

Nonprofit Salaries:

Achieving Parity with the Private Sector

by Rick Cohen

Nonprofit workers frequently earn less than their private-sector counterparts.

WE NONPROFIT TYPES ARE UNDERPAID: true or false? The answer is a little of both. And this idea stands in contrast to the given wisdom: that the nonprofit sector pays lower salaries but attracts workers who want vocational mission and purpose, not just compensation. The quest for purpose doesn't always translate into lower compensation; earnings are also dictated by organizational size and occupational activity.

Still, those who work for nonprofits are likely to be paid less than their counterparts in the private sector or in government, and particularly in higher-level jobs and management. The situation is more mixed at lower levels, but the overall picture is pretty clear. Nonprofit workers frequently earn less than their private-sector counterparts, according to unpublished July 2008 wage estimates for full-time private-industry workers and workers in the nonprofit sector from the National Compensation Study (NCS) by the Bureau of Labor Statistics (BLS).¹

Occasionally, BLS has published broad comparisons of nonprofit, private sector, and state and local government earnings (notably the reports of BLS statistician Amy Butler using 2007 NCS data).² For this article, we use unpublished data from the most recent NCS and compare full-time employees' earnings in some 250 occupations based on the 2000 Standard Occupational Classification System and by size of establishment.

What jumps off the page—or the spreadsheet, so to speak—is that nonprofit earnings, particularly in higher-status occupations such as management and technical jobs, lag other sectors, particularly at larger employers with 100 or more employees.

Management Occupations

For “management occupations,” median earnings for workers in large nonprofit establishments (i.e., those with 100 or more employees) were \$72,509, compared with private-sector median earnings of \$94,628. Thus private-sector management occupations pay 30 percent more than those in nonprofits. In small nonprofit organizations (i.e., those with fewer than 100 employees), the difference is less pronounced: \$68,334 for private-sector

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All Lights
That Are Not
Necessary!

Howard Clothes

Before carrying any
package out of this
building, the package
must be checked by the
guard on the main floor.

Howard Clothes

Punch Ticket
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Occupational activity
is sometimes more
significant for salaries
than is an employer's
tax status.

Table 1: Management Earnings at Large Nonprofits and at Large Private-Sector Establishments		
Occupation	Large Nonprofits	Large Private-Sector Employers
Financial managers	\$77,563	\$97,494
Human-resource managers	\$61,757	\$89,673
Administrative services managers	\$60,029	\$72,563

Table 2: Management Earnings at Small Nonprofits and at Small Private-Sector Establishments		
Occupation	Small Nonprofits	Small Private-Sector Employers
Financial managers	\$75,000	\$70,000
Administrative services managers	\$56,888	\$57,000
Public relations managers	\$53,660	\$82,772

Table 3: Management Earnings in Education, Health Care, and Community Service at Large Nonprofits and at Large Private-Sector Establishments		
Occupation	Large Nonprofits	Large Private-Sector Employers
Educational administrators	\$65,643	\$64,200
Educational administrators: Elementary and secondary school	\$91,414	\$91,200
Educational administrators: Postsecondary	\$65,254	\$64,200
Medical and health-service managers	\$80,379	\$81,640
Social- and community-service managers	\$52,790	\$52,316

management occupations, compared with \$61,407 for nonprofit management occupations.

In organizations with fewer than 100 employees, median private-sector CEO earnings were \$161,189, compared with \$100,000 for nonprofits. In these small private-sector organizations, CEO salaries were almost two-thirds higher than at nonprofits. One might guess that the disparity for larger employers is much greater. While we don't have the nonprofit-sector data, the NCS data includes overall private-sector earnings for large establishments: median earnings are \$258,440, and mean salary is \$419,398.

Those for-profit earnings compare with some of the larger and better-paying nonprofits, such as colleges and universities. A recent Internal Revenue Service survey of 344 institutions of higher education, for example—presumably all of which had more than 100 total employees—cites median total compensation of the highest-paid “officer, director, trustee, or key employee” between \$256,000 (for medium-size organizations) and \$439,000 (for large organizations).³ In some instances, these salaries are paid to university CFOs, treasurers, and even school deans.

Nonetheless, looks are deceiving, particularly

for higher-status jobs in the private sector. In addition to wages, for-profit sector CEOs generally receive substantial additional bonus compensation and equity (i.e., stock), neither of which is generally available in the nonprofit sector.

For specific kinds of management occupations at larger employers, income disparities with salaries at nonprofits are evident (see table 1, above). But for smaller nonprofits, the disparities nearly disappear (see table 2, above).

In larger organizations and in industries such as health care and social service, some management occupations do not show significant differences. Similar compensation levels suggest that the kind of occupational activity is sometimes more significant than the nonprofit or for-profit status of an employer (see table 3, above).

While not a management occupation, the position of attorney is generally considered to be well compensated. But lawyers at nonprofits earn far less than their peers in the private sector. They show median earnings of \$86,068, compared with \$150,345 at larger private-sector employers. The difference is smaller for small organizations: lawyers earning a median of \$78,499 in nonprofits, compared with \$82,616 in smaller private-sector

Table 4: Social-Service Earnings at Nonprofits and Private-Sector Establishments

Occupation	Large Nonprofits	Small Nonprofits	Large Private-Sector Organizations	Small Private-Sector Organizations
Social workers	\$36,360	\$31,500	\$40,003	\$36,402
Child, family, and school social workers	\$31,500	\$38,542	\$35,090	\$31,812
Medical and public-health social workers	\$38,542	\$37,190	\$52,625	\$40,008
Mental-health and substance-abuse social workers	\$37,190	\$27,944	\$34,451	\$38,667
Miscellaneous community and social-service specialists	\$27,944	\$25,000	\$28,246	\$28,187
Social- and human-service assistants	\$25,000	\$31,500	\$25,501	\$25,168

Some occupations—no matter the sector—do not garner large salaries.

Table 5: Administrative Earnings at Nonprofit and Private-Sector Establishments

Occupation	Large Nonprofits	Small Nonprofits	Large Private-Sector Organizations	Small Private-Sector Organizations
Secretaries and administrative assistants	\$32,760	\$35,277	\$39,520	\$35,360
Executive secretaries and administrative assistants	\$37,174	\$39,520	\$44,970	\$41,912

establishments overall. The implication for law school graduates is pretty clear: one sacrifices income to serve a nonprofit's mission.

Social-Service Occupations

Some occupations—no matter the sector—do not garner large salaries. The BLS compensation survey data suggests that regardless of employer tax status, workers in the social-service sector are not particularly well compensated (see table 4, above).

In this category, the most significant median earnings disparity is the comparatively higher pay of medical and public-health social employees that work for private-sector employers. Because many nonprofit jobs are in the social-service and health-care service sectors, the lower earnings of nonprofit employees characterize a larger proportion of nonprofit employment than overall private-sector employment. Moreover, these positions are often paid for largely by government grants or contracts. So legislators and public-agency directors are in a position to address and correct these lower wages.

Administrative Support Staff

In the nonprofit sector, administrative and office staff members also receive lower wages as compared with the private sector (see table 5, above).

For smaller employers, the differences are relatively small. But for larger employers, the differences are notable: secretaries and administrative

assistants earn 20 percent more in large private-sector establishments.

Child-Care and Home Health—Care Occupations

In some job categories where employees are poorly paid, the nonprofit sector appears—perhaps more than private industry—to pay better.

Child-care workers are routinely poorly paid—no matter the sector in which a worker is employed. In large nonprofit establishments, child-care workers have median annual earnings of \$23,021; child-care workers in private-sector industry establishments earn \$22,657. In smaller establishments, earnings are even worse: child-care workers earn \$19,049 in the nonprofit sector, compared with \$17,680 for those in private industry.

The same generally applies to home health-care occupations, where the nonprofit sector has led the charge in improving working conditions, particularly among large employers (see table 6 on page 48).

In small nonprofits, employees earn more in these occupational categories, though in general compensation levels are lower (see table 7 on page 48).

Nonprofits probably deserve some credit for raising the incomes of home-health aides, for example. The efforts of groups such as Cooperative Home Care Associates—the first worker-owned home health-care cooperative in

The high proportion of nonprofit part-timers further depresses nonprofit wages.

Table 6: Earnings of Home Health—Care Workers at Large Nonprofit and at Private Sector Establishments		
Occupation	Large Nonprofits	Large Private-Sector Employers
Personal care and service occupations	\$21,785	\$18,200
Personal and home-care aides	\$19,855	\$19,284
Health-care support occupations	\$24,606	\$23,829
Nursing, psychiatric, and home-health aides	\$23,531	\$22,776
Home-health aides	\$20,592	\$19,968

Table 7: Health-Care Earnings at Small Nonprofits and at Small Private Sector Establishments		
Occupation	Small Nonprofits	Small Private-Sector Employers
Health-care support occupations	\$22,256	\$26,654
Nursing, psychiatric, and home-health aides	\$21,466	\$20,124
Home-health aides	\$20,925	\$19,760
Nursing aides, orderlies, and attendants	\$23,296	\$20,475

the United States, which was founded in 1985—and the Paraprofessional Healthcare Institute (PHI), whose mission is to “improve the lives of people who need home or residential care . . . by improving the lives of the workers who provide that care,” have helped protect the incomes and working conditions of home-care workers against the intrusion of low-wage and exploitative for-profit employers in the field.

State and Local Government Occupations

Earnings comparisons between nonprofit, private-sector, and government-sector employers frequently lean toward higher earnings in government, though this may be attributable to the impact of public-sector unionization (see table 8 on page 49).⁴ The pattern of lowest earning levels (which are indicated in gray in table 8) suggests that nonprofit employees at management levels tend to be paid less. In some categories, particularly low-level service jobs such as home-health care and child care, the private sector pays the lowest.

In many categories, however, local and state government median earnings are higher than in other sectors (the highest-earning sector is indicate in dark green in table 8), particularly in occupational categories where the benefits of unionization through the Service Employees International Union, the American Federation of State, County and Municipal Employees, and the teachers unions, for example, are prevalent

(see table 9 on page 49).

The 2009 BLS Current Population Survey counted 7.9 million public-sector workers and 7.4 million private-sector employees in unions, though the total number of private-sector workers—union and nonunion—is five times that of public-sector workers. Local-government employees (43.3 percent) demonstrate the highest rate of unionization (which also benefits nonunionized workers who are covered by union-negotiated wage standards and contracts). It pays off in earnings, as full-time wage and salary workers represented by unions had median weekly earnings of \$908, compared with nonunion workers with median earnings of \$710.⁵

Earnings of Consequence

Nonprofit-sector employment is hardly inconsequential. The Agency for Healthcare Research and Quality in the Department of Health and Human Services counted 15.4 million employees at 534,554 nonprofit organizations.⁶ This number probably includes churches and other tax-exempt or nonprofit private-sector workplaces, in addition to 501(c)(3) public charities.

Of this total, some 25 percent—3.4 million people—are part-time employees of nonprofits, compared with less than 20 percent of employees in for-profit workplaces.⁷ The high proportion of nonprofit part-timers has two implications. One is obvious: part-time employees—many desiring but unable to secure full-time positions—earn

Table 8: Earnings in Nonprofits, Private Organizations, and in State and Local Industry

Occupational category	Nonprofit Organizations	Private Industry	State and Local Government
All workers	\$36,837	\$34,341	\$43,139
Management occupations	\$64,943	\$82,772	\$76,151
Chief executives	\$102,076	\$187,870	\$111,405
Public relations managers	\$70,400	\$78,562	\$68,557
Administrative service managers	\$56,888	\$66,194	\$68,453
Financial managers	\$75,000	\$83,500	\$81,942
Human-resources managers	\$65,000	\$81,286	\$78,287
Social- and community service managers	\$49,002	\$47,832	\$68,368
Community- and social-service occupations	\$33,312	\$34,091	\$44,307
Social workers	\$36,576	\$37,500	\$41,517
Lawyers	\$78,499	\$118,000	\$77,183
Health-care support occupations	\$24,003	\$24,107	\$25,130
Nursing psychiatric and home-health aides	\$23,254	\$21,840	\$23,982
Home-health aides	\$20,592	\$19,968	\$20,405
Child care	\$21,590	\$18,200	\$20,950
Personal and home-care aides	\$21,464	\$20,906	\$25,990
Office and administrative support occupations	\$31,013	\$30,680	\$32,698
Secretaries and administrative assistants	\$33,405	\$37,440	\$33,925
Executive secretaries and administrative assistants	\$38,343	\$43,539	\$38,085

Nonprofits tend to provide health benefits more frequently than do private employers.

Table 9: Wages of Unionized and Nonunionized Workers

Union Status/Employment Sector	Nonunion Employees' Mean Hourly Earnings	Unionized Employees' Mean Hourly Earnings	Percentage Difference
All civilian workers	\$19.89	\$24.74	24.4%
Private-industry workers	\$19.62	\$22.44	14.4%
State and local government workers	\$22.59	\$28.18	24.7%

less than their full-time counterparts. Not only do full-time nonprofit employees earn less than private-sector workers in general, but nonprofit incomes are lower still because many employees work only part time.

The other implication involves bonuses and other perks. As noted, nonprofit employees receive far less in bonuses than do private-sector workers and next to nothing in equity.

Nonprofits, however, tend to provide health benefits more frequently than do private employers: 94.3 percent of nonprofit organizations offered health insurance, compared with 88.7 percent of incorporated for-profit organizations and 77.7 percent of unincorporated for-profit workplaces.⁸

Many nonprofits provide staff with health benefits—perhaps to compensate for lower

wage rates. But part-time employees often fail to qualify for health insurance. Despite the higher proportion of nonprofit workplaces offering health insurance, only 61.1 percent of nonprofit employees are enrolled in their employers' health plans, compared with 62.0 percent of workers at incorporated for-profits and 58.6 percent at unincorporated for-profits. The “competitive employment advantage” of nonprofit establishments over private organizations is thus negated somewhat by the sizable number of part-time employees in the nonprofit sector.

The reality is that the nonprofit sector is a sector of small organizations. If earnings equity is approximated only on occasion in the largest nonprofit establishments, the bulk of the nonprofit sector will find itself relegated to subpar compensation levels.

The norm is that nonprofit-sector salaries simply do not compete with private-sector wages.

Nonprofit employers that provide the highest earnings are those with 100 or more employees. Nearly 75 percent of full-time employees work for nonprofits with 100 or more employers. But only 22.3 percent of nonprofit employers employ 100 or more people full time, and only 6 percent have 1,000 or more employees. More than 25 percent of employees at incorporated for-profits work in establishments with 100 or more employees, and 18.3 percent with 1,000 or more.⁹

Toward Competitive Nonprofit Compensation

As the survey data indicates, nonprofit jobs occasionally outperform private-sector employment in compensation. But the norm is that nonprofit-sector salaries simply do not compete with private-sector wages. Nonprofit employees are more likely to accept lower wages because they gravitate toward a sector based on mission, purpose, and “doing good.”

Mission and motivation are laudable, but substandard incomes are not. Thus, a major priority of the nonprofit sector has to be wage parity with the private sector. With many nonprofit jobs paid for by government, the idea of a nonprofit sector that pays 10 percent to 30 percent less than do state and local government jobs creates a two-tiered public-service economy. At the top tier are better-compensated jobs in local and state government, and in the bottom tier are lower-earning nonprofit jobs that are often human-service jobs. The nation risks what economist Robert Kuttner calls the “casualization” of the nonprofit sector into one of low wages, long hours, and burnout, calcifying into a below-living wage nonprofit industry standard. Low compensation ought to be a campaign issue for the nonprofit sector. A reasonable and forthright standard would be one like this proposition from Kuttner. “Let’s have a national policy to make every human-service job a good job: one that pays a living wage with good benefits, and includes adequate training, professional status, and the prospect of advancement—a career rather than casual labor.”¹⁰

The alternative is a vision of nonprofit jobs structured as bargain-basement earnings and compensation, which nonprofit employees often

accept because of the intangible benefits of doing good or doing God’s work. But the reality is that mission and purpose cannot offset low wages, minimal bonuses, and negligible other forms of nonwage pay.

ENDNOTES

1. The Bureau of Labor Statistics’ Web site provides a description of the National Compensation Study (NCS) methodology; see www.bls.gov/ncs/methodology.htm; for more on the NCS methodology, see www.bls.gov/opub/hom/pdf/homch8.pdf.
2. The Bureau of Labor Statistics (www.bls.gov/opub/cwc/cm20090123ar01p1.htm, www.bls.gov/opub/cwc/cm20081124ar01p1.htm, and www.bls.gov/opub/cwc/cm20081022ar01p1.htm).
3. *IRS Exempt Organizations Colleges and Universities Compliance Project Interim Report*, the Bureau of Labor Statistics, May 2010 (www.bls.gov/ncs/methodology.htm).
4. Statistics from the 2007 *National Compensation Survey* (www.bls.gov/opub/cwc/cm20081022ar01p1.htm, <http://www.bls.gov/opub/cwc/cm20090123ar01p1.htm>, www.bls.gov/opub/cwc/cm20081124ar01p1.htm).
5. The Bureau of Labor Statistics (www.bls.gov/news.release/union2.nr0.htm).
6. The Agency for Healthcare Research and Quality, Table I.B.1 (www.meps.ahrq.gov/mepsweb/data_stats/summ_tables/insr/national/series_1/2008/tib1.pdf) and Table I.A.1.a. (www.meps.ahrq.gov/mepsweb/data_stats/summ_tables/insr/national/series_1/2008/tia1a.pdf).
7. The Agency for Healthcare Research and Quality, Table I.B.4 (www.meps.ahrq.gov/mepsweb/data_stats/summ_tables/insr/national/series_1/2008/tib4.pdf).
8. The Agency for Healthcare Research and Quality, Table I.B.2 (www.meps.ahrq.gov/mepsweb/data_stats/summ_tables/insr/national/series_1/2008/tib2.pdf).
9. The Agency for Healthcare Research and Quality, Table I.A.1.a.
10. Robert Kuttner, “Good Jobs for Americans Who Help Americans,” the *American Prospect*, May 8, 2008 (www.prospect.org/cs/articles?article=good_jobs_for_americans_who_help_americans).

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