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BLOG POST

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Nonprofits' Employee Morale Conundrum – Insights from our Survey

The race for talent is not just a corporate phenomenon.

The pandemic was an inflection point for many workers, causing them to reevaluate what they want out of a career. For some, this meant finding a new job that was more societally impactful and personally fulfilling.

But there's more to evolving employee needs than a quest for more meaning. Nonprofit leaders

did not experience a boom in hiring amid 2020s waves of resignations, and they are still grappling with how to best attract and retain talent in a hypercompetitive employment landscape. In fact, according to BDO's Nonprofit Standards benchmarking survey, staff retention and employee morale is nonprofit leaders' top challenge aside from budget constraints.

Employee expectations and desires are changing. In an era of hybrid work, a degree of workplace flexibility is expected—whether that be via flexible hours or the ability to work from home. Beyond this, employee needs are different in the current environment. The same economic conditions that are tightening nonprofits' purse strings are also straining consumer wallets. The cost of living is higher, and salaries need to reflect this reality to support workers.

Following are tips to help nonprofits boost employee morale and encourage retention and recruitment:

Reevaluate expenditures—including salaries and hiring

- ▶ Are there opportunities to cut down on operational costs and increase investments in employees? Identify ways to streamline how people, processes, and technology work together to increase efficiencies. When done properly, the results not only lead to efficiency but great impact to beneficiaries and employee morale as processes are streamlined and reinforce the mission of the organization. By the same token, consider opportunities to increase employee wages and salaries—and bolster recruitment efforts—as appropriate to remain competitive. Many organizations are already on the right track: The majority of nonprofits (76%) are increasing spending significantly or slightly on hiring new talent, and nearly all (90%) are increasing spending significantly or slightly on existing employee salaries, according to our survey.

Update benefits and review flexibility

- ▶ While compensation is important, it is not the only condition of employment that matters. Many nonprofits recognize this and are on the right track, with 47% adding or updating employee benefits and 43% updating or introducing flexible work hours. Remote work arrangements have also become more prevalent and may allow organizations to reconsider their real estate footprint and further reduce unnecessary costs. Make sure worker benefits and workplace policies are at a minimum on par with those of peer

organizations to encourage retention and draw in new talent.

Enhance or introduce professional development pathways

- ▶ Not to be forgotten is the potential to cultivate talent from inside the organization. Promoting from within may reduce hiring and onboarding costs and has benefits from an employee morale and satisfaction perspective. Employees need to be able to grow into new roles, learn new skills and advance in their careers. Nearly half (46%) of nonprofit leaders are updating or introducing employee training/development programs to this end. Another 15% of nonprofit leaders are updating their promotion philosophies to attract and retain talent.

Nonprofits that adopt talent attraction and retention practices that reflect how workers' priorities are changing have a greater chance of reducing employee turnover (and, thus, hiring costs) and boosting employee morale. While the days may not be entirely gone that employees accept a position just to have a job, employers increase their chances of attracting the right people if they are taking a critical eye to their own organizations and intentionally creating an attractive workplace culture. Those that go beyond surface-level band-aids in order to attract the right candidates will increase the odds that employees will stay. The mission, paycheck and benefits are crucial components to the workforce talent acquisition and retention effort.

Finally, for organizations struggling to fill positions, looking at interim staffing may be a temporary solution. Almost one-fifth (19%) of organizations are changing their staffing model—for example, outsourcing or consolidating positions—in order to mitigate the impacts of inflation.

Nonprofit leaders are far from passive about the effects of the changing employment landscape. As our survey reveals, many are proactively altering their hiring and workplace processes. Organizations that are able to continually adapt to evolving employee needs and the shifting labor market will be better positioned to succeed in the long run. This may require upfront investment, but the return will ultimately outweigh the cost.