Help with managing human resources for nonprofit organizations

People, staff members and volunteers are the heart of a nonprofit’s mission and key to an organization’s success. But in some cases, leaders inadvertently can veer away from creating a flourishing culture for employees.

This Get Smart guide addresses many of the core human resources issues facing nonprofits — such as hiring practices, employee motivation, payroll and many others — and offers viable solutions.

View guide
The value of inspired employees

Growing mission support starts at home

By Melanie Lockwood Herman, Executive Director, Nonprofit Risk Management Center

Many nonprofit leaders believe that building a fan base for an organization starts and ends with external outreach. Whether it’s through social media networks, advertising or direct mail, sadly many organizations focus on building external fans while neglecting their staff. Although I’m a “lifer” when it comes to nonprofit work, in my experience, our sector is losing the race to provide the best places to work in America.

I became more convinced than ever about this during a recent conversation with a former NRMC staff member who works at an Apple store. Apparently, Apple’s philosophy is to treat its employees with kindness, compassion and respect — something my colleague found missing in his most recent nonprofit-sector job. I was surprised to learn that a shining success of modern capitalism — the first company to be valued at more than $700 billion — does a better job appreciating its entry-level employees than many nonprofits.

It’s time for nonprofit leaders to stop boasting about compassion and respect and start doing something about it. From recruitment through orientation and performance management, never forget that your staff’s enthusiasm about your mission will be reflected in every interaction with a client, consumer or donor. And long after your staff members have moved on to new pursuits, they will carry with them the essence of the work experience you provided.

The Nonprofit Risk Management Center is a nonprofit organization that provides risk management advice to the nonprofit sector. To learn more, visit nonprofitrisk.org >>
Employee motivation

Creating a culture that nurtures motivation and passion is crucial for a nonprofit. Motivation cannot be forced. It is most fully realized in an environment in which it becomes possible for employees and volunteers to fulfill their own growth and development needs. As you look to create such an environment, consider Maslow’s hierarchy of needs:

Lower-order needs (physiological, safety and social) — the basic requirements that must be met to retain employees’ services. Workplace examples include:

- Pay, benefits and job security that allow employees to meet their familial and social obligations
- HR policies that treat employees with respect
- Reasonable and safe working conditions
- Healthy working relationships

Higher-order needs (esteem and self-actualization) — those needs that, if satisfied, can lift a workplace from acceptable to motivating. These can come easily when working or a nonprofit if the employee strongly identifies with the mission and can be reinforced with acknowledgment and development investment from leadership.

As a leader at a nonprofit, you must be able to recognize what motivates your employees and create an environment that allows those things to flourish. If you are a good coach and have listened well, your employees will have given you many good hints about what is important to them. In general, and in Maslowian terms, to feel good about safety needs your people must have their need for self-esteem met by their own accomplishment, accompanied by your public recognition of what they have achieved. That’s how motivation happens.

Read more about employee motivation>>

Needs hierarchy theory (Maslow)

Higher-order needs
- Self-Actualization: Achieve self-fulfillment
- Esteem needs: Internal esteem factors

Lower-order needs
- Social needs: Belongingness
- Security needs: Security and protection
- Physiological needs: Basic needs
Managing employee performance and productivity

Performance management

This is a day-to-day process that includes setting goals and objectives, observing performance, giving and receiving ongoing coaching and feedback, and encouraging your employees’ talents.

Performance management is a partnership between you and your employees. The desired outcome of this partnership is to jointly achieve success for your nonprofit and its mission. It is successful when employees:

- Understand and are committed to doing what it takes to improve organizational results
- Are empowered to identify and act to improve their performance and that of the nonprofit
- Are engaged, knowing the work they are doing is beneficial to the organization’s success and their own

The performance management process never ends; it continues throughout an employee’s tenure with your organization. However, even though it is always ongoing, it can be divided into several stages:

1. **Performance planning:** This involves setting clear goals and expectations. A good framework to follow is “SMART”: Your goals should be Specific, Measurable, Achievable, Relevant and Time-bound.

2. **Ongoing conversations:** Employees should always know and understand how their work affects the organization’s mission and success. Accomplishing this involves feedback and conversation as well as coaching and guidance.

3. **Formal evaluations:** Commonly done both at the middle and end of the year, these conversations assess how the employee’s performance compares with their goals, and offers an opportunity to both praise successes and identify opportunities for improvement.

Performance management, if dutifully followed and fully integrated into your organization’s culture, can be a valuable tool that keeps your employees constantly improving and growing your mission. Learn more.
Finding and interviewing candidates

Employee value proposition

This is how the labor market and employees perceive the value they gain by working in an organization.¹

According to the Nonprofit Risk Management Center, a nonprofit is only as strong as its employees and volunteers, and finding the right people to fill out your team is critical.

Because workplace culture and employee passion are so vital for a nonprofit, it is important to consider more than just an employee’s credentials and experience. Recruiting with an employee value proposition (EVP) can ensure that your hires’ values and passions align with your organization’s mission. If you communicate your EVP to candidates from the very beginning, your final pool will be much more likely to contain great organizational matches — not just employees, but stewards of your mission.

Interviewing is a great opportunity to determine a candidate’s true fit with your nonprofit. To best take advantage of this, the Nonprofit Risk Management Center has a few best practices to keep in mind:

• Remember that the true objective of the interview is to identify a qualified candidate
• Assemble a small team of interviewers who meet every candidate and discuss each one; if the group’s reactions are entirely positive, have someone play devil’s advocate
• Use the same questions for every candidate
• Remain open-minded, and don’t let your first impression cloud your judgment of later answers

Read more about effective recruiting practices

Four types of interview questions

1. Fact-finding — Confirming and elaborating on information in the candidate’s application and resume.
2. Creative thinking — Analyzing trends and issues affecting your organization, its mission or broader societal topics.
3. Problem-solving — Discussing specific work-related challenges, either hypothetical or from actual past experiences.
4. Behavioral — Getting a sense of the applicant’s strengths, weaknesses and overall personality.

For more interview best practices, read the NRMC’s entire list² >>

² https://www.nonprofitrisk.org/resources/articles/think-again-what-you-dont-know-but-should-about-interviewing-reference-checking
Signing and onboarding your new hire

Onboarding

This is the process of getting new hires adjusted to the social and performance aspects of their new jobs quickly and smoothly. It is the process through which new hires learn the attitudes, knowledge, skills and behaviors required to function effectively within an organization.

For your new employees to be successful, their onboarding has to involve more than filling out forms and getting a tour of the break room. Your company needs to make sure that new hires become acclimated to how the organization does business and know where to go with questions. Here are some best practices for onboarding your newest employees:

1. **Begin onboarding before even offering the job.** Make sure your hiring process includes an introduction to the organizational culture and expectations. This will also help you ensure that the candidate is a good fit for you and your mission.

2. **Focus on the first day.** Ensure that the basics are ready for employees on their very first day — including supplies, technology, desk space, an office tour and other introductory items.

3. **Assign a mentor.** Select a peer who can serve as a resource for the new employee during his or her early days with the organization, introducing teammates and answering informal questions.

4. **Develop a plan.** Ninety (90) days is a common amount of time allotted for onboarding activities, but no matter how long you dedicate to this process, it can be helpful to structure onboarding with clear topics and milestones throughout.

5. **Watch for warning signs.** Keep an eye out for signals that your new employee might not be acclimating. These signs can include not interacting with co-workers, arriving late to work or showing limited enthusiasm.

6. **Write and distribute an employee handbook.** Not only will the clarity help your employees, it will also protect you from potential employment claims. Handbook guidance can be found later in this guide.

7. **Recognize excellence.** Compliment and acknowledge new employees as they pass important early milestones. This can improve their passion and enthusiasm for the mission.

For more detailed onboarding tips, read the full article on the Nationwide Blog >>
Volunteers

Generally, the difference between employees and volunteers is obvious: Employees are paid, while volunteers are not. However, there is tremendous potential for gray areas when it comes to roles and compensation. To ensure that all employees and volunteers are on the same page, the Nonprofit Risk Management Center has a few recommendations for being as clear as possible:

- **Put it in writing.** Make sure that employees have a clear job description and employment classification, and understand their compensation level. Similarly, clearly communicate volunteers’ roles and ensure they understand their volunteer status. This can also be helpful if an employee is volunteering outside of work hours; a signed Volunteer Agreement can ensure that all parties understand the employee will not be compensated for their volunteer time.

- **Create separate handbooks for employees and volunteers.** Keep the expectations and responsibilities completely separate, even if there is some overlap. Consolidating employee and volunteer policies into one manual can be risky and leave them up to misinterpretation.

- **Do not coerce employees to volunteer.** This can lead to disgruntled employees who are, as NRMC states, “a wage and hour claim waiting to happen.”

**Rule of Three**

When in doubt, remember the volunteer service “Rule of Three.”

A true volunteer is someone who:

1. **Works on behalf of a public service, religious or humanitarian mission**
2. **Does not, and does not expect to, receive compensation**
3. **Does not replace any employees**

For more information about how best to manage and differentiate volunteers versus employees[^1]

[^1]: [https://www.nonprofitrisk.org/resources/articles/employee-or-volunteer-whats-the-difference](https://www.nonprofitrisk.org/resources/articles/employee-or-volunteer-whats-the-difference)
How much to pay an employee

Employee compensation is a more complicated subject for a nonprofit than it is for a for-profit business. You have to figure out what roles will be taken on by full-time or part-time employees, which will be handled by independent contractors, and which will go to unpaid volunteers. This mix will vary widely from organization to organization.

You may be able to get by with mostly volunteers, but most nonprofits need at least a handful of key employees, if not more. Of course, some volunteers may eventually become employees. Because of this, it can be difficult to know where to begin with wages. There are two primary ways to determine how to pay an employee:

- **Internal comparison** — What the salary of the new position should be, based on its relation to the compensations of existing employees
- **External comparison** — In your industry and geographical area, what other organizations pay for similar positions

PayScale software solutions, which aggregate salary data to estimate average compensation for various industries and positions, are an example of a source that can help you conduct external research. They list the following average salaries and wages for nonprofits:

### Salary rate staff

<table>
<thead>
<tr>
<th>Position</th>
<th>Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program Coordinator</td>
<td>$37,500</td>
</tr>
<tr>
<td>Development Manager</td>
<td>$47,000</td>
</tr>
<tr>
<td>Program Manager</td>
<td>$50,000</td>
</tr>
<tr>
<td>Program Director</td>
<td>$51,315</td>
</tr>
<tr>
<td>Executive Director</td>
<td>$61,935</td>
</tr>
<tr>
<td>Administrative Assistant</td>
<td>$14.64</td>
</tr>
<tr>
<td>Case Manager</td>
<td>$16.65</td>
</tr>
<tr>
<td>Social Worker, Human Services</td>
<td>$20.02</td>
</tr>
<tr>
<td>Bookkeeper</td>
<td>$21.43</td>
</tr>
<tr>
<td>Registered Nurse</td>
<td>$26.62</td>
</tr>
</tbody>
</table>

Read more about the factors that nonprofits might consider when paying an employee.

One final note: The Nonprofit Risk Management Center reminds organizations not to pay volunteers. Paying volunteers not only can expose your nonprofit to wage and hour claims, but it can cost volunteers their protection under the Volunteer Protection Act.  

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5 [https://www.nonprofitrisk.org/resources/articles/employee-or-volunteer-whats-the-difference](https://www.nonprofitrisk.org/resources/articles/employee-or-volunteer-whats-the-difference)
How to manage payroll

Whether your organization is just launching or growing and adding new employees, keeping your payroll accurate and consistent is a key concern. Here are some tips to keep the costs down, the productivity up and the process humming:

1. **Keep complete payroll records.** Maintain at least the basic information of all employees in one location, whether it's in Microsoft Excel or another payroll system. Be sure to update it regularly.

2. **Know what you don't know.** Hire personnel in areas of expertise you may not be familiar with. Hire a CPA, an accountant or a payroll pro to get your books in order and your system in place.

3. **Ask for help when you need it.** Many banks offer free consultation as part of their service packages; if you are unsure about payroll accounting accuracy, contact a source you trust.

4. **Work with an accountant to set up a payroll system.** If you have an accountant, ask for recommendations of software such as QuickBooks or Sage.

5. **Know deadlines.** Form 990, 990-EZ or 990-PF must be filed by the 15th day of the 5th month after the end of your organization’s accounting period. Thus, it is due by May 15 if your fiscal year ends on December 31.

6. **Get to know the functions of your payroll system.** Payroll systems can help you track health insurance contributions, retirement plans, wage garnishments and other factors. Find a system that’s expandable to guide you through the entire compensation process.

Use all the resources available to you to keep your payroll running smoothly, and know when to ask for help. Reach out when you’re confused. When it comes to payroll, there are no stupid questions. [More payroll tips >>](https://www.irs.gov/charities-non-profits/annual-exempt-organization-return-due-date)
**Benefits**

Benefits are an important ingredient in the “attract and retain employees” recipe for drawing the best people to fill your organization’s most important roles. But benefits can be costly and time-consuming. As a percentage of payroll or salary/wage costs, benefits can account for between 10% and 55% of your payroll. Below are some types of benefits, with tips on how to cut costs:

<table>
<thead>
<tr>
<th>Category</th>
<th>Examples</th>
<th>Cost savings ideas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legally required benefits</td>
<td>• Social Security</td>
<td>As the category name suggests, most basic benefits are required by law. However, if your organization fits certain requirements, you may qualify for an exemption.</td>
</tr>
<tr>
<td></td>
<td>• Medicare</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Federal and state unemployment taxes</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Workers’ compensation insurance</td>
<td></td>
</tr>
<tr>
<td>Time-off benefits</td>
<td>• Holidays</td>
<td>One way to reduce paid time off is to provide flexible time off (FTO), which lumps all paid time off under one banner, including sick leaves and even some holidays.</td>
</tr>
<tr>
<td></td>
<td>• Vacation</td>
<td></td>
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<td></td>
<td>• Sick leave</td>
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<tr>
<td></td>
<td>• Bereavement leave</td>
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<tr>
<td></td>
<td>• Jury duty</td>
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<tr>
<td></td>
<td>• Military leave</td>
<td></td>
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<tr>
<td></td>
<td>• Telecommuting</td>
<td></td>
</tr>
<tr>
<td>Social benefits</td>
<td>• Health insurance (includes pharmacy)</td>
<td>One way to save money, especially on health care, is to join an association composed of a large number of people and use the power of numbers to negotiate the best rate possible for insurance coverage.</td>
</tr>
<tr>
<td></td>
<td>• Dental care insurance</td>
<td></td>
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<td></td>
<td>• Vision care insurance</td>
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<tr>
<td></td>
<td>• Short-term disability insurance</td>
<td></td>
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<tr>
<td></td>
<td>• Long-term disability insurance</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Life insurance</td>
<td></td>
</tr>
<tr>
<td>Future financial security benefits</td>
<td>• Pension plans</td>
<td>If your organization does not have a 403(b) or pension plan, your employees may set up and contribute to their own individual retirement accounts (IRAs).</td>
</tr>
<tr>
<td></td>
<td>• 403(b) plans</td>
<td></td>
</tr>
</tbody>
</table>
HR policies and employee handbook

Every nonprofit organization should have written HR policies in an employee handbook that can be distributed either physically or electronically to employees. Although HR policies can differ depending on your business, state and other factors, there are several policies that are common across employee handbooks:

- **HR policy statement** — States the purpose of the employee handbook and contains a statement about employment-at-will (meaning that the employer or employee can terminate the employment relationship at will, at any time).
- **Company overview** — Gives background of the organization and the mission it serves.
- **Performance evaluations and compensation** — Communicates the frequency and formality of evaluations, as well as their effects on compensation.
- **Benefits** — Outlines benefits, time-off policies, sick leave and holidays.
- **Equal employment opportunity policy** — States that equal employment opportunities are offered to all employees and applicants, per the Equal Employment Opportunity Act.
- **Termination**
- **Alcohol and drug use**
- **Company technology policy**
- **Nondisclosure agreement**

When compiling this handbook, the Nonprofit Risk Management Center recommends several cautions:

- Avoid referring to an employee, or his or her employment status, as “permanent”
- Do not imply that a list of possible reasons for termination is exhaustive
- Do not imply that termination can only be “for cause”
- Include, and prominently display, the employment-at-will status

See more details about common employee handbook elements
HR terms to know

Here are some helpful intermediate HR terms from the HR Institute’s glossary that may be helpful as you manage your employees.7

360-degree feedback — An appraisal process whereby an individual is rated on their performance by people who know something about their work. This can include direct reports, peers, managers, customers or clients; in fact, anybody who is credible to the individual and is familiar with their work can be included in the feedback process. The individual usually completes a self-assessment exercise on their performance, which is also used in the process.

Balanced scorecard — A management and measurement system which enables organizations to clarify their vision and strategy and translate them into action. The goal of the balanced scorecard is to tie business performance to organizational strategy by measuring results in four areas: financial performance, customer knowledge, internal business processes, and learning and growth.

Competency-based pay — A compensation system that recognizes employees for the depth, breadth and types of skills they obtain and apply in their work. Also known as skill-based and knowledge-based pay.

Employee relations — A broad term used to refer to the general management and planning of activities related to developing, maintaining and improving employee relationships by communicating with employees.

Employee retention — Organizational policies and practices designed to meet the diverse needs of employees and create an environment that encourages employees to remain employed.

Human capital — The collective knowledge, skills and abilities of an organization’s employees.

Independent contractor — A person who works for himself/herself but has a contract for services with another person/organization.

International Labour Organization — An organization set up by the United Nations to establish, among other matters, conventions on practices in the workplace.

Key performance indicators (KPI) — Tasks that have been agreed upon between an employee and a line manager or HR with an expectation that they will be completed satisfactorily in the time period designated or as an ongoing task.

Organizational culture — A pattern that emerges from the interlocking system of the beliefs, values and behavioral expectations of all the members of an organization.

Succession planning — Planning that involves identifying potential candidates to replace core individual employees either known to be leaving the firm at some point in the future and/or whose sudden departure would pose a risk to the operation of the firm.

Wage curve — A measurement that depicts pay rates currently being paid for each job within a pay grade in relation to the rankings awarded to each job during the job evaluation process.

Additional resources

Trade organizations
- Society for Human Resource Management — The largest HR professional society in the world, with 285,000 members; its site is an excellent resource for tools, best practices, news, networking and ongoing education
- Nonprofit HR — An HR trade and consulting organization specializing in the nonprofit space; a resource for HR consulting, talent acquisition and executive search as well as general education for HR professionals
- National Human Resources Association — A trade organization that offers professional networking and education across the U.S.
- The Nonprofit Risk Management Center — A nonprofit organization offering risk management guidance and education to the nonprofit industry about a variety of topics; NRMC is especially strong on HR topics

Trade publications
- Workforce Magazine — A multimedia publication that inhabits the cross section of HR and organizational success
- Human Resources Online — A news and opinion publication about topics and trends in the HR world

Regulatory
- U.S. Department of Labor — This site provides legal guidance and forms for employers

Job boards
- Indeed — The most popular job posting site in the world, with over 180 million unique visitors per month
- Glassdoor — Allows employees to post company reviews and salaries, but is also a popular location for job postings
- LinkedIn — Not only a popular social networking site, but also a great place to post jobs and find young professionals; best for white-collar positions
- Snag — Best suited for hourly jobs, it claims to be the #1 hourly job posting site in the U.S.

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The importance of effective recruiting

The importance of effective recruiting for your nonprofit cannot be understated. After all, it is the staff that will be driving the organization to success through the various roles needed to fulfill the task(s) at hand.

Nonprofit HR recommends that in addition to simply “placing ads, sifting through resumes, interviewing and ultimately, hiring and hoping for the best,”1 you include a strong employee value proposition, strategic sourcing, a candidate-driven focus and an alignment with your culture in your recruitment strategy.

An employee value proposition is basically how an employee would view the value they get from working with your organization. Strategic sourcing means going after recruits in the right places. Use online recruiting tools such as ZipRecruiter, LinkedIn and the like, as well as social channels such as Facebook and Twitter to find people with qualifications and interests that are aligned with your organization. Look at channels that are unique to your area of focus as well. Often, these will be the best places to find who you need.

The “candidate-driven” focus aspect of your plan should reflect the EVP. Understand what recruits want and deliver it to the best of your abilities. As far as an “alignment with your culture,” look for candidates who fit the mold of the organization you’re trying to maintain. Look for people with passions that match what your nonprofit focuses on.

This infographic from Nationwide provides tips on getting the job posting, interview process and selection process right:2

- Create a detailed job description.
- Allow immediate supervisors to edit the job description.
- Describe your company culture and the traits needed to be successful.
- List the salary.
- Publish the ad in places that make sense for your industry.
- Create interview questions specific to the position.
- Avoid generic questions and ask behavioral ones.
- The interviewer should talk only 30 percent of the time.
- The candidate should dominate the conversation.
- The candidate should show during the interview that they meet the job requirements, fit the organization’s culture and have knowledge of the organization/position during the interview.
- A track record of achievement should be evident.
- References check out and should include former managers instead of former co-workers.

2 https://blog.nationwide.com/hiring-employees-for-business-growth/
HR 2 - HOW MUCH TO PAY AN EMPLOYEE

How much to pay an employee?

Employee compensation is a more complicated subject for a nonprofit than it is for a for-profit business. For starters, you have to figure out what roles will be taken on by full-time or part-time employees, which will be handled by independent contractors, and which will go to unpaid volunteers. This mix will vary widely from organization to organization.

You may be able to get by with mostly volunteers, but most nonprofits need at least a handful of key employees, if not dozens. Of course, some volunteers may eventually become employees. Because of this, it can be difficult to know where to begin with wages.

You can start by considering how much more work and responsibility an employee will have compared to a volunteer. How demanding of a role is it?

Pay at least minimum wage.
Nonprofit organizations are still beholden to the same minimum wage laws that apply to for-profit businesses at the state and federal levels. Depending on the position, this can be an ideal starting point as you not only get a feel for the worker’s abilities, but also as most of your money will go toward your cause.

Don’t underpay.
Minimum wage can work for entry-level positions, but for higher-level positions, it’s not going to do. You’ll need to pay competitively or fairly at the very least in order to retain talent. Even if you start a worker at the minimum wage, they must be able to expect to move up after some time or you will risk losing them.

Don’t overpay.
Perhaps even more importantly, don’t overpay anyone, including yourself. While you may be able to get away with doing so in a for-profit business, nonprofits risk getting into trouble for over-compensation. The IRS can eliminate your tax-exempt status, which can be a major blow to a nonprofit organization.

The IRS has the following three requirements for determining “reasonable” pay:

1. The compensation arrangement must be approved in advance by an authorized body of the applicable tax-exempt organization, which is composed of individuals who do not have a conflict of interest concerning the transaction.
2. Prior to making its determination, the authorized body obtained and relied upon appropriate data as to comparability.
3. The authorized body adequately and promptly documented the basis for its determination concurrently with making that determination.

Look at what similar organizations are paying.
As the National Council of Nonprofits notes, state associations of nonprofits collect salary and benefit information using surveys and release reports on the data. Seek out these data to help guide your decisions. This chart found here from PayScale.com, which looks at nonprofit salaries by job position, can also be helpful.

A couple other things to keep in mind are that nonprofit employees can’t be paid commissions, but they can receive benefits like they would working for a for-profit business.

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