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Talent investment and nonprofit pay: a study in the arts community

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TALENT INVESTMENT AND NONPROFIT PAY:

A STUDY IN THE ARTS COMMUNITY

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A Research Project

Presented to the Faculty of

The Graziadio Business School

Pepperdine University

_____

In Partial Fulfillment

of the Requirements for the Degree

Master of Science

In

Organization Development

_____

by

Sally E. Loftis

July 2020

This research project, completed by

SALLY E. LOFTIS

under the guidance of the Faculty Committee and approved by its members, has been

submitted to and accepted by the faculty of The Graziadio Business School in partial

fulfillment of the requirements for the degree of

MASTER OF SCIENCE
IN ORGANIZATION DEVELOPMENT

Date: July 2020

Faculty Committee

Committee Chair, Gary Mangiofico, Ph.D.

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Abstract

The purpose of this study is to explore employee perceptions of pay as part of a talent

investment strategy at Penland School of Craft, the largest non-academic craft school in

the United States. The study outlines action research completed when funds from a

transformational endowment gift were used for employee needs. Study data reflected that

structural and pay changes increased employee engagement. Study findings also

informed recommendations for a nonprofit strategy to pay living wages connected to

costs of living and a pay raise framework that supports different levels of employee

development.

Keywords: nonprofit employee pay, talent investment, organizational structure,

organizational design

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Chapter 1: Introduction

A social worker helps a child in foster care find a healthy, sustainable family placement. A case manager connects an elderly person with free counsel for complicated Medicare decisions. A counselor uses an art therapy program for a veteran returning home from active duty. A tutor teaches a US citizen how to speak English as a second language. A family provides shelter and care to lost or abandoned animals. A nurse advocates for patient needs with government agencies. A community works to conserve natural landscapes and resources for future generations. All of these people may be employed by nonprofits.

Nonprofits, large and small, employ committed and compassionate people who find meaning and joy in helping others (Otting, 2011). In the US alone, nonprofit organizations employ 12.3 million people, as reported by the Bureau of Labor Statistics in 2016 (BLS, 2018), representing 10% of our national workforce. Nonprofits also contributed $878 Billion to the US economy in 2012 (National Council for Nonprofits, 2018). A nonprofit is a tax-exempt organization under Internal Revenue Code (IRS) Section 501(c)(3) as public charities that are formed to provide public benefits. In other words, nonprofits serve basic needs in communities around the country. They receive special tax breaks because profits in these organizations must be reinvested into the business for public benefit. Clients are individuals or groups who use and benefit from the nonprofit's services.

Nonprofits are governed by boards, follow IRS regulations, and adhere to federal and state laws for employment, occupational health and safety, and immigration, among

others. Nonprofits receive money through tax-exempt contributions by funders and other revenue sources such as program services. Funders are individuals, organizations, foundations, and government agencies who provide financial and other resources to the nonprofit.

Nonprofits are critical for serving our most marginalized populations and sustaining our economy; however, nonprofits are highly scrutinized and have scarce financial resources. Charity watchdog agencies will rank charities based on CEO compensation or the ratio between program expenses and administration expenses (Sessoms, n.d.). Donors use ratings by a charity watchdog as a guideline in making donations (Wang, 2019). Compensation reports by these agencies pull data from nonprofit financial forms in order to document and compare high-level executive pay without living wage comparisons or wage information for all levels of nonprofit employees (Candid, 2019). While the charity watchdog agency information is helpful in learning about organizations, a deeper look into the actual nonprofit may yield more fruitful results. Are the employees being paid living wages? What benefits are offered to employees? What plans are in place to build the next round of leaders for the nonprofit?

Why is this information about employees important? When financial resources are tight, or limited to program and capital expenses, employees may feel the pinch with decreased compensation, benefits, staffing capacity, and resources. These actions can limit the organization's ability to serve clients. When teammates are battling for limited resources, especially compensation and benefits, the internal culture of a nonprofit can be driven by fear. We know that fear blocks innovation which limits capacity building

(Pallotta, 2013). Nonprofits can only serve more clients and our communities by growing in resources and staff. One professor summarized working in a nonprofit this way: "The nonprofit sector survives because it has a self-exploiting workforce: Wind it up and it will do more with less until it just runs out. But at some point, the spring must break" (Light, 2004, p. 7; Stahl, 2013).

After working in the nonprofit sector for a number of years, I have seen firsthand the difficulties of finding and retaining employees in a changing economy. Unfilled jobs at a nonprofit equate to a client not receiving services such as food, clothing, and shelter. Meanwhile, the remaining employees experience unreasonable workloads. Nonprofits are known for low wages, dire benefits, and limited resources (Tierney, 2006). However, research for equitable pay for nonprofit employees is lacking, and solutions to closing this pay gap are mostly nonexistent. One must ask how this pay disparity is affecting the performance of these nonprofits. Going forward in this paper, "pay" is defined as an employee's base income (i.e., hourly wages or annual salary) not including bonuses, incentives, or benefits.

Why Would People Work for Less Money?

Research about nonprofit pay shows a mixed assortment of data. Studies using the Current Population Survey and/or census data provided by the Bureau of Labor Statistics show little or no wage differential between nonprofit and for-profit businesses (BLS, 2016). In fact, some researchers report higher wages for nonprofit employees than for-profits (Leete, 2000). However, the overall data does not account for factors such as full-time versus part-time positions, government-funded versus private funding, and

managerial versus front-line roles. Another factor is that the US has a documented wage gap history between men, women, and people of color. Over 70% of the nonprofit workforce is women; therefore, the overall gender pay disparity impacts these organizations too (Outon, 2015). Finally, a phenomenon found in the nonprofit sector is the donative labor hypothesis (Hansmann, 1980). In this proposition, the nonprofit employee knowingly accepts lower wages to be part of the nonprofit experience. This wage choice may equate mentally to a work exchange with the nonprofit (Preston, 1989).

Employee pay in a nonprofit can also be greatly influenced by financial resources. As noted earlier, many funders and charity watchdogs have focused on financial ratios as the key performance measure for nonprofits. A ratio frequently used is the program expense to overhead (non-program expense) ratio. This led to a concept known as the Overhead Myth, which judged nonprofits on the percent of expenses going to administrative and fundraising costs (Gregory & Howard, 2009). Nonprofits regularly defer maintenance on facilities, technology, and staff training due to lack of funder interest in these areas (Hager, Pollak, & Wing, 2009). Axelrad (2016) lists a few reasons why overhead expenses may run high:

- Nonprofits just starting out necessarily will have higher overhead than those that have been established for a long time.
- Smaller nonprofits will have higher overhead than larger ones, who can benefit from economies of scale.
- There's no uniform practice of measuring overhead, so often we're comparing apples to avocadoes.

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- Spending 50 cents to buy a bag of fresh, nutritious produce (that will last a full week) versus 20 cents to buy a bag of old and rotten vegetables, might just be a really good idea.

- People don't get therapy without therapists, healing without social work and medical professionals, research breakthroughs without scientists, and on and on. (p. 1)

In his book, *Uncharitable*, speaker Pallotta says it this way, "We are told that a charity's office equipment was donated instead of purchased. We are told this is good, regardless of the fact that the charity has to spend more time fixing broken computers than serving the needy" (Pallotta, 2008, p. 8).

One way to decrease overhead is reducing wages and benefits for staff. While salary cuts may not happen across the board, a nonprofit may contribute less to health insurance plans and cut some full-time roles back to part-time hours to reduce costs. A recent example is the economic impact of the COVID-19 global pandemic. Many nonprofits made moves to decrease costs by cutting staff and decreasing benefits (Rendon, 2020). While the Overhead Myth has its own impacts on nonprofits, the growing wage stagnation in the United States is also affecting them. The economy has mostly recovered from the 2008 recession; however, hourly wages have not grown at a higher rate than the cost of living expenses (Mishel, Gould, & Bivens, 2015).

Some may associate low-income, hourly wage jobs to the retail and hospitality industry, yet this also includes many nonprofits. Entry level positions most often start at or just above the federal minimum wage of $7.25 per hour. As of January 2020, 21states

have raised the minimum wage above the federal rate (US Department of Labor, 2020). With the US unemployment rate being relatively low before COVID-19, nonprofits must aggressively compete with for-profit companies for talent (Wellar, 2018). Limited financial resources for a nonprofit can make a daily difference in its ability to recruit the talent needed to help our most vulnerable populations.

A New Approach: Talent Investment

While some people and organizations look at the overhead ratio for a nonprofit, an emerging movement in nonprofit funding is the concept of talent investment (Stahl, 2013). Talent investment, formerly known as talent philanthropy, is a call for nonprofit funders, specifically foundations, to invest in the nonprofit workforce at all levels as the best way possible to improve nonprofit performance and ultimately, serve more clients. The focus on foundations' funding is derived from their lack of funding, less than 1% of grant dollars, for the recruitment, retention, compensation, development, or retirement of nonprofit employees (Le & Stahl, 2016). While foundations have a history of supporting workforce solutions in leadership development and succession planning, these programs are not addressing the basic needs of living wages and job security (Stahl, 2013).

This paper is a study about talent investment in action, specifically pay and structural changes, at an art nonprofit. This nonprofit, Penland School of Craft, received a transformational endowment gift for investment in employee talent-supporting systems. The work, starting at the time of the gift, is documented here through an action research lens and organization development perspective. The focus of the work has been using this transformational gift for sustainable, long-term impact on the nonprofit's workforce. I

also served as the Human Resources Manager for Penland between 2014-2019. This position gave me extensive access and experience with the organization's focus on staff.

The research has used the categories of nonprofit professional development, as outlined by Foldy (2013) at New York University:

- Programmatic - coaching and workshops

- Managerial - mentoring and performance reviews

- Structural - personnel policies and structures

The nonprofit has a history of using programmatic and managerial solutions; however, this transformational gift enabled the nonprofit to dedicate significant time and resources to structural components of the employee experience, including pay. Structural changes included increased pay, redesigned jobs, and staffing additions.

Penland School of Craft was founded in the late 1920s in the Blue Ridge Mountains of North Carolina. While the physical campus and education workshops have changed over the years, the nonprofit continues with its original mission: to promote hands-on learning in a creative, experiential community. It is the largest non-academic craft school in the United States and hosts students from across the world. Penland serves 1,400 adult students each year through workshops and residencies and hosts another 16,000 campus visitors through its gallery and community programs (Penland School of Craft, n.d.). It employs 68 part-time and full-time employees and serves as one of the top 15 employers in its county of residence (Mitchell County Chamber of Commerce, 2019).

Penland's funding is a combination of grants, individual and corporate donations, special events, class tuition, sales income, and endowment funds. About 50% of students

attend on scholarship (Penland School of Craft, n.d.). While this nonprofit significantly influences thousands by itself, the overall arts nonprofit community has a broad reach. Studies on art and lifelong learning show that adults experience improved physical and mental wellness, stronger connections to the community, and more inclusive perspectives (Hanna, Patterson, Rollins, & Sherman, 2011).

The staff at Penland became a major focus in the 2016 strategic planning process, which outlined aspirational goals for creating and sustaining an organizational culture that empowers staff (Appendix A). Interventions were identified for staff compensation and benefits, internal communication and connection, staffing and workflow structure, training and professional development, staff transitions and succession planning, and a strategic focus on diversity, equity, and inclusion throughout the organization. While progress has been made in these areas, a significant increase in operational revenue was identified as the only means of achieving these strategic goals.

When reviewing wages in 2018, Penland found that 41% of staff members pay fell below the median household income for Mitchell County. Penland then began internal research on the money needed to increase wages and came up with a roadmap for aligning wages with industry salary data and living wages in the United States. The transformational endowment gift received in 2018 allowed the nonprofit leadership to make deep impacts on the needs of raising pay to living wages, aligning staff capacity with organizational needs, and redesigning internal workflow. This paper will address the structural changes in raising employee pay to living wages between September 2018 through June 2019.

The purpose of this study is to explore employee perceptions of pay as part of a talent investment strategy at Penland School of Craft. The following chapters outline the need for this work in talent investment, the design used at this nonprofit, the results of the organization development work, and conclusions based on the action research at this nonprofit.

Chapter 2: Literature Review

This chapter provides an overview of the research and data about the talent investment strategy and a specific component, nonprofit employee pay. Pay was identified as a major talent issue in a 2018 survey of Penland employees (Appendix B); therefore, the literature review was focused on this key component of pay within talent investment.

Nonprofit Wage Gap

Research about nonprofit wages shows a mixed assortment of data (BLS, 2016; Gould, Schieder, & Geier, 2016; Thomas-Breitfield & Kunreuther, 2017; Vagins, 2018). A popular measurement tool for these studies is the Current Population Survey and/or census data provided by the Bureau of Labor Statistics. When looking at this data overall, it shows no or minimal wage differential between nonprofit and for-profit businesses (BLS, 2016). In fact, the Bureau of Labor Statistics (BLS) reports that nonprofit employees earn $5.13 more per hour than for-profit employees (Table 1), yet BLS also states that this information is comparing apples to oranges. Why? First, for-profit businesses have a different employee make up than nonprofits. Nonprofit roles are heavy in the education and health services industries, which tends to include more professional and managerial roles. Education roles include professors and executives at higher education institutions, and health services include physicians and hospital administrators. These roles trend higher on the pay scale (BLS, 2016).

Table 1

Breakdown of Nonprofit and For-Profit Employee Pay

Category	Nonprofit	Confidence interval	For-profit	Confidence interval
Total compensation	$36.62	$34.51–$38.73	$28.76	$28.30–$29.23
Wages	25.30	23.92–26.68	20.17	19.86–20.47
Health insurance	3.21	3.05–3.37	2.22	2.17–2.27
Retirement and savings	1.66	1.31-2.00	1.08	1.03–1.12

Source: U.S. Bureau of Labor Statistics, Employer Costs for Employee Compensation.

Second, nonprofits have a higher amount of professional and managerial roles in which employees are doing much more than just managing others (Table 2). Many small to medium nonprofit executive directors have a small staff and provide hands-on management of programs, facilities, and staff. Those in managerial or professional positions in nonprofits earn $3.36 per hour *less* than their for-profit counterparts (BLS, 2016). This data also includes naturally higher-paying roles that may impact the data due to the size of the nonprofit. Let us go back to an example already used here. A health-based nonprofit, such as a hospital, may employ physicians, whose salaries would drive up the salary data. High physician salaries may overshadow lower paid cafeteria servers in the same health services nonprofit (BLS, 2016). In fact, more than half of nonprofit jobs are located in the healthcare field (Salamon & Newhouse, 2019).

Table 2

Breakdown of Nonprofit and For-Profit Workers by Occupation

Occupation group	Share of nonprofit workforce	Confidence interval	Share of for-profit workforce	Confidence interval
Management, professional, and related	55.6	52.8–58.4	21.1	20.3–21.9
Service	25.5	22.8–28.3	21.8	20.7–23.0
Sales and office	16.0	14.1–17.9	29.6	28.7–30.5
Natural resources, construction, and maintenance	1.6	1.0–2.2	8.8	8.2–9.3
Production, transportation, and material moving	1.2	.8–1.7	18.6	17.9–19.4

Note: Because of rounding, entries for occupation groups may not sum to 100 percent.
Source: U.S. Bureau of Labor Statistics, Employer Costs for Employee Compensation.

Discrimination in the Data

An added layer regarding employee pay data is sorting the data by historically

oppressed populations, which includes categories of people who have experienced

limited access to social, economic, and political benefits (MP Associates, 2019). Women

and people of color are both historically oppressed groups. First, let us look at women

employed by nonprofits. The US has a documented wage gap history between men and

women (Gould, Schieder, & Geier, 2016). Over 70% of the nonprofit workforce is

women; therefore, the overall gender pay disparity impacts these organizations, too

(Outon, 2015). The American Association of University Women (AAUW) publishes

research about gender pay throughout the country. The AAUW revealed that female

college graduates earn 7% *less* than their male peers in their first year of professional

work (Corbett & Hill, 2012). Unfortunately, this gap continues to increase as these

genders progress in their careers. Additionally, AAUW exhibited in a different study that

while women make up 75% of the nonprofit workforce, women in CEO roles of

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nonprofits experience a gender pay gap upward to 18% (Table 3) (Miller & Vagins, 2018).

Table 3

Women and Men in Nonprofit CEO Positions
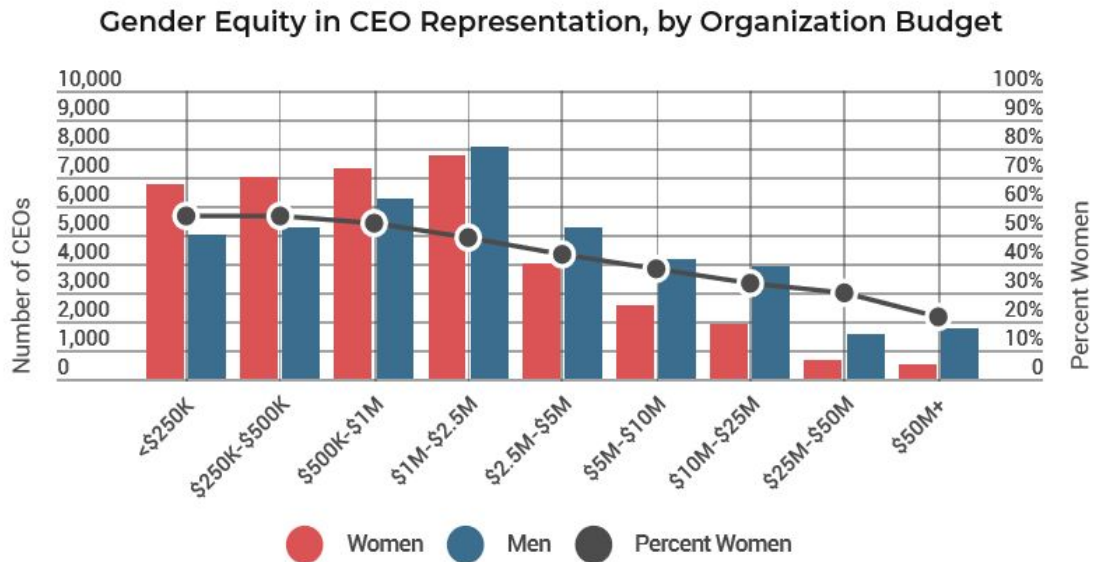
Miller, K., and Vagins, D. (2018). *Broken Ladders: Barriers to Women's Representation in Nonprofit Leadership: May 2018 Edition*. American Association for University Women, Washington, DC. Reprinted with permission.

One study revealed that less than a third of highly paid/key employees in nonprofits are women (Kenny & Jaluka, 2018). As stated earlier in the difficulty of studying nonprofit wage data compared to for-profit businesses, historically oppressed groups such as women greatly affect the data. Taking the previous example about the amount of professional health service jobs in the nonprofit sector, pay gaps between men and women can skew the data. For example, females make less than males in health

service roles (Table 4). Therefore, the number of women in the nonprofit sector,

specifically the health services field, disrupts the data by comparison.

Table 4

Difference Between Women's and Men's Earnings in Certain Occupations

	Women Employed	Men's Earnings	Women's Earnings	Pay Ratio	Collective Gap for Women in Occupation
Financial managers	554,104	$100,575	$65,237	65%	$19,581,000,000
Physicians and surgeons	274,511	$243,072	$171,880	71%	$19,543,000,000
Accountants and auditors	1,014,827	$77,320	$60,280	78%	$17,293,000,000
Supervisors of retail sales workers	1,177,835	$47,774	$35,217	74%	$14,790,000,000
Registered nurses	2,092,489	$71,590	$65,612	92%	$12,509,000,000
Marketing and sales managers	383,998	$100,288	$71,066	71%	$11,221,000,000
Lawyers	320,159	$140,270	$106,837	76%	$10,704,000,000
Chief executives	266,890	$148,867	$111,236	75%	$10,043,000,000
Medical & health services managers	456,984	$87,451	$67,129	77%	$9,287,000,000
Education administrators	500,325	$83,383	$64,989	78%	$9,203,000,000

Source: U.S. Census Bureau, 2017 American Community Survey

Vagins, D. (2018). *The Simple Truth About the Gender Pay Gap: Fall 2018 Edition*. American Association for University Women, Washington, DC. Reprinted with permission.

The US also has a documented wage gap history between white people and

people of color (Cooper, 2018). The Building Movement Project offers strong data about

the racial pay gap in nonprofits. Additionally, most women of color describe both gender

and race as contributing factors to pay gaps (Thomas-Breitfield & Kunreuther, 2017). A

notable racial gap exists within the top leadership roles in nonprofits. 90% of nonprofit

CEOs are white (Board Source, 2017). The Council on Foundations found that racial

minority representation continues to decrease when these same employees move up the

career ladder to executive positions (Mills, 2017). The 2017 US Census data shows that

black women make $0.61 on the dollar compared to non-Hispanic white men (Vagins,

2018). As one can see, the pay gaps for two historically oppressed groups is chronicled in great detail. What has been shared in this literature review does not cover people with disabilities, the LGBTQIA community, immigrants, indigenous groups, and the intersectionality of those who are members in multiple oppressed groups.

The final reason explored in this paper as to why nonprofits have lower wages is the donative labor hypothesis. In this proposition, the nonprofit employee knowingly accepts lower wages to be part of the nonprofit experience. The donative labor hypothesis has a long history of research with Preston (1989) and Rose-Ackerman (1996) heavily influencing most authors. This wage choice may equate mentally to a work exchange with the nonprofit (Preston, 1989). Another motivator for choosing lower wages within this hypothesis is associating "moral work" with self-sacrifice, which includes wages (Frank & Salkever, 1994). A person may choose lower wages at a nonprofit as a way of working against for-profit greed (Rose-Ackerman, 1996). More recent research names this phenomenon as finding meaning at work. In one study, 90% of workers stated that they would give up to 23% of their earnings for more meaningful work (Reece, Kellerman, & Robichaux, 2017). Those who find meaning in their work also tend to be more productive and stay longer at companies (Taris & Schreurs, 2009). One study has shown that nonprofit employees have a social expectation to work for less (Kim & Charbonneau, 2018).

Nonprofit Overhead Myth

The difficulties with nonprofit pay have been established. However, what are the barriers to addressing these pay gaps? The answer lies in funding. Nonprofits receive

tax-free donations from individuals, corporations, foundations, and government agencies. These donors have strong ideas and assumptions about how these donations will be used. The basic tenet of the nonprofit organization financial structure is moving any profit back into the business. Typically, this money is moved to areas where more clients can be served, such as programs, as this strategy has been standard for decades (Coupet & Berrett, 2018).

Different authors have come to similar conclusions about nonprofit funding: most donors want to influence the nonprofit work. Donors may give more money if the nonprofit operates similar to the donor's own work ethic (Rose-Ackerman, 1996). Sometimes donors want to buy personal prestige with a charitable gift rather than build capacity for the nonprofit to serve more clients (Stahl, 2013). As stated in the introduction, many funders and charity watchdogs have focused on financial ratios as the key performance measure for nonprofits. A ratio frequently used is the program expense to overhead (non-program expense) ratio (Gregory & Howard, 2009). Unfortunately, a need to satisfy donor wishes may override nonprofit leadership's ability to allocate resources to the most impactful activities (Colby & Rubin, 2005). Sometimes these restrictions on resource allocation can inhibit the long-term sustainability of the nonprofit (De Vita & Fleming, 2001).

This resource allocation to fit donor perceptions led to a concept known as the Overhead Myth, which judged nonprofits on the percent of expenses going to administrative and fundraising costs. Research has shown that funders prefer to give overhead-free donations (Portillo & Stinn, 2018). The Overhead Myth became such a

driver in donor decision-making processes that a group of top charity watchdogs wrote an open letter to donors dispelling the myth (Taylor, Harold, & Berger, 2013). These agencies (Guidestar, BBB Alliance, and Charity Navigator) outlined the impact of donors not giving to nonprofit overhead expenses. These included:

- Limited/no staff for administrative roles (ex. Accounting, operations, etc.)
- Limited advancement in staff training and development
- Inexperienced staff for administrative roles
- Poor IT infrastructure
- Poor donation management systems
- Poor performance management systems.

While the Overhead Myth has been repudiated, the impacts remain that nonprofits regularly defer maintenance on facilities, technology, and staff training (Hager, Pollak, & Wing, 2009).

In a joint study by the Urban Institute Center on Nonprofits and Indiana University Center on Philanthropy, research reflected that a lack of overhead funding led to legal exposure, inadequate infrastructure, and high employee turnover. It is called the "Nonprofit Starvation Cycle" (Gregory & Howard, 2009). When donors make impractical assumptions about the costs of running a program, nonprofits will then in turn underreport or underestimate the actual program costs and limp along without resources to satisfy the donors' impractical assumptions. One way to decrease overhead is reducing wages and benefits for staff. While salary cuts may not happen across the board, a nonprofit may contribute less to health insurance plans and cut some full-time roles back

to part-time hours to reduce costs. Then the nonprofit must go back to the donors and ask for more money. It is a vicious business cycle (Lecy & Searing, 2014).

US Wage Stagnation

While the Overhead Myth has its own impacts on nonprofits, the growing wage stagnation in the United States is also affecting nonprofits (Table 5). The economy has mostly recovered from the 2008 recession; however, hourly wages have not grown at a higher rate than the cost of living expenses (Mishel, Gould, & Bivens, 2015). In a recent series, Wilkie (2018) explained the impact of US wage stagnation this way:

"In 1979, nearly four decades ago, the typical low-income worker—perhaps a waitress or a cashier—earned about $9.42 an hour when adjusted to today's dollars. In 2016, the person working in that same job earned about $9.33 an hour—0.98 percent less than what his or her counterpart was making almost 40 years ago. That, even though 2016 marked seven years since the end of the country's Great Recession" (p. 1)

As noted earlier in this literature review, nonprofits employ a strong portion of part-time positions and/or full-time positions with no benefits like health insurance. When base pay is not increasing at a rate higher than the cost of living, these employees fall behind on paying bills and sometimes need to access federal aid (Leigh, 2019). A federal, state, or organization increase to $15 per hour as minimum wage could help with a push to provide living wages for all nonprofit employees. For someone who works year-round at 40 hours per week, a $15 per hour pay rate equates to $31,200 in annual

pre-tax wages. However, even a doubling of the federal minimum wage may not be enough.

Table 5

Comparison of Average Hourly Wages in the US Between 1964-2018

Americans' paychecks are bigger than 40 years ago, but their purchasing power has hardly budged

Average hourly wages in the U.S., seasonally adjusted

Source: U.S. Bureau of Labor Statistics.   Pew Research Center

Wilkie, D. (2018). America's Pay Gap is Widening. Society of Human Resource
Management (September 2018). Reprinted with permission.

For the purpose of this research, living wages are defined as income that allows an individual or family to afford basic necessities such as housing, food, transportation, health care, utilities, and clothing (Just Economics, 2019; Kagan, 2019). The following is a 2018 nationwide breakdown of average annual *and* monthly expenses for basic necessities (BLS, 2019):

Table 6

US Basic Necessities Costs for 2018

Category	Annual	Monthly
Housing - shelter (owned or rented), repairs, etc.	$20,091	$1,674.25
Transportation - vehicles, service, and repairs	$9,761	$813.42
Food - food at home, food away from home	$7,923	$660.25
Personal insurance & pensions - life, auto, property, & retirement savings	$7,296	$608.00
Healthcare - health insurance, prescriptions, & co-pays	$4,968	$414.00
Apparel & Services	$1,866	$155.50
TOTAL	$51,905	$4,325.42

While reviewing this information, it is important to note what is not included in basic necessities: childcare, student loan payments, entertainment, personal care products, philanthropy, and savings. The difference between a year-round, full-time job paying $15 per hour and the annual expenses for basic necessities in Table 6 is $20,705.

These nationwide averages may seem high in some areas, especially if housing is readily available and accessible. Additionally, this data includes all types of consumer units: families, single persons living alone or with others who are financially independent, and two or more people living together and sharing living expenses (BLS, 2019). The Bureau of Labor Statistics also offers percentages of income for basic necessities as seen in Table 7. The table does not add up to 100% of expenditures since it only includes basic necessities.

Table 7

Income Percent of Basic Necessities for All Consumer Units

Category	% All Consumer Units
Housing - shelter (owned or rented), repairs, etc.	32.8
Transportation - vehicles, service, and repairs	15.9
Food - food at home, food away from home	12.9
Personal insurance & pensions - life, auto, property, & retirement savings	11.9
Healthcare - health insurance, prescriptions, & co-pays	8.1
Apparel & Services	3.0
TOTAL	74.6

With unemployment at low levels, nonprofits must aggressively compete with for-profit companies for talent (Wellar, 2018). One nonprofit study suggests that losing a star performer in a senior development or fundraising role costs nine times the annual salary to replace (Burk, 2013).

A final economic factor for nonprofits involves the March 2019 proposed rule changes from the US Department of Labor for overtime pay (US Department of Labor, 2019). Overtime pay is required by law when a non-exempt employee works more than 40 hours per week. Exempt employees do not qualify for overtime pay based on their salary ($455 per week or more) and a work duties test (US Department of Labor, 2018). This weekly threshold of $455 per week for 40 hours would be equal to a minimum wage of $11.38 per hour. Many nonprofits use the exempt category, as employees tend to perform more than one job and leaders may manage everyone in the nonprofit. Therefore,

the proposed increase in the exempt salary requirements will impact nonprofits. On a positive note, increased salary requirements will naturally increase wages in the nonprofit sector. However, nonprofits will most likely have to absorb the cost of the required salary increases without any donor involvement (Le, 2016).

Talent Investment Strategy

An emerging movement in the nonprofit sector is a talent investment strategy (Stahl, 2013). Talent investment is a call for nonprofit funders, specifically foundations, to invest in the nonprofit workforce at all levels as the best way possible to improve nonprofit performance and ultimately, serve more clients. While funders have a history of supporting workforce solutions in leadership development and succession planning, these programs are not addressing the basic needs of living wages and job security (Stahl, 2013). This is important for a number of reasons.

Studies have shown that job security motivates employees to work hard (Delaney & Huselid, 1996; Leete, 2000). When combining the intrinsic motivation of working at a nonprofit and the extrinsic motivation of wages, employee productivity can increase in quality and quantity (Becchetti, Castriota, & Tortia, 2013). Wage equity is critical to sustaining intrinsic motivation for nonprofit employees (Leete, 2000). Similar to for-profit businesses, supported nonprofit employees experience an increase in performance and ability to make a significant social impact through their work (Carrig & Wright, 2006). Yet, foundations rarely invest in nonprofit talent through their donations to nonprofits; in fact, it is less than 1% (Table 8) (Le & Stahl, 2016).

Table 8

Total Foundation Grant Dollars Invested in Nonprofit Talent, 1992-2011

PERCENTAGE OF TOTAL FOUNDATION GRANT DOLLARS
INVESTED IN NONPROFIT TALENT, 1992-2011
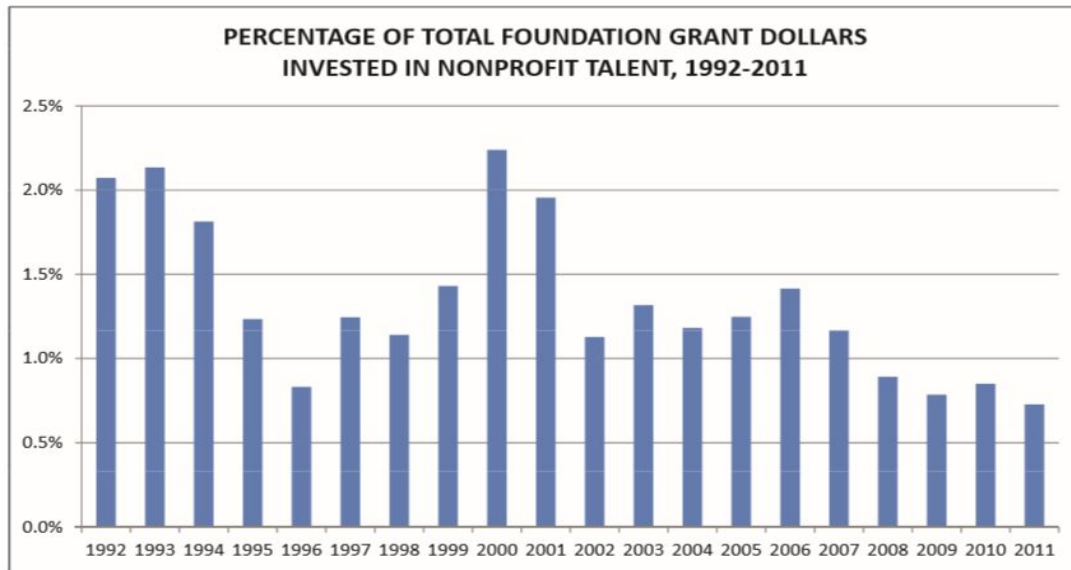
Source: The Foundation Center, 2013. Based on all grants of $10,000 or more awarded by a sample of approximately 1,000 larger foundations (including 800 of the 1,000 largest ranked by total giving). For community foundations, only discretionary grants are included. Grants to individuals are not included in the file. Copyright © 2013, The Foundation Center. All rights reserved.

Stahl, R. (2013). Talent Philanthropy: Investing in Nonprofit People to Advance Nonprofit Performance. *The Foundation Review*, Volume 5, Issue 3, Article 6. Reprinted with permission.

Some foundations and donors have used the talent investment strategy. The Evelyn and Walter Haas Jr. Fund donated funds to launch the UC-Berkeley Initiative for Equity, Diversity, and Inclusion. This five-year plan established a research center for LGBTQ equity and economic disparity studies (Basri, 2011). The Kresge Foundation funded a partnership with Oakland University to provide business students with real-world experience in investments. This is part of the Kresge Foundation's overall strategy to build the talent pipeline in major cities (Whyte, 2015). The Bush Foundation invested in the 23 Native nations in Minnesota, North Dakota, and South Dakota through grants for operating support and capacity building for indigenous leaders (Reedy, 2017).

The Durfee Foundation offered a sabbatical program to nonprofit leaders in Los Angeles, promoting creative leadership and capacity building in nonprofits (Dubb, 2018). While these successful, effectual talent investments are building capacity for nonprofits, none of these efforts are addressing the nonprofit wage gap.

While asking nonprofits what they need is the first step, Stahl (2013, p. 45) identifies three key points in the nonprofit employee career cycle that require investment:

- **Recruitment**: Living wages, ethical employment practices, and internships

- **Development and Retention**: Strong employee benefits, professional development plans, and sabbaticals

- **Retirement and Transition**: Succession planning, retirement savings plans, and mentoring programs

These types of investments involve employees at every level of a nonprofit (Stahl, 2013). As discussed earlier, equitable, living wages are difficult to find in nonprofits these days. Living wages are one component of the Talent-Value Chain in the Social Sector, which outlines the increased nonprofit performance linked to investment in employees (Figure 1). The chain works to break the Nonprofit Starvation Cycle by directing funders to invest in employees. This investment leads to higher employee morale and performance. The Society for Human Resource Management's National Study of the Changing Workforce outlines employee satisfaction with wages, benefits, and opportunities to advance as a key category of an effective workplace (SHRM, 2017). When employees perform well, the organization also performs well. Increased organizational performance

leads to greater impact in communities and society and ultimately, better reputations with funders.

Figure 1

Nonprofit Talent-Value Chain by Stahl (2013)
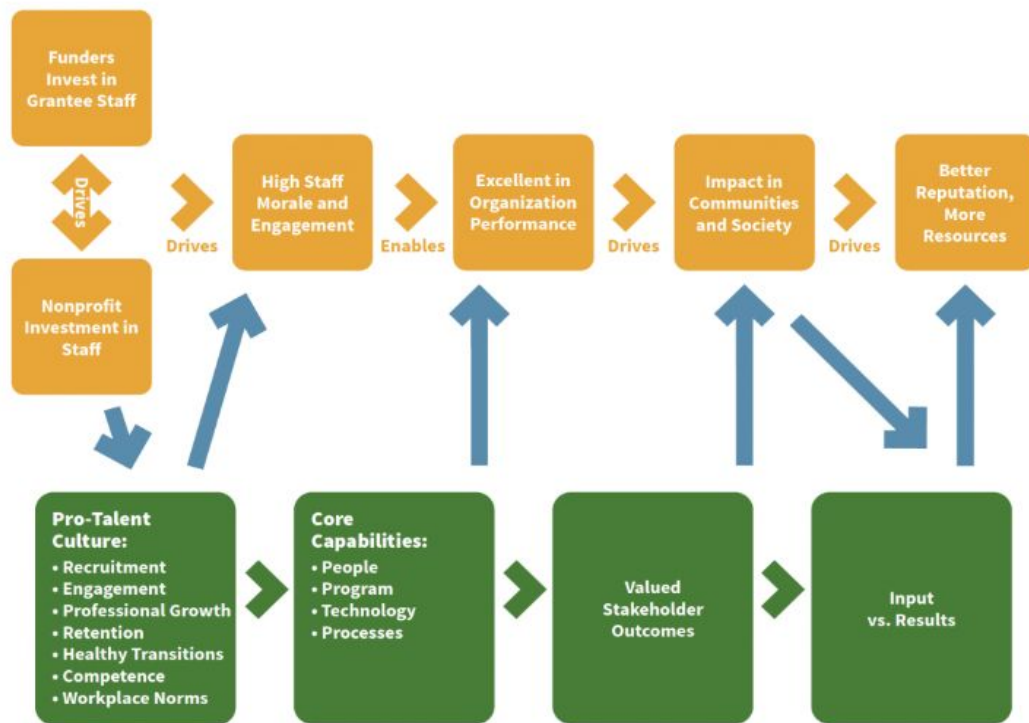
Stahl, R. (2017). *Case-Making: Talent Value Chain in the Nonprofit Sector*. Fund the People. Reprinted with permission.

Conclusion

First, US government data showed little difference between for-profit and nonprofit employee pay. However, digging into the data detail reflected a different story. Job categories and representation of historically oppressed groups also make a difference. History shows pay disparity with genders and races in nonprofit organizations. Pressures around funding for nonprofits also influence employee pay, which can be evaluated by

public perceptions of nonprofit finances. In a larger context, the US economy played a role here, as wage stagnation, rising costs of living, and federal regulations may push nonprofits to compete in new areas for nonprofit talent. Finally, the new movement of talent investment was defined with examples from different foundations as a base for the work being done at Penland School of Craft.

Nonprofits face an interesting and complex situation with employee pay. Social factors, such as pay equity and inclusion, are known, with progress to end pay disparity still in the works. Financial factors, such as donor preferences and resource allocation, place pressure on nonprofits to do more with less, which may lead to decreasing employee pay and benefits to open up operating funds. Environmental factors, such as federal and state laws, push these nonprofit organizations to new, required levels of pay for employees. Yet, some leaders in the nonprofit space are rallying around the talent investment strategy to fund nonprofit talent as the way of the future.

Chapter 3: Research Design and Methods

The purpose of this study is to explore employee perceptions of pay as part of a talent investment strategy at Penland School of Craft, the largest non-academic craft school in the US. The following chapter outlines the research methods, background, design, and data collection methods. This is a mixed methods research project using the action research cycle through a social constructivist lens, which includes my personal lens, historical and social contexts, and participant observations (Creswell, 2014). Action research is a structured approach to inquiry that enables the researcher to identify solutions to everyday problems (Creswell, 2014).

Background

After receiving a significant endowment gift in 2018, Penland decided to use a large portion of the funds for staff compensation and development. Part of the decision-making process included a review of employee feedback from the 2016 strategic planning process and 2018 employee engagement survey results. I had access to these internal documents due to my role at Penland. Three areas of focus were identified through research and past organizational data:

1. Raise employee pay to living wages

2. Align staff capacity with organizational needs

3. Redesign of internal workflow

Interventions were designed for each area and implemented in stages (Table 9). The interventions were split between two fiscal years – FY19 and FY20. FY19 interventions were made between September 2018 and April 2019. FY20 interventions were made

between May 2019 and August 2019. This paper researched the effects of these pay and

structural changes made between September 2018 and August 2019.

Table 9

Penland Structural Interventions in 12-Month Period (September 2018-August 2019)

Structural Change	Employees Impacted	Timing
Roles increased to starting rate of $14-15/hour	10	FY19
Roles increased to starting rate of $16-18/hour	5	FY19
Compensations & benefits study conducted with comparable organizations	68	FY20
Pay increases for longevity & increased responsibilities (based on three tiers pay system)	17	FY20
3% increase to all staff pay – raise internal minimum wage to $10.30/hour	68	FY20
Increase Penland retirement contribution from 1% to 3% for eligible employees	34	FY20
Redesigned positions, either part-time jobs combined into one job and/or increased hours	7	FY19
New positions created	3	FY19
Redesigned positions, either part-time jobs combined into one job and/or increased hours	3	FY20
New positions created	4	FY20

Offered winter work for eligible seasonal staff	6	FY19

Penland employs 68 full-time and part-time employees. Some positions are seasonal due to the school academic schedule. 18 supervisors manage across six departments: Development & Communications, Facilities & Grounds, Operations, Programs, Finance, and the Director's office. Interventions identified for raising employee pay to living wages included:

- Creating a baseline compensation philosophy for the organization that used comparable nonprofit salary data plus nationwide income & expenses data (Appendix D),

- Raising the internal minimum wage to $15 per hour, and

- Acquiring properties near campus for staff housing needs of safety and affordability.

Initial pay increases were given between September 2018 and June 2019 with plans to increase base pay for all employees over two years. Two properties near campus were also purchased with this endowment gift, which provided housing for six staff members near campus in a safe location and with affordable rental rates.

Interventions for aligning staff capacity with organizational needs were built around departmental reviews of staffing needs and overall staffing structure. Staffing changes included redesigning jobs through consolidation and extension of hours from seasonal to year-round. Administrative and managerial capacity were added into new positions. Finally, interventions for workflow were focused on upgrading the IT

infrastructure, specifically finance and HR systems for staff, and utilizing seasonal staff during the off-season to help with special projects. While this paper examines much of the structural work for employee pay, these other interventions intersect with the living wages work and overall employee engagement.

Research Design

This study began with an extensive review of nonprofit employee pay practices and feedback reflected in the research literature for the last 30 years and archival employee engagement data from Penland. Archival data included the 2018 staff survey conducted internally (Appendix C) and the 2018 When Work Works employee survey conducted externally (Appendix B). 40 of 65 employees (65%) participated in the spring 2018 internal staff survey. 41 of 61 employees (67%) participated in the 2018 When Work Works survey. The literature review influenced the action research outline, and the organization's budget cycle determined the timeline (Table 10).

Table 10

Action Research Timeline at Penland

Data Collection: Survey	September 2019
Data Collection: Focus Groups & Individual Interviews	October 2019
Data Analysis: Survey Results, Focus Group Feedback, and Interview Notes	November 2019
New Fiscal Year Personnel Budget Delivered	November 2019

Sampling Methodology

Considering the small size of the Penland staff (68 employees), I decided to use several methods for data collection with different groupings of employees. The action research was broken into three parts: online survey, focus groups, and individual interviews. The purposive sampling included employees from all levels and job roles within Penland, including full-time, variable, and part-time employees. The online survey was offered to all employees without requiring any identifying information. Every employee received an email invitation asking for their participation. The intent of the survey was to measure employee engagement at the organization level. The sampling of participants at the time of data collection was 66 employees since the HR Manager and Executive Director intentionally did not participate. This information was used to gauge progress since the 2018 When Work Works employee survey. The participation rate was 35%, or 23 employees.

Focus groups were a sampling of non-supervisory employees employed with Penland at the time of data collection. These employees received an email invitation asking for their participation. The objective of the focus group was to gather data about employee perceptions of pay, benefits, and career advancement. Participants were asked to answer four questions with an estimated 45-60 minutes required to complete the process. The sampling of participants (non-supervisory employees) at the time of data collection was 48 employees due to some vacant positions. The participation rate was 12.5% or six non-supervisory employees. The outside interviewers were given

instructions to follow up on questions for clarification and open-ended answers. The verbatim comments were anonymized by the outside interviewers and provided to me for data analysis.

Finally, individual interviews were conducted with supervisors, which is defined as anyone who directly supervises employees. The sampling of participants at the time was 17, as the Executive Director intentionally did not participate. The participation rate was 35%, or six participants. Supervisors received an email invitation asking for their participation. The objective of the interview was to gather supervisor perceptions of the structural changes and specifically pay and benefits for their teams.

Data Measurement

A variety of methods and questions were used in this study. The questions were designed to gather employee perceptions of pay and any other corresponding factors to pay in the workplace. Outside interviewers were used to conduct the focus groups and individual interviews to protect the participants since I was also employed at Penland as the HR Manager. Focus group and interview data were recorded verbatim into detailed notes and anonymized by the outside interviewers. Focus group and supervisor interview questions were constructed from the Society of Human Resource Management (SHRM) National Study of the Changing Workforce, which measures effective workplaces (SHRM, 2017). The online employee survey aligned to the 2018 When Work Works employee survey, a benchmarking survey conducted by SHRM. Penland School of Craft applied for the When Work Works award in June 2018. Penland employees completed the When Work Works survey in August 2018. The online survey had 22 questions

within seven categories as outlined in the SHRM Effective Workplace Index (Appendix F, pp. 95 – 97).

The focus group and interview questions for this research were selected based on an analysis of the 2018 When Work Works survey results (Appendix B). Topics of further inquiry were selected based on the lowest results from the 2018 survey. Focus groups and individual interviews were conducted in September 2019. The focus group questions were directed at employee perceptions of pay. The focus group questions were:

1. When it comes to pay, we are interested in knowing what factors drive your satisfaction with pay.

2. What Penland staff benefits are the most important to you? Why?

3. What are some ways that you see how your career could advance here at Penland? How?

4. When are you doing your most creative work? How often?

Focus group participants were allowed to openly answer while the outside interviewers led the discussion and recorded comments. The individual interview questions for supervisors were directed at the recent pay and structural changes. The individual interview questions were:

1. What structural changes have been made in your team in the last 18 months?

2. How do you measure success for your team?

3. What concerns or feedback do you have regarding pay and benefits for your team?

4. What support do you need to continue growth as a leader at Penland?

Data Analysis Procedures

The online survey was conducted in September 2019. Survey results were compared to 2018 results with any significant changes being noted. The overall data was also analyzed for any themes and patterns across the sampling groups. The 2019 survey results were compared to the 2018 results. Since the focus group and interview questions were specific to structural and pay changes, the focus group and interview comments were compared to the 2019 survey results to identify any potential relationships between the data.

Limitations of Research Approach

Three limitations of the research design stand out. First, the timing of the focus groups and supervisor interviews happened during a busy season for Penland employees. Limited schedules could have impacted employee availability for data collection. Second, Penland has 68 employees; therefore, employee turnover could change the 2019 online survey results for better or worse. Additionally, my role within Penland could have influenced employee participation simply by my status and relationships within the organization. The final limitation is the discrepancy of online survey answer options between 2018 and 2019. The 2018 online survey answer options were: strongly disagree, somewhat disagree, somewhat agree, and strongly agree. The 2019 online survey answer options were: strongly disagree, somewhat disagree, neutral, and strongly agree. The difference between somewhat agree and neutral could have also impacted the scores. The survey results will be shown with the different scales in the analysis.

Summary

This chapter provided the framework for the research design, sampling methodology, data measurement, data analysis procedures, and limitations of the research approach used to measure employee perceptions of pay as part of a talent investment strategy at Penland School of Craft. This chapter also furnished the questions used in the online survey, non-supervisor focus groups, and individual interviews with supervisors.

Chapter 4: Data Analysis and Research Findings

Data collection occurred in September and October 2019. The Executive Director for Penland sent an email to all employees to explain the upcoming online survey, focus groups, and supervisor interviews as part of my thesis data collection. About a week later, I sent a Google form survey link with the consent form. The online survey was available to all Penland employees for two weeks in September 2019. Participants were not required to provide any identifying information. Excluding me and the Executive Director, 65 employees were employed at the time of the online survey.

Online Survey Results

During the analysis, I identified the following themes:

- A general increase in most categories reflects an increase in employee satisfaction.

- Structural and pay changes have made a difference in employee perceptions.

- A strong level of supervisor support and trust exists with employees.

- Changes still need to be made for creativity in work, opportunities to advance, and job autonomy.

Overall, the results were positive (Table 11). The results are shown beside the 2018 results to reflect the differences.

Table 11

When Work Works Survey Results for Penland 2018 and 2019

1. My job lets me use my skills and abilities.			
2018 Survey Scale	**2018 Results (N= 41)**	**2019 Survey Scale**	**2019 Results (N=23)**
Strongly Disagree	0.0%	Strongly Disagree	0.0%
Somewhat Disagree	9.8%	Somewhat Disagree	4.3%
Somewhat Agree	24.4%	Neutral	30.4%
Strongly Agree	65.8%	Strongly Agree	65.3%
2. The work I do is meaningful to me.			
2018 Survey Scale	**2018 Results (N= 41)**	**2019 Survey Scale**	**2019 Results (N=23)**
Strongly Disagree	0.0%	Strongly Disagree	0.0%
Somewhat Disagree	12.2%	Somewhat Disagree	4.5%
Somewhat Agree	34.1%	Neutral	18.2%
Strongly Agree	53.7%	Strongly Agree	77.3%
3. My job requires that I be creative.			
2018 Survey Scale	**2018 Results (N= 41)**	**2019 Survey Scale**	**2019 Results (N=23)**
Strongly Disagree	17.1%	Strongly Disagree	4.3%

Somewhat Disagree	2.4%	Somewhat Disagree	17.4%
Somewhat Agree	43.9%	Neutral	21.7%
Strongly Agree	36.6%	Strongly Agree	56.5%

4. I get to do different things at my job.			
2018 Survey Scale	**2018 Results (N= 41)**	**2019 Survey Scale**	**2019 Results (N=23)**
Strongly Disagree	4.8%	Strongly Disagree	0.0%
Somewhat Disagree	9.8%	Somewhat Disagree	17.4%
Somewhat Agree	29.3%	Neutral	21.7%
Strongly Agree	56.1%	Strongly Agree	60.9%

5. My job requires that I keep learning new things.			
2018 Survey Scale	**2018 Results (N= 41)**	**2019 Survey Scale**	**2019 Results (N=23)**
Strongly Disagree	9.8%	Strongly Disagree	0.0%
Somewhat Disagree	12.2%	Somewhat Disagree	17.4%
Somewhat Agree	24.4%	Neutral	13.0%
Strongly Agree	53.6%	Strongly Agree	69.6%

6. My supervisor is supportive when I have a work problem.			
2018 Survey Scale	**2018 Results (N= 41)**	**2019 Survey Scale**	**2019 Results (N=23)**
Strongly Disagree	2.0%	Strongly Disagree	0.0%

Somewhat Disagree	2.0%	Somewhat Disagree	0.0%
Somewhat Agree	17.0%	Neutral	0.0%
Strongly Agree	78.0%	Strongly Agree	100.0%

7. My supervisor recognizes when I do a good job.

2018 Survey Scale	2018 Results (N= 41)	2019 Survey Scale	2019 Results (N=23)
Strongly Disagree	0.0%	Strongly Disagree	0.0%
Somewhat Disagree	4.9%	Somewhat Disagree	0.0%
Somewhat Agree	24.4%	Neutral	4.3%
Strongly Agree	70.7%	Strongly Agree	95.7%

8. My supervisor keeps me informed of things that I need to know to do my job well.

2018 Survey Scale	2018 Results (N= 41)	2019 Survey Scale	2019 Results (N=23)
Strongly Disagree	2.4%	Strongly Disagree	0.0%
Somewhat Disagree	7.3%	Somewhat Disagree	4.3%
Somewhat Agree	29.3%	Neutral	17.4%
Strongly Agree	61.0%	Strongly Agree	78.3%

9. I have a lot to say about what happens on my job.

2018 Survey Scale	2018 Results (N= 41)	2019 Survey Scale	2019 Results (N=23)
Strongly Disagree	7.3%	Strongly Disagree	0.0%

Somewhat Disagree	14.6%	Somewhat Disagree	13.1%
Somewhat Agree	29.3%	Neutral	39.1%
Strongly Agree	48.8%	Strongly Agree	47.8%

10. I have the freedom to decide what to do on my job.			
2018 Survey Scale	**2018 Results (N= 41)**	**2019 Survey Scale**	**2019 Results (N=23)**
Strongly Disagree	2.4%	Strongly Disagree	0.0%
Somewhat Disagree	17.1%	Somewhat Disagree	8.7%
Somewhat Agree	31.7%	Neutral	34.8%
Strongly Agree	48.8%	Strongly Agree	56.5%

11. I can be myself on my job.			
2018 Survey Scale	**2018 Results (N= 41)**	**2019 Survey Scale**	**2019 Results (N=23)**
Strongly Disagree	0.0%	Strongly Disagree	0.0%
Somewhat Disagree	4.8%	Somewhat Disagree	0.0%
Somewhat Agree	22.0%	Neutral	13.0%
Strongly Agree	73.2%	Strongly Agree	87.0%

12. I trust what our managers say.			
2018 Survey Scale	**2018 Results (N= 41)**	**2019 Survey Scale**	**2019 Results (N=23)**
Strongly Disagree	0.0%	Strongly Disagree	0.0%

Somewhat Disagree	12.2%	Somewhat Disagree	4.3%
Somewhat Agree	34.1%	Neutral	21.7%
Strongly Agree	53.7%	Strongly Agree	73.9%

13. My managers deal ethically with employees and clients.			
2018 Survey Scale	**2018 Results (N= 41)**	**2019 Survey Scale**	**2019 Results (N=23)**
Strongly Disagree	0.0%	Strongly Disagree	0.0%
Somewhat Disagree	7.3%	Somewhat Disagree	4.3%
Somewhat Agree	22.0%	Neutral	13.0%
Strongly Agree	70.7%	Strongly Agree	82.6%

14. My manager seeks information and new ideas from employees.			
2018 Survey Scale	**2018 Results (N= 41)**	**2019 Survey Scale**	**2019 Results (N=23)**
Strongly Disagree	2.4%	Strongly Disagree	0.0%
Somewhat Disagree	14.6%	Somewhat Disagree	4.3%
Somewhat Agree	31.7%	Neutral	17.4%
Strongly Agree	51.2%	Strongly Agree	78.3%

15. I am satisfied with my earnings from my job.			
2018 Survey Scale	**2018 Results (N= 41)**	**2019 Survey Scale**	**2019 Results (N=23)**
Strongly Disagree	19.5%	Strongly Disagree	0.0%

Somewhat Disagree	17.1%	Somewhat Disagree	17.4%
Somewhat Agree	36.6%	Neutral	47.8%
Strongly Agree	26.6%	Strongly Agree	34.8%

16. I am satisfied with my benefits from my job.

2018 Survey Scale	2018 Results (N= 41)	2019 Survey Scale	2019 Results (N=23)
Strongly Disagree	4.9%	Strongly Disagree	0.0%
Somewhat Disagree	14.6%	Somewhat Disagree	13.0%
Somewhat Agree	43.9%	Neutral	43.5%
Strongly Agree	36.6%	Strongly Agree	43.5%

17. I am satisfied with my opportunities for advancement.

2018 Survey Scale	2018 Results (N= 41)	2019 Survey Scale	2019 Results (N=23)
Strongly Disagree	22.0%	Strongly Disagree	8.7%
Somewhat Disagree	22.0%	Somewhat Disagree	21.7%
Somewhat Agree	36.6%	Neutral	56.5%
Strongly Agree	19.5%	Strongly Agree	13.0%

18. My supervisor cares about the effect of work on my personal/family life.

2018 Survey Scale	2018 Results (N= 41)	2019 Survey Scale	2019 Results (N=23)
Strongly Disagree	2.4%	Strongly Disagree	0.0%

Somewhat Disagree	0.0%	Somewhat Disagree	0.0%
Somewhat Agree	24.4%	Neutral	17.4%
Strongly Agree	73.2%	Strongly Agree	82.6%

19. My supervisor is responsive when I have personal/family business to take care of.

2018 Survey Scale	2018 Results (N= 41)	2019 Survey Scale	2019 Results (N=23)
Strongly Disagree	0.0%	Strongly Disagree	0.0%
Somewhat Disagree	2.4%	Somewhat Disagree	0.0%
Somewhat Agree	7.3%	Neutral	13.0%
Strongly Agree	90.2%	Strongly Agree	87.0%

20. I have the coworker support I need to successfully manage my work and family life.

2018 Survey Scale	2018 Results (N= 41)	2019 Survey Scale	2019 Results (N=23)
Strongly Disagree	0.0%	Strongly Disagree	0.0%
Somewhat Disagree	4.9%	Somewhat Disagree	4.3%
Somewhat Agree	26.8%	Neutral	21.7%
Strongly Agree	68.3%	Strongly Agree	73.9%

21. I have the schedule flexibility I need to successfully manage my work and family life.

2018 Survey Scale	2018 Results (N= 41)	2019 Survey Scale	2019 Results (N=23)
Strongly Disagree	0.0%	Strongly Disagree	0.0%

Somewhat Disagree	7.3%	Somewhat Disagree	4.3%
Somewhat Agree	17.1%	Neutral	17.4%
Strongly Agree	75.6%	Strongly Agree	78.3%

22. My work schedule/shift fits my needs.			
2018 Survey Scale	**2018 Results (N= 41)**	**2019 Survey Scale**	**2019 Results (N=23)**
Strongly Disagree	0.0%	Strongly Disagree	0.0%
Somewhat Disagree	12.2%	Somewhat Disagree	0.0%
Somewhat Agree	14.6%	Neutral	26.1%
Strongly Agree	73.2%	Strongly Agree	73.9%

The analysis included noting any differences by each response between 2018 and 2019. In the 2018 results, 12 questions had levels of *Strongly Disagree* in the answers. In 2019, only 2 questions had answers of Strongly Disagree. Those questions were related to being creative and having opportunities to advance. The biggest decrease in the Strongly Disagree response between 2018 and 2019 was satisfaction with earnings, with a 19.5% decrease to no Strongly Disagree answers in 2019.

In the 2018 results, 21 questions had levels of *Somewhat Disagree* in the answers. In 2019, 16 questions had answers of Somewhat Disagree. Three of the questions with decreases in Somewhat Disagree from 2018 to 2019 were related to supervisor support. The other 2 questions were about being yourself at work and a schedule to fit your needs.

In the 2018 results, all 22 questions had levels of *Somewhat Agree* in the answers. A discrepancy for 2019 changed the response to *Neutral*. One question about supervisor support had no Neutral responses.

In the 2018 and 2019 results, all 22 questions had levels of *Strongly Agree* in the answers. In the 2019 results, 4 questions had decreases in the Strongly Agree response. These questions were: job use with skills and abilities, saying what happens on my job, opportunities for advancement, and supervisor response to personal business. Also, in the 2019 results, 18 questions had increases in the Strongly Agree response. One question, supervisor support for work problems, scored 100% in Strongly Agree. Due to significant changes in the Strongly Agree response between 2018 and 2019, I reviewed any specific question with a 20% increase in the Strongly Agree response. Consequently, these were the same questions that reflected a decrease in the Strongly Disagree results. Five questions were identified: meaningful work, supervisor support at work, supervisor recognition, supervisor support, and manager seeks information and new ideas from employees.

Finally, I looked specifically at the questions in the pay, benefits, and advancement categories. For pay and benefits, the number of people marking Strongly Disagree decreased to 0.0%. Increases in Strongly Agree and Neutral regarding pay signify progress with employees in this area. Less changes were seen about benefits. For advancement opportunities, the number of people marking Strongly Disagree decreased, but the Strongly Agree results also decreased. This reflects an increase in overall

satisfaction with pay and benefits. However, frustration with advancement opportunities also shows up in the focus group data.

Focus Group Data

Overall, the focus group data contained 91 individual comments. Individual comments were counted as a single sentence; therefore, a participant could provide multiple comments for one question. These comments were sorted between the four questions, which were:

1. When it comes to pay, we are interested in knowing what factors drive your satisfaction with pay. (22 comments)

2. What Penland staff benefits are the most important to you? Why? (24 comments)

3. What are some ways that you see how your career could advance here at Penland? How? (27 comments)

4. When are you doing your most creative work? How often? (18 comments)

I used the methods of reading the data, writing reflection memos, categorizing strategies by themes and frequency, and completing a narrative analysis of the focus group data. The following themes were identified:

- Employees connect pay satisfaction with a living wage.

- The most valued benefits are connected to items that help with basic necessities.

- General agreement among employees about opportunities to advance are rare.

- Creativity in one's job can be linked to autonomy.

The first question asked about factors driving satisfaction with pay. All six participants commented about the link between pay satisfaction and a living wage, which is defined as enough income to pay for basic necessities. These included basic expenses, student loan debt, and emergency savings. One participant recounted, "If I can afford basic necessities, then I am satisfied." Two participants also expressed satisfaction with their current pay. Three participants attached job design and meaning to pay satisfaction. One participant shared, "I am almost neutral because if the pay was huge and I did not like the job, then I would not take it. Pay would not drive the decision." One participant connected pay satisfaction with industry pay rates. One participant offered, "I often think that nonprofit people have skills that are compensated evenly across nonprofits but are not valued as much as other skills."

The second question explored the importance of different staff benefits for participants. Five participants rated paid time off and health insurance as the most important benefits. One participant said, "I can take paid time off when I can, and I have plenty of time to do it." Penland offers two health insurance plans to eligible staff. A participant shared, "Health care is a big one for me because I would not be able to afford it otherwise." Two participants noted that free meals in the Penland dining room during working hours. Two participants said that receiving a free Penland class every two years with extra time off was valuable. One participant shared various thoughts on a flexible schedule, supportive team, creative environment, free to be yourself, and the retirement contribution. One participant stated that they were satisfied with the current benefit plan.

The third question delved into advancement opportunities at Penland. Five participants thought there were no advancement opportunities in their current roles or little ability to advance in the organization. One participant offered, "My current position cannot advance anywhere." Two participants stated that they liked their current jobs and did not want to advance right away. A participant shared, "I am not interested in another position, so I am probably topped out after helping to create my current job." Two participants felt that the organization had too much bureaucracy to offer advancement opportunities. A participant articulated it this way, "Penland structures its budget to rest with the supervisors, and there is no freedom for my level to try anything." One participant either desired more professional development or supervisor support for growth.

The fourth question probed the idea of being creative, which was one of the lower 2018 scores for the When Work Works survey. Three participants felt creative when they were at work. One participant offered, "My job is a creative process." Another participant said, "I am most creative when solving problems and promoting efficiency." Two participants felt more creative outside of work due to little encouragement at their job. A participant shared, "Because of everything I need to do, there isn't the time or energy to do the creative thing." One participant shared that their creative feelings at work were connected to their teammates or looking at other businesses. In the 2019 online survey, the question about creativity had 20% in the Strongly Agree response. Combined with this focus group feedback, a potential relationship could exist between job redesigns and feeling creative at work.

Supervisor Interview Data

Six supervisory employees participated in 20-30 minute individual interviews. The data contained 88 individual comments. Again, individual comments were counted as a single sentence; therefore, a participant could provide multiple comments for one question. These comments were sorted between the four questions, which were:

1. What structural changes have been made in your team in the last 12 months? Have they been effective? Why or why not? (19 comments)

2. How do you measure success for your team? When do you know that things are going well? (26 comments)

3. What concerns or feedback do you have regarding pay and benefits for your team? (28 comments)

4. What support do you need to continue growing as a leader here? (11 comments)

Four additional comments were categorized as "other" that did not fit into these question parameters. Details and example comments are provided in the following paragraphs. Overall, these themes emerged from the interview data.

- Structural changes were effective in building much needed capacity and redesigning roles with employees as part of the process.

- Supervisors perceive team success when their employees are not stressed and doing their jobs well.

- While the previous 12 months of work toward increasing pay has helped, the momentum needs to continue.

- Supervisors and executive support have helped supervisors immensely in the last 12 months.

The first interview question asked about the impact of team restructuring and job changes. In the 12 months before the interviews, 72% of Penland teams experienced structural changes. Team restructuring included reassignment of responsibilities for two or more jobs within one team, addition of more hours to a position, and/or addition of new staff positions. Four of six supervisors noted that changes increased staffing capacity. One participant shared, "We were short on management, and that has been a crucial change." Two supervisors acknowledged that restructuring had happened in their teams in the last year and adjustments were still happening. One participant remarked, "We have been able to work more efficiently and increased some of our abilities to provide more for clientele. We are trying to figure out how to organize our daily activities which changes so often and is constantly in flux." Another two participants identified the changes as people centric. One participant noted, "The restructure of my position appears to be effective, and before I came, the team was not cohesive...The position has become more people-centric to relieve other duties, and my primary responsibility is to serve the team."

The second question explored how participants measure team success or how they know that things are going well with the team. Five participants said that team success centered on a perceived lack of stress from employees. A participant observed, "I know things are going well when people are not stressed, and they feel good about the work they are doing - when people are not freaking out." Four participants measured success

through student feedback. Typically, student feedback comes directly to staff or through

student evaluations that measure a broad swath of work by Penland staff. Four

participants measured team success through the accomplishment of stated goals, which

included no errors. One participant answered, "One measure of success is setting goals

and whether we meet them or not. We also look at individual projects and team projects."

Three participants shared that team autonomy was a sign of success. A participant

indicated, "If I give them tasks with a deadline and those things happen without me

prodding them, that is success."

Two participants answered a perceived lack of conflict within the team or with

other teams. The term "perceived" is used here as stress and conflict may be happening

but the supervisor may not know about it. One participant said, "One marker that things

are not going well is discord in the group that they are not able to manage." Two

participants said that employee feedback or engagement was provided through individual

conversations between employees and supervisors and observations by supervisors. One

participant shared, "I know things are going well when I walk around and have face time

with everyone I work with."

The third question offered opportunities for participants to share their concerns

about the pay and benefits for the team. This question had the most comments among

supervisors. Four participants wanted more pay for employees. One participant shared,

"Pay is good and is getting a lot better, but we still have people who are not up to national

standards." Three participants were also encouraged by the current momentum of

increased pay in the last 12 months. One participant verbalized in this way, "I do not have

any concerns, but I want to see us to continue to move in a forward direction of helping folks be in the appropriate range for where they are." Four participants shared satisfaction with the current employee benefits. A participant reported, "We have pretty extraordinary benefits, and most people are satisfied with benefits." The rest of the participants had more specific suggestions, such as changes in health insurance coverage and increased contribution to retirement. General suggestions covered career advancement and professional development.

The final question focused on supervisor support. This question also provided the least amount of comments. Three participants asked for continued support from administration, which is known as the executive leadership team and specifically, the Executive Director. One participant revealed, "I think I need my supervisor to continue being a higher-level voice for what it actually costs to run my department well." Additionally, three participants shared a feeling of being heard and supported as supervisors. A participant disclosed, "When I feel like I need to go to the mat for someone who works for me, I feel like I am able to make that case and be listened to." The other comments for supervisor support provided suggestions in raising employee pay, building succession plans for leaders, and continued responsibility clarification among all the changes.

In the final moments of each interview, participants were asked to provide any further comments or feedback that was not covered in the questions. Five participants offered additional data, which was categorized as positive movement at Penland. An example includes, "I think overall staff is pretty happy. They can always want more

money, but they are pretty happy and even satisfied with pay, benefits, and leadership. The changes of the last two years have been getting even better." Generally, participants were satisfied with the structural changes.

Summary

Considering the small size of the Penland staff (68 employees), I decided to use several methods for data collection with different groupings of employees. An online survey was provided to all employees for completion. The survey included the same questions as the 2018 When Work Works survey administered by the Society of Human Resource Management. Focus groups were offered to all non-supervisory employees, and questions were focused on the 2018 survey results with the lowest scores. Individual interviews were conducted with supervisory employees to explore the same themes as non-supervisory employees and the impacts of pay and structural changes in the last 12 months.

Chapter 5: Research Summary and Conclusions

This paper has explored employee perceptions of pay as part of a talent investment strategy at a nonprofit. This final chapter will outline the overall study, research implications, recommendations, uses in organization development, study limitations, suggestions for additional research, and conclusions. The data themes identified are located in Table 12.

Table 12

Summary of Data Themes

Method	Themes
Survey Results	A general increase in most categories reflects an increase in employee satisfaction.
	Structural and pay changes have made a difference in employee perceptions.
	A strong level of supervisor support and trust exists with employees.
	Changes still need to be made for creativity in work, opportunities to advance, and job autonomy.
Focus Group	Employees connect pay satisfaction with a living wage.
	The most valued benefits are connected to items that help with basic necessities.
	General agreement among employees that opportunities to advance are rare.
	Creativity in one's job can be linked to autonomy.
Interviews	Structural changes were effective in building much needed capacity and redesigning roles with employees as part of the process.
	Supervisors perceive team success when their employees are not stressed and doing their jobs well.
	While the previous 12 months of work toward increasing pay has helped, the momentum needs to continue.

	Supervisors and executive support have helped supervisors immensely in the last 12 months.

Research Implications

The literature review discussed several features that affect nonprofit employee

pay. An examination of nonprofit and for-profit pay reflected similarities; however, a

deeper exploration showed differences in managerial and frontline employees and

differences in historically oppressed groups (BLS, 2016). Specifically, women and

people of color experienced lower wages in nonprofits. At the time of the data collection

for those who participated, Penland employed 66% women, 32% men, and 2% gender

non-binary. Supervisors were 62% female, 33% male, and 5% gender non-binary. For the

same time period, Penland employed 5% people of color and 0% of supervisors were

people of color. The donative labor hypothesis was also introduced in the literature

review; however, none of the study data mirrored this assumption at Penland (Preston,

1989; Rose-Ackerman, 1996).

Another feature that affects nonprofit employee pay is donor funding.

Foundations and grant makers tend to fund programs and capital projects versus

employee development, specifically pay. A movement to the talent investment strategy of

funding internal capacity allows nonprofit leaders to make the pay and structural changes

needed to increase employee morale and engagement, excellence in organization

performance, and impact in communities and societies (Stahl, 2017). This information

was echoed in the data findings. The survey results demonstrated an overall increase in

employee morale, and interviews displayed that structural changes were effective in adding much needed capacity.

A final feature that impacts nonprofit employee pay is the economic environment. Wage stagnation and rising costs of living in the United States were discussed in the literature review (BLS 2019; Just Economics, 2019; Kagan, 2019). The impacts of the US economic environment also appeared in the data findings. While employee dissatisfaction with pay decreased in the survey results, focus group participants still connected pay satisfaction with a living wage. Additionally, the most valuable benefits identified in the focus groups helped with costs of living: paid leave, health insurance costs contribution, and paid meals.

The Talent Value Chain in the Social Sector shared in the literature review highlighted the overall impacts of funder investment in nonprofit staff and organizational performance (Stahl, 2017). A talent investment strategy builds a pro-talent culture at a nonprofit through recruitment, engagement, professional growth, retention, healthy transitions, competence, and workplace norms. A pro-talent culture leads to high staff morale and engagement, which was confirmed by the study data. The Talent Value Chain in the Social Sector proposes a progression from high staff morale and engagement to excellence in organizational performance.

Strong supervisor and executive support was a key finding in the data, which was not highlighted in the literature review. Four of five survey questions with the highest increase in the Strongly Agree response relate to the supervisor or manager relationship with the individual employee, which may also have a potential connection with the

structural and pay changes. Supervisors took time to ask, listen, and reflect back the feedback from their teams about the proposed pay and structural changes. On the flip side, the decreases in Strongly Agree responses from the survey may also have a potential relationship with the structural changes made at Penland. If the structural changes to a job were not aligned with individual employee feedback, then an employee may not have felt heard by the organization.

Recommendations

This study at Penland could be expanded to funding opportunities at other nonprofits. Recommendations are based on data gathered in this research and the literature review while also recognizing that I have intimate knowledge of the organization and its history with employee engagement. The following recommendations will be discussed here:

- Increase the internal minimum pay to a living wage standard

- Factor cost of living into the pay scales

- Build a pay raise system framework tied to employee development

Both continue with the theme of structural changes in the nonprofit (Foldy, 2013). These recommendations are also supported by the Talent-Value Chain in the Social Sector by designing practices that support a pro-talent nonprofit culture (Stahl, 2017).

Increase the Internal Minimum Pay to a Living Wage Standard

The literature review revealed the multi-layered problems with wage stagnation and rising costs of living in the United States. 29 states have raised their minimum wage above the federal level (US Department of Labor, 2020). The current federal minimum

wage and North Carolina minimum rate is $7.25 per hour. For someone who works year-round at 40 hours per week, this equates to $15,080 in annual pay. The internal minimum wage at Penland during the time of this research was $10.30 per hour. The Penland internal minimum wage is reserved for seasonal, part-time, entry-level positions, such as a barista or retail associate. For someone who works year-round at 40 hours per week, this equates to $21,424 in annual pay. As noted in the literature review, nationwide pay discrepancies exist for nonprofit part-time employees, and the number of part-time positions has only increased with the current COVID-19 crisis (BLS, 2019; Rendon, 2020). Additionally, the US government is even recognizing that pay for exempt employees must increase (US Department of Labor, 2019).

Structural and pay changes may have increased employee satisfaction with pay, as evidenced by the survey results for satisfaction with wages. Additionally, focus group data also affirmed pay changes toward a living wage. All focus participants equated pay satisfaction with income that meets basic living needs. Interview participants also recognized the impact of structural and pay changes. Four of six interview participants wanted their employees to be paid more. Two interview participants asked for the current momentum of increasing pay to continue at Penland. The National Study of the Changing Workforce by SHRM outlines employee satisfaction with wages, benefits, and opportunities to advance as a key category of an effective workplace (SHRM, 2017). At the time of this research, Penland had identified an aspiration to increase its internal minimum wage to $15 per hour.

As stated in the literature review, living wages are defined as income that allows an individual or family to afford basic necessities such as housing, food, transportation, health care, utilities, and clothing without private or public assistance (Just Economics, 2019; Kagan, 2019). Again, what is not included in basic necessities are childcare, student loan payments, savings, entertainment, personal care products, and philanthropy. The literature review also reflected a grouping of cities and industries pushing for a new $15 federal minimum wage (Leigh, 2019). One could infer that a single person with no dependents could make a $15 per hour wage work for a modest lifestyle. However, an employer would be limited in potential job candidates if only single people with no dependents could afford this lifestyle. Think of a woman who supports a family. As recognized in the literature review, 70% of the nonprofit workforce is women (Outon, 2015).

A potential resource for reviewing minimum wage is the Living Wage Certification through Just Economics WNC, a regional organization based in Asheville, NC (Just Economics, 2019). A Living Wage is recalculated each year to account for housing and living costs in Western North Carolina (WNC), where Penland School of Craft is located. In this calculation, a person's income may only use up to 30% of monthly income for housing. The housing cost includes the Fair Market Rent for a one-bedroom apartment, which had an average cost of $1,042 per month in 2020. The 2020 Living Wage for WNC is $15.50 per hour or $32,240 annually. The 2020 Living Wage for those with employer provided health insurance is $14 per hour or $29,120

annually. Adopting this approach could more accurately reflect the income needs of Penland employees.

Factor Cost of Living into the Pay Scales

Building on top of raising the internal minimum pay to a living wage, the actual costs of living in the area also need to be factored into pay scales. The study survey data reflected a minimal increase in satisfaction with benefits. However, focus group participants identified the most valuable benefits as ones connected to basic necessities. For instance, paid time off allows an employee to stay home sick without losing pay. Employer contribution to health insurance decreases the costs of medical care for employees. Providing free meals while working decreases the amount of groceries an employee must buy to survive. One interview participant noted that increased employer contribution to health coverage could relieve employee mental health costs. Two participants suggested an increase in retirement contributions, which could help an employee build long-term financial stability.

Established by the Bureau of Labor Statistics, two key costs for households are housing and health care. The North Carolina (NC) Housing Coalition maps housing affordability by county and assumes that housing is affordable when it costs up to 30% of a household's monthly income. Penland School of Craft is located in Mitchell County, NC. According to 2019 data from the NC Housing Coalition, the following statistics reflect the housing situation in Mitchell County, NC.

- 26% of households in Mitchell County are cost-burdened with housing
- 53% of renters struggle to afford rent

- 21% of homeowners struggle to afford mortgages

The NC Housing Coalition also identified an average rental cost of a 2-bedroom apartment as $683 per month while the average renter can only afford $462 per month. Based on housing costs alone, an employee needs to make $27,320 annually to afford housing in Mitchell County (NC Housing Coalition, 2019). During the study period, Penland purchased two properties located near the campus with money from the 2018 endowment gift. These two properties offered rental rates between $400 and $600 per month. This purchase enabled new capacity for six staff members to live near campus and pay affordable rental rates while increasing residential capacity on-campus for students and interns.

Health care costs is the second factor to consider when factoring in cost of living for pay scales. The 2018 Mitchell County Community Health Assessment identified the current health priorities for the county and measured the magnitude of the problem, the seriousness of the consequences, and the feasibility of correcting the problem (Mitchell County Health Department and Blue Ridge Regional Hospital, 2018). Access to health care was ranked as the 2nd priority for health in Mitchell County. The following statistics described the resident outlook:

- 17.8% of residents marked that Mitchell County was a "fair/poor" place to live

- 18.8% of residents experience food insecurity in Mitchell County

- 26.8% of young persons in Mitchell County live at or below the poverty rate

Mitchell County has one hospital that only provides critical care. Out of 100 North Counties, Mitchell County ranked 89th in clinical care (Robert Wood Johnson

Foundation, 2016). Clinical care includes primary care physicians, dentists, mental health providers, mammography screenings, etc. Due to lack of access to clinical care, Mitchell County residents may need to drive to different areas of the state to access key health care providers. This can also drive up monthly transportation costs for a household.

Guidelines for determining nonprofit employee pay must consider the cost of living within the area surrounding the nonprofit. Costs of living must also be tied to the competitive salary market rates. "The old frameworks for managing a stagnant talent pool no longer apply; today's workforce is a rushing river that cannot be damned; only directed" (Stahl, 2013, p. 37).

Build a Pay Raise System Framework Tied to Employee Development

The talent investment strategy outlined in the literature review also includes elements of recruitment, development & retention, and retirement & transition for nonprofit employees. Structural and pay changes during the study period could influence each of those elements. A concerning theme in the data was employee perceptions of opportunities to advance at Penland. Survey results showed a general dissatisfaction with opportunities to advance. This was also a theme in the focus group data where all participants felt that they had no opportunities to advance. Supervisors did not share any concerns about opportunities to advance in the interviews, and none of the interview questions directly addressed this topic.

Currently, advancement opportunities on campus are limited due to the small size of the staff and the lack of other art or nonprofit agencies nearby. Advancement can be defined as growth in responsibilities in a current job, changing jobs to another

department, and taking a job (promotion) that increases salary and/or level in the organization. Professional development for nonprofit employees may include training and conferences. While some of the pay and structural changes at Penland created tiers of advancement in some jobs, details on how to advance through these tiers was not shared during the study period.

A next step for Penland is building a pay raise system framework that continues with pay increases and offers advancement opportunities for staff (Table 13). Businesses use various systems for pay raises from regular merit increases to performance review ratings to regular cost of living adjustments (COLA). Based on the study data and my experience, I recommend a system with multiple pathways to pay raises, which promote longevity, skills development, job expansion, and special project work. Using multiple pathways allows for employees to grow in different ways in which the employee chooses. This approach is more inclusive of employee needs and life stages. The following framework also builds on the strength of supervisor support reflected in the study data.

- *Longevity* rewards those who stay with Penland for a long period of time. This employee may stay in the same position or have multiple positions during their tenure; however, Penland would reward this employee for their long-term commitment to the organization.
- *Skills development* compensates those who attend and grow from training and professional development opportunities. Training may include technical, job-based, cultural, or craft education.

- *Job expansion* recognizes those who take on more responsibilities, such as on-call status or increased budget, and grow in supervisory skills by managing other people.

- *Special project work* acknowledges that unique opportunities come along where individuals or teams may be asked to take on more responsibility or perform uncommon work due to special circumstances (Ex. Natural disasters, student crises, etc.).

Table 13

Proposed Pay Raise System Framework

How to Get a Pay Raise at Penland			
Longevity	*Skills Development*	*Job Expansion*	*Special Projects*
Every 5 years Review of work and contributions to Penland Up to xx% increase	Every 2 years Review of new skills from training & professional development Up to xx% increase	As needed Managing interns or work study students Dotted or full-line responsibility for employees Added responsibilities including on-call Significant increase to budget or program scope Up to XX%	As needed Extraordinary team performance Organizational success May be paid as a one-time bonus

This approach also allows Penland to plan ahead financially for multiple layers of pay raises for all employees. While it does not give exact percentages for each pay raise, Penland could plan for several years in advance with a systematic framework. Additionally, building a regular practice of professional development and special project work could increase employee perceptions of creativity at work, which could positively change perceptions from the survey results for creativity, doing different things on the job, and learning new things. This approach would also encourage employees to progress in their careers in different and multiple ways, which could address the focus group theme of connecting creativity to job autonomy.

Uses in Organization Development

I completed this research as part of an applied research component in a masters' program for organization development. Organization development (OD) is a "system-wide application and transfer of behavioral science knowledge to the planned development, improvement and reinforcement of the strategies, structures, and processes that lead to organization effectiveness" (Cummings & Worley, 2014, p. 1). The findings and recommendations follow along the elements of organization design: strategy, structure, management processes, work design, and reward systems (Cummings & Worley, 2014).

OD practitioners can use this research when discussing structure and reward systems elements with clients. The work completed by Penland was focused on reward systems for employees and structural changes for individuals, teams, and the organization. The research includes a compensation philosophy for organizations to use

(Appendix D). This paper also includes the outline for a multi-layered system of pay and structural changes for employees. OD practitioners can also use the pay raise system framework as a tool for replacing traditional, non-inclusive performance review systems for employees.

Study Limitations

I was employed at Penland School of Craft during the time of the action research and was directly involved in crafting the work for using the endowment gift toward staff needs. While I used regular memos and shared information with colleagues outside of Penland to check bias, according to Creswell (2014) the researcher is never neutral. I was out of the country when the online survey was given, and outside consultants conducted the focus groups and individual interviews and anonymized the data for me. While I was not present, a professional, working relationship with me could have impacted employee participation rates.

Another limitation was the timing of the data collection. The online survey was provided during a three-week break between classes at Penland, which seemed helpful for response rates. However, the focus groups and individual interviews were conducted while students were on campus, which limits the availability of staff to participate in voluntary sessions. If done again, I would have offered an online questionnaire with the focus group or individual interview questions that one could complete over a period of time online or by phone. Another option would have been phone interviews at times outside of workday hours.

The final limitation is the discrepancy of online survey answer options between 2018 and 2019. The 2018 online survey answer options were: strongly disagree, somewhat disagree, somewhat agree, and strongly agree. The 2019 online survey answer options were: strongly disagree, somewhat disagree, neutral, and strongly agree. The difference between somewhat agree and neutral could have also impacted the scores between these two scores for the survey.

Suggestions for Additional Research

These limitations and other factors allow for additional research opportunities. The number of employees and variety of jobs (managerial vs. front-line, salary vs. hourly) could vary the results of the data. A nonprofit with mostly executive roles and the resulting compensation may have different employee perceptions than a nonprofit with a variety of different roles and leadership levels. Also, the location of the nonprofit in either rural or urban areas could also lead to new data. For instance, the transportation cost in the monthly basic necessities expense could have variables between using public transit in an urban area versus driving a car in a rural area. I also recommend additional research into non-supervisor nonprofit employees. As stated in the literature review, many capacity building programs in nonprofits are built for leaders, yet the non-supervisor employees play an equally important role in the nonprofit's organization effectiveness.

Conclusion

This paper has detailed action research conducted in a medium-sized arts nonprofit, Penland School of Craft, in North Carolina. This nonprofit received a

transformational endowment gift in 2018, which school leadership decided to use a significant portion for employee pay and structural changes. Action research was completed 12 months after these changes at Penland. An online survey for all employees, focus groups with non-supervisor employees, and individual interviews with supervisors were used to gather data.

Survey results reflected an overall increase in employee satisfaction and engagement; however, a decrease was noted in the opportunities for advancement. Focus group data showcased pay satisfaction as the ability to accommodate basic needs with a living wage. These same participants also felt that few options for advancement were available. Individual interviews demonstrated supervisor support for increased employee pay and acknowledgement that higher levels of leadership had increased their support for employees and supervisors.

I made three recommendations based on this data: increase the internal minimum pay to a living wage standard, factor cost of living into pay scales, and build a pay raise system framework tied to employee career advancement. These recommendations can increase organization effectiveness through employee retention and engagement as part of an overall talent investment strategy (Stahl, 2017). Nonprofits play a critical role in serving our communities and nation. Strengthening their staff capacity and effectiveness increases our ability to help each other, restore our communities, and invigorate the world around us.

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Appendix A: Policy Level Strategic Plan FY 17-21

Mission

Penland School of Crafts supports individual and artistic growth through creative practice and discovery.

Vision

Penland School of Crafts is committed to providing educational programs in a total-immersion environment that nurtures individual creativity. Penland's programs embrace traditional and contemporary approaches, balancing respect for materials and techniques with exploration and innovation.

Core Values

- We honor open communication, honesty, and integrity.
- We assume good intentions in all of our interactions.
- We respect artistic integrity and the role of artists in society.
- We embrace diversity of all kinds.
- We respect and preserve Penland's history as we plan for its future.
- We value long-time friends of craft and encourage the next generations of craft makers and enthusiasts.
- We serve as an asset and resource to the community, the region, the nation, and abroad.
- We take risks to be a leader in craft education.
- We foster a dynamic, supportive, working and learning environment for students, instructors and staff.
- We care for the physical place and are stewards of the environment.
- We support robust financial and strategic planning as a roadmap to sustainability.

Educational Philosophy

- Total-immersion workshop education is a uniquely effective way of learning.
- Close interaction with others promotes the exchange of information and ideas between individuals and disciplines.

- Generosity enhances education – Penland encourages instructors, students, and staff to freely share their knowledge and experience.

- Craft is kept vital by constantly expanding its definition while preserving its traditions.

- Skills and ideas are equally important and their exploration has value that carries into life beyond the studio.

Goals

People - Penland will embrace the people who form its vibrant community and foster their artistic, individual, and professional growth.

Place - Penland will pursue excellence in all facilities and sustain its natural and built environment in support of its community.

Programs - Penland will strengthen and refine its dynamic and visionary programming.

Source: Penland School of Craft, Policy Level Strategic Plan FY17-21, Updated August

31, 2016

Appendix B: 2018 When Work Works Employee Results for Penland

Penland School of Crafts applied for the When Work Works award in June 2018. The When Work Works award and research is a project sponsored by SHRM to recognize and measure work-life policies and practices across the United States. The first phase of the application process included an employer survey of self-reporting on leave policy and practices. SHRM reviewed the employer survey and compared it to the National Study of Employers (NSE), a study of US employer practices, policies, programs, and benefits.

A small group of companies were selected as Finalists (the top 25% of their industries of the US), which included an employee survey about workplace effectiveness and flexibility. The SHRM survey group contacted staff directly, gathered survey results with no identifying information known by Penland, and provided the survey results back to Penland a few months later. The employee survey was based on the SHRM National Study of the Changing Workforce with seven categories identified as components of an effective workplace: opportunities for learning, supervisor support for work success, autonomy, culture of trust, satisfaction with earnings & benefits package, and work-life fit. The survey used a four-point rating scale, and 41 Penland employees responded.

Employee Survey Results for Penland	Strongly Disagree	Somewhat Disagree	Somewhat agree	Strongly Agree
Opportunities for Learning				
1. My job lets me use my skills and abilities.	0.0%	9.8%	24.4%	65.9%
2. The work I do is meaningful to me.	0.0%	12.2%	34.1%	53.7%
3. My job requires that I be creative.	17.1%	2.4%	43.9%	36.6%

4. I get to do different things on my job.	4.9%	9.8%	29.3%	56.1%
5. My job requires that I keep learning new things.	9.8%	12.2%	24.4%	53.7%
Supervisor Support for Work Success				
6. My supervisor is supportive when I have a work problem.	2.4%	2.4%	17.1%	78.0%
7. My supervisor recognizes when I do a good job.	0.0%	4.9%	24.4%	70.7%
8. My supervisor keeps me informed of things I need to know to do my job well.	2.4%	7.3%	29.3%	61.0%
Autonomy				
9. I have a lot to say about what happens on my job.	7.3%	14.6%	29.3%	48.8%
10. I have the freedom to decide what I do on my job.	2.4%	17.1%	31.7%	48.8%
11. I can be myself on my job.	0.0%	4.9%	22.0%	73.2%
Culture of Trust				
12. I trust what our managers say.	0.0%	12.2%	34.1%	53.7%
13. My managers deal ethically with employees and clients.	0.0%	7.3%	22.0%	70.7%
14. My managers seek information and new ideas from employees.	2.4%	14.6%	31.7%	51.2%
Satisfaction with Earnings, Benefits, and Opportunities for Advancement				
15. I am satisfied with my earnings from my job.	19.5%	17.1%	36.6%	26.8%
16. I am satisfied with my benefits from my job.	4.9%	14.6%	43.9%	36.6%
17. I am satisfied with my opportunities for career advancement.	22.0%	22.0%	36.6%	19.5%

Work-Life Fit				
18. My supervisor cares about the effect of work on my personal/family life.	2.4%	0.0%	24.4%	73.2%
19. My supervisor is responsive when I have personal/family business to take care of.	0.0%	2.4%	7.3%	90.2%
20. I have the coworker support I need to successfully manage my work and family life.	0.0%	4.9%	26.8%	68.3%
21. I have the schedule flexibility I need to successfully manage my work and family life.	0.0%	7.3%	17.1%	75.6%
22. My work schedule/shift fits my needs.	0.0%	12.2%	14.6%	73.2%

n=41

Appendix C: Penland Internal Staff Survey – April 2018

		Questions	Score	Responses
1		I am really enthusiastic about the mission of Penland.	4.75	40
2		At work, I clearly understand what is expected of me.	4.59	39
3		In my direct team, I am surrounded by people who share my values.	4.53	40
4		I have a chance to use my professional strengths every day at work.	4.15	40
5		My teammates have my back.	4.63	40
6		I know I will be recognized for good work.	4.20	40
7		I have great confidence in our organization's future.	4.58	40
8		In my work, I am always challenged to grow.	3.83	40

n = 40

Appendix D: Penland Compensation Philosophy

As leaders at Penland, these are our guiding principles for staff compensation:

- *We believe that our staff are highly skilled, strongly qualified, and passionately committed individuals who worked toward fulfilling the Penland mission every day.*

- *We believe that compensation represents the qualifications of our staff members, the economic power of wages, and the financial stability of the organization.*

- *We believe that the financial success of the organization is directly linked to the work of our staff and thus, a shared prosperity in our joint efforts.*

- *We believe that fair and equitable wages increase professional resilience, individual & family financial independence, and greater consumer demand for local goods & services in the local economy, non-profit industry, and craft field.*

- *We believe that industry-leading wages reduce staff turnover, increase productivity, encourage innovative thinking, and improve customer service.*

- *We believe that higher wages allow historically marginalized groups to choose financially sound employment with us and long-term residence in our local community.*

Source: Penland School of Craft, Updated November 2018

Appendix E: Focus Group Research Design & Methods

Participant email invitation script

Dear Penland Staff,

You are invited to participate in a focus group session in the next two weeks. These focus groups are part of our work to incorporate your voices into our personnel planning process for FY20. Specifically, we will discuss your thoughts on pay and benefits here at Penland. Outside interviewers will facilitate these sessions.

Your participation is voluntary. The focus groups are scheduled for one hour per session and will take place in the Craft House meeting room. You only need to participate in one session. Please RSVP directly to the outside interviewer for which session you plan to attend.

<u>Day One</u>

Session #1 at 9am

Session #2 at 10:30am

Session #3 at 1:30pm

Session #4 at 3:00pm

Day Two

Session #1 at 9am

Session #2 at 10:30am

Session #3 at 1:30pm

Session #4 at 3:00pm

These focus groups are part of my research study at Pepperdine University. I am researching a potential connection between employee perceptions of pay and nonprofit performance, specifically at Penland School of Craft. If you choose to participate in a focus group, then you will be asked to sign a consent form as part of my research study. If you have any questions, then feel free to contact me. Thank you!

Sincerely,

Sally Loftis

Focus Group session script

Thank you for participating in our focus group session today. As a reminder, these sessions are informing the construction and priorities for our FY20 personnel budget. Before we begin, we need to cover two items – consent forms and group guidelines. You may have seen some language in the email invite about a research study. Sally Loftis, the principal investigator for this study, pursuing a Masters' of Science degree in Organization Development through Pepperdine University. One piece of the curriculum is the completion of a research thesis. Her topic is the connection between employee perceptions of pay and nonprofit performance, specifically here at Penland.

To participate in this focus group, we need your consent to record your answers and use the notes from this session in her research. We are passing out the consent information and forms now. Let's review the consent form together.

If you are willing to participate, then please print your name, sign your name, and date the paper for me. We will give you a few minutes to review the information and complete the form. We are available for any questions.

Thank you.

Now, we want to review our group guidelines for these sessions. Participation in this group is voluntary. We want all voices to be heard, which means that we will allow space for silence at times. Also, please raise your hand to make a comment. We ask that participants not speak over each other and patiently wait their turn to speak. Next, what's said here stays in here. While we are recording your comments, we are not identifying or sharing individual comments from this session. We are simply looking for themes and patterns across focus groups.

We are going to cover several topics today in this order: pay, benefits, opportunities for advancement, and creativity of work. We will ask a general question and allow your answers to formulate any follow-up questions by me. We will spend about 10 minutes per topic unless the group is ready to move more quickly through the topics. Are you ready?

- When it comes to pay, we are interested in knowing what factors drive your satisfaction with pay.

- What Penland staff benefits are the most important to you? Why?

- What are some ways that you see how your career could advance here at Penland? How?

- When are you doing your most creative work? How often?

Thank you again for participating today. If you have any questions, then please let us know.

Focus Groups: Data Collection Sheet

One outside interviewer will use pen or pencil to write down verbatim notes, while the

other outside interviewer will take notes on a flip chart for all participants to see.

1. When it comes to pay, I am interested in knowing what factors drive your

    satisfaction with pay.

2. What Penland staff benefits are the most important to you? Why?

3. What are some ways that you see how your career could advance here at Penland?

    How?

4. When are you doing your most creative work? How often?

Appendix F: Online Survey Research Design & Methods

Participant email invitation script

Dear Penland Staff,

You are invited to participate in our 2nd annual staff survey in the next three weeks. This online survey is another way to incorporate your voices into our personnel planning process for FY20. You will receive a separate email from me with a link to the Google Form.

You will be asked to complete a secure, online survey with 22 questions about your experience as an employee at Penland. The answers available are part of a 4-point scale, from Strongly Disagree to Strongly Agree. The survey will take 20-30 minutes to complete.

Your participation is voluntary. This online survey is also part of my research study at Pepperdine University. I am researching a potential connection between employee perceptions of pay and nonprofit performance, specifically at Penland School of Craft. If you choose to complete the online survey, then you will be asked to sign a consent form as part of my research study. If you have any questions, then feel free to contact me.

Thank you!

Sincerely,

Sally Loftis

Online Survey script

Thank you for participating in our 2nd annual staff survey at Penland. As a reminder, this survey is informing the construction and priorities for our FY20 personnel budget.

Please read through the following information regarding your consent in a research study.

I am currently pursuing my Master of Science degree in Organization Development

through Pepperdine University. One piece of my curriculum is the completion of a

research thesis. My topic is the connection between employee perceptions of pay and

nonprofit performance, specifically here at Penland. If you are employed by Penland right

now, you may participate in this research.

What is the reason for doing this research study?

The principal investigator (Sally Loftis) of this study is exploring potential connections

between employee perceptions of pay and a nonprofit's performance, specifically at

Penland School of Craft.

What will be done during this research study?

You will be asked to complete a secure, online survey with 22 questions about your

experience as an employee at Penland. The answers available are part of a 4-point scale,

from Strongly Disagree to Strongly Agree. The survey will take 20-30 minutes to

complete.

What are the possible risks of being in this research study?

There are no known risks or discomforts associated with this research.

What are the possible benefits to you?

The participants will gain benefit by providing feedback that will directly impact the

structure and size of the personnel budget for years to come. However, you may not get

any benefit from being in this research study.

How will information about you be protected?

Responses will be gathered on a GSuite form survey sent from the principal

investigator's study site email address. The survey is password protected and only

accessible by the principal investigator. Information will be collected within the study

site firewalls and using the study site's GSuite form platform. IP addresses will be

removed from the data by the study site's IT Manager, so that the principal investigator

will not see or have access to the IP addresses. The study site IT Manager will also sign a

confidentiality form.

What are your rights as a research subject?

You may ask any questions concerning this research and have those questions answered

before agreeing to participate in or during the study.

For study related questions, please contact the investigator(s): Sally Loftis, Principal

Investigator, (704) 619-0575.

For questions concerning your rights or complaints about the research contact the

Institutional Review Board (IRB):

• Phone: 1(402)472-6965

• Email: gpsirb@pepperdine.edu

What will happen if you decide not to be in this research study or decide to stop

participating once you start?

You can decide not to be in this research study, or you can stop being in this research

study ("withdraw') at any time before, during, or after the research begins for any reason.

Deciding not to be in this research study or deciding to withdraw will not affect your

relationship with the investigator or with Pepperdine University. You will not lose any benefits to which you are entitled.

<u>Documentation of Informed Consent</u>

You are voluntarily making a decision whether or not to participate in this research study. By completing and submitting your survey responses, you have given your consent to participate in this research. You should print a copy of this page for your records.

The following secure, online survey contains 22 questions about your experience as an employee at Penland. The answers available are part of a 4-point scale, from Strongly Disagree to Strongly Agree. Please answer each question. The survey will take 20-30 minutes to complete.

Question	Strongly Disagree	Somewhat Disagree	Somewhat Agree	Strongly Agree
1. My job lets me use my skills and abilities.				
2. The work I do is meaningful to me.				
3. My job requires that I be creative.				
4. I get to do different things at my job.				
5. My job requires that I keep learning new things.				

6. My supervisor is supportive when I have a work problem.				
7. My supervisor recognizes when I do a good job.				
8. My supervisor keeps me informed of things that I need to know to do my job well.				
9. I have a lot to say about what happens on my job.				
10. I have the freedom to decide what I do on my job.				
11. I can be myself on my job.				
12. I trust what our managers say.				
13. My managers deal ethically with employees and clients.				
14. My managers seek information and new ideas from employees.				

15. I am satisfied with my earnings from my job.				
16. I am satisfied with my benefits from my job.				
17. I am satisfied with my opportunities for career advancement.				
18. My supervisor cares about the effect of work on my personal/family life.				
19. My supervisor is responsive when I have personal/family business to take care of.				
20. I have the coworker support I need to successfully manage my work and family life.				
21. I have the schedule flexibility I need to successfully manage my work and family life.				
22. My work schedule/shift fits my needs.				

You may also provide additional feedback in this box. (max 250 words)

Thank you again for participating today. If you have any questions, then please let me know.

Online Survey: Data Collection Sheet

The principal investigator will pull data after the online survey dates are complete and compare the data to the 2018 results.

Question	Strongly Disagree	Somewhat Disagree	Somewhat Agree	Strongly Agree
OPPORTUNITIES FOR LEARNING				
1. My job lets me use my skills and abilities.				
2018	0.00%	9.80%	24.40%	65.90%
2. The work I do is meaningful to me.				
2018	0.00%	12.20%	34.10%	53.70%
3. My job requires that I be creative.				
2018	17.10%	2.40%	43.90%	36.60%
4. I get to do different things at my job.				
2018	4.90%	9.80%	29.30%	56.10%
5. My job requires that I keep learning new things.				

	2018	9.80%	12.20%	24.40%	53.70%
SUPERVISOR SUPPORT FOR WORK SUCCESS					
6. My supervisor is supportive when I have a work problem.					
	2018	2.40%	2.40%	17.10%	78.00%
7. My supervisor recognizes when I do a good job.					
	2018	0.00%	4.90%	24.40%	70.70%
8. My supervisor keeps me informed of things that I need to know to do my job well.					
	2018	2.40%	7.30%	29.30%	61.00%
AUTONOMY					
9. I have a lot to say about what happens on my job.					
	2018	7.30%	14.60%	29.30%	48.80%

10. I have the freedom to decide what I do on my job.				
2018	2.40%	17.10%	31.70%	48.80%
11. I can be myself on my job.				
2018	0.00%	4.90%	22.00%	73.20%
CULTURE OF TRUST				
12. I trust what our managers say.				
2018	0.00%	12.25%	34.10%	53.70%
13. My managers deal ethically with employees and clients.				
2018	0.00%	7.30%	22.00%	70.70%
14. My managers seek information and new ideas from employees.				
2018	2.40%	14.60%	31.70%	51.20%
SATISFACTION WITH EARNINGS, BENEFITS, AND OPPORTUNITIES FOR ADVANCEMENT				

15. I am satisfied with my earnings from my job.				
2018	19.50%	17.10%	36.60%	26.60%
16. I am satisfied with my benefits from my job.				
2018	4.90%	14.60%	43.90%	36.60%
17. I am satisfied with my opportunities for career advancement.				
2018	22.00%	22.00%	36.60%	19.50%
WORK-LIFE FIT				
18. My supervisor cares about the effect of work on my personal/family life.				
2018	2.40%	0.00%	24.40%	73.20%
19. My supervisor is responsive when I have personal/family business to take care of.				
2018	0.00%	2.40%	7.30%	90.20%

20. I have the coworker support I need to successfully manage my work and family life.				
2018	0.00%	4.90%	26.80%	68.30%
21. I have the schedule flexibility I need to successfully manage my work and family life.				
2018	0.00%	7.30%	17.10%	75.60%
22. My work schedule/shift fits my needs.				
2018	0.00%	12.20%	14.60%	73.20%

Appendix G: Individual Interviews Research Design & Methods

Participant email invitation script

Dear Penland Supervisors,

You are invited to participate in an individual interview with an outside interviewer in the coming month to discuss the FY20 personnel planning process. Specifically, you will be asked for your thoughts on your team performance and capacity needs for the upcoming year.

Your participation is voluntary. The interviews are scheduled for 30 minutes and will take place in a private on-campus location. The outside interviewer will work with each of you individually to schedule a day and time that accommodates your schedule. These interviews are also part of my research study at Pepperdine University. I am researching a potential connection between employee perceptions of pay and nonprofit performance, specifically at Penland School of Craft. If you choose to participate in an interview, then you will be asked to sign a consent form as part of my research study. If you have any questions, then feel free to contact me. Thank you!

Sincerely,

Sally Loftis

Individual Interview script

Thank you for participating in this interview. As a reminder, these interviews are informing the construction and priorities for our FY20 personnel budget. Specifically, we will discuss your thoughts on your team performance and capacity needs for the upcoming year.

Before we begin, we need to cover two items – consent forms and interview guidelines.

You may have seen some language in the email invite about a research study. The

principal investigator for this study, Sally Loftis, is currently pursuing a Masters' of

Science degree in Organization Development through Pepperdine University. One piece

of the curriculum is the completion of a research thesis. Her topic is the connection

between employee perceptions of pay and nonprofit performance, specifically here at

Penland.

To participate in this interview, I need your consent to record your answers and use the

notes from this session in my research. I am passing out the consent information and

forms now. Let's review the consent form together.

If you are willing to participate, then please print your name, sign your name, and date

the paper for me. I will give you a few minutes to review the information and complete

the form. I am available for any questions.

Thank you.

Now, I want to review our interview guidelines for these sessions. Participation in this

interview is voluntary. I am recording your comments verbatim so I may need to pause

you at times to accurately capture your thoughts. Finally, I will send our notes back to

you for confirmation that everything was recorded appropriately. I ask that you respond

with your confirmation or changes within 3 days of that email. Do you have any

questions?

We are going to cover several topics today in this order: structural changes made to your

team in the last 18 months, capacity needs for your team, pay & benefits feedback for

your team, and the support you need as a supervisor. I will ask a general question and allow your answers to formulate any follow-up questions by me. We will spend about 5 minutes per topic unless you are ready to move more quickly through the topics. Are you ready?

- What structural changes have been made in your team in the last 18 months?

- Have they been effective?

- How do you measure success for your team?

- What capacity needs are you anticipating for your team in the next 18 months?

- What concerns or feedback do you have regarding pay and benefits for your team?

- What support do you need to continue growth as a leader at Penland?

Thank you again for participating today. If you have any questions, then please let me know.

Individual Interviews: Data Collection Sheet

The outside interviewer will take notes on a computer while listening to the participant.

1. What structural changes have been made in your team in the last 18 months?

2. Have they been effective?

3. How do you measure success for your team?

4. What capacity needs are you anticipating for your team in the next 18 months?

5. What concerns or feedback do you have regarding pay and benefits for your team?

6. What support do you need to continue growth as a leader at Penland?

Appendix H: Study Introduction to Penland School of Craft Staff

Dear Penland Staff,

Thank you for continuing to share your feedback about your experience as a staff member here. We are about to embark on a six-month feedback process with you. The information gathered in this process will directly feed into the construction & priorities for our FY20 personnel budget and inform future personnel budgets and needs. The process will compose of three parts:

1. **Focus groups**: Outside interviewers will lead focus groups for non-supervisory employees in <date TBD> 2019. These focus groups will focus on your perceptions of pay and benefits here at Penland. Different sessions will be offered that accommodate everyone's schedules. The focus groups will include 6-8 people in each session and last up to an hour.

2. **Online survey**: Our 2nd annual staff survey will be distributed online in <date TBD>. This survey will follow the same format as the one you completed last year for the When Work Works award. The survey will be anonymous and available for three weeks to complete.

3. **Individual interviews**: All supervisors will be asked to participate in individual interviews with outside interviewers in <date TBD>. These 30-minute, face-to-face interviews will focus on team changes and performance in the last 18 months.

Additionally, I am completing a masters' degree program in organization development right now, and one of the requirements is a research thesis. I am researching how

employee perceptions of pay impact a nonprofit's performance, and Penland is my study site. Therefore, the outside interviewers will ask anyone who participates to sign a consent form for our focus groups and interviews. No identifying information will be gathered from you; I am only sharing themes and patterns so other nonprofits can learn from us.

We are excited to hear your voices and let them inform our next steps. Thank you in advance for your help.

Sincerely,

Sally Loftis

Human Resources Manager