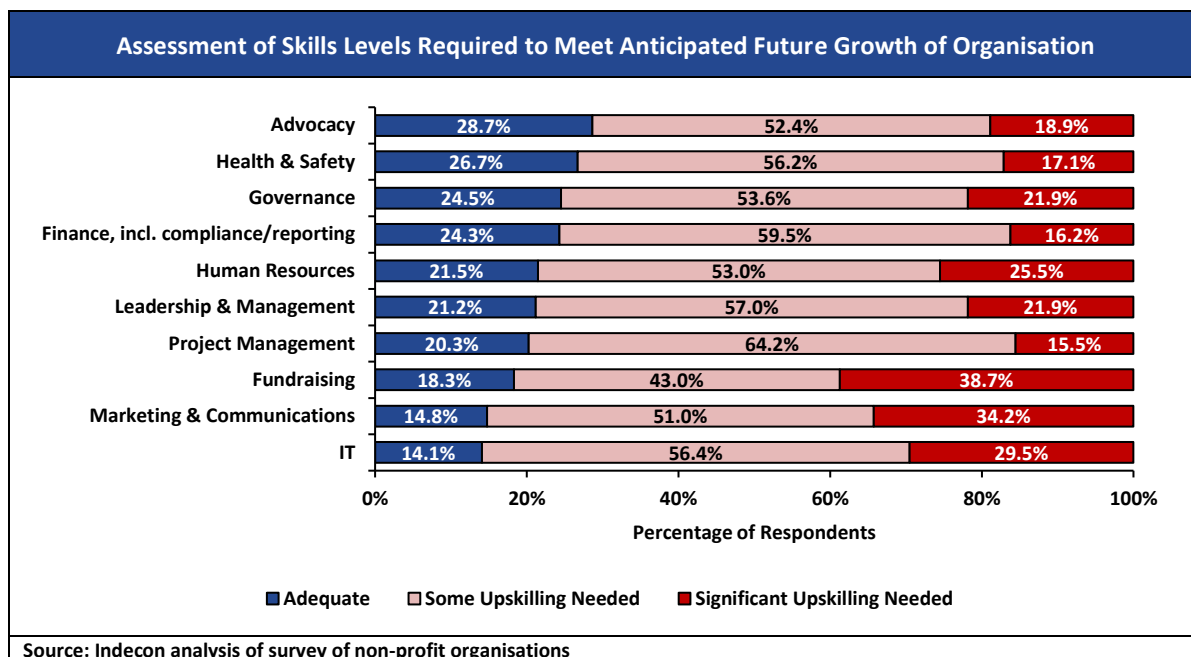


Identification of Sectoral Skills Gaps and their Impact in the Irish Non-Profit Sector

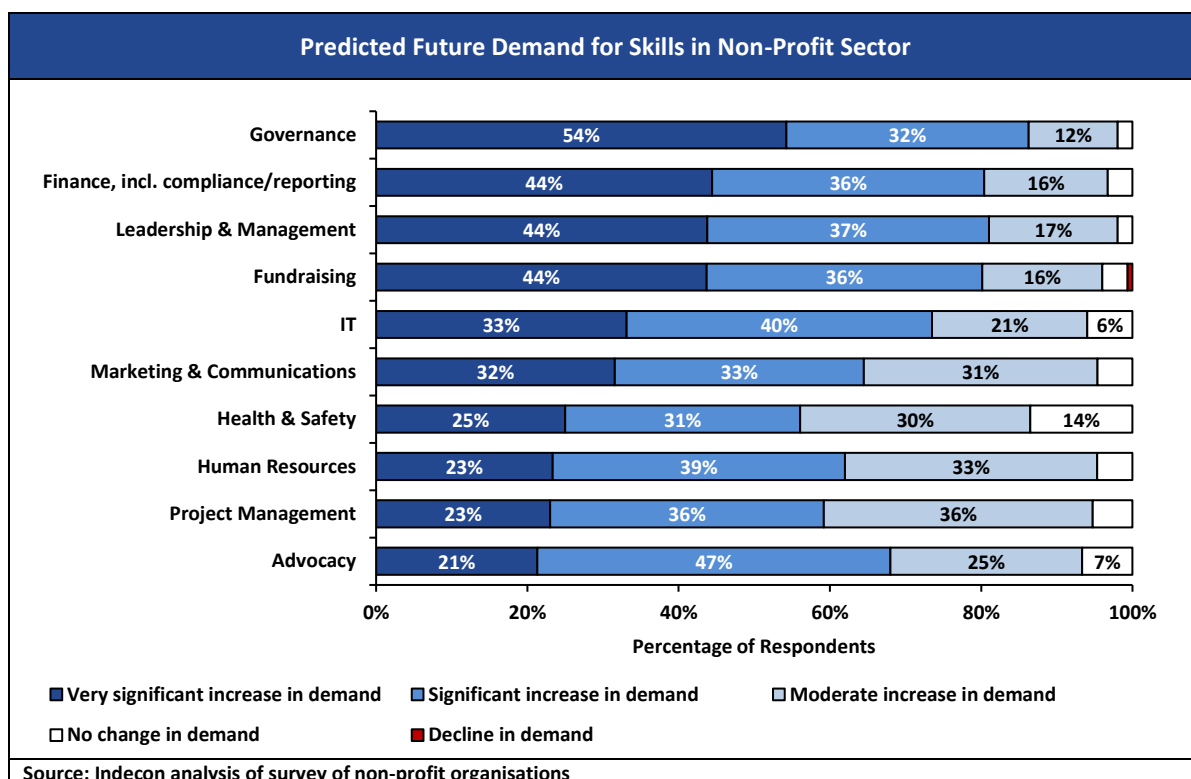
Indecon’s primary research with non-profit organisations indicated a need for upskilling in a number of key areas, including fundraising, IT, marketing and communications, and human resources.



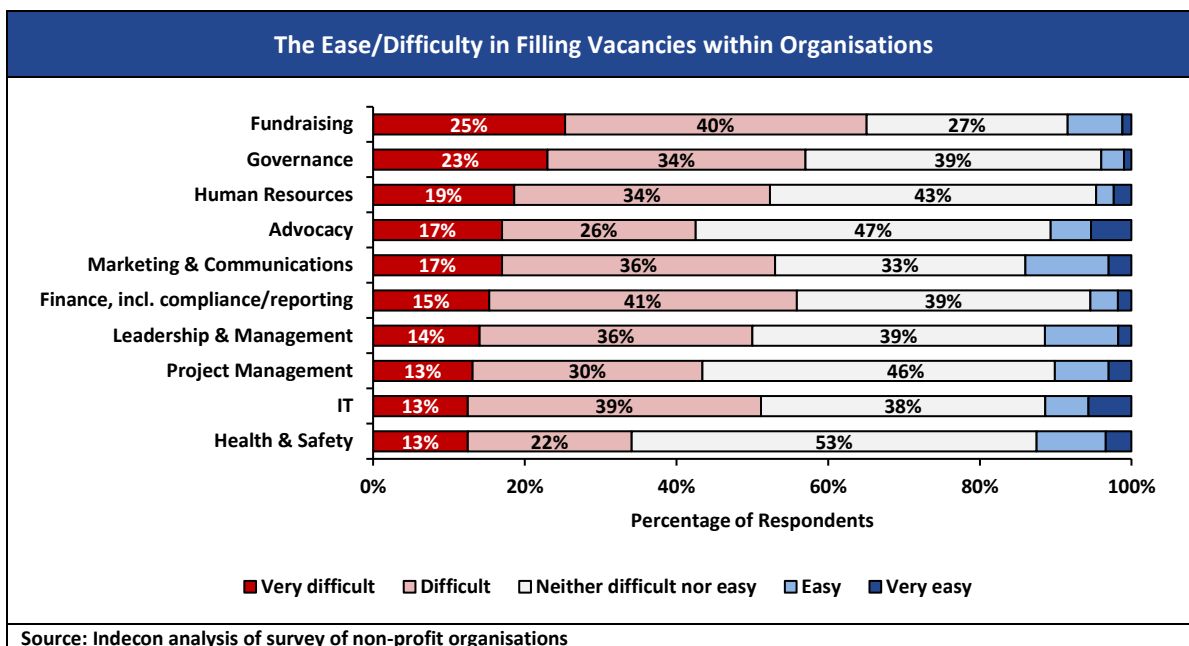
The majority of non-profit organisations also indicated that upskilling is needed to meet anticipated future growth across each of the areas of their organisations.



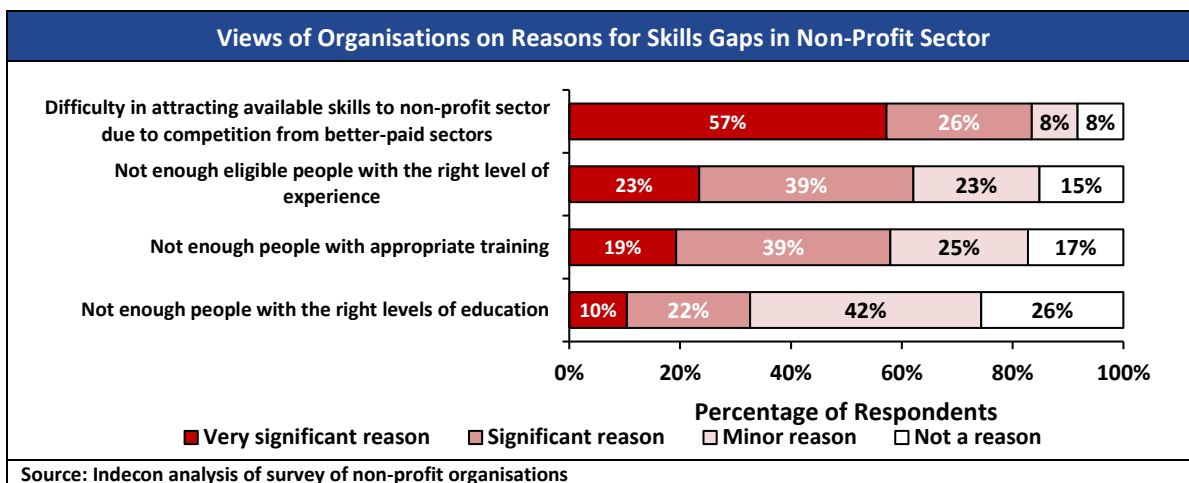
The survey evidence indicates that increases in demand for skills by the non-profit sector are expected across a range of areas including governance, finance, leadership and management, and fundraising.



Filling vacancies is a particular challenge for non-profits in the areas of fundraising, governance, HR, marketing, finance and IT.

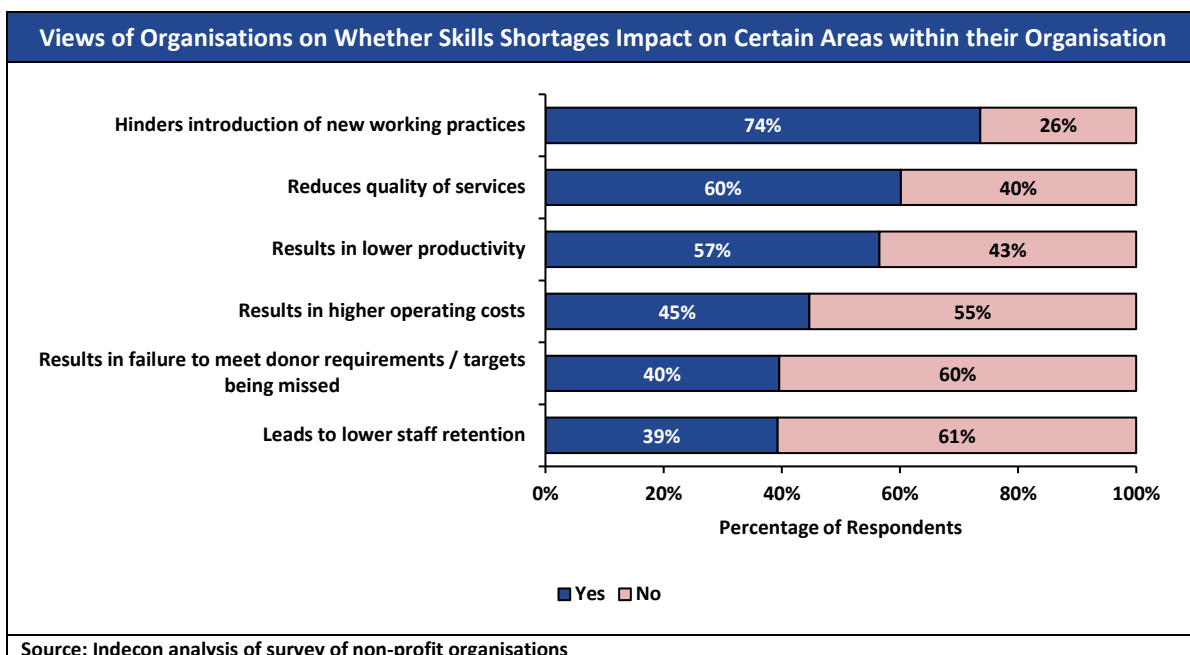


There are a number of complex reasons for the extent of skill gaps in the non-profit sector. These include difficulties in competing with better paid sector and shortages of persons with the right level of experience or training.



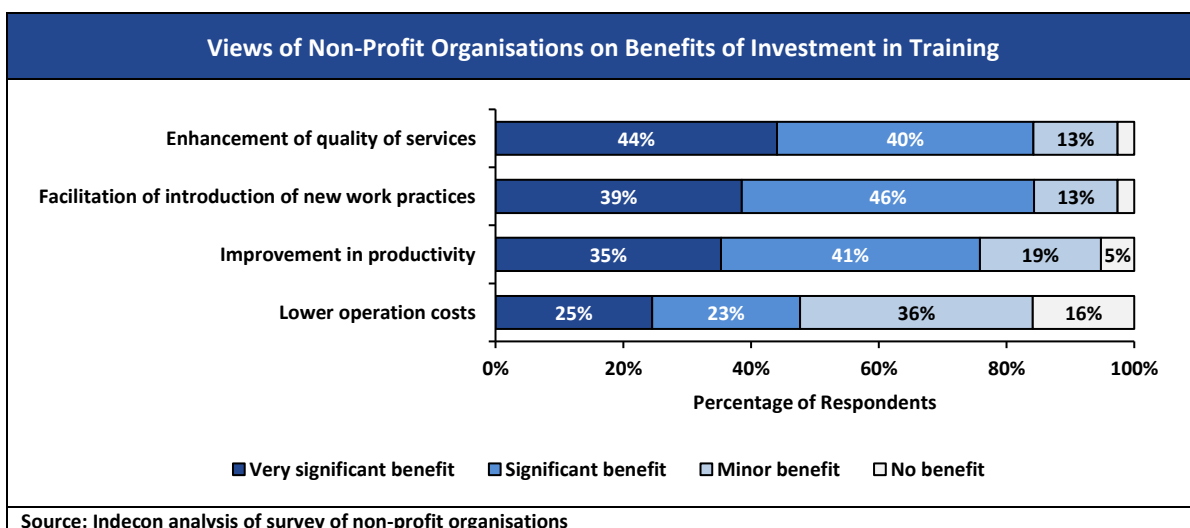
Impact of Skills Gaps

Skills gaps can impact on the ability of non-profit organisations to meet quality standards, introduce new work practices and to develop new services. Skills gaps can increase the workload burden on other staff in the organisation and Indecon believes is likely that this impacts on staff retention and recruitment. Skills shortages have an impact on the introduction of new working practices and reduce the quality of services and levels of productivity.



Assessment of the Impacts of Increased Investment in Training

Increased investment in training would be likely to benefit many non-profit organisations. The main impact of increased investment in training include improvement in services, introduction of new work practices and increases in productivity. For many organisations this could also lead to some reduction in operating costs.



Cost Benefit Analysis of Investment in Training in the Non-Profit Sector

As part of this appraisal, Indecon has developed a formal cost-benefit analysis (CBA) framework, with the objective of providing rigorous quantified assessment of the economic merit or otherwise of investing in training in non-profit organisations. Indecon’s CBA was undertaken in line with the requirements of DPER’s

Public Spending Code. This CBA is designed to provide an appraisal of the costs and benefits of investment in training in the non-profit sector to establish whether additional investment in upskilling is justified. This is important given the need to make best use of public resources. The costs and benefits underlying the CBA were as follows:

- ❑ **Costs of Investment in Training:** The cost of investment in training used in this CBA model is modelled using an assumed aggregate investment of €5,000 per employee per organisation, spread over 2 years.³
- ❑ **Impact of Investment in Training:** The main direct impact of investment in training modelled is confined to any increased productivity per employee working in the non-profit sector.

The CBA is computed in net present value terms based on the following formula, where NPV is the difference between discounted benefits and costs, S_t is the difference between benefits and costs in time t , and a_t represents the choice of discount rate (4% in this case, in line with DPER's Public Spending Code):

$$NPV = \sum_{t=0}^n a_t S_t = \frac{S_0}{(1+i)^0} + \frac{S_1}{(1+i)^1} + \dots + \frac{S_n}{(1+i)^n}$$

In modelling the impact of increased investment, we utilise new survey research which indicates that the median percentage increase in annual average output per employee resulting an increased investment in training is between 10% and 15%.

% Increase in Annual Average Value of Output per Employee Resulting from Investments in Training Valued at €5,000 per employee	
Median % Increase	10-15%
Weighted Average % Increase	12.0%
Source: Indecon analysis of survey of non-profit organisations	

Details of the key parameters used in Indecon's cost-benefit model are presented in the table below. As most of the funding for the non-profit sector comes from the Exchequer, a 130% shadow price of public funds is applied to the modelling.

Summary of CBA Parameter Values	
Parameter	Parameter Values
Time period for analysis	10 years
Discount rate used	4%
Shadow price of public funds	130%
Treatment of VAT	Excluded
% Increased Productivity Impact per FTE (Indecon research)	10%
Estimated Existing Organisation Income per Employee FTE	€ 42,580
Estimated Annual Additional Output per Employee	€ 4,258
Cost of Investment in Training (assumed spread over 2 years - €2,500 in Year 1 and €2,500 in Year 2)	€ 5,000
Source: Public Spending Code / Indecon	

³³ The investment of €5,000 per employee over two years is an indicative level consistent with the levels of investment observed within the top-quintile of non-profits.

The results of the central scenario in the CBA model are presented below. The findings suggest a net benefit of training per employee of €11,886, with a benefit-cost ratio of approximately 2.9. This finding suggests that investing in training would lead to a positive economic return over the appraisal period.

Results of Cost-Benefit Analysis Central Scenario	
Estimate Description	Value
Assumed Productivity Impact per Staff Member (%)	10%
Estimated Annual Additional Output per Staff Member	€ 4,258
Present Value of Benefits over 10-year period*	€18,261
Present Value of Cost of Investment Training assuming public funding and shadow price of 130%	€6,375
Net Present Value of Benefits of Investment in Training over 10-year period (€ per staff member)	€ 11,886
Benefit-Cost Ratio	2.86 : 1
Source: Indecon Cost Benefit Modelling	

In line with the Public Spending Code Indecon has undertaken a range of scenarios as part of this CBA, in which the main variation is around estimated productivity impacts of investment in training on employees of non-profit organisations. Indecon believes that it was necessary to adopt a prudent approach concerning the estimate impact of increased productivity and therefore the assumption around increased productivity due to training in the central scenario that was selected was 10%, the lower bound of the median estimate. An upper bound estimate of 12% was also selected, as this was the weighted average of the responses provided to Indecon's survey concerning the additional impact on productivity due to training. The lower bound estimate selected was 8%. The results of the cost-benefit analysis using these scenarios show that in the higher productivity impact scenario there is an estimated 3.44:1 BCR, compared to 2.29:1 in the lower productivity impact scenario.

Results of Cost-Benefit Analysis – Alternative (Lower/Higher) Scenarios for Productivity Impact		
	Higher Productivity Impact	Lower Productivity Impact
Assumed Productivity Impact per Staff Member (%)	12%	8%
Estimated Annual Additional Output per Staff Member	€ 5,110	€ 3,406
Present Value of Benefits over 10-year period*	€21,913	€14,609
Present Value of Cost of Investment Training assuming public funding and shadow price of 130%	€6,375	€6,375
Net Present Value of Benefits of Investment in Training over 10-year period (€ per staff member)	€ 15,538	€ 8,234
Benefit-Cost Ratio	3.44 : 1	2.29 : 1
Source: Indecon Analysis		

Summary of Conclusions

The following table outlines Indecon's main conclusions from the appraisal.

Summary of Main Conclusions from Appraisal
1. Critical skills gaps exist in the non-profit sector.
2. Levels of training in the Irish non-profit sector are very low.
3. There is a need for increased investment in skills enhancement in the non-profit sector.
4. Investment in upskilling in the sector is likely to have a net positive cost-benefit.

1. Critical skills gaps exist in the non-profit sector

Indecon's research identified that critical skill gaps exist in non-profit organisations. The main reason highlighted by non-profit organisations for these skills gaps is difficulty in attracting skilled individuals to the non-profit sector due to competition from better paid sectors.

2. Levels of training in the Irish non-profit sector are very low.

Indecon's research has demonstrated that non-profit organisations in Ireland are currently only in a position to allocate a small percentage of expenditure to training. Those working in the non-profit sector in Ireland have spent lower amounts of time on training programmes compared to those working in the private and public sectors in Ireland. Employees in Irish non-profit organisations also spend less time on training than those working in the non-profit sector and were more likely to have lower levels of training than those working in the non-profit sector in the UK or the OECD.

3. There is a need for increased investment in skills enhancement in the non-profit sector

New primary research conducted by Indecon has shown that skills shortages in non-profit organisations result in reduced service quality levels and lower productivity. Non-profit organisations expect an increase in the demand for skills and our analysis suggests the need for increased investment in the enhancement of skills.

4. Investment in upskilling in the sector is likely to have a net positive cost-benefit.

As part of this appraisal, Indecon developed a formal cost-benefit analysis (CBA) framework, with the objective of providing a quantified assessment of the economic costs and benefits of investing in training in non-profit organisations. The findings suggest that investment in training in the non-profit sector is likely to have a positive net economic benefit.

Acknowledgements and Disclaimer

Indecon acknowledges the assistance and valuable inputs provided by various individuals and organisations in conducting this appraisal. We would particularly like to express our thanks to the members of the board sub-committee which acted as a steering group for the assessment, as well as the staff of The Wheel, for their assistance and valuable inputs.

Board Steering Group members: Mary Doyle (Chair of the board sub-committee and board member of The Wheel); Inez Bailey (Board member of The Wheel and CEO of the National Adult Literacy Agency), Denis Leamy (CEO of Cork City & County Education & Training Board representing ETB Ireland, the network of all ETBs in Ireland); Professor Tom Collins (former President of Technological University Dublin); Dr Emer Ní Bhrádaigh (Lecturer in Entrepreneurship at DCU). The Wheel staff included: Deirdre Garvey (CEO), Elizabeth Bolger, Hugh O'Reilly, Jon McBride, Mairead O'Connor, and Ivan Cooper.

We would also like to thank a number of individuals and organisations who provided inputs to our review, including Jacki Conway (Director of HR & Communications at Barnardos); Diarmaid Ó Corrbuí (CEO of Carmichael); Sheila Cahill (Sheila Cahill Consulting); Jillian Sexton (Human Resource Training & Development Co-Ordinator of the National Federation of Voluntary Bodies); Greg Straton (Assistant Principal Officer in Health and Wellbeing at the Department of Health; Andrew Forde (Principal Officer of Rural Strategy & Social Enterprise at the Department of Rural and Community Development); Ciara Bates (Principal Officer to the Voluntary and Community Supports Unit at the Department of Rural and Community Development); Imelda Gaffney (Head of Learning & Development at the Irish Wheelchair Association); Paul Skinnader (Executive Director at Pobal); Conor Rowley (Principal Officer at the Tusla Development and Cross Government Working Unit in the Department of Children and Youth Affairs); Shaun Durkin (Head of Learning, Organisational Development at the Rehab Group); Sara Denny (Director of Impact at Social Entrepreneurs Ireland); Nessa Doyle (General Secretary, Education and Training Boards Ireland); Ed Connolly (Manager, South East Regional Skills Forum). Indecon would also like to thank the members of FEDVOL, The National Federation of Voluntary Bodies Providing Services to People with Intellectual Disability, in particular Jillian Sexton, Sandra Murphy and Raffaele Capolupo.

Finally, we would like to particularly acknowledge with thanks the many organisations and employees/volunteers who participated in our survey work and who provided valuable insights on the extent of training, skill shortages and potential impacts of investment in training.

The usual disclaimer applies and responsibility for the analysis and findings in this independent report remains the sole responsibility of Indecon Research Economists.

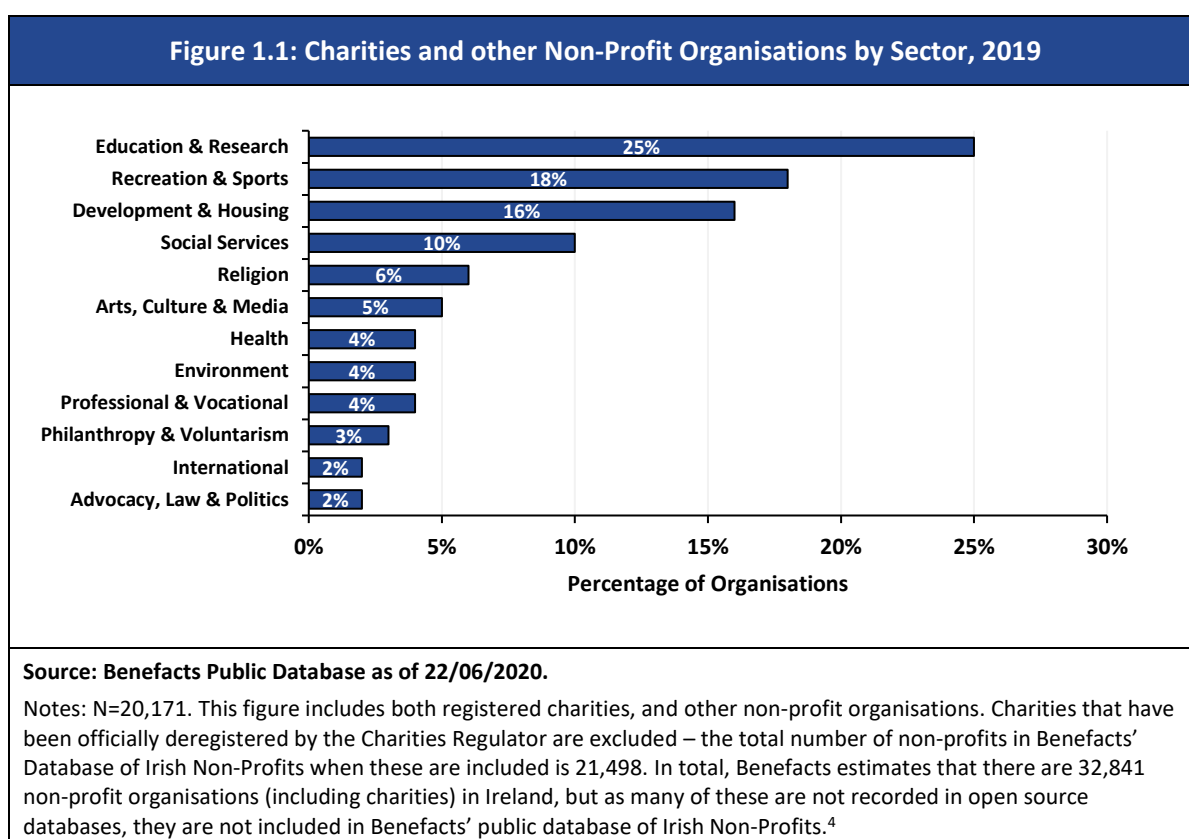
1 Introduction

1.1 Introduction

Indecon International Research Economists were appointed by The Wheel, following a competitive tendering process, to undertake an independent investment appraisal report on the upskilling of employees in the non-profit sector in Ireland. The purpose of the appraisal is to generate policy-relevant knowledge concerning the current training and skills levels of employees in the Irish non-profit sector and to evaluate the social and economic cost and benefits of investment in building skills in the Sector.

1.2 Background and Scope of Appraisal

Non-profit organisations in Ireland provide important services in a wide range of areas including healthcare, education, sports, arts and social services. The term non-profit sector is used in this document to include charities, community & voluntary organisations, social enterprises and any non-profit that works for the public benefit (i.e. no private gain is given to owners or shareholders) and which are also governed by volunteer board members / committee members / charity trustees. The figure below provides an overview of non-profit organisations in terms of the sector in which they operate.

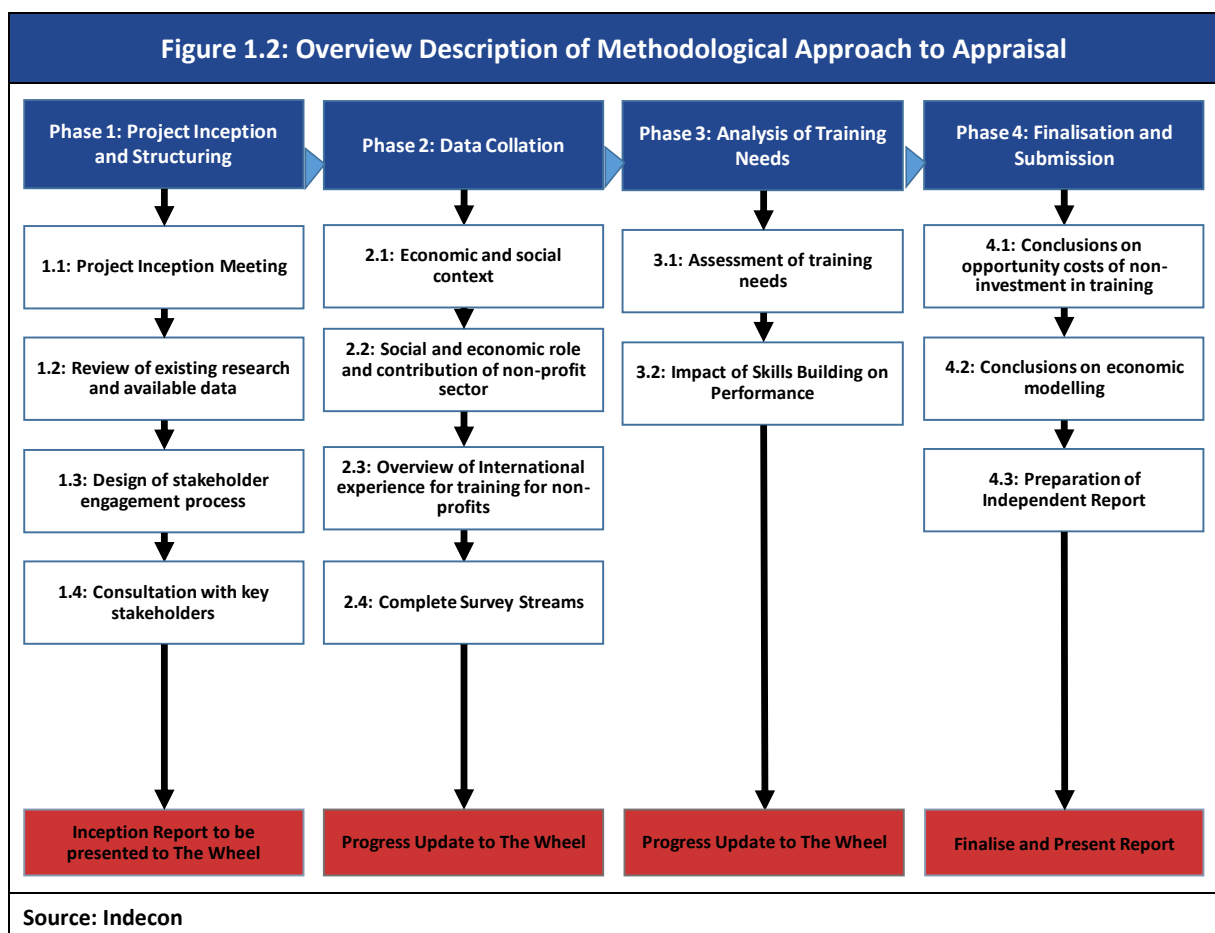


⁴ <https://www.benefacts.ie/help/about-the-data-in-benefacts-database-of-irish-nonprofits-2/>

The Wheel is Ireland’s national association of community and voluntary organisations, charities and social enterprises. The Wheel acts as a central resource for the charity and non-profit sector to help the sector expand its capacity and capability. It also represents the sector’s interests by promoting public support and to secure the optimum legislative, policy and regulatory environment for community and voluntary action. In addition, The Wheel assists networking across the non-profit sector and provides information and advice to individuals working in the sector. A major role of The Wheel is to ensure that a wide range of affordable unaccredited and accredited training and development is available to non-profit organisations.

1.3 Methodological Approach

Indecon has applied a rigorous methodological approach to delivering on the key requirements of this appraisal as set out by The Wheel. This approach can be divided into four distinct phases, as outlined in the schematic diagram provided in Figure 1.2.



Indecon’s methodology involves an integrated approach, which formulates policy conclusions based on evidence from:

- ❑ stakeholder engagement;

- new empirical survey research/evidence;
- data analysis of existing datasets;
- review of documentation and existing research; and
- detailed cost-benefit analysis of training in the non-profit sector in Ireland.

Each of these elements are now discussed in further detail.

Stakeholder Engagement

In the course of this appraisal, Indecon engaged extensively with a wider range of stakeholders and inputs/submissions were received from 15 organisations. Indecon also undertook new primary research in order to assess the level of skills gaps in the sector. This included a survey of CEOs of a representative sample of organisations across the non-profit sector (with 157 responses received), and a survey of staff and volunteers in these organisations (with 541 staff responses received). The very high number of responses reflects the level of awareness in the sector of the importance of having sufficient skills to meet the needs of service users.

The organisations which provided these submissions are outlined in Figure 1.3.

Figure 1.3: List of Organisations Providing Submissions
<input type="checkbox"/> Department of Children and Youth Affairs
<input type="checkbox"/> Department of Rural and Community Development
<input type="checkbox"/> Department of Health
<input type="checkbox"/> Carmichael
<input type="checkbox"/> Rehab Group
<input type="checkbox"/> Irish Wheelchair Association
<input type="checkbox"/> Barnardos
<input type="checkbox"/> Sheila Cahill
<input type="checkbox"/> Education and Training Boards Ireland
<input type="checkbox"/> Cork Education and Training Board
<input type="checkbox"/> South East Regional Skills Forum
<input type="checkbox"/> Pobal
<input type="checkbox"/> Social Entrepreneurs Ireland
<input type="checkbox"/> National Federation of Voluntary Bodies Providing Services to People with Intellectual Disability
<input type="checkbox"/> The Wheel
Source: Indecon

Survey Research

As part of this appraisal, Indecon undertook primary research in order to assess various aspects of the non-profit sector in Ireland including the views of organisations and staff concerning the level of

skills gaps in the sector. This included a survey of CEOs of a representative sample of organisations across the non-profit sector (with 157 responses received), and a survey of staff and volunteers in these organisations (with 541 staff responses received). These surveys were undertaken between November 2019 and January 2020. The numbers of responses to these surveys are displayed in Table 1.1. The very high level of responses is reflective of the level of awareness by both organisations and their staff of the need to ensure sufficient skills are available to meet the needs of served users.

Table 1.1: Indecon Survey Responses	
Survey	Number of Responses
Survey of The Wheel Member Organisations	157
Survey of Staff at The Wheel Member Organisations	541

Source: Indecon survey of non-profit organisations and survey of staff/volunteers in non-profit organisations

Data Analysis of Existing Datasets

As part of this appraisal Indecon reviewed existing datasets, including those outlined in Figure 1.4 below. These datasets range from the Database of Irish Non-Profits kept by Benefacts, which contains a list of the over 20,000 bodies in Ireland that meets its definition of a non-profit organisation, to the QNHS 2013 Special Module on Volunteering and Wellbeing, which informed the assumptions around the treatment of volunteer numbers in Indecon's cost benefit analysis of training in the non-profit sector.⁵

Figure 1.4: List of Datasets Reviewed
<ul style="list-style-type: none"> <input type="checkbox"/> Benefacts Database of Irish Non-Profits <input type="checkbox"/> Charity Register <input type="checkbox"/> The Wheel Membership Database <input type="checkbox"/> Quarterly National Household Survey (QNHS) 2013 Special Module on Volunteering and Wellbeing <input type="checkbox"/> CSO Census 2016 data on Education Levels in Ireland <input type="checkbox"/> PIAC - OECD

Source: Indecon

Review of Documentation and Existing Research

In order to obtain more evidence surrounding the impact of training on the non-profit sector, Indecon reviewed documentation and research concerning this area. Some examples of research examined

⁵ Charities that have been officially deregistered by the Charities Regulator are excluded – the total number of non-profits in Benefacts' Database of Irish Non-Profits when these are included is 21,498. In total Benefacts estimates that there are 32,841 non-profit organisations in Ireland, but as many of these are not recorded in open source databases, they are not included in Benefacts' public database of Irish Non-Profits.

are outlined in Figure 1.5. This research was compiled both internationally and in Ireland and represents a comprehensive overview of the existing evidence concerning the impact of investment in training in the non-profit sector. It also examines where there are skills shortages among non-profit organisations.

Figure 1.5: Examples of Research Reviewed
<p><i>"Stronger charities, for a stronger society,"</i> House of Lords Select Committee on Charities.</p> <p><i>"Small charities, Big skills gaps."</i> Clear Lessons Foundation.</p> <p><i>"Addressing the training needs for voluntary, private and charity-based health care providers,"</i> GMSA.</p> <p><i>"UK Small Charity Sector Skills Survey,"</i> FSI.</p> <p><i>"Training Needs Analysis,"</i> Skills Third Sector.</p> <p><i>"Governance training needs in community organisations."</i> Queensland University of Technology.</p> <p><i>"Training Needs of Administrators in the Non-profit Sector: What Are They and How Should We Address Them?"</i> Nolan.</p> <p><i>"Non-profit Sector: Workforce Education Needs and Opportunities,"</i> University of Connecticut.</p>
Source: Indecon

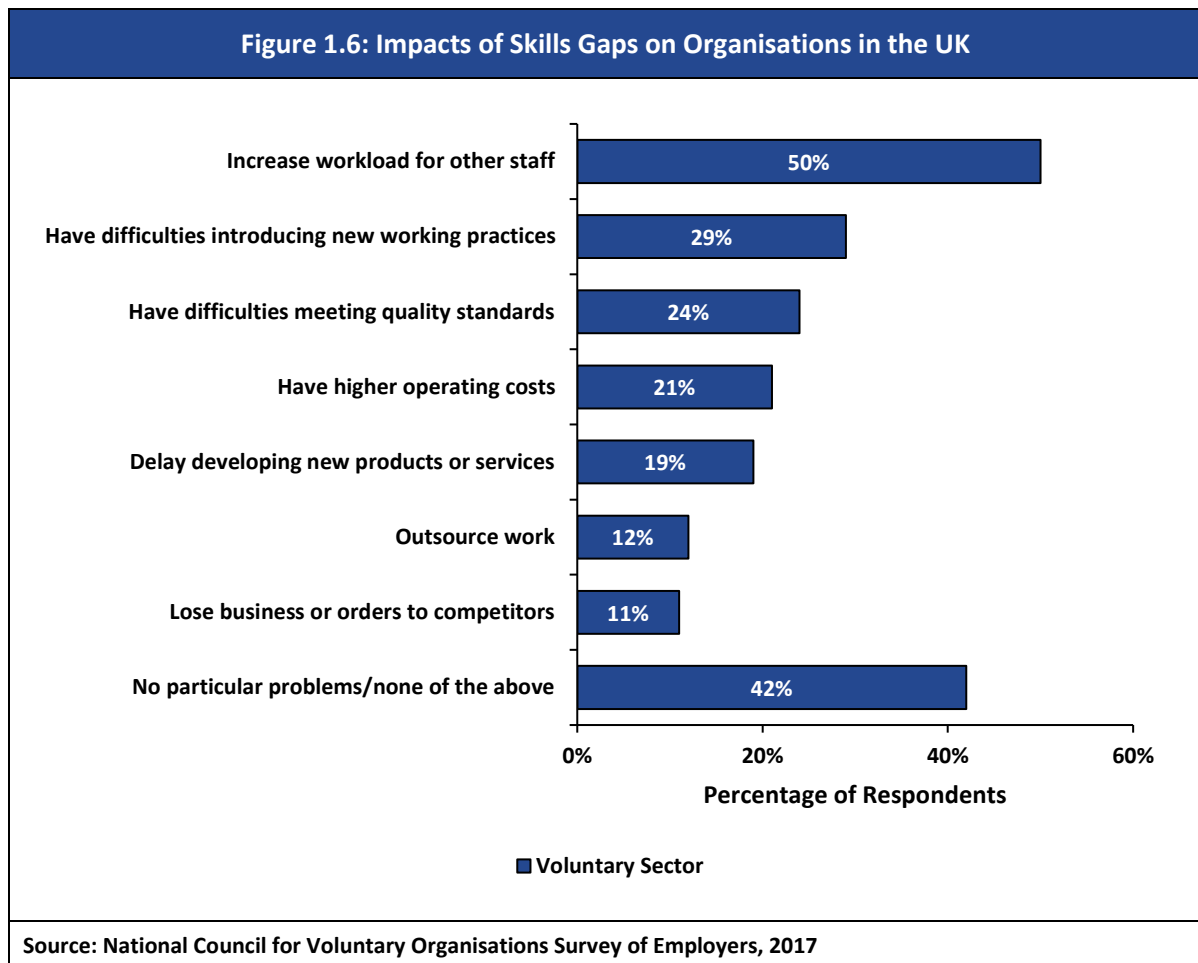
Detailed Cost-Benefit Analysis of Training in the Non-profit Sector

This appraisal included a cost-benefit analysis (CBA) of investment in training in the non-profit sector in Ireland. This CBA was conducted in line with best practice methodologies for CBAs and the parameters contained within it complied with the Public Spending Code issued by the Department of Public Expenditure and Reform.

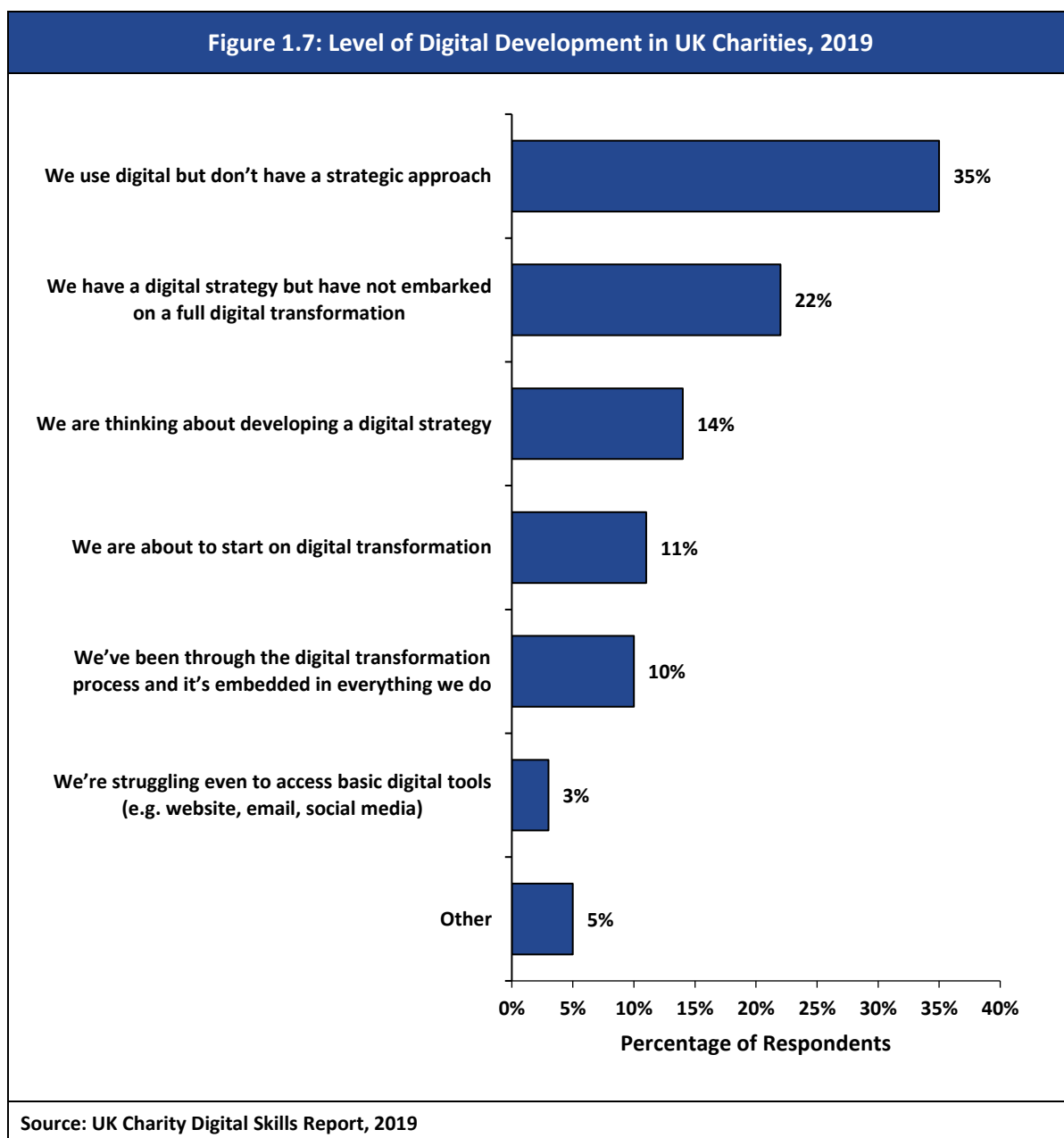
1.4 International Evidence on Impact of Skill Gaps in Non-Profit Sector

As part of this appraisal, Indecon examined the international evidence concerning the presence of skills gaps in the non-profit sector and the impact of training in meeting these shortages.

A number of international studies have identified on skills gaps in the non-profit sector. Figure 1.6 shows the areas in which UK small charities reported as having the vacancies that are most difficult to fill. 23% of charities reported that fundraising was the area where vacancies were hardest to fill, and some organisations reported difficulties in filling other skilled areas.



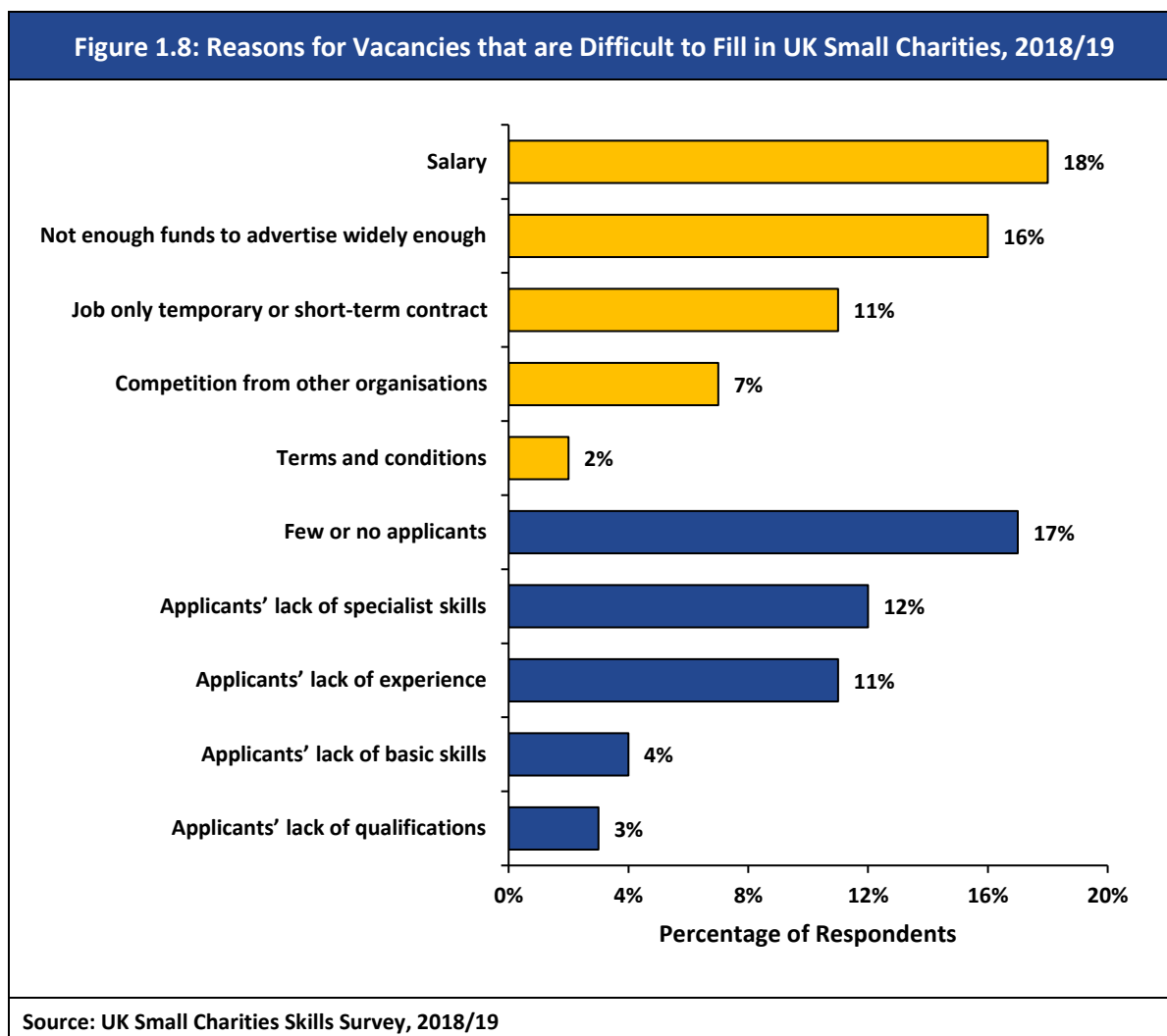
Digital skills are an area of increasing importance for all sectors, including the non-profit sector. Figure 1.7 provides recent evidence concerning the level of digital development in charities in the UK, and it can be observed that only 10% of charities have been through a digital transformation process and have embedded this within their organisation. In the UK, half of voluntary organisations indicated that skills gaps resulted in an increased workload on other staff and a high percentage reported that skills gaps resulted in difficulties in introducing new work practices.



Evidence from a survey of members of the Australian Institute for Management in relation to the prevalence of skills gaps, found that non-profit managers reported there being skills gaps in their organisation. 36% of non-profit managers indicated that there were skills gaps across their organisation in comparison to 19% in the retail and manufacturing sectors.⁶

⁶ Lindorff, M., 2011. *Skills gaps in Australian firms. Journal of vocational education and training*, 63(2), pp.247-259.

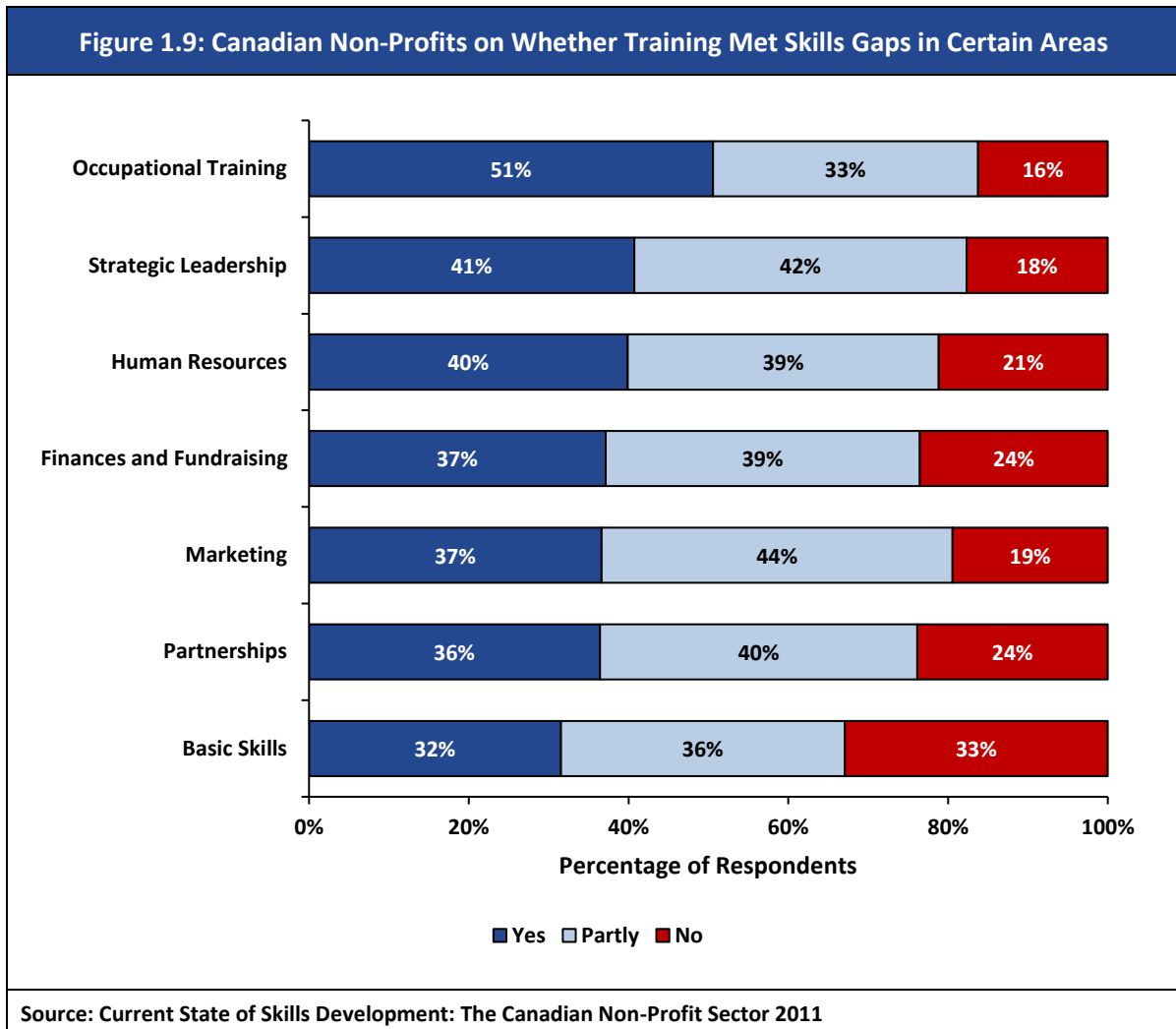
Research undertaken in the UK found that 12% of small charities consider an applicant's lack of specialist skills to be a reason for hard-to-fill vacancies, while 4% consider a lack of basic skills to be a factor. This can be observed from Figure 1.8, which shows reasons for vacancies that are hard to fill in UK small charities.



Skills gaps impact on non-profit organisations in a number of ways. Australian research found that the impact of skills gaps was very significant in charities and non-profits.⁷ The sectors where skills gaps were reported to have the next greatest impact on profits and performance were the professional, scientific and technical sector (42%), and the information and media sector (41%).

⁷ Lindorff, M., 2011. *Skills gaps in Australian firms. Journal of vocational education and training*, 63(2), pp.247-259.

A key rationale for investing in training is to ensure that staff have the skills necessary to carry out current and future needs. Evidence from the Canadian non-profit sector highlights the important role that training plays in meeting skills gaps.



1.5 Report Structure

The remainder of this report is structured as follows:

- ❑ Section 2 provides a profile and contribution of the non-profit sector in Ireland;
- ❑ Section 3 presents evidence on the current levels of training in the sector;
- ❑ Section 4 considers the extent and impact of skills gaps;
- ❑ Section 5 assesses the costs and benefits of investment in training; and
- ❑ Section 6 summarises the key conclusions of the analysis.

2 Profile and Contribution of the Non-Profit Sector in Ireland

2.1 Introduction

The non-profit sector in Ireland comprises of a diverse range of organisations. These organisations provide critical services in health, education, sports, social services, community development and other areas.

2.2 Nature of the Non-Profit Sector

'Non-profits' have been classified by the United Nations (UN) as being organizations, not-for-profit and non-profit-distributing, institutionally separate from government, self-governing and non-compulsory.⁸ Benefacts, which collects data on organisations that meet this definition suggested that there were almost 20,000 such organisations in Ireland.⁹ A subset of non-profit organisations is that of "registered charity", which is defined under the Charities Act 2009 as per the figure below. All such bodies are statutorily required to register with the Charities Regulator – in 2019 there were over 10,000 charities registered on the Charities Register. The term non-profit sector is used in this document to include charities, community & voluntary organisations, social enterprises and any non-profit that works for the public benefit (i.e. no private gain is given to owners or shareholders) and which are also governed by volunteer board members / committee members / charity trustees.

Figure 2.1: Definition of a Charity in Ireland

"The trustees of a charitable trust, or

A body corporate or an unincorporated body of persons:

- (i) that promotes a charitable purpose only,*
- (ii) that, under its constitution, is required to apply all of its property (both real and personal) in furtherance of that purpose, except for moneys expended:*
 - a. in the operation and maintenance of the body, including moneys paid in remuneration and superannuation of members of the staff of the body, and*
 - b. in the case of a religious organisation or community, on accommodation and care of members of the organisation or community, and*
- (iii) none of the property of which is payable to the members of the body other than in accordance with section 89 [of the Charities Act]."*

Source: Charities Act (2009)

Note: Some bodies that meet the above definition are termed "excluded bodies" by the Charities Act and are not regarded as charities. These include political parties, sporting organisations, trade unions or other employer representative organisations and chambers of commerce, among others.

⁸ United Nations, Handbook on Non-Profit Institutions in the System of National Accounts, Series F., No. 91.

⁹ Benefacts Database as of 19/11/2019.

In examining the composition of the Irish non-profit sector, Indecon matched the survey population to the Database of Irish Non-Profits maintained by Benefacts. The results of this matching are shown in Table 2.1. This highlights the diversity of community and voluntary organisations and the importance of the services provided.¹⁰

Table 2.1: Community and Voluntary Organisations by Sector, 2019	
Sector	Percentage
Social Services	25.1%
Development & Housing	18.0%
Health	17.7%
Education & Research	6.4%
Arts, Culture & Media	5.6%
Advocacy, Law & Politics	5.2%
Religion	4.7%
Philanthropy & Voluntarism	4.3%
Environment	3.9%
International	3.6%
Professional & Vocational	3.3%
Recreation & Sports	2.3%

Source: Indecon analysis of survey population and the Benefacts Database of Irish Non-profits
Note: Estimated distribution of the community and voluntary sector was taken to be the membership of the Wheel.

2.3 Economic and Social Contribution of the Non-Profit Sector

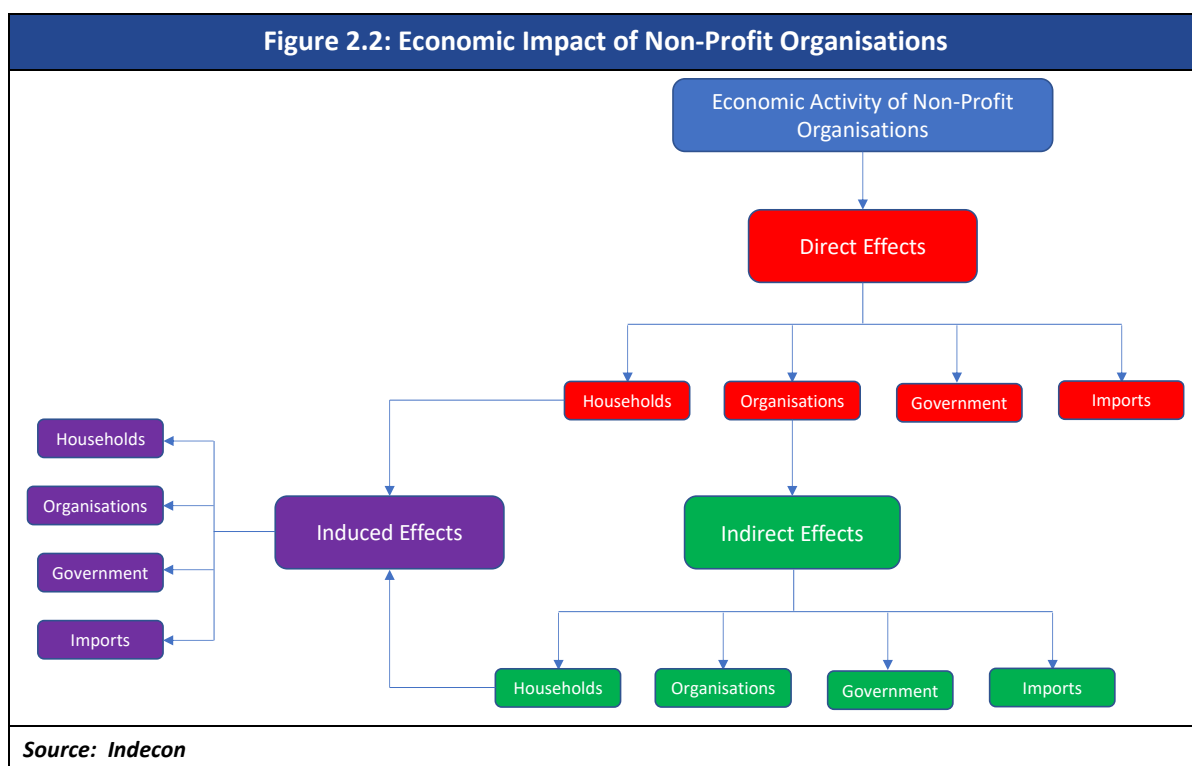
Non-profits represent one of the largest sectors in the Irish labour market. Even in the subset and charitable organisations Indecon estimates indicate that there were 188,714 individuals working in registered charities in Ireland in 2017,¹¹ and this excludes employment in non-profit bodies which do not have a charitable status. The average salary level is estimated to be approximately €46,000. This is just under the annual average earnings for full-time employees in all sectors in Ireland in 2018, which was €47,596¹². The average salary level is estimated to be approximately €46,000. This is just under the annual average earnings for full-time employees in all sectors in Ireland in 2018, which was €47,596.

¹⁰ Health consists of organisations that are residential care centres, residential mental health services, health services and health promotion organisations, mental health services, addiction support, hospices and a small number of hospitals.

¹¹ Indecon, 2018. "Registered Irish Charities Social and Economic Impact Report".

¹² CSO Earnings

The scale of economic activity of charitable organisations is indicated by the fact that a total of €14.5 billion of income was reported by organisations on the Charities Register, as per Indecon’s report on the Social and Economic Impact of the Charities Sector in Ireland, commissioned by the Charities Regulator.¹³ In order to estimate the wider economic impact of this income, Indecon used its input-output model of the Irish economy, which takes into account the direct, indirect and induced impacts of the economic activity of expenditure. Direct multipliers allow for the estimation of the direct effects of economic activity in terms of expenditure and employment. Type I multipliers estimate the indirect impacts of economic activity. Indirect impacts include the knock-on business activity that is supported through direct economic activity. Type II multipliers include both indirect and induced effects. Induced effects are concerned with the knock-on impact of household consumption due to direct economic activity. The following figure outlines how these different effects are connected.



These direct, indirect and induced impacts of non-profits on the economy are defined as follows:

- ❑ Direct effect: This considers the economic output generated by non-profits themselves, by purchasing goods and services (including labour) within the economy.
- ❑ Indirect effect: This effect arises from these organisations purchases of goods and services from other sectors in the economy to support its activities. These purchases generate income for the supplying industries, which they in turn spend on their own purchases from suppliers to meet their demands.

¹³ Indecon, 2018. *Irish Registered Charities – Social and Economic Impact Report 2018*: <https://www.charitiesregulator.ie/media/1564/indecon-social-and-economic-impact-report-2018.pdf>

- Induced effect: The induced effect is based on non-profit organisations as employers. In return for their services, they pay salaries to their employees, who use this income to buy consumer goods and services within the economy. This generates wage income for employees within the industries producing these goods and services, who in turn spend their own income on goods and services. Again, this leads to subsequent rounds of wage income spending throughout the economy as a whole.

It should, however, be noted that all sectors of the economy contribute to and interact with other sectors and so the multiplier impacts should be interpreted with caution. Indecon estimates that the total direct, indirect and induced expenditure of charities in Ireland in 2017 was €24.98 billion, as can be seen in Table 2.2. Additionally, it was estimated that charities in Ireland support, through their direct, indirect and induced impact, 289,197 employees.

Table 2.2: Economic and Social Impacts of Charities in Ireland, 2017				
	Direct Impact	Indirect Impact	Induced Impact	Total Impact
Expenditure (€ Million)	14,491	3,907	6,583	24,981
Employment	188,714	39,647	60,835	289,197
Source: Indecon Registered Irish Charities Social and Economic Impact Report 2018				

Non-profit organisations also are the conduit for a very significant proportion of volunteering in Ireland. Indecon estimates that there are 300,536 volunteers in registered charitable organisations. This is based on a mid-point for numbers of volunteers based on reported range. We integrate this with CSO data of estimated 226 hours of volunteering annually. Indecon's estimate for the value of volunteering in registered charitable organisations using the minimum wage is €648.8 million. Using average earning as the value of time, this estimate rises to over €1.5bn. This is shown in Table 2.3 below.

Table 2.3: Economic and Social Impacts of Volunteering in Ireland, 2017		
	Using Minimum Wage	Using Average Earnings
Estimated Value of Volunteering in Charitable Organisations	€648.8m	€1,539.4m
Source: Indecon Registered Irish Charities Social and Economic Impact Report 2018		

2.4 Summary of Key Findings

- ❑ The non-profit sector in Ireland comprises of a diverse range of organisations. These organisations provide critical services in health, education, sports, social services, community development and other areas.
- ❑ Indecon estimates that the total direct, indirect and induced expenditure of charities in Ireland in 2017 was €24.98 billion. Additionally, it was estimated that charities in Ireland support, through their direct, indirect and induced impact, 289,197 employees.
- ❑ Non-profit organisations are the conduit for a very significant proportion of volunteering in Ireland. Indecon estimates that there are 300,536 volunteers in registered charitable organisations. Indecon's estimate for the value of volunteering in registered charitable organisations using the minimum wage is €648.8 million.

3 Current Levels of Training

3.1 Introduction

An important element of this appraisal is to determine the current levels of training in the non-profit sector. As background, it is of note that many non-profit organisations operate in sectors of the economy where there are relatively high education levels. For example, while over 60% of employees of the non-profit sector have a higher or postgraduate education, less than 40% in the general labour market do. Other sectors of the economy within which many non-profit organisations operate, such as health or social care, also are typified by high education levels. This is illustrated in Table 3.1.

Table 3.1: Education Levels in Non-Profit Sector – Average Education Levels Attained by Staff in Respondent Organisations

	Non-Profit	Health professionals	Teaching & educational professionals	Health & social care associate professionals	Caring personal service	Total labour force
Junior Certificate or below	6%	0%	0%	6%	16%	19%
Upper secondary level	15%	2%	1%	10%	16%	20%
Post Leaving Certificate	19%	8%	4%	27%	43%	24%
Higher Education	36%	51%	39%	39%	20%	24%
Postgraduate	25%	39%	56%	17%	4%	14%

Source: Indecon analysis of survey of non-profit organisations; CSO

3.2 Training Provision in the Non-Profit Sector

New empirical research completed for this study reveals that the current level of investment in training by non-profit organisations is very low. Table 3.2 shows that the median percentage of overall expenditure allocated to the training of employees and volunteers in non-profit organisations was only 1.0%.

Table 3.2: Percentage of Non-Profit Organisations' Overall Expenditure Allocated to Training of Paid Employees and Volunteers

Median	1.0%
Source: Indecon analysis of survey of non-profit organisations	

Table 3.3 disaggregates the data presented in Table 3.2 by organisation size (number of paid staff and volunteers). Smaller organisations (0-14 paid staff/volunteers) tend to spend a lower percentage of their overall expenditure on training for their staff than medium-sized organisations.

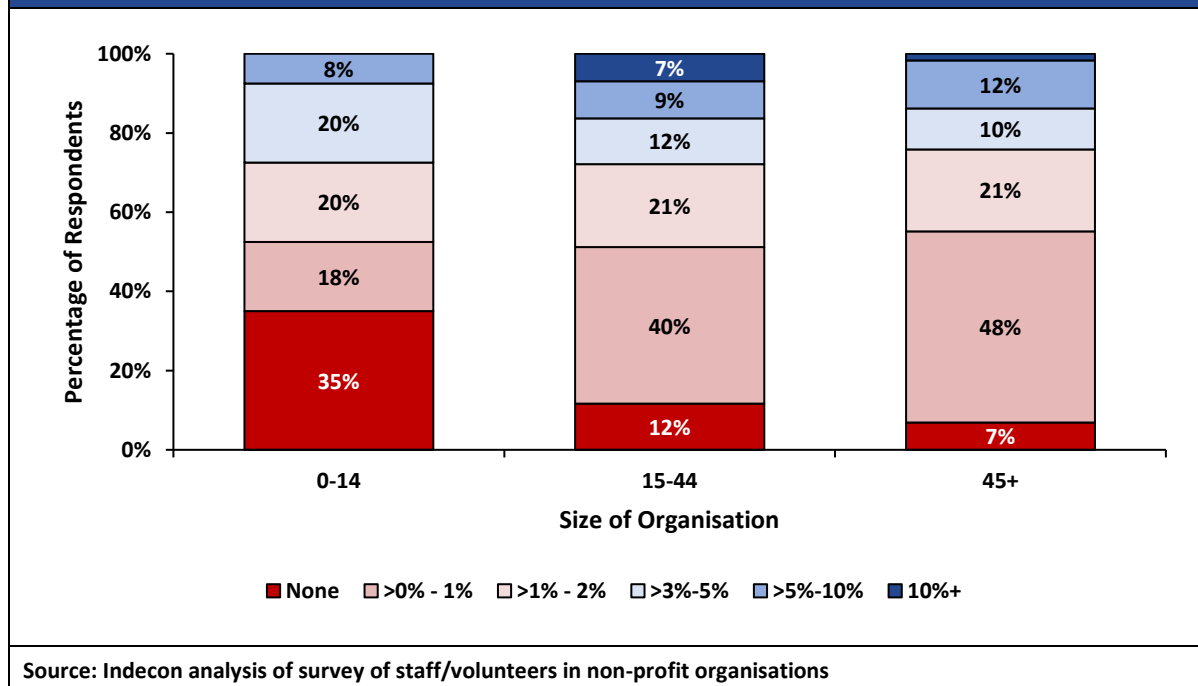
Table 3.3: Median Percentage of Non-Profit Organisations' Overall Expenditure Allocated to Training of Paid Employees and Volunteers, by Organisation Size	
Number of Paid Staff and Volunteers	Median Percentage of Expenditure Allocated
0-14	1.0%
15-44	1.3%
45+	1.0%
Source: Indecon analysis of survey of non-profit organisations	

It is also useful to examine the proportions of respondent non-profit organisations by training allocation percentage brackets, as shown in Table 3.4. This shows that 16% of organisations are not currently in a position to allocate any level of expenditure to formal training.

Table 3.4: Percentage Expenditure Allocated to Training of Paid Employees and Volunteers	
% Allocated to Training	Number of Respondents
None	16%
>0% - 1%	36%
>1% - 2%	20%
>3%-5%	15%
>5%-10%	10%
10%+	3%
Source: Indecon analysis of survey of non-profit organisations	

The ability of organisations to allocate measures to training is in part influenced by size. Smaller organisations often do not have the resources to invest in formal training programmes. Data on the percentage of expenditure that organisations in the Irish non-profit sector which is allocated to the training of employees and volunteers is presented in Figure 2.2.

Figure 3.1: Percentage Expenditure Allocated to Training of Paid Employees and Volunteers in Different Sizes of Non-Profit Organisation



Additional evidence of the low level of investment in training in the non-profit sector in Ireland can be found by examining the percentage of staff in the non-profit organisations that responded to Indecon's survey that are financially supported to study for formal qualifications at the non-profit organisations. The typical (median) non-profit organisation does not provide financial support to any of its staff to study for formal qualifications. The average result of 6.5%, suggests that while a small number of organisations are in a position to support some staff with such training, most non-profit organisations are not able to do so.

Table 3.5: Percentage of Staff Financially Supported to Study for Formal Qualification

Median	0.0%
Average	6.5%

Source: Indecon analysis of survey of non-profit organisations

It is also useful to examine the percentage of employees and volunteers that were financially supported to study formal qualifications by organisation size, as is provided in Table 3.6. Larger organisations tend to provide a greater percentage of their staff with financial support to study for formal qualifications, with the typical (median) large organisation supporting 2% of staff. Staff in small and medium organisations typically do not get supported financially.

Table 3.6: Percentage of Employees and Volunteers Financially Supported to Study for Formal Qualification by Organisation Size		
Number of Paid Staff and Volunteers	Median Percentage Paid Staff and Volunteers	Average Percentage Paid Staff and Volunteers
0-14	0.0%	4.4%
15-44	0.0%	7.1%
45+	2.0%	7.6%
Source: Indecon analysis of survey of non-profit organisations		

The low level of training in many non-profit organisations in Ireland is also reflected in the annual number of training days provided. The median results for non-profit organisations surveyed by Indecon indicates that they only able to provide 4.5 days of training to staff and volunteers.

Table 3.7: Annual Training Days of Paid Employees and Volunteers	
Median	4.5 days
Source: Indecon analysis of survey of non-profit organisations	

The OECD's Survey of Adult Skills (Part of the Programme for the International Assessment of Adult Competencies (PIAAC)) examined the time spent on training/courses in the last twelve months. Those working in the non-profit sector had lower levels of time spent on training compared to other sectors in Ireland.

Table 3.8: Easiest Way to Describe the Time Spent on All Types of Courses/Training In Last 12 Months in Ireland by Sector			
	Private sector	Public sector	Non-Profit Sector
Weeks	19.1%	17.4%	14.6%
Days/Hours	80.9%	82.6%	85.4%
Source: Indecon analysis of PIAAC – OECD data			

As well as having lower levels of training compared to other sectors in Ireland, the OECD research suggests that the time spent on training in the non-profit sector in Ireland is lower than in the non-profit sector in the UK and the OECD.

Table 3.9: Easiest Way to Describe the Time Spent on All Types of Courses/Training In Last 12 Months in Non-Profit Sector (Ireland, UK and OECD)			
	Ireland	UK	OECD
Weeks	14.6%	17.6%	20.0%
Days/Hours	85.4%	82.4%	80.0%
Source: Indecon analysis of PIAAC – OECD data			

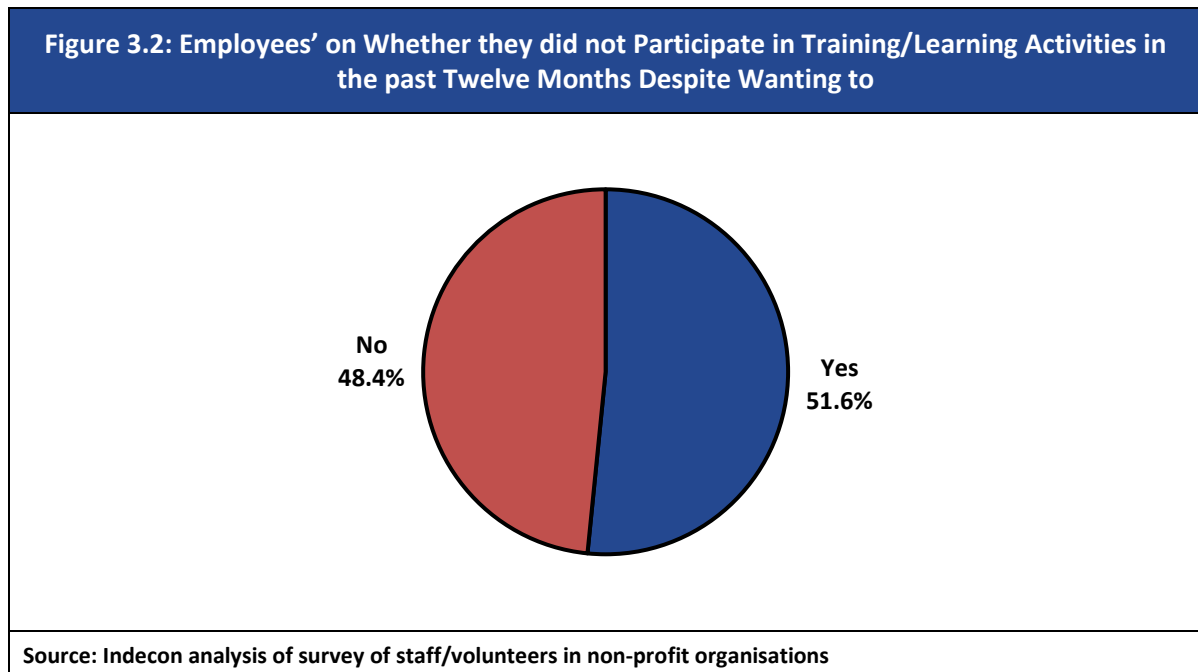
Table 3.10 presents estimates of the annual median number of training days of paid employees and volunteers by organisation size. Larger organisations tend to provide paid staff and volunteers with a greater number of training days, with an average of 20.7 training days being provided in organisations with 45 or more paid staff and volunteers, compared to 6.2 training days being provided in organisations with 0 to 14 paid staff and volunteers.

Table 3.10: Median Annual Training Days of Paid Employees and Volunteers by Organisation Size	
Number of Paid Staff and Volunteers	Median Annual Number of Training Days
0-14	3.0 days
15-44	4.0 days
45+	5.0 days
Source: Indecon analysis of survey of non-profit organisations	

While the level of formal, paid training is small, on the job training is much more common. Table 3.11 provides the average and median percentage staff participating in on-the-job or planned training, provided by supervisors or co-workers to staff, as obtained from respondents to Indecon's survey of non-profit organisations. Half of all staff on average in non-profit organisations are provided with on-the-job training.

Table 3.11: Percentage of Staff Regularly Participating in On-the-Job Training or Planned Training provided by Supervisors or Co-workers	
Median	50.0%
Average	50.8%
Source: Indecon analysis of survey of non-profit organisations	

OECD research provides evidence that indicates a higher percentage of employees of non-profit organisations compared to other sectors of the Irish economy, wanted to engage in training but did not. The high percentage of employees in Irish non-profit organisations who wished to undertake additional learning activities can be seen from Figure 3.2.



A higher percentage of non-profit employees compared to other sectors, indicated that in the past twelve months there had been training or learning activities that they wanted to participate in but did not. The high percentage who wanted to participate in training was also confirmed by the Indecon survey.

Table 3.12: Comparison of Employees in Sectors in Ireland Who Wanted to Participate in Training in Previous 12 Months but did Not

	Private sector	Public sector	Non-Profit Sector	
			PIAAC-OECD	Indecon Survey
Yes	30.4%	36.0%	43.9%	51.6%
No	69.6%	64.0%	56.1%	48.4%

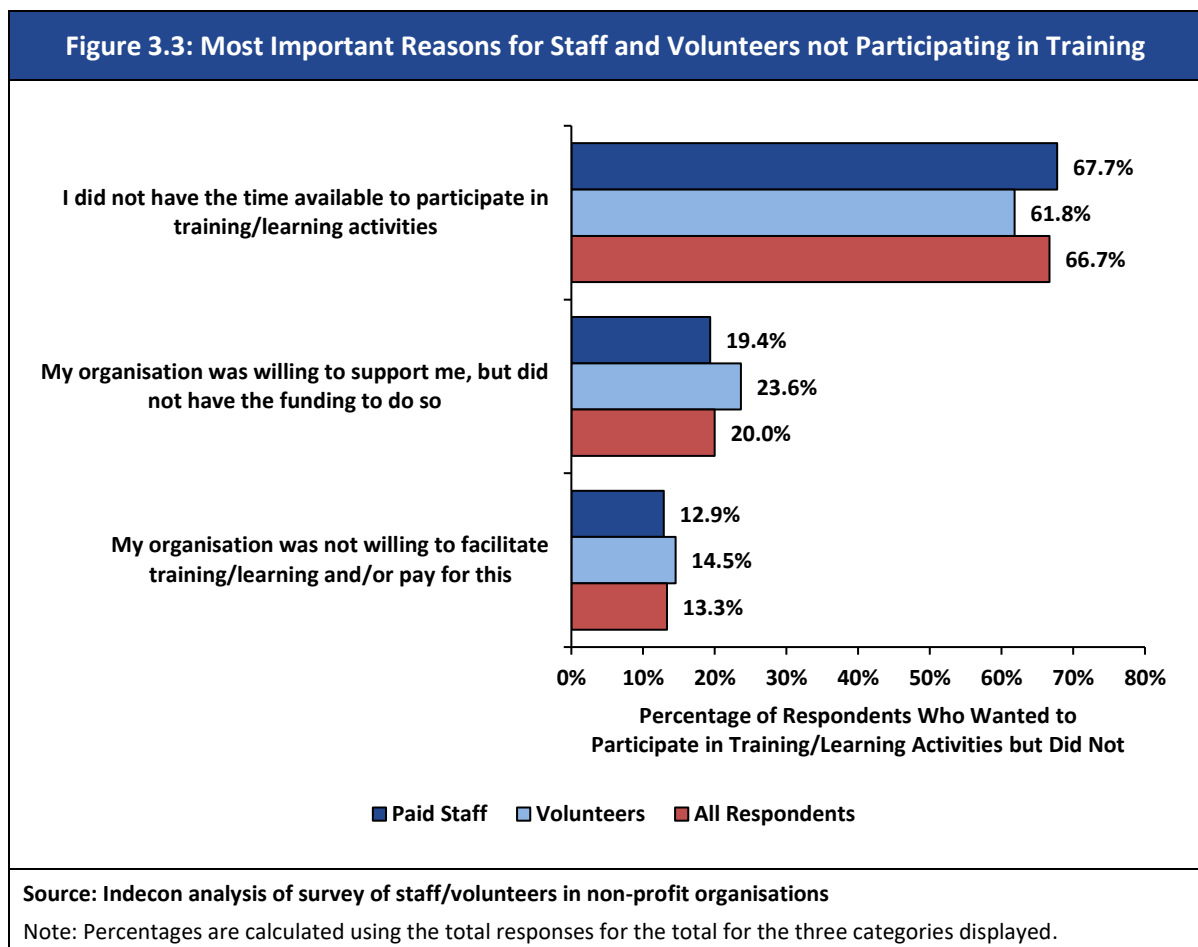
Source: Indecon analysis of PIAAC – OECD data and Indecon survey of non-profit employees and volunteers

Comparing the figures for the non-profit sector in Ireland with the United Kingdom and the OECD shows that a higher percentage of Irish employees in the sector did not participate in training or learning activities even though they wanted to.

Table 3.13: Comparison of Employees in Non-Profit Sectors in Ireland, UK and OECD Who Wanted to Participate in Training in Previous 12 Months but did Not			
	Ireland	UK	OECD
Yes	43.9%	36.4%	37.2%
No	56.1%	63.6%	62.8%

Source: Indecon analysis of PIAAC – OECD data

A lack of time available to participate in training was seen as one of the most important reasons by staff and volunteers at non-profits for non-participation.



The percentage of respondents to Indecon's survey that stated that they received specific types of training in the past 12 months is displayed in Figure 3.4. Three types of training are displayed, namely on-the-job training, professional training that did not lead to a formal qualification or training or education that led to a formal qualification. Over two-thirds of staff/volunteers in Irish non-profit organisations indicated that they received on-the-job training and professional training or coaching that did not lead to a formal qualification in the past twelve months. However, only 37% indicated that they received training or education that lead to a formal qualification.

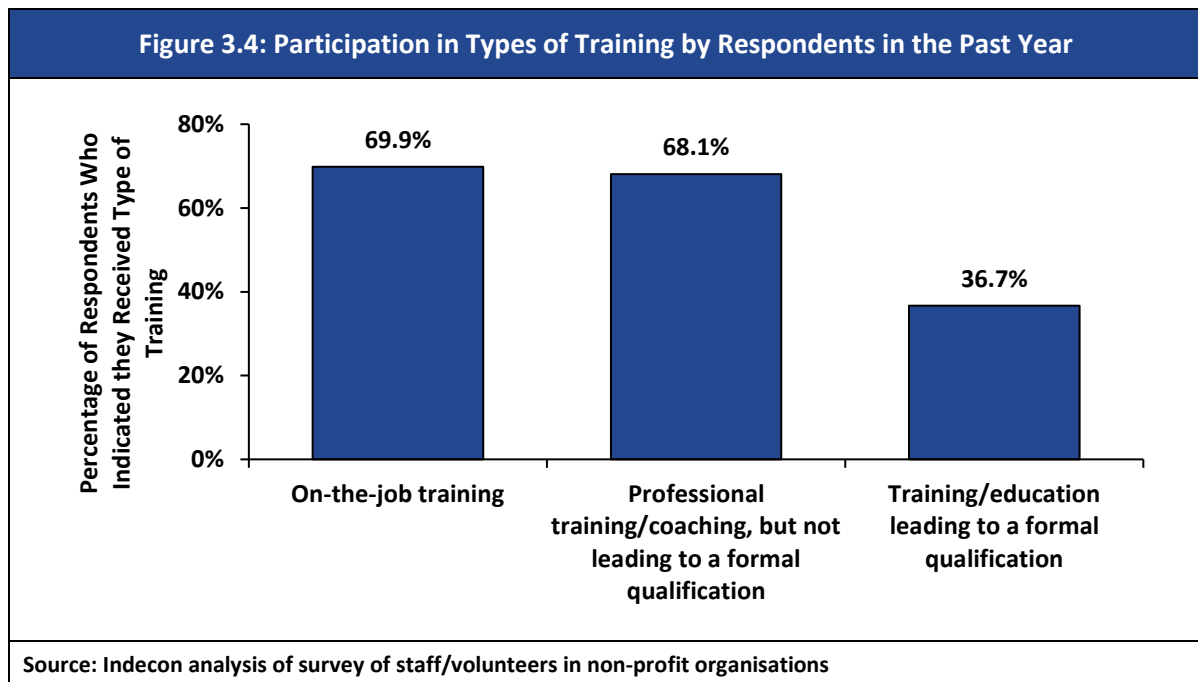
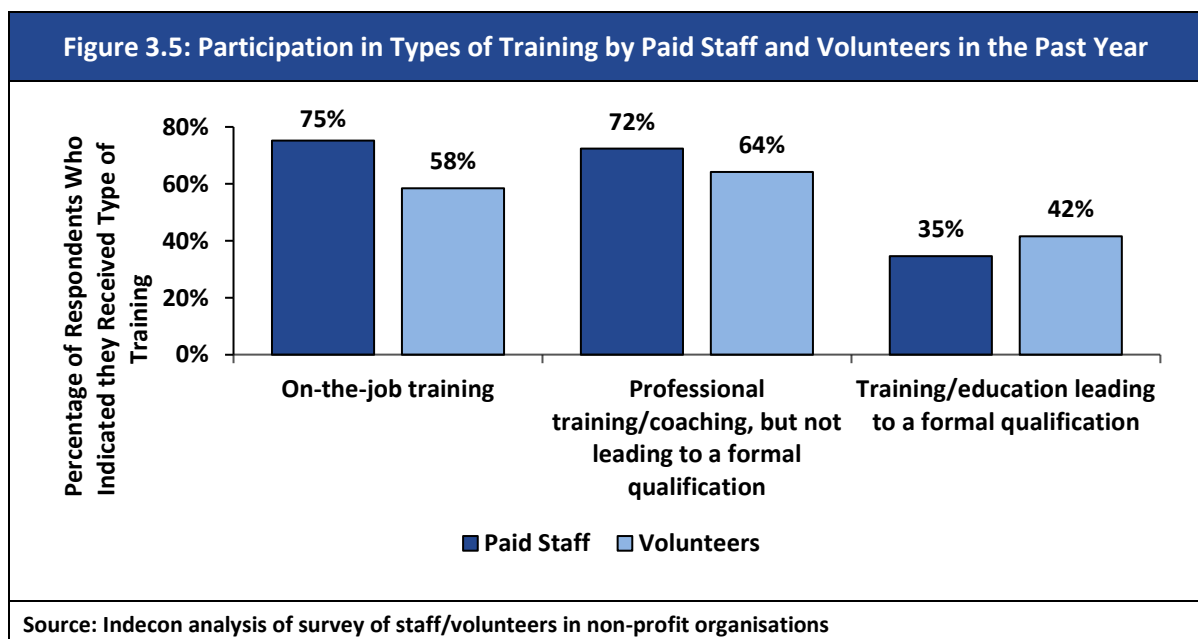
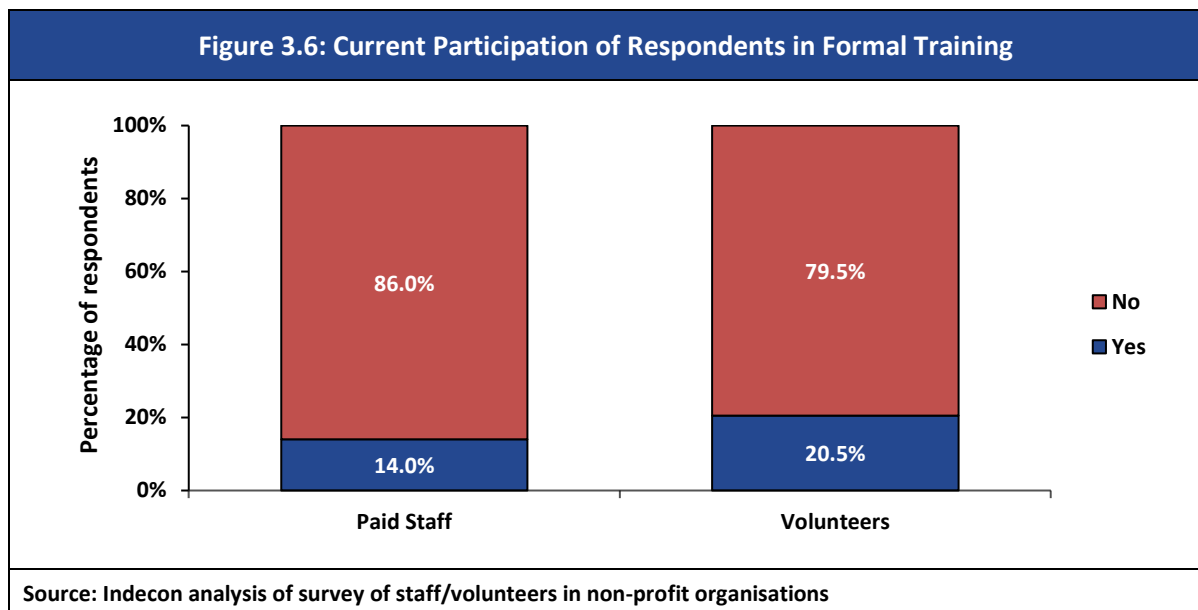


Figure 3.5 shows the specific types of training received in the past 12 months disaggregated by paid staff and volunteers. A higher percentage of paid staff (75%) received on-the-job training than volunteers (58%). In terms of training that did not lead to a formal qualification, 72% of paid staff said that they received such training, in contrast to 64% of volunteers. A higher proportion of volunteers (42%) indicated that they received training or education leading to a formal qualification.



The proportion of staff and volunteers employed in non-profit organisations that were participating in formal training at the time of the survey is shown in Figure 3.6. Only 14% of paid staff and 20.5% of volunteers indicated that they were currently participating in formal training.



3.3 Summary of Key Findings

- ❑ A low proportion of expenditure is spent on training in non-profits, with the median being 1.0%.
- ❑ The low levels of training in many non-profit organisations in Ireland is also reflected in the fact that employees and volunteers are provided with 4.5 training days in the typical (median) non-profit organisation.
- ❑ Those working in the non-profit sector in Ireland were least likely to describe the amount of time they spent on training as being in weeks. Further, those working in Irish non-profits appeared to lag behind those working in non-profits internationally.
- ❑ Half of non-profit employees indicate that they did not participate in training in the past year despite wanting to. OECD data suggests this rate for non-profit employees in Ireland was significantly higher than employees in the private or public sector, and also higher than employees in the non-profit sector internationally.

4 Extent and Impact of Skills Gaps

4.1 Introduction

This section assesses the skills gaps in the non-profit sector and the impact of skills gaps.

4.2 Leadership and Governance Skills

Figure 4.1 provides the views provided by organisations concerning the ease or difficulty in filling vacancies in the area of leadership and governance. Addressing governance requirements was identified by a majority of respondents (57%) as being difficult or very difficult for non-profit organisations. There has been an increased focus on governance in charities in recent years, and the Charities Regulator launched a new Charities Governance Code in 2018 which sets out a mandatory standard for governance in Irish charities. All charities in Ireland must implement the Code from 2020 onwards. Compliance and financial reporting vacancies are also reported as being difficult or very difficult for non-profit organisations to fill. Half of all organisations surveyed also reported that leadership and management vacancies were difficult or very difficult to fill.

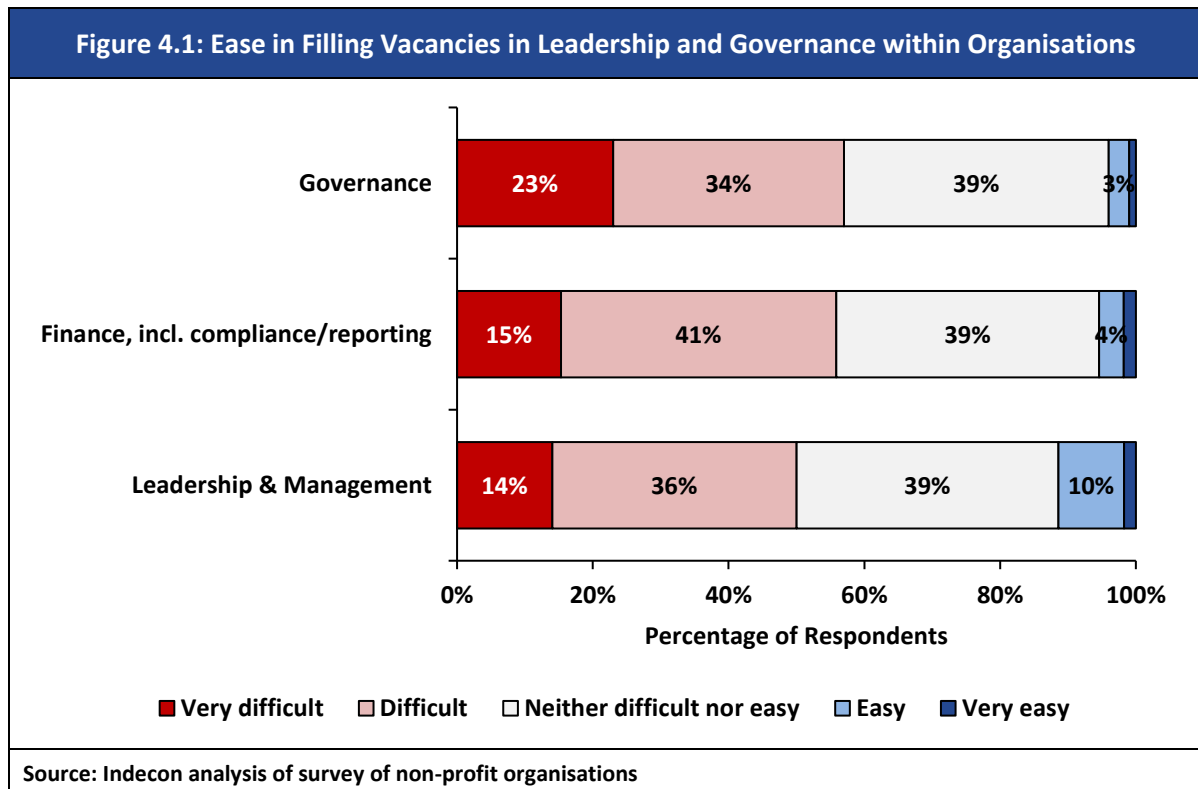
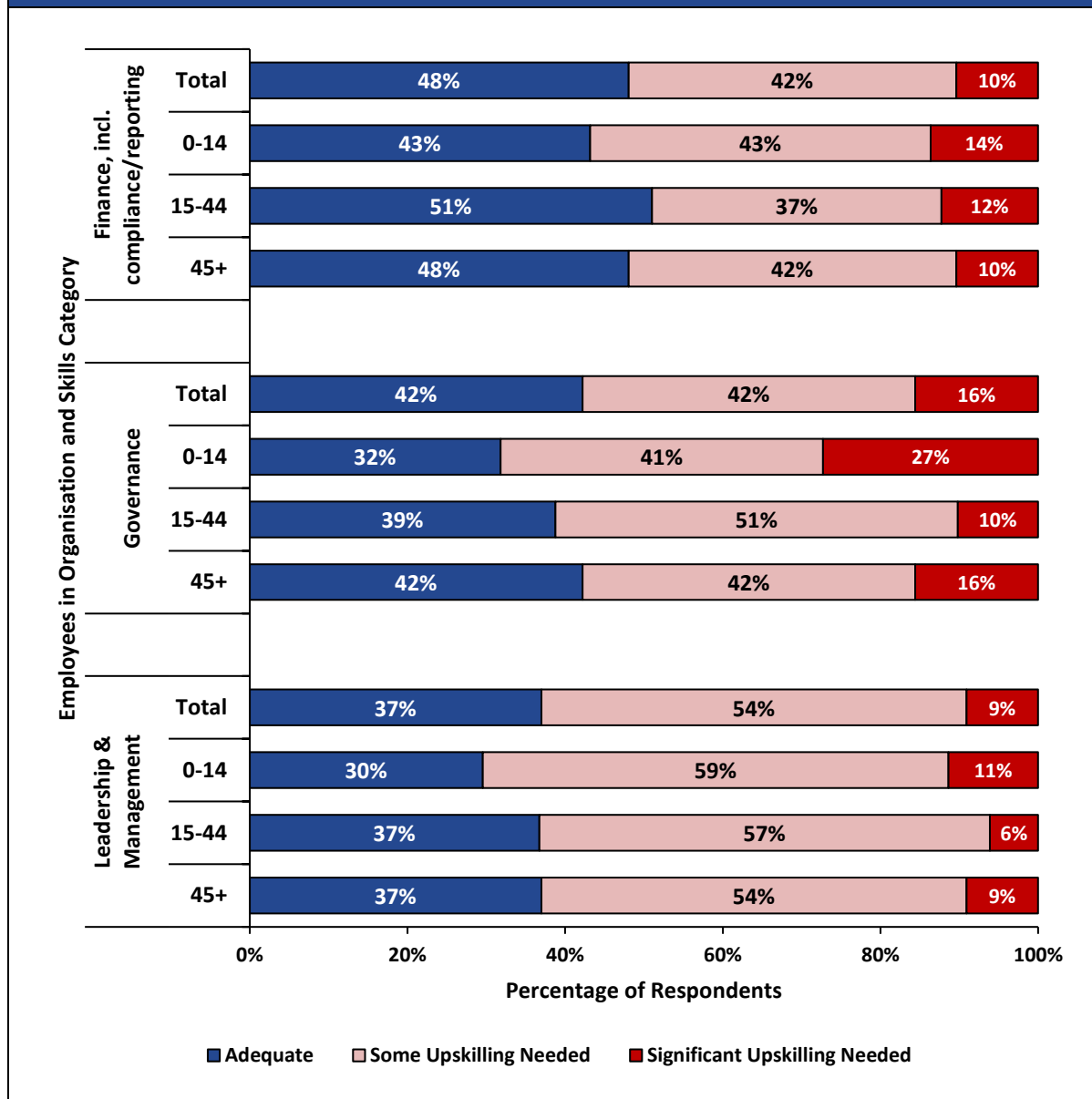


Figure 4.2 also provides the assessments of different sized organisations concerning the level of upskilling required to meet current needs in the areas of governance, fundraising and leadership and management. The need for upskilling in this area is evident throughout the sector.

Figure 4.2: Assessments of Different Sized Organisations Concerning Skills Levels Required to Meet Their Current Leadership and Governance Needs



Source: Indecon analysis of survey of non-profit organisations

Question: Please indicate your assessment of the adequacy of, or required change in, the level of skills needed to meet the existing requirements/activity levels of your organisation. N=143-154

4.3 Fundraising

Filling fundraising vacancies is a particular challenge for non-profits. In Figure 4.3, the views provided by organisations concerning the ease or difficulty in filling vacancies in the area of fundraising are displayed. 65% of respondent organisations stated that it is very difficult or difficult to fill vacancies in this area.

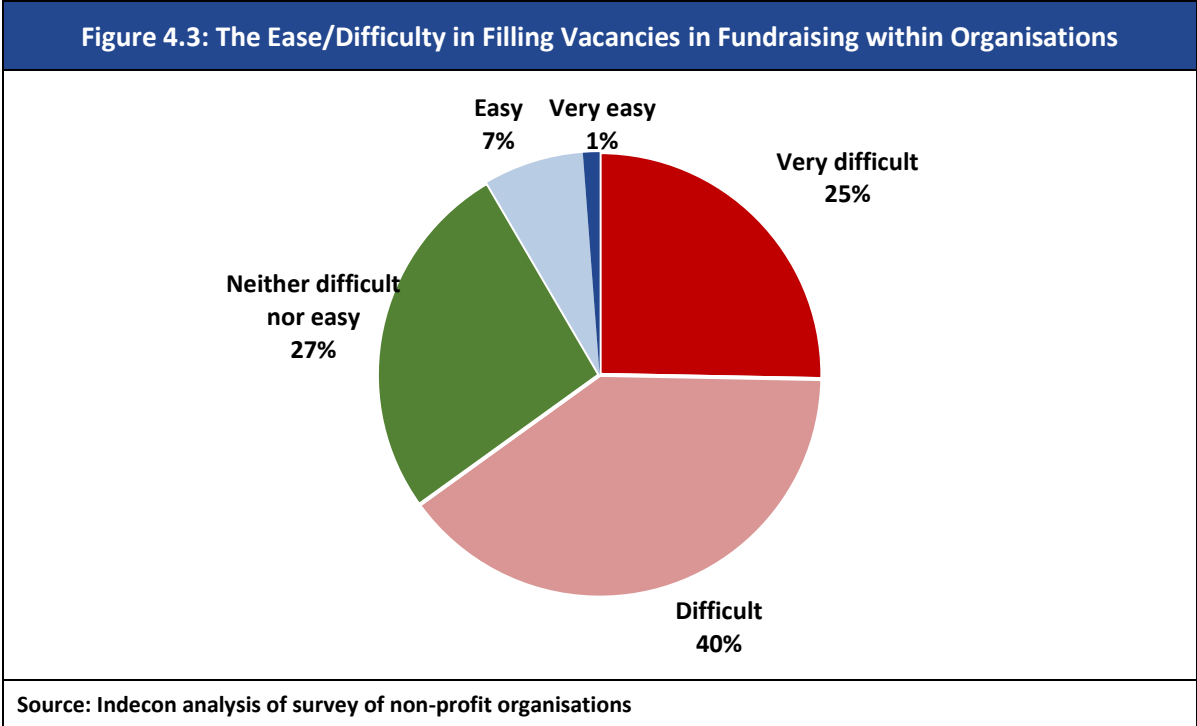
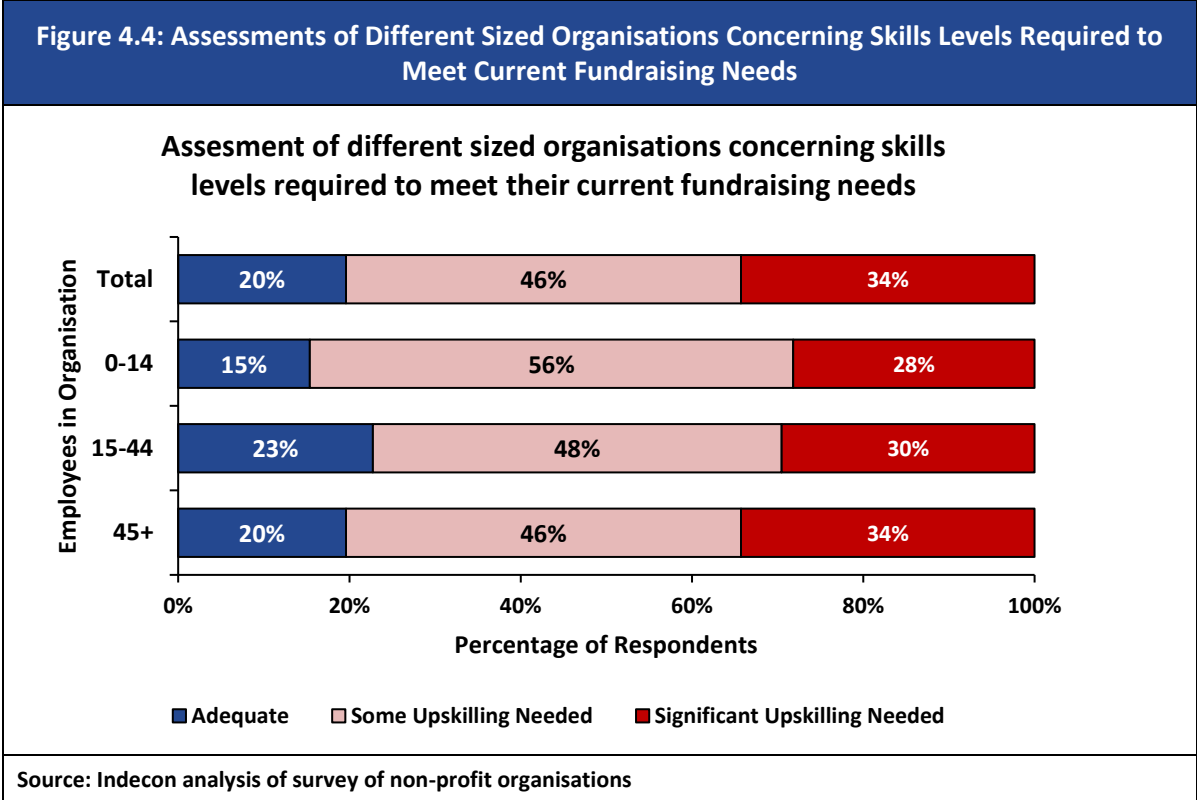
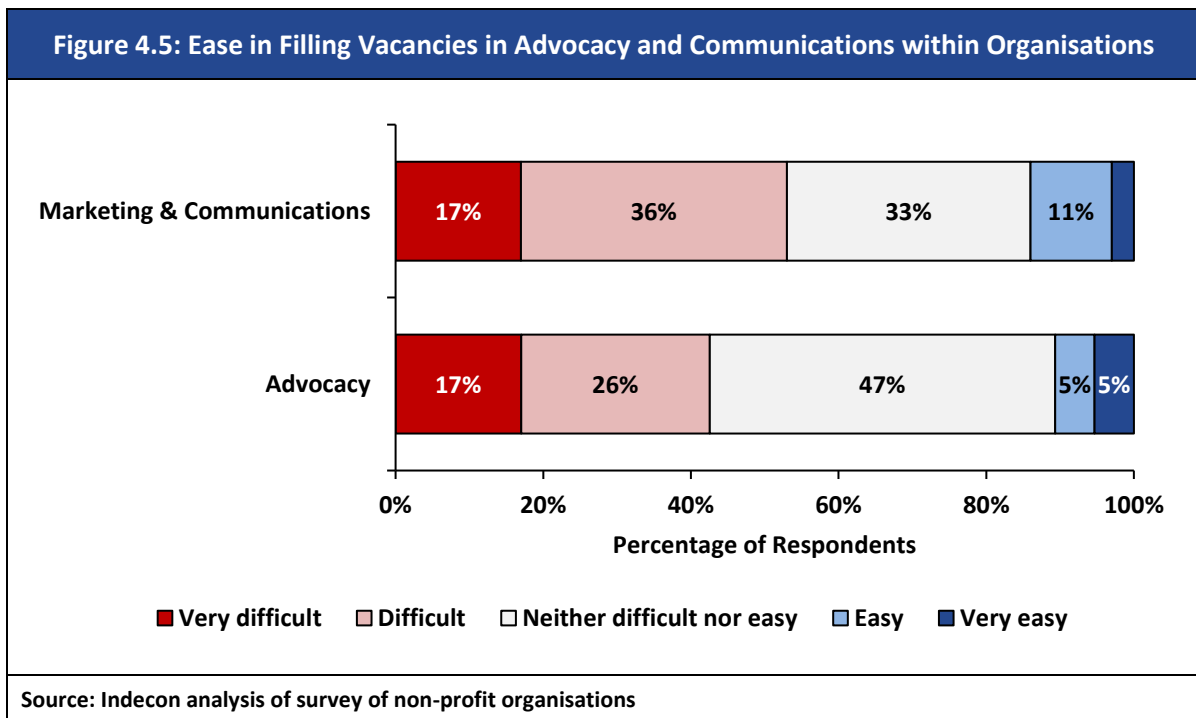


Figure 4.4 provides the assessment of organisations concerning the skills levels required to meet their current fundraising needs by organisation size. The evidence shows a need for upskilling across all of the organisations sizes.

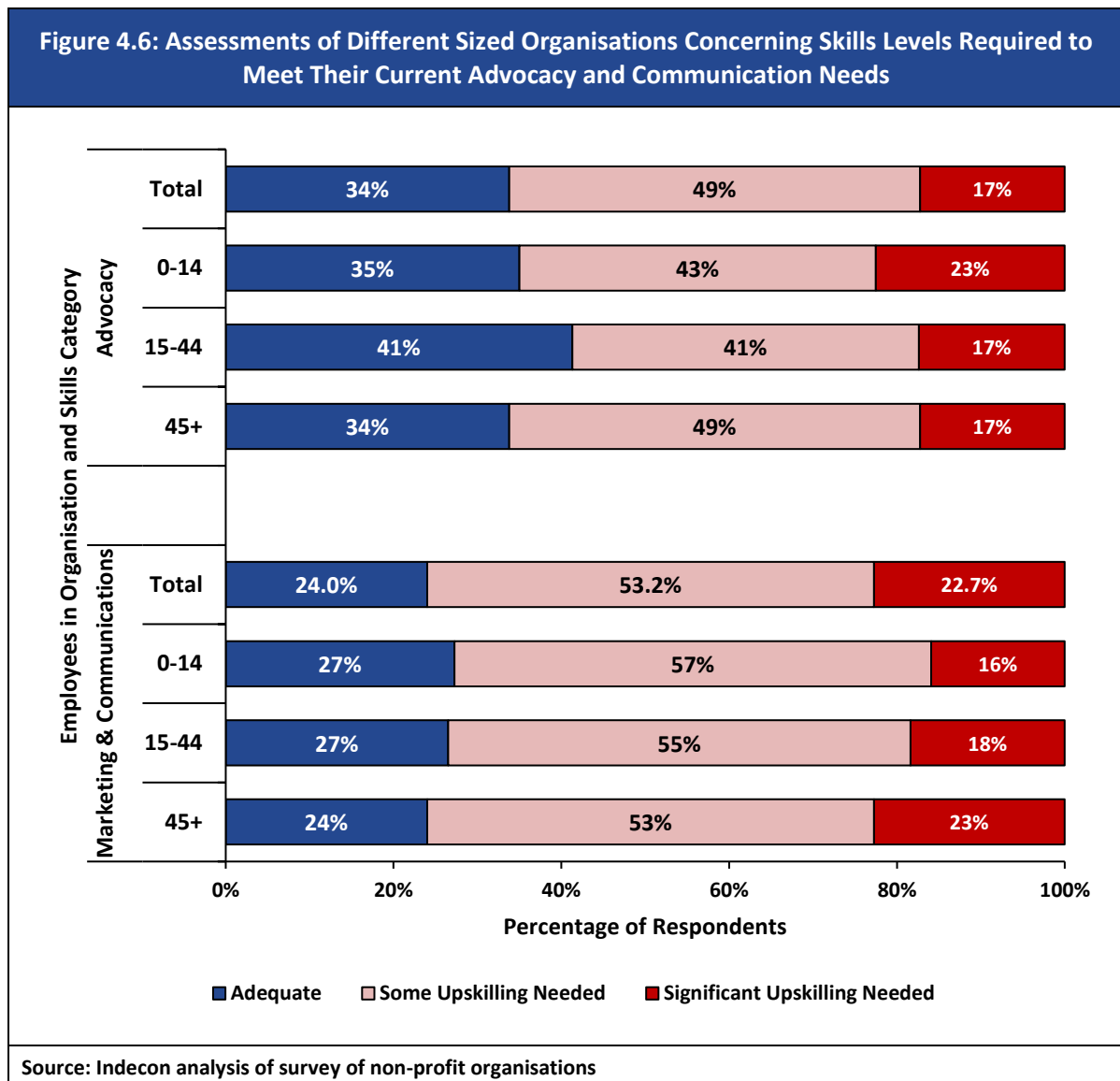


4.4 Advocacy and Communications

The views provided by organisations concerning the ease or difficulty in filling vacancies in the area of advocacy and communications are displayed in Figure 4.5. 53% of respondent organisations find it very difficult or difficult to fill vacancies in marketing and communications while 43% find it difficult to fill vacancies in the area of advocacy.

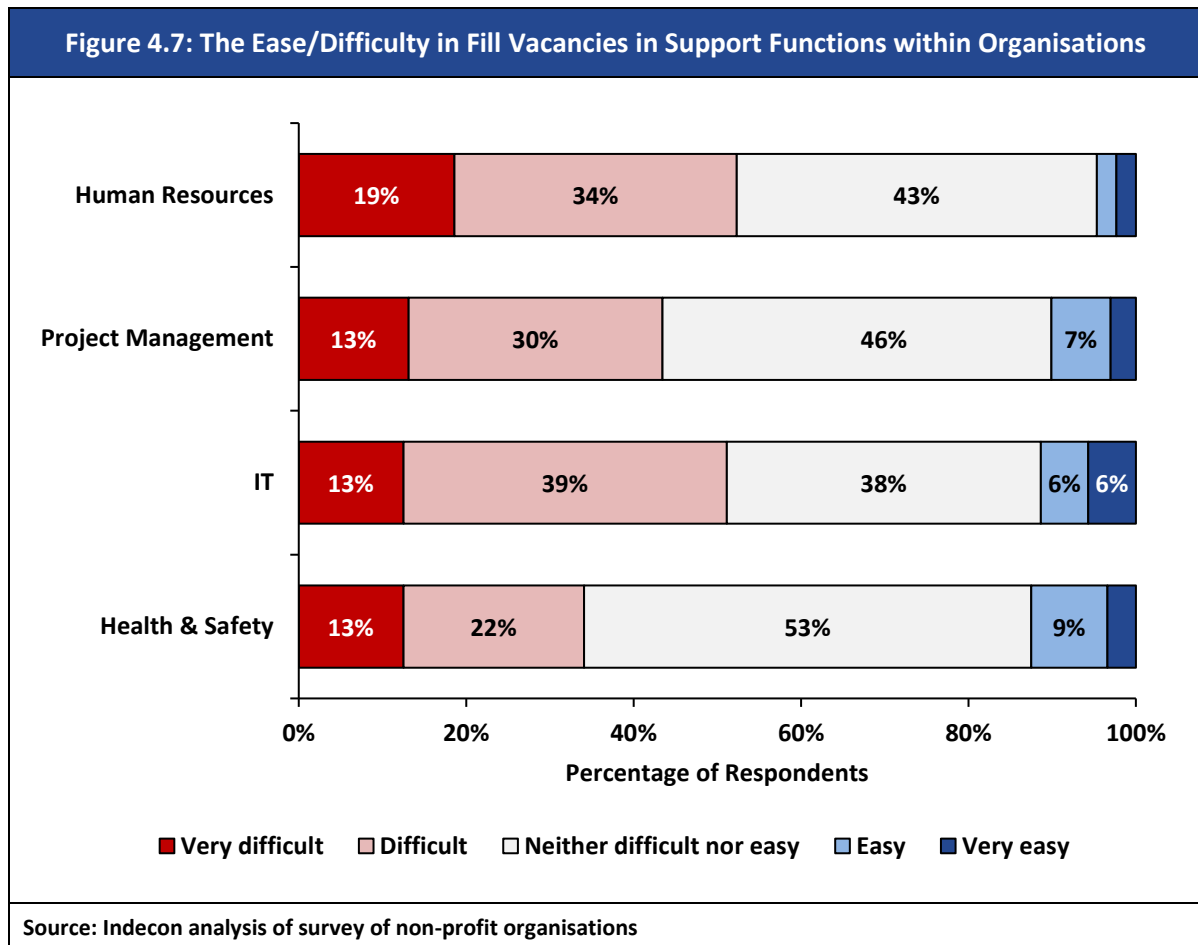


Most of non-profit organisations highlighted the need for upskilling in terms of advocacy and communications as shown in Figure 4.6 below.



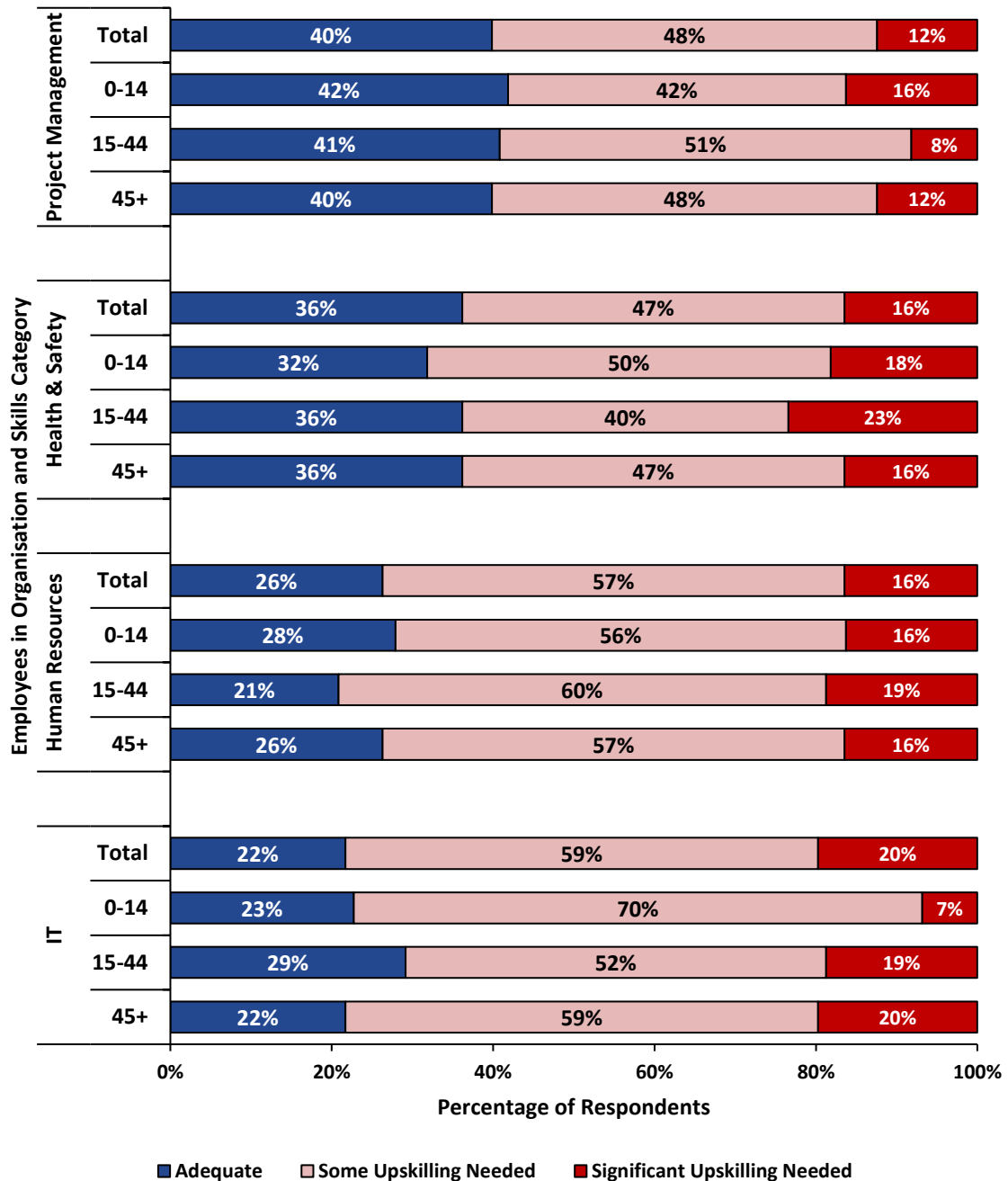
4.5 Support Functions

In Figure 4.7, the views of organisations that responded to Indecon's survey concerning the ease or difficulty of filling vacancies in various support function roles within their organisation are provided. These areas were human resources, project management, information technology (IT) and health and safety. 31% of organisations stated that they found it very difficult or difficult to fill vacancies in the area of IT, while only 21% of organisations stated that it is very difficult or difficult to fill vacancies in the area of health and safety.



In relation to a range of support functions, a majority of respondents indicated that upskilling is needed as shown in Figure 4.8.

Figure 4.8: Assessments of Different Sized Organisations Concerning Skills Levels Required to Meet Their Current Support Function Needs

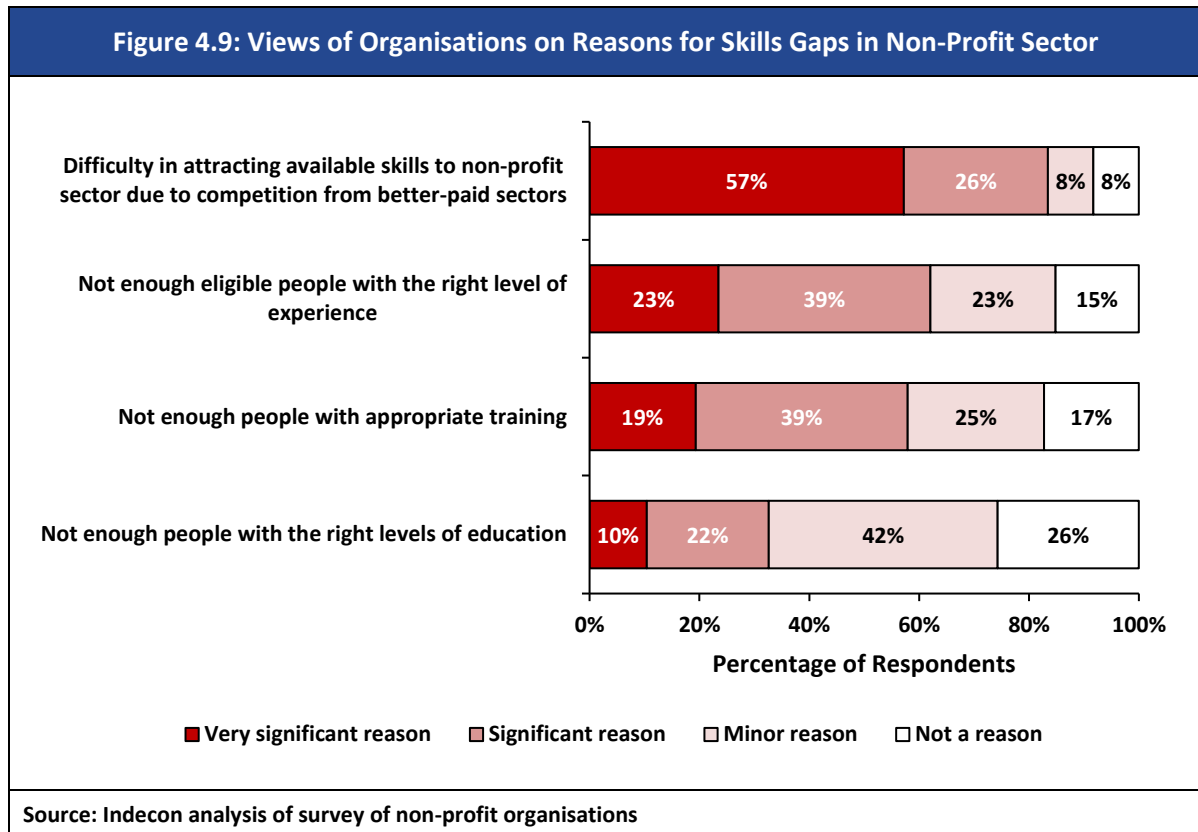


Source: Indecon analysis of survey of non-profit organisations

Question: Please indicate your assessment of the adequacy of, or required change in, the level of skills needed to meet the existing requirements/activity levels of your organisation. N=143-154

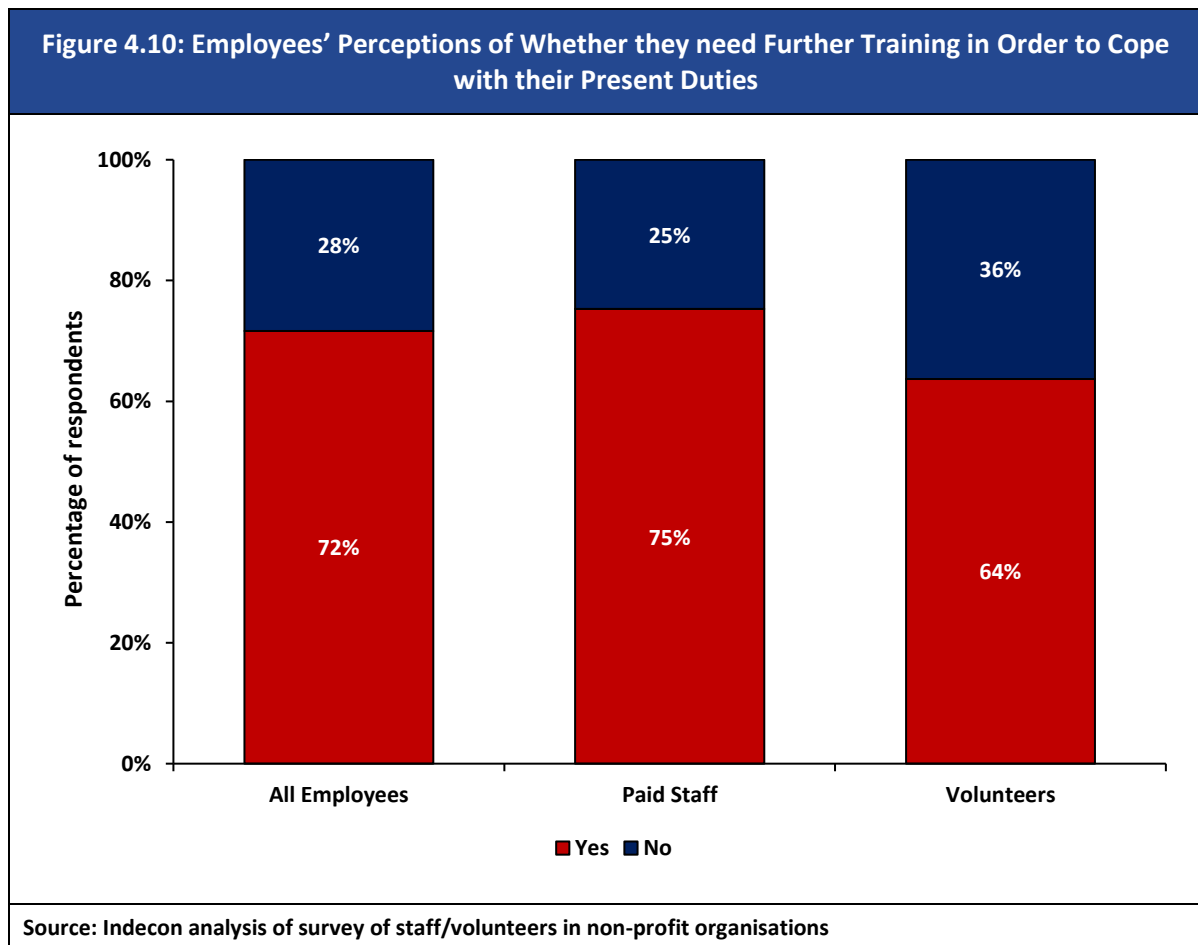
4.6 Reasons for Skills Gaps

There are a number of reasons which explain the extent of skill gaps in the non-profit sector. These include difficulties in competing with better paid sector and shortages of persons with the right level of experience or training.

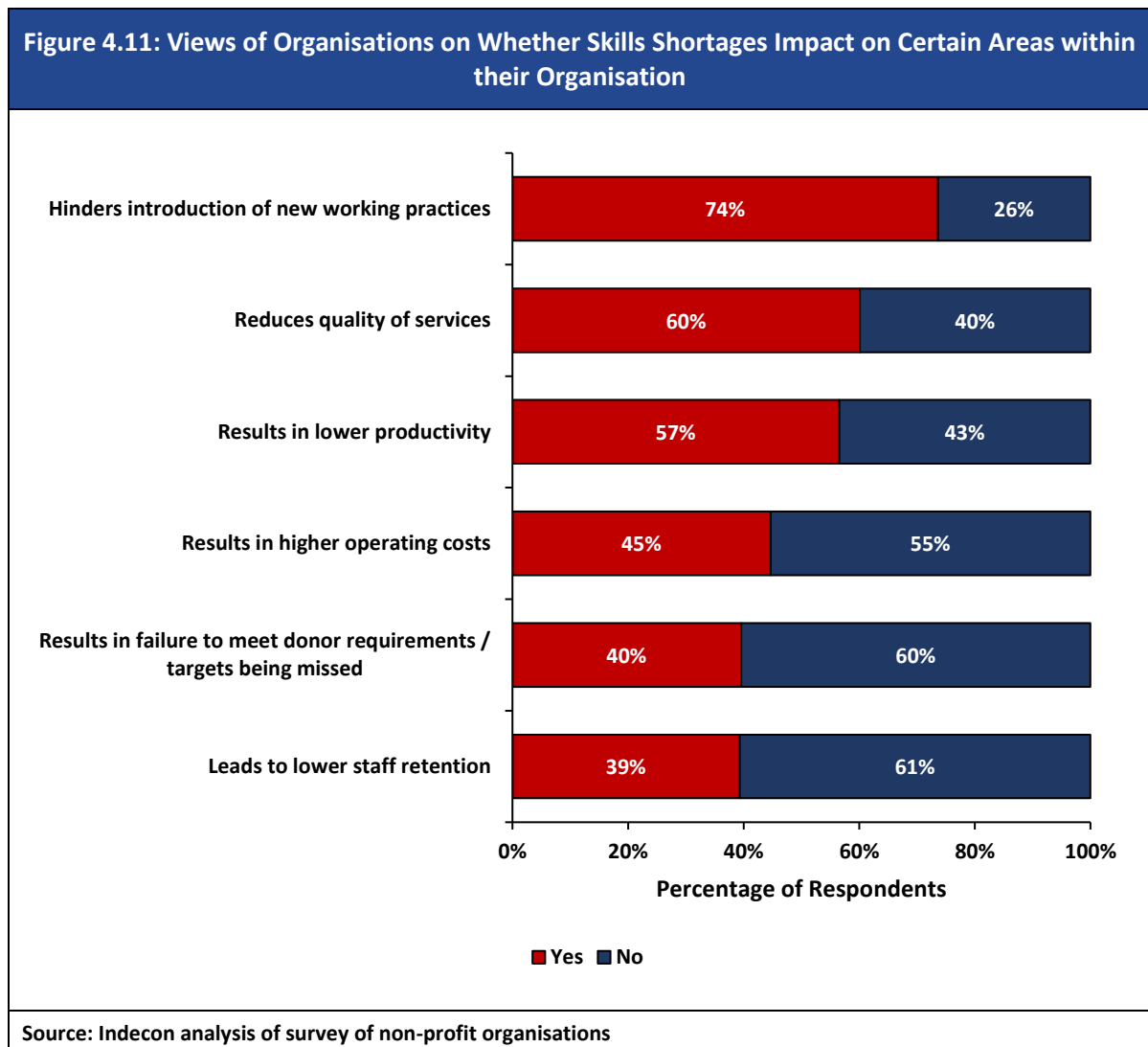


4.7 Need for Training and Impact of Skills Gaps

In assessing the adequacy of current skills in the non-profit sector in Ireland, Indecon surveyed employees of non-profit organisations concerning whether they needed further training in order to cope with their present duties. Figure 4.10 shows that 72% of staff and volunteers indicated that they needed further training to cope with their present duties.



New survey evidence concerning the impact of skills gaps in the Irish non-profit sector as presented in Figure 4.11. Skills shortages hinder the introduction of new working practices and reduce the quality of services and levels of productivity. This is consistent with evidence from the UK indicates that skills gaps can impact on the ability of non-profit organisations to meet quality standards, introduce new work practices and to develop new services. Skills gaps can also increase the workload burden on other staff in the organisation and it is possible that this impacts on staff retention and recruitment.



4.8 Predicted Future Skills Demand in the Non-Profit Sector

Non-profit organisations foresee significant growth in skills needs, particularly in a wide range of areas as illustrated in Figure 4.12.

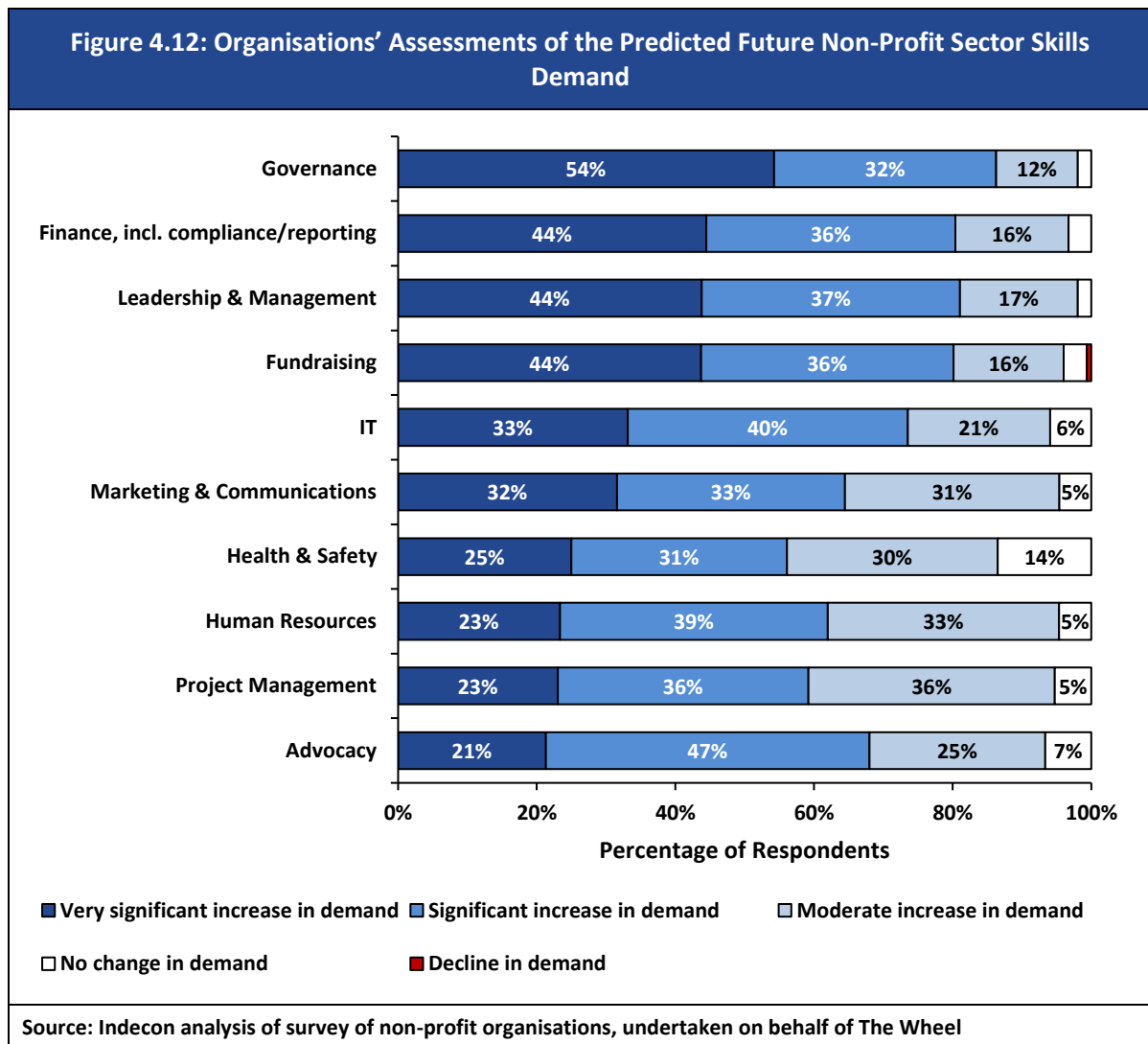
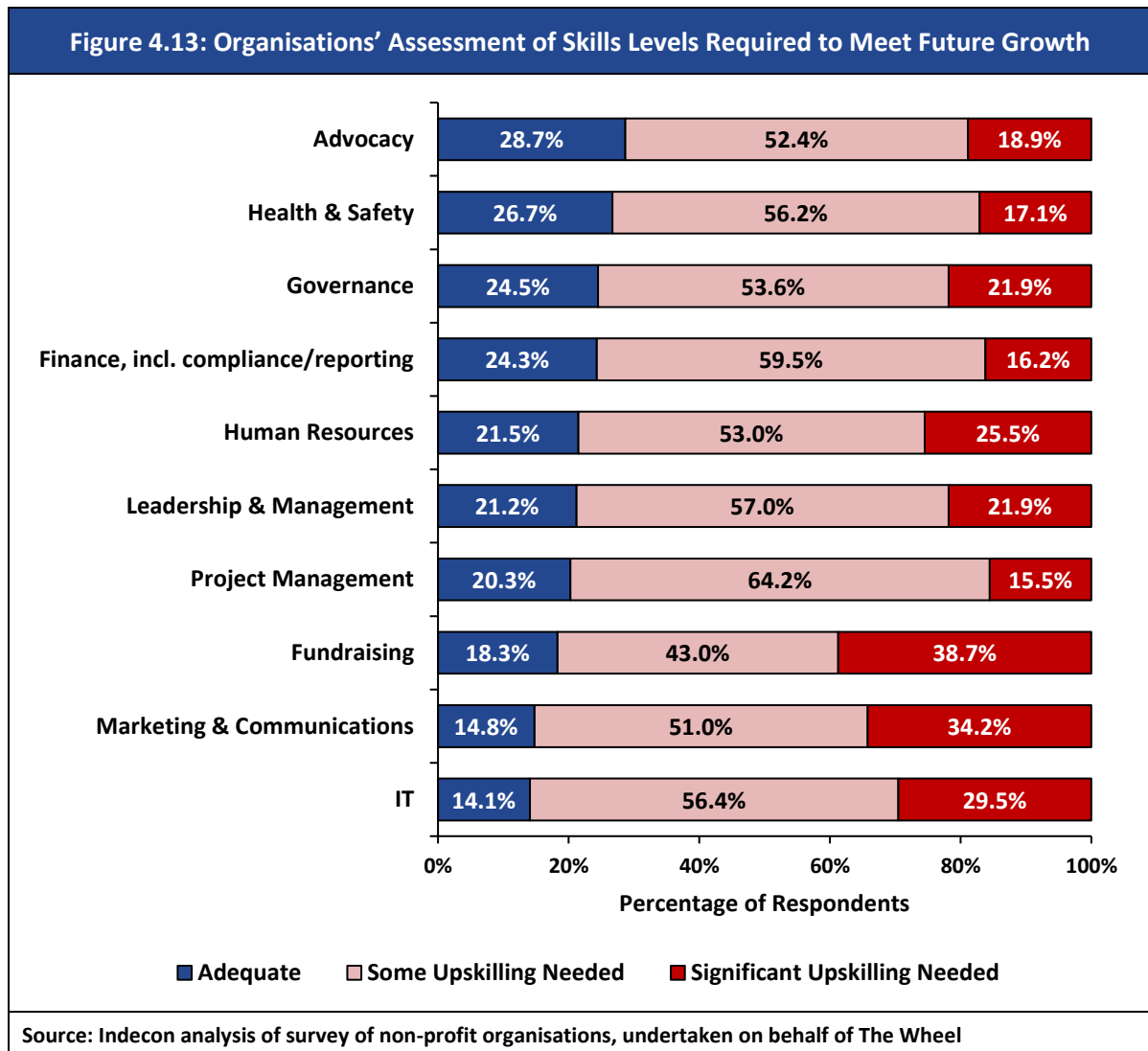


Figure 4.13 provides the assessment of non-profit organisations concerning the levels of upskilling required in various skill areas in order to meet anticipated future growth in their organisation. A majority of respondents stated that upskilling is needed in all key areas in order to meet anticipated future growth in their organisation.



4.9 Summary of Key Findings

- ❑ Non-profit organisations indicated that it was very difficult to fill vacancies in a range of areas and skills gaps were evident throughout the sector.
- ❑ Difficulty in attracting staff was due to competition from better paid sectors and the shortages of skilled employees with sufficient training or experience.
- ❑ Over 70% of non-profit organisations indicated that skills shortages hindered the introduction of new work practices.
- ❑ Over three-quarters of staff indicated that they needed further training to cope with their present duties.
- ❑ Non-profit organisations foresee significant growth in skills needs, particularly in a wide range of areas.
- ❑ A majority of respondents stated that upskilling is needed in all key areas in order to meet anticipated future growth in their organisation.

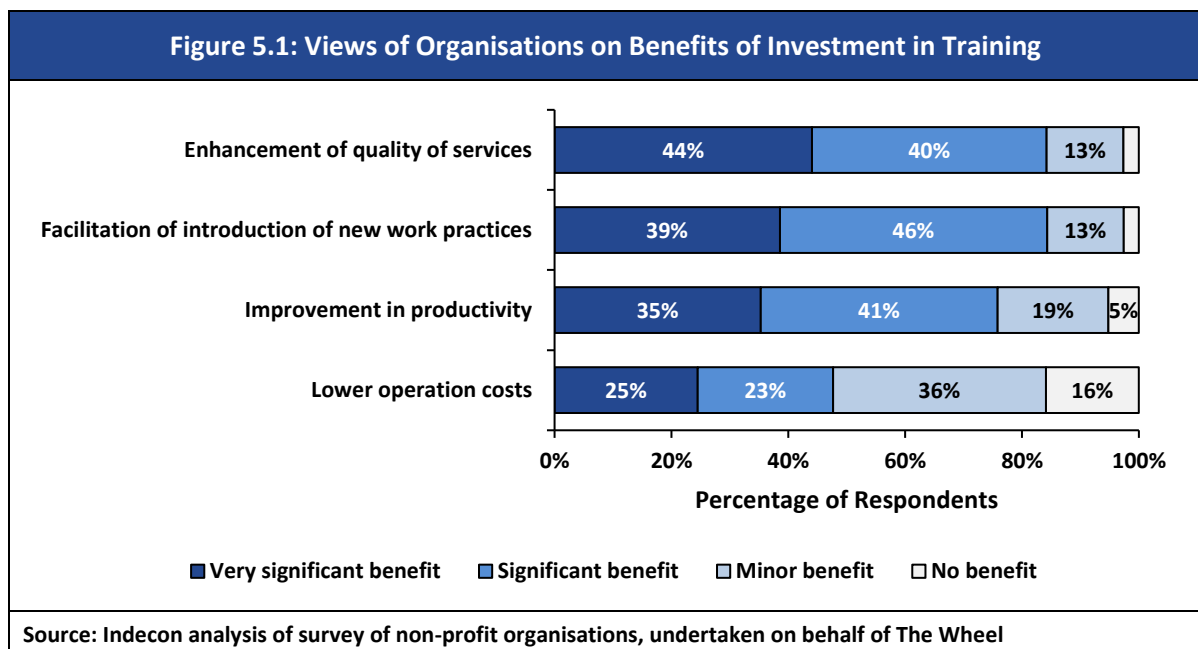
5 Assessment of the Costs and Benefits of Investment in Training

5.1 Introduction

This section presents Indecon's independent assessment of the costs and benefits of investment in the non-profit sector.

5.2 Impact of Investment in Training

Figure 5.1 shows the views of non-profit organisations surveyed concerning the impact of increased investment in training. Of those surveyed, 84% of organisations surveyed indicated that increased investment in training would have a very significant or significant benefit on enhancing the quality of services provided. 85% stated that increased investment in training would have a very significant or significant benefit on facilitating new work practices, and 76% said it would improve productivity.



The views of staff and volunteers concerning the impact of the investment in training were similar to those of the organisations themselves. This is illustrated in Figure 5.2. The main impacts were seen as the evidence of the quality of services, the facilitation of the introduction of new work practices and improvements in productivity.

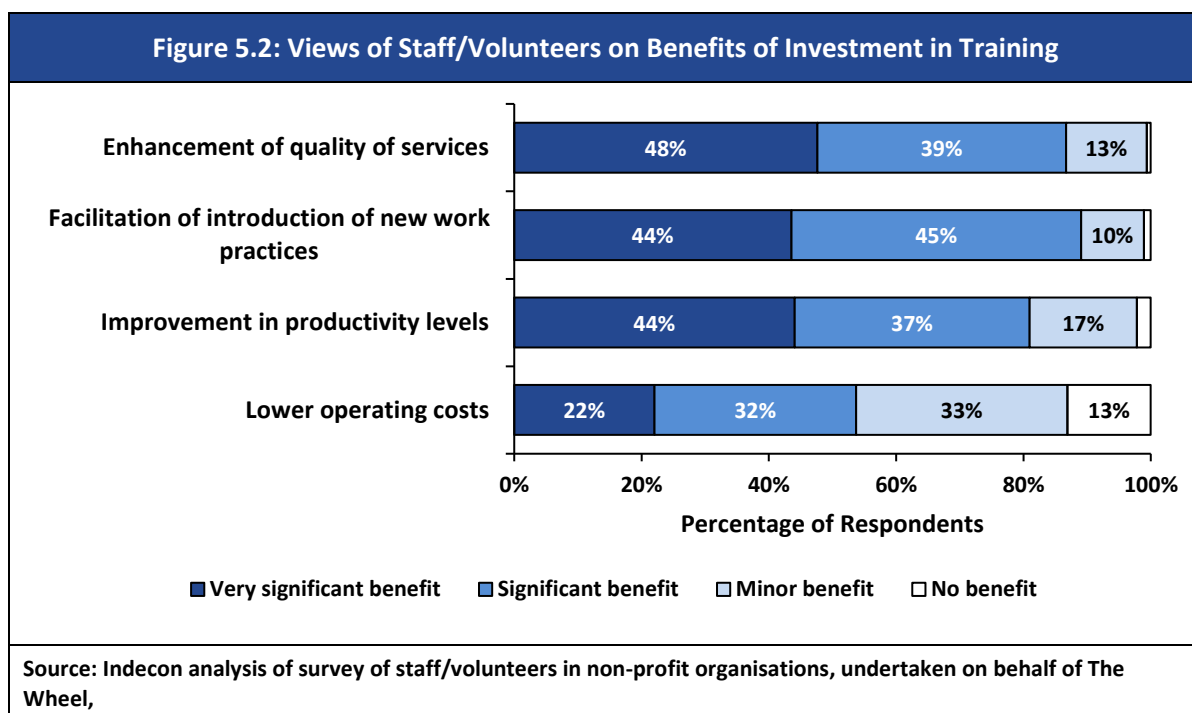


Table 5.1 provides estimates given by non-profit organisations surveyed by Indecon concerning the percentage increase in annual average output per employee resulting for investment in training valued at €5,000 per employee. Among the respondent organisations, the median percentage increase in annual average output per employee resulting an increased investment in training is between 10% and 15%.

Table 5.1: Percentage Increase in the Annual Average Value of Output per Employee Resulting from Investments in Training Valued at €5,000 per employee	
Median % Increase	10-15%
Weighted Average % Increase	12.0%
Source: Indecon analysis of survey of non-profit organisations	

5.3 Cost Benefit Modelling

As part of this appraisal, Indecon has developed a formal cost benefit analysis (CBA) framework in order to provide a rigorous assessment of the economic case for investing in training in non-profit organisations.

This CBA is designed to provide an appraisal of the costs and benefits of investment in training in the non-profit sector. The principle of a CBA is to assess the net benefit or cost to society of an investment. The key steps in undertaking this CBA are as follows:

- ❑ Identify the investment options to be appraised including an appropriate counterfactual scenario against which the other scenarios should be compared;
- ❑ Define and collect data on the appropriate costs and benefits for inclusion in the CBA for each investment option;
- ❑ Undertake CBA modelling process using parameter values and assumptions from the appropriate guidance including discount rate, shadow cost of public funds, shadow cost of labour and length of appraisal period; and
- ❑ Compare results of appraisal for each option in terms of net benefits and benefit-cost ratio (BCR).

Indecon's methodological approach to undertaking the cost-benefit analysis contained in this report is aligned with the relevant requirements of the Public Spending Code issued by The Department of Public Expenditure and Reform. This is reflected in the estimates of key parameters and the assumptions underlying the CBA. Indecon used its survey of non-profit organisations in order to inform the methodological approach to this cost-benefit appraisal, in particular in relation to the estimated productivity impacts of investment in training in non-profit organisations. The costs and benefits underlying the CBA were as follows:

- ❑ **Costs of Investment in Training:** The cost of investment in training used in this CBA model is modelled using an aggregate investment of €5,000 spread over 2 years.¹⁴
- ❑ **Impact of Investment in Training:** The main direct impact of investment in training modelled is confined to any increased productivity per employee working in the non-profit sector.

The modelling of these benefits and costs is important to establish whether additional investment in upskilling is justified, given the need to make best use of scarce resources. After applying the various parameters and assumptions discussed later in this sub-section to the quantified costs and benefits of the investment in training, the net present value (NPV) and a benefit-cost ratio (BCR) are calculated which is used to determine whether an investment is worth conducting or not. The NPV is the sum that results when the discounted value of the expected costs of an investment are deducted from the discounted value of the expected revenues (i.e., the sum of discounted cash flows). It can be expressed as the following formula:

$$NPV = \sum_{t=0}^n a_t S_t = \frac{S_0}{(1+i)^0} + \frac{S_1}{(1+i)^1} + \dots + \frac{S_n}{(1+i)^n}$$

In the equation above, S_t is the balance of cash flows at time t and a_t is the financial discount factor chosen. The sum of discounted cash flows is calculated for the useful life of the project, otherwise known as the appraisal period which in this case is 10 years.

A BCR is calculated by dividing the discounted net present value (NPV) of the benefits of investing in training over the appraisal period by the discounted costs of investment in training. The key assumptions and parameters underling this CBA model are outlined in the next sub-section.

¹⁴ The investment of €5,000 per employee over two years is an indicative level consistent with the levels of investment observed within the top-quintile of non-profits.

Cost Benefit Analysis Parameters

Underlying any CBA, there are a number of key parameter values. Each of the key parameters used is discussed below.

Appraisal Period

The Public Spending Code states that the appraisal period should be equivalent to the useful economic life of the project. Indecon uses an appraisal period of 10 years in this CBA by which time Indecon assumes that the benefits of training will have depreciated to near zero.

Discount Rate

In order to complete an ex-ante CBA like that in this report, it is essential that an appropriate discount rate be selected. Such a discount rate enables the estimation of the net-present value of both the costs and benefits of the proposed investment in training. In the CBA undertaken in this report, Indecon has discounted the net benefits of training to 2019 prices using a discount rate of 4%. This rate is in line with the most recent technical paper from the Department of Public Expenditure and Reform published as part of the review of the Public Spending Code.¹⁵

Shadow Cost of Public Funds

This CBA assumes that the proposed investment in training will be exchequer funded and, therefore, the shadow price of public funds must be applied to such an investment in order to account for the distortionary impact of taxation on the economy. This is in line with the guidance provided in the public spending code, where the shadow cost of public funds aims to ensure that on the costs side of the appraisal that the costs to the economy of tax raising are accounted for. Indecon has followed the shadow price of public funds prescribed by the Public Spending Code and has applied a shadow cost of public funds of 130% in this CBA.

Treatment of VAT

All costs and benefits of the proposed investments included in this CBA are exclusive of VAT. This is in accordance with best practice for carrying out socio-economic CBAs. VAT is a transfer payment and, therefore, it is not appropriate for inclusion in an analysis of the net costs and benefits of an investment in training.

Productivity Impacts of Increased Investment in Training

In this survey, organisations were asked to estimate the approximate percentage increase in the annual average value of output per employee in their organisation that would result from each employee receiving training investment work €5,000. Indecon believes that it is necessary to adopt a prudent approach concerning the estimate impact of increased productivity. Therefore, the assumption around increased productivity due to training in the central scenario that was selected was 10%, the lower bound of the median estimate selected by the respondents in the survey. An upper bound estimate of 12% was also selected, as this was the weighted average of the responses

¹⁵ The Department of Public Expenditure and Reform Technical Research paper is available at <https://igees.gov.ie/wp-content/uploads/2018/11/Central-Technical-Appraisal-Parameters.pdf>.

provided to Indecon’s survey concerning the additional impact on productivity due to training. The lower bound estimate selected was 8%. In all cases it is assumed that the benefits of training will diminish over the period of the appraisal horizon. It is reasonable to assume that training that is given in a particular year will become obsolete with the passage of time, and therefore, the diminishing return to training in each subsequent year modelled in this CBA is designed to account for this. Benefits are assumed to be at their highest in the year after the second instalment of investment in training (year 2). After this the estimated productivity increase or benefit from investment in training is assumed to decline linearly (by the same percentage) in each year until year 10 when it falls to zero. As the investment in training of €5,000 per employee is spread out over two years, it is credible to assume that there would be some productivity benefits observed in the year after the first tranche of €2,500 is spent.

Summary of Model Parameters

A summary of the CBA model parameters is presented in the table below.

Table 5.2: Summary of CBA Parameter Values	
Parameter	Parameter Values
Time period for analysis	10 years
Discount rate used	4%
Shadow price of public funds	130%
Treatment of VAT	Excluded
% Increased Productivity Impact per FTE (Indecon research)	10%
Estimated Existing Organisation Income per Employee FTE	€ 42,580
Estimated Annual Additional Output per Employee	€ 4,258
Cost of Investment in Training (assumed spread over 2 years - €2,500 in Year 1 and €2,500 in Year 2)	€ 5,000
Source: Public Spending Code / Indecon	

Result of CBA Modelling

The results of the central scenario in the CBA model implemented in the cost benefit appraisal of the impact of investment in training on productivity in the non-profit sector are presented overleaf in Table 5.3. The findings suggest net benefit of training per employee of €11,886 with a benefit cost ratio of 2.86. This finding suggests that investing in training would lead to a positive economic return over the appraisal period.

Table 5.3: Results of Cost-Benefit Analysis Central Scenario	
Estimate Description	Value
Productivity Impact (%)	10%
Estimated Annual Additional Output (50% in year 1, 100% in year 2, Decreasing by 10% in subsequent years)	€4,258
Present Value of Benefits over 10-year period*	€18,261
Present Value of Cost of Investment Training assuming public funding and shadow price of 130%	€6,375
Net Present Value of Benefits of Investment in Training (€ per capita)	€11,886
Benefit Cost Ratio	2.86 : 1
Source: Indecon Cost Benefit Modelling	
* Model assumes 50% of productivity impact in Year 1, 100% in Year 2 and a gradual decline in annual impact between Year 3 and Year 10	

In line with the Public Spending Code, Indecon economists have undertaken a range of scenarios as part of this CBA, in which the main variation is around estimated productivity impacts of investment in training on employees of non-profit organisations. In Table 5.4, the results of the Upper Bound and Lower Bound Scenario are provided.

Table 5.4: Results of Cost-Benefit Analysis Alternative Scenarios		
Estimate Description	Upper Bound Scenario	Lower Bound Scenario
Productivity Impact (%)	12%	8%
Estimated Annual Additional Output (50% in year 1, 100% in year 2, Decreasing by 10% in subsequent years)	€5,110	€3,406
Present Value of Benefits over 10-year period*	€21,913	€14,609
Present Value of Cost of Investment Training assuming public funding and shadow price of 130%	€6,375	€6,375
Net Present Value of Benefits of Investment in Training (€ per capita)	€15,538	€8,234
Benefit Cost Ratio	3.44 : 1	2.29 : 1
Source: Indecon Analysis		
* Model assumes 50% of productivity impact in Year 1, 100% in Year 2 and a gradual decline in annual impact between Year 3 and Year 10		

5.4 Risks if Non-Profit Sector is not part of National Upskilling Agenda

In addition to examining the quantified economic costs and benefits of increased investment in training, it is useful to consider the risks if the non-profit sector does not invest sufficiently in training. Community and voluntary organisations play a critical role in Ireland's economy and society. These organisations are involved in the delivery of essential services that impact on individual lives and on wider society. A summary of some of the risks which could arise if there is underinvestment in upskilling of staff and volunteers is presented in Table 5.5.

Table 5.5: Risks of Underinvestment in Training Continues

- Lower productivity impacting on quality of services provided
- Difficulties in staff recruitment and retention
- Low employee and volunteer morale
- Risks to required governance
- Reputational risks for sector
- Reduction in fundraising income

Source: Indecon Analysis

5.5 Summary of Key Findings

- ❑ Organisations and employees indicated that there would be significant benefits from investment in training enhancing quality of services and in facilitating new work practices.
- ❑ Investment in training is likely to increase productivity.
- ❑ Indecon's cost-benefit modelling estimated a BCR of 2.9 under the Central Scenario. This indicates positive benefits in excess of costs from investment in training in the sector.
- ❑ There are risks which should be taken into account, if underestimation in training in the sector continues.

6 Conclusions

6.1 Summary of Conclusions

A summary of the main conclusions of the report are shown in Table 6.1 below.

Table 6.1: Summary of Main Conclusions from Appraisal	
1.	Critical skills gaps exist in the non-profit sector.
2.	Levels of training in the Irish non-profit sector are very low.
3.	There is a need for increased investment in skills enhancement in the non-profit sector.
4.	Investment in upskilling in the sector is likely to have a net positive benefit-cost ratio.

1. Critical skills gaps exist in the non-profit sector

Indecon's research identified that critical skill gaps exist in non-profit organisations. The main reason highlighted by non-profit organisations for these skills gaps is difficulty in attracting skilled individuals to the non-profit sector due to competition from better paid sectors.

2. Levels of training in the Irish non-profit sector are very low.

Indecon research has demonstrated that non-profit organisations in Ireland are currently only in a position to allocate a small percentage of expenditure to training. Those working in the non-profit sector in Ireland have spent lower amounts of time on training programmes compared to those working in the private and public sectors in Ireland. Employees in Irish non-profit organisations also spend less time on training than those working in the non-profit sector and were more likely to have lower levels of training than those working in the non-profit sector in the UK or the OECD.

3. There is a need for increased investment in skills enhancement in the non-profit sector

New primary research conducted by Indecon has shown that skills shortages in non-profit organisations result in reduced service quality levels and lower productivity. Non-profit organisations expect an increase in the demand for skills and our analysis suggests the need for increased investment in the enhancement of skills.

4. Investment in upskilling in the sector is likely to have a net positive cost-benefit.

As part of this appraisal, Indecon developed a formal cost-benefit analysis (CBA) framework, with the objective of providing a quantified assessment of the economic costs and benefits of investing in training in non-profit organisations. The findings suggest that investment in training in the non-profit sector is likely to have a positive net economic benefit.