



Are Nonprofit Workers Paid Less?

Scope of the Arizona Nonprofit Sector

Brief
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ASU **Lodestar Center**
for Philanthropy and Nonprofit Innovation
Arizona State University

ASU
School of
Community
Resources and
Development
Arizona State
University

ASU
Watts College
of Public Service
and Community
Solutions
Arizona State
University

Who makes what? Comparing nonprofit and for-profit pay

How does pay in the nonprofit sector compare to that in the for-profit world? Do people working jobs that provide benefits to society sacrifice pay for their service? The answers to these questions are complex since the nonprofit sector itself is complex.

In the very largest sense, one could say that the nonprofit sector pays well: the average wage for full-time workers aged 18 and over is \$61,568 for the nonprofit sector, while for-profit workers average \$57,254. However, a more nuanced picture begins to emerge when the nonprofit sector is divided into its four subsectors as shown in Table 1. Although nonprofit healthcare workers make significantly more than the average for-profit worker, those working for other nonprofits make somewhat less.

Table 1: Comparison of average wage by subsector

	Employment *	Average wage
Total Workforce	2,761,381	\$57,548
Subtotal: For-profit **	2,573,426	\$57,254
Subtotal: All nonprofits	187,955	\$61,568
Core Nonprofits	76,035	\$53,626
Nonprofit Healthcare	76,117	\$73,607
Nonprofit Education	24,067	\$54,290
Nonprofit Religious	11,736	\$49,861
* Arizona full-time workers, age 18+		
** Includes self-employed and government workers		

Scope of the Arizona Nonprofit Sector

Arizona's nonprofit sector spans from tiny groups supporting local swim clubs to giant healthcare organizations with billions of dollars in annual revenue. The sector employs over 188,000 full-time workers and an additional 34,000 part-time workers. Altogether they earn 7.3 percent of the total wages paid in the state. "For-profit," as used throughout this paper, includes for-profit, government and self-employed workers. See "About the Data" at the end of this paper for information on how nonprofit workers and the subsectors are defined. Visit lodestar.asu.edu/scope for more information and interactive data visualizations.

Improving the analysis

The high wage seen in the nonprofit healthcare sector in Table 1 suggests that other factors may need to be considered when comparing wages across sectors. The healthcare industry employs many highly trained doctors and nurses who can expect to be well paid. The table does not tell us if a nurse at a nonprofit hospital makes more or less than one working at a for-profit hospital. To make that comparison requires a look at the actual occupations of the workers. An analysis of individual occupations will be the focus of a future paper.

The comparison will also be improved if we can also account for the educational attainment of workers. A registered nurse with a bachelor's degree can expect higher wages than one with an associate's degree, for example. Data from the Census Bureau includes both the occupation and educational attainment for workers, so those will be straightforward comparisons. We also know that, for a complex variety of reasons, women are generally paid less than men, so we should account that in our comparison as well. Ideally, we would also like to know how long each person has been in their career, since experienced workers are paid more than novices. The data doesn't contain this information, so instead we use age as a proxy for work experience. Finally, there is a geographic component to pay: wages in some areas of the state tend to be higher than in others.

In the end, we compared 24 occupational groups, divided into men and women, three educational attainment categories (No college, some college including associate's degrees, and bachelor's degree or better), and age (early career age 18-34, mid-career 35-49, and late career age 50 and over), and three geographic areas (Maricopa County, Pima County, and Rural Arizona). This gives us 1,296 classifications to compare. Mean wages in these classifications were tested to see if workers in any of the nonprofit subsectors were significantly different from those in the combined for-profit, self-employed, and government sector.

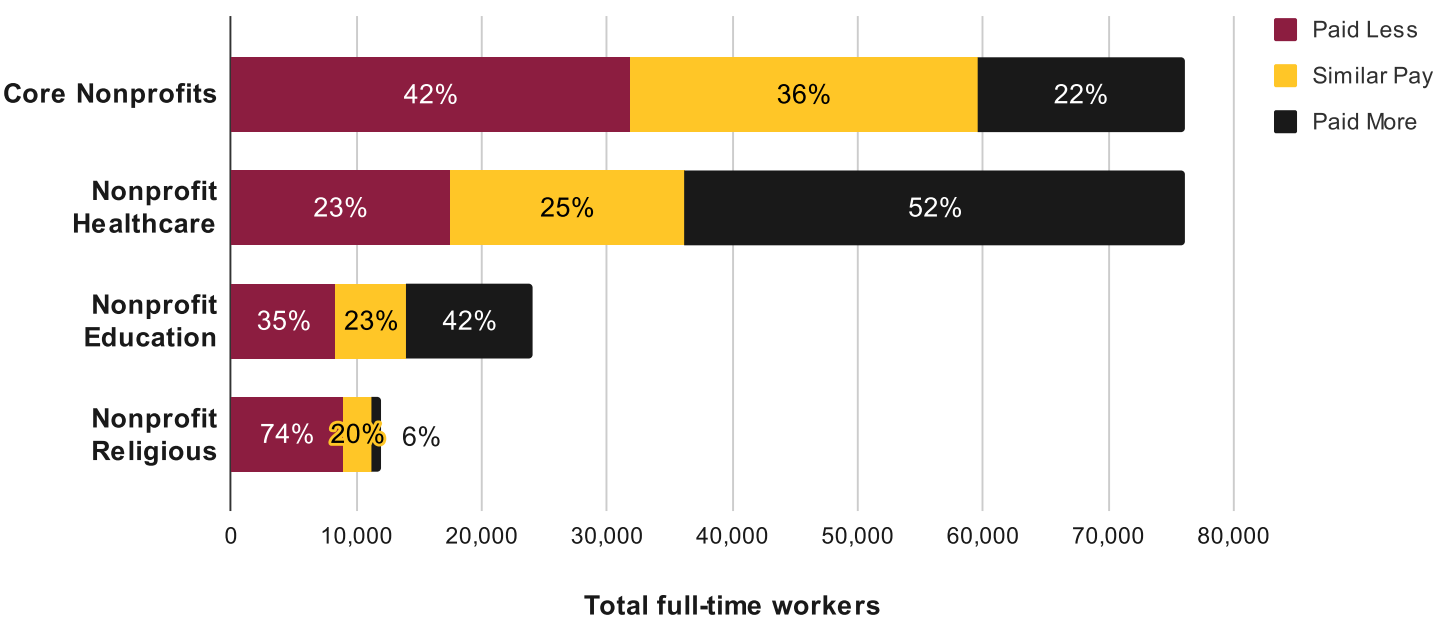
Results

We now can compare similarly capable workers in the for-profit and nonprofit sectors. For example, we can see that there are an estimated 23,361 people in the Office and Administrative Support occupation group working at nonprofits. 10,723 (46%) of them have wages that are statistically indistinguishable from their for-profit peers. 6,636 (28%) earn more, and 6,002 (26%) earn less.

Drilling deeper, we see an estimated 1,800 mid-career (age 35-49) Office and Administrative Support workers with some college education but no bachelor's degree. Of this amount, 32 percent earn more than their peers in for-profit employment, 30 percent earn about the same, and 37 percent earn less. With this level of information, we can begin to address a meaningful question; Do similarly qualified workers in the four nonprofit subsectors make more, less, or about the same as their peers in the for-profit sector?

Relative pay and worker counts were summed across the nonprofit subsectors, showing that 31,810 of the 76,035 workers (42 percent) in core nonprofits earned less than their peers in the for-profit sector, as shown in Figure 1. This left 58 percent earning the same or more. When nonprofit workers across all four subsectors are combined, we see that 35 percent are paid less than their for-profit peers, 36 percent are paid more, and 29 percent have pay that is statistically the same.

Figure 1: Nonprofit pay compared to for-profit and government workers





Employment and wages by sex

Women comprise a much larger portion of the nonprofit workforce than in the for-profit sector. Although 43 percent of the total Arizona workforce is female, the nonprofit sector is 63 percent female. Broken out by nonprofit subsectors, 57 percent of the core nonprofit workforce is female. The healthcare and education subsectors show 72 and 67 percent female employment. This may be an effect of the historic pattern of nursing and teaching being common professions for women. On the other hand, religious nonprofits employed just 33 percent females. This may reflect the traditional preference for male clergy in many denominations.

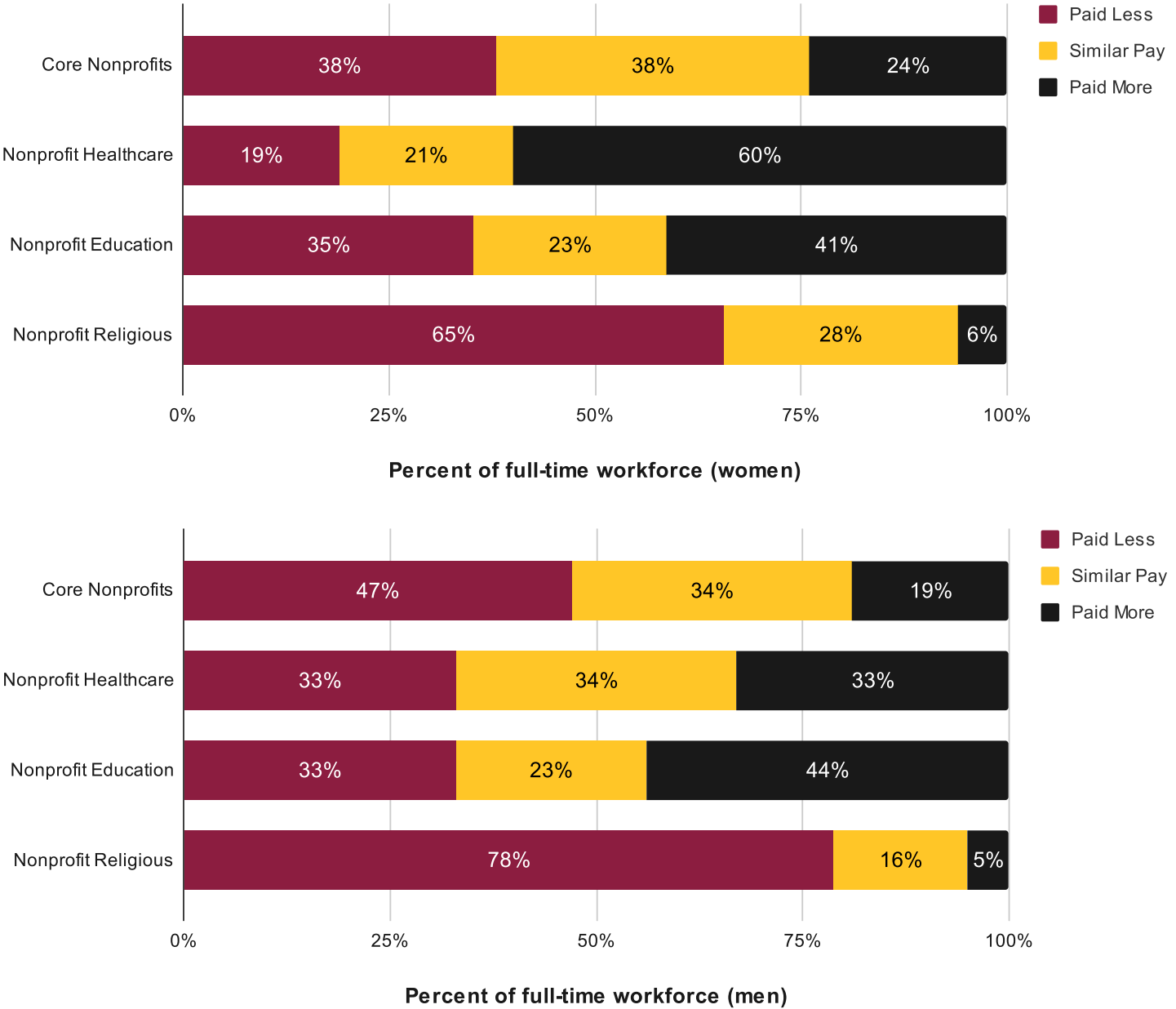
Arizona's nonprofit workforce is dominated by women (63 percent), and most of them (70 percent) earn just as much or more than comparable peers in the for-profit sector.

Figure 2 (on the following page) compares wages of men and women in the four nonprofit subsectors to their peers in the for-profit sector, pairing workers with similar ages and educational attainment across many occupations. Females in the nonprofit subsector do better than males in comparison to the bulk of the workforce, with 70 percent of women in nonprofits earning at least as much as their peers in the for-profit sector compared to 56 percent of men.

The healthcare subsector shows 60 percent of women earning more than they would in the for-profit sector while 33 percent of men outearned their peers. Overall, 81 percent of the women working in nonprofit healthcare earned as much or more than their peers outside of the nonprofit sector.

In the core nonprofit sector, 62 percent of females earned at least as much as their peers outside of the nonprofit world.

Figure 2: Pay comparison by sex

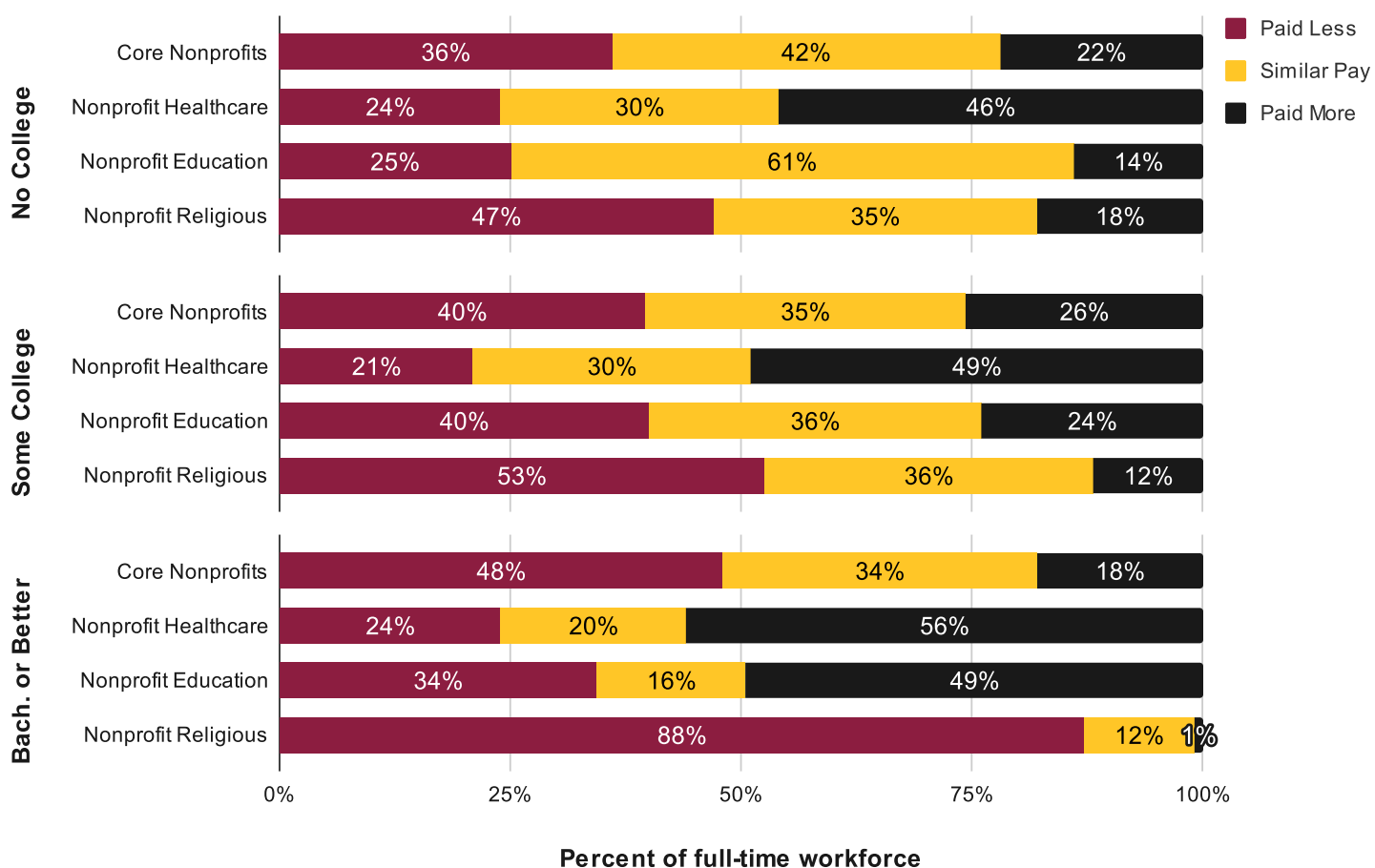


Employment and wages by educational attainment

The nonprofit sector offers favorable wages to those with lower levels of educational attainment, with 67 percent of workers with no college education earning at least as much as their peers outside the nonprofit sector. The healthcare subsector pays these workers particularly well, with 46 percent of workers with no college experience earning more than similarly educated workers in the for-profit sector.

Workers with some college education also fare well in nonprofit healthcare, with 79 percent earning as much or more as those outside the nonprofit sector.

Figure 3: Pay comparison by educational attainment



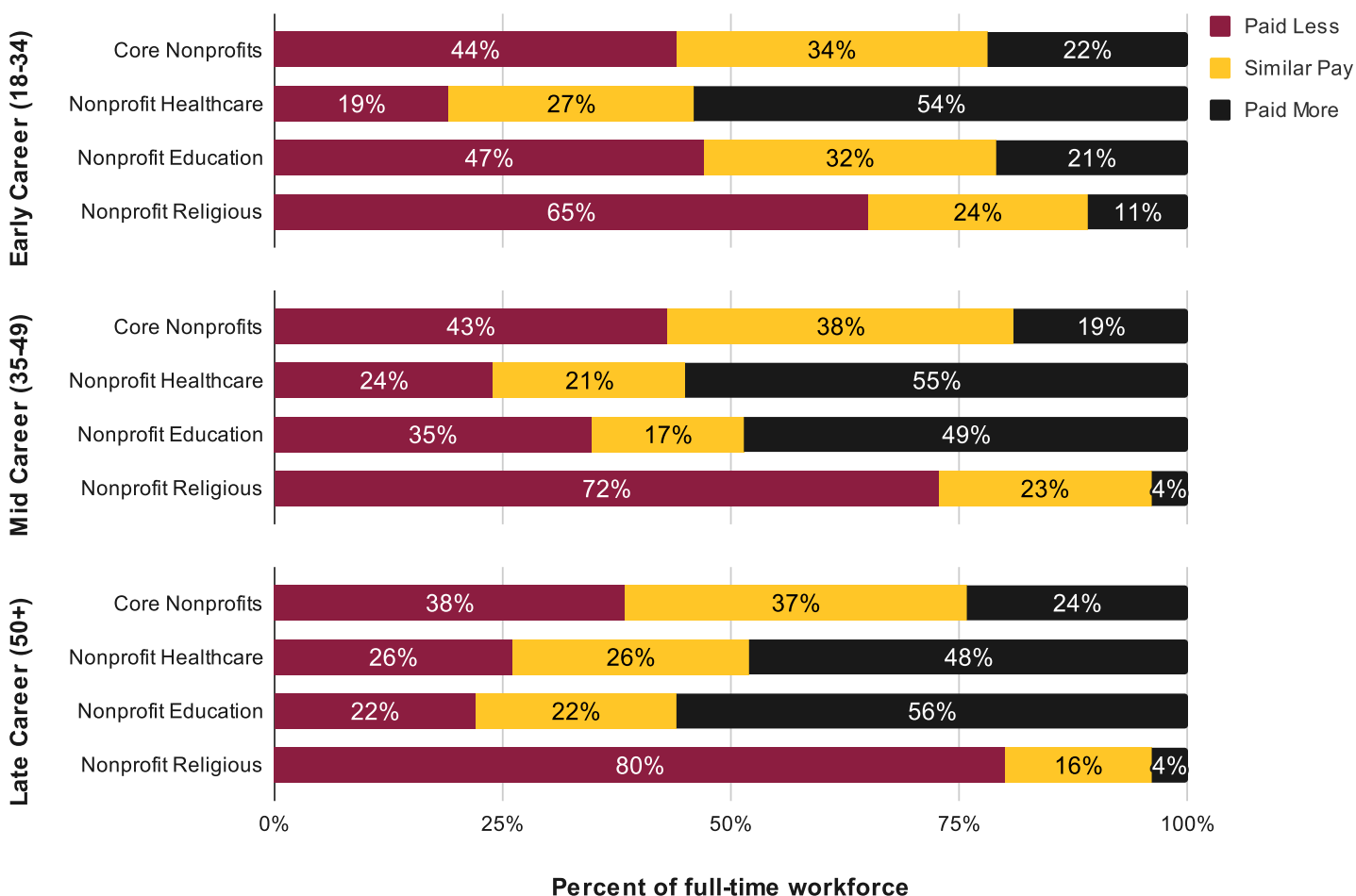
Employment and wages by age

When using age as a proxy for workplace experience, it should be remembered that it is entirely possible for an older person to take a job in an occupation in which they have no prior experience. This is especially true for occupations that do not require specific education or credentials. However, age does shed some light on workforce dynamics, especially regarding pay for early career workers.

Younger workers in healthcare appear to fare especially well in the nonprofit sector, with 54 percent earning significantly more than their peers working at for-profits, and 27 percent earning essentially the same wage. Early career workers at core nonprofits often earned about the same as they might expect in the for-profit world (34 percent), with 22 percent earning more.

The majority (56 percent) of early career workers at core nonprofits earn the same wage or better than their peers in the for-profit sector. This holds true in the older age brackets as well. About 62 percent of workers 50+ at core nonprofits do the same or better than for-profit employees.

Figure 4: Pay comparison by age



About the data

The figures presented here have been derived from data gathered through the American Community Survey (ACS) administered by the U.S. Census Bureau. This is an annual, nationwide annual survey given to about one percent of residents. Microdata from ACS 5-year estimates covering 2017-2021 was downloaded from IPUMS USA. This data allows a more detailed look at responses than the tables published by the Census Bureau. However, there are several trade-offs that are required with this data. To protect the confidentiality of respondents and maintain statistical integrity, microdata is not released for geographies with fewer than 100,000 population. Because of this restriction, several of the smaller counties in Arizona are combined so that their total population exceeds the minimum amount. Additionally, we use Census data collected over a five-year time span. The loss of the point-in-time specificity provided by one-year estimates is offset by the increased the accuracy of results when looking at small segments of the workforce.

Participation in the nonprofit workforce was determined by respondent's answer to question 42: "Which one of the following best describes this person's employment last week or the most recent employment in the past 5 years?" Those who chose, "Non-profit organization (including tax-exempt and charitable organizations)," were assigned to the nonprofit sector. The healthcare, postsecondary education, and religion subsectors were determined by the industry the respondent works in. Nonprofit employees with NAICS codes of 6211-6239 were designated as nonprofit healthcare. Those with NAICS codes of 7860-7880 were coded as nonprofit education, and those with NAICS code 9160 as nonprofit religious.

Comparisons were made on the mean (average) wages for full-time workers aged 18 and over, between the four nonprofit subsectors and the combined for-profit, self-employed, and government workforces. Differences where $p < 0.05$ were marked as significant. Note that while median wages are often used when discussing wages, the statistical tests for comparing wages across categories rely on mean figures.

Project team

Dan Hunting, research lead
Robert F. Ashcraft, Ph.D.
Phil Bencomo
Pravalika Samala

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About the ASU Lodestar Center

Mission

The Center helps build the capacity of the social sector by enhancing the effectiveness of those who lead, manage and support nonprofit and philanthropic organizations.

Vision

The quality of life in communities is strengthened and enriched through impactful philanthropy and effective nonprofit practice.

What we do

The Center is a global leader in advancing understanding and effective philanthropic and nonprofit practice as a distinctive community development strategy. Through research, education, technical assistance and convenings, the Center focuses on educating, empowering and connecting nonprofit leaders and philanthropists to solve problems, to realize a community's highest aspirations and to accelerate social impact.



**The ASU Lodestar Center educates,
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lodestar.asu.edu

ASU Lodestar Center for Philanthropy and Nonprofit Innovation
Watts College of Public Service and Community Solutions
Arizona State University
400 E. Van Buren St., Suite 900
Phoenix, AZ 85004
(602) 496-0500 | nonprofit@asu.edu