Nonprofit Forecast

The Next Ten Years

**Introduction**

 The forecast for the nonprofit sector in the next ten years includes many challenges and opportunities. The difficult economic climate from 2008 to date will continue to impact the outlook for nonprofit funding. In the United States, the financial climate may be significantly impacted by the enactment of the Budget Act of 2011 and the Sequestration Act of 2012. If the U.S. government makes sweeping reductions to federal budgets, the nonprofit sector will suffer significantly and will have to seek alternative revenue sources. Technological advances will continue to aid organizations but will also require those organizations to have skilled employees. The aging population will challenge nonprofits in two ways: the service mix required and the loss of baby boomers in the workplace. The changing demographics of the workforce will require organizations and their leaders to learn to motive workers across four generations as well as transition and retain older worker from paid to volunteer work. It will be important for the U.S. government to continue to promote volunteerism. Volunteers play a vital role in nonprofit organizations and appropriate management of them will be essential for organizational leaders. The next ten years will be interesting for the nonprofit sector as there are many potential opportunities and pitfalls on the horizon.

**Fiscal Challenge**

The fiscal challenge is certainly the most important test to the nonprofit America. Indeed, Salamon (2002) reports that a significant number of US “nonprofit organizations experienced a fiscal squeeze in the early to-mid-1980s that has left a continuing scar of uncertainty” to date (p. xi). The decline in government support and private philanthropy to the non-profit sector acts as the main root cause to the fiscal stress. The current economic recession is a significant contributor to the decrease in funding to the third sector.

Title I of the of the US Budget Control Act of 2011 strengthens the position of the government relation to general spending as it establishes discretionary limits for the next ten fiscal years starting year 2012. In embarking with the provisions of this bill, the Congressional Budget Office intends to reduce the US government deficit by at least $1.2 trillion over the following decade (GOP, 2011, S365). A negative impact of these actions will be a reduction of funding to the nonprofit sector. Also looming on the horizon is the Sequestration Act of 2012 which will require billions of dollars of cuts in the federal government. This will have a devastating impact on nonprofits who receive significant funding from agencies such as NIH and NSF for research and program funding. Across the board budget cuts will begin in January 2013 unless Congress is able to develop a plan that will comply with the Budget Act of 2011’s mandated $1.2 trillion deficit reduction. Senator Tom Harkin (2012) notes that cuts resulting from sequestration are estimated at 7.8 to 8.4 percent. He also highlights that if certain programs are exempt from sequestration, the higher the sequestration percentage becomes. The possibility of sequestration is creating financial uncertainty. If sequestration is actually implemented, there would be significant trickle down effects on the nonprofit sector.

Following Salamon, Banjo (2010) and Molk (2012) also confirm the negative trend of charitable giving that is irreversible with the existing economic meltdown. In order to support their operations, non –profits organizations, feel obliged purse for-fee income based activities. This instinct of survival ineluctably leads nonprofit organizations to exploit the loopholes of the tax law governing exempt activities. To this end, Molk (2012) notes that the IRS tax policy is unclear and fosters “high-stakes gambles” (p. 477) for non-profit entities attempting to embark on “income stripping” (p. 502) to evade taxation while preserving their exemptions. Consequently, reforming nonprofit exemption requirements of the current tax law, as Molk (2012) suggests, would relax non-profit organization from fiscal stress in their effort to augment their operating budgets.

**The Aging Workforce and Generational Connections**

Arsenault (2004) notes that the current workforce includes four generations: veterans (born during 1922 – 1943), baby boomers (born 1944 – 1960), generation Xers (born 1961 – 1980) and generation Yers (born 1981 – 2000), also known as the millennials. These four generations are individually characterized by differing core values and defining moments for their generation. Zemke, Raines, and Filipczak (as cited by Arsenault, 2004) characterize veterans as traditionalists who were shaped by the depression and value dedication and hard work. Baby boomers are characterized by their values of personal gratification and growth with the defining moments of civil and women’s rights movements and JFK. Zemke, et al (as cited by Arsenault, 2004) state that Generation Xers value diversity, fun, and informality and have the defining moments of the AIDS epidemic and Rodney King incident. Finally, Generation Yers value optimism, civic duty and achievement and have the defining moments of terrorism and technological advances. Arsenault (2004) notes the importance for leaders to give the same weight to generational differences as they would to other diversity factors such as ethnicity or gender.

Chavez (2011) states that approximately 10,000 baby boomers will turn 65 every day until into the 2030s. Dwyer (2009) notes that between 2000 and 2010 there would be a 55 percent increase in the number of retirement aged employees while only an 8 percent increase in new entrants to the workforce and a 10 percent increase in mid-career employees. Additionally, generation X is significantly smaller than the baby boomer generation. All of these factors make it clear that baby boomers and their knowledge and leadership abilities will be needed in the workforce beyond what has traditionally been the retirement age. Chavez (2011) stresses the importance of planning for succession as the baby boomers retire. She stresses the importance of identifying internal candidates as emerging leaders, developing and engaging employees at every level in the organization and retaining those employees who prove themselves.

Petrescu and Clifford (2009) note that there is a chasm between generations regarding their frame of reference and values. Some areas of conflict include perceptional differences regarding work and motivation, work-life balance and wage expectations and views on organizational structure, culture and effectiveness. Another major generational difference is that of communication styles and methods. Generations X and Y are much more comfortable utilizing technological interfaces (email, texting, social media platforms) as primary communication tools rather than face-to-face or telephone conversations. Petrescu and Clifford (2009) also note that it is important for leaders to utilize management skills which can address a broad range of employee expectations about work, work-life balance, communication and organizational culture.

Schlosser and Zinni (2011) recommend that organizations help their employees to bridge work to retirement with the goal of retaining the skills and knowledge base of older employees. Some strategies include allowing employees to reduce their work schedules over time (from five days to four, to three) and creating connections within the organization to enhance commitment to the mission and foster a positive perceived value of volunteering in the future. Nonprofit organizations in particular can benefit by retaining skilled and knowledgeable employees as volunteers after retirement. This retention would foster knowledge transfer to the subsequent generations of employees and benefit the organization through salary savings. Clearly there is a need to retain baby boomers in the workforce. Nonprofit leaders will need to utilize managerial skills to connect the generations and address the organizational issues that occur as a result of the changing demographics of the workforce.

**Nonprofit Leadership: New Skills Are Needed**

As society continues to advance in technology new leaders of nonprofits should acquire the necessary skills. In the past most of these skills were not as important as they are today to successfully operate nonprofit organizations. Leaders will have to have the appropriate vision to move their organization forward. As the need for nonprofit organizations continues to grow, it becomes imperative for nonprofit leaders to be more creative in ways to improve organizational services. Today’s leaders are unlike those of generations past where leaders earned their stripes by paying their dues, taking on every job within the organization, and putting in years on the job, today’s leaders. (Temkin, 1994). Today organizations must look for leaders that have ability to motivate, according to Charles Day Jr., editor of Industry Week Magazine (as cited in Temke, 1994). Apart from years of experience for nonprofit leaders, technology has created big challenges for many organizations that do not have adequate funds and resources to advance the cause of their organization. The economic struggles of the nation create more competition for nonprofit organizations to fight for fewer funds made available by the federal, state and local government. According to research by National Center for Charitable Statistics (NCCS) there are more than 1.5 million nonprofit organizations. The current challenging environment calls for some vital qualities a leader should possess in order to be efficient and effective in vital decisions affecting their organizations. These qualities are not far removed from those utilized in our daily experiences and our social interaction in society. A good leader should have a strategic plan in place (both long term and short term) on how to deal with organizational issues as they arise. In order to lead their organization toward obtain their goals and mission, leaders must have a clear vision, good communication skills, a high ethical standard, and the desire to do well in his/her service to the. There is no doubt that those organizations which fail to promote good leadership skills will perform less successfully than those willing to pursue positive changes in management. They will advance the course of the organization without fear or favor. According to the periodical published by the Society of Nonprofit Organizations (as cited by Temke, 1994), leader should possess the follow characteristics: visionary, realism, ethics, courage, commitment, cooperation, goals, progress evaluation, communication by trust and respect, risk taker, and encouragement for future leaders.
 **Volunteerism**

We seem to be in the midst of a ‘global associational revolution,’ a worldwide upsurge of organized private voluntary activity (Salamon, 2010, p. 167). Although the nonprofit sector is growing at a fast rate, it is no more visible than it was in previous years, which will make it difficult for it to thrive and have longevity in society. One reason for this is that nonprofit organizations face challenges due to the lack of structure around volunteer management. Unsuccessful volunteer management directly affects the organization’s ability to attract and keep skilled volunteers. Utilizing volunteers in nonprofit organizations is very important in the current economic climate. Managing volunteers in a manner that allows them to feel successful and value the work that they are doing is crucial to volunteer performance and retention. Volunteer-staff relationships can be complex (Netting & Thibault, 2012), despite the view that volunteers generally ease the burden of agency staff if they are managed well (Brudney, 1996). Agencies have lost volunteers; whereas 28.8% of the U.S. population reported volunteering for the year prior to September 2005. This percentage dropped to 26.8% for the year prior to September 2009. Rates of volunteering declined during the recessionary period for both women and men, among all age groups, all racial and ethnic groups, and across educational attainment levels (Bureau of Labor Statistics, 2010).

During the current Administration, volunteerism is viewed as an important topic for a number of reasons. Nesbit and Brudney (2010) state that President Barack Obama has accelerated this trend to increase volunteerism more than any previous president. In his first speech to the joint session of Congress in 2009, he urged congress to pass the Serve America Act. Heading toward 2020, this act will have the potential to redesign volunteerism and service in America. The Edward M. Kennedy Serve America Act or Serve America Act authorizes the greatest expansion of national service in the United States since the launch of the Civilian Conservation Corps 75 years ago. The act proposes to increase placements in national service, provide greater financial incentives for students to serve, create more service-learning opportunities for America’s youth, and bring more minorities into government-supported service roles. The legislation is intended to increase venues for individuals to serve at every stage of their life, with a special emphasis on volunteering and service among young people, minorities, and seniors (Nesbit & Brudney, 2010). This is the edge that nonprofits need to have longevity in society. If structured purposefully and managed properly, this act will improve volunteerism in nonprofits to help make them more visible over the next 10 years while supporting its mission. With the changing demographics in America, diverse groups of volunteers will prove to be a great asset to a variety of nonprofit organizations. Seniors, youths, and bilingual minority individuals all bring unique skills and valuable prospective to an organization. They can help convey messages to their peers while staying within the organization’s mission. Additionally, recruiting high school and college youths to be active volunteers will not only be instantly helpful to organizational staff, but will also keep the next generation interested in working in the nonprofit sector, helping to sustain the sector for years to come.

**Conclusion**

 The forecast for nonprofit organizations in the next ten years is uncertain due to the economic climate and the changing demographics of the population and workforce. Nonprofit organizations and their leaders will have to be nimble and responsive to the changes in these areas as well as technological advances and volunteerism. The nonprofit sector will need to maximize non-governmental revenue streams in order to compensate for decreases in federal spending and decreases in individual giving. Nonprofits leaders will need to be skilled in managing and motiving multi-generational employees and harnessing the power of volunteerism.

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