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HR for nonprofits:
5 unique challenges and how to fix them

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HR for nonprofits: 5 unique challenges and how to fix them

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Are nonprofit HR challenges any different than those for-profit companies face?

If so, what are they? And how can nonprofit leaders address them?

Here's a close look at what makes nonprofit HR unique and five challenges you can learn to avoid.

Nonprofits vs for-profits: Structural differences

Reviewing the structural differences between for-profit and nonprofit organizations helps expose the roots of many nonprofit HR challenges.

For-profits are privately or publicly owned companies that:

- Pay income taxes
- Sell products or services to generate the most profit possible
- May receive money from investors
- May give equity and dividends to shareholders
- Aim to produce a return on investment
- Focus on their bottom line

Nonprofits are run by boards of directors and elected officers. These organizations:

- Usually don't pay income taxes
- Exist to advance causes or provide benefits to society
- Can sell products or services, but reinvest or donate all profits
- Source capital from individual donations, membership dues or grants from the government, foundations or corporations
- Don't issue stock
- Often provide an intangible social return to donors
- Focus on their mission and community

These focal points aren't mutually exclusive. You could argue that to be a healthy organization of either structure, you must focus on your mission, your community and your bottom line.

Still, the way both organizational types get their capital – via investments (for-profits) or donations (nonprofits) – has a discernible effect on their long-term operations.

Structurally, nonprofits have built-in incentives for being mission-driven and community-focused.

HR for nonprofit: Meeting unique HR needs

While mission and community take the primary focus at nonprofits, their people management responsibilities are no less demanding.

Behind many nonprofit HR challenges is the struggle to balance the demands of the public mission and community with internal operations. Sometimes the development of clear HR goals, strategies and tactics hang in that balance. Nonprofit leaders have to be effective managers and champions for a cause all at once. That's no easy task.

At the same time, nonprofit employees are expected to be both effective in their roles and supportive of the mission, too. There is often a great deal of pressure on nonprofit managers and employees with little time to focus on employment concerns. This can translate into HR problems. Human Resources role in nonprofit organizations is to help create strategies around hiring, compliance and policies that help the nonprofit be productive so they can focus on their mission.

Here are five specific nonprofit HR challenges you might encounter and how you can start addressing them today.

5 nonprofit HR challenges businesses can overcome

Challenge 1: Employment law compliance

Sometimes nonprofit companies – especially small organizations – assume that they don't need to worry about state or federal employment laws.

But, just because nonprofits are tax-exempt doesn't mean they are labor law-exempt, too.

Whether you're working to make a profit or make a difference, if there are people in your organization who are treated as employees, the applicable employment and labor laws protect them.

The Department of Labor (DOL) enforces more than 180 laws concerning pay practices, accurate employment records, paid time off, leaves of absence and more – and that doesn't count state or local labor laws.

Because maintaining labor law compliance is complicated and the laws are always changing, it's wise to plan how you'll stay informed and how your nonprofit will adhere to the requirements.

You can start by finding a reliable source for news and best practices, such as your state's nonprofit association. You can also get outside support from an employment lawyer or professional employer organization (PEO).

And don't miss the next nonprofit HR challenge on this list – it's an especially important compliance issue to keep in mind.

Challenge 2: Volunteer and employee classification

Due to the potential for mistakes, one area of compliance that all businesses need to understand is worker classification (e.g., employee or independent contractor).

This can get especially tricky at nonprofits because of the frequent staffing turnover because of the use of volunteer labor. Nonprofit managers must carefully decide whether staff members are acting as employees or volunteers.

This isn't as easy as it sounds, because individual workers may occasionally move between categories. For example, nonprofits might have employees who want to serve as volunteers as well – like an employee who wants to help at a special event.

FLSA Compliance

Before allowing someone to volunteer – especially someone who's also an employee – it's important to understand how the Fair Labor Standards Act (FLSA) defines volunteers. According to the FLSA, volunteers freely offer their help without thinking they might be paid or actually receiving compensation. Their services are usually part-time, and they don't displace regular employees or perform their work.

The FLSA also prohibits a nonprofit's paid employees from volunteering to perform the same tasks they're already employed to perform on a day-today basis. Revisiting the example above, suppose you have a paid employee who wants to serve as a volunteer at your annual gala. Can you allow it?

As long as the employee feels no pressure from your organization to help and as long as the volunteer role is completely separate from his or her regular duties, it might be OK.

Now, if you have an employee who's responsible for logging donor contributions who wants to stay late some nights and make calls to donors without pay, that's blurring the line between employee and volunteer in a way that could create FLSA compliance issues.

Even if you have a team of volunteers who makes calls to donors, this responsibility may be too closely aligned with that particular employee's regular job description for him or her to serve as a volunteer in that role.

HR best practices would dictate that you can avoid this challenge by having written job descriptions for every paid role in your organization and even for your volunteer positions, too. This helps ensure each person's paid or volunteer duties are clearly defined and in compliance with the FLSA.

Challenge 3: Employee professionalism in the public

To create community and generate support for their missions, many nonprofits host events where their employees, volunteers, donors, board members and members of the public gather together in the same space.

Sometimes these occasions have a party-like atmosphere, and consequently, managing employee professionalism in the public can be a nonprofit HR challenge.

The last thing you want at a special event is for your employees to act inappropriately, showing your organization in a bad light or jeopardizing future funding. Nonprofits can get in front of this challenge by reminding employees before an event about their expectations for professional behavior.

It's best practice to issue these expectations in writing and communicate what professional behavior looks like at your organization.

For example, you might tell your employees that you want them to have a good time, but also that you expect them to avoid drinking excessively, to adhere to any relevant company policies (e.g., your anti-harassment or dress code policy) and to remember their behavior represents the organization.

If you've been proactive in this way, you can refer back to your written communication should the need for employee discipline arise following the event. HR professionals can help you put together an employee handbook that covers important guidelines for your nonprofit staff members to follow.

Challenge 4: Hiring, Onboarding and Training

Nonprofits account for just over 10 percent of private sector employment, according to the Bureau of Labor Statistics. That means many people who come to work for nonprofits likely started their careers at for-profit companies.

It's pretty common to see employees transition from large, for-profit corporations where there are multiple layers of assistance to smaller, nonprofit organizations where they don't have all those layers of support throughout the onboarding and training process.

It's a generalization to say that all for-profit to nonprofit transitions happen like this. After all, there are many small for-profits and large nonprofits, too. But, this type of career change is certainly frequent and can create nonprofit HR challenges.

Can every person make this culture change successfully?

Maybe not.

Sometimes nonprofits hire employees from the for-profit world who have great skills, but unfortunately, it wasn't realized during that hiring process that those skills won't translate very well into the nonprofit world. When new employees fail to adapt quickly enough to a new role, it becomes a standard performance management issue for the nonprofit.

The HR manager or board of directors can initiate a performance improvement plan, defining where the employee is lacking and giving that person an opportunity to improve. If you have HR functions such as employee coaching and performance improvement systems in place, handling these issues is routine rather than disruptive.

Challenge 5: Leadership changes

Change at the top of an organization is universally difficult – particularly when it's an abrupt or unexpected change. At nonprofits, where key leaders are often very intertwined with the donor community and the public, management changes can be especially complex.

Whether a nonprofit leader leaves due to termination, retirement or pursuing another opportunity, the longer he or she has served at the helm of an organization, the more attached the community may have become to that person.

As a result, helping leaders exit nonprofit organizations gracefully involves more than just offering fair severance or retirement packages.

At nonprofits, exiting leaders are often included in how an organization communicates the departure to the community. This is smart because these leaders are usually big voices to the public, and it could seem unsettling to donors if a leadership exit is announced in a way that is noticeably detached from that person.

Summing it all up

No organization is exempt from HR challenges. But as a nonprofit leader, you understand that with the right mindset, goals and support system, improvement can happen. What a nonprofit needs to succeed is different than for profit businesses. That's why its important to have in-depth HR processes in place to address your unique business needs.

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