

The HR Challenges of NGOs

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NGOs and their key role in society



NGOs and their key role in society

The non-profit sector is large and growing, across both advanced and developing countries. There are hundreds of thousands of NGOs globally. In addition, several new forms of 'hybrid' social purpose organisations, such as social enterprises, are further enriching the sector and increasing its significance for society.

NGOs play a key role in addressing new and old societal challenges.

The quantity and quality of innovation originating from these organisations is enormous. From **education, health, climate change**, to **emergency relief**, NGOs often help identify and scale solutions, or simply allow for action in areas (geographic or thematic) where governments or private initiatives are not willing or able to act.

While there are many examples of successful, high-impact NGOs, the vast majority of the sector is still composed of fairly small organisations, often underfunded and with structural weaknesses. **One of the key weaknesses faced by the sector is represented by human resources and HR management.** According to many NGO leaders and practitioners, this may well be the most important challenge hampering the potential of the non-profit sector.

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HR Challenges of NGOs



HR Challenges of NGOs

Research available on the specific HR practices and challenges of the non-profit sector is still, surprisingly, limited. Based on multi-year NPO industry experience of Impact46, available literature, as well as on a recent survey conducted by Personio Foundation¹, a number of key HR/HRM challenges have been identified.

These challenges represent key obstacles for NGOs: they limit their ability to grow, to operate effectively and efficiently and often hamper their capacity to deliver impact.

“HR challenges limit NGOs ability to grow, to operate effectively and to deliver impact”

While the **six categories** used to discuss these issues are not solely relevant for NGOs, within each of these areas we can find many challenges that are characteristic of the NGO sector and thus require proper attention and tailored solutions.

¹ The survey was carried out in January-February 2022 in conjunction with Personio Foundation's first selection process. It has been limited in scope but still included a questionnaire and in-depth discussions with several NGOs across different countries, as well interviews with HR practitioners in the NGO sector. A much larger survey will be carried out by Personio Foundation during 2022.

1. Attracting talent

Most NGOs state that they find it difficult to attract the talent they need.

The main reason for this is reportedly financial: NGOs (with the exception of few, predominately international NGOs) **cannot pay competitive salaries.**



On the one hand, they need to attract highly skilled profiles. These can include social workers with specific expertise (ex. in early childhood education, healthcare) or lawyers, but also people with the soft skills and maturity required by difficult working conditions and with a strong sense of purpose. In addition, many NGOs need staff that possess business acumen, as is the case for social enterprises or for posts in charge of development/fundraising. On the other hand, financial resources that NGOs can invest in human resources are very limited and salaries are generally low.

This is a well-known issue in the non-profit sector and often originates from donors' practices: **most donors like to fund projects, but don't want to cover 'overheads'.** This results in lack of multi-year, unrestricted funding, and ultimately insufficient resources to pay adequate salaries.

2. Retaining talent and managing turnover

Most surveyed NGOs report exceptional turnover. They simply cannot retain talent. Most of them report that they can't match salaries and benefits of bigger NGOs or of the private sector. Much of this is due to the lack of competitive salaries (see previous point), but other reasons count as well. **Just like salaries, benefits are often non-existent or relatively insignificant.**

For example: many NGOs cannot offer health insurance to their employees. Other benefits like home leave for expats or laptops to work remotely are rare. Common private sector benefits like support for child care/education, a corporate car, or even just transport subsidies, are virtually unknown in the non-profit sector. What's more, there are specific challenges related to the often 'dual' systems applying to expat vs locally hired staff.

The challenge of retaining talent is not just a matter of financial issues related to compensation and benefits: NGOs often face arduous working conditions. These are briefly laid out in the next point. Most NGOs (again with the exception of very large ones) cannot offer training or opportunities for career development. Few are experimenting with sabbaticals, job shadowing in other NGOs and other relatively low-cost initiatives aimed at people development and retention.

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Another key challenge is represented by NGO founders/leaders. They are very often highly skilled and successful professionals, however – contrary to the private sector – they have no prospects to turn their talent and work into financial security for themselves and for their families: A NGO doesn't have shares or dividends and can't be 'sold'.

Notably, most organisations report that it is primarily the mission and the sense of purpose that can help retain talent, as well as the capacity to offer a 'different lifestyle'. This usually influences the decision of NGO staff to accept significant pay cuts compared to where they come from or where they could work.

Interestingly, many NGOs see themselves as an “academy for employees”: they shape future changemakers, train staff that other larger organisations will end up employing.



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3. Working conditions

Working conditions can be difficult in NGOs, particularly in certain sectors and geographic areas. **NGO professionals face the harsh reality of the social issues they are trying to address on a daily basis.**

NGO professionals often need to:



Stand up against powerful organisations



Take risks



Sometimes even put their own lives in danger

This means being continuously exposed to beneficiaries in terrible situations and to take decisions that directly impact the lives of people.

NGO professionals often need to stand up against powerful organisations, taking risks, sometimes even putting their own lives in danger. Working conditions in terms of office infrastructure can also be quite tough.

It is common, for instance, especially for NGOs operating in the global south, to work in offices that are rundown, lacking air conditioning in warm environments or proper sanitation. NGOs personnel often lack access to well-functioning Internet, to modern IT and sometimes even to a computer or licensed software. These are just a few examples of the daily working environment of NGO professionals around the world.

Some of these issues related to working conditions have recently been exacerbated by the new challenges related to the pandemic and remote working which – again - underfunded NGOs have had trouble managing.

As a result of all the above, burnout is very common amongst NGO professionals.

For many, especially younger professionals, it can be too challenging to face harsh working conditions with very limited financial compensation. Once more the fact that most donors are reluctant to cover overheads condemns NGOs to what some have defined as a 'starvation cycle', with significant repercussions on human resources.

4. Tracking and fostering performance

Tracking and fostering performance of human resources is also considered a common challenge for NGOs. On the one hand, it must be noted that the non-profit sector is often reluctant to adopt what the private sector would call “KPIs”. With many exceptions of course, a significant portion of the non-profit sector does not apply performance metrics nor any mechanism to sanction or reward performance.

This is often justified with the (perceived) difficulty in measuring social outcomes. This impacts the capacity of non-profit organisations to deliver but also their ability to retain the most talented and motivated staff who often don't feel sufficiently recognised and rewarded for their performance.

The lack of robust performance management systems in turn reinforces the view of many donors that NGOs are not well managed and thus is used as a justification to cut overheads and salaries.

5. Complying with legal/regulatory issues

Many NGOs report that a key challenge related to human resources management has to do with often unclear and sometimes openly hostile legal regulatory environments.

The legislation applicable to NGOs in important areas such as **labour law**, **immigration law**, or **tax law** is often obscure. These pose multiple difficulties for NGOs, particularly for those that lack internal or external legal assistance. It is worth noting that in some extreme cases, NGOs operate in legal environments that are actually designed to make their work even more difficult.

This is the case for NGOs operating in countries where (mostly authoritarian) governments are openly opposing the development of the non-profit sector, or in cases (including in advanced democracies) when NGOs work on topics that are considered controversial for political or religious reasons.

6. Lack of HRM processes and resources

Human resources management is a key challenge for NGOs. On the one hand, as described in the previous sections, NGOs face very serious HR challenges.

On the other hand, surveys show that the vast majority of NGOs lack dedicated, professional HR managers, robust HR processes, tools and technology to support key HR functions. This makes it all the more challenging to handle job posting, contracting, payroll, employee development and all other key HRM functions.

The lack of automated processes, or even simple templates, turns every HR task into a highly labour-intensive task. Basic HR policies and guidelines are also often lacking, even in those contexts in which - because of the nature of the work done by the NGO - they are particularly important (for example policies that regulate child protection, image rights, sexual harassment, whistleblowing).

On top of this, HRM functions are often performed by one person together in addition to many other administrative functions, or sometimes HR responsibilities are handled directly by the most senior person in the organisation, thus taking away from more strategic tasks.

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Personio Foundation's Impact Accelerator: A Framework for Action

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As discussed in part one and part two of this paper, NGOs play a key role in society. However, **their capacity to deliver social innovation and impact is significantly hampered by HR challenges.**

While the issue of HR is of paramount importance for the non-profit sector, it is also largely neglected by research. Existing HR research and tools are for the most part geared towards the private sector and miss some important specificities of the non-profit sector.

As discussed, it is important to note that the key challenges faced by NGOs in terms of human resources are also often overlooked by their donors, so this topic requires increased attention by the philanthropic sector.

The challenges faced by NGOs in terms of human resources are also often overlooked by their donors

For these reasons, Personio Foundation considers that this is a key area on which to take action. First and foremost, the Foundation has decided to provide only unrestricted, multi-year grants, thereby encouraging NGOs to invest in their people.

Moreover, the Foundation is currently developing an Impact Accelerator program that will specifically aim at fully researching and understanding the key HR challenges of NGOs, and then offering resources to support NGOs address these issues.

Resources will include curated research on all the topics discussed above, but also training materials, certification training courses, as well as tech and tools that can help NGOs strengthen their HR and operations.

All of these will be co-developed with NGOs themselves. This will ensure that the global non-profit sector is offered resources that are relevant and that can ultimately help them to better deliver their mission.

Fostering Innovation for People and Planet

The Impact Accelerator of Personio Foundation enables HR professionals working for NGOs to strengthen their HRM expertise and supports them in solving their most urgent HR challenges.

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