

The "Great Resignation": Exactly How Bad Is It for Nonprofits?

12.09.21 | Linda J. Rosenthal, JD



"No one has ever asked me that," the executive director of Minneapolis-based Loaves & Fishes told the newspaper reporter.

Cathy Maes, head of the largest free-meal program in Minnesota, said she was "dumbfounded" when "she interviewed a candidate for a truck driver position and he asked if she could reimburse him for college education." See [Minnesota nonprofits grapple with sudden staffing shortages in the 'Great Resignation'](#) (December 5, 2021) Kelly Smith, *Minneapolis Star Tribune*.

Facing a steadily worsening labor shortage, Loaves & Fishes had already raised its offered minimum hourly wage from \$15 to \$17. But still there is little interest in working for this 501(c)(3) organization. Where historically there have been 20 or 30 applicants per job opening, Ms. Maes says they are now "[lucky to get two or three.](#)"

As an interim staffing solution through next spring, she has "hired two landscapers as temporary drivers." And she's "[looking to her volunteer ranks](#) in hopes of hiring people already passionate about the nonprofit's mission." But there are fewer volunteers now than before the pandemic, although the number of community members asking for food assistance has spiked dramatically since the beginning of the pandemic.

What about that trucking applicant? He [accepted a job at UPS](#) which gives tuition assistance.

Yet Another "New Normal"

With hopes late last spring that the worst of the pandemic was over, the nation's employers expected to see workers flock back to their newly revived jobs and reopened workplaces.

That didn't happen.

Instead (and along with the Delta variant), a new crisis entered the mix of chaos and uncertainty. Dubbed "The Great Resignation," it's wreaking havoc across broad swaths of the American economy. But it's taking a particularly devastating toll on the nonprofit sector. See our last post: *The "Great Resignation" Problem In The Nonprofit Sector* (December 7, 2021).

According to Rick Cohen, Chief Operating Officer of the National Council of Nonprofits (NCN), there are "various reasons that nonprofits are hurting more than private businesses when it comes to employee shortage...." *The Scope and Impact of Nonprofit Job Vacancies* (November 15, 2021), NCN; *Labor shortage hits nonprofit organizations harder than other business sectors* (November 19, 2021) *news5cleveland.com*.

First, Mr. Cohen explains, it's "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." It's the classic manifestation of the built-in structural disadvantage of the not-for-profit/tax-exempt model.

All the while, the private sector has been "throwing more" at hiring people including money and other "great incentives," laments Heather Gates, president and CEO of Connecticut's Community Health Resources, that state's largest nonprofit provider of behavioral health services. Half a continent away, Cathy Maes of Minnesota's Fishes & Loaves struggles against those same headwinds, unable to match the competition. "That's just not what we can do," she says.

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.

Nonprofits "can't increase their own reimbursement to retain and attract workers," Gian Carl Casa, president and CEO of Connecticut Community Nonprofit Alliance, emphasizes in a media interview. *Officials Say Nonprofit Workforce Shortage Limits Access To Services* (December 6, 2021) Christine Stuart, *nbconnecticut.com*. They are stuck – at least for right now – with notoriously low government payment levels and practices.

That's where the enlightened sector-wide activism urged by the National Council of Nonprofits and other sector leaders comes into play. See *Addressing the Nonprofit Workforce Crisis ... the Nonprofit Advocacy Way* (November 29, 2021). And – wonder of wonders – now there's funding for emergency changes like the ones urgently needed right now to be competitive in the tight labor market. See our recent posts including: *That Federal "Mountain Of Money": More Updates* (November 12, 2021); *Nonprofits: Continue Engaging on Billions in Pandemic Aid* (October 21, 2021); *Suddenly, It's Raining Grant Money* (August 17, 2021); and *Billions in Covid-19 Aid: Nonprofits Should Engage* (August 3, 2021).

Third, donors and other funders often still balk at compensation budgets that include more generous pay scales than the meager crumbs historically tossed at 501(c)(3) workers. But over the last

decade or so, more and more philanthropy supporters have come to understand the insidiousness of “[The Starvation Cycle](#)”. They are discarding the entrenched notion that nonprofit staffers should feel satisfied – alone or primarily – by the accomplishment of the charitable mission.

Pre-Existing Problems

Experts are quick to point out that The Great Resignation – affecting the entire U.S. economy – is not the result solely of the extraordinary economic upheaval created by the COVID-19 crisis.

The seeds had already been sown before March 2020. We mentioned [in the last post](#) that experts had recognized the U.S. trend of escalating worker dissatisfaction (particularly in younger employees) with too little work/life balance. This, combined with the demographic time bomb of a large number of older workers soon to retire, was a fuse ready to go off.

And, in the nonprofit sector, there have been additional smoldering embers.

Near the top of that list is the dangerously high rate of worker turnover in 501(c)(3) organizations; a figure considerably worse than in the economy as a whole. Check out this headline just a month before the pandemic struck: [45% Of Nonprofit Employees To Seek New Jobs By 2025: Report](#) (February 10, 2020) Chris Strub, *Forbes*. That warning was hardly the first.

Also deeply troubling has been our community’s lackadaisical approach to worker-recruitment and -retention planning and budgeting. For example, see [Results Are In: 2016 Nonprofit Employment Practices Survey](#), NonprofitHR [“Despite the growth boom in the sector, ... most nonprofits still lack the formal recruitment and retention strategies they need to effectively scale their operations and land top talent. This year, 54 percent of organizations surveyed do not have a formal recruitment strategy and 71 percent do not have a formal recruitment budget....Retention is receiving even less attention than recruitment at many nonprofit organizations.”]

And from this year, indications of this continuing problem; see [Staff Retention A Major Problem For NPOs](#) (September 30, 2021) *The Nonprofit Times* and [80% of survey respondents indicate they don’t have a formal talent retention strategy](#) (October 8, 2021) NonprofitHR [“New survey finds nonprofits do not have a strategy to prevent employee turnover during Great Resignation”; “...fewer organizations have retention strategies compared to when our talent retention survey was last undertaken in 2019”].

Here We Are

The Great Resignation has now – in late 2021 – planted itself firmly in our reality along with the new Omicron Variant.

There are [about 500,000 nonprofit-sector jobs](#) waiting to be filled; the national total is now estimated at about 5 million open employment opportunities.

Interesting new labor statistics reported just in the last 24 hours suggest that many of the millions of unfilled American jobs were *not* caused by workers dropping out of the labor force, temporarily or permanently, or by employees not yet willing to return to newly opened physical workplaces.

Instead, many were successfully lured away by better jobs. See [4.2 million Americans quit their jobs in October as workers continued to search for better opportunities](#) (December 8, 2021) Eli Rosenberg, *The Washington Post*; and [Americans keep quitting their jobs](#) (December 8, 2021), Cate Chapman, Editor, *LinkedIn News*.

With that new information available, the matter of strategy for beleaguered nonprofit employers remains a moving (and developing) target.

In any event, so far the advice and observations of experts vary widely. Some are more focused on the “up” side; making lemonade out of the lemons. Others suggest an entirely different approach.

Compare, for instance:

- [3 Steps for Nonprofits To Take Advantage of the Great Resignation](#) (October 7, 2021) Lisa Greer, *Nonprofitpro.org* [“The Great Resignation offers one of the greatest recruiting opportunities — if not the greatest — in recent history. Nonprofit leadership across the country should be chomping at the bit to attract motivated, purpose-driven candidates among the millions searching to hit the reset button on their careers in search of a more meaningful path”]
- [Best Staff Retention Tips for Nonprofits in 2021](#) (October 28, 2021) Mainstream Nonprofit Solutions

Conclusion

As we continue with this series in more posts to come, watch out for news, developments, and free online learning opportunities like the upcoming webinar presented by BDO United States: [How Nonprofits Can Navigate the Great Resignation](#). The link includes registration instructions for the event scheduled for December 15, 2021, 11 AM to 12 PM, E.S.T.

“Nonprofits,” explain the sponsors, “are not exempt from the current labor market shortages associated with the ‘great resignation.’ The pandemic, social and political events, and the relentlessness of navigating both personal and professional priorities created a perfect storm. Professionals in every sector feel burned out, disenfranchised, and are seeking a new normal which goes beyond remote work. While there is not a silver bullet solution, there are tangible steps that organizations can take to revitalize their culture and mission.”

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