NONPROFITS: PRIVATE FOUNDATIONS

Funders Urged to Step Up Support for Nonprofit Staffing

02.05.20 | Linda J. Rosenthal, JD

In November 2019, nonprofit blogger Vu Le he wrote an important piece reflecting on the imminent completion of his executive directorship of Seattle-based RVC, which "promotes social justice by cultivating leaders of color, strengthening organizations led by communities of color, and fostering collaboration between diverse communities."

The title of the post, *It's time funders take nonprofit leadership turnover seriously*, speaks volumes about Mr. Le's general assessment of the state of the nonprofit sector at this transition point in his own professional career.

His main theme is the destructive effect of overhead aversion and – more particularly – the short-sighted reluctance of funders to make the necessary investments in the all-important human resources of the nation's 501(c)(3) organizations.

Recent research confirms that overhead aversion remains strong among all categories of funders; expenditures for "salaries" poll as the most toxic level of that aversion. See recent post: *Overhead Aversion: Yes, There Really Is Such a Thing* (January 21, 2020).

Funders' Reaction to Staffing Crisis

"So many nonprofit professionals, across all levels, are burning out and leaving. This is a serious problem in our sector," laments Vu Le. The data show that at least two-thirds of current nonprofit executive directors plan to leave their jobs or retire in the next five years.

"And as usual, with a few exceptions, the response from funders has been 'meh.'"

They hand out a measly one percent of their available funds to "staff development" although the executive director's job "… has always been like Sisyphus pushing the fundraising boulder up a hill." The lack of this specific funding "over the past few decades is catching up to us" just at the time when "we need to be at our most effective and efficient to fight the ever-growing level of injustice."

Funders are Problem and Solution

Nevertheless, Mr. Le's parting words (as RVC's executive director; happily, he continues as a blogger and all-around wise observer and commentator on philanthropy) are directed squarely at the institutional funders. While "… all of us must work together to address" this challenge, "let's be honest, a lot of these problems are caused by foundations, and thus they can be solved by funders." Continuing to pull no punches, Mr. Le adds: "The stress and burnout we feel directly result from many of the practices funders inflict on nonprofits."

The time to sound the alarm is now. To this end, he lists and discusses "a few things" funders should change.

- ***Fund much more for "nonprofit talent."*** Even if this "isn't your 'area' or 'strategy'. Stop treating talent development like a separate strategy." Funders have seriously underinvested in the people who are "fundamental to the success of every single mission."
- ***Stop acting on "shifting whims."*** Nonprofits can't recruit or keep excellent leadership and staff if funders casually decide to cut down a multi-year grant to one, change issue priorities, or grant money only for "new programs or whatever."
- ***"Provide general operating funds."*** Staff need "decent wages, benefits, and professional development" and "more flexible funds would solve a lot of problems." The mass exodus of good professionals from the sector will continue unless this changes.
- ***"Cut the BS and let us focus on the work."*** Don't impose ridiculous complexity into grant applications or reports while "thousands of kids remain in cages and democracy is in jeopardy."
- ***Make multi-year grants.*** There's no stability; the nonprofit sector needs "five, preferably ten or more" years of funding at a time. Otherwise, they can't do any meaningful planning.
- ***"Fund fellowship programs and learning cohorts."*** Although these are costly items, they are worth it. Give money for all levels of the organization as well as "ones specific to women, people of color, LGBTQIA, people with disabilities, retiring workers, entry-level folks, etc."
- ***"Fund sabbaticals."*** They increase the "productivity and effectiveness" of all nonprofit professionals – not just at the top posts. There's almost no money for this right now.
- ***"Fund retirement programs."*** This is a significant reason people don't stay in the sector or join it in the first place. Read his November 2019 post: *We need to stop joking about the sad state of retirement security in nonprofit. It's no longer funny.*
- ***"Fund transitions."*** Too many funders hold back or withdraw from supporting grantee-organizations at their "most vulnerable" points. Ditch the prevailing "wait and see" approach." Throw the lifeline *before* the drowning.

- ***"Fund leadership–focused organizations."*** Lauding specific organizations including Fund the People, Baltimore Corps, the Building Movement Project, and his own RVC, he points out that their missions are "not as "heart-stringy" as other groups, but need the money.
- ***Payout more than 5%.*** It's not enough, even if funders "spend more than the sad 1% (of the 5%) in talent development." The 5% payout requirement in the tax regulations is a *floor* not a ceiling. Read his recent post on this point: *The ethical argument for foundations to increase their annual payout rate beyond 5%* (August 4, 2019) and ours discussing it.

Conclusion

Bear in mind that of all the possible observations and thoughts that Vu Le *could have* selected for the topic of his farewell post from his executive director job at RVC, this is the one he chose. "Despite everything we face," he concludes, "many of us will stay in the sector and continue the fight. We know there is a lot at stake. But, funders, you need to help us out."

— Linda J. Rosenthal, J.D., FPLG Information & Research Director