

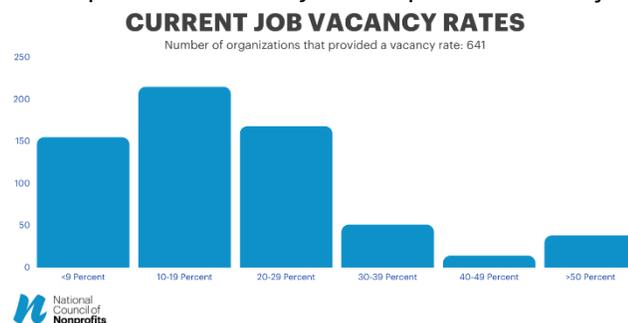
# The Scope and Impact of Nonprofit Workforce Shortages

December 13, 2021

## Executive Summary

Charitable nonprofits from across the country have reported significant difficulties retaining staff and filling vacancies in the last half of 2021. In October, the networks of the National Council of Nonprofits launched a Survey of Nonprofit Workforce Shortages to determine the scope and impact of these difficulties. This analysis, benefitting from responses from more than 1,000 nonprofits from all 50 states, presents a robust picture of the impact of workforce shortages on the ability of charitable nonprofits to advance their missions. What was initially considered a challenge has now become a workforce crisis in need of rapid remedy and long-term commitment to overcoming pre-existing problems exacerbated by the COVID-19 pandemic.

**Job Vacancies:** Among nonprofits responding to the question “What is your nonprofit’s current job vacancy rate?,” nearly one quarter (24%) reported vacancies of between zero and 9 percent. One-in-three nonprofits (34%) shared job vacancy rates of between 10% and 19%, and a troubling 26% responded that they had job openings for 20% to 29% of their positions. Another 16% percent reported vacancies greater than 30 percent.



Causes of the job vacancies were clear to survey respondents. Eight out of 10 nonprofits (79%) identified [salary competition](#) as a factor preventing them from filling job openings. Nearly a quarter (23%) stated that the [inability to find child care](#) affected recruitment and retention. [Vaccination policies](#) affect nearly one in five (19.2%) respondents, although this response waned toward the end of the survey period. Comments from nonprofits identified seven more causes of workforce shortages, ranging from “[stress](#)” and “[burnout](#)” and [government workplace policies](#) and [grants/contracting abuses](#) to the allure of [remote work](#) and [fear of COVID-19](#).

**Relief Programs:** Nonprofits participating in the survey reported accessing various relief programs during the pandemic. The [Paycheck Protection Program](#) loans were nearly universally (79%) secured; followed by access to [state relief funds](#) (36%) and [American Rescue Plan Act \(ARPA\) funds](#) (26%) and [local relief funds](#) (24%). Importantly for current public policy debates, 15% of responding nonprofits

reported having claimed the [Employee Retention Tax Credit](#) (ERTC). ERTC utilization in some states was considerably higher, according to survey responses: **Kentucky** (24%), **North Carolina** (24%), and **Oregon** (21%).

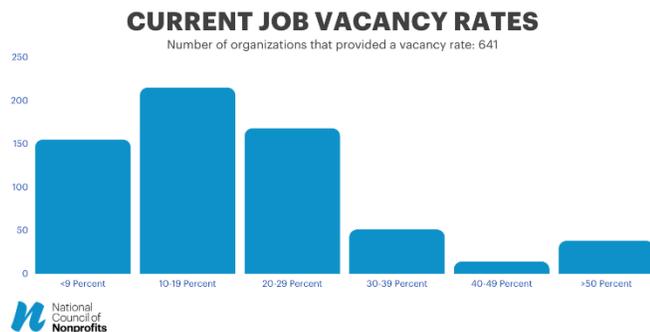
**Solutions:** Some of the solutions to the job vacancy challenges identified by survey participants are relevant to all types of funders – public and private alike – such as adopting [equity from the outset](#) of reforms, [multi-year agreements](#), [investing ARPA funds](#) appropriately, restoring the [Employee Retention Tax Credit](#), and expanding [student loan forgiveness](#). Regarding challenges arising from government grants and contracts, nonprofits called for governments to [update reimbursement rates](#), for the Bureau of Labor Statistics to collect and publish [current nonprofit employment data](#), the provision of [cost-of-living adjustments](#), and recognition and payment of [indirect cost rates](#).

## Key Findings

Charitable nonprofits from across the country have reported significant difficulties retaining staff and filling vacancies in the last half of 2021. In October, the networks of the National Council of Nonprofits launched a Survey of Nonprofit Workforce Shortages to determine the scope and impact of these difficulties. A preliminary analysis in mid-November identified numerous concerns and causes and posited some potential solutions. This updated analysis, benefitting from responses from more than 1,000 nonprofits from all 50 states, presents a more robust picture of the impact of workforce shortages on the ability of charitable nonprofits to advance their missions. What was initially considered a challenge has now become a workforce crisis in need of rapid remedy and long-term commitment to overcoming pre-existing problems exacerbated by the COVID-19 pandemic.

### Scope of the Problem

The core question the survey sought to explore was, “What is your nonprofit’s current job vacancy rate?” Nearly one quarter (24%) of respondents reported vacancies of between zero and 9 percent. One in three nonprofits (34%) shared job vacancy rates of between 10% and 19%, and a troubling 26% responded that they had job openings for 20% to 29% of their positions. Another 16% percent reported vacancies greater than 30 percent.



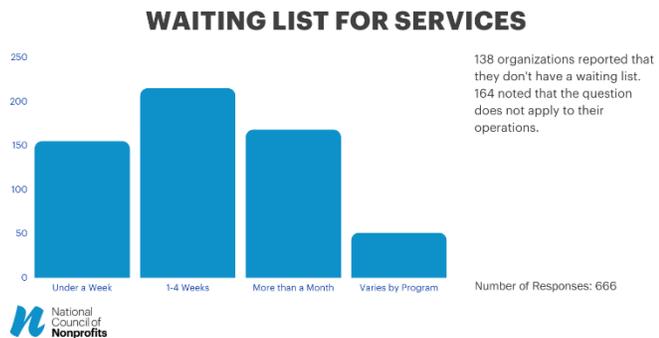
### Impact on the People and Communities Served

Data points without context are merely statistics on a page. The survey asked several additional questions and sought comments from frontline practitioners to help explain whether and the

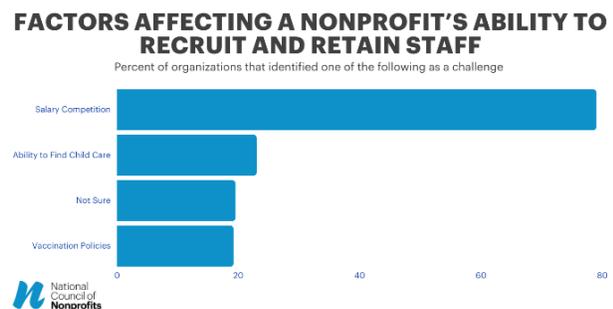
nonprofit workforce shortages matter in the real world, and how it affects their communities. The responses were as illuminating as they were profound.

### Waiting List and Reductions in Services:

The survey asked nonprofits to provide the impact of job vacancies as demonstrated by waiting lists for services. Twenty-six percent of responding organizations reported having a waiting list that is more than a month long, with some organizations highlighting that clients have to wait years to receive services. While 21 percent of respondents acknowledged that they do not have a wait list, they clarified that it is because they are no longer accepting new clients or referrals and have turned people away at some point. Nearly a quarter of respondents (24%) noted that the question does not apply to their operations.



Survey participants made clear their views that the toll on real people's lives caused by workforce shortages is significant. Among the nonprofits reporting at least a one-month waiting list is a domestic violence shelter in **Montana**. Another organization reported having as many as 1,500 children on their waiting list. "We are having difficulty filling child care positions - educators/teachers," a **Vermont** human service provider shared. "This has caused us to close classrooms, consolidate and put burden and pressure on our existing staff," they lamented, adding "the alternative is not serving families who need child care."



A residential treatment facility for children in **Kentucky** reported that while at capacity it can accommodate 40 children, current staffing issues mean it struggles to house 31 youths. It also acknowledged having greater difficulty finding foster families to participate in its therapeutic foster care program. A healthcare and mental health provider in **Maine** wrote of empty beds in their group home due to staff vacancies and a growing list for special-needs children waiting for months for access to services, all while anticipating more vacancies in a workforce "stressed after working so many additional hours to try and fill these gaps." An **Oregon** human service provider has stopped taking referrals due to four vacancies at three locations. A **Nebraska** education nonprofit sadly reported, "We have stopped placing families on the waiting lists at many sites because they are unlikely to get off of it and will need to find other services."

Nearly half of the nonprofits (44%) responding to the question acknowledged having no waiting list or that the question wasn't applicable to their operations. Many, however, explained that they had taken actions to limit services and reduce the number of individuals they could assist. One stated, "We do not keep a wait list, but we serve less than 5% of those calling for shelter or rent and utility assistance." Another acknowledged, "We have had to close for business several times during the past 9 months due to being at capacity."

In summary, nonprofits facing job vacancies reported a number of coping techniques ranging from "cutting programming to focus on client service delivery" to having to "turn people away many times in a month." Some report they adjusted days and times that they provide services. Still others have been forced to refuse added caseloads and returned cases to their state department of human services, which they report is also short-staffed. This comment perhaps sums up the impact on many organizations and their employees: "Because we are a crisis agency, we will always provide services without a wait, but we are having to stretch our staff."

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

The survey sought to identify why charitable nonprofits – organizations accustomed to attracting staff dedicated to the missions of the organizations – were having difficulty retaining and attracting employees. The factors survey respondents reported are telling.

- Eight out of 10 nonprofits (79%) responding to the survey identified [salary competition](#) as a factor preventing them from filling job openings.
- Nearly a quarter of respondents (23%) stated that the [inability to find child care](#) affected recruitment and retention.
- About one in five respondents (19.5%) reported [not being sure](#) what was affecting recruitment and retention.
- [Vaccination policies](#) affect fewer than one in five (19.2%) respondents, a share that declined steadily over the two months the survey was in the field.

### ***Insights from the Frontlines***

In hundreds of comments voluntarily submitted, nonprofits explained some of these challenges in the context of their missions and regions. One cited the long-term problem of "not having enough revenue to pay for all the staff we need." Very many organizations acknowledged they lack the ability to provide competitive retirement and healthcare packages, a problem that predated the pandemic for numerous reasons discussed elsewhere in this report. Financial challenges caused during the pandemic led to one nonprofit writing, "We're largely volunteer, but we no longer have budget to retain paid staff." A nonprofit in the **Pacific Northwest** summed up the frustrations with this list:

“Competitive fundraising environment, creating a productive hybrid schedule, and creating guidelines that work with vaccinated and non-vaccinated staff.”

### **“Stress” and “Burnout”**

The nature of the work charitable organizations perform – and the context of the pandemic – also factor into why jobs remain vacant, according to survey participants. Several reported the strain of operating 24/7 every day of the year leading to burnout. Indeed, the word “burnout” appears repeatedly in the comments, ranging from a **Kentucky** arts group pointing to “Turnover due to burnout,” and a **Massachusetts** organization summing up its workforce shortages with just four words, “Early retirements, sector burnout.” An **Oregon** nonprofit shared, “I increased salaries, PTO, and benefits and folks are just tired,” before explaining the chief culprit: “Burnout.” A separate nonprofit from **Oregon** wrote, “Many staff have left due to transitions traced back to the strains and stress of the COVID-19 pandemic on top of tough jobs.”

“The stress of covering vacant positions on top of low pay is overwhelming,” an **Illinois** nonprofit wrote, acknowledging concerns about “some staff covering responsibilities for three other positions simultaneously.” An **Oregon** human service provider shared, “Our frontline workers are exhausted and under stress which is amplified by the fact that they don't earn a living wage.”

Another professional wrote, “The nature of the work we do in providing support to trauma survivors and the hours we operate, take a toll on staff, during the best of times.” They continued, “During a pandemic, where staff have to juggle personal and professional challenges in new and wildly different ways, the rates of burnout are exponential.”

Sadly, a **Kentucky** nonprofit may have said it most succinctly when they wrote, “Because of the stress from the pandemic and all that it entailed, people are no longer wanting to work in human services/trauma.” Even more exasperated, a **Vermont** human service provider emoted: “We are overworked, under paid and see no relief in sight. At this point, we're just hoping we survive.”

### **Competitors for Qualified Applicants**

Historically, charitable organizations have seen governments as their most frequent competitors for qualified talent. This may occur because both governments and nonprofits in some fields provide services. Examples include education (El-Hi; higher education) and intellectual and developmental disabilities programs, often requiring employees to have the same or similar career qualifications and certifications. Indeed, a **New York City** early childhood center complained about the direct competition with the Department of Education which is experiencing its own shortages, and “as a result, they are poaching our staff to fill their vacancies.”

Survey participants noticed a distinct change in who is luring employees away. Many shared the observation of a **Massachusetts** nonprofit about direct “competition from retail sector.” A human

service professional in **North Carolina** offered the glass-half-full perspective that “we are excited that people have lots of job options,” but admitted the downside that “we can't always compete with salary, benefits, and hours.” Acknowledging that “Pay is the biggest challenge, as many organizations (for profit and nonprofit) are competing for the same groups of people,” a **Texas** human service provider lamented, expressing frustration that “nonprofits, school districts, mental health organizations, etc. are basically poaching from nonprofits that cannot offer the higher pay.”

### ***Government Workplace Policies***

Government workplace policies, particularly those related to labor standards, also factor into the ability of charitable organizations to attract and retain staff. Most nonprofits express moral support for increases in workplace standards, but must deal with the operational and financial realities. A **New Mexico** nonprofit expressed the views shared by others: “The state of NM raised the minimum wage and as a small nonprofit it has been devastating.” The person responding to the survey wrote, “We have had to permanently cut several jobs and there is constant turnover because there are so many jobs, they can leave any time.” Connecting the challenge to the jobs vacancy crisis, the professional added, “The federal contracts have not kept up with the minimum wage and if that does not change we could have to permanently stop providing many of our services.”

This professional from an arts organization in **New York** explained the larger problem of policies that drive up wages: “We are raising salaries annually to try to ‘true up,’ however, we can barely keep up with NY State salary increases for salaried exempt [white collar] workers, leaving several staff members at the minimum wage for these positions in our Southern Tier area of NY State.” As a result, compensation costs are accelerating faster than the nonprofits can fundraise and/or negotiate with funders.

“Compliance with state and local laws that are constantly changing and require employers to manage” is a significant problem wrote one respondent. “The state has only put in place more requirements and hasn't offered any assistance for their mandates.”

### ***Government Grantmaking and Contracting Policies and Practices***

Related to government workforce policies is the challenge of governments not reimbursing nonprofits for the full costs of the services provided. A **New York** nonprofit explained: “Direct care positions caring for the developmentally disabled are funded much lower for voluntary organizations than for state operated programs providing the same services.”

In **New York City**, it's a lack of flexibility and “obliviousness to the reality” that is holding back one human service provider. “City agencies are refusing to permit us to increase the amount paid to maintenance workers and security guards in our contracts. Additionally, due to severe staff shortages, we must use contracted security firms to fill the gaps.” The nonprofit points out that the

governmental agencies even “refuse to allow us to increase contract payments to security guard firms when minimum wage increased.”

A related challenge is payment schedules. A **Michigan** human service provider explained that for it, “The most significant problem is granted funds are coming in extremely slow.” In particular, “Granting municipalities and government agencies have not awarded funds for the 2021-2022 program year, which began in July 2021.” Almost needless to say, the nonprofit observed, “This has hindered our ability to hire and extend program hours.”

The amount governments pay is a major factor in the nonprofit workforce shortage, as very many organizations noted in their comments. “The reimbursement rate and structure for Home and Community Services limits our ability to be creative with recruiting and retention,” shared a **Nebraska** organization. They went on to share, “Without additional federal/state funds we would be severely limited in our ability to recruit and retain staff.”

Governments often refuse or fail to follow their own legal obligations to the detriment of nonprofit operations, services, and sustainability. A **Michigan** healthcare and mental health provider shared, with obvious exasperation, “We are still unable to get a rate from Community Mental Health that is sufficient to cover direct and indirect costs of providing services.” This is their challenge “even though we have sent in information on the [OMB Uniform Guidance] mandating the rate increase and we have provided detailed indirect cost analysis.” A **Missouri** human service provider raised the same complaint – they followed the rules, completed all of the paperwork to secure a negotiated indirect cost rate agreement (NICRA), and yet federal and state agencies have so far refused to pay the determined amounts – all to the detriment of the organization and the people served.

For the Tides Family Services in **Rhode Island**, “The primary driver of [workforce shortages] are the chronically low wages across the sector due to inadequate reimbursement rates.” They draw a direct connection: “The inability to compensate staff adequately, based on their education and experience, often leads to high staff turnover rates, low workplace morale, and high levels of burnout among providers.”

Finally in terms of government culpability in the nonprofit workforce shortage, there are policy and bureaucratic decisions hindering nonprofit operations. “Government funders (federal and state) are either reducing grant amounts, providing flat funding or a slight increase in funding that does not account for increases in the cost of living,” a **Maryland** nonprofit wrote. This matters, they explained, because “we cannot provide the same level of service, let alone meet current increased demands due to COVID, without an increase that allows us to cover increased costs, the need to raise salaries and bring on new staff.” In short, “our ability to meet the demand for our services continues to decrease every year.”

### ***Remote Work and Technology***

In some cases, it appears that individuals who have grown accustomed to working from home during the pandemic are reluctant to return to in-office work. While not necessarily unique to the work of charitable nonprofits – factories, restaurants, hospitals, and homeless shelters all need people to show up at facilities – for charitable organizations it's less a question of lost profits as one of lost services in the communities. “We remained in person – many people want to work from home,” is the dilemma an **Arizona** nonprofit is facing, yet “we can't provide services that way,” they explain. A **Washington State** nonprofit acknowledged the challenge, stating, “Staff are leaving for jobs they can do remotely.”

Factoring into the problem for organizations that can advance their missions remotely is the cost of technology, leading a **New York** nonprofit to point to its lack of “ability to provide technology for remote work.” And sometimes cost isn't a factor so much as the abject lack of access. “Lack of internet and cell phone service in our rural area – made it impossible for many to work remotely,” wrote one nonprofit.

### ***Fear of COVID-19 and Vaccinations***

Employment and policies related to COVID-19 may also be a significant factor. An **Illinois** nonprofit professional responding to the survey wrote forthrightly: “High exposure risk due to nature of population served” contributed to their organization's challenges in bringing people on. Similarly, a **Florida** nonprofit pointed to “COVID-19 pandemic-related concerns.” In **Nevada**, staffing challenges arose as workers were “concerned about getting COVID in the workplace.”

The data point presented above found that about one in five nonprofits (19.2%) reported hiring problems related to vaccination policies. A **Pennsylvania** healthcare and mental health provider expressed concern that, “If the Federal vaccination mandate for all staff of agencies that receive Medicaid/Medicare dollars goes into effect we will lose another 1/4 of our staff, including a very key long-term administrative person.” In **New York**, a nonprofit reported that vaccine policies in the community and location of services combined to frustrate hiring, stating, “Vaccination requirements and requiring all staff to be in person full time may be affecting our ability to recruit.” The professional confided further, “While we have implemented many safety measures in the building, multiple staff have expressed concern about crowded subway commutes.”

Finally, it must be noted that the concern over vaccination requirements may be waning as the Delta and Omicron variants of COVID-19 have driven up hospitalizations and deaths in the latter half of the survey period. Indeed, fewer nonprofits reported vaccination policies as an impediment to hiring in the last four weeks the survey was in the field.

### ***Volunteer Engagement***

Many types of nonprofits rely on volunteers, ranging from docents at museums and parents in schools, to drivers delivering meals to seniors, to name only a few examples. The pandemic kept, and is keeping, many long-term volunteers away, yet the nonprofits remain committed to serving their communities. A **North Carolina** human services nonprofit reported, “We are finding that volunteers are not returning, resulting in a need to hire for positions previously filled by volunteers.” A **Minnesota** arts organization wrote, “Because history museums grew out of volunteer-only organizations (and many still are volunteer-only), we have had difficulty as a field finding sufficient funding streams to hire the staff we truly need to operate.”

### ***Cumulative Challenges***

While the forgoing has identified individual causes for workforce shortages, sometimes it’s not one thing but many, as several nonprofits reported in their survey responses. A **West Virginia** nonprofit made clear the lack of resources and its impact on mission and services cannot be ignored, pointing to the “Catch-22 – no money and we need paid staff to advance our mission, generate revenue and boost organizational capacity.”

Akin to the adage that it takes money to make money, for charitable nonprofits it takes staff time to fundraise to bring in resources to cover the costs of the staffer and all other operations. An **Arkansas** arts organization explained the challenge this way: “We are taking advantage of just about every funding opportunity we hear about, but ironically it takes one person dedicated to finding and writing grants to keep up with them all; ironically, that is one of the positions we are struggling to fill currently.”

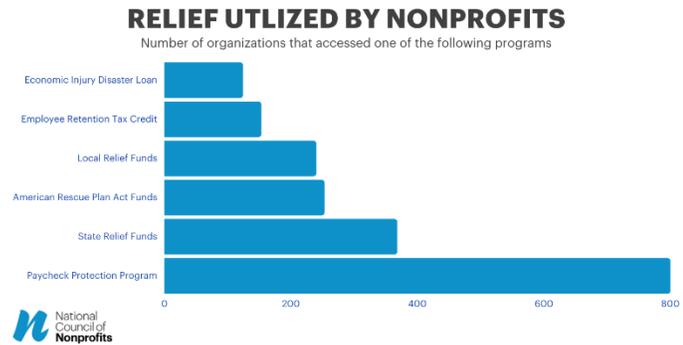
A mental health service provider in **Kentucky** summarized the many challenges nonprofits are facing:

We are seeing higher levels of trauma and need in the community for our services which is impacting our frontline employees negatively through burnout and vicarious trauma. We also run 24/7 services which require us to have staff available around the clock. It's incredibly difficult to fill night shifts. We serve kids with enormous behavioral challenges... We don't charge for services so we can't just increase our prices, so we are beholden to the woefully inadequate government contracts and Medicaid rates that exist.

The assessment of an **Illinois** nonprofit was equally dour: “Cannot afford to offer employee benefits or competitive wages, so the applicants we're getting are very underqualified. We had to cut services due to staffing shortages, and our current staff is so overworked, people are talking about leaving for better paying jobs with benefits... Our 112-year-old agency is vulnerable right now, at a time when client demand is very high.”

## Accessing Pandemic-Related Relief

In order to determine whether nonprofits had accessed various relief programs during the pandemic, the survey asked, “What federal or state relief has your nonprofit utilized?,” instructing respondents to select all that apply. The [Paycheck Protection Program](#) was nearly universally (79%) secured. Responding nonprofits also obtained [state relief funds](#) (36%), as well as [American Rescue Plan Act \(ARPA\) Funds](#) (25%) and [local relief funds](#) (24%).



Importantly for current public policy debates, 15% of responding nonprofits reported having claimed the [Employee Retention Tax Credit](#) (ERTC). ERTC utilization in some states was considerably higher, according to survey responses: **Kentucky** (24%), **North Carolina** (24%), and **Oregon** (21%). A **New York** nonprofit puts the value of this incentive – recently repealed for the fourth quarter of 2021 – into context: “we have not been able to hold our annual gala for 500 people due to COVID. The ERTC was a real help to make up the fundraising shortfalls.” The refundable payroll tax credit was established in the CARES Act of 2020, expanded to \$7,000 per employee per quarter, and extended in the ARPA, yet recently repealed for the fourth quarter of 2021.

Other relief identified by respondents included the Shuttered Venues Grant, CARES Act funding, and foundation and private donations.

## Solutions Identified

As problem solvers in their communities, nonprofit professionals tend to innovate solutions and share their expertise freely with colleagues. Survey respondents provided a robust range of approaches to overcoming new and longstanding challenges, starting with addressing the “scarcity mentality” that has restricted funding and abilities of organizations dedicated to the public good. Here, we address comments and solutions relevant to all types of funders – public and private alike – and then turn to well-recognized and needed government reforms.

## Solutions of General Application

The workforce and other challenges made worse by the pandemic require an honest evaluation of the funding practices considered normal by many, but that undermine the sustainability of charitable nonprofits and the vital services and impact they provide their local communities. A dozen years ago, the authors of the landmark analysis, [The Nonprofit Starvation Cycle](#) (Stanford Social Innovation Review, 2009). The authors warned, “Funders must take the lead in breaking a vicious cycle that is

leaving nonprofits so hungry for decent infrastructure that they can barely function as organizations — let alone serve their beneficiaries.” Based on the comments of participants in the Survey on Nonprofit Workforce Shortages, this admonition has not been heeded.

A **Maryland** nonprofit explained it this way: “We cannot compete with salaries and benefits offered by government entities, including municipalities, state and federal entities, let alone the private sector. A number of funders, both government and foundations, will not cover operating costs.” That must change.

A nonprofit from **Washington State** explained that funders at all levels need “to pay for administrative infrastructure or there will not be staff to do the programs they want to support.” They wrote further, “We need broad system-wide support from government and philanthropy for all direct service staff in high-risk and low-pay positions.”

A **Utah** nonprofit basically called for a culture shift when they recommended, “Greater understanding and buy-in from funders that they need to fund salaries (competitive salaries) and benefits to propel our missions forward.” Still talking culture shift, an **Oregon** professional exhorted: “We must stop talking about nonprofits as charities and instead as a critical service sector. “

Here are specific recommendations from the frontlines.

1. **Engage Directly with Funders:** Embrace the need for a cultural and systemic shift in attitudes about the value of the services charitable nonprofits provide.

The United Indians of All Tribes Foundation in **Washington State** recommends that communications go in two directions. “We need to work with our funders to allow us to work within our contracts to increase pay, add hazard pay, and/or extend benefits,” they wrote in responding to the survey.

2. **Prioritize Equity from the Outset:** Intentionally listen to marginalized communities for solutions that overcome past and current barriers blocking access to services and to support for providing services.

The pandemic exposed many inequities in the delivery of services in our country. Seeing recovery from the pandemic as an opportunity, the networks of the National Council of Nonprofits have urged governments and other funders to “[Prioritize Equity from the Outset](#)” as we reset expectations for the future and act to achieve progress in overcoming longstanding challenges. This appears in the form of funders intentionally listening to marginalized communities for solutions that overcome past and current barriers blocking access for people of color, low-income individuals and families, people living with disabilities, and individuals who identify as LGBTQ+.

The Northwest Catholic Counseling Center in **Oregon** has offered practical advice based on their experiences, recommending “a focus on pipeline with an eye toward BIPOC and historically marginalized communities.” Expressing frustration, they shared, “we can’t find clinicians who look like our clients.” Another **Oregon** nonprofit made similar observations, noting this presents “an opportunity to look at the training and regulations revisions to allow out of box thinking regarding labor.”

A **Montana** health care and mental health provider suggested it’s time for a clean break from the past, urging funders to “identify unnecessary barriers for licensure, increase reimbursement rates from Medicaid and insurance, as well as state contract funding.” They also urged funders to provide some sort of incentive to enter the nonprofit public service sector (these jobs often require masters level clinicians and private sector earnings are exponentially higher), funding for workforce development and training of new clinicians.”

- 3. Multi-Year Agreements and Grants:** Provide certainty and stability for critical programs by making agreements that extend beyond a one-year budget cycle.

A **Maine** nonprofit reiterated a longstanding recommendation to funders from charitable organizations when they called for “multi-year support so organizations can hire and sustain staff without fear of losing support and being forced to lose staff.”

- 4. Invest ARPA State and Local Funds:** Look to charitable nonprofits as partners in investing ARPA funds to secure relief, recovery, and greater impact for the public good.

As stated previously, the pandemic exacerbated pre-existing conditions. Use of COVID-relief funds, whether from CARES Act Coronavirus Relief Funds, ARPA State and Local Fiscal Recovery Funds, or other one-time spending solutions, while greatly appreciated, are short-term solutions to long-term problems. An education nonprofit in **Washington State** expressed appreciation, “We had additional funds last year to help cover COVID costs,” but observed, “this year we have the same cost with not additional funds.”

On the other hand, one-use funds have been made available to address costs and burdens increased due to the pandemic. A **Nebraska** nonprofit provider forthrightly recommends, “Use of ARPA funds to address the challenges of incentivizing staff to work in Human Services.” A **Maryland** educational organization asserts, “Funding from the American Rescue Plan made it possible for us to raise salaries.” They expressed the hope the increased salaries will help them fill the positions, and they acknowledge, “additional Federal and State funding would be beneficial as we do not charge what it costs to provide the level of outstanding care we do.”



See the National Council of Nonprofits special report [Strengthening State and Local Economies in Partnership with Nonprofits](#) for more information about how governments are partnering with charitable nonprofits to overcome short-term and long-term challenges in communities. The report explains the legal authority to invest in nonprofits, offers principles and recommendations for establishing effective partnerships, and presents more than 80 examples of successful spending programs.

- 5. Employee Retention Tax Credit:** Restore the ERTC for the fourth quarter of 2021 and extend and improve the employment incentive for 2022.

The survey data show that about 15% of respondents have sought the refundable payroll tax credit. This important support was repealed in the [Infrastructure Investment and Jobs Act](#) on November 15, halfway into the fourth quarter of 2021. IRS Guidance issued on December 6 requires employers to repay Treasury for funds received under the ERTC for Q4 2021 and pay withheld payroll taxes very quickly. There is no need for massive data analysis to understand that an incentive to promote employment has the opposite effect when it is repealed. Charitable nonprofits, which the data here show relied on the ERTC, will now be required to expend funds either to pay back the federal government or make unplanned deposits into their payroll tax accounts. In either case, nonprofits are concerned that resources too scarce to raise wages will now have to be diverted to recover from the repeal of the job-saving incentive.

Later nonprofits responding to the survey make mention of the loss of the relief. A **New York** organization request, “We appreciate any advocacy efforts to bring back the ERTC for the fourth quarter 2021.” On December 7, a bipartisan group of Representatives introduced H.R. 6161, the Employee Retention Tax Credit Reinstatement Act that would restore the ERTC for the quarter and enable nonprofits and other eligible employers to receive up to \$7,000 per employee in refundable credits.

- 6. Student Loan Forgiveness:** Policymakers and funders should do more to relieve nonprofit employees from crippling burdens of student loan debt so they can remain in the sector promoting public good in their communities.

Human services typically require employees to have degrees and specialized training, which often lead to employees assuming tremendous debt at they enter the professions for which they have a demonstrated passion. The respondent from **Rhode Island**’s Tides Family Services pointed out, “Most direct service staff hold a student loan for their education.” Speaking perhaps for millions of nonprofit employees, the person wrote, “Student loan debt combined with the cost of living make committing to a career in the private behavioral health field unsustainable, especially for those looking to live independently or support a family.”

Student loan relief for nonprofit employees is enthusiastically endorsed by community health provider The Child Center in **Oregon**, which explains, “We need help competing with private health practices. Policymakers need to expand student loan forgiveness programs, perhaps even dedicating State and Local Funds from the American Rescue Plan Act to reduce debt and staunch the outflow of workers from public service.

## Government Grants and Contracting Reform Solutions

Many of the solutions to the job vacancy challenges identified by survey participants reflect the high concentration of human service, healthcare, and mental health providers (59%) that typically perform services on behalf of governments pursuant to written agreements, typically government grants or contracts. Several themes recurred in the comments from nonprofit professionals, often reflecting long-standing problems made worse by the pandemic and resulting economic crisis.

- 7. Out-of-Date Rates:** Update reimbursement rates for vital services performed on behalf of governments and regularly evaluate and update the rates in order to maintain quality, promote employment stability, and secure desired outcomes.

Governments often dictate the amount per person served or other arbitrary rate that they will reimburse nonprofits for services provided. Yet governments don’t regularly update those rates. A survey participant explained, “Federal reimbursement rates to states are insufficient and often don't cover the full spectrum of services needed by our consumers.” The writer added, “Rates put out by the state are far too low to cover ever increasing costs for services as well as health care for our workers.”

A nonprofit professional observed, “Funding sources, both government grants and foundations, should consider the ever-increasing per person payroll costs due to compensation needing to support advancing experience compounded by inflation.” The individual explained further, “Many of our long-term funders are providing exactly the same dollar amount as they did ten years ago,” while noting that “payroll costs that retain talent have almost doubled in this time.” The result is that the organization is “unable to continue to provide the same services we did ten years ago.”

Another organization recommends “regular (annual) mandatory rate reviews” of reimbursement rates. A **Massachusetts** human service provider put the “why” of this reform in context: “State and federal contracts have to reimburse at a reasonable rate so that our employees earn enough to support their families. Our employees should earn enough that they do not qualify for the aid we provide our clients.”

A **California** healthcare and mental health provider made the direct connection, “Increased reimbursement rates are critical so that we can increase salaries and retain talent.” Stated another way, a human service provider in **Massachusetts** explains, “Our biggest issue is compensation, but it isn't something that a couple of dollars an hour extra can fix.” Their

recommendation, expressed as a plea: “We desperately need State and Federal governments to treat caring for others as a valued and viable career and reimburse accordingly. The reimbursement for our program effectively needs to double.”

- 8. Bureau of Labor Statistics (BLS) Data:** Direct the Bureau of Labor Statistics to provide quarterly data on nonprofit employment and wages.

To apply an objective standard for rate setting that reflects the actual costs of services, a **New Hampshire** nonprofit proposed that “funders should use current BLS data on wages to assess costs, and be transparent about methodology for items such as fringe costs and carry costs of vacancies.” Another nonprofit from **Washington State** recommended that the U.S. Department of Labor and BLS provide market data on a regular basis. Such an approach certainly could capture true costs and reflect inflationary pressures.

However, the Bureau of Labor Statistics does not presently collect and report employment data for charitable nonprofit employers. Rather, nonprofit employment data are only analysed and released every five years. In a [letter to Labor Secretary Walsh](#), more than 250 nonprofits and scholars wrote, “the lack of timely and accurate data on the country’s third largest private sector employer hampers job recovery efforts, leaves a significant portion of U.S. employers and employees in the dark, and hurts the public.” Their conclusion, if followed, would help address the contracting and job vacancies problems: “It is essential that the U.S. government release accurate and accessible data on nonprofit employment and wage trends on a quarterly basis, on par with other major industries in the country.”

- 9. Cost of Living Adjustments (COLAs):** Just as governments increase their own spending to reflect costs of providing services, they must also annually adjust grants and contracts to cover rising costs of living and actual costs.

Many nonprofits provide services based on fixed rates that are not adjusted regularly. Nonprofits providing services on behalf of governments report they have not received inflation adjustments to the rates they are paid in five years (**Rhode Island**), 10 years (**Washington**), 12 years (**New Jersey**), and even 20 years (**Florida**). An organization reported, “As a nonprofit with a majority of cost reimbursement funding from Federal, State, and local governments, our contracts do not have built-in escalators to allow for inflationary or cost-of-living increases.” The result is that “these static contracts are placing a significant strain on our organization as we try to meet the challenges of not just market salary increases but cost increases across the board.” Their recommendation: “Having contracts with inflationary adjustments or moving to outcomes-based contracts will be helpful.” Stated another way by a separate nonprofit: “Funding sources should index for inflation or other ongoing cost adjustment factors.”

A **Florida** nonprofit, a provider of healthcare and mental health services, pointed out an injustice in the reimbursement system run by the Centers for Medicare and Medicaid Services. “In Florida, Medicaid rates paid to providers have not increased in over 20 years, yet administrative costs and fees paid to for-profit, publicly traded managed care corporations has increased every year and they have a built-on contractually guaranteed profit margin.” The nonprofit asks forcefully, “how is it right that the ‘manager’ of the care gets paid better and with pre-agreed profit margins while they squeeze the bottom, the providers of the care and services.” There clearly is an urgent need for a fairness review of reimbursement policies with a goal of establishing parity among providers.

**10. Payment of Indirect Costs:** Reimburse charitable nonprofits their actual indirect cost rates, as required under federal regulations, which state and local governments should adopt to provide efficiencies and consistency across governmental agencies.

Called by various names such as indirect costs, overhead, and administrative costs, the full costs of providing services are often not paid by governments despite federal rules required under the [Office of Management and Budget Uniform Guidance](#). Yet, as seen above, governments don’t always follow the federal requirements or take an inordinate amount of time to come into compliance.

A survey respondent from **Oregon** asserted that their grants only allow five-percent in administrative costs, essentially half of what the federal government considers “*de minimis*.” A **North Carolina** education-focused nonprofit shared, “We have worked hard to build up our organization infrastructure since the downfall of the economy in 2008 when we had to make layoffs.” They note that small increases in reimbursements are not sufficient and that additional resources are necessary to balance the workload and salaries. The fundamental point: “Administrative/overhead costs are crucial to maintain high quality operations.”

A **New York** human service provider politely requested, “Please invest reasonable amount of funding with planned increases for salary.” On the issue of covering full costs, they were more abrupt: “Stop excluding or limiting administrative costs to less than 15%.”

Learn more about the [OMB Uniform Guidance and requirements for paying indirect costs](#) to nonprofits providing services on behalf of governments.

## Appendix

### Survey Questions

1. What federal or state relief has your nonprofit utilized (select all that apply)
  - a. Employee Retention Tax Credit (ERTC): 153 responses
  - b. Paycheck Protection Program (PPP): 800 responses
  - c. Economic Injury Disaster Loan (EIDL): 124 responses
  - d. American Rescue Plan Act (ARPA) funds: 253 responses
  - e. State Relief Funds: 368 responses
  - f. Local Relief Funds: 240 responses
  - g. Other, Please Specify: 74 responses
  
2. What factors are affecting your nonprofit's ability to recruit/retain staff? (Select all that apply)
  - a. Ability to find child care: 232 responses
  - b. Salary competition: 802 responses
  - c. Vaccination policies: 193 responses
  - d. Not sure: 198 responses
  - e. Other, please specify: 314 responses
  
3. What is your nonprofit's current job vacancy rate?  
641 responses
  - 0-9 Percent: 155 responses
  - 10 – 19 Percent: 215 responses
  - 20 – 29 Percent: 168 responses
  - 30 – 39 Percent: 51 responses
  - 40 – 49 Percent: 14 responses
  - Greater than 50%: 38 responses
  
4. How long is the current waiting list for your nonprofit's services?  
666 responses
  - No waiting list: 138 responses
  - Under a week: 78 responses
  - 1-4 weeks: 36 responses
  - More than a month: 171 responses
  - Varies by Program: 79 responses
  - Not applicable: 164 responses
  
5. Please share any additional detail on the challenges your nonprofit is facing.

703 responses

6. Please share any suggestions you have for solutions to these workforce challenges.

484 responses

7. What subsector is your nonprofit a part of?

- a. Arts, Culture and Humanities: 75 responses
- b. Education (excluding higher education): 81 responses
- c. Environment and animals: 42 responses
- d. Healthcare and mental health: 139 responses
- e. Higher education: 6 responses
- f. Hospitals: 6 responses
- g. Human services: 431 responses
- h. International: 5 responses
- i. Other: 106 responses
- j. Public/societal benefit: 70 responses
- k. Religion: 10 responses
- l. Research: 6 responses
- m. Blank: 32 responses

#### Responses by Sector

What subsector is your nonprofit a part of?

- Nearly 6 in 10 responses (59%) came from the health and human services subsector
- Nine percent of responses came from the education subsector
- Arts, Culture and Humanities made up seven percent of responses
- Ten percent of respondents identified their nonprofits as part of a different subsector