

## **HUMAN RESOURCE PRACTICES OF NORTH CAROLINA NONPROFIT ORGANIZATIONS**

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### **EXECUTIVE SUMMARY**

In the winter of 2014, the Public Policy Institute (PPI) at Western Carolina University (WCU), in partnership with the N.C. Center for Nonprofits, conducted a human resources survey of nonprofit organizations.

These survey responses indicate several important points:

- Most nonprofit organizations (51%) have experienced an increase in their staff size over the last five years with less than one-fifth (17%) reporting staffing decreases.
- Most respondents (62%) indicated that their staff is more productive now than five years ago.
- Most respondents (62%) felt that the composition of their staff reflects the communities being served by the nonprofit.
- Most respondents (51%) indicated that the ability to recruit and retain quality staff members has not changed significantly in the past five years.
- When staff members voluntarily leave a nonprofit organization for other positions, they are more likely to pursue work with other nonprofits rather than jobs in the public or private sectors.
- Nonprofit strategies used for staff recruitment include webpages, listservs, and direct contacts, with a plurality (45%) indicating that informal networking is the most effective method of recruitment
- Most respondents use a combination of professional development opportunities and salary increases to retain staff, with over one-fourth (28%) stating that salary increases are the most effective means to retain staff.



## *Recruitment, Retention, and Other Personnel Issues of North Carolina Nonprofits*

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## **SURVEY METHODS**

The survey was distributed to 1,290 executive directors/CEOs or other organizational leaders at 501(c)(3) nonprofit organizations in North Carolina. The range of organizations was quite varied, including health-related agencies, youth advocacy organizations, arts councils, educational institutions, and professional associations. The survey was comprised of 27 questions, both multiple choice and open-ended. Respondents were asked to provide information on their organization, including size and scope, staff composition, recruitment, professional development, and retention.

We received responses from 233 individuals from nonprofit organizations across North Carolina, with a response rate of 18%. Nonprofits from over 45 counties from all regions of North Carolina participated in the survey.

### **Limitations**

It should be noted that the survey captures the perspective of only one individual from each organization. In the survey, we asked questions concerning retention from the executive director's/CEO's or other organizational leader's perspective, including assessments of why staff chose to leave the organization. Therefore, we recognize that this survey does not capture the attitudes and opinions of those staff members who actually left. Given this limitation, however, we believe that the aggregate information provided is still useful and that the data capture general trends and challenges facing nonprofits in the state.

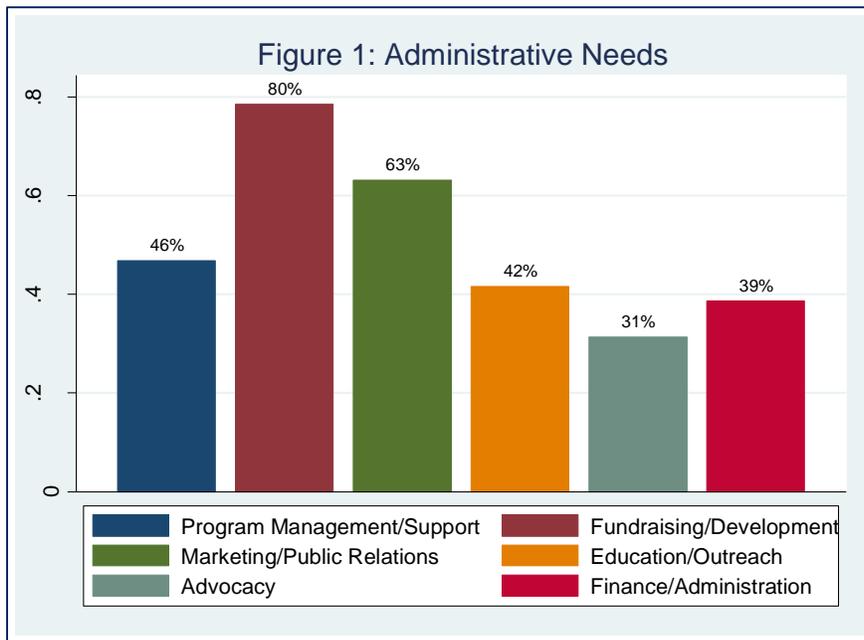
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## **SURVEY RESULTS**

### **I. Organizational Size, Scope, and Future Needs**

The plurality of respondents (45%) work in the area of human services. This was followed by education and research (27%), health (26%), and public/social benefit (21%). The specific issues being addressed by these nonprofit organizations include such diverse areas as: arts, humanities, and culture; environment; animals; health; agriculture and food; youth development; early childhood development; and economic and workforce development.

Approximately 34% of respondents reported a total revenue of between \$100,000-\$499,999, as listed on their 990 Form from 2013. An estimated 13% reported a total revenue of below \$100,000. Only 8% of respondents reported above \$5 million. The average number of years that the organizations have been in existence is 28 years, with a range of one year to 120 years.



As displayed in Figure 1, we asked each respondent to indicate the areas in which they anticipate that the nonprofit will need to grow over the next five years. Respondents had the option of selecting more than one area. Most respondents (80%) anticipate that their organization will need to grow or expand their fundraising and development efforts. This is followed by perceived needs in marketing or

public relations (63%), program management/support (46%), and education/outreach (42%). Very few respondents indicate that they anticipate a need to grow in the areas of advocacy or finance/administration. Other areas that respondents note include social media/technology, small business lending, operations, board development, volunteer management, social enterprise development, facilities management, and special events.

Human services nonprofits indicated the greatest need to expand in the area of finance/administration. They also indicated a need for additional support in fundraising/development, marketing/communications/public relations, direct services, and program management/support.

## II. Staff Composition and Competency

Approximately 55% of the organizations represented in the survey employ fewer than four full-time employees. Only 7% employ more than 50 employees. All of the organizations that employ more than 50 employees have revenues that exceed \$1 million. Over the last five years, 51% of respondents indicated that the staff size of their nonprofit has increased. Only 16% of respondents indicated a decrease in their staff size, and the remainder (33%) indicated that the staff size has remained constant.

Looking into the future, 54% of individuals surveyed anticipate that their staff size will increase in the next five years, with only 4% predicting a decrease, and 27% anticipating no change. Retirements do not appear to be of major concern for nonprofits, as most respondents (53%) anticipate that 10% or less of their staff will be eligible for retirement in the next five years. Only 16 respondents (less than 9% of our sample) stated that half or more of their staff would be eligible for retirement in the next five years. Of these, it is important to note that nonprofits with fewer than five full-time staff members consistently

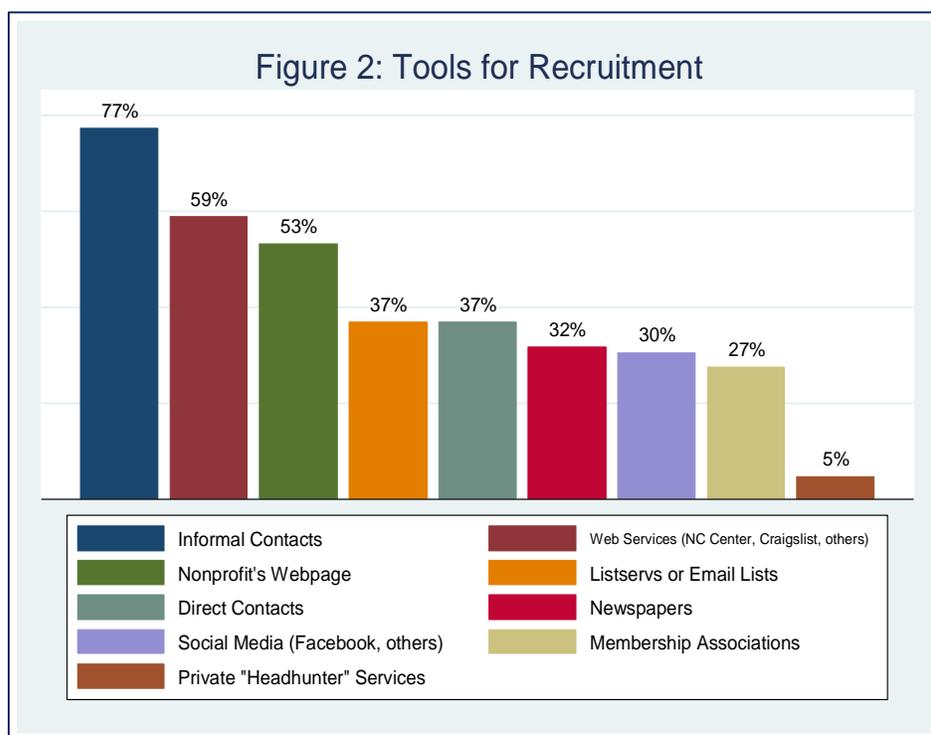
reported a higher percentage of eligible retirees in the near future. Part of this is due to the fact that each staff member represents a higher percentage of the whole staff at smaller nonprofits. This does underscore that a loss of one or two staff members may have a greater impact at a smaller nonprofit than in larger organizations.

We also asked about staff diversity in relation to the communities being served. Feelings were mixed when asked about racial diversity of staff. An estimated 19% indicated that they are very satisfied and 17% indicated that they are very unsatisfied with the racial diversity of their staff. Similarly, regarding gender diversity of staff, 23% feel very satisfied and 15% feel very unsatisfied. Lastly, on the topic of age diversity of staff, 47% feel either very satisfied or somewhat satisfied, with only 7% feeling very unsatisfied. Overall, when asked whether they feel that the composition of their staff reflects the communities that their nonprofit serves, 63% responded that their staff do reflect it and approximately 32% respondent that their staff do not.

Most respondents provided positive feedback concerning their staff's productivity and skill levels. The majority of respondents (62%) feel that staff is more productive today than five years ago. Very few respondents (less than 6%) indicated that staff is either less skilled or less productive than in the past. When asked about new staff members, the majority of respondents (52%) feel that they are more skilled today when hired than those new employees five years ago, with another 43% stating that the skill level is about the same.

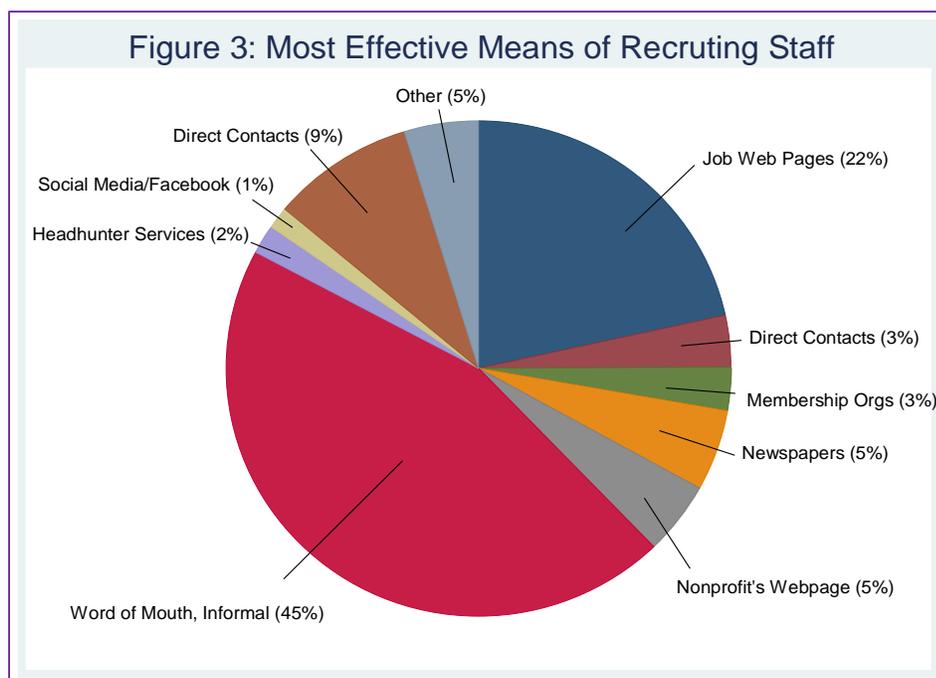
### III. Recruitment

We asked several questions about the recruitment of new staff members. The majority of respondents (51%) indicated that the ability to find and hire staff members is the same now as it was five years ago. About one-fourth (26%) of our respondents said that it is more difficult to find and hire new staff and less than one-fourth (23%) reported that recruitment efforts are easier today than five years ago.



This variation was fairly consistent across nonprofits of different sizes, with the exception of larger nonprofits in our survey (those with more than 50 employees). A high number (47%) of large nonprofits stated that it is more difficult to find and hire staff today than it was five years ago.

As shown in Figure 2 above, we asked respondents to report which types of methods they use to recruit new staff members and provided the option for them to select more than one method. The most popular method is word of mouth/informal networking (77%). Other methods being used include job websites such as the N.C. Center’s Jobs Board, Indeed, Idealist.org, Monster, and Craigslist (59%), the organization’s own website (53%), listservs or other email lists (37%), and private emails or direct contacts (37%).



We also asked which *one* tool is *most* effective for recruiting staff members, as displayed in Figure 3. The most common response (45%) was word of mouth/informal networking. Others (22%) mentioned online services, such as the N.C. Center for Nonprofit’s web page or Craigslist. Very few respondents

indicated that social media, their organization’s listserv, other email lists, or formal membership associations/groups are effective ways to recruit new staff members.

Regarding specific skill areas, knowledge, or experiences that today’s applicants tend to lack, the most common responses include: oral and written communication skills, critical thinking, interpersonal skills, and skills in technology, including social media. Other responses listed include: data management and analysis, development/fundraising, organizational skills, and program evaluation.

Open-ended comments provided by respondents offered specific examples of the challenges in recruiting highly-qualified staff. Many commented on the difficult balance between hiring highly-educated, experienced, and skilled employees and finding the funds for salaries commensurable with that level of qualification.

For example, one respondent from a nonprofit that employs fewer than five full-time staff members noted, *Many applicants do not have the necessary work skills; those that do, usually want more hours and benefits that we cannot afford.* Another respondent mirrored these sentiments by stating, *Attracting qualified people to work for relatively low pay and few rewards is the biggest challenge.*

Some admitted that challenges, particularly low salaries, required them to look toward less ideal candidates. One nonprofit that employed between ten and 19 employees stated that the biggest challenge was *“being able to offer competitive salary and benefits to qualified candidates. As a result we have highly motivated, but inexperienced young people.”*

#### **IV. Retention**

When asked about trends in retaining staff over the last five years, most respondents (59%) feel that there has been very little or no change in their ability to retain staff. Approximately 21% indicated that they experience more difficulty in retaining staff members now than five years ago and 20% indicated that they experience less difficulty.

Demonstrating recent turnover trends, almost half (41%) of respondents stated that at least one-fifth of their staff have left over the past five years. As displayed in Figure 4, over one-fifth (21%) stated that they have had over 40% of their staff leave over the past five years. More promising, over 30% of our respondents stated that they have seen less than a 10% turnover in the last five years. The largest turnover appeared to be in human service organizations, followed by organizations focused on education/research and health.

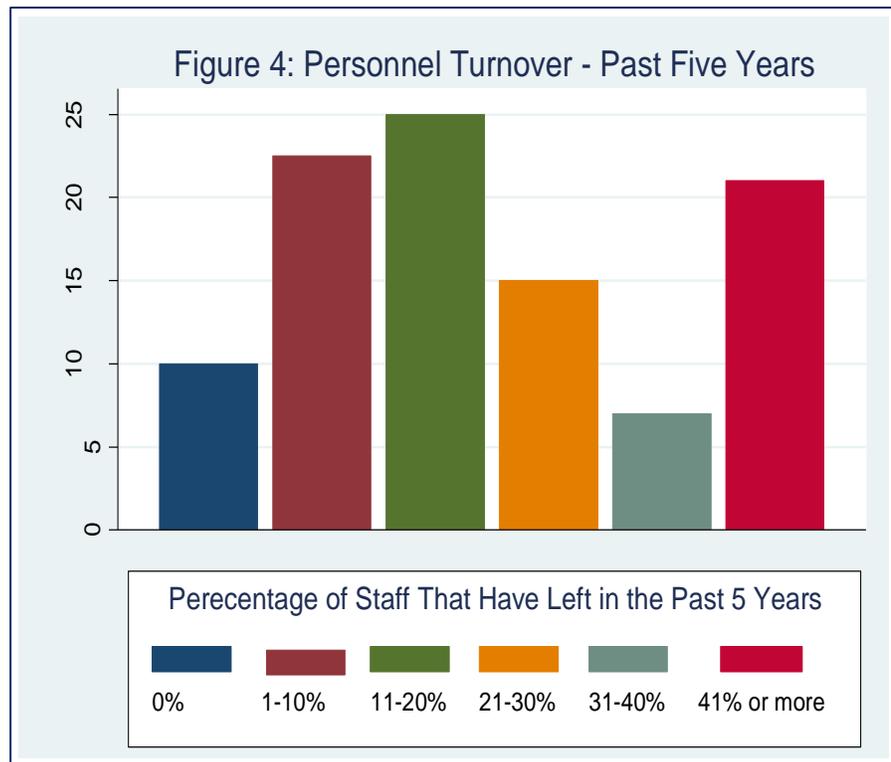
Nonprofits with smaller staff sizes were hit harder than larger nonprofits. Of the 45 nonprofits that reported a turnover of more than 41%, 34 of these had fewer than four full-time employees.

Nonprofit representatives provided several reasons why they thought some staff members have left their organization. Often-cited reasons for voluntary departures among all respondents include a change in professional interests (36%), low pay (33%), lack of opportunity for advancement (29%), employee burnout or low morale (16%), conflicts within the organization (14%), and increasing staff workloads (10%). Other less-often given reasons include relocation, other professional growth opportunities, family, lack of sustained or reliable funding, further education, lack of benefits, and pursuit of full-time rather than part-time work.

Answers to why staff left varied somewhat by the size of the organization. While about one-fourth (27%) of smaller nonprofits (those with fewer than five full-time employees) said that low salaries were a factor in staff leaving, more than 70% of nonprofits with 20 to 50 employees said that staff had left due to salary concerns. One nonprofit representative whose organization employs fewer than five full-time staff with a budget of \$1-\$5 million stated that staff left due to *“fear of [the] agency losing funding – not knowing year to year if*

*there will be enough money.”* This respondent also noted that staff had left the nonprofit sector for private sector employment.

Several mentioned losses in grant funding and the lack of benefits. For example one respondent whose organization employs four or fewer staff members and reported a budget of \$100,000-\$499,999 stated that they lost staff that *“needed full time employment with health benefits.”* This respondent also noted that staff had left for private sector employment.



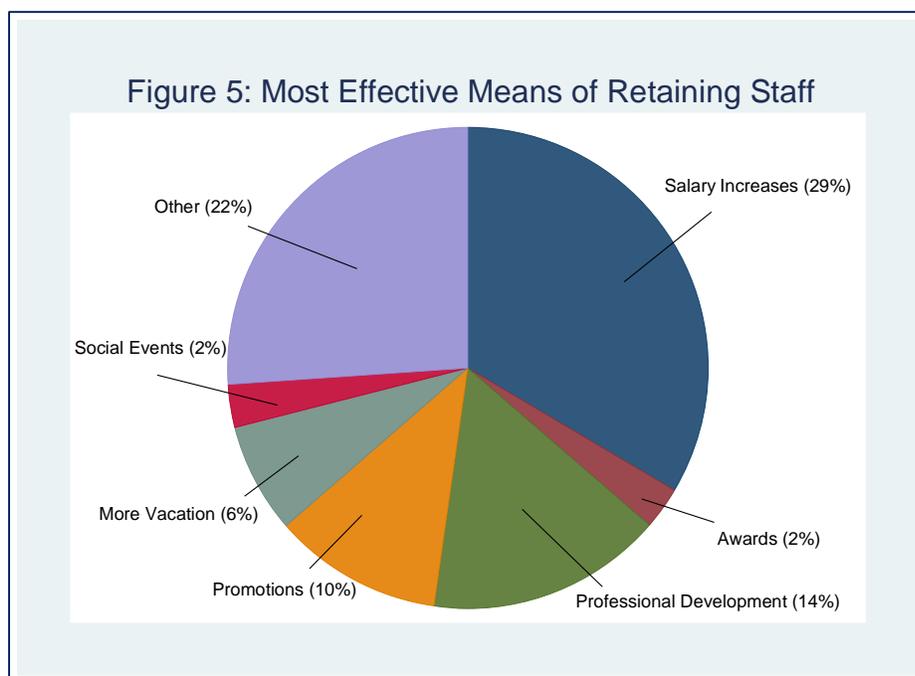
In an open-ended question, we asked respondents what other challenges they faced in finding and/or retaining qualified staff members. Respondents’ comments were varied, but included little to no healthcare benefits; lack of advancement opportunities/upward mobility; applicants not having the necessary skills, education, knowledge, or experience; low pay for a demanding job; changes in technology outpacing the skillset of some current employees; uncertainty about the future of the organization; and the inability to offer full-time work.

When staff members voluntarily leave for other jobs, the plurality of respondents (38%) indicated that they are most likely to pursue work at another nonprofit organization. This was consistent across all sizes of nonprofits in our survey. Somewhat less, 26%, felt that staff pursued work in the for-profit business sector, 7% in local or state government, and 29% were not sure what sector staff had moved to.

Additionally, we asked about the types of strategies that N.C. nonprofits use to retain their staff members and allowed respondents to select more than one answer. The vast majority of respondents (70%) provide professional development opportunities as a retention strategy. Other retention strategies include: salary increases (59%), opportunities for advancement within the organization (29%), an increase in the number of vacation days provided (29%), awards or public recognition (28%), and social events (20%). Others include additional benefits such as paid vacation days, flexible work schedule and job descriptions, creating a culture of teamwork and support, occasional

bonuses, acknowledgement and appreciation of hard work, paid opportunities to pursue further education, family-friendly events, friendly work environment, and a shared leadership model.

We asked which *one* method respondents thought was the *most* effective in retaining personnel. According to 29% of respondents, salary increases are believed to be the most useful strategy for retaining staff members. As displayed in Figure 5 (below), other useful strategies include: professional development opportunities (14%), opportunities for advancement within the organization (10%), an increase in the number of vacation days provided (6%), awards or public recognition (2%). Other strategies mentioned in open-ended comments include: benefits, flexibility, happy work environment and pleasant working conditions, shared leadership, family friendly events, strong relationships amongst staff, strong organizational culture, shared decision making, dedication to mission, environment that fosters teamwork, acknowledge of hard work, and willingness to respond to the needs of employees.



In looking at effective strategies by organizational size, representatives from nonprofits of all sizes stated that salary increases were the most effective means to retain employees. Representative from mid-sized nonprofits (ten to 50 employees) also were more likely to suggest that promotions were effective. This was not often mentioned for small nonprofits (those with fewer

than five full-time employees). Surprisingly, very few of the largest nonprofits in our survey (those with more than 50 full-time employees), indicated that promotions are an effective tool.

The open-ended responses were somewhat distinguishable by nonprofit size. Nonprofits that employ fewer than five full-time employees often mentioned a strong commitment to the nonprofit's cause as a reason personnel stay with the organization. For example, someone from a nonprofit with fewer than five full-time employees and a budget of \$100,000-\$499,999 stated, *"We have an incredibly open, engaging, cooperative and value*

*driven team. It's our joint commitment to our values and open communication that has kept our staff satisfied and productive."*

When asked specific questions related to personnel training and professional development (such as webinars, seminars, and conferences), 62% of respondents indicated that professional development is optional and 38% indicated that it is required. Nearly 95% of respondents said that their nonprofit covers at least some of the costs for professional development expenses, with most (72%) saying they covered all the expenses. This was generally true across different sized nonprofits and those with different sized budgets.

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## **SIMILAR TRENDS IN OTHER RESEARCH**

Results from this survey are reflective of data gathered from the 2014 State of the Nonprofit Sector Survey, conducted by the Nonprofit Finance Fund (NFF). The NFF survey was distributed to nonprofit organizations across the country and received a total of 5019 responses. While many of the questions on the NFF survey are related to an organization's financial state, it does include questions on organizational challenges and responses, similar to the survey conducted by the PPI.

The plurality of respondents for both surveys worked in the area of human services. As mentioned previously, over the last five years, 51% of respondents of the PPI survey indicated that the staff size of their nonprofit has increased. The NFF survey illustrates a similar trend, although it asks about a much smaller span of time. In the last twelve months, 50% of respondents of the NFF survey hired staff for new positions. A much smaller percentage of respondents indicated a decrease in their staff size on both surveys (16% PPI and 17% NFF). On the PPI survey, fundraising and development efforts (indicated by 80% of respondents), marketing or public relations (63%), and education/outreach (42%) are among the areas that respondents anticipate that their organization will need to grow or expand. On the NFF survey, respondents were asked to identify the greatest challenges that their organization is facing. A total of 41% indicated that "achieving long-term financial stability", directly connected to fundraising and development, is one of the top challenges. A total of 17% identified marketing, outreach, and community engagement as a top challenge.

Respondents of both surveys emphasized professional development for staff. On the NFF survey, 51% of respondents indicated that in the next 12 months, they plan to invest money or time in professional development for staff. A total of 48% have made this investment in professional development over the last 12 months. The vast majority of respondents to the PPI survey (70%) provide professional development opportunities as a retention strategy. A total of 38% of the NFF respondents plan to give raises and 59% of PPI respondents indicated that salary increases is a retention strategy being used.

Lastly, only 21% of respondents of the PPI survey indicated that they experience more difficulty in retaining staff members now than five years ago, yet 46% of respondents of the NFF survey plan to make replacement hires in the next twelve months.

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## RECOMMENDATIONS FROM KEY FINDINGS

- Compensation continues to be a key issue in attracting and retaining qualified nonprofit staff. While resource constraints are a real pressure in all nonprofits, executive leadership and boards of directors must advocate for fair and livable wages in order to make nonprofit work sustainable and to keep and attract talented people in the sector. For more information, see the N.C. Center *for* Nonprofits' Salary and Benefits report: [www.ncnonprofits.org/resources/salaries-and-benefits](http://www.ncnonprofits.org/resources/salaries-and-benefits)
- Nonprofit staff also value a degree of non-financial compensation, so executive leadership has real opportunities to get creative in creating incentives to retain and reward employees.
- Investment in professional development pays off for all nonprofits given that most staff leave nonprofit positions to join *other* nonprofits. Boards of directors need to understand the importance of including professional development as a critical line item of every budget, especially in lean times when staff are working under greater pressure and the potential for burnout is higher.

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## ACKNOWLEDGEMENTS

We would like to thank all of the nonprofit executive directors/CEOs and other staff members who participated in this project. Every year, the PPI creates and conducts this survey of nonprofit organizations in North Carolina and analyzes it to provide practical information to those working in the field. We hope that you will be part of this again in the future.

We would also like to thank the N.C. Center *for* Nonprofits for partnering with us on this important study.