

Nonprofits and human resources:

# The case for focusing on people management



*Personio*  
**Foundation**

In partnership with

**IMPACT46**

## INTRODUCTION

# Helping conquer today's top HR challenges

Right this moment, the majority of nonprofits are being confronted with a host of HR-related challenges. The bad news is that these challenges are very real and potentially damaging, but the good news is that they are avoidable. What nonprofits and donors need are the right data and insights. So, our team got to work.

What we found is that there are structural disadvantages preventing nonprofits from focusing on their most important asset: their people. Professionals and volunteers who have dedicated their working lives to tirelessly pursuing societal missions.

The major consequence of this is that many nonprofits simply punch below their weight. But, both their efficiency and effectiveness could be exponentially greater if they did one thing: paying more attention to their people and their people's development. This report offers information on key HR challenges faced by nonprofits globally, but also of innovations and practical examples of solutions that work.

As we take you through the data and paint a picture of the road ahead, we hope this report lays the case for nonprofits to focus more on their people and for donors to empower nonprofits with the resources and means to make this transformation possible. We enjoyed putting it together, and we hope you enjoy reading it.



**Anna Schwarz,**  
Head of Personio  
Foundation



**Nicola Crosta,**  
CEO and Founder  
at Impact46

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# Key takeaways: The road ahead for nonprofits

## 1. Nonprofits play a key role in delivering innovation of all kinds.

But, their impact is often hampered by specific HR challenges – most of which could be heavily mitigated or avoided entirely.

## 2. From our analysis, six major HR challenges have emerged.

Attracting talent, retaining talent, working conditions, tracking and fostering performance, a lack of HR management resources and tools, and complying with complex regulatory frameworks. While struggles like these are known in the private sector, they often require solutions tailored to the nonprofit sector.

## 3. Talent attraction and retention are top challenges.

While the general lack of competitiveness of salaries versus the private sector is well-known, nonprofits also lag behind in terms of compensation packages, working conditions, reward and recognition, and career progression.

## 4. Effective solutions to build strong organizations already exist.

They include measuring and rewarding individual performance linked to outcomes, providing non-monetary incentives such as training and career development, or fostering staff well-being. That said, these solutions are yet to become industry standard.

## 5. Donors have a key responsibility and a large role to play.

In fact, donors should readily consider moving beyond project financing to more strategic, sensible investments in various overheads (like people growth budgets) through unrestricted, multi-year grants and targeted capacity development programs.

## 6. Nonprofits could and should invest more into their employees.

They should seek to do this by supporting employees with both financial (when possible) and non-financial means, improving their working environments and introducing more professional HR management policies and tools.



# Six major HR challenges for nonprofits

**Challenge #1** Talent attraction (52%)



**Challenge #2** Talent retention (13%)



**Challenge #3** Working conditions (15%)



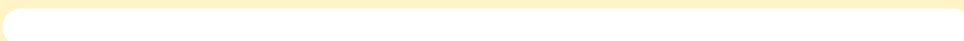
**Challenge #4** Tracking and fostering performance (25%)



**Challenge #5** Lacking the resources and tools (50%)



**Challenge #6** Complying with legal and regulatory frameworks



Note: **Challenge #6** (Complying with legal and regulatory frameworks) cannot be formally quantified because the data available doesn't offer the opportunity to clearly dimension the issue. However, from our experience working with nonprofits and from the qualitative information collected, we know that this is an important issue for many organizations.



# Part I: The key role of nonprofits



# Key facts about the nonprofit sector:



## It is large

there are millions of nonprofits globally. Global Giving\* has counted 8.7 million charities and nonprofits across 80 countries. In the United States, the nonprofit sector is the country's third largest employer.\*\* Globally, nonprofits receive a significant share of development aid (~15% according to the World Bank).



## It is growing

In the US, for instance, employment in non-profits has grown by 18.6% between 2007 and 2017, compared to 6.2% in the for-profit sector.



## It is very diverse

Nonprofits span a wide range of sectors, from charities to social enterprises. The main ones include education, health, climate/environment, and emergency-relief.

But the nonprofit sector operates with several **major organizational inefficiencies**. Partly due to the results of funding restrictions due to an intense competition for funds. To ensure that the sector can reach its full potential, in order to address the critical challenges of our time, we advocate for a push in the sector to **build strong HR practices**.

Practices that empower resilient teams, are able to respond to a myriad of challenges, and still make a lasting impact. We acknowledge that this is only possible if actors, especially funding partners, understand that **overhead spending is needed to strengthen organizations** in their capacity to deliver impact.

## Building on a unique data set

This report draws on a unique, rich, and recent data set. The first of its kind globally and covering 1,100+ nonprofits across the world in the climate change and education sectors.\*

This data, gathered through a call for applications from the Personio Foundation in 2022, provides quantitative and qualitative evidence of the key HR challenges faced by nonprofits, their causes, and proposed solutions.

This outlook also draws on the data gathered from an in-depth discussions with a portfolio of 15 organizations currently supported by the Personio Foundation. As well as from lessons learned from hundreds of due diligence and monitoring missions carried out by Impact46 over the past four years.

Recent literary evidence and insights from studies across various sectors has also been used to provide further insights and nuances to the analysis.

### Facts and figures from Personio Foundation's 1,000+ NGO data-set

#### Coverage

**1,100+**

nonprofits

**115**

countries across the 5 continents

**€1.8B**

(approx.) in accumulated annual budget

#### Impact

**159M**

direct beneficiaries

**1.4B**

indirect beneficiaries

#### Size

**50%**

of nonprofits have less than 10 employees and have an annual budget lower than 175,000 euros

**20%**

of nonprofits have more than 33 employees and have an annual budget higher than 300,000 euros

\* See the appendix for a presentation of the key statistics compiled from this dataset.



# Part II: HR challenges and best practices for nonprofits



## CHALLENGES

# Six emerging HR challenges for nonprofits

**According to nonprofit leaders and practitioners, the untapped potential of people management is immense and currently neglected. Given the proven ways to account for it, as we detail in this report, nonprofits can more easily realize that lingering potential.**

Building on Personio Foundation's survey of 1,100+ profits, literary reviews, and years of experience from Impact46's work in the nonprofit sector, **these six challenges rose to the fore**. They represent the most pressing hurdles for nonprofits, those limiting their ability to grow, operate effectively, and deliver impact. To support nonprofits, these challenges need to be addressed immediately.

Thankfully, these six challenges follow a rather **operational logic**. They can be easily mapped to specific processes and work streams in many nonprofit organizations. For example, talent attraction is intimately connected to recruitment processes, talent retention to performance reviews, and so on.

Finally, these challenges are often interdependent and **need to be addressed together to be addressed at all**.

**Challenge #1** Talent attraction (52%)



**Challenge #2** Talent retention (13%)



**Challenge #3** Working conditions (15%)



**Challenge #4** Tracking and fostering performance (25%)



**Challenge #5** Lacking the resources and tools (50%)



**Challenge #6** Complying with legal and regulatory frameworks



Note: **Challenge #6** (Complying with legal and regulatory frameworks) cannot be formally quantified because the data available doesn't offer the opportunity to clearly dimension the issue. However, from our experience working with nonprofits and from the qualitative information collected, we know that this is an important issue for many organizations.

## CHALLENGES

**While the six aforementioned challenges may be common to the vast majority of nonprofits, their relevance, priority, and means to take them on may vary according to the type and characteristics of individual nonprofits. The main ways to differentiate them should be based on size, field of operation, and location.**



#1: Talent attraction

#2: Talent retention

#3: Working conditions

#4: Performance

#5: HR resources and tools

#6: Legal Compliance

### Size:

The two relevant dimensions of size are related to staff and budget, with the two themselves also being related. For example, very small organizations (20% of our respondents have less than four staff) will not need the same HR tools as those required by medium or large-sized international nonprofits with staff spread across different locations. Additionally, larger and more well-funded nonprofits will be able to propose higher salaries to fare better in the competition for talent.

### Field of operation:

Nonprofits working in sectors that benefit from stronger policy support are often better equipped financially. For example, climate nonprofits benefit from a range of funding instruments (blended finance vehicles, climate bonds, etc.) which are less common in the education sector. This may explain why climate nonprofits seem less limited than education nonprofits to attract talent (64% of climate non-profits see talent attraction as a major HR challenge vs. 76% in the education sector). Nonprofits working in the field on particularly complex, stressful, and emotional topics, such as emergency relief or child protection, face much more acute, staff-related issues than nonprofits involved in research and policy-level work (higher stress levels, burnout risk, turnover levels, etc).

### Location:

The base of operations also has an influence on many of our listed challenges. The competition for talent varies according to location. For example, nonprofits in developing countries face much less competition from the private and public sectors than in advanced economies. In developing countries, like Bangladesh, nonprofits may pay salaries about four times higher than the national average\*.

Yet, they face strong competition from NGOs and international organizations. Working conditions, safety, and security concerns may be an issue in conflict or post-conflict countries (and less in more stable regions).

\*(Chowdhuri, 2020)



# Challenge #1: Talent attraction

## The challenge:

Nonprofits struggle to attract the skilled staff they need to reach their goals and drive change.

## The root cause:

**Compensation is not competitive:** In the context of fierce competition for profiles that possess both ‘private sector’ skills (marketing, communication, tech) with the motivation to work in the nonprofit sector, the limited ability to provide competitive salaries and benefits is a major hurdle.

**Lack of career development opportunities:** Few nonprofits provide clear, ambitious, and individually-tailored career plans. While top talent is badly needed, little is done to show them how to grow their career within your average nonprofit.

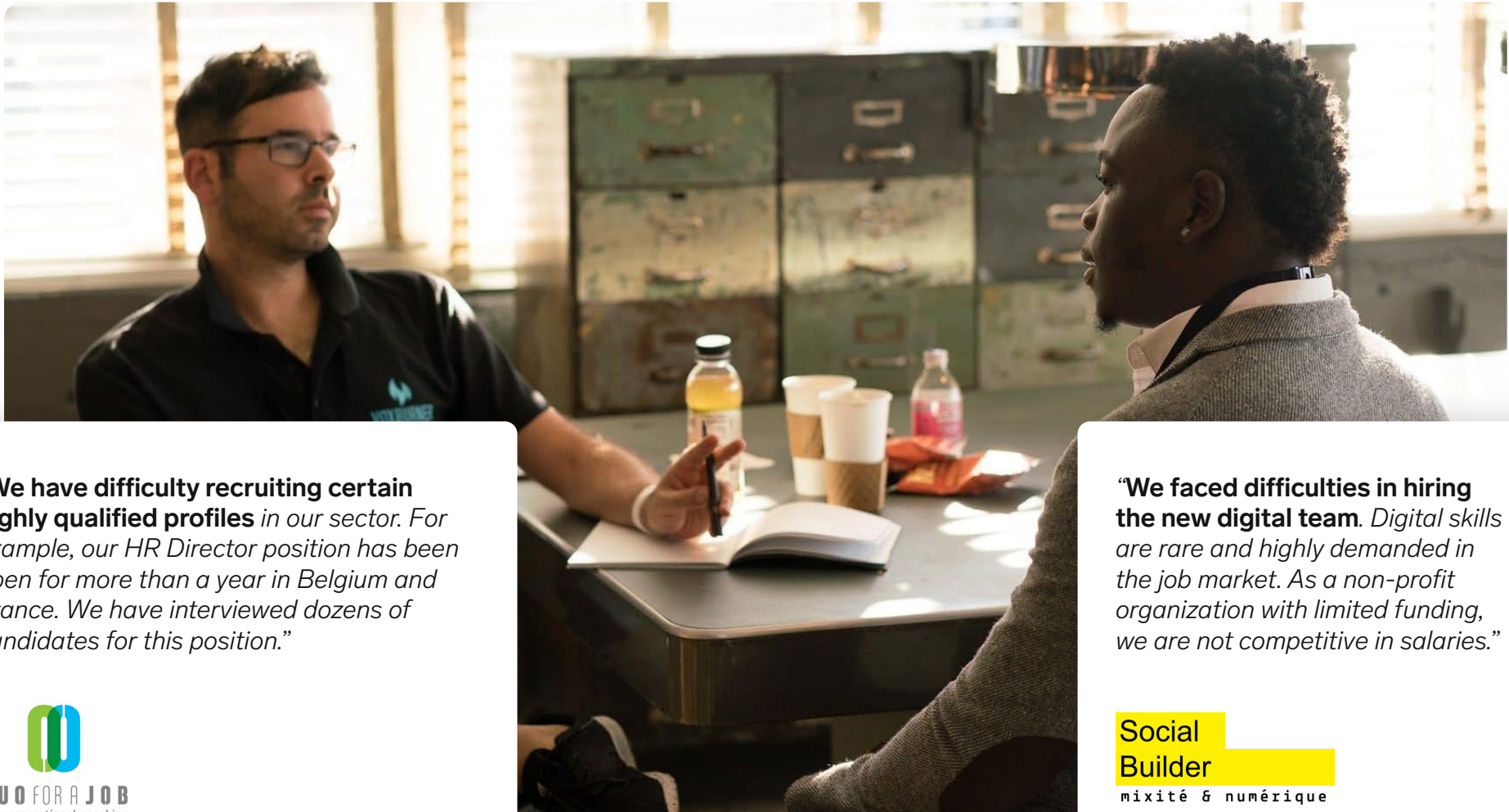
**Difficult working conditions and location:** Nonprofits operating in remote or challenging environments struggle to attract and retain staff due to safety concerns and limited access to basic amenities.

**Lack of visibility:** Especially smaller nonprofits, who do not or are unable to focus on building a recognizable employer brand while actively marketing it.





## Challenge #1: Overview



**“We have difficulty recruiting certain highly qualified profiles in our sector. For example, our HR Director position has been open for more than a year in Belgium and France. We have interviewed dozens of candidates for this position.”**



**DUO FOR A JOB**  
intergenerational coaching

**“We faced difficulties in hiring the new digital team. Digital skills are rare and highly demanded in the job market. As a non-profit organization with limited funding, we are not competitive in salaries.”**

**Social  
Builder**

mixité & numérique

## Challenge #1: Facts

# 52%

of nonprofits identify talent attraction as a major HR challenge currently limiting their operations.

# 72%

of nonprofits state that their salaries are not competitive versus the private sector.



# 75%

Salary is an issue for 75% of the smaller nonprofit organizations (those with an annual budget below 10m EUR), compared to only 60% for larger ones.

# 80%

70-80% of nonprofit organizations from developed economies describe salaries as an issue, while that is only the case for 55-65% of those located in developing countries.

## Challenge #1: Additional factors at play



### **Lack of development:**

A quarter (25%) of nonprofits report poor career development as a major challenge for their HR management. This is especially true in small nonprofits, constituting the vast majority (50% have 10 or less FT staff, 20% four or less).

### **Lack of visibility:**

According to a recent survey, 63% of job seekers are not familiar with non-profit organizations or their missions. This lack of visibility is compounded by the fragmented nature of the non-profit sector and the high level of specialization of nonprofits.

### **Difficult working conditions:**

Overwork is a major problem for nonprofits (~35% reporting this issue). Mental and physical well-being situations, as well as burnout - largely underreported - are issues of massive concern for many nonprofits.



# Challenge #1: Best practices

## Duo for a job

Duo for a Job has implemented a Holacracy, which is a decentralized organizational structure that emphasizes self-management and distributed decision-making. When applied to a geographically dispersed organization, holacracy can have a significant impact on several HR dimensions, including talent acquisition.

When an organization adopts holacracy, it sends a signal to potential talent that the company values innovation, adaptability, and individual contributions. This can attract individuals who are looking for opportunities to take ownership of their work and have a say in decision-making.



**Organization:** Duo for a Job  
**Focus:** Inter-generational job coaching  
**Operating in:** Belgium and France  
**Size (2023):** 79 staff  
**[www.duoforajob.be](http://www.duoforajob.be)**

## Youth Climate Lab

Youth Climate Lab underwent an external review of their salaries and benefits by an independent HR consultant and learned that the proposed salaries were competitive in the market (as were their benefits).

Understanding the magnitude of the challenge is a prerequisite before undertaking (potentially costly) action. Conducting a salary and benefits assessments is a practice that nonprofits should be encouraged to conduct.



**Organization:** Youth Climate Lab  
**Focus:** Climate action and mobilization  
**Operating in:** Canada and globally  
**Size (2022):** 6 staff  
**[www.youthclimatelab.org](http://www.youthclimatelab.org)**



# Challenge #2: Talent retention

## The challenge:

Nonprofits struggle to retain staff beyond two to three years. Overall, nonprofits also face a sector plagued with high turnover rates.

## The root cause:

**Lack of competitiveness in salaries and benefits** packages compared to the private sector (see: Challenge #1: Attracting talent). For many staff, after gaining a couple years of experience in the field, their commitment to the organization's mission is no longer sufficient to pay for rising bills and to compensate the salary and benefits differential.

**Limited opportunities for career growth** and on-the-job training. Accelerated growth opportunities may help retain some staff, but these are often limited by the small size of the organizations who can only offer a limited amount of more senior roles. With few high-growth nonprofits, career development as part of organizational growth is not common.

**Difficult working conditions** (i.e. field work in geopolitically tense regions) can also explain high turnover rates.

**The rise of 'mission drift.'** Staff tend to be inspired by the mission and approach of their NGO. Therefore, changes to senior management may lead to staff being at odds with the organization and wanting to leave\*.



#1: Talent attraction

#2: Talent retention

#3: Working conditions

#4: Performance

#5: HR resources and tools

#6: Legal compliance

## Challenge #2: Overview



*“Staff recruitment and retention has been a challenge in 2022. With rising cost of living in the Netherlands, **attracting and retaining people to the team is an area of focus for 2023.**”*

 **CIRCLE**  
ECONOMY

## Challenge #2: facts

Difficulties in retaining talent can be explained by several factors.

# 15%

Close to 15% of nonprofits perceive talent retention as a major HR challenge currently limiting how they work.



# 15-25%

Annual turnover rates in the non-profit sector, compared to 10% in the private sector.

### Competitiveness of salary and benefits:

As far as talent is concerned, one of the main reasons why staff rotation is so high in nonprofits is a lack of competitive compensation packages.

### Limited career growth and on-the-job training

Around 25% of nonprofits report poor career development and progression. This is especially true of very small and small organizations (20% have four or less employees, while 40% have eight or less) where bottlenecks are frequent. Weaknesses in professional development are also the result of poor and/or unclear recognition and reward policies. Around 40% of nonprofits conduct performance reviews only once yearly (~4% never do). And less than 40% offer their staff variable performance-based financial compensation.

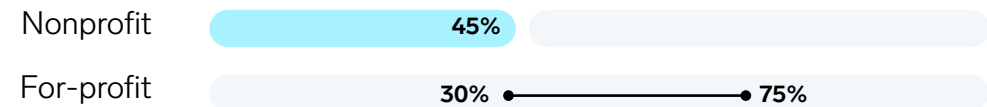
### Difficult working conditions:

Overwork remains a widespread problem for nonprofits (~35%), sometimes leading to burnout (~15%). Low morale, problems with physical and mental well-being as well as workplace-related problems are also common among nonprofits (~15%). These issues are exacerbated in nonprofits that operate in remote, complex, and/or risky environments.

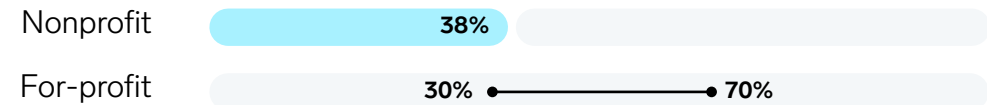
## Challenge #2: Facts

# Comparatively lower non-monetary benefits among nonprofits

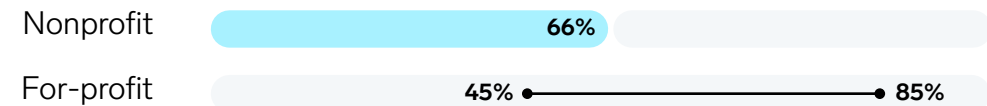
### Health insurance



### Pension scheme



### Maternity/paternity leave



Mid and low-income countries — High-income countries

#### Sources:

[International Labour Organization \(2014\)](#)

[Statistics Canada](#)

[Bureau of Labor Statistics](#)

[Hooley et al. \(2022\)](#)

[Cerise et al. \(2013\)](#)

[OECD \(2010\)](#)

Maternity and - to a lesser extent - paternity leave are a fundamental right in the majority of countries and manifested in an ILO standard (at least 14 weeks of paid leave).

However, not all employees are eligible, e.g. part-time staff, consultants, and not all companies comply with the ILO standard, especially in mid and low-income countries.



## Challenge #2: Best practices

### Kiron

Kiron has developed and implemented a new wage model to create internal transparency as a basis for salary negotiations. This has helped Kiron retain its staff through clearer incentives, as the wage model is connected to the performance management process and is linked to salary increases.

Their new wage model has also helped recruit staff and contributed to clearer mapping between experience/skills, job levels, and salaries.



**Organization:** Kiron  
**Focus:** Education for underserved communities  
**Operating in:** Germany and globally  
**Size (2023):** 49 staff  
[kiron.ngo](https://kiron.ngo)

### Youth Climate Lab

YCL redesigned its performance review process and linked it to newly-designed wage ranges. New wage ranges were created to improve transparency and provide incentives for staff.

Ensuring transparency in promotions and remuneration, with a clear connection to performance, enables trust among staff and a healthier working environment.



Youth Climate Lab

**Organization:** Youth Climate Lab  
**Focus:** Climate action and mobilization  
**Operating in:** Canada and globally  
**Size (2022):** 6 staff  
[www.youthclimatelab.org](https://www.youthclimatelab.org)

# Challenge #3: Working conditions

## The challenge:

Difficult and dangerous working conditions may cause staff to put themselves more at risk and suffer more from mental and physical well-being issues (in contrast to their private sector peers).

## The root cause:

**Nonprofits often address sensitive issues (e.g. gender, migrant support).** Those which may put them at odds with cultural values and government policies.

**Nonprofits are often located in or operate in complex and unstable environments,** including in conflict or post-conflict regions.

**Nonprofit staff are in direct contact with beneficiaries.** This may lead to being confronted with the harsh reality of the issues they are trying to address.

**Nonprofits are typically understaffed and resource-constrained.** This adds an even heavier workload to conditions that are already hard to operate in.



#1: Talent attraction

#2: Talent retention

#3: Working conditions

#4: Performance

#5: HR resources and tools

#6: Legal compliance

## Challenge #3: Overview



“High levels of burnout is one of the main HR challenges faced by our organization.”



Access to Learning and School (ATLAS) Initiative, Nigeria

“Our projects are located in **very remote geographical areas** of the country where professionals hardly adapt.”



HONNOLD  
FOUNDATION

## Challenge #3: Facts

### Difficult working conditions

The complexity of geographical locations and work environments (e.g. conflict areas) is often tied to the important work of an organization.

### The case of overwork

This is a major challenge for one out of every three nonprofits. Improving and professionalizing recruitment, as well as investing in people to improve retention, is key.



### Poor working conditions have a bearing on the wellbeing of NGO staff:

High levels of burnout are reported by ~15% of the nonprofits from our sample.

Considering the well-known underreporting of this issue and the other recent sources on this topic\*, the actual figure might be closer to 30%.

30%

In the private sector, burnout levels are notably lower at 10-15%.

10%



## Challenge #3: Best practices

### Blue Ventures

Blue Ventures (BV) has invested heavily in building capacity and capability in their people team through the appointment of their first Director of People and Culture and the creation of HR specialist roles.

BV has an ambitious multi-year People Strategy and DEI Strategy (Diversity, Equity and Inclusion) in place.

As part of these plans, the NGO is investing in leadership development across the organization (with a focus on female leaders), learning and development for all colleagues (including DEI), and in initiatives to support well-being, including plans to train mental health first aiders.

These strategies and plans aim at ensuring that staff are happy and can be their true selves at work.



**Organization:** Blue Ventures  
**Focus:** Sustainable fisheries and climate action  
**Operating in:** Globally  
**Size (2022):** 294 staff  
**[www.blueventures.org](http://www.blueventures.org)**

### Circle Economy

CE's Head of People and Culture has introduced a series of policies and actions to enhance the well-being of its staff.

This includes support received from occupational health advisors to prevent stress and burnout situations within the organization through bilateral discussions with staff and the organization of workshops on stress prevention.

CE uses insights from Personio's 360° feedback tool to devise comprehensive training to managers on how to prevent and cope with stress and well-being problems among staff. CE has used for that purpose.



**Organization:** Circle Economy  
**Focus:** Circularity, climate change  
**Operating in:** Globally  
**Size (2023):** 54 staff  
**[www.circle-economy.com](http://www.circle-economy.com)**

# Challenge #4: Tracking & fostering performance

## The challenge:

Nonprofits need to measure their impact, relate it to individual performance, and design reward systems to match. But, most nonprofits lack the fundamentals to make this happen. They often have limited or no impact management systems, no customer relationship management (CRM) and analytics tools in place. This means that nonprofits have inherently limited abilities to extract data, measure impact, and track performance.

This reinforces the biased view of donors that nonprofits are not performance-driven, which is often used to prioritize project funding over unrestricted grants. It also hinders employee performance and reward, as objective metrics and benchmarks are needed to track performance.

## The root cause:

**Capturing social or environmental change is difficult.** While some commonly-agreed metrics exist (ie GHG emissions avoided), change processes are often more complex than what a single impact indicator can reflect. Understanding, capturing, and measuring them is a science in itself and requires skilled personnel.

**Attracting the tech/data-oriented profiles to develop, manage, and use these systems is difficult for nonprofits.** These profiles are also in great demand in the private sector, which pays high premiums for skilled talent.

**Lacking the tools, systems, and data to track performance.** Partly due to a lack of financial resources to pay for these systems (e.g. licence fees, technical support) and partly because of a gap in knowledge and focus.

#1: Talent attraction

#2: Talent retention

#3: Working conditions

#4: Performance

#5: HR resources and tools

#6: Legal compliance

## Challenge #4: Overview

“It can be challenging to track the long-term results of our programs. **Our processes need to improve, especially with regard to ease of employability** by staff across the team.”



Youth Climate Lab



“While we seek to be data-driven and maintain high standards of accountability, **we know that some of our most profound impacts are difficult – if not impossible – to measure.**”



FUNDACIÓN  
MI SANGRE

## Challenge #4: Facts



# 25%

Approximately 25% of nonprofits perceive tracking and fostering performance as a major HR challenge

**Difficulties in tracking and fostering performance may be explained by the complexities of change:**

**Capturing social or environmental change** is difficult and attribution to nonprofits (and by extension to their staff) is not straightforward. For example, a nonprofit invested two year's time in advocacy on a policy promoting education for girls in Central Africa.

Once finally adopted, the true change will only be seen once data is available on the increase of years spent in education by girls 5-10 years down the line. But for the sake of impact reporting to donors, or rewarding employees who made sure this change could happen, we need to find ways to track and measure the value of actions before they are fully realized.

**But other limitations are also at play and can at least, partially, be addressed and handled:**

Lack of tools, systems, and data to track performance and impact:

Only **1 out of 3** nonprofits use a CRM and other analytics tools. For the smallest organizations, this number decreases to 1 out of 4.

**Around 40%** of nonprofits report that the lack of data and insights from across the business (and the few business tools available to generate this information) as a major limitation in the management of HR.



## Challenge #4: Best practices

### The Brilliant Club

The Brilliant Club's research and impact department - composed of six social scientists - leads the charity's evaluation and quality assurance work, collecting data from over 20,000 students a year.

Using this data, they run statistical models to inform the design and development of their programs, as well as supporting with raising the profile of their work and securing funding partnerships.



**Organization:** The Brilliant Club  
**Focus:** High-quality education for under-privileged youth  
**Operating in:** United Kingdom  
**Size (2022):** 100 staff  
**[www.thebrilliantclub.org](http://www.thebrilliantclub.org)**

### Fundación Mi Sangre

Fundación Mi Sangre uses a proprietary measurement and learning system through which it collects both qualitative and quantitative data to track its impact on participants, schools, and communities over time and inform continuous program improvements.

The approach and system used by Fundación Mi Sangre ensures that impact is properly measured and tracked overtime in a transparent way. It facilitates traceability in impact measurements, contributes to integrate monitoring and reporting, and to improve the efficiency of the process.

This impact measurement system can then be used as a basis to track the performance of the organization as a whole, as well as of its key staff e.g. project managers. By tracking key performance metrics, the organization is able to adjust project design and implementation, for example to re-prioritize certain activities/projects or to adjust the implementation model, to maximize selected impact indicators.



**Organization:** Fundación Mi Sangre  
**Focus:** Education and youth engagement  
**Operating in:** Colombia  
**Size (2022):** 71 staff  
**[www.fundacionmisangre.org/](http://www.fundacionmisangre.org/)**

# Challenge #5: Lacking the resources and tools



## The challenge:

Managing people is complex and time-consuming in any type of organization. In nonprofits, this challenge is perhaps even greater, given the higher diversity of staff (coming from a wide variety of socio-cultural and educational backgrounds), their frequent geographical dispersion (e.g. local/project staff vs. HQ), and the fact that their work is often emotionally demanding. This requires nonprofits to develop and employ HR management practices, policies, and systems that support and nurture effective teams.

## The root cause:

**Lack of HR professionals, processes, or a dedicated HR function.** In smaller nonprofits, HR is often managed directly by CEOs/Founders, reducing their time devoted to fundraising or other strategic initiatives.

**Lack of HR tools.** The potential exists to reduce labor-intensive administrative processes through automation, smart tooling, or guiding policies. This is currently underutilized and leads to inefficiencies and unnecessary costs.

#1: Talent attraction

#2: Talent retention

#3: Working conditions

#4: Performance

#5: HR resources and tools

#6: Legal compliance

## Challenge #5: Overview



“The HR function is **not influential enough** in the organization.”



“We are particularly keen on improving our existing performance appraisal systems – **our current process is administratively onerous** and does not accommodate for more regular opportunities to gather and share meaningful 360 feedback”



## Challenge #5: Facts

### Lack of HR people and processes:

On average, about 50% of nonprofits do not possess a full-time person responsible for HR, 60% in small organizations (10 or less staff).

50%

Even when they possess HR staff, they are unlikely to be professionally trained on HR topics. On average, approximately 40% of HR staff have received professional training on the topic (only ~30% in small organizations).

40%

This relative lack of structure affects some of the most basic HR processes. For example, a sizeable proportion of nonprofits - 10 to 15% - do not conduct individual performance reviews in a structured way. This percentage increases to 25% for the smallest nonprofits (4 or less staff, 20% of our total sample).

25%

# 52%

For approximately 52% of nonprofits, the lack of HR-related people, tools, and processes is a major challenge to effectively manage their people.

### Lack of tooling:

The lack of HR management tools is a common limitation raised by ~40% of nonprofits.

This issue is even more acute for larger nonprofits. The fact is that 70% of organizations with more than 50 staff consider the lack of HR management tools as a major limitation for their operations.

70%



## Challenge #5: Best practices

### Kiron

Kiron has optimized recruitment processes and staff development frameworks using a specialized HR software, made available free of charge by Personio to all the grantees of the Personio Foundation.

These new processes and innovations enable the team to work more efficiently, reducing the amount of manual work needed and fostering processes which are more integrated, systematic, transparent, and less subjective.



**Organization:** Kiron  
**Focus:** Education for underserved communities  
**Operating in:** Germany and globally  
**Size (2023):** 49 staff  
**kiron.ngo**

### Dup for a job

Duo for a Job has implemented a new Knowledge Management System (KMS) that enhances and simplifies many of the HR processes of this geographically dispersed organization. This includes:

Onboarding new employees, which is now simplified and more standardized thanks to a centralized repository of onboarding materials, company policies, and procedural documents.

Learning and development, through the development of a platform for hosting training materials, e-learning modules, and resources that employees can access at their own pace.

Performance management, as managers can also use the KMS to track employees' progress and identify skill gaps, enabling more targeted development plans.



**Organization:** Duo for a Job  
**Focus:** Inter-generational job coaching  
**Operating in:** Belgium and France  
**Size (2023):** 79 staff  
**www.duoforajob.be**

# Challenge #6: Complying with legal frameworks

## The challenge:

Complying with local labor regulations is a major challenge for nonprofits working in various geographies. That said, it is absolutely essential to avoid legal ramifications and uphold a positive reputation with critical stakeholders like public entities, donors, and the general public.

## The root cause:

**Nonprofits often operate across different countries and geographies**, each with its specificities in terms of labor, immigration, tax law, and compliance.

**Nonprofits often address controversial topics** (e.g. gender equality, support to migrants), which may enter into conflict with the legal, political, or socio-cultural (e.g. religious) environments in which they operate.

**Nonprofits often lack the in-house legal expertise** needed to navigate complex regulatory frameworks, especially with respect to labor laws.



## Challenge #6: Overview

“When opening an office in a new country, **a heavy administrative workload is required:** understanding local laws and rules, defining a national salary grid, identifying the right recruitment channels, etc”

**kiron**



“Questions often arise regarding **international labor law.**”



**DUO FOR A JOB**  
intergenerational coaching

## Challenge #6: Facts

The legal compliance issues faced by nonprofits are explained and compounded by the fact that a minority of nonprofits - approximately 40% - possess professionally-trained HR staff with requisite knowledge and insights.

For organizations with less than 10 full-time employees (representing more than 50% of our sample), this percentage decreases to 15%.

15%

A horizontal bar chart with a light blue background. A small yellow circle on the left contains the text '15%'. The bar extends to the right, representing 15% of the total length.

Nonprofits compensate their lack of in-house legal expertise by resorting to external resources; i.e. more than 50% of the nonprofits receive legal support from their governing boards.

50%

A horizontal bar chart with a light blue background. A small orange circle on the left contains the text '50%'. The bar extends to the right, representing 50% of the total length.

**Most nonprofits lack the legal in-house expertise necessary to ensure compliance with legal and regulatory frameworks, especially on social and labor law. This problem is particularly felt in nonprofits operating in multiple countries and is a limitation for those that would like to expand geographically.**



## Challenge #6: Best practices

### Duo for a job

An additional benefit of the Head of People and Culture position created by Duo for a Job (on top its role in talent attraction, described earlier) is its responsibility in ensuring compliance with the social laws and regulations of the sector and countries in which the organization is operating.

This fosters smoother HR processes and reduces legal/regulatory risks associated with the expansion of the organization outside its country of origin.



**Organization:** Duo for a Job  
**Focus:** Inter-generational job coaching  
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### Kiron

Kiron has recently recruited an in-house legal counsel officer, to internalize most of the legal work.

For an organization such as Kiron operating in different and complex locations, including conflict areas, one of the key tasks of the new Legal Counsel is to support compliance with applicable laws and regulations, and advising in contractual matters, particularly partnership agreements.

This new staff member will also advise the organization on compliance with data protection and the legal framework for data transfers, an important topic for an organization such as Kiron that has access to sensitive personal data (on refugees, migrants, etc.)



**Organization:** Kiron  
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# Part III:

## A framework for action



# A framework for action: Foundations

**Foundations and impact investors could and should do more to help address the HR challenges of nonprofits and social enterprises.**

There are at least three key actions we detail below that would make a difference:

## Due diligence and monitoring

Foundations need to adopt more robust sourcing and due diligence to direct financial resources to fewer high-impact organizations. Robust due diligence is essential to create trust in the ability of organizations in their capacity to utilize unrestricted funding (see next point).

## Strategic grants

Foundations need to move away, when possible\*, from project funding towards strategic, unrestricted funding that allow to avoid the common 'starvation cycle' of nonprofits and properly cover HR-related costs. Funding should be provided multi-year in order to allow organizations to properly plan and invest in their teams and working environments.

## Non-financial support

Foundations and impact investors should not only exclusively support nonprofits and social enterprises with funding. They should offer non-financial support and pooled services to cater to the strategic needs of nonprofits and their teams (ex. training, leadership development, coaching, networking events).

**Nonprofits can do a lot to address and conquer the most common HR challenges.** While finances are often an issue, many of the previously-addressed examples showcase that you can still take action with any level of funding. Ultimately, it remains the responsibility of nonprofit leaders and boards to focus on the health of their organizations and teams. This should be seen as a necessary condition for delivering impact of any kind.

\*Strategic unrestricted funding may only be unpracticable when the recipient is a very large organization and where thus it would be very difficult to monitor allocation and use of funds.

The following table provides a non-exhaustive summary of actions that can be taken by nonprofits to strengthen HR management within their organizations.

● HR Challenges ● HR Solutions

| Attracting talent   | Retaining talent  | Working conditions   |
|---|---|--|
| <p>Conduct salary/benefits reviews to understand if salary grids and benefits packages are in line with competition or if they should be scaled up. These reviews are typically conducted by specialized HR consultancies.</p> <p>Professionalize recruitment processes through internal HR function or external HR support. This may include structuring recruitment processes, improving and standardizing job descriptions, etc.</p>   | <p>Develop wage ranges and salary scales, linked to job types and performance targets/reviews, and ensure transparency in wages and promotions to create the right incentives for staff.</p> <p>Develop career development paths and on-the-job learning for all categories of staff. The latter may be outsourced, for example through the provision of training vouchers to be used in vocational training centers or universities.</p> <p>Create and/or improve recognition and reward policies, based on relevant and transparent performance metrics. Rewards may include financial and non-financial incentives, such as access to training programs.</p> | <p>Develop and implement employee-centered HR policies to enable a healthier work environment , for example covering physical, mental well-being and, flexible working arrangements (location, work hours), non-financial benefits, work-life balance etc.</p> <p>Ensure appropriate, secure and efficient work facilities, with good internet connection, adequate temperature (heating, A/C), etc.</p> |
| Tracking and fostering performance  | Lacking the resources and tools   | Complying with legal frameworks  |
| <p>Develop and track metrics to measure the collective performance of the organization. The same metrics can be broken down and used to track individual performance. This can provide a basis for reward and recognition.</p> <p>Develop a data-led function or culture. Recruiting specialized staff to efficiently measure, track, and report performance (using adapted frameworks and tools).</p> <p>Introduce tools and systems (e.g. CRMs) able to generate, integrate, and disseminate key business data that will inform impact and performance measurement.</p> | <p>Professionalize and structure the HR function with the organization through the recruitment of specialized and well-trained HR staff.</p> <p>Optimize HR processes through digital tools and specialized HR software to automate time-consuming processes such as recruitment, on and off-boarding, payroll, or performance reviews.</p>   | <p>Professionalize the HR function and contract staff able to address legal compliance issues, especially in relation to labor and social law.</p> <p>Decentralize the HR function in multi-country organization to facilitate legal and compliance work.</p> <p>Seek external support on legal and regulatory issues from specialized professionals and/or board members.</p>                           |



# Achieving an HR accelerator for nonprofits

This report has found that HR remains one of the biggest challenges for the nonprofit sector globally. Addressing these challenges is key to allowing nonprofits and social enterprises realize their potential and help find solutions to the world's most pressing social and environmental issues.

Following the launch of this report, Personio Foundation is committed to working on:

Non-financial support to nonprofits: an example of this is the HR Accelerator for nonprofits, a platform that will start by offering nonprofits resources on the basics of HR management, with more in-depth support to come.

Developing an alliance of like-minded actors to support HR and nonprofits: Personio Foundation will engage leaders in the philanthropic and impact investment sectors to join forces towards the development of professional, structured support that meets the HR management needs of nonprofits globally.

Coming soon

**Personio Foundation's HR accelerator  
for nonprofits**



# Methodological and interpretation notes

The results presented in this appendix are drawn from data reported by more than 1,100 nonprofits across the globe as part of the call for applications of the Personio Foundation.

While the number of organizations covered is sizeable and the geographical coverage broad (115 countries, see “Facts and Figures” section), the results should be interpreted with care as they cannot be considered fully representative of the universe of nonprofits from the climate and education sectors. Indeed, the organizations were not selected following a scientific sampling procedure as the application process was open and unrestricted (provided nonprofits could confirm

their non-profit status and the programmatic focus on either climate, education or both).

In particular, the results might reflect a selection bias e.g. the organizations that replied to the call for applications may be the best ones from an organisational or HR perspective, or they may be those most in need of financial support, etc.

Some questions may also be affected by a reporting bias: for example, some sensitive HR topics, such as burnout, well-being, or turnover are likely to be under-reported.

The results are broken down by organization size, measured in number of full-time staff equivalents (FTE) The sample was broken-down into quintiles (5 groups of equal size, e.g. each representing 20% of the 1,134 organizations). A focus was also made on the very large organizations, e.g. those with 100-250 employees (47 orgs, or 4.1 %) and those with more than 250 employees (39 orgs, or 3.4%).

## Organization size

## FTEs

## % in sample

## # of organizations

Very small

4 or less

20%

226

Small

4 to 13

40%

453

Medium

14 to 33

20%

226

Large

33 or more

20%

226

Very Large

100 to 250

4.1%

46

250 or more

3.4%

39

# Attracting talent

Organization size (# FTE), % of all organizations in each size class

| Size of the challenge  | All orgs | <4  | 4-14 | 14-33 | >33 | 100-250 | >250 |
|--|----------|-----|------|-------|-----|---------|------|
| Organizations considering talent attraction as a major HR challenge  | 52%      | 46% | 51%  | 56%   | 58% | 45%     | 56%  |
| Main root causes. Organizations indicating that the lack of salary competitiveness vs. private sector is a major limitation to talent attraction | 72%      | 80% | 70%  | 69%   | 70% | 81%     | 51%  |
| The lack of competitiveness of benefits vs. private sector. Organizations offering:  |          |     |      |       |     |         |      |
| Maternity/Paternity leave  | 66%      | 41% | 66%  | 77%   | 84% | 85%     | 92%  |
| Health insurance   | 45%      | 32% | 40%  | 47%   | 68% | 66%     | 77%  |
| Pension  | 38%      | 30% | 30%  | 43%   | 56% | 57%     | 62%  |
| Sabbatical leave   | 24%      | 13% | 28%  | 21%   | 31% | 28%     | 51%  |
| Mental health support  | 35%      | 23% | 34%  | 35%   | 49% | 55%     | 51%  |
| Transport subsidy  | 29%      | 21% | 32%  | 31%   | 31% | 28%     | 36%  |

# Retaining talent

Organization size (# FTE), % of all organizations in each size class

| Size of the challenge   | All orgs | <4  | 4-14 | 14-33 | >33 | 100-250 | >250 |
|---|----------|-----|------|-------|-----|---------|------|
| Organizations considering talent retention as a major HR challenge  | 13%      | 8%  | 12%  | 14%   | 19% | 17%     | 23%  |
| High turnover: organizations expecting staff to leave during the year                                       | 13%      | 7%  | 18%  | 9%    | 16% | 17%     | 23%  |
| <b>Main Root Causes</b>   |          |     |      |       |     |         |      |
| Organizations considering that limited opportunities for career growth are a challenge for talent retention | 26%      | 18% | 24%  | 30%   | 33% | 43%     | 33%  |
| Organizations considering that limited opportunities for career growth are a challenge for talent retention | 38%      | 24% | 44%  | 45%   | 36% | 38%     | 28%  |
| <b>Possible solutions*</b>  |          |     |      |       |     |         |      |
| Organizations considering that improving work recognition is a key solution to better staff retention       | 58%      | 49% | 61%  | 64%   | 54% | 55%     | 59%  |

\* This is only one of the many possible ways to improve staff retention. Others exist, such as improving career development paths or offering more training opportunities.



# Working conditions

Organization size (# FTE), % of all organizations in each size class

| Size of the challenge   | All orgs | <4  | 4-14 | 14-33 | >33 | 100-250 | >250 |
|---|----------|-----|------|-------|-----|---------|------|
| Organizations considering poor physical and mental well being a major issue for their staff | 7%       | 7%  | 12%  | 6%    | 11% | 15%     | 13%  |
| Organizations considering high levels of burnout a major issue for their staff              | 16%      | 13% | 14%  | 18%   | 18% | 13%     | 23%  |
| <b>Main Root Causes</b>   |          |     |      |       |     |         |      |
| Organizations considering high workloads as an important issue for their staff              | 34%      | 33% | 33%  | 35%   | 37% | 40%     | 26%  |
| <b>Possible solutions</b>   |          |     |      |       |     |         |      |
| Organizations thinking that improving work-life balance is key to improve staff retention   | 40%      | 38% | 42%  | 40%   | 38% | 45%     | 23%  |

# Tracking and fostering performance

Organization size (# FTE), % of all organizations in each size class

| Size of the challenge  | All orgs | <4  | 4-14 | 14-33 | >33 | 100-250 | >250 |
|--|----------|-----|------|-------|-----|---------|------|
| Organizations mentioning being confronted to performance issues  | 24%      | 16% | 27%  | 27%   | 25% | 19%     | 13%  |
| Organizations mentioning being affected by by poor productivity  | 8%       | 6%  | 8%   | 8%    | 6%  | 0%      | 8%   |
| Main Root Causes   |          |     |      |       |     |         |      |
| Organizations considering that insufficient use of CRMs limits performance                                 | 33%      | 24% | 25%  | 39%   | 54% | 55%     | 67%  |
| Organizations considering that insufficient use of analytics and business intelligence limits performance. | 25%      | 18% | 24%  | 27%   | 33% | 43%     | 31%  |

# Lacking the resources and tools

Organization size (# FTE), % of all organizations in each size class

| Size of the challenge  | All orgs | <4  | 4-14 | 14-33 | >33 | 100-250 | >250 |
|--|----------|-----|------|-------|-----|---------|------|
| Organizations considering that poor HR and business tools are a main limitation to effectively manage their HR | 30%      | 26% | 30%  | 32%   | 31% | 28%     | 28%  |
| <b>Main root causes</b>  |          |     |      |       |     |         |      |
| Constrained budgets mentioned as a major HR limitation   | 78%      | 83% | 79%  | 81%   | 70% | 72%     | 57%  |
| Organizations without a dedicated HR person  | 18%      | 27% | 19%  | 14%   | 9%  | 6%      | 0%   |
| Organizations without professionally trained HR responsible  | 56%      | 82% | 59%  | 57%   | 21% | 19%     | 0%   |
| Limited influence of HR function mentioned as an important challenge   | 10%      | 8%  | 10%  | 12%   | 9%  | 4%      | 5%   |
| Organizations that never conduct performance evaluations   | 11%      | 24% | 11%  | 6%    | 4%  | 2%      | 3%   |
| Organizations that conduct performance evaluations once or twice per year                                      | 60%      | 49% | 57%  | 66%   | 73% | 72%     | 85%  |
| Organizations that conduct performance evaluations four times per year or more                                 | 25%      | 24% | 29%  | 22%   | 18% | 21%     | 13%  |

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