

Nonprofit Staffing Crisis: New Call to Action

02.23.22 | Linda J. Rosenthal, JD



“On Monday, a broad coalition of more than 60 national charitable nonprofit organizations sent a [letter to President Biden and congressional leaders](#) calling for “urgently needed pandemic and workforce shortage relief that will enable charitable organizations to fulfill their roles in our nation’s relief, recovery, and rebuilding.”

That was [the important message](#) from the National Council of Nonprofits (NCN) in its “Action Alert” dated February 15, 2022. This is the newest salvo in NCN’s call to action [begun last fall](#) after its October 2021 survey yielded troubling responses from across the sector.

The National Council of Nonprofits wants as many organizations as possible from around the nation to sign onto this letter titled “[Pandemic and Workforce Shortage Relief for Charitable Nonprofits](#),” to share it widely on social media, and to contact their legislators.

Just a week later on February 22, 2022, the National Council of Nonprofits issued an encouraging update. NCN emphasizes that the already-sent letter is “now open for all charitable organizations to sign and circulate to show Congress and the White House that nonprofits in local communities throughout the country support these priorities.”

And – only yesterday – there were news reports that Congress may be moving toward enacting legislation on at least one important item on the wish list: retroactive reinstatement of the Employee Retention Tax Credit. See [Employee Retention Tax Credit For Nonprofits Has A Chance](#) (February 22, 2022) *The NonProfit Times*.

The Crisis

For background on this crisis, see [Addressing the Nonprofit Workforce Crisis ... the Nonprofit Advocacy Way](#) (November 29, 2021) National Council of Nonprofits. Also see our earlier posts: [The “Great Resignation” Problem In The Nonprofit Sector](#) (December 7, 2021) and [The “Great](#)

Resignation”: Exactly How Bad Is It For Nonprofits? (December 9, 2021).

In a nutshell, while it was expected in early 2021 that workers would flock back to their old jobs once the pandemic had eased up a bit, that didn’t happen. Instead, across broad swaths of the economy, employers are having trouble filling vacancies, and the nonprofit sector has been particularly hard-hit.

There were pre-existing factors that have contributed to the severe staffing shortages for our sector. These include the “demographic time bomb” of too many workers, especially in the executive suites, at or near retirement age as well as the long-simmering problem of “burnout” affecting employees from the top to the bottom of the organizational hierarchies.

But factors special to the nonprofit model put the nation’s tax-exempt organizations at a huge disadvantage compared with the for-profit and government sectors in the ability to retain or lure new workers in this unusual labor market.

First and foremost, “mostly because nonprofits can’t raise wages to attract more workers,” they are “really boxed in because [they] can only raise wages if funding is sufficient, but the funding just isn’t there.” The Scope and Impact of Nonprofit Job Vacancies (November 15, 2021), NCN [updated December 13, 2021]. And, “[a]ll the while, the private sector has been “throwing more” at hiring people including money and other “great incentives...”

Second, “... many organizations are locked into pre-established grant or contract funding rates. ‘A lot of nonprofits operate with government contracts that pay a certain amount, and those contracts aren’t being renegotiated to allow nonprofits to pay their workers more, and so we can’t really compete when Amazon or Target or Walmart raise their wages,’ said NCN’s Rick Cohen.”

Meanwhile, the nation’s nonprofits continue to be among the nation’s most critical front-line providers responding to the not-yet-over pandemic. “For the nonprofit sector and the population it serves, the high vacancy rate is ‘a potential tragedy at hand,’” according to Rick Cohen of the National Council of Nonprofits. “When we have a worker shortage,” then people in the community needing services can’t get access to them.

In January Data Shows Several Warning Signs for Nonprofits and Fundraisers (January 31, 2022), Dan Parks reports in *The Chronicle of Philanthropy* on the snowballing effects of additional economic problems: “The first month of the new year brought distressing economic news for nonprofits and fundraisers, with several key indicators moving in the wrong direction: ... First, the recent declines in stock prices may cause foundations and individual donors to pull back on their giving...” At the same time, “rising prices and a tight labor market are hitting nonprofits hard on the expense side of the ledger,... Inflation is playing havoc with most organizations’ salary budgets as they work to retrain and attract competent staff...It has hit food banks especially hard as supply disruptions drive up food prices.”

“Why Nonprofits, Why Now?”

In its February 15, 2022, Action Alert, the National Council of Nonprofits explains the reason for this major push for help right now: “While all residents and sectors of the economy have been hurt by

the pandemic, charitable organizations are now facing the combined challenges of both the harmful financial impact on their operations and chronic staffing shortages that impair the ability of nonprofits to serve their communities.”

Help is needed because of “financial hardships and realities, more particularly described in the letter to President Biden and legislative leaders: “Congress has been generous over the past two years with disaster funding and tax relief.” But “the pandemic continues to disrupt lives and the economy,” and many of the relief packages or benefits have expired. “Yet the need remains as great as charitable organizations struggle to provide pandemic relief in the face of continuing health risks, lost revenues, and the lack of available staff.” In addition, once the crisis is over, the public will continue to look to the nonprofit sector “to help them recover through education and healthcare, social services designed to help rebuild lives and careers, and cultural and faith engagements dedicated to restoring hope, inspiration, and trust.”

Help is needed as well because of “nonprofit staffing shortages”: “The latest available figures from December 2021 show that there were (then) almost ½ million fewer workers in the nonprofit sector than at the start of the pandemic.” The remaining employees “are carrying a much heavier – and unsustainable – load.” Organizations report “significant difficulties retaining staff and filling vacancies. Recent data confirm that four in five (79%) nonprofits identified salary competition as a major factor preventing them from filling job openings and nearly a quarter (23%) stated that the inability to find child care affected recruitment and retention.” These impacts are seen nationwide “in virtually every local community as nonprofits are forced to restrict needed services, institute waiting lists, or close operations entirely. Because individuals and communities rely so heavily on charitable nonprofits for their wellbeing, the nonprofit workforce shortage impacts everyone.”

What Are Nonprofits Seeking?

The letter presents the wish-list of the nonprofit sector in three separate categories. “As the pandemic has dragged on beyond all expectations, charitable nonprofits of all types report at least three areas of challenges that policymakers must address.”

- **Generating Resources to Meet the Needs of Relief and Recovery:**

Three “disaster relief charitable giving incentives were allowed to expire at the end of 2021” but continue to be urgently needed. The letter calls for:

- renewing the universal charitable (non-itemizer) deduction at least through 2022;
- “significantly” increasing the cap on the deduction (as already proposed in the bipartisan Universal Giving Pandemic Response and Recovery Act, S.618 and H.R.1704); and
- extending the provision permitting individuals who itemize to deduct charitable donations up to 100% of their adjusted gross income and the measure allowing corporations to deduct charitable donations up to 25% of taxable income.

- **Addressing Critical Staffing Shortages:**

“Several policy solutions are readily available to alleviate this workforce crisis.” The letter calls for Congress and the Administration to “retroactively restore the Employee Retention Tax Credit, as

proposed in the bipartisan ERTC Reinstatement Act (H.R. 6161/S. 3625), extend this refundable payroll tax credit through 2022, and modify nonprofit eligibility beyond the current “gross receipts” test and definition of eligible payroll expenses to include child care and education subsidies to reflect the increased costs charitable organizations experienced as they struggle to maintain or expand services to meet local needs throughout the health and economic crisis.”

Also, “any relief package should include core components of the Work Opportunities and Resources to Keep Nonprofit Organizations Well Act, or WORK NOW Act (S. 740/H.R. 1987)....”

And Congress should “... adopt essential reforms to the Public Service Loan Forgiveness program to, among other things, waive the full time employment requirement during the pandemic and its immediate aftermath, expand the types of loans that may be forgiven, and overhaul the disqualification rules to reflect the original intent of Congress.”

- **Promoting the Return of Volunteers:**

Volunteers didn’t return to “pre-pandemic levels.... Organizations lack the resources to manage and marshal volunteers in this changing environment.” The letter calls for action to alleviate this critical problem by:

- “investing in capacity building grants for volunteer management, targeted to pandemic related shortages, and in the digital infrastructure needed to connect potential volunteers with opportunities in their communities” and
- Providing incentives and otherwise eliminating unfair tax disparities; for instance, raising the volunteer mileage rate to match the business rate and eliminating the tax on mileage reimbursement up to the business rate.

Movement on ERTC?

In [*Employee Retention Tax Credit For Nonprofits Has A Chance*](#) (February 22, 2022) *The NonProfit Times*, the letter from the nonprofit community is discussed, including key elements of the called-for administrative and legislative action.

While as of mid-day Friday (February 18th), there had been no official response from any of the addressees, according to David L. Thompson, vice president of public policy at NCN, “there has been movement on the core concerns listed in the letter.”

“The best indication that we’re making progress is the introduction of the bipartisan Senate companion bill to restore the Employee Retention Tax Credit for the fourth quarter of 2021,” according to an email from Mr. Thompson to the *NonProfit Times*. “Four of the five sponsors serve on the Senate Finance Committee, a detail that suggests tacit approval by the leaders of the Committee.”

“Additionally, congressional staff members have told representatives from the national council that the tax items included in the letter might be included in a bill likely to move through Congress, such as the omnibus spending bill scheduled for March. These items would include reinstatement of the Employee Retention Tax Credit and renewal of the giving incentives that expired at the end of 2021,

Thompson added.”

Conclusion

“Now is the time to join the push to secure urgently needed relief for charitable nonprofits.” The National Council of Nonprofits wants charitable organizations to: read, sign on to the letter, and share it; email their senators and representatives a copy of the letter; and tweet to them: “The pandemic continues to hurt the ability of charitable nonprofits to meet community needs. Enact #Relief4Charities to address financial, workforce, and volunteer shortages <https://bit.ly/3gUi5GF>”

-- Linda J. Rosenthal, J.D., FPLG Information & Research Director