

Introduction

Charitable organizations, known as nonprofits in the United States, employ 11 million Americans—accounting for 7% of the entire US workforce.¹ This does not even include universities or hospitals. However, even while nonprofits tackle systemic issues such as racism, sexism, poverty, hunger, and much more, they are plagued by their own systemic plight: **inequitable compensation**.

The Issue at Hand:

Equitable compensation refers to the conversation surrounding "appropriate" wages and benefits for nonprofit employees.

On average, nonprofit personnel make 4-8% less than their for-profit counterparts; however, some positions can make up to 25% less.²

This pay gap is often defended as protecting funding for fulfilling the mission, and nonprofits seen as overspending on overhead are subject to public scrutiny and boycott.

We can trace this back to nonprofits' Christian origins, which romanticized self-sacrifice. Today, we see this in the **"martyr mentality,"** or the expectation that nonprofit employees work harder for as little as possible.

The myth that overhead undermines mission has resulted in **noncompetitive wages**. As a result, nonprofits struggle to attract and retain strong talent.

Not only is this detrimental to employee health and productivity – it is also unsustainable.

This has also perpetuated the racial and gender gap. The nonprofit workforce is largely female, yet women hold a fraction of leadership positions and compensation.³

Research reveals that the monetary sacrifices of nonprofit employees is also disproportionately shouldered by BIPOC and frontline workers.⁴

Without addressing these inequities, nonprofits will continue to lose the talented and diverse voices best suited for change.

Visualizing the Gender and Racial Gap

The Problem Perpetuated:



Many funders, managers, and donors suffer from a **scarcity mindset**, or the idea of "life having only one pie...and if someone were to get a big piece of the pie, it would mean less for everybody else."⁵ Because of this, many believe that raising workers' pay would mean cutting programs.⁶



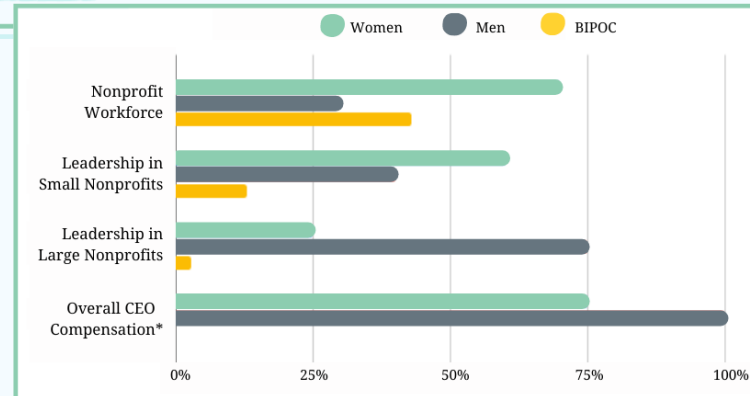
Controversy has led much of the nonprofit sector to **self-police compensation**. Negative press on CEO compensation and financial malpractices encourages funders to support impact rather than infrastructure.⁷ Nonprofits then overcompensate by spending too little on overhead and underreporting their expenditures to the IRS and constituents.⁸



Nonprofit workers are dissatisfied with **transparency and communication** of compensation. Salary cloaking has long been an issue for the sector, and in a 2019 study, only 37% of respondents reported their "organization's pay transparency" as Fair or Very Fair.⁷



Wealth inequality continues to be both cause and effect of inequitable compensation for female and BIPOC employees. Studies show that women and minorities are more likely than men to accept substandard salaries; however, this leaves these groups with decreased economic power and continues to broaden the racial and gender wealth gap.⁴



*Data for BIPOC in this category is unavailable.

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Breaking the Cycle

Ensuring Pay Equity

Pay Equity Audits (PEAs)

- Compare the pay of employees doing similar work within an organization.
- Investigate the causes of any pay differences that cannot be justified.⁹
- Traditionally used to combat the gender gap, but can address racial inequity as well.

Pay equity teams

- Can review laws, make adjustments & document reasons for changes to compensation.¹⁰
- Employees should be represented on these to increase transparency and accountability.

Funding & Empowering Employees

- To address the **scarcity mindset**, funders need to take initiative to create more opportunities for unrestricted and flexible funding. As the nonprofit Class Action suggests, grant makers can offer **multiyear general operating grants** to help nonprofits build their infrastructure.⁷
- Organizational culture must change** to disrupt the secrecy surrounding payment and why certain employees are paid more than others. Employers can– and must– contribute to this transparency by including **salary ranges** in job descriptions.¹¹
- Finally, nonprofit workers can join and create **nonprofit workers unions** to advocate for more transparency and inclusion. Nonprofit unions can give workers a large voice in decision making.⁶

Dignity of Living over Dignity of Work

Regardless of experience or title, all employees deserve a dignified quality of life. Focusing on "dignity of work" ignores the importance of living and can excuse inequitable pay structures.

Living wages...

- ...refer to the amount of income needed to meet basic needs and live above the federal poverty level.¹²
- ...have gained national attention, but must have local implementation.

Many nonprofits do not adopt living wages because they believe they will not be able to afford benefits. However, benefits are not luxuries, and **poverty is not a virtue**.

Fixing inequitable compensation requires systemic work, as there are no cure-alls; however, there are several solutions.

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