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Abstract

The capstone project aims to explore the retention strategies of talented and motivated employees of small nonprofits and identify factors of financial and non-financial incentives. The literature addressed employee retention problems faced by nonprofits, compensation package systems, and social exchange theory as a theoretical framework. As a methodology, secondary data and quantitative data for nonprofit employees' salary and benefits reports and employee turnover rate with the reasons were analyzed. The analysis identified non-financial satisfaction factors through the analysis, inferred job satisfaction factors that increase employee engagement. In other words, non-financial incentives have been identified as essential factors in employee retention strategies as much as financial incentives. The limitation of this study is that it was unable to separately analyze the change in employee perception due to the pandemic and the reasons for the turnover of only nonprofit employees.

Keywords: Retention strategy, financial incentives, non- financial incentives

Literature Review

The literature review includes a discussion of employee retention in nonprofits; to answer the research question, What factors affect employee retention or motivation in nonprofit organizations? First, the section reviews the literature on the issues nonprofits face in attracting and retaining employees. Next, the literature on the components of compensation packages in nonprofits is discussed. Finally, Social Exchange theory (Oh, 2015) is discussed as a theoretical framework for considering the research question.

Nonprofit Issue in Attracting and Retaining Employees

The largest nonprofit classification is 501(C) 3 nonprofits, referred to as "public charities." The IRS defines a public charity as an organization that usually receives a substantial portion of its total income directly or indirectly from the general public or government (Pynes, 2013). According to the National Council of Nonprofits (2019), most of the 1.3 million charitable nonprofits registered with the IRS are small and midsized. Annual budgets for 97% of nonprofits are less than $ 5 million, 92% less than $ 1 million, and 88 % less than $500,000 annually for their work. Thus, small nonprofits face a challenging labor market in completion for employees.

Most nonprofits (National Council of Nonprofits, 2019) do not have many financial reserves. Moreover, only a few nonprofits have endowments. According to one analysis of non-profit financial report, about 45% have less than one month of cash reserves (Nonprofit Finance Fund, 2022). Unlike the private sector (National Council of Nonprofits, 2019), in which the owner takes the profits, the surplus in the nonprofits cannot be used for individuals but is used for the organization's mission. For this reason, adequate compensation for employees is limited.

According to the 2020 Nonprofit Employment Report (Johns Hopkins Center for Civil Society Studies), the reality in the United States is that the nonprofit sector is the third largest industry for employment in the nation and the third highest in total annual wages paid. In other words, the nonprofit sector's impact on the U.S. economy is enormous. Nevertheless, the biggest challenge for nonprofits in the United States in 2022 remains the difficulty in recruiting and retaining quality staff. Ranked 3rd at 40.11%, and high staff turnover at 5th at 38% (Statista Research Department, 2023). During the same period, attracting and retaining qualified workers ranked 4th at 41%; the nonprofit sector in New Jersey identifies staff turnover as the fourth largest maintenance and improvement challenge issue in the coming decade (N.J. Center for Nonprofits, 2023). Also, cannot afford good workers ranked fifth at 33% challenge faced by individual organizations published by the N.J. Center for Nonprofits in 2023.

Employee recruitment, turnover, and retention issues are not significantly dependent on the organization’s size, its annual budget, and the amount of financial compensation it provides. In other words, it is not that large organizations have better staff retention, and smaller organizations have a more challenging time retaining staff. This is an issue that all nonprofit organizations are facing.

Statistically, staff retention does not appear to be an issue in nonprofit organizations. The nonprofit organizations' problem is retaining more professional and qualified staff. The biggest workforce challenge seems to be the organization's ability to offer competitive salaries and recruit skilled employees (Armstrong et al., 2009). It is the mission of leaders to develop and implement a strategy to retain motivated and talented employees in the organization (George, 2015). Beyond financial compensation, it's essential to strike a balance by combining the various non-financial factors that might attract employees.

Compensation Package for Employee Retention

Nonprofits face financial constraints limiting the option to provide competitive compensation. A nonprofit is an organization that works for the public benefit (Pynes, 2013). Therefore, as an organization receiving tax exemption, when a surplus occurs, it should be used for a charitable purpose following its mission. Government grants, individual and corporate donations, and income from their private fees for service cannot be recklessly used as compensation for employees (Coe, 2007). IRS regulation states this. Nonprofits can and should pay their employees reasonable salaries and benefits. It is difficult to interpret "reasonable" here, but they are appropriately paid according to their annual revenue size (National Council of Nonprofits, 2019).

For that reason, nonprofit sector employees will be paid much less than the for-profit sector. However, now, the nonprofit sector is also changing. As generations change, expectations and needs for appropriate financial compensation are growing. Johnson and Ng (2015) point out the nonprofit sector has become increasingly reliant on paid professional staff and now faces competition from the private and public sectors, which often pay more to attract and retain employees.

Financial compensation is a significant component of a nonprofit organization's retention strategy. Although Millennials are attracted to nonprofit work, there are concerns that they will not remain committed to the nonprofit organization due to low pay. For this, Johnson and Ng analyzed the 2011 Young Nonprofit Professional Network Survey to examine the relationship between pay, perceptions of equitable pay, and sector-switching intentions, and Johnson & Ng found no evidence that rewards expressed sector-switching intentions on account of payment. However, pay influences the eight sector-switching preferences of Millennial nonprofit managers and those with advanced education (Johnson & Ng, 2015). The results suggest that the nonprofit sector may face challenges attracting and retaining Millennial managers because of low pay. However, the research results left the following limitations and challenges. First, Johnson and Ng (2015) used secondary data collected by YNPN to conduct their analysis. The result was a survey with limited questions and response options. The research results provide clues to guide future research on Millennials and the nonprofit sector switching related to pay.

Financial resources are crucial to a nonprofit organization's employee retention strategy. However, it is more complicated if the organization is a nonprofit organization that needs to keep costs to a minimum. Services where there are organizations that have enormous wealth, while others are not funded. According to the 2019 report of the National Council of Nonprofits, some of the top 15 foundations in the U.S. have endowments; examples include the Helmsley, Macarthur, and Gates Foundation. However, most community-based, small nonprofits serving community needs have limited financial resources. To retain staff, these nonprofits need more accountability and evidence of program results (Munn, 2018). While agreeing on various non-financial means to replace financial compensation, nonprofit organizations' leaders must strategize for adequate employee pay. Such an effort will make the organization more stable while reducing employee turnover.

Non-financial compensation is emerging as an essential alternative to employee retention strategies. The literature review has addressed the concepts of employee retention in the nonprofit sector. An issue for many organizations is developing an effective employee retention strategy to help retain critical employees who are indispensable to achieving organizational goals. However, nonprofits often lack the resources to compensate compared to other organizations. The situation is challenging for community-based local nonprofits with an annual budget of less than $1 million, which accounts for 92% of 501(C) 3 "charitable nonprofits" reaching 1.3 million in 2019 due to a lack of funding and resources (National Council of Nonprofits, 2019).

Munn (2018) emphasizes the importance of non-financial incentives to retain critical employees effectively and strategically. Kim & Lee's (2007) study also tested the correlation of mission attachments as a factor in employee retention. One explanation for why nonprofit organizations pay lower wages than for-profit organizations is that nonprofit organizations are more enjoyable places to work. However, when comparing fringe benefits in the for-profit sector with the organizational Culture of the nonprofit sector, the possibility that nonprofits are more pleasant places to work appears to be low (Emanuele & Higgins, 2000).

In addition, Emanuele & Higgins' (2000) study shows that nonprofit organizations do not provide additional working conditions to provide quality-of-life benefits such as essential health and pension. Likewise, Kim and Lee (2007) find that the strong correlation between employees' qualitative responses, working conditions at nonprofits, and mission attachment has a significant relationship with employee retention when dissatisfaction with salary and career advancement decreases.

Proper leadership that supports employee training and growth increases job satisfaction. Parker (2018) found three key themes for employee retention strategies from a leader's perspective: employees' development needs, providing training, and supporting employees' growth. Motivation-focused servant leadership positively affects employees' job satisfaction (Lester, 2020) and can also be seen as a leader's role for employee retention. As well as Hinds' (2019) study found that employee dedication is influenced by leadership style. Other studies have shown that leadership style has a non-significant correlation with retention (Choi et al., 2012). Literature studies related to leadership seem to have interpretation errors because of the analysis result of interviews with only one to three organizational leaders.

Motivation generated from Personal Value Perspectives is the artery of nonprofit employee retention. Motivation is an essential part of the employees in nonprofits. Employees have a variety of motivations for deciding to remain with an organization. Focusing solely on financial compensation may not reveal the true causes of employee turnover. Kim and Lee point out that in the nonprofit sector, placing more emphasis on material incentives than the Commitment to the mission can undermine valuable social values (2007). The motivation to work forms when the organization's mission matches the employees' values, which people consider essential. Likewise, Hur and Bae (2021) found motivation is significant in job satisfaction. However, inadequate financial compensation becomes a factor in many conflicts when moving toward a mission or vision.

In this regard, Brown and Yoshioka (2003) find that mission might be salient in attracting employees but less effective in retaining them. In contrast, those who remain in the organization believe they contribute to improving the community and are willing to sacrifice lucrative compensation packages. However, full-time employees express sentiments that override that belief. The results of Brown and Yoshioka's (2003) study have limitations in collecting and analyzing data from only one institution, so care must be taken in interpreting the results.

Furthermore, Hayden and Madsen (2008) find essential insights into how personal values affect job perceptions and future turnover intentions. The research focuses on the individual, collective, and humanistic value perspectives. Hayden and Madsen conducted a Nonprofit Employee Survey that was prepared and hand-delivered to 14 nonprofit organizations, totaling 275 employees. A contact person at each community agency distributed the surveys, which would take about 20 minutes to analyze the results according to the data in two ways: individually and collectively.

The three value perspectives are relevant to employee job satisfaction and willingness to remain in the nonprofit sector. Separately, each value perspective provides insight into an individual's predisposition and motivations for community service. But even here, in terms of income-related variables, some dissatisfaction exists, particularly with collective and individual perspectives negatively. Hayden and Madsen (2008) suggest mixing incentives with job satisfaction is a productive and compelling competitive advantage when designing policies for employee retention strategies.

Career development is a factor that affects employee turnover and retention strategies. As times change and generational shifts progress, nonprofit organizations recognize the importance of developing their employees' careers. Especially for nonprofits, career development is a factor that can cover low wages. Shakeel and But (2015) point out that career development and training directly impact employee retention. George (2015) found that resigned employees whose reasons for leaving were related to career development and high employee retention culture are associated with encouraging continued learning. Another study found that career development motivation was significantly related to employee turnover (Kroon & Freese, 2013).

Flexible work schedules have become an attractive work culture. Employees and their families will all be happy if they can freely adjust their working schedules. (Singh, 2019). George took the example of working mothers, arguing the benefits of being able to work while caring for the children (2015). Selvi and Madharkumar (2023) found that flexible work scheduling options have become a trend since the pandemic. The hybrid work model positively influenced attracting and retaining working mothers and Generation Z by forming a work-at-home culture. While this may apply differently in different sectors, it is attractive in motivating and retaining nonprofit employees.

Incentives for Nonprofit Employees

The literature review has reaffirmed the significance of financial compensation and non-financial factors in nonprofit organizations' employee retention or motivation. It was found that personal values, support for training development, career development, flexible working schedules, and the role of the leaders were positively correlated with the organization's employee retention strategy. Still, negative relationships were confirmed when financial compensation was used as a variable. Conversely, Leete (2000) examines wage equity and employee motivation in the for-profit sector and finds that wage equity is related to worker motivation. In other words, the structure of the nonprofit sector, the slight difference in rank from top to bottom, and the motivation of employees to feel that they receive equal wages compared to for-profit companies. However, the reality felt inside the nonprofit sector is very different.

Financial incentives are increasingly crucial for retaining talented employees, but limited financial resources challenge nonprofit organizations. Nonprofits that provide social service pay workers less than any other sector that hires similarly qualified people for similar jobs and consistently rank among the five-worst-paying professional jobs for men and women tracked by the U.S. Bureau of Labor Statistics (Armstrong et al., 2009). The phenomenon of low pay for social service workers occurs in most small and midsized nonprofits. According to the National Council of Nonprofits, a decade after the Great Recession of 2008, high demand levels are evident in many states. As a result, many nonprofit organizations are struggling to meet the growing public demand. The pandemic exacerbates the inability to provide services for growing public needs (Statista Research Department, 2023). A recent survey by the Nonprofit Finance Fund (2022) found that more than half (51%) reported that organizations could not meet demand, and regarding the top challenges for employee management, (51%) said that organizations are offering competitive pay.

Various non-financial incentives are attracting attention as an employee retention strategy for nonprofit organizations. Kouzes and Posner stated, "Bureaucratic and routine recognition, along with most incentive systems, doesn't make anyone very excited" (2017, p. 259). In other words, recognition rewards that pay more attention and sincerity to personal can increase satisfaction and retention rates. Shakeel & But (2015) also found that job satisfaction significantly impacts employee retention, including training, career development, and organizational support; there are as many as 19 factors. Likewise, Renard and Snelgar (2017) found that intrinsic rewards increase intrinsic motivation and reduce the intention to leave a job. Pink suggests creating an environment that guarantees autonomy, mastery, and purpose for those who value inherent motivation (see Daniel Pink, 2016). In other words, developing and investing in human capital ensures the future and success of an organization.

When combined with the appropriate financial and non-financial rewards, it is possible to keep talented and motivated people in the organization because employee retention is an asset and the key to maintaining stability. Therefore, even small nonprofit organizations hope to set up various investment strategies for the employees with this in mind.

Theoretical Framework

Among the prominent theories proposed on employee retention and turnover, the one most suitable for the current research is the social exchange theory. The theory is a general social exchange theory but can be applied similarly to employee turnover or retention. Cubillo states that a measure of the influence an organization has on its employees can be identified as participation (2020). Since employee engagement is based on various factors, social exchange theory is rooted in the active humanistic administration of Frederick of New Public Administration (2017).

Social exchange theory, in which employees reciprocate when organizations value them, provides a framework for employee retention strategies. In nonprofit organizations, the role of employees, especially voluntary participation, is essential. Akingbola et al. (2022) suggest that organizations have more support and social-emotional resources and mutually reserve more for their employees. Social exchange theory expresses the interaction between organizations and employees as mutual expectations (Akingbola et al., 2022). Such mutual expectations can become more influential when based on trust and fairness. Cook et al. (2013) point out another important aspect of trust, fairness, and interpersonal commitment. Based on this theory, additional literature studies have been done on the financial and non-financial factors for maintaining motivated and talented employees for considering the research question.

Revelation for Future Research

This study explores strategies for maintaining talented and motivated employees in nonprofits and confirms the crucial financial and non-financial incentives identified in previous literature studies. In addition, it is not only significant financial or non-financial factors; when the two are combined and balanced, actual employee retention or motivation is possible. This study refutes my view that financial factors may be the most significant factor in employee retention; at the same time, as the times change, the need for employee satisfaction also changes, but it was confirmed that individual values are based on various non-pay factors.

Methods

What factors affect employee retention or motivation in nonprofit organizations? The organization's successful and stable operation is a wish and goal. Nonprofits rely on people for direct service for the organization's operation and must keep competent employees. Previous literature studies (Selvi & Madharkumar, 2023; Hur & Bae, 2021; Munn, 2018; Park, 2018; Renard & Snelgar, 2017; George, 2015; Johnson & Na, 2015; Shakel & But, 2015; Armstrong et al., 2009; Hayden & Madsen, 2008; Kim & Lee, 2007) have confirmed that financial and non-financial incentives are essential to achieving such aspirations and goals. The study explores how nonprofit employees value financial and non-financial contributions and higher employee retention or motivation results when adequately balanced.

The methodology section describes data collection sources, data instruments, sample identification, and analysis methods to explore my research questions. The study design relies on secondary data analysis.

Research Design: Data Sources and Collection Plans

The research design uses a secondary data source and quantitative data. According to Wheelan (2013), getting good samples is more complicated than it looks. Descriptive statistics provide insight into the phenomena people are interested in. Therefore, a survey that included nonprofit employees' recent salaries, benefits, and turnover reasons was selected, and the survey is the most comprehensive and available.

- Financial: The 2021 Nonprofit Salary & Benefits Report conducted by Bluewater Nonprofit Solutions
- Financial-The 2023 Nonprofit Salary & Benefits Report conducted by Bluewater Nonprofit Solutions

- Non-financial: 2022 the Four Most Common Themes for Leaving a Job by Gallup.
- Non-financial: Primary Reason U.S. Employee Voluntarily Left Their Company by Gallup.

Data on salary and benefits rely on the Bluewater Nonprofit Solutions survey (2021, 2023). The survey gathered data from 781 nonprofit organizations in 2021 and 739 nonprofit organizations in 2023 in the United States directly from employees working in nonprofit organizations through Bluewater Nonprofit Solutions' website. The data sample is appropriate for research to compare data from two reports to identify the overall financial compensation approaches and to discern trends of nonprofits across the United States.

Data on non-financial incentives relies on a Gallup survey (2022). The survey shows why employees voluntarily leave their jobs from 2020 to 2022. The data makes it possible to identify the aspects of employees' job satisfaction.

Research Strategy: Methods and Technique

Secondary data analysis is selected to accommodate the time available for the project and to analyze results from multiple studies examined through qualitative and quantitative data collected by the researcher through focus groups, interviews, and surveys. Secondary data sources help to avoid contamination and bias in the data results of the primary analysis (Wheelan, 2013). And is “efficient and cost-effective” (Thiel, 2014, p.102). Therefore, secondary data analysis provides a good option for this research.

The analysis framework for the data is based on the theory of social exchange, which is the framework of the theoretical basis of this study - the interaction between organizations and employees is expressed as mutual expectations (Akingbola et al., 2022). In other words, when organizations show more support and attention to their employees, the employees will engage with the organization to reciprocate. Previous studies have shown that employee engagement positively relates to turnover intention in nonprofit organizations (Akingbola et al., 2022; Cubillo, 2020; Renard & Snelgar, 2017; Shakeel & But, 2015). "Nonprofit employees who are engaged are also more likely to experience job satisfaction" (Akingbola et al., 2022, p. 89). The financial and non-financial incentives, which are significant factors in employee retention and motivation, are variables that encourage employee engagement. Therefore, the variables will be used in the analysis.

Reliability and Validity

According to Thiel, analyzing data from other researchers increases reliability and validity because researchers do not have to be directly involved in data collection (2014). The data from Bluewater Nonprofit Solutions and Gallup are reliable and valid regarding "collection context, quality, and database creator" (Thiel, 2014, p.106).

The analysis in this study is very reliable because other researchers could plan to do and reach similar conclusions. Bluewater Nonprofit Solutions is a leading provider of the Salary & Benefits survey, conducted through online questionnaires on its website for nonprofit organizations across the United States. The data provides accurate and consistent data on nonprofit organizations' financial compensation and benefits according to job positions, as much data allows nonprofits to benchmark operations. The data provides various variables that can analyze the status and flow of salaries of employees of nonprofit organizations in the United States. In addition, the ability to select and distinguish surveys can affect reliability. From the perspective of a nonprofit executive with extensive sector knowledge, a researcher less familiar with nonprofits or unfamiliar with the NY/NJ labor market might approach the research process differently and find different results.

Data Collection and Analysis

The Bluewater Nonprofit Solutions' Nonprofit Salary and Benefits Report in 2021 and 2023 collected 781 and 739 organizations' wage and benefit data. The data will be used to compare and analyze salaries and benefits. The measures will include both program directors and managers in mid-level positions. The salary levels are expected to vary for different levels of responsibility. Furthermore, the data will be analyzed based on the size of the organizations. Small nonprofits account for 88% of nonprofit organizations (National Council of Nonprofits, 2019) in the United States. However, in the case of medical plans, the organization's size is broken down by the number of full-time employees. The study will capture one to ten full-time employees that are small nonprofits. The data source and variables to be used are as follows.

Table 1

Data Source with Financial Variable Information

Variable for Financial Factor			
Cash Salary	Base Salary	Turnover Rate & Salary Increases	
Benefits	Paid Sick Leave	Paid Vacation	Medical Plan Offering

Source: 2021 & 2023 Nonprofit Salary & Benefits Report by Bluewater Nonprofit Solutions

Next, the Gallup survey data will be analyzed. The more recent U.S. data are results from the Gallup poll of U.S. employees, based on self-administered web surveys of a random sample of adults aged 18 and older, working full-time or part-time for organizations in the United States, and members of the Gallup Panel (see www.gallup.com).

The analysis will center on the variables that identify the causes of employees' site for leaving an organization (2022). The variables are consistent with the literature review: Job Satisfaction, which can infer employee engagement- career development, flexibility work schedule, and motivation/autonomy. Previous research, especially on retention and turnover among nonprofit employees (Hur & Bae, 2021; Daniel Pink, 2016; Hayden & Madsen, 2008; Kim & Lee, 2007; Brown & Yoshioka, 2003), has confirmed the importance of motivation in determining individual worth. Non-financial factors can be inferred backward through common reasons for leaving a job.

For analysis, the base salary of program director/manager positions is expressed as a percentile, and small nonprofit salaries with an operating budget of less than $500,000 are compared by nationwide, region, and Field. In addition, the status and benefits changes in 2021 and 2023 are comparatively analyzed in tables, and the impact of financial factors on turnover rate will be analyzed through turnover rate and wage increase data. Lastly, non-financial factors are explored through a chart that integrates two data related to why Gallup's employees leave a job.

With the various data tables and charts that capture these factors, identify the current nonprofit compensation structure, the main elements of employee turnover, and the non-financial factors important to retaining or motivating nonprofits.

The study aims to explore strategies for retaining talented and motivated employees in small nonprofits and to confirm the essential financial and non-financial incentives identified in literature studies.

Findings

The study aims to explore strategies for retaining talented and motivated employees in small nonprofit organizations and identify the financial and non-financial incentives essential to that strategy. The most important finding of the analysis was that non-financial incentives emerged as a factor in employee retention, just as important as financial incentives. Data for financial incentives are for program director/manager base salary among the 2021 & 2023 nonprofit employee salaries and benefits surveyed by Bluewater Nonprofit Solutions. Paid vacation, paid sick leave, and the status medical plan are among the primary benefits of nonprofit organizations. The data compares nonprofit organization employees' turnover and salary increase rates. The analysis of financial and non-financial incentives includes data from 2020 to 2023. Salary and Benefits data are reviewed for and analyzed by job role: senior directors, managers, and all nonprofit employees. The data benefits nonprofits, with 781 nonprofit organizations nationwide participating in 2021 and 739 organizations participating in 2023. Finally, the data analysis includes Gallup Poll 2022 survey data on reasons for employee turnover. The survey contains factors that employees list as reasons for leaving an organization. The results identify job satisfaction elements that can infer employee engagement- career development, flexibility of work schedule, motivation, and autonomy that are important for employee retention. The analysis addressed the research question regarding the factors that affect employee retention or motivation in nonprofit organizations.

Therefore, rather than a one-size-fits-all comparison, the range of financial compensation is displayed as a percentile to check the primary salary trend of nonprofit organizations, changes between 2021 and 2023, and the primary benefit situation included the relationship between the turnover rate and the salary increase rate in 2021 and 2023.

Financial Compensation

Table 2 classifies the basic salary of a nonprofit organization's program director/manager position with a more than five-year tenure. The data includes small nonprofits with an operating budget of less than $500,000 and the human service field, Northeast region, and nationwide.

Table 2

Program Director/Manager Position Base Salary 2021

Scope	Num. of ORGs	Num. of Years	Base Salary					
			AVG	MIN	25th PCTL	Median	75th PCTL	MAX
Small Nonprofit by Budget (0-499,000)	25	5.5	$44,122	$18,318	$39,100	$47,000	$50,000	$60,000
Human Service by Field	200	7.1	$63,060	$18,318	$50,000	$58,013	$70,000	$179,335
Northeast by Region	106	6.7	$70,837	$18,318	$53,000	$65,552	$80,000	$179,335
All Organizations	406	6.8	$67,141	$15,080	$50,025	$61,065	$75,331	$179,335

Source*:* Bluewater Nonprofit Solutions of Nonprofit Organizations Salary and Benefits Report (2021).

Table 2 breaks down the base salary by percentile of program directors/managers of 406 nonprofit organizations with an annual budget of $ 0 to $50,000 nationwide. The median and average values in Table 2 are noted in red. The base salary for directors/ managers in small nonprofits is about $23,000 less than the national average of $67,141, and the median is $14,000 less than the national average of $61,065. Regionally, the Northeast's average and median income were $3,696 and $4,487 higher than the national average. The median salary for small nonprofits is higher than the average, but all three other sectors have averages above the median. The meaning was directors' salaries at small-sized nonprofits cluster around the median without significant differences.

Table 3 classifies the basic salary of the program director/manager position who worked at a nonprofit organization. However, the number of participating organizations has decreased compared to Table 2, and employees' experience at small-sized nonprofit organizations has reduced to less than three years.

Table 3

Program Director/Manager Position Base Salary 2023

Scope	Num. of ORGs	Num. of Years	Base Salary AVG	MIN	25th PCTL	Median	75th PCTL	MAX
Small Nonprofit by Budget (0-499,000)	19	2.7	$49,161	$24,780	$42,780	$49,000	$55,863	$72,500
Human Service by Field of Work	191	7.1	$67,681	$35,000	$55,891	$65,000	$76,329	$140,000
Northeast by Region	104	6.7	$77,642	$30,000	$60,000	$73,625	$90,000	$168,706
All Organizations	389	6.8	$73,598	$24,800	$58,240	$68,040	$83,000	$210,000

Source*:* Bluewater Nonprofit Solutions of Nonprofit Organizations Salary and Benefits Report (2023).

Table 3 breaks down the base salary by percentile of program directors/managers of 389 nonprofit organizations with an annual budget of $ 0 to $50,000,000 or more with three categories: small-sized, human service of Field, and Northeast of the region. Table 3 shows that all sectors' average and median base salary has increased compared to 2021. Small-sized nonprofits also show an increase in the overall range, and it can be confirmed that the average and median salaries are divided in almost the same symmetrical composition. In other words, the data indicates that the salary is not too much or too little or skewed to one side or the other. The data in Tables 2 and 3 shows that the change in average base salary from 2021 to 2023 increased by 9.6%, and the median base salary increased by 10.18%. The meaning was that the importance of financial incentives is expanding in all nonprofit sectors.

Financial Incentives from Benefits

Tables 4 and 5 show the primary benefits that nonprofit organizations provide. First, Table 4 compares the Paid Vacation and Sick Leave percentages for 2021 and 2023 of all 655 and 625 organizations.

Table 4

Employee Benefits with Paid Vacation and Paid Sick Leave 2021 & 2023

Scope	Num. of ORGs	% of ORGs Offering in 2021		Num. of ORGs	% of ORGs Offering in 2023	
		Paid Vacation	Paid Sick Leave		Paid Vacation	Paid Sick Leave
Small Nonprofit by Budget (0-499,000)	**110**	**46.36%**	**48.18%**	**79**	**51.90%** 5.51	**46.84%** -1.34
Human Service by Field of Work	263	55.51%	57.79%	256	57.03%	59.96%
Northeast U.S. by Region	167	70,66%	73.65%	158	58.23%	65.19%
All Organizations	655	**57. 25%**	**59.85%**	625	**54.24%**	**58.08%**
Changes in Data from 2021 to 2023					**-3.1%**	**-1.77**

Source: Bluewater Nonprofit Solutions of Nonprofit Organizations Salary and Benefits Report (2021 & 2023).

Table 4 breaks down the benefits of paid vacation and sick leave by the average percentage of 2021 and 2023 nonprofit organizations with a budget of $0 to $ 50,000 or more with three categories: small-sized, human service of Field, and Northeast of the region. Table 4 shows in red that small nonprofits provide less paid vacation and sick leave options by a margin of 10% as compared to all nonprofit organizations. The change in benefits from 2021 to 2023 decreased by 3.1% and 1.77% points, respectively. On the other hand, in the case of small nonprofits, Paid

Vacation increased by 5.51%, and Paid Sick Leave decreased by 1.34%.

Table 5 shows the status of medical plans provided by nonprofit organizations. However, in the case of medical plan offerings, the organization's size is broken down by the number of full-time employees. Small nonprofits ranged from one to ten people.

Table 5

Employee Benefits with Medical Plan Offering 2021 & 2023

Scope	Num. of ORGs	% of ORGs Offering in 2021	Num. of ORGs	% of ORGs Offering in 2023
		Medical Plan		Medical Plan
Small Nonprofit by Number of Employees (1-10)	**298**	**63.76%**	**281**	**55.16%** **-8.6%**
Human Service by Field of Work	262	88.55%	256	80.47%
Northeast U.S. by Region	166	86.14%	158	81.01%
All Organizations	653	82.08%	624	75.80%
Changes in Data from 2021 to 2023				-7.65%

Source: Bluewater Nonprofit Solutions of Nonprofit Organizations Salary and Benefits Report (2021 & 2023).

Table 5 breaks down the benefits of Medical Plans. Offering includes plans at 653 organizations in 2021 and 624 organizations in 2023. The data represents nonprofit organizations with less than 200 employees. With three categories: Small-sized, human service of Field, and Northeast of the region. Table 5 shows that 653 nonprofit organizations provide medical plans with 82.08%, whereas 298 small nonprofit organizations account for 63.76%, more than 16% lower. Although not uniformly comparable, small nonprofit medical plan offerings are lower than other categories of organizations. In addition, overall, the change of medical plan offerings from 2021 to 2023 decreased by 7.65%, and small nonprofits also reduced by 8.6%.

Turnover Rate & Salary Increase Rate Changes 2021 to 2023

Table 6 compares the overall employee turnover rate and salary increase in 2021 and 2023 to compare salary data with employee turnover. The data is for full-time employees with over five years of employee experience and less than seven years.

Table 6

Employee Turnover & Salary Increase 2021 & 2023

Scope	% of Annual Fulltime Employee Turnover in 2021				% of Annual Fulltime Employee Turnover in 2023			
	Num. of ORGs	Num. Of Years	AVG	% of Annual Increase	Num. of ORGs	Num. Of Years	AVG	% of Annual Increase
Small Nonprofit by Budget (0-499,000)	**140**	**7.3**	**6.49%**	**2.94%**	**104**	**8.3**	**9.19%** **2.7%**	**5.51%** **2.54%**
Human Service by Field of Work	308	5.8	14.94%	3.80%	294	6.0	9.88%	5.27%
Northeast U.S. by Region	203	7.1	11.75%	2.85%	192	6.9	14.14%	5.62%
All Organizations	781	6.4	**11.29%**	**3.41%**	739	6.8	**13.61%**	**5.96%**
Changes in Data from 2021 to 2023							2.32%	2.55%

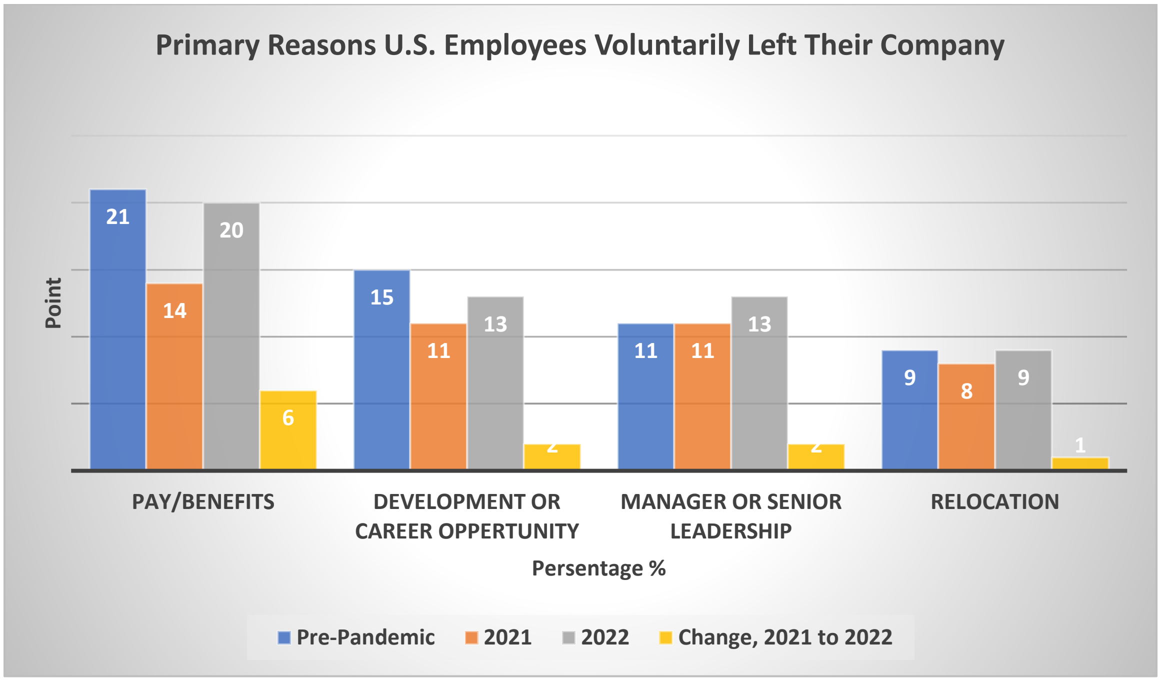
Source: Bluewater Nonprofit Solutions of Employees Salary & Benefits Report (2021 & 2023).

Table 6 breaks down the Employee turnover rate and salary increase of 781 organizations for 2021 and 739 organizations for 2023 nonprofit organizations, with annual budgets ranging from $0 to $50,000,000 or more. There are three categories: small-sized, human service of Field, and Northeast of the region comparative analysis. The highlight of Table 6 shows that the number in red indicates that the employee turnover and salary increase rates increased together. In the case of small-sized nonprofits, the turnover rate has increased from 6.69% in 2021 to 9.19% in 2023, and during the same period, wages increased by 2.94% and 5.51%, respectively. In other words, the data can be inferred that the increase in the turnover rate, despite the salary increase, there may be other reasons for turnover. The reasoning is related to non-financial compensation.

Non-financial Compensation

Gallup's most recent data is used to identify non-financial factors. The survey identifies the factors that cause employees to quit. The analysis indicates that non-financial factors impact employee turnover in addition to financial compensation, represented by pay and benefits. Lastly, the identified factors rank first and second among non-financial reasons for leaving the company. Identifying the dissatisfaction factors can be deduced as the factors of job satisfaction that increase employee retention.

Figure 1 displays the responses of U.S. employees leaving their jobs. The responses identify the primary reason for leaving the respondents' previous positions. Respondents selected only one answer to the question; the top 4 answers are shown in a chart.



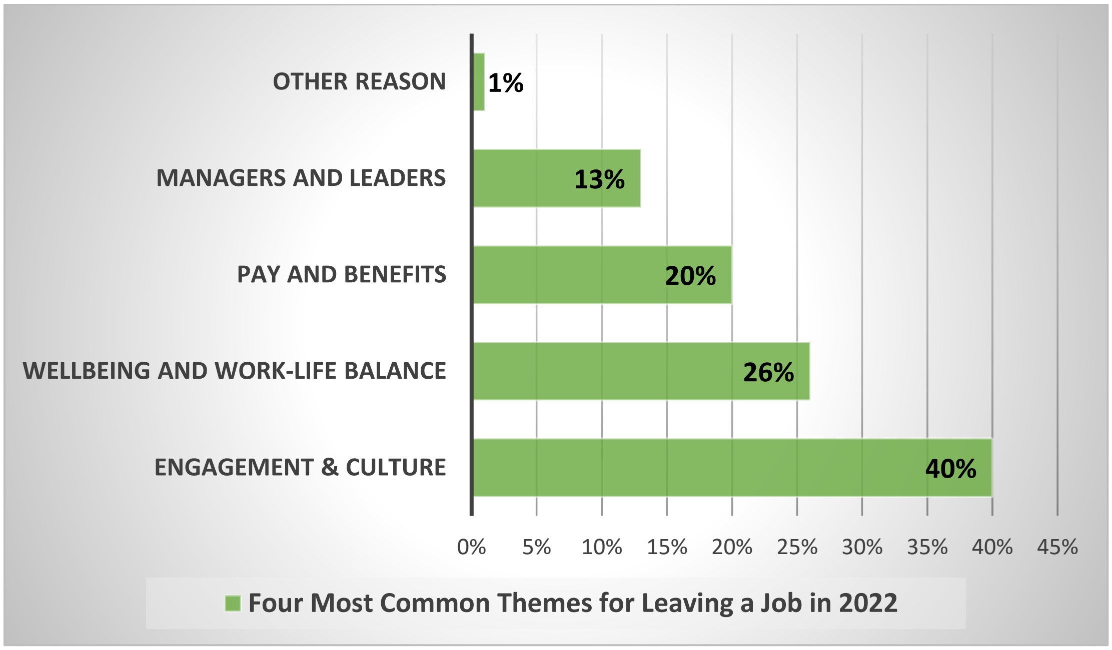
Source: Gallup 2022 survey.

The results of 2022 are among employees who left jobs and remained in or returned to the workforce between November 2021 and November 2022. Results for employees who left between January and October are included in the 2021. Pre-pandemic is before March 2020. Figure 1 indicates Pay/Benefits are the most common reason employees quit in 2022. That response increased the most since 2021 among all individual factors, returning to pre-pandemic levels. However, only 20% of pay and benefits were identified. Other non-financial factors are also captured from the survey. Looking only at the top reason in Figure 1 can be misleading.

Figure 2 shows that all the reasons people leave the company are broken down into four categories, as shown in the chart below.

Figure 2

Four Most Common Themes for Leaving a Job in 2022



Source: Gallup's 2022 survey.

The results of 2022 are among employees who left their jobs and remained in or returned to the workforce between November 2021 and November 2022. Results for employees who left between January and October are included in the 2021. The results of Figure 2 reflect engagement and culture as the most, with 40%, and next, Wellbeing and Work-life Balance with 26%, representing non-financial rather than financial factors. Dissatisfaction with Managers and Leaders was also found at 13%.

Finally, Table 7 analyzes the factors included in engagement and culture, wellbeing, and work-life balance.

Table 7

Elements of Job Satisfaction

Engagement and Culture	40%
Advancement, development, or career opportunities	13 %
Unrealistic job expectations and responsibilities	6 %
My values did not align with the company's mission and values	2 %
Insufficient training	1 %
Wellbeing and Work-Life Balance	26%
Relocation	9 %
Personal reasons (e.g., family, medical, or other)	9 %
Flexibility to work remotely at least some of the time or work schedule	2 %

Table 7 shows that job satisfaction increases employee engagement, with blue bold representing career development, flexibility, work, and motivation at 66%. If these elements' dissatisfaction is high, the turnover rate also increases. If interpreted backward, the variables are consistent with the literature review. Job satisfaction factors that can infer employee engagement- career development, flexibility work, motivation, and autonomy. In other words, it was confirmed that non-financial factors account for as much of the reason why employees leave the company as financial factors.

The most crucial point from the analysis is that the value criteria for job satisfaction may differ from employee to employee, but there are common factors that most want. Along with financial incentives, which are still critical value criteria, non-financial incentives have emerged as an essential determinant of whether to stay or leave an organization. Therefore, as a strategy for retaining talented or motivated employees, non-financial incentives can be an alternative to compensate for the lack of financial incentives.

Conclusion

Non-financial incentives to increase employee satisfaction can be a successful strategy for small nonprofit organizations to financial incentives to retain employees. Based on analyses exploring employee retention strategies in nonprofits, it is clear that the importance of financial rewards is being recognized and addressed across the entire nonprofit sector, including small nonprofits. However, the overall increase in employee turnover at nonprofits has highlighted the importance of non-financial incentives that enhance employees' job satisfaction. The results provide evidence of the potential impact and implications for establishing and implementing successful employee retention strategies for small nonprofit organizations that suffer from financial and workforce shortages. In particular, career development, motivation that meets the organization's mission and value standards, and strategies that can improve satisfaction with autonomy, which accounts for the most factors in turnover rate, will be the key to employee retention. The element of flexibility in the work schedule is also essential, but regrettably, it is difficult to implement realistically in small nonprofits with limited scale.

The limitation of this study is that did not include an analysis of employees' perception change due to the pandemic. Also, Gallup's turnover rate survey is for adults working full-time for all organizations, not just nonprofits, so it would be misleading to attribute it to nonprofits only. Therefore, in future research, I hope that research will be conducted on the change in perception of people who quit due to the pandemic with employees and leaders of nonprofit organizations to build up a feasible employee retention strategy.

Recommendations

Based on my research results, the successful operation of nonprofit organizations requires not only financial support but non-financial support so that talented and motivated employees can build long-term careers. Organizations should consider the costs and benefits of living in the regions where the organization is located so that employees can serve the organization to the community. At the same time, a range of non-financial incentives must be developed to enable employees and organizations to grow together and meet each other's expectations. I believe the recommendation can be implemented based on my extensive experience as Executive Director in a small nonprofit. What makes it possible is that various stakeholders, including leaders, staff, and board members of organizations, want to serve those in need in the community as an area of public policy.

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