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Nonprofit Workforce Shortages: A Crisis That Affects Everyone

Charitable nonprofits around the country are reporting significant difficulties retaining staff and filling vacancies. What was initially considered a challenge has now become a workforce crisis in need of immediate remedy and commitment to overcome longstanding problems exacerbated by the COVID-19 pandemic. While job vacancies in the government and business sectors may cause disappointment and lost profits, the lack of adequate nonprofit staffing means the public suffers delayed or complete loss of needed services.

Why It Matters

When organizations dedicated to serving the public good can't secure the workforce to provide vital services, their communities suffer. While staffing shortages in delivery services result in longer times to receive a package, staffing shortages in direct-care services mean that families and individuals cannot access life-saving support. When a nonprofit closes, the ripple effects cannot be ignored: communities lose access to food, shelter, mental health care, and other vital services. Nonprofits are doing their part to raise **awareness** of the challenge to whole communities, to collect and **analyze** data to identify the problem and solutions, and take **action** to protect our communities.

The Scope and Impact of Nonprofit Workforce Shortages

In the fall of 2021, the networks of the National Council of Nonprofits posted an [online survey](#) to gauge the scope of the workforce shortage problems for charitable organizations and determine the impact on their abilities to advance their missions. The analysis, benefitting from responses from more than 1,000 nonprofits from all 50 states, presents the most up-to-date picture of the adverse consequences of workforce shortages. The analysis utilizes responses and comments from nonprofits nationwide to explain the causes and impacts of the nonprofit workforce shortage and propose solutions to pursue in upcoming legislative sessions.

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Since the publication of the special report in December 2021, governments at all levels have taken some actions to alleviate workforce shortages. However, the crisis continues to grow, which hurts individuals when organizations do not have enough employees to meet the public's needs. Now it the time for public officials to commit to advancing policy solutions at the local, state and federal levels to eliminate a crisis that affects everyone.

July 2022 Update

The Challenges Continue

Organizations without adequate levels of personnel cannot deliver the same volume of services, much less respond to growing demands. The labor market is active: more than 11 million jobs were posted in May 2020 and roughly 4.3 million workers quit or changed jobs that month, according to the Bureau of Labor Statistics. That agency does not specify nonprofit jobs, so nonprofits are forced to rely on anecdotal evidence to determine whether job applicants are taking work in the for-profit or governmental sectors, and which subsectors, if any, are close to their pre-pandemic employment levels.

Government Policies Hurt the Financial Sustainability of Nonprofits

Nearly four out of five (79%) nonprofits responding to the National Council of Nonprofits' survey reported that **salary competition** impacted their ability to hire. Yet too often nonprofits cannot raise wages or change their compensation packages because they lack the financial capacity to do so. Frustratingly, government policies continue to exacerbate the lack of resources.

- **Expired Charitable Giving Incentives:** Congress allowed the universal charitable deduction to expire at the end of 2021, depriving charitable nonprofits of this meaningful source of revenues when it was most needed to address workforce and service needs.
- **Retroactive Repeal of the Employee Retention Tax Credit (ERTC):** The premature repeal of the law meant that organizations were denied resources to keep people on the job and perhaps pay a little more to retain and attract staff.
- **Government Grants and Contract Challenges:** Recurring flaws include failing to adjust reimbursement rates to reflect real costs. Another hindrance occurs when governments restrict the hourly rates they will reimburse the nonprofits they hire to provide services to the public on behalf of government.
- **Increased Costs - Wages, Inflation, Gasoline:** Unlike for-profit businesses that can raise the costs they charge, government policies and economic realities prevent nonprofits from doing the same.
- **Increased Volumes of Work:** The rising volume of work by people seeking services at understaffed nonprofits often faced waiting lists for services or outright denial of services when organizations could no longer accept new clients or referrals.
- **Negative Impacts on the Public:** What makes nonprofit workforce shortages a crisis that should be of concern to everyone is the impact on people's lives. The negative consequences affect all residents.

Solutions Identified by Frontline Nonprofits

So far in 2022, nonprofits are seeing some progress in the exploration of policy solutions, but additional policy changes and wider adoption of proven approaches need to be implemented as quickly as possible to protect the public.

- **All Governments - Prioritize Equity from the Outset:** Intentionally seek out solutions identified by marginalized and under-resourced communities that would overcome barriers blocking access to services and support for providing services.

- Congress - Reinstatement and Extension of Expired Tax Provisions: The expiration of the Employee Retention Tax Credit and the Universal Charitable Deduction deprive charitable nonprofits of the resources they need to overcome the workforce shortages adversely affecting the public. Attention must also be given to additional **disaster-relief giving incentives** that expired on December 31, 2021 - 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.
- States - Promote Affordable Child Care: Another challenge to employee recruitment and retention is the inability of prospective and current employees to find affordable child care.
- State & Local Governments - Cost of Living Adjustments (COLAs): Just as governments increase their own spending to reflect costs of providing services, they must also annually adjust their grants and contracts with nonprofit service providers to cover rising costs of living and actual costs that the nonprofits incur doing work for those governments.
- State & Local Governments - Payment of Indirect Costs: Reimburse charitable nonprofits their actual indirect cost rates, as required under federal regulations, which state and local governments should adopt when using their own funds to provide efficiencies and consistency across governmental agencies.

In addition, to help nonprofits grappling with the operational aspects of the workforce shortages, we published a [series of articles describing creative approaches](#) that can elevate equity, address burnout and stress, and discover, nurture, and develop talent in nontraditional ways.

December 2021 Report Highlights

Scope of the Problem

The core question the survey explored was, "What is your nonprofit's current job vacancy rate?"

- Nearly one quarter (24.2%) reported vacancies of fewer than 9 percent
- One in three nonprofits (33.5%) shared job vacancy rates of between 10 percent and 19 percent

- A troubling 26.2% responded that they had job openings for 20 percent to 29 percent of their positions.
- Another 16.1% percent reported vacancies greater than 30 percent.

Waiting List and Reduction in Services

- 26% of responding organizations reported having a waiting list that is more than a month long.
- 21% of respondents acknowledged that they do not have a waiting list, but they clarified that it is because they are unable to accept new clients or referrals.

Factors Affecting a Nonprofit's Ability to Recruit and Retain Staff

- An estimated eight out of ten (79%) nonprofits identified **salary competition** as a factor preventing them from filling job openings.
- Nearly a quarter (23%) of respondents stated that the **inability to find child care** affected recruitment and retention.
- **Vaccination policies** affect nearly one in five (19.2%) nonprofits.
- Comments from respondents identified additional causes including stress and burnout.