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Human Resources Solved

Nonprofit HR Trends: *How HR Can Help Achieve the Mission*

Nonprofits face unique challenges in achieving their mission. The same staff moving the mission forward need solid benefits, fair compensation, and opportunities to grow. Meeting basic employment needs becomes harder when every dollar spent is scrutinized by boards and donors.

The nonprofit HR landscape shifts constantly. Five trends stand out, each one pointing to a gap that can slow your mission down. Luckily, smarter HR can fill such gaps. How are you handling these trends in your business today?

66% of nonprofits say budget constraints affect their ability to retain and recruit staff.

Almost 70% of nonprofits cite budget as the reason they struggle to retain and recruit staff. Talented staff leaves for the private sector or larger organizations. Departures bring added recruiting costs, lost institutional knowledge, and increased strain on employees who stay.

Most nonprofits simply can't spend more, so it's time to spend smarter. Start by knowing what you're actually spending. Salary benchmarking shows which roles are furthest behind and what adjustments need to be made. Establishing a clear pay structure helps with equity.

Among nonprofits that don't offer benefits, 70% cite cost as the driving factor.

70% of nonprofits struggle to afford the benefits their employees need. Health insurance premiums continue climbing every year, and for small organizations, renewals can wipe out the budget.

But cost-cutting can go too far, and depriving employees of benefits is a surefire way to lose talent and reduce morale. Shifting too much of the cost to employees can derail the retention the benefits plan was intended to create.

Instead, conduct a thorough review of your benefits plan with both savings and retention in mind. Identify which benefits are used most, and which can be cut without impacting the overall package. Look for supplementary benefits that stretch an employee's paycheck, like employee discount programs and benefits strategies that reduce taxable income. Clear communication is essential here: sometimes employees don't realize what their plan includes.

53% of companies have incurred payroll penalties for noncompliance in the past five years.

Over half of companies have faced penalties for payroll noncompliance, and nonprofits are included. Tax-exempt status does not mean nonprofits are exempt from rules around overtime, job classification, multi-state employees, and filing deadlines.

Nonprofits often face added complexity due to their reliance on full-time staff, part-time staff, volunteers, seasonal help, and grant-funded positions. Misclassifying a role, treating an employee as a contractor, or not correctly implementing state-based compliance practices can lead to back pay or penalties.

Any misstep can lead to unwanted attention from donors or regulators, making it even more important to keep payroll compliant. Every dollar spent on penalties is a dollar not being directed towards the mission. Performing regular payroll audits, correcting job classifications, and staying updated on compliance regulations mitigates these concerns. Having an experienced payroll professional to oversee the process ensures the burden doesn't fall on teams that are already overwhelmed.

65% of organizations do not have enough HR staff resources to achieve talent management priorities.

The majority of organizations do not have the HR staff or budget to achieve their talent management objectives. At many nonprofits, HR is a team of one. Sometimes that team is a leader who is taking on HR in addition to their main role.

When HR is splitting their focus, urgent tasks override important ones. Onboarding paperwork, benefits questions, and leave requests get handled, but strategic work suffers. Hiring a full HR department, or even a full-time HR professional, is cost prohibitive. Outsourcing HR offers a middle ground where companies can access specialized expertise when they need it. This frees internal staff to focus on their actual jobs.

Only 29% of nonprofit leaders believe that employees with leadership potential have access to development plans.

With so many nonprofits lacking true leadership development programs, high potential employees are unable to grow, and organizations are left without succession plans.

This can impact retention. Employees want to stay at organizations that are invested in their growth, and those who lack a clear path forward are likely to leave. When promising employees get promoted into management roles with no training, they often run headfirst into burnout.

Leadership development doesn't have to break the bank. Mentorship programs, skills training, and clear succession planning can make a critical difference. Building a foundation now keeps things running smoothly even when leaders retire.

How PuzzleHR Helps Nonprofits Focus on the Mission

Nonprofits are asked to do more with less. Puzzle fills in the gaps. Here's how:

- Managed HR provides the expertise needed for compensation strategy, compliance, and leadership development without the cost of an in-house HR team.
- Managed Payroll ensures paychecks are accurate and compliant so you can avoid costly penalties.
- Managed Benefits and PuzzleCares help organizations control plan costs while offering competitive benefits.
- Talent Acquisition helps you find candidates who are aligned with your mission, even when salary budgets are tight.

Want more margin for your mission? Reach out to PuzzleHR today.