Breakdown

Low pay undermines nonprofits and their employees. A few groups are changing that.

Infomen/Aman Khanna for the Chronicle

By Jim Rendon
Chronicle reporter
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Finding work at the height of the recession was hard for Jamie. She had just graduated from college but could find only a part-time job leading educational programs for an environmental nonprofit while temping and working in retail. So she went to law school. There she fed her passion for conservation through a series of unpaid internships for environmental organizations. When she graduated in 2014, she had high hopes for her legal career.

Jamie, who asked that we use only her first name, started a fellowship at the Animal Welfare Institute in Washington, D.C., that paid $46,000 a year, then landed a full-time policy position with an environmental group she had interned for. The job paid just $48,000 a year, at a time when top law firms were paying first-year associates $160,000 plus a bonus. She was excited but also concerned about how she could make her student-loan payments and survive on the salary.

"Wildlife conservation and animal welfare are my biggest passion," Jamie says. "They are also the most notoriously low paying. It’s a field of privilege."

Jamie tried to make it work. She moved from apartment to apartment, each one cheaper and farther from her office than the last. As her rent went down, commuting costs went up. In the end, she shared a place with her boyfriend and another roommate in Springfield, Va., over an hour from work. To make ends meet, she picked up a second job writing blog posts for a legal website — something a lot of her coworkers did.

Jamie was exhausted: "Hustling and having roommates and two jobs and refraining from having a family," she says. "It was just too hard, like everything was compacting together."

Jamie's experience is remarkably common among nonprofit employees, particularly those just entering the work force. Many charities are based in high-cost urban areas — 26 percent of all jobs in Washington, D.C., are at nonprofits. They pay low salaries, often lack benefits, and offer few opportunities for professional development. Many young workers are burdened with tens of thousands of dollars or more in student debt from undergraduate or graduate school — a particularly acute problem in the nonprofit world, where a higher percentage of employees have master's degrees than workers in for-profit businesses or the government.

> *Even some executive directors lack adequate retirement plans. If leaders can't afford to retire, those below them cannot move up and everyone's career stalls.*

Some organizations have recognized the problem. They are seeking more flexible funding that lets them prioritize better pay and benefits. And fed-up employees are joining unions. The Nonprofit Professional Employees Union, for example, has doubled in size in the past three years. But most people do their best to get by for as long as they can, while others leave the sector entirely.

Ultimately, Jamie couldn't survive on her salary. She left conservation entirely, moving back to her hometown of San Diego, where she works for a nonprofit focused on energy issues. Her salary increased by $28,000 a year, but she still has a roommate, lacks a retirement plan, and doesn't feel that she could have children on her salary.

"I don't want to be 34 with roommates anymore," she says. She thinks about what she could earn in the private sector or how she could stretch her nonprofit salary further somewhere with a lower cost of living. "I hear Texas is cheap," she says. "But I don't want to go to Texas."

Good data about nonprofit salaries is hard to come by. The Bureau of Labor Statics doesn't track salaries for job titles in a way that makes it easy to compare nonprofit and for-profit pay. Other surveys, however, point to deep discontent with nonprofit compensation. In a 2018 survey conducted by the Young Nonprofit Professional Network, 95 percent of the 1,200 members who participated said they had to stretch to make ends meet. Only about one-third of the respondents said they planned to be at their current job in three years.

"In a last-ditch effort to stay in the sector, more of our members are taking on secondary gigs, freelancing, consulting, or doing things unrelated to the sector — multilevel marketing or selling clothes," says Jamie Smith, executive director of the Young Nonprofit Professionals Network.

Fund the People, a group that advocates for greater investment in the nonprofit work force, found in a 2018 survey of 1,400 nonprofit and foundation staff that 84 percent of respondents felt that entry-level salaries were inadequate.

For many organizations, the problem of low pay extends beyond early-career positions. Even some executive directors lack adequate plans for their own retirement, says Jan Young, executive director of the Assisi Foundation of Memphis. She knows of nonprofit leaders who have served their organizations for 25 years and retired without a pension.

If leaders can’t afford to retire, those below them cannot move up and everyone’s career stalls. "There’s a bottleneck on the nonprofit leadership highway where boomers and long-serving leaders have real trouble leaving," says Rusty Stahl, Fund the People’s CEO. Inadequate salaries and benefits up and down the organizational chart are causing deep problems for nonprofits.

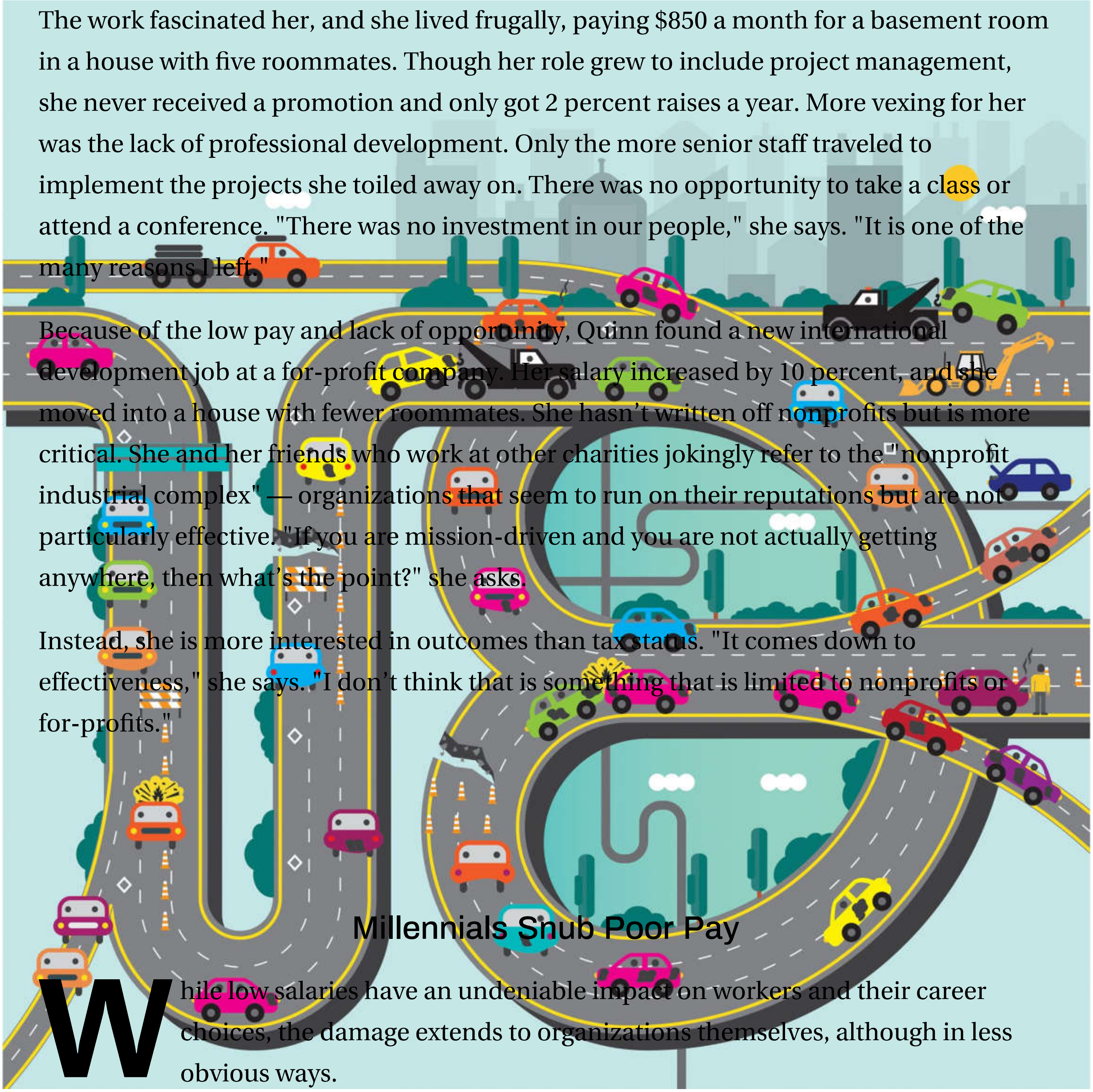
"Nobody wants to expose the weak underbelly of their organization," Stahl says. "People are underpaid, overworked, and on the edge of burnout."

When Passion and Frugality Wear Thin

Amanda Quinn took a nonprofit job right out of college because she could immerse herself in challenging issues. Low pay and few opportunities to advance drove her away.

This generation of young nonprofit workers is different from those of years past. With higher levels of student-loan debt, they are less likely to put up with low pay and a dearth of opportunities to build their professional skills and advance. They switch jobs with greater frequency than previous generations, sometimes forsaking nonprofits entirely.

For Amanda Quinn, working at a nonprofit was a way for the global-studies major to immerse herself in challenging work right out of college. She had always been very conscious about money. She got a scholarship to the University of Maryland, Baltimore County, and lived with her parents to avoid taking out loans. She took internships at every opportunity, some paid and others not. But when she graduated in 2016, the one job she found at an international development nonprofit paid only $39,000 a year with no retirement benefits — barely enough to get by in expensive Washington, D.C.



The work fascinated her, and she lived frugally, paying $850 a month for a basement room in a house with five roommates. Though her role grew to include project management, she never received a promotion and only got 2 percent raises a year. More vexing for her was the lack of professional development. Only the more senior staff traveled to implement the projects she toiled away on. There was no opportunity to take a class or attend a conference. "There was no investment in our people," she says. "It is one of the many reasons I left."

Because of the low pay and lack of opportunity, Quinn found a new international development job at a for-profit company. Her salary increased by 10 percent, and she moved into a house with fewer roommates. She hasn't written off nonprofits but is more critical. She and her friends who work at other charities jokingly refer to the "nonprofit industrial complex" — organizations that seem to run on their reputations but are not particularly effective. "If you are mission-driven and you are not actually getting anywhere, then what's the point?" she asks.

Instead, she is more interested in outcomes than tax status. "It comes down to effectiveness," she says. "I don't think that is something that is limited to nonprofits or for-profits."

Millennials Snub Poor Pay

While low salaries have an undeniable impact on workers and their career choices, the damage extends to organizations themselves, although in less obvious ways.

Many nonprofits say they want to hire a more diverse work force that better reflects the communities they serve, but low salaries make it difficult for many people of color or those from modest economic backgrounds to accept — and keep — a nonprofit job. First-generation college students may have higher levels of debt than other students. People of color are more likely to support family members or to be under pressure to pursue high-paying careers. That’s because people of color, over all, have far less wealth than whites. According to the Federal Reserve, black families’ average net worth is just 15 percent as much as that of white families.

"As a black person, you are already behind," says Shari Dunn, executive director of Dress for Success Oregon. "Why work somewhere where you are going to get even more behind?"

While there isn’t data on who chooses not to work at nonprofits, low wages, poor benefits, and limited professional development can create a barrier. "There is implicit messaging: This is not for people like you," Dunn says.

While an improving economy can force nonprofits to offer better salaries to compete for employees, that hasn’t happened despite historically low unemployment, says Philip Gardner, director of the Collegiate Employment Research Institute at Michigan State University. Large numbers of college graduates remain interested in working on social-justice and environmental issues, despite the low pay, he says.

> *Young professionals are taking second jobs and putting off starting families to stay in nonprofit work.*

Counterintuitively, the students with the most debt, those who presumably are from less well-off households, are more likely to work for a nonprofit than peers from more affluent backgrounds, says Jasmine McGinnis Johnson, assistant professor of public policy and public administration at George Washington University.

"These are young people with high public- service motivation," she says. "They really feel the cause. They believe in the work they do."

But those young people are not staying. Millennials are more likely than employees from other generations to change jobs. And, she says, after two years, a high percentage of employees leave nonprofit work, especially those with master’s degrees. The primary reason: money.

"Those are the people that we want to stay, but those are the people that end up leaving," McGinnis Johnson says.

Kevin Dean (left) leads Momentum Nonprofit Partners, which runs a popular nonprofit job board. It no longer accepts job ads that don't have salary information or that pay less than $15 an hour. (Momentum Nonprofit Partners)

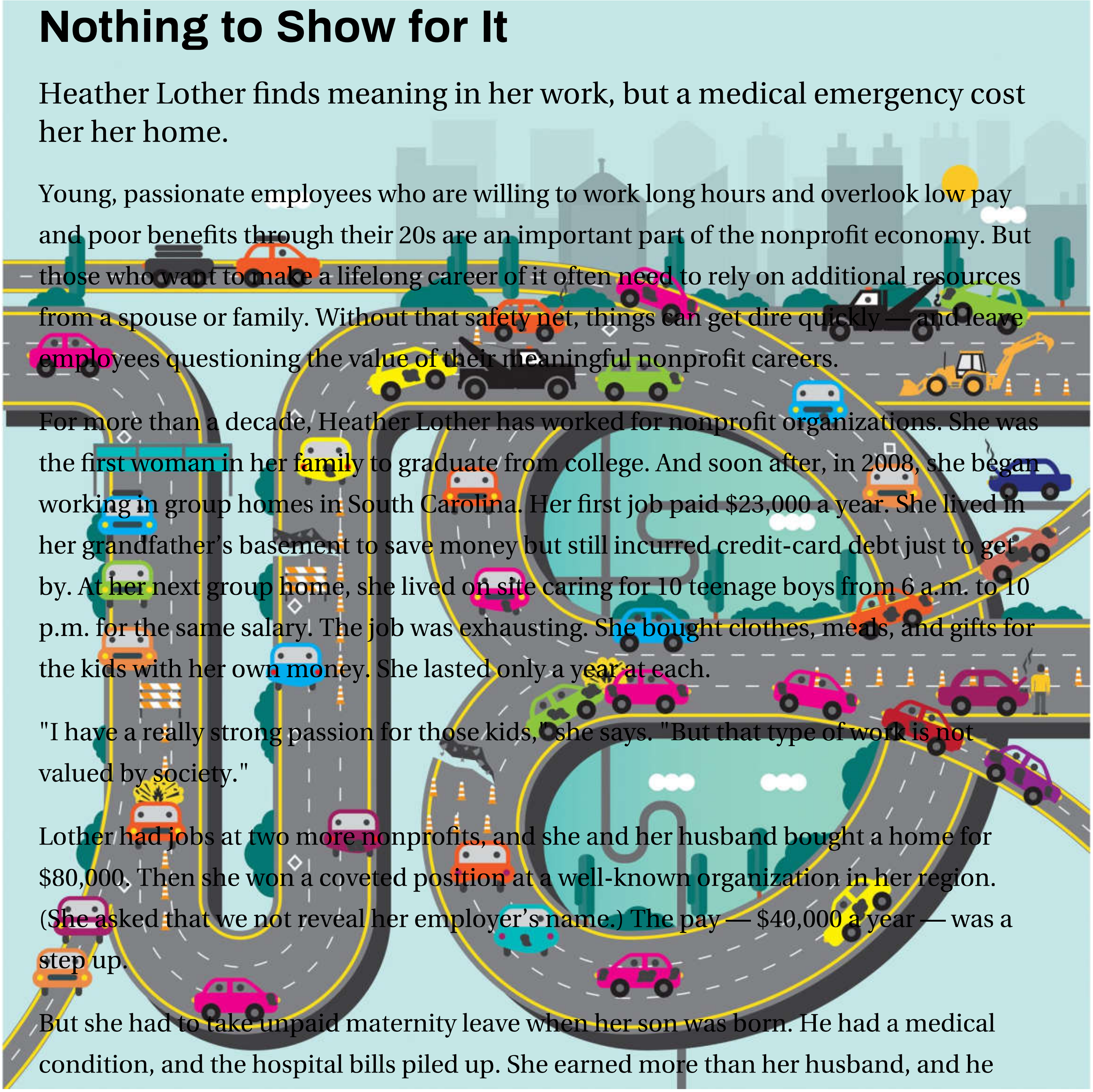
The constant churn of employees is expensive in more ways than one, says Kevin Dean, executive director of Momentum Nonprofit Partners, which provides services for nonprofits and advocates for the sector in Tennessee.

When people leave, managers have to go through a hiring process and train a new person. The Society for Human Resource Management estimates that the total cost of replacing an employee is about one and a half times their annual salary, although it may be less for more junior positions. The existing staff bears the burden of additional work while the position is open, causing more organizational strain and further increasing turnover. "There is burnout with the people that stay on staff who have to personally compensate for that open position," Dean says.

A Decade of Hard Work at Nonprofits — and

Nothing to Show for It

Heather Lother finds meaning in her work, but a medical emergency cost her her home.



Young, passionate employees who are willing to work long hours and overlook low pay and poor benefits through their 20s are an important part of the nonprofit economy. But those who want to make a lifelong career of it often need to rely on additional resources from a spouse or family. Without that safety net, things can get dire quickly — and leave employees questioning the value of their meaningful nonprofit careers.

For more than a decade, Heather Lother has worked for nonprofit organizations. She was the first woman in her family to graduate from college. And soon after, in 2008, she began working in group homes in South Carolina. Her first job paid $23,000 a year. She lived in her grandfather's basement to save money but still incurred credit-card debt just to get by. At her next group home, she lived on site caring for 10 teenage boys from 6 a.m. to 10 p.m. for the same salary. The job was exhausting. She bought clothes, meals, and gifts for the kids with her own money. She lasted only a year at each.

"I have a really strong passion for those kids," she says. "But that type of work is not valued by society."

Lother had jobs at two more nonprofits, and she and her husband bought a home for $80,000. Then she won a coveted position at a well-known organization in her region. (She asked that we not reveal her employer's name.) The pay — $40,000 a year — was a step up.

But she had to take unpaid maternity leave when her son was born. He had a medical condition, and the hospital bills piled up. She earned more than her husband, and he earned less than the cost of child care so he quit his job to stay at home with their son. Insurance premiums were nearly $300 a month. Even with a food budget of just $50 a week, their bills were more than their income. "I was falling apart physically," Lother says. "I had a migraine four or five days a week. I was grinding my teeth. I wasn't sleeping."

The couple sold their home to pay off debts. They moved in with family members and helped take care of an elderly relative. Lother now has a three-hour round-trip commute.

She knows there isn’t a simple solution. She produces a budget for her own department and is on the team that plans the organization’s overall budget. She knows why there is no more money for salaries and benefits. "It’s either coming from the professional-development budget or it’s coming out of programs because that’s the only thing that we can cut," she says. "It’s not like there is a magic money tree."

But that spreadsheet-level knowledge doesn’t alleviate the stress of her financial situation. "The shame and embarrassment I feel is crushing," she wrote in an email. "The guilt I carry because I — as a parent, a college-educated woman, and a damned hard worker — can’t provide for all my son’s needs would be debilitating if I focused on it."

Maybe she can give up her life’s work and move to the private sector to earn a better salary, she says. Maybe it would be OK to wake up without that sense of purpose.

A Tension With Historical Roots

There is a fundamental conflict at the heart of how nonprofits operate. They provide a social good so the public, donors, and grant makers expect they should spend as much on their mission — and as little on staff — as possible. The underlying assumption: No one should get rich at a nonprofit. But at the same time, nonprofits are professional organizations that tackle complex social problems and compete for employees who need to earn enough money to have viable careers.

The tension between professionalism and altruism goes back to prominent competing Civil War aid groups — one that paid its employees and another that relied on volunteers. Neither prevailed, says Ben Soskis, a research associate at the Urban Institute. "The professional social-work apparatus, along with the culture of elite volunteers, exist in the same uncomfortable space," he says.

Today, certainly some nonprofits would like to pay their employees more. But even if they could, they’re often afraid to. For decades, low overhead — the amount spent on salaries, administrative costs, and other expenses — has been a proxy for effectiveness.

It has never made any sense, says David Greco, CEO of Social Sector Partners, a consultancy that helps strengthen nonprofits. No one asks Starbucks what its overhead is on a cup of coffee. In fact, marketing, administrative costs, profit, and bonuses account for 74 percent of the retail price of its typical cup of coffee, according to Greco. When applying for grants and contracts, nonprofits, he says, only budget for direct costs like salaries of program staff but are fearful of incurring big overhead costs like salaries of HR directors, accounting staff, and fundraising costs. There isn't much room for competitive salaries, benefits, or professional development in a model like that.

Foundations have had an outsize influence on compensation. Although they account for just 18 percent of all giving to nonprofits, a large percentage of charities get some portion of their funding from foundations. For decades, groups have tried to squeeze down their overhead numbers to impress them, says Celeste Amato, president of the Maryland Philanthropy Network, an association for grant makers. "Foundations have been saying, 'Look how efficiently and effectively this organization is doing the work. Look at how low their overhead is,' as though that was a measure of how well an organization is running," she says.

Foundations also prioritize programmatic funding over general operating support, leaving little for groups to spend on staff and professional development.

Amato discusses these issues with her members. "You are not helping an organization if you are not supporting healthy overhead," she says. Though it can vary considerably from organization to organization, she says overhead should be closer to 17 percent, although there is no right or wrong overhead number.

But foundations don't bear sole responsibility, says Young of the Assisi Foundation of Memphis. Nonprofits have a responsibility to understand and advocate for their own needs. At times, Young has had to ask potential grantees to include all the costs another organization would have to take on to replicate the service, items like rent and IT services. "They have sort of trained themselves to not ask for enough money," Young says.

Government contracts also contribute to the budget crunch. Federal and state contracts for social services, for example, often fail to pay the full cost of delivering those services. Just four years ago the federal government raised its floor for overhead to 10 percent. And groups have long complained about the impact of late payments from government agencies. All of those factors make it hard for groups reliant on government grants to invest in their employees.

Miriam Barnett, CEO of YWCA Pierce County, isn’t afraid to say no to funding that makes it hard to pay employees well. For example, she doesn’t apply for grants that can’t be renewed because one-off grants can lead to layoffs. (Joshua Bessex/The News Tribune)

But some nonprofits are making deliberate decisions about what money to chase. "Sometimes we just don’t apply for funding," says Miriam Barnett, the CEO of the YWCA Pierce County in Tacoma, Wash., which has prioritized paying its employees well and giving them opportunities to develop their skills. Barnett refuses to apply for grants that can’t be renewed. Her reasoning: One-off grants can lead to layoffs. And she doesn’t want to be too dependent on government funding because it can disappear in a recession. She recently told the local United Way that its reporting requirements were too time-consuming and chose not to apply for the funds. She maintains close relationships with local grant makers that provide unrestricted support. Yet she still tracks overhead. "Funders that want that information, we have it readily available," she says.

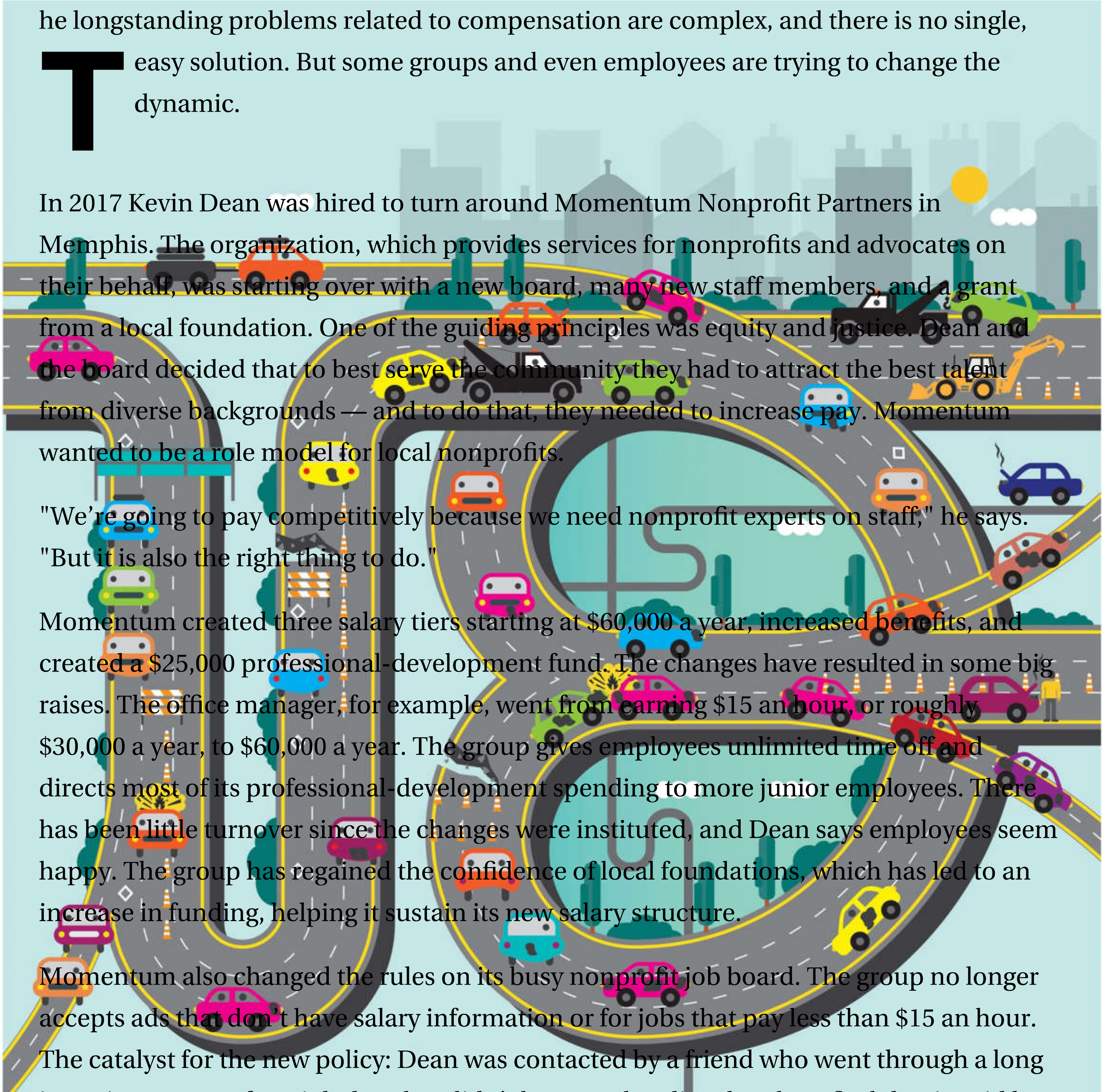
The Ford Foundation recently increased the amount of overhead it expects in a grant proposal from 10 percent to 20 percent. And from 2015 to 2018, it increased its general operating support from 36 percent of its giving to 71 percent.

That change lets grant recipients plan for the future. "It's the flexible money, but it is also the breathing room and the headspace to take on those issues in a thoughtful way," says Chris Cardona, a Ford program officer for philanthropy. The foundation is one of five grant makers working together to make their grants more flexible so they can be used to cover a broader range of costs, including salaries.

How to Increase Pay at Your Nonprofit

- **Prioritize better compensation and professional development.** If that is an important priority, the director and the board can work together toward that goal.
- **Ask donors for what you really need.** Take the time to understand the full cost of providing programs and share that information with grant makers.
- **Communicate the value of well-compensated employees.** Programs don't run themselves. If donors and board members understand the value that employees bring to their work, they're more likely to support higher pay.
- **Diversify revenue.** With money coming from more sources, organizations are less likely to have to meet unrealistically low overhead requirements of a single donor or cut salaries when a grant is not renewed.
- **Don't be afraid to say no.** Some grants are too restrictive and don't pay for the full cost of providing services.

Reward of Better Pay



The longstanding problems related to compensation are complex, and there is no single, easy solution. But some groups and even employees are trying to change the dynamic.

In 2017 Kevin Dean was hired to turn around Momentum Nonprofit Partners in Memphis. The organization, which provides services for nonprofits and advocates on their behalf, was starting over with a new board, many new staff members, and a grant from a local foundation. One of the guiding principles was equity and justice. Dean and the board decided that to best serve the community they had to attract the best talent from diverse backgrounds — and to do that, they needed to increase pay. Momentum wanted to be a role model for local nonprofits.

"We're going to pay competitively because we need nonprofit experts on staff," he says. "But it is also the right thing to do."

Momentum created three salary tiers starting at $60,000 a year, increased benefits, and created a $25,000 professional-development fund. The changes have resulted in some big raises. The office manager, for example, went from earning $15 an hour, or roughly $30,000 a year, to $60,000 a year. The group gives employees unlimited time off and directs most of its professional-development spending to more junior employees. There has been little turnover since the changes were instituted, and Dean says employees seem happy. The group has regained the confidence of local foundations, which has led to an increase in funding, helping it sustain its new salary structure.

Momentum also changed the rules on its busy nonprofit job board. The group no longer accepts ads that don't have salary information or for jobs that pay less than $15 an hour. The catalyst for the new policy: Dean was contacted by a friend who went through a long interview process for a job that that didn't have a salary listed, only to find that it paid less than $15 an hour. The friend withdrew from consideration. "It wastes everybody's time," he says.

A few groups likely stopped advertising, but there was surprisingly little pushback. "Everybody who has been in the nonprofit sector a while has probably had a job that didn't pay enough," Dean says. "They can understand, even if they're at the CEO level, what's fair and what's right."

Low pay makes it hard for nonprofits to recruit people of color, says Shari Dunn, executive director of Dress for Success Oregon. “As a black person, you are already behind,” she says. “Why work somewhere where you are going to get even further behind?” (Tom Cook)

On the West Coast, Dress for Success Oregon boosted salaries and benefits to help diversify and professionalize the workplace.

The effort was spearheaded by Shari Dunn, who became executive director in 2015. She was disturbed by the low salaries at the organization and at nonprofits in general. It’s a real problem if only those with financial support from a spouse or other relatives can afford to work for nonprofits, she says. It means many people of color and others from modest economic backgrounds are excluded and lose their voice in the effort to solve big social problems that disproportionately affect them.

"If you want to have a diverse work force in nonprofits, you have to pay people and have proper benefits," Dunn says.

The group’s salary increases have made a big difference for the group’s employees. Jennifer Jameson started working at the organization before Dunn was hired. She managed some of the group’s technology and organized the gala, its main fundraising event. For that, she was paid $16 an hour, with no health benefits, just a $200 a month stipend to put toward insurance.

Jameson was quickly working up to 70 hours a week without overtime pay. After a disastrous gala in which the fire alarm went off, leavings Dunn trapped in an elevator, Jameson told the new director she couldn’t work like that anymore. Dunn listened.

Dunn diversified the organization’s funding so it relied less on the gala. She found a stable government grant to reimburse the organization for its training and work-force support program, which started at $180,000 and may reach $1.1 million next year. And she has pursued a number of high-net-worth donors.

With more money, she restructured the organization and gave everyone a 10 percent raise. She also instituted policies designed to boost retention, such as offering a one-month sabbatical to all staff after five years of employment. Dunn says retention has improved, and staff are performing better and feel more vested in the organization. Dunn also hired a development manager. Jameson was promoted to director of communications and technology, and over time her pay went from $16 an hour to $50,000 a year. She no longer works such long hours and has more time to spend with her family. "It’s been great," Jameson says.

> *Some nonprofits would like to pay employees more, but they’re afraid higher overhead will jeopardize their ability to win grants.*

Better pay has also helped diversify the staff. Sylvia Estraviz was a Dress for Success client. She already had a long career in the government and private sectors but was looking for something new when she found out the organization was hiring a bilingual person for one of its programs. The salary, she says, was less than she had earned decades earlier, but it was not prohibitively low. She took the job and asked for a raise, which she got. "That meant a lot to me," she says.

She also appreciated the diverse staff. "When I walk into a workplace, I want it to have a diverse group," she says, "because everyone that comes through the door for services will be diverse."

Joining Unions

Employees at organizations such as museums and universities and policy advocates are pushing for better pay by joining unions. Young people have been important supporters, says Kayla Blado, president of the Nonprofit Professional Employees Union. "They have a huge amount of student debt, high underemployment, a lot of them have expensive health-care bills."

The union has been particularly focused on the salaries of junior-level employees at the Economic Policy Institute, says Julia Wolfe, a research assistant there. When she was hired in 2017, her salary of $41,500 was less than she had made at her previous job. "I was doing the math on the back of the envelope to figure out if I could afford this," she says. "Honestly, I couldn’t quite make it work."

Instead of looking for a second job or cutting corners in her budget, Wolfe talked to her union representatives. They focused on increasing junior-level salaries in their end-of-the-year negotiations. Later they pushed for further raises for all the research assistants.

Those junior-level employees also negotiated for uniform annual raises for all the entry-level and junior staff. After four raises in two years, Wolfe earns $53,500. She still has roommates but is starting to save a little money and think about graduate school.

Entry-level workers should not be treated differently than any other employee, Wolfe says.

"Just because it's a steppingstone doesn't mean you should be paid nothing for it," she says. "It doesn't mean that you are not doing important, valuable work for the organization now. You deserve to be compensated."

Correction: This article has been updated to say that Rusty Stahl is CEO of Fund the People, not the executive director.

Jim Rendon is a senior writer who covers nonprofit leadership and fundraising for the Chronicle. In June, Jim wrote about the challenges that leaders of color face

at nonprofits.
Email Jim or follow him on Twitter @RendonJim.

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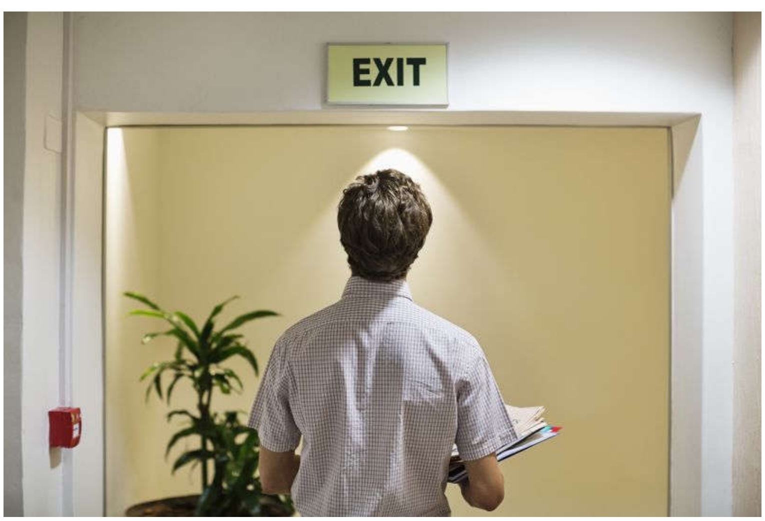

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