

THE FUTURE OF HR



FOR NONPROFITS

Namely 

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About Namely

Introduction

As we globally recover from the COVID-19 pandemic, nonprofit organizations are finding themselves operating in a changed—and changing—world. And companies in this sector have to reckon with the workplace pivots that come along with these changes.

As such, the HR department at nonprofits is no easy place to work. But the challenges that come along with being in HR for nonprofits also bring **massive opportunities** for these leaders to make pivotal decisions and shape the industry's future.

Many of these changes and challenges— fluctuating compliance regulations, tighter budgets and higher expectations, more competitive than ever recruiting—were already prevalent for this workforce, but many companies are still finding themselves unprepared. We're at a crossroads in the industry, where companies can make the decision to evolve with the times or fall behind. And HR will find themselves in the center of this movement.

Let's take a look at what we can expect for HR at nonprofits in the coming years.



Now that we've examined what makes HR so unique for the nonprofit industry today, what trends can we expect to see going forward?

From enhancing the employee experience to offering the right benefits, we'll explore what the future of HR looks like for nonprofits.

Let's get started.

Talent Acquisition and Retention

Nonprofits often compete for talent with other organizations—from hospitals and government agencies to other nonprofits and for-profit companies. The bigger budgets of competing entities challenge nonprofit HR to attract and retain good staff.

But there **are** ways that nonprofit recruiters can compete in this candidate-driven market. Let's take a look at a few.

Mission-Based Recruiting

Core values and your company mission lay down the foundation of organizations. They define your business' priorities, shape your company culture, and motivate your employees by giving them a purpose.

And when it comes to attracting top talent, company culture is key. In fact, one third of candidates would pass up the perfect job if the organization's culture wasn't a good match. Another study found that 32 percent of employees who had left a job within the first 90 days listed company culture as the reason.

Hiring the right employees means looking for candidates who will be a "culture add" to your organization, not a "culture fit". These kinds of employees not only embrace your values, but more importantly add to your company's diversity by offering different backgrounds, perspectives, and experiences.

In order to find these employees, you need to define your culture and values during the hiring process. What exactly are your core values and mission statement, and how does your workforce embody them? What Employee Resource Groups do you have? How often do your employees volunteer, and for what causes?

This is where employee referrals can be extremely helpful. It's likely that candidates your employees refer share similar values and are looking for the same kind of culture—which increases the chances of them staying at your company. According to recent data, 45 percent of employees sourced from referrals stay at their companies for longer than 4 years.

Evaluate Compensation Benchmarking

The decision to work at a nonprofit isn't typically made with a big payday in mind. That said, compensation still matters to both current employees and prospective hires. And since many nonprofits depend on donations and grants to stay afloat, there often isn't much left to go around after overhead.



Still, nonprofits will have to make sure they are staying competitive when it comes to their employees' compensation. By researching industry averages and using benchmarking, they can see how their offerings compare to other companies and reevaluate accordingly. Using a compensation management software can simplify this process and help companies plan, communicate, and benchmark their compensation in real-time.

Affordable Benefits

Budgets are tight—but attracting top performing talent is one of your biggest goals of the year. And today's jobseekers expect more than ever from potential employers.

Benefits can make or break your nonprofit when it comes to recruiting and retaining employees. According to Glassdoor, 60 percent of people report that benefits and perks are a major factor

in considering whether to accept a job offer. And 80 percent of employees would choose additional benefits over a pay raise.

So, how do you save money while also building a benefits package that will draw top talent and keep your employees engaged?

We've compiled a list of 6 desirable benefits that won't break the bank, but will impress your employees:

Health Savings Account (HSA)

Health Savings Accounts, also known as HSAs, are tax-advantaged savings accounts created for those who are covered under high-deductible health plans (HDHPs). They allow those individuals to save for medical expenses that HDHPs do not cover. The funds in an HSA are invested over time and can be used to pay for qualified medical expenses.

While employers can contribute to HSAs if they desire, the program can also be fully employee funded—meaning it would cost your nonprofit zero, while still providing an incredibly useful medical and financial benefit for your employees.

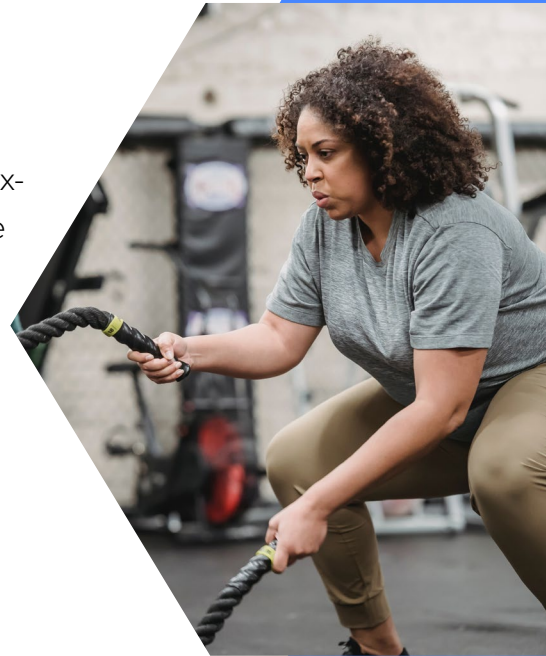
Flexible Spending Account

A flexible spending account (FSA) is another popular, tax-advantaged financial account. The employee sets aside a portion of their paycheck to go into the account to be put towards qualified medical expenses. FSAs are not exclusive to high-deductible health plans—funds can often be used for other benefits like dependent care. As of 2020, the maximum employees could contribute to one is \$2,750.

Wellness Programs

Wellness programs can be expensive. In today's competitive job market, many companies are offering fully-paid gym memberships to their employees. But you don't have to sign all of your employees up for ClassPass to take advantage of this trend.

Consider allowing an employee with a passion for yoga to teach weekly or monthly classes in the office. Offer monthly group meditations or allow employees to leave



during lunch to squeeze in a workout class. You can also organize group activities that encourage mental and physical health and help your team get to know one another. Think: bike to work incentives, team sports, a field day, etc. The options are endless.

Flexible Work

Flexible work has become more of an expectation than a voluntary offering. Employees want to be able to work wherever and whenever they want, and thanks to technology, this is no longer a far-fetched idea.

While some companies offer work-from-home Fridays or full-remote roles, your company needs to figure out the comfort level you have with letting employees own their schedules. Giving your employees the ability to choose when they work out of the office or from home establishes a sense of trust and can actually lead to increased job satisfaction and reduced absenteeism.

In fact, 78 percent of nonprofit organizations experienced unanticipated positive benefits resulting from staff working remotely or in a hybrid model.

Employees can avoid the anxiety of the morning commute, stay home with a sick child, take their dog for walks during the day, or step out for a doctor's appointment without worrying that they will be reprimanded or judged for leaving the office.

Flexible work allows your employees to own their schedules and rest easy knowing they have options if something requires their presence at home.

In order to have a successful flexible work program, your company needs a policy that clearly outlines expectations so performance doesn't slip.



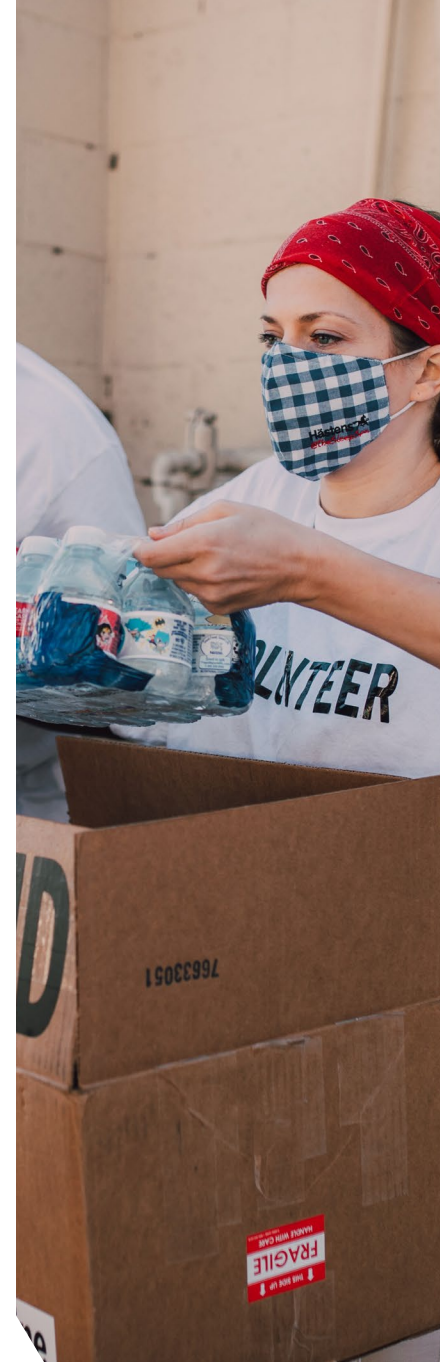
Volunteering Time Off

Volunteering is a core pillar of nonprofits. It's a valuable way to make a difference and see the impact your time and effort can have on an individual or a community. Organizing regular team volunteer outings to support the cause that your business is related to is a great way to let your employees feel a part of something greater, as well as bring employees together outside of work and deepen your business' relationship with the community.

Many employers are also adding "VTO," or volunteering time off, to their paid time off programs. Employees can take a full or half-day to volunteer at an organization of their choosing, while still getting paid. It's a great way to encourage your employees to be a part of something greater and follow their passions outside of work.

Voluntary Benefits

Voluntary benefits can also help strengthen your offerings without breaking the bank. Though offered through your company, these benefits are paid for primarily by employees through a payroll deduction. These plans can take many forms, including but not limited to legal insurance, pet insurance, and even financial wellness programs. Commuter benefits were once also considered a voluntary offering, but a number of jurisdictions (including [New Jersey](#)) have since made it a requirement for most employers.



Unique Regulatory & Compliance Environment

You already know that running the HR department at a nonprofit organization is challenging; we certainly don't have to tell you! And compliance and regulations are just another complicated task assigned to already strapped HR resources.

Let's take a look at a few of the unique compliance challenges for nonprofit organizations.

Interns vs. Volunteers

Nonprofits often rely on help from volunteers and unpaid interns. While critical to the sector, these relationships can put HR teams at risk of violating wage and tax rules if not handled appropriately.

The Fair Labor Standards Act (FLSA) defines a volunteer as “an individual who performs hours of service for civic, charitable, or humanitarian reasons, without promise, expectation or receipt of compensation for services rendered.” While volunteers can be reimbursed for things like travel, giving them “a little something” for their time can pose compliance issues. Compensating a volunteer anything more than \$500 per year puts them in paid employee or independent contractor territory, opening a Pandora's box of regulations including the Affordable Care Act, the Family Medical Leave Act, minimum wage rules, and others.



Keep in mind that nonprofits can't necessarily use volunteers for all tasks. Commercial activities, like working in a museum gift shop, for example, must be handled by paid employees. The only exception here are interns, who are subject to a separate set of rules.

If your nonprofit makes use of volunteers and unpaid interns, protect your company from potential wage claims or disputes by having them acknowledge in writing that they don't expect to be compensated. These agreements should also make it clear what duties are expected of the individuals and for how long.

Payroll Taxes

Making sense of payroll taxes is difficult for any business, but it can be particularly challenging for nonprofits. While many nonprofits are entitled to tax breaks, the IRS only extends these benefits to certain companies—making it a challenge to figure out what's actually owed at the end of the day.

Nonprofits whose work can be described as any of the below can apply for something called section 501(c)(3) status, a tax designation that signals that their mission is tied to the public good:

- Charitable
- Religious
- Educational
- Scientific
- Literary
- Testing for public safety
- Fostering national or international amateur sports competition
- Preventing cruelty to children or animals

While most payroll taxes remain in effect for these companies, there's one key difference. 501(c3) organizations do not have to pay federal unemployment taxes. Commonly referred to as “FUTA” (an abbreviation for the Federal Unemployment Tax Act), these employer-paid taxes are calculated at 6 percent of the first \$7,000 in wages each employee receives. Depending on your location, you may also be eligible for a similar exemption from state unemployment taxes.



While charitable nonprofits get a free pass for FUTA, their payroll administrators will still need to withhold several other taxes—including Social Security and Medicare (FICA), Federal Income Tax Withholding (FITW), and others. HR teams should work closely with a third-party provider well versed in the subtleties of nonprofit payroll rules.

Overtime

Burning the midnight oil is something nonprofits workers are used to. And if you're in HR, that translates to overtime headaches.

First, a compliance refresher. An employee's eligibility for overtime is dependent on two factors: job responsibilities and wages. While the so-called duties test warrants its own discussion, the latter criteria can be described more succinctly:

if an employee earns less than \$35,568 per year, he or she must earn overtime regardless of job responsibilities.

That number, commonly referred to as the overtime threshold, used to be \$23,660 until the Department of Labor (DOL) raised it in 2019.

With overtime rules set to change, it's critically important for nonprofits to have time tracking software in place. With the right tools, tracking employee hours and curbing runaway overtime has never been easier or faster—and we all know nonprofit HR teams could use a few extra minutes back in their day.

Employee Experience & Company Culture

To keep their nonprofit employees engaged and aligned with business goals, employers will need a dynamic approach that addresses workers' concerns—particularly around financial instability, remote collaboration, diversity and inclusion, and mental health.

Now let's take a closer look at what HR professionals should prioritize to enhance the employee experience and take their nonprofit organization to the next level in 2022 and beyond.

Burnout

With no real end to the pandemic in sight, it might be challenging for employers in the nonprofit industry to manage the burnout and exhaustion continuously affecting their employees.

The top cited reasons for burnout in the study were anxiety about the future, a lack of sleep, and increased demands from management. A third of burnout sufferers revealed that working longer hours had contributed.

So what should nonprofits focus on to take control of the widespread employee burnout crisis?



Support Stress Management

With remote work blurring the lines between work and personal life, nonprofit employees have been struggling with mental health issues and are looking to their employers for support and guidance during this time. Indeed 60 percent of employee benefit leaders said employee expectations around mental health support rose over the past year. From providing mental health days and additional time off to online therapy and eldercare reimbursement benefits, there are many ways to help employees reduce their stress levels.

Establish Boundaries

Defining clear boundaries around working hours helps employees disconnect after work, recalibrate, and start each day refreshed. Creating windows of time where employees are not expected to work, (such as virtual commutes or coffee breaks), offers them the chance to reflect, set goals, and develop a more holistic perspective on their work.

Model Wellness

Every manager, supervisor, or team lead should exemplify their commitment to wellbeing and a healthy work-life balance. This could mean hosting a wellness seminar for employees or sharing valuable resources like ergonomic tips or providing access to a meditation app. Demonstrating support through modeling and promoting wellness for your team is also key in cultivating a culture of psychological safety and trust.

Monitor Workloads

Oftentimes with remote work, it can be challenging to determine whether an employee is carrying too heavy a workload. High turnover or changes in headcount could have shifted the weight of tasks distributed amongst your employees. Employees may have difficulty being productive at home because they are sharing a workspace with relatives or roommates. Or your employees could be dealing with child or elderly care from home and may need accommodations with their workload.

Plan regular check-ins with your employees to understand their perspectives and continuously assess the current allocation of resources and tasks. If something isn't working, or if employees feel overwhelmed, it may be time to redesign the job or shift the workload in a way that is more manageable.

Reskilling/Upskilling

Changing dynamics in the workplace call for both technical skills as well as “soft skills,” including flexibility, time management, communication, and collaboration.

HR professionals can use upskilling to help form confident, productive teams, while making change in the workplace easier to handle. Since 91 percent of companies and 81 percent of employees say upskilling/reskilling training has boosted productivity at work, it’s becoming a popular resource to develop talent for future leadership roles, while keeping employees engaged and generating better performance.



Upskilling may take on several different forms, but usually includes internal training, apprenticeships, partnerships with vendors, and relationships with universities and community colleges, as well as career training programs.

Make sure you tailor the program to employees’ career goals that tie back to the larger company goals, and get managers on board for follow-through. This will help employees take ownership of their personal and professional development and excite them about moving their career forward with the company.

Low-Cost & No-Cost Morale Boosters

It’s no secret that nonprofits have limited resources and budgets. Unfortunately, this means that employee engagement often takes a back seat when it really should be a top priority—now more than ever.

In order to keep their employees engaged, nonprofits will have to start thinking outside the box to find cost-efficient methods.

To give you a few ideas, here are some low-cost and no-cost morale boosters:

Flexible Scheduling

Your employees may have any number of complications that come along with working from home—particularly if they have children. Since daycares are closed and students across the country are learning virtually, your employees who have children may need to adjust their working hours or extend deadlines. If your employees need a longer lunch or can't start working until 10 AM because they are caring for their children, allow them to alter their schedules accordingly. Giving your employees the ability to work flexible hours can decrease their stress levels and increase their productivity.

Virtual Team Bonding

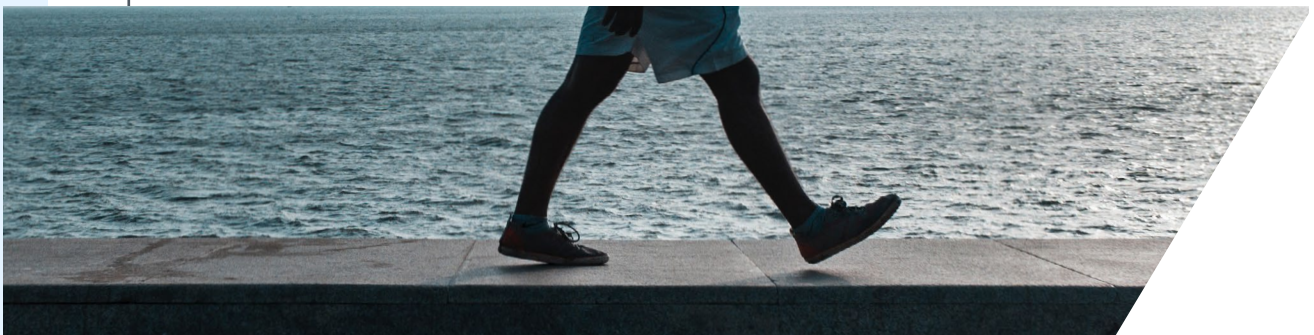
When your team is dispersed, it's especially important to keep your employees connected. From virtual team lunches and happy hours to online workout and yoga sessions, you can keep your employees united and give them a sense of belonging - no matter where they are.

Small doses of team bonding throughout the week can also boost employee morale. Consider allocating the first five minutes of your weekly team meeting to discuss binge-worthy Netflix shows or book suggestions so that your employees can bounce quarantine ideas off of each other.

Mental Health Time & Resources

During difficult times, ensure that you're consistently checking in with your employees about their mental health. This can mean having more one-on-ones with employees to see how they're doing, or offering time off during the day for employees to workout, take a nap, go on a walk, or even do something fun.

Offering free trainings for topics like stress reduction, work from home, and juggling work with parenting during a pandemic can also help mitigate some of the fears and concerns that your employees may be experiencing.



Walk-and-Talk Meetings

Encouraging your employees to exercise outdoors is critical to their physical and mental health. To help your employees stay active and get a break from working inside, suggest that they take conference calls that don't require sitting in front of a screen outdoors. During these Walk-and-Talk meetings, employees can stroll around their neighborhoods, nearby parks, or even backyards for a change of scenery and some fresh air.

Fitness, Yoga, & Meditation

Encouraging your employees to focus on moving their bodies and minds doesn't have to mean offering a paid subscription to online fitness courses like [Obé](#) or meditation programs like [Work From Om](#). It can also mean taking advantage of and promoting free classes online like [OrangeTheory Fitness](#), [Popsugar Fitness](#), or [UCLA Health Meditation](#), or tapping employees who have a passion for exercise to lead classes via Zoom.

Try finding employees who are also certified yoga, HIIT, and sculpt instructors on the side and have them offering virtual classes to their teammates. It's a great way for teams to stay connected, healthy, and to give these employees opportunities to grow their voice across the company.

Supportive ERGs

Employee Resource Groups (ERGs) are employee-led interest groups that raise awareness of issues facing people of a specific demographic, race, religion, or sexual identity. By starting ERGs, your employees can stay connected and support one another - especially during this difficult time. For instance, starting an ERG for parents and caregivers will enable your employees who have children to share experiences, provide resources, and serve as a unified voice at your company. This ERG can meet virtually on a weekly basis and create a Slack channel, where they can share insights and even bounce ideas off of each other.



Data-Driven People Decision Making

Nonprofit companies have always been known for focusing on the people; it's at the heart of what they do. But a bigger focus on the numbers can help HR teams take better care of their employees and make better decisions over all.

Tracking and reporting HR metrics is an important way to quantify initiatives, track progress toward goals, and enable informed decision-making. And over the next 5-10 years, HR at nonprofit companies will become increasingly more data driven. Not only will HR use data to make people decisions, but company leadership will lean on HR leaders for data that will help them make larger corporate choices, as well.

Some of the data points that we expect will become commonplace to measure are:

Quality of Hire

You could call quality of hire the “holy grail” of people metrics. Many organizations score employees based on a number of factors, including productivity, engagement, and adherence to company values. Identifying your company's list of most valued characteristics in a new hire is the first step. Your list should include what matters most at your organization.

For each of your chosen factors, implement a rating system that ranges from one to five (e.g., severely underperforming, underperforming, neutral, satisfying expectations, exceeds expectations). Then you can use this formula: $\text{Quality of Hire} = \text{Average of (Performance + Productivity + Job Fit + Values Fit)}$.





Turnover Rate

Out of all the data points measured by HR, few are as essential as turnover. Quite simply, turnover rate measures the number of employees who leave your company within a set period of time. While your base metric should include both voluntary and involuntary terminations (people who quit or are asked to leave, respectively), you can calculate turnover separately for both types of departures.

To calculate turnover rate, tally the number of involuntary and voluntary terminations over the timeframe you're considering (typically a year). Then, divide this amount by your average headcount during that same period. Finally, multiply this number by 100 to arrive at a percentage.

Career Path Ratio

The notion of the career “ladder” has been relegated to the dustbin. Employee movement at modern day organizations is multi-directional—meaning lateral moves across departments and specialties are becoming more the norm. Enter our next metric: career path ratio, or a measure of how many internal moves are promotions versus lateral transfers.

To calculate this metric, simply divide your total number of promotions by the sum of all role changes, regardless of whether it was an upward or lateral move. If you did the math correctly, the resultant figure should be less than 1.

Unsure of what a healthy career path ratio looks like? The rule of thumb is that companies should average approximately four transfers for each promotion, meaning a career path ratio of 0.2 or less. If your ratio number ends up between 0.5 and 1.0, that may be indicative of a problem with how your business approaches development. In cases like these, managers may be guilty of “talent hoarding,” or shielding high-performers from any and all transfer opportunities.



Pay Equity

A pay equity audit requires you to examine your company's payroll data for evidence of a pay gap and make appropriate recommendations to senior management. The goal of a pay equity audit is to understand whether employees performing similar work at the same level are paid consistently. This is a separate analysis from your annual pay adjustment cycle.

It is important to consult with a lawyer when you audit your pay practices; audits completed with a lawyer should be protected by attorney-client privilege. Start by pulling employee pay data and consider how you want to group the data. Good groupings are key to ensuring your findings are sound. You'll want to look for things including: Pay gaps hidden in certain job titles or departments; underpaid high performers and overpaid low performers; significant differences in promotion rates, raise frequencies and bonuses; and men and women who do similar work, but are not at the same job level.

eNPS

Measuring your company's employee Net Promoter Score (eNPS) empowers your team to get an accurate read on something as subjective as how individuals feel about work.

If "NPS" sounds familiar, that's for a good reason. Originally conceived of by business strategist Fred Reichheld as a way for companies to gauge customer satisfaction, NPS surveys ask participants one "ultimate" question: "What is the likelihood that you would recommend [...] to a friend or colleague?"

Respondents are asked to measure their approval on a scale of 0 to 10. Those who respond with a 9 or a 10 are considered "promoters," and those who answer 0-6 are detractors. Anyone in between those ranges is considered "passive." An overall score is calculated by subtracting the percentage of employees who are detractors from the percentage who are promoters.

All action planning around engagement should be driven to raising that metric over time. This is also the most essential measure to observe with consistency. It's always tempting to change up the questions, but don't do it for at least the handful of questions that drive the overall engagement measurement.

About Namely

Distinguished by its intense commitment to diversity, equity, and inclusion, HR technology leader Namely is an employer of choice that helps mid-sized employers and their employees thrive. Delivering and streamlining the complexities of recruiting, onboarding, time & attendance, performance management, benefits administration, compliance, payroll and analytics from a single platform, Namely also offers Managed Payroll and Benefits services. The company further differentiates the client experience through personalized service and easy-to-use applications. Learn more at Namely.com and follow us [@NamelyHR](https://twitter.com/NamelyHR).

