



Building a Community Action Workforce for the Future

2025 NECAP Conference

March 27, 2025



1



- Current Workforce Challenges
- Compensation Strategies
- Managing for Employee Retention

2

2

Question #1

What is your role at your organization?

- HR staff
- Executive Director
- CFO/finance staff
- Program staff
- Other?



3

3

Question #2

What workforce issues/challenges are you most concerned about?



4

4

Workforce Challenges

What workforce challenges are you experiencing?

- Funding shortages?
- Competitive compensation?
 - Salaries/wages/benefits/bonuses
- Staff qualifications?
- Stress and burnout?
- Internal advancement opportunities?
- Employee retention?
- More?



5

5

Compensation Strategies

6

Casey

Casey is a seasonal LIHEAP intake specialist for your CAA. Between November and March of each year, she reviews and processes LIHEAP applications. While her position is supposed to be 40 hours/full-time, she often ends up working 45 or more hours during busy weeks, including some Saturdays and recognized holidays.

What compensation practices should your CAA review with respect to Casey?



7

7

Fair Labor Standards Act

- **Must pay minimum wage + OT, unless exempt**
- **“White collar” exemptions** (29 C.F.R. Part 541)
 - Executive, administrative, professional (EAP) – must meet:
 - Salary basis test
 - Salary level test
 - (\$684/week; \$35,568/year)
 - Duties test
- **Non-exempt employees**
 - Cannot agree to waive OT pay if the employee is non-exempt



8

8

State Wage Laws

- State minimum wage = ?
 - Federal minimum wage applies if higher (\$7.25 per hour)
- Check if state laws require:
 - Holiday pay premium
 - Meal or rest breaks
 - Sick leave/vacation time
- OT = More than 40 hours/week?
 - Some states require premium for working more than 8 hours/day



9

9

Pay-Based Incentives

- **Salary or overtime increase**
- **Salary bands**
 - Pay range with upper and lower limits for a specific job title
 - Objective criteria: knowledge, skills, responsibilities
 - Transparency → career development, engagement, retention
- **Skills-based pay increases**
 - Motivate employees to acquire specific, higher-level job skills
 - E.g., degrees, certifications, technical skills

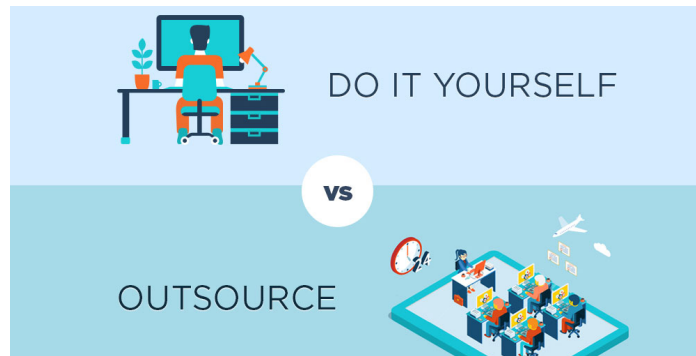


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10

What Type of Comparability Data?

- Private consultants (e.g., National Council of Nonprofits, Center for Community Futures)
- Peer organizations
- Regional office
- State association
- State office
- Academic institutions



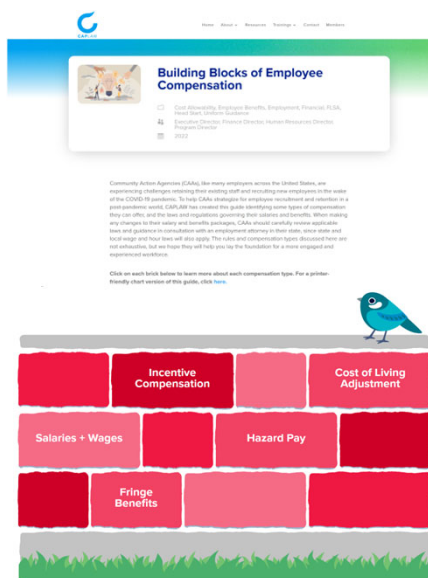
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11

Employee Compensation Rules

CAPLAW Online Guide

<https://resources.capl原因.org/resources/building-blocks-of-employee-compensation/>



12

12

Casey

A number of LIHEAP employees have recently left your CAA. Your CAA is worried about having enough staff to meet the demand for services this winter.

What can your CAA do to get Casey to stay with the agency?



13

13

Incentive Pay

IRS

• 501(c)(3) organizations

- Must operate exclusively for tax-exempt purpose(s)
- No part of total earnings may flow to the benefit of any private individual; no private inurement
- Multiple factors to determine if incentive compensation = private inurement
 - Is total compensation reasonable? Ceiling?
 - Does org have conflict of interest policy? Arm's length?
 - Business purpose?
 - Services personally performed?



14

14

Incentive Pay

2 C.F.R. § 200.430(f)

- What is incentive pay?
 - A temporary, discretionary increase in pay
- Uniform Guidance: “Incentive compensation to employees based on **cost reduction, efficient performance, suggestion awards, or safety awards** is allowable” if:
 - Total compensation is reasonable
 - Paid pursuant to written agreement in place **before the services were rendered**



15

15

Incentive Pay

Written Policy

- **Purpose:** Make a connection to Uniform Guidance purposes
 - Cost reduction, or efficient performance, suggestion awards, or safety awards

DAB Allowed	DAB Disallowed*
Above-average job performance	Make up for historically low salaries
Successful cost-cutting efforts	Recognize job seniority or length of service
	Unexpended grant funds at end of year

*At least for Head Start, pandemic may have changed this analysis for historically low salaries and seniority/length of service



16

16

Incentive Pay

Written Policy

- **Incentive criteria**

- Objective, realistic, and linked to CAA's accomplishment of exempt purpose
- Apply criteria to individual employees (safest)
- If applying to a group of employees, must show that each recipient met the incentive criteria



17

17

Incentive Pay

Recommendations

- **Get board approval**
- **Charge to the proper grant period**
 - Grant period in which incentive criteria were met
- **Apply plan consistently**
 - Don't make it too complicated
 - Must follow incentive criteria
- **Call it as it is**
- **Document, document, document**
- **Report properly on Form 990**



18

18

Incentive Pay

Are these allowable?

- **Paying Casey an additional \$500 to stay through the LIHEAP season?**
- **Paying Casey an additional \$500 if she refers a friend who is hired by your CAA?**
- **Paying Casey an additional \$100 if she processes a certain number of applications each week?**



19

19

Hazard Pay

- Not explicitly addressed in Uniform Guidance or CSBG Act
- Evaluate under general compensation considerations (2 C.F.R. § 200.430(a))
 - Total compensation must be reasonable
 - Paid under an established written policy (before services are rendered)
 - Supported by sufficient documentation



20

20

Hazard Pay

Recommendations

- Determine eligibility – frontline/essential workers
- Establish time frame of additional pay
- Ensure total compensation is reasonable
- Develop a written policy
- Apply consistently



21

21

How Much Is Too Much?

- **Themes here:**
 - **Reasonableness**
 - **Comparables**
 - Head Start Act
 - Also, remember Executive Level II limit
 - Uniform Guidance
 - IRS compensation safe harbor
 - Rebuttable Presumption if certain criteria met (e.g., independent board/committee approved, considered objective comparability data, recorded in minutes, etc.)



22

22

Employee Benefits

Uniform Guidance – Allowable Costs

- Costs of fringe benefits are **allowable** if (2 C.F.R. § 200.431(c)):
 - Reasonable
 - Established under **written policies** or required by law
 - **Equitably allocated to all related activities**, including federal awards, consistent with how employee salaries and wages are charged



23

23

Employee Benefits

- Skills development
- **Flexible work hours**
- Leave/vacation time
- Remote work options
- Childcare (vouchers or on-site)
- Healthcare
- Loan forgiveness
- Wellness (gym membership, classes)
- Technology



24

24

Employee Benefits

- Conferences
- Retreats
- Fitness/wellness walking
- Recruitment incentives
- Employee assistance program



25

25

Remote Work and Retention

- Increasingly, employees want remote and hybrid options



26

26

CAPLAW's Sample Remote Work Policy

- Includes sample language + annotations
- Customizable for your CAA's preferences
- Should consult with local counsel

CAA's Policies Remain in Effect

Employees permitted to work remotely must continue to abide by CAA's Employee Handbook and all other applicable employee policies, including [Other Policy Name] policies. Failure to follow CAA policies may result in termination of the remote work arrangement and discipline, up to and including termination of employment.



⁴ Remote work arrangements that involve employees working from a state other than the one where their employer is physically located may affect how state and federal tax laws apply to both the employee and the employer. CAAs considering such an arrangement are advised to consult with local tax professionals to fully understand the tax implications – particularly those concerning payroll and income tax laws – before committing to the arrangement.

27

27

Managing for Employee Retention

28

Promoting Productivity

What do employees really want?

- Employees want to:
 - Be **connected** with people and inspired by the purpose of their organization and
 - Make a meaningful **contribution**, experience growth, and be rewarded accordingly
- Create a culture of recognition, encouragement, and feedback



29

29

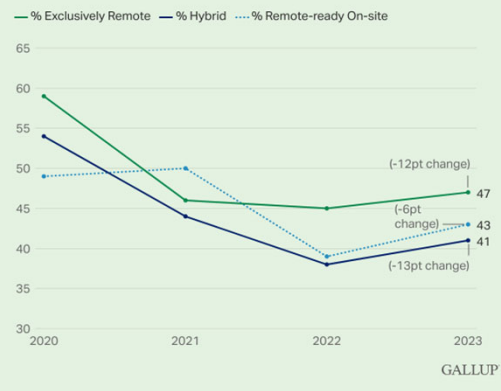
Setting Expectations

Do employees know their role?

- Recent research indicates that less than half of employees know what is expected of them at work
- New challenges have arisen in the hybrid or remote workplace since 2020

Employees Losing Sight of What's Expected of Them in the New Workplace

I know what is expected of me at work.



30

30



Setting Expectations

CSBG Organizational Standard 7.3

CSBG Org. Standard 7.3 (Nonprofit):

- The organization has written job descriptions for all positions, which have been updated within the past 5 years.

CSBG Org. Standard 7.3 (Public):

- The department has written job descriptions for all positions. Updates may be outside of the purview of the department.



31

31

Performance Reviews

Purpose

- Create alignment and shared understanding
- Mutual goal setting and motivation
- Reinforces good performance (and addresses not-so-good)
- Basis for raises, bonuses, and other forms of recognition
- Creates a record for legal defense



32

32

Performance Reviews

CSBG Organizational Standard 7.6

CSBG Org. Standard 7.6 (Nonprofit):

- The organization has a policy in place for regular written evaluation of employees by their supervisors.

CSBG Org. Standard 7.6 (Public):

- The department follows local governmental policies for regular written evaluation of employees by their supervisors.



33

33

Performance Reviews

CSBG Organizational Standard 7.6

- Requires a policy be in place
 - Policy should be included in personnel policies/employee handbook (see Organizational Standard 7.1)
- Does NOT require that all employees have an annual review

Tips

- Select a frequency that is manageable
- Create templates to ensure consistency
- Provide evaluators with training on how to approach objectively



34

34

Performance Reviews

Preparing the Evaluation

- Job description should be the starting point
 - Ensure essential job functions and duties are up to date
 - Employees should know what they are measured against
- Don't surprise the employee or schedule reviews directly following problematic performance or conduct
- Written reviews should focus on examples of conduct and appraisals must be justifiable
- Abide by formalities: have employees sign; file the signed forms



35

35

Performance Reviews

Examples

Bad

Does not get along with co-workers.

Good

He has gotten into arguments with co-workers on 4 occasions without provocation; does not volunteer to assist when co-workers are busy; and co-workers have complained about his rudeness.

Bad

She is the best assistant I have ever had.

Good

She gets along well with clients; she anticipates needs before asked; she is accurate in document preparation; and she delegates work well when I am unavailable.



36

36

Performance Reviews

Other Considerations

- Keep the process confidential, but assume employees will talk
- Avoid the appearance of favoritism; be consistent with what conduct is excused or addressed
- Tackle areas for improvement right away/don't let things fester
- Consider reviewing policies if employee conduct shows they are unclear or lack formality (e.g., not in writing)



37

37

Survey Says...

Employee Job Satisfaction and Engagement?

- **Respectful** treatment of all employees at all levels
- Compensation/pay
- **Trust** between employees and senior management
- Job **security**
- **Opportunities** to use their skills and abilities at work

And increasingly, since the pandemic...**flexibility**

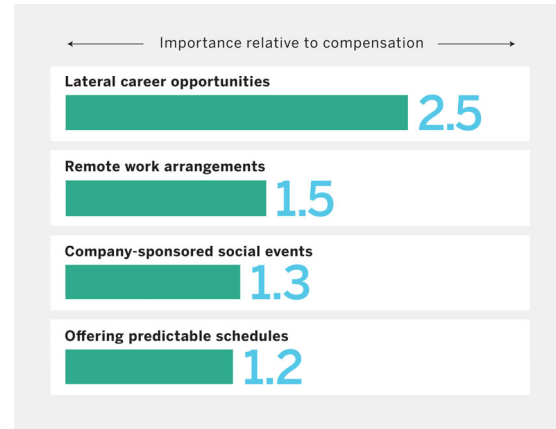


38

38

Effective Retention Strategies

- Strategic recruitment
- Socialization
- Training and development
- Compensation and benefits
 - Link rewards to retention
- Effective and fair supervision



Toxic Culture is Driving the Great Resignation
By Donald Sull, Charles Sull and Ben Zweig

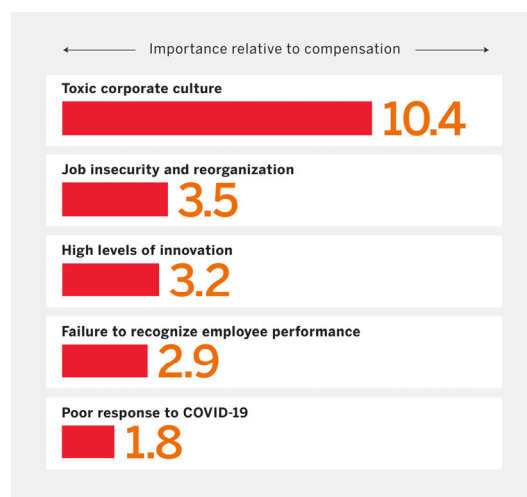
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39

Effective Retention Strategies

Leading predictors of attrition beyond compensation



Toxic Culture is Driving the Great Resignation
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40



40

Accountability

1. Clear expectations
2. Clear measurement
3. Clear feedback
4. Clear consequences



41

41

Cost-Saving Workplace Options

Evaluating Cost-saving Workforce Options in Leaner Times

<https://caplaw.org/resources/evaluating-cost-saving-workforce-options-in-leaner-times>

Evaluating Cost-Saving Workforce Options in Leaner Times

March 2025



In the face of potential federal budget cuts or a government shutdown, many Community Action Agencies (CAAs) are evaluating cost-saving workforce options—from laying off staff to reducing hours or freezing wages. To help CAAs weather tough financial times and protect themselves against potential employment claims, this article provides an overview of some of the more common approaches a CAA may take to reduce staffing costs, as well as some of the key federal legal issues to consider when weighing these options.

Most cost-saving workforce options implicate the Fair Labor Standards Act (FLSA), the federal law that establishes employment and labor requirements, including minimum wage, overtime pay, and recordkeeping for covered full-time and part-time workers. Employees who qualify for overtime pay under the FLSA are called "non-exempt" and those who fit an exemption in the FLSA are called "exempt" employees. This article addresses how some approaches to cost-saving will impact exempt and non-exempt employees differently. For more information on the FLSA, see CAPLAW's FAQ, [Overview of FLSA Principles](#).

Since each CAA's situation is different and state laws vary, it is important to consult with an employment attorney in your state before implementing any of these options.

Hiring and Wage Freezes

One of the least disruptive cost-saving approaches is a hiring freeze. As positions become vacant due to normal attrition, a CAA may consolidate or restructure its operations to spread the work among the remaining employees. It is important to be aware of and acknowledge the extra work placed on the remaining employees and the possible decrease in employee morale as a result. Also, this approach may increase staffing costs for non-exempt employees if the increased workload results in them working additional hours at their overtime pay rate.

Holding employees' wages at their current level is another option. Employers generally have the ability to negotiate and determine pay rates for employees. Employees must still be paid for all hours worked during a wage freeze, including overtime for non-exempt workers. CAAs should check any collective bargaining agreements or employment contracts for terms that prohibit wage freezes. Public CAAs may also be subject to local laws that prevent them from interfering with established pay scales and schedules. Finally, to mitigate the risk of discrimination claims, ensure that the pay rate of employees hired during a wage freeze is consistent with that of existing employees.

Layoffs and Severance

One of the most common responses to an economic downturn or a loss of funding is to lay off (i.e., terminate) employees. Layoffs raise a number of legal and practical issues, such as potential discrimination



42

Cost-Saving Workplace Options

- Hiring and wage freezes
- Layoffs and severance
 - WARN Act compliance
- Furloughs
- Reductions in pay/hours
- Reductions in fringe benefits



43

43

QUESTIONS?



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44