

THE YOUNG AND RESTLESS: GENERATION Y IN THE NONPROFIT WORKFORCE

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ABSTRACT

Abstract: The ability of nonprofit organizations to attract and retain the next generation of its workforce will play an integral role in the growth and vitality of the sector. Management literature provides a number of suggestions to nonprofit managers of how to enhance non-compensation related job characteristics in order to attract and retain a young workforce. Yet, this literature ignores the fact survey research indicates that Generation Y employees value compensation and non-compensation related characteristics differently than previous generations. Before management changes are proposed and implemented by nonprofit managers, we must first understand *how* the nonprofit sector compensates Generation Y employees. This study enhances our understanding of wage differentials by using data from the 2005 American Community Survey to examine a sample of 36,000 young, educated employees both within and across nonprofit, mixed and for profit industries. My findings indicate that the wage equity experienced by minorities and females found in previous research, is not consistent when comparing nonprofit and mixed industries. Additionally, one of the most notable findings (not discussed in previous research, but likely relevant to this sample) is the differences in earnings of employees with advanced degrees (Masters Degree and beyond). Employers in for profit industries are better compensating young employees who hold advanced degrees.

INTRODUCTION

One of the most critical human resource problems facing managers across public, private and the nonprofit sector is how to attract and retain a young, educated workforce. Human resources literature often suggests that nonprofit managers focus on enhancing the non-compensation related characteristics of nonprofit work in order to attract the type of nonprofit employee who is thought to “donate” part of labor and accept lower wages, because of the intrinsic returns they receive from nonprofit employment. Yet, survey research finds that Generation Y employees (born between the late 1970’s and early 1990’s) consider compensation an important factor in their consideration of potential employers and are also more likely to change jobs due to compensation related issues than previous generations (Terjesen and Frey, 2008). Before nonprofit organizations restructure and develop compensation practices that can address the specific needs of its young workforce (to include both compensation and non-compensation characteristics) we must first understand *how* nonprofit organizations are compensating young, educated employees.

There are also potential policy implications of better understanding how the nonprofit sectors young workforce is being compensated, as much of the human services and social services work in the United States is done by nonprofit employees, whose front line service workers are almost as large as the federal government’s workforce (Light, 2003). In fact, the nonprofit sector is often labeled “third party government”, part of “an expanding network of alliances between the national government and a host of public and private bodies” (Salamon, 1995, p. 2). Understanding how the nonprofit sector compensates Generation Y employees provides information for nonprofit managers in order to attract and retain a generation of employees

whose values of compensation and non-compensation related job characteristics likely differ from previous generations.

Previous empirical work comparing nonprofit and for profit compensation indicates that there is a small negative or insignificant wage differential , as well as possible wage benefits for female and minority nonprofit employees (Borjas, Frech, & Ginsburg 1983; Holtmann and Idson, 1993; Leete, 2000; A. Preston, 1988, Preston and Sacks, 2009). This paper enhances our understanding of nonprofit, for profit wage differentials by replicating previous work within a sample of young, educated employees, who are critical to the growth and vitality of nonprofit work. Furthermore, I explore wage differentials of employees both *within* and *across* nonprofit, mixed and for profit industries as empirical work demonstrates that industry matters.¹ (Leete, 2000; Lewis & Faulk, 2008, Salamon, 2002).

In the first section of the paper I present an overview of survey findings on young employees that served as the catalyst for this research. I then provide a literature review of previous empirical work exploring nonprofit, for profit wage differentials. In the remaining sections I use the 2005 Census Bureaus' American Community Survey and compile industry categories into three distinct groups: *Nonprofit Industries*, *Mixed Industries* and *For Profit Industries*.² I use ordinary least squares (OLS) regression to compare the wage differentials of employees in nonprofit, mixed and for profit industries. I also examine wage equity issues for female and minority employees both within and across nonprofit, mixed and for profit industries.

My findings are consistent with previous research indicating that the wage differentials occurring in the young, educated workforce are not remarkably different from those found in previous research.³ However, one of the most notable findings (not discussed in previous research, but likely relevant to the young, educated workforce) are the differences in earnings of

employees with advanced degrees (Masters Degree and beyond). It appears that for profit industries are better compensating young employees who hold advanced degrees.

This article allows scholars to begin discussing how to best structure compensation practices for Generation Y employees (who are often said to be critical to the future of the nonprofit sector) but for which no empirical work has been conducted. For nonprofit managers, understanding how young, educated employees are being compensated will help better tailor their compensation practices and create incentives that are integral to both the attraction and retention of Generation Y employees (Mesch and Rooney, 2008).

LITERATURE REVIEW

Background

In a 2007 survey conducted by the Young Nonprofit Professionals Network, 45% of nonprofit employees stated that they did not intend to work in the nonprofit sector in their next position (C. Preston, 2007). A 2008 survey of young nonprofit employees reinforced these results, as 69% of nonprofit employees reported feeling underpaid in their current positions (Cornelius, Corvington, & Rusega, 2008). 64% also reported that they have financial concerns about committing to a career in the nonprofit sector (Cornelius et. al., 2008). When looking at these same issues for minority nonprofit employees' survey research finds that people of color "are more concerned with committing to the nonprofit sector because of financial issues than whites" (Cornelius et. al., 2008, p. 23).

Despite these findings from survey research, scholars who examine nonprofit, for profit wage differentials have not empirically examined how nonprofit organizations are compensating young employees. The empirical work conducted has largely examined wage differentials on a sample of employees whose average level of education was high school and some college

(Lanfranchi and Narch, 2006; Leete, 2001). The average age of employees in this same research was 40 years old (Lanfranchi and Narch, 2006; Leete, 2001). This is a disconnect between research and one of the most pressing issues confronting nonprofit managers to date - how to attract and retain a young, educated workforce. This is especially important work since research indicates that in addition to the non-compensation characteristics of nonprofit work, Generation Y employees also consider compensation an important factor in both their attraction and retention in employment.

There are a number of survey reports indicating that compensation is one of the most important factors to Generation Y employees when considering potential employers (Yahoo! HotJobs/Robert Half International, 2008; Smith, 2008). In a national survey of Generation Y employees' salary, benefits, and opportunities for career growth and advancement are the three most important job considerations (out of 11) for Generation Y employees (Yahoo! HotJobs/Robert Half International, 2008). Another report ranks compensation as the number one way employers can attract Generation Y employees (Smith, 2008). Generation Y employees are also 15% more likely than previous generations to change jobs frequently, since challenging work, job training, career advancement and work environment are all critical components of retaining young employees (Smith, 2008; Terjesen's and Frey 2008; Yahoo! HotJobs/Robert Half International., 2008).

Most survey research on Generation Y employees ends with a number of suggestions for managers to design the best compensation structures that will attract and retain Generation Y employees. Yet before nonprofit managers can better develop their compensation practices, we must first understand how nonprofit organizations compensate its young, educated workforce. Moreover, we can enhance our understanding of how nonprofit organizations can develop

compensation practices for a young, educated workforce which may have specific compensation related values that differ from previous generations.

In comparison to their for profit counterparts research indicates that nonprofit employees place more emphasis on the intrinsic rewards they receive from their jobs (Light, 2002; Light 2003; Mirvis and Hackett, 1983).⁴ Some of this is by design, as the nondistribution constraint (which prohibits nonprofit organizations from distributing profits to its owners) creates a self-sorting of individuals into the nonprofit sector (Hansman, 1980). Individuals employed by the nonprofit sector are motivated by an organization goals rather than solely focusing on goals surrounding profit maximization (Hansman, 1980; Leete, 2006; Mesch and Rooney, 2008; Preston and Sacks, 2009).

Most studies find that nonprofit employees are not motivated by compensation but instead are attracted to the non-compensation benefits and/or working conditions found in many nonprofit jobs (Benz, 2005; Leete, 2006; Light, 2002; Mirvis, 1992; Mirvis and Hackett, 1983; Onyx and MacLean, 1996; Preston, 1990). Leete (2006) defines non-wage compensation as employer contributions to health and retirement benefits, paid leave options, health club memberships and other subsidies. She defines working conditions as a number of organizational factors and aspects of an organizations culture, such as flexibility in schedules, family-friendly work policies, and ability to advance in the work place (Leete, 2006).

Furthermore, it is these very non-compensation related benefits and working conditions that are attributed to high job satisfaction in nonprofit employees, despite their lack of comparable wages to their for profit counterparts (Light, 2002). Results from a number of different studies find nonprofit managers understand that their employees are “donating” their labor and try to “better” compensate their employees through non-wage benefits and improved

working conditions (Almond and Kendall, 2000; Borzaga and Tortia, 2006; Light, 2002; Preston, 1990). In addition to the literature examining the non-compensation characteristics of working in the nonprofit sector, there is a large body of literature on nonprofit, for profit wage differentials to explain the compensation related characteristics of nonprofit employment

Research on the nonprofit, for profit wage differentials finds that wages between nonprofit and for profit employees differ for three reasons. First, many nonprofit organizations concentrate in low paying industries (Leete, 2000; A. Preston, 1990; Salamon, 2002). The labor donations hypothesis and property rights theory are also used to discuss why nonprofit wages may be lower or higher than for profit wages.

The concept that some employees have a “taste for altruism” is the basis of the labor donations hypothesis, often used in research to explain and understand why nonprofit employees may accept low wages. The labor donations hypothesis is used to understand wage differentials when each sector is producing a *different* type or quality of product and/or service. Ultimately, the labor donation hypothesis posits that the different type of quality or product/service produced is the very reason nonprofit employees accept a lower wage (A. Preston, 1989; Weisbrod, 1983). Nonprofit employees “derive well being from participating in the enterprise, and are thus willing to accept a lower wage” (Leete, 2006, p. 161). Preston and Sack’s (2009) work indicates that as long as the supply of workers willing to donate their labor, “exceeds the number of nonprofit jobs, there will be a negative nonprofit wage differential” (p. 6).

Research examining wage differentials between nonprofit and for profit employees in similar industries is often used to explain why wages may be *higher* in the nonprofit sector. “Within a given industry nonprofit providers will provide the higher cost, higher quality product, and because most nonprofit services are labor intensive, the higher quality product will require

higher quality workers” (Preston and Sacks, 2009, p. 4). Property rights theory is also used in wage differentials research to explain why nonprofit wages may be higher than for profit wages. Preston (1988) writes, “The economic theory of property rights predicts that, once ownership and control are separated within an organization, managers will not necessarily minimize costs” (p. 337). Nonprofit managers “who are not subject to profit maximizing pressures, may receive utility from paying higher wages to themselves or their workers” (Leete, 2006, p. 162).

A secondary research stream within studies of wage differentials is the equity of female and minority nonprofit employees wages (relative to men and whites respectively), as compared to their for profit counterparts. The most significant wage penalties for nonprofit employees are experienced by male employees and nonprofit executives (Leete, 2006). Yet, because male employees’ wages are lower, there is greater equity between female and male wages within the nonprofit sector (A. Preston, 1988).

Some research finds that women and minorities may receive small wage premiums in industries predominately composed of nonprofit employees (Leete 2000; A. Preston, 1990; Ruhm and Borkoski, 2003). Leete’s (2000) research using 1990 Census data finds that wage penalties for minorities are smaller in the nonprofit sector than the for profit sector. Ruhm and Borkoski (2003) posit that nonprofit organizations are more likely to pay equitably across different demographic groups to inspire and motivate its workforce (often composed of large proportion of women and minority employees).

RESEARCH METHODOLOGY

I use the 2005 U.S. Census Bureau’s American Community Survey⁵ to examine earnings⁶⁷ differentials for young, educated employees in nonprofit, mixed and for profit industries using

OLS regression. I restrict the sample to individuals who are employed by for profit or nonprofit firms. I also restrict the data to employees aged 30 or younger, with at least Bachelor's degrees, who work full time (40 hours a week, 48 weeks of the year). This results in a dataset with 36,879 observations, of which 22,171 are employees in for profit industries, 4,925 are employees in mixed industries and 1,411 are employees in for profit industries.

I ask, given that an industry is either predominantly composed of nonprofit or for profit employees *or* is composed of a relatively similar proportion of nonprofit and for profit employees how the composition of its workforce impacts compensation? I also examine how the composition of an industries workforce impacts the wages of women and minorities? I use OLS to estimate three different models of wage differentials in nonprofit, mixed and for profit industries to address these questions

In order to first compare employees within industries, three industry groups are created from the American Community Survey's industry categories⁸ (1) those composed primarily of nonprofit employees, hereafter referred to as *nonprofit industries*, (2) those composed primarily of for profit employees, hereafter called *for profit industries*, (3) those composed of a relatively similar proportion of nonprofit and for profit employees, hereafter called *mixed industries*.

Through analysis of summary statistics I examine the percentage of nonprofit and for profit employees within each industry category.⁹ The results of my industry category groupings are shown in Table 1.

[Insert Table 1]

Description of Variables

I use OLS to estimate three regression models to determine how employees are compensated in for profit, mixed and nonprofit industries. The dependent variable is the natural logarithm of annual earnings, which follows previous research using the natural logarithm of an employees' wage.¹⁰ One of the independent variables of interest is a dummy variable for nonprofit employees (coded 1 if an employee self-reports as a nonprofit employee, and 0 if an employee self-reports as a for profit employee). The other independent variables of interest are an employee's gender (coded 1 if an employee is female, and 0 if an employee is male) and race (dummy variables coded 0, 1 for each race category as respondents self-reported Latino/Hispanic, Asian-American, African-American, and Other/Mixed Race). White employees are the reference group in each regression model. I also am interested in returns to education for employees in nonprofit, mixed or for profit industries and create dummy variables coded 0, 1 for Masters Degree, Professional Degree¹¹ or Doctorates. A Bachelors Degree is the reference group in the regression models.

Similar to previous research I control for several variables including state, occupation categories, work experience, hours, and weeks worked (Leete, 2001; Lewis & Faulk, 2008; A. Preston, 1989).¹² I control for state by including a dummy variable coded 0, 1 for all 52 geographic areas in the survey data (this includes the 50 states as well as Washington D.C. and Puerto Rico). I also control for an employee's occupation by including a 0, 1 dummy variable for 28 occupation categories (ranging from social scientist to healthcare support professionals). I

control for work experience with an interval level variable for the number of years of work experience, self-reported by respondents. Finally, I control for both hours and weeks worked using an interval level variable for the number of hours worked during the past week and the number of weeks worked in the past 12 months.¹³

RESULTS

Descriptive statistics of employees in for profit, mixed and nonprofit industries are shown below in Table 2. Similar to previous research findings young, educated employees in both mixed and nonprofit industries have a higher percentage of advanced degrees than for profit employees (Preston, 1989; Ruhm and Borkoski, 2003). Nonprofit industries have the highest percentage of employees with Masters Degrees, whereas mixed industries have the highest percentage of employees with Professional Degrees and Doctorates. This finding is consistent with the industry groupings as mixed industries such as hospitals and education, likely require a larger number of employees with Professional Degrees and Doctorates.

Female employees also comprise a larger proportion of both mixed and nonprofit industry employees, 70.17% and 66.83% respectively, as compared to for profit industries where only 43.69% of its workforce is female. I also find that there is a wage gap of approximately \$11,000 in median¹⁴ salaries between employees in for profit and nonprofit industries and a wage gap of \$7,000 between employees in for profit and nonprofit industries. The wage gap between employees in nonprofit and mixed industries is \$4,000. As other scholars have noted this is likely due to the concentration of nonprofit organizations in low paying industries (Salamon, 2002).

The wage gap findings are very interesting considering that the demographics of mixed industry employees more closely resemble for profit industries, than non profit industries.

African-American and Latino/Hispanic employees constitute 14.04% of employees in non profit industries, 11.75% of employees in mixed industries and 10.96% of employees in for profit industries. In our sample of young, educated employees' nonprofit and mixed industries are less diverse than for profit industries, since nonprofit and mixed industries have the highest percentage of White employees. Asian-American employees are the racial-ethnic minority group most highly represented in for profit industries, while Other/Mixed race employees are most highly represented in nonprofit industries.

[Insert Table 2]

Wage Equity Findings

Similar to previous research, this sample of young, educated employees yields somewhat similar results described in Table 4 (Leete, 2000; Leete, 2001; A. Preston, 1988; A. Preston, 1990; Ruhm and Borkoski, 2003). Females and *certain* minority employees are paid more equitably (in relation to men and whites) in nonprofit and mixed industries as compared to females and minority employees in for profit industries.

In both mixed and nonprofit industries the coefficients on female are not statistically significant, indicating that there is plausibly no difference between the annual earnings of females and men in mixed and nonprofit industries in the population. On the other hand, female employees in for profit industries earn 7.31% less than their male counterparts and this result is highly significant at the .001 level. These findings are similar to Leete (2001) and Preston's

(1990) research finding that women who work in the nonprofit sector are paid more equitable wages than women who work in the for profit sector. Again, some of these findings may be due to the fact that earnings for men in mixed and nonprofit industries are low, which produces more equitable wages between men and women (A. Preston, 1988). In Table 3, I present descriptive statistics of male, female earnings that further explain this finding.

Essentially in for profit industries there is an \$8,000 wage gap between the median earnings of male, female employees. However, in both nonprofit and mixed industries, male wages are much lower resulting in an approximately \$1,000 - \$1,350 wage gap between the earnings of male, and female employees.

[Insert Table 3]

Some interesting findings regarding race and wage equity of Generation Y employees are also seen in the regression results, seen in Table 4. Within nonprofit industries, Latino/Hispanic employees, Asian-American and Other/Mixed Race employees results are not statistically significant, indicating that there is plausibly *no* difference between these groups' earnings and the earnings of Whites in the population. However, African-Americans do not experience this same wage equity and earn 6.38% less than Whites in nonprofit industries. Yet, for African-American employees they experience the smallest wage penalty they face across all industries.¹⁵

Within mixed industries Latino/Hispanic employees¹⁶ and African-American employees earn less than Whites, 4.35% and 6.47% respectively. Yet, Other/Mixed Race employees in mixed industries are the only racial/ethnic group to earn *more* than White employees, across all

industries.¹⁷ Thus, minority employees in nonprofit industries experiences less wage penalty's when compared to employees in mixed industries.

In for profit industries, *all* racial groups earn less than Whites and the results are significant at the .001 level. Latino/Hispanic employees' earn 13.7% less than Whites, African-Americans earn 8.70% less than Whites, and Other/Mixed Race employees earn 9.01% less than whites. For each racial-ethnic minority group, the highest wage penalties are faced in for profit industries.

Across all industries, I find that Asian-American employees' results are not statistically significant. This indicates that in the population, there may be no differences between the earnings of Asian-American and White employees. Comparing results across nonprofit and mixed industries African-Americans receive the greatest wage penalty (of all racial/ethnic groups), earning approximately 6.5% less than comparable White employees.

Comparing findings across all racial/ethnic groups Latino/Hispanic employees face the greatest wage penalty in for profit industries earning approximately 13.7% less than comparable White employees. For both Asian-American and Other/Mixed race employees the findings are varied by industry. My findings are especially interesting; possibly revealing that for young, educated employees', certain racial groups are being compensated more or less equitably than other racial groups in the workforce.

[Insert Table 4]

Returns to Education

Across all industries employees with advanced degrees earn more than employees with Bachelors' degrees.¹⁸ Yet the findings on the compensation related returns to education *within* industries reveals the very reason nonprofit organizations should begin to better understand how they are compensating its young, educated nonprofit workforce. Nonprofit organizations may be attempting to incentivize the workforce with non-monetary benefits that may not attract and retain Generation Y employees. Although there are a higher percentage of employees in nonprofit and mixed industries with advanced degrees (than for profit industries), for profit industries appear to be better compensating employees with advanced degrees with monetary returns.

Within nonprofit and mixed industries, employees with Masters Degrees earn 10.2% and 12.8% more than employees with Bachelors' degrees. Yet, within for profit industries, employees with Masters Degrees earn 17.6% more than comparable employees with Bachelor's Degrees. Essentially, although the highest percentages of employees with Masters Degrees are found in nonprofit industries, nonprofit industries pay employees with Masters Degrees the least, across all industries.

This trend continues as employees with Professional Degrees in for profit industries earn 44.0% more than employees with Bachelor's Degrees. Yet, employees in mixed industries who hold Professional Degrees earn only 4.82% more than employees with Bachelor's Degrees. Again, this finding is very surprising as summary statistics indicated that mixed industries have the highest percentage of employees with Professional Degrees, yet across all three industries they are compensating their employees the least.

The findings regarding compensation returns to employees who hold Doctorates is also similar, indicating that employees in for profit industries are being paid 48.6% more than Employees with Bachelor's Degrees. In mixed industries, employees with Doctorates are being compensated 32.5% more than employees with Bachelor's Degrees. Yet, in nonprofit industries, the coefficient on Doctorate is not statistically significant, indicating that there is plausibly no difference in earnings between employees with Doctorate Degrees in nonprofit industries, and those with Bachelor's Degrees.

These findings on how the compensation related returns to education differ within nonprofit, mixed, and for profit industries provide new insights into understanding how compensation practices in nonprofit and mixed industries can be better structured in order to attract and retain a young, educated workforce.

DISCUSSION AND CONCLUSION

Due to increased competition from the public and private sector for talented employees as well as the large amount of "public" work many nonprofit employees are responsible for, it is imperative researchers conduct research on compensation practices both within and across nonprofit, mixed and for profit industries for young, educated employees, who are extremely critical to the growth and vitality of the nonprofit sector. These findings along with future research can lead to a deeper understanding of how to best structure compensation practices to create incentives for Generation Y employees based on the specific compensation related characteristics that are important to its young workforce.

This article provides the basis for a different understanding of how to structure compensation practices, based on actual research that explains *how* nonprofit, mixed and for profit industries are compensating their workforce. Understanding how these industries are compensating their young, educated employees is extremely important since previous research and management suggestions often emphasize that nonprofit organizations should enhance the non-monetary characteristics of nonprofit work in order to attract and retain employees, without understanding what the compensation of its workforce actually looks like.

My examination of young, educated employees is most interesting as some findings are similar to previous research, yet other findings indicate that there are some specific nuances nonprofit managers will have to understand in the young, educated workforce that are quite different from previous generations. Female and minority employees in nonprofit and mixed industries appear to be paid more equitably to their male and white counterparts respectively. In fact, nonprofit industries appear to compensate racial/ethnic minorities the most equitably (with the least amount of minority groups facing wage penalties).

Yet, the research findings of Other/Mixed race employees and Asian American employees have unique findings that vary both within and across industries indicates that more research needs to be conducted on these specific minority groups within nonprofit and mixed industries. What can explain the differences in earnings of Asian-American employees and Other/Mixed race employees as compared to Latino and African-American employees who face a much larger wage penalty in most industries? Future research of Generation Y employees can help understand wage penalty and benefits for specific racial/ethnic groups and how nonprofit compensation practices can be structured to address these issues.

I also find, consistent with previous research, that employees in nonprofit and mixed industries hold more advanced degrees than their for profit counterparts. Yet, employees with advanced degrees in nonprofit industries do not see the compensation related returns from this education, when compared to individuals who work in for profit industries. The findings on the education variables are extremely interesting, as nonprofit and mixed industries, who have the largest percentage of employees holding Masters Degrees, Professional Degrees and Doctorates are not compensating this group of employees well. In fact, within nonprofit industries, whose employees hold the most Masters Degrees they are compensating their employees the least for this education. The same finding is found in mixed industries, whose employees hold the largest percentage of Professional Degrees and Doctorates, yet are not compensating their workforce for this education. Is there a mismatch between low paying nonprofit industries and the education of their workforce? If so, what can explain the rise in the number of Masters Degree programs in nonprofit work or the number of nonprofit job opportunities requiring Masters Degrees in lieu of work experience.

The findings in this study suggest that the emphasis nonprofit literature has placed on structuring compensation practices (focusing on non-compensation characteristics) for an intrinsically motivated workforce will likely not serve a young, educated workforce who considers compensation an important factor in their attraction and retention to potential employers. Although there are certain characteristics that nonprofit industries seem to be better compensating its employees on (wage equity for example) the low paying returns to education for employees in nonprofit industries indicate a mismatch between a young, educated workforce and compensation practices that will retain these employees.

Furthermore, this research raises a number of unanswered questions about the specific manner in which Generation Y employees value both compensation and non-compensation job characteristics, and how these may differ both within and across industries. Future research in this area will help nonprofit managers develop compensation practices that are competitive with other sectors, as they will be based on an understanding of the needs and values of a young, educated workforce. This generation of employees is critical to the continued growth and vitality of the nonprofit sector and empirical research will likely play an integral role in the nonprofit sector's ability to attract and retain a young, educated workforce.

¹ Although previous researchers have conducted studies of wage differentials controlling for industries within a regression model this paper is one of the first that controls for industry by examining wages of employees both within and across industries through three different regression models, of for profit, mixed, and nonprofit industries

² 1) *Nonprofit Industries*: over 75% of employees in these industries are nonprofit employees; (2) *Mixed Industries*: between 35% and 53% of employees in these industries are nonprofit employees; (3) *For profit Industries* : between 78% and 93% of these industries are for profit employees

³ In my study descriptive statistics indicate that young, educated nonprofit employees earn less than for profit employees in both nonprofit and mixed industries. However, regression results reveal that both females and minorities are paid more equitably (in relation to men and whites respectively) in nonprofit and mixed industries, as compared to for profit industries. These findings are similar to previous work which find that females and minorities are paid more equitably in the sector, although nonprofit employees earn less than for profit employees (Leete, 2000; A. Preston, 1988; A. Preston, 1990; Ruhm and Borkoski, 2006).

⁴ There is also a good deal of research describing employees who enter nonprofit work for religious and moral reasons. For a summary overview of this research please see Frumkin, 2002

⁵ "The American Community Survey (ACS) was designed to provide current estimates of community change, and intended to replace the decennial Census long form by collecting and producing updated population and housing information every year instead of every 10 years. The ACS collects information from U.S. households similar to what was collected on the Census 2000 long form, such as income and employment, commute time to work, home value and expenses, type of housing, household composition, health status, and veteran status." (<http://aspe.hhs.gov/hsp/06/Catalog-AI-AN-NA/ACS.htm>)

⁶ Unlike most research that uses the log of hourly wages, I use the log of annual earnings as the dependent variable. This sample of college graduates are likely salaried rather than hourly employees, and will likely provide a more accurate statement of their annual earnings as opposed to their hourly wage.

⁷ I use the log of annual earnings as the dependent variable. The kurtosis statistic of annual earnings is 19.34, indicating that taking the log of annual earnings will produce more consistent findings of statistical significance, since this variable is highly skewed and not normally distributed.

⁸ The industry category grouping is similar to the Census Bureau's nonprofit industry category groupings described at: <http://www.census.gov/acs/www/Products/PUMS/C2SS/CodeList/2005/Industry.htm#agri>

⁹ 1) *Nonprofit Industries*: over 75% of employees in these industries are nonprofit employees; (2) *Mixed Industries*: between 35% and 53% of employees in these industries are nonprofit employees; (3) *For profit Industries* : between 78% and 93% of these industries are for profit employees.

¹⁰ I use the logged dependent variable following previous research of wage differentials. I also used the dollar amount of annual earnings as the dependent variable and the statistical significance of results was similar for the majority of the variables. In for profit industries, the statistical significance of the African-American coefficient drops from .001 to .05 in the model without the logged dependent variable. However, in mixed industries both the female coefficient and the other race coefficient become statistically significant at the .001 level with annual earnings as the dependent variable rather than logged annual earnings, as logging the dependent variable does not produce any statistical significance. Additionally in mixed industries, the Latino/Hispanic, African-American or Professional Degree coefficients are all not statistically significant in the model without the logged dependent variable (likely because these findings were weakly significant at the .10 level in the models we ran with logged annual earnings). In nonprofit industries, the nonprofit coefficient is statistically significant at the .05 level in the model where the logged annual earnings is not used. In the model with logged earnings used, the nonprofit coefficient is not statistically significant. Additionally, in nonprofit industries the African-American coefficient is statistically significant at the .10 level when the log of annual earnings is used as the dependent variable and it is statistically significant at the .05 level in regressions without the log of annual earnings.

¹¹ The American Community Survey's questionnaire defines a Professional Degree as an MD, DDS, DVM, LLB or JD.

¹² Although I have not submitted full models with all controls listed, they are available upon request from the author

¹³ I do not control for age and experienced squared as other studies have because the samples age is restricted to those employees under 30 years old, as I am only examining Generation Y employees'. The range of ages and experience in this sample is not large enough to demonstrate a curvilinear relationship between those variables and one's wage.

¹⁴ I use the median earnings in descriptive statistics rather than the mean earnings, since annual earnings are highly skewed throughout this sample, ranging from \$4,000 to \$463,000

¹⁵ This finding should be interpreted with caution as the coefficient on African-Americans within nonprofit industries is weakly significant at the .10 level.

¹⁶ The coefficient on Latino/Hispanic is weakly significant at the .10 level and results should be interpreted with caution

¹⁷ Although the coefficient is weakly significant at the .10 level for Other/Mixed Race employees, when the regression models were run without taking the log of annual earnings, the coefficient is significant at the .001 level and indicates that Other/Mixed Race employees earn approximately \$6,800 more than Whites within mixed industries.

¹⁸ The only exception is employees with doctorates in Nonprofit Industries, who results are not statistically significant. This is likely due to the small number of employees in this sample who have Doctorates and work in nonprofit industries (.21%)

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Table 1: Grouping of Industry Categories by Percentage (%) of Nonprofit Employees

NONPROFIT INDUSTRIES	MIXED INDUSTRIES	FORPROFIT INDUSTRIES
<ul style="list-style-type: none"> -Social Services -Business/Professional organizations -Political Organizations -Advocacy/Grant making -Religious 	<ul style="list-style-type: none"> -Arts/Entertainment -Child Care -Hospital -Nursing Homes -Education 	<ul style="list-style-type: none"> -Manufacturing -Wholesale -Retail -Transportation/Warehouse -Special Business Mgr Services -Real Estate -Construction -Company Management -Accommodation -Veterinary -Agriculture -Finance/Insurance -Legal Services -Admin/Bus Support Services -Information Publishing -Utilities -Recreation -Health, Not Hospital -Employment -Scientific, Research Dvlpmt.

Table 2: Descriptive Statistics of Employees in Nonprofit, Mixed and For Profit Industries

	<i>For Profit Industries</i>	<i>Mixed Industries</i>	<i>Non Profit Industries</i>
<i>Annual Earnings (Median)</i>	\$42,000	\$35,000	\$31,000
<i>Age (Mean)</i>	27	27	27
<i>Experience (Mean)</i>	7.67	7.37	7.45
<i>Female (%)</i>	43.69%	70.17%	66.83%
<i>White (%)</i>	77.13%	78.42%	78.67%
<i>African-American (%)</i>	4.50%	6.42%	7.80%
<i>Latino/Hispanic (%)</i>	6.46%	5.33%	6.24%
<i>Asian-American (%)</i>	10.44%	8.29%	4.88%
<i>Other/Mixed Race (%)</i>	1.47%	1.54%	2.41%
<i>Bachelor Degree (%)</i>	84.00%	68.00%	75.97%
<i>Masters Degree (%)</i>	11.75%	19.65%	22.75%
<i>Professional Degree (%)</i>	3.55%	8.79%	1.07%
<i>Doctorate (%)</i>	0.70%	3.56%	0.21%

**Table 3: Descriptive Statistics of Male, Female Earnings
in Nonprofit, Mixed and For Profit Industries**

	<i>For Profit Industries</i>	<i>Mixed Industries</i>	<i>Non Profit Industries</i>
<i>Annual Earnings (Median), Full Sample</i>	\$42,000	\$35,000	\$31,000
<i>Annual Earnings (Median), Male</i>	\$48,000	\$36,000	\$31,350
<i>Annual Earnings (Median), Female</i>	\$40,000	\$35,000	\$31,000

Table 4: OLS Estimations of Nonprofit, Mixed and For Profit Industry Wage Differentials

(Log earnings – exponentiated)

	<i>For Profit Industries</i>	<i>Mixed Industries</i>	<i>Nonprofit Industries</i>
<i>Female</i>	-0.0731*** (0.0065)	-0.0110 (0.013)	0.0277 (0.022)
<i>Nonprofit Employees</i>	-0.141*** (0.023)	0.0136 (0.012)	-0.0455 (0.037)
<i>Latino/Hispanic</i>	-0.137*** (0.013)	-0.0435* (0.026)	-0.00166 (0.041)
<i>Asian</i>	-0.00712 (0.011)	-0.0170 (0.022)	-0.0371 (0.046)
<i>Black</i>	-0.0870*** (0.015)	-0.0647*** (0.024)	-0.0638* (0.038)
<i>Other Race</i>	-0.0901*** (0.025)	0.0907* (0.047)	0.0198 (0.065)
<i>Experience</i>	0.0681*** (0.0014)	0.0557*** (0.0027)	0.0511*** (0.0046)
<i>Masters</i>	0.176*** (0.0096)	0.128*** (0.015)	0.102*** (0.024)
<i>Prof. Degree</i>	0.440*** (0.022)	0.0482* (0.025)	0.277*** (0.096)
<i>Ph.D.</i>	0.486*** (0.038)	0.325*** (0.033)	0.103 (0.21)
<i>Constant</i>	5.205*** (0.17)	8.070*** (0.28)	7.804*** (0.54)

<i>Observations</i>	22,171	4,925	1,411
<i>R-squared</i>	0.35	0.31	0.30

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1