

A Closer Look: Findings and Implications

from

Valuing Our



**NONPROFIT
WORKFORCE**

A Compensation Survey of
and for Nonprofits in Massachusetts
and Adjoining Communities



THIRD SECTOR
New England

What We Did

As a regional resource providing capacity building support and programs to nonprofit organizations, Third Sector New England receives frequent requests from executive directors, board members and consultants for compensation data on specific jobs in particular fields of service. They come to us because few of the salary surveys available are both specific to the type of nonprofit organizations we work with and reflective of regional differences across Massachusetts. This is true for small organizations as well as for larger mission-driven groups.

The information in *A Closer Look*, the companion piece to *Valuing Our Nonprofit Workforce: A Compensation Survey of and for Nonprofits in Massachusetts and Adjoining Communities*, fills a critical gap in our knowledge about the nonprofit workforce. We hope that together the survey and this report on its findings and implications ultimately support the professionalism and development of our workforce – those passionate, committed, smart and hardworking individuals who strive to make our communities safer, healthier and more just for all of us. This information is especially important for understanding and addressing those employees in the nonprofit sector with the least access to resources.

We also hope that the information jumpstarts sectorwide consideration of whether we pay people enough overall, and what to do about the fact that women and people of color hold the jobs that pay the least.

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Some Key Findings

- On average, male executive directors/CEOs earn significantly higher pay than their female counterparts. The average annual salary for all executive directors/CEOs in the sample is \$107,256. For men, the average pay is \$126,247, and for women, the average is \$89,271. And, while a majority (54%) of all executive directors/CEOs in the sample are women, a relatively greater number of men are found in the executive directors/CEOs positions of the largest organizations.
- While organizational size is a clear factor in executive and senior leader compensation, with larger organization paying higher salaries, it is less of a factor in for many mid-level positions.
- Although 15% of the workforce represented here earns \$50,000 or more, 51% earn less than \$28,000, meaning that more than half of nonprofit workers either need another source of income to meet the basic living needs standards in the Commonwealth, or they are not meeting them.
- It is also noteworthy that 97% of the executive director positions in this study are held by white leaders. Of the 21 jobs with a mean of less than \$28,000, people of color make up at least 30% of the workforce for 14 of them. Compare that to the 19 positions paying over \$75,000. Only three of those jobs are staffed by at least 30% people of color.
- There is less of a geographic pattern than one might think given the common wisdom that it costs more to live, and therefore salaries are higher, in Boston and the surrounding areas than elsewhere in the state.



Valuing Our NonProfit Workforce: A Closer Look

The recently ousted president of a large nonprofit leaves with a multi-million dollar package. The negative press is relentless. The community is outraged. Similar organizations quickly and publically review and revise their own executive and board compensation practices. Everyone seems to agree: Charitable dollars shouldn't be spent ensuring one person's wealth and comfort.

Yet charitable dollars do fund nonprofit staff salaries. And it is important to recognize the difference between paying a former leader millions of dollars and a case worker or community organizer a livable wage.

We need to guard against public sentiment that seems increasingly disinclined to support wages at all for charitable work. We can deflect the public's indignation by being clear and articulate as a sector and as individual organizations about how we make fair and informed compensation decisions.

Why We Conducted the Survey

This report provides a snapshot of the level of compensation received by nonprofit professionals in the Commonwealth and contiguous communities. Few receive the kinds of salaries that would make headlines. In fact, many receive compensation that leaves them struggling to make ends meet for themselves and their families in a state known for its high cost of living.

In providing this information, the report attempts also to shed light on the connection between nonprofit compensation and the morale, longevity and ultimately the success of our workforce, and their ability to make a real difference for our constituents, our communities and our society.

Including Underrepresented Groups

At Third Sector New England, we provide a range of capacity building services to small to mid-sized social justice-oriented nonprofit organizations. Compensation data from groups like these is difficult to find. It is especially challenging to find it all in one place.

We also strive to promote the recognition of community-based organizations in general. So while we made a concerted effort to include groups that are usually underrepresented in surveys like these, our outreach included groups of all sizes and with a range of purposes and missions:

- About a third have budgets under \$1,000,000 and 25% have budgets of over \$10,000,000.
- Forty-six groups responding have five or fewer employees; 69 have 10 or fewer; while 67 have over 100.
- Social justice is more difficult to quantify, but 27 groups focus on community development, social justice, civil rights or policy change. Ninety-five provide services to underserved populations.
- About one-third of the groups that provided data are located in greater Boston. The remainder come from across Massachusetts, with nearly one-quarter in Berkshire County and western Massachusetts and the remaining 40% from other parts of the Commonwealth.

Findings

Does size matter?

Organizational size is a clear factor in executive and senior leader compensation. The smallest organizations, those with budgets under \$250,000, pay the least while the largest, those with budgets of \$25,000,000 or more, pay the most. In between, mean salaries increase steadily as organizational size grows.

A similar pattern exists for other senior positions like associate director or chief operating director, director of administration and program director. And for the most part, financial staff working in larger organizations make more money than those working in smaller organizations. However, for many mid-level positions – office managers, for instance – larger organizations are not necessarily paying more than small ones.

What about geography?

There is less of a geographic pattern than one might think given the common wisdom that it costs more to live in Boston and the surrounding areas than elsewhere in the state. Nonprofit staff working in the more rural areas of Berkshire County and western Massachusetts (Franklin, Hampden and Hampshire Counties), do generally earn less than their counterparts in other parts of the state.

But the geographic trend is not consistent. CEOs in greater Boston earn slight-

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ly less than those in northeastern and southeastern Massachusetts. And mid-level employees, such as social services case managers, earn on average just a bit more in western Massachusetts than in any other part of the state.

No real geographic pattern exists for the most junior positions – receptionists, accounting clerks, or preschool teaching assistants.



Fields

None of the fields stood out as paying significantly more than others for the same positions. However, it is clear that to an extent arts, culture and recreational organizations pay less than most. At the executive level, the median for these groups is far below the overall median.

And organizations providing housing and residential programs and services pay less than other groups for some positions with similar levels of responsibility. A shelter manager earns less than a senior level case manager working in a social services organization. Residential services managers do not make nearly as much as program managers or some other equivalent positions in organizations working in different fields. In general, though, housing organizations' pay is basically on par with other fields.

Staff Position

Not surprisingly, some types of jobs are better compensated than others. Yet some generally held beliefs, suggesting that fundraising jobs pay far more than most, for instance, were not substantiated here. Development directors earn nearly the same salary as other program directors. Development managers make more than their peers working in programmatic roles but about the same as others in operational roles like human resources and operations managers.

On the other hand, nonprofit staff working in technology and finance tend to earn more than their peers in comparable jobs. The median pay for a personal computer technician or staff accountant is higher than that for a vocational counselor or outside of school time program manager.

Using This Data

There is no one right way to use the data. Being able to clearly articulate organizational values related to compensation, and the ways in which they are

reflected by practice, assures staff that decisions which can feel very personal are in fact systematic and fair. And when employees are confident they are being treated fairly, even if they wish they earned more, morale and therefore productivity and impact, is likely to be high.

For instance, groups working on access to healthcare might pay for 100% of their employees' health insurance coverage. Organizations addressing the disparity of wealth may intentionally pay everyone a similar wage.

Environmental groups employing scientists might need to pay some staff with PhDs or other

specific qualifications significantly more than others with similar responsibilities but fewer qualifications.

Other questions to consider include things like:

- Should employees who have been here longer make more than those doing similar jobs with less tenure?
- What role should performance play in determining compensation?
- Are there particular skills, like being bilingual for instance, that are so valuable to our work that they should be rewarded financially?
- Are the aspects of some positions that are so demanding or unusual, like being on call or traveling away from home for long periods of time, that they warrant compensation?
- How important is internal equity and fairness? How important is it to be competitive with the external market?
- What is the ideal ratio between the highest and lowest salary?

Having the answers to these questions in hand makes the compensation



ranges for each position presented in this report more useful. An organization may strive to pay staff the market average salary for each position.

Another approach would be to pay new employees a salary that is lower than the average pay for a particular job. And more tenured staff would be paid more than average. A group that wants to minimize the ratio between the highest and lowest salaries could keep their most highly compensated staffs' pay below the average. And lowest paid staff would be compensated at a level above the average.

Comparing pay across similar organizations is a complex but useful practice. Different organizations use different titles for the same or similar jobs. Nonprofit managers need to look closely at the job descriptions to find the best match. Some responsibilities within a particular position may overlap more than one other title.

This exercise can be a little bit like comparing apples to oranges. But because all of the organizations represented are nonprofits and because we can sort them by size and mission at least, our comparisons remain valid.

Implications

Salaries

In addition to the general findings discussed above, the data raises some deeper and more complex issues for the sector to explore. First, it would benefit individual employees, organizations and the sector as a whole for us to look at the level at which we compensate our employees. Although 15% of the workforce represented here earns \$50,000 or more, 51% earn less than \$28,000.

What does this mean to the individual?

To put this number in perspective, in 2009 the overall per capita income in Massachusetts was \$33,460. The average annual mortgage payment in greater Boston is \$27,168 and in Berkshire County \$16,934. College students graduate with an average debt of about \$24,000 which can mean a monthly payment of around \$280 or \$3,360 per year.

Massachusetts has the highest child care costs in the country. Family-based care costs over \$11,500 annually, and infant care in a center can cost \$18,000 or more.

Crunching the numbers is not necessary. It is clear that the 51% of staff represented by this survey who earn \$28,000 or less either need another source of income to meet their basic needs, or they are not meeting them.

What does this mean to the sector?

Just as an organization's values are reflected in compensation practices, it would serve the sector well to consider our values as a whole as we work to understand the links between compensation, employee morale, longevity and long-term professionalism.

We need to examine who holds which positions in our organizations both from a gender and racial perspective. First while overall, 54% of executive directors represented are women.

Many of the groups represented in Valuing Our Nonprofit Workforce focus on social justice related issues, or work with and advocate for the underserved (underserved often though not always translates to economically disadvantaged.) And yet through our own pay practices, even as we seek to address inequality, we may unwittingly be contributing to the growing population of Massachusetts residents unable to make ends meet.

Demographics

Gender

We also need to look critically at who holds which positions in our organizations both from a gender and racial perspective. First, while overall 54% of executive directors represented are women, 74% percent of the executive directors of the smallest organizations surveyed are women. For example, 80% of the Berkshire County executive directors are women. And 76% of the arts and cultural groups in the state are led by women.

In other words, women work as executive directors in the smallest organizations and the organizations in the regions and fields that tend to pay the least.

People of Color

It is also noteworthy that 97% of the executive director positions in this study are held by white leaders. The racial demographics of other positions are also telling. Twenty-one positions surveyed pay a mean of less than \$28,000. Of those 21 jobs, people of color make up at least 30% of the workforce for 14 of them. Compare that to the 19 positions paying over \$75,000. Only three of those jobs are staffed by at least 30% people of color. In other words, there are significantly more people of color filling our lowest paying jobs than our most lucrative ones.

Third Sector New England is a member of the Commonwealth Compact, a collaboration of local leaders striving to make greater Boston a desired destination for people of color, immigrants and women, in the belief that their contributions will be vital to the region's social and economic future. This effort, while focused on the Boston area, is built around the basic premise relevant across the Commonwealth that diversity is good for business. It follows that variety in the background and experience of both workers and managers reliably enlarges the range of choices, and therefore improves the quality and ultimately the impact of our work.

So, what can we infer?

Our survey shows that nonprofits, even social justice-oriented nonprofits, contribute to the racial disparity we seek to eradicate. This is a long-term and challenging goal but it is a critical one. Nonprofit organizations engaged in addressing racism, poverty and other social ills can and should lead through example. Certainly, programs like the Inclusion Initiative, a 20-year old program helping nonprofit increase board and staff diversity, is supporting nonprofits in this area.

The results included in this survey can help us use this data to look closely, not just at our compensation practices, but at how we hire and promote staff. We have the opportunity to reflect and act on who we choose to train and develop professionally. And we can think about the ways we reward and recognize success. Do these systems unintentionally reward those who already have a leg up? And how can we re-tool them to ensure they are more fair?

There is a great deal of work being done in this area, and there are plenty of resources to support these efforts. While the answers aren't simple or necessarily easy to implement, the data generated by this survey makes it clear that non-profits across the Commonwealth must redouble efforts and programs like the Inclusion Initiative, the Commonwealth compact, Community Change and others to have a meaningful and long lasting impact on the issues we seek to address.



Of course, nonprofits cannot do this work alone. We are charged with addressing a growing shortage of resources and services available to our constituents. At the same time, our own resources, always meager, have been greatly depleted by the Great Recession. We are continually asked to figure out how to do more with less.

Now more than ever, efforts to address internal issues can deflect resources from our programmatic work. However, the kinds of investments in time and resources cited in these survey findings enable us to be more effective over time.

So, how can we turn inward while continuing to focus on our external mission?

What can we do?

First, thinking differently about our role and the implementation of our work in communities and society will benefit the nonprofit sector. By its nature, nonprofit work tends to be crisis oriented and focused on putting out fires. This is understandable given the pressing nature of the issues many of us deal with. In the long run, though, we will have a greater impact on these very issues if we come at them from a place of strength. That means we need to employ a well trained and supported diverse workforce.

The findings from Valuing Our Nonprofit Workforce also suggest that we rethink our budgeting, planning and fundraising strategies. The personnel line item is generally the largest in a nonprofit's budget and often the first place that we make cuts when income won't support expense.

Faced with the choice between having fewer adequately paid staff or a greater number of staff, groups often choose the second option. Given the major social issues we work to address it may seem that we need an army at our disposal: more bodies accomplish more work.

Compensation for employees in the nonprofit sector should be at a level which would allow anyone, not just the privileged, to build a long-term sustainable nonprofit career should they choose.

We need funders to invest not only in our direct programmatic work but also in our infrastructure. This visionary investment will allow our organizations, our staff and the communities we serve to thrive.

Rarely though do we consider trimming our goals. Actually doing less, accomplishing less, in order to maintain employee wages and therefore a sustainable workforce, is not an appealing option to mission-oriented leaders.

Yet it may be the only option that enables us to endure. Realistically, the social change we seek is not immediate. It requires long-term thinking, planning and commitment. Maintaining a well paid and therefore well seasoned and capable workforce may require that we slow the pace of our accomplishments with the understanding that ultimately we will accomplish more.

What can our supporters do?

The nonprofit sector would benefit greatly from the recognition by funders that we need strong organizations to have a meaningful impact on the complex and long-lasting issues we are charged with addressing. We need funders to invest not only in our direct programmatic work but also in our infrastructure. This visionary investment will allow our organizations, our staff and the communities we serve to thrive.

When creating timelines and deliverables, foundations can build in time for staff development. This can help to ensure that timelines and deliverables are reasonable in the context of the organizational work we also need staff to do.

Building and maintaining strong organizations requires resources. Therefore, we must shift the belief that resources allocated to anything other than direct programmatic work are resources poorly, or worse, irresponsibly spent.

This survey suggests that funding livable wages and reasonable benefits for our workers is, in fact, the most cost-effective way to maintain strong, effective nonprofit sector. Given that increasingly complex societal issues require long-term solutions, the nonprofit sector needs seasoned professionals with the experience and expertise to work closely with public and for-profit counterparts to affect community change.

Conclusion

We should not be in the business of seeking out bargains when we hire staff. Airlines invest in high quality equipment and maintenance. Manufacturing companies invest in state of the art technology. And high tech firms invest in the fastest systems available.

We are not flying passengers around the world, building widgets or developing virtual systems. We are improving the quality of life in our communities and making the world a safer, more just place.

Nonprofit staff *are* our most valuable resource. We all benefit when we pay them enough that they need not be distracted by concerns for their own economic survival. Compensation for employees in the nonprofit sector should be at a level which would allow anyone, not just the privileged, to build a long-term sustainable nonprofit career should they choose. We need to pay enough to attract and retain the best and the brightest. *Our work and those we serve, deserve no less.*

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More About Third Sector New England

Third Sector New England is a nonprofit organization that helps other nonprofits more effectively fulfill their mission and strengthen communities. We primarily serve organizations in the region that work to advance social justice. We use a collaborative, holistic approach in our work, taking the time to learn about each partner's unique culture. We understand that to achieve lasting results, you need to focus on the entire organization, its community, and how they work together.

We also understand that each nonprofit's needs are unique. And we provide a wide variety of services to support those needs — trainings, consulting, grants, fiscal sponsorship, shared services, and shared nonprofit office space. We also help build collaboration within the sector. As a partner, we meet nonprofits where they are, in order to help them succeed in making a positive community impact.

For updates on trends, best practices and news from the sector, sign-up for the TSNe-Bulletin and/or join our other e-communities at www.tsne.org.





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