



Improving jobs in the nonprofit sector

A Class Action report
by Betsy Leondar-Wright
and Anastasia Lynge

STAFFING THE MISSION:

a new project of Class Action

Staffing the Mission helps nonprofits express their values through their compensation and personnel policies. We work with foundations to promote practices among grantees that are aligned with the vision of the world that funders aim to create.

Better pay and benefits are major pieces in the larger puzzle of increasing class and racial diversity in the nonprofit sector and reducing wage gaps in the US. Class Action hopes to inspire a wave of foundations and donors committed to supporting their grantees to meet a set of benchmarks on wages, benefits, hours, decision-making input and working conditions.

Class Action, founded in 2004, inspires action to end classism and extreme inequality. We provide change-makers with tools, training and inspiration to raise awareness, shift cultural beliefs about social class, build cross-class solidarity, and transform institutions and systems.

Class Action's vision = A world without classism:

- Meets everyone's basic needs;
- Treats people from every background, race, class status and rank with dignity and respect;
- Supports the development of all people to their full potential;
- Reduces the vast differences in income, wealth and access to resources;
- Ensures everyone has a voice in the decisions that affect them.

About the authors



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November 2019

November 2019

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EXECUTIVE SUMMARY: Staffing the Mission

In this report, we diagnose widespread problems with nonprofit jobs and prescribe remedies that funders and nonprofit managers can implement. Class Action conducted a survey of the perceived fairness of human resources (HR) practices at 82 varied US nonprofit organizations. A majority were dissatisfied with wage standards and wage transparency. More positive were opinions on benefits and hiring processes. Many respondents linked poor job quality to racial inequity in the nonprofit sector. The report includes profiles of exemplary nonprofits and quotes from survey respondents about what works well or poorly at their organizations.

Recommendations for nonprofits

Even low-budget nonprofits can improve job quality by:

- Moving towards needs-based compensation, instead of over-relying on prevailing wage standards that embody decades of race, gender and class inequities;
- Following a 5-step process for setting pay, starting with discussions with staff and board about how the organization's core values can be expressed in HR policies; and
- Publicizing salary ranges in job listings and increasing pay transparency among staff.

Recommendations for funders

Foundations and large donors can improve job quality at grantee organizations by:

- Giving more unrestricted operating grants and loosening limits on overhead spending;
- Asking questions about pay on grant applications;
- Increasing distribution above the minimum 5% requirement; and
- Advocating for federal philanthropy reform.

Program plan for Staffing the Mission

Over the next 5 years, in collaboration with like-minded organizations and funders, Staffing the Mission plans to create:

1. A widely known certification for funders who support good jobs at their grantees;
2. An annual award for exemplary nonprofits who improve jobs despite financial constraints;
3. A set of benchmarks for best practices that will allow organizations to self-assess; and
4. Workshops, consulting and an online toolkit to help provide resources to nonprofits and funders looking to improve HR practices.

INTRODUCTION

A Overview of the Staffing the Mission survey results

To learn the state of nonprofit jobs in the US today, Class Action surveyed 82 varied nonprofit organizations, conducted a literature review, and had conversations with more than 20 experts in the nonprofit and philanthropic sectors, including the Staffing the Mission Advisory Council members (listed in Section 4).

Our survey was conducted from 2017 to 2019. It received responses from all experience levels, from entry-level and direct-service staff to executive directors and board members, at nonprofits in all regions and of varied sizes. (See Appendix 1 for breakdowns of respondents.)

The survey found that many nonprofit employees are dissatisfied with their organizations' wage standards and wage-setting practices, including lack of transparency. Only questions on the fairness of hiring practices and on benefits got a majority of positive responses.

Findings: Widespread dissatisfaction...

... with pay:



Only **47%** rated their organization's wage standards fair or very fair



Only **41%** rated wage-setting practices fair or very fair

... with transparency:



Only **37%** rated wage transparency fair or very fair

And some bright spots:



59% rated benefits fair or very fair



62% rated hiring practices fair or very fair

We hope that readers of this report will take away new strategies for job improvement. Many nonprofit mission statements envision a more just future, and in that spirit, we hope that our recommendations can spur progress towards a new era when people and organizations flourish.

B**The context of nonprofit roles in growing income inequality**

Before diving into the problems with nonprofit jobs and their solutions, it's important to put the phenomenon into a broader context of economic, social and political trends. Extreme income inequality has become a national crisis—and nonprofits have been both part of the solution and sometimes part of the problem.

Wages in the US haven't kept up with the cost of living, despite enormous economic growth in recent decades. The bottom half of Americans saw zero income increase (after inflation) from 1978 to 2015, while the income of the top 1% grew 138%, according to Inequality.org.¹ A decade after the Great Recession, income levels had barely bounced back: 2017 median personal income had risen above 2007 levels by only 7% for white workers, 5% for Latinx (Hispanic) workers and a stunningly low one percent for black workers.

Some nonprofit organizations have worked with the labor movement on solutions to stagnating wages, and tens of thousands have given assistance to those harmed by the new economic realities. But the nonprofit sector is also part of the problem. Understandably, working for a good cause often means accepting lower pay than in the corporate sector—but some nonprofit jobs don't even meet the most basic criteria of liveability, leaving some of their staff stressed and struggling.

Reliance on the nonprofit sector to meet basic human needs has increased due to almost four decades of public sector budget cuts to human services, points out [Kim Klein](#). At the same time, state budget cuts have been promoted by a coordinated agenda by corporations and rightwing think tanks, according to Gordon Lafer, author of *The One Percent Solution: How Corporations Are Remaking America One State at a Time*. Many human services agencies have stretched to meet greater need with less funding per client. As a result, state contracts with human service agencies are a major cause of low nonprofit pay, with solutions beyond the scope of this report.

The federal government has resisted raising the federal minimum wage for a decade, leaving it at \$7.25 an hour. This has had direct impacts on the nonprofit sector in the 19 states without a higher state minimum wage. Although some nonprofit minimum-wage employees in states

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such as Massachusetts make close to a living wage, many in states like New Hampshire or Delaware make only \$7.25 to \$9 an hour.

Thanks to the Fight for \$15 movement, several states and municipalities have approved substantial increases in the local minimum wage. Immediately, the backlash began – including by nonprofit organizations.

In particular, human services agencies with state funding have raised an alarm that without a budget increase, it would be impossible for them to serve as many people with disabilities, elders and children. In Delaware, Seattle and elsewhere, some nonprofits actually lobbied to slow or stop the pay raise.

To longtime leader in the nonprofit sector [Ruth McCambridge](#), this opposition is “wrong-headed... [A]rguing against reasonable compensation sullies the credibility of nonprofits in general through the crass hypocrisy it reveals.” Yes, public-funded nonprofits need to loudly advocate for increased funding to meet the unfunded mandate of a higher minimum wage, but not for slowing the implementation of much-needed raises for their own employees.

McCambridge describes the human services field as “one in which nonprofits abuse their own pool of employees—largely comprising people of color and predominantly female—through under-compensation and shortening of hours. This creates any number of problems, creating an understaffed, unstable workforce that’s unable to fully honor the critical work they do.” The result is the widespread dissatisfaction documented in the next section.

SECTION 1

DEVALUING STAFF IN THE NONPROFIT SECTOR

This section explores evidence of nonprofit job quality found in the Staffing the Mission survey findings and in other nonprofit compensation studies, starting with pay and then describing other areas of dissatisfaction such as hours, internal pay gaps, transparency and decision-making processes and the implications for racial justice.

A

Discontent with low pay

The Staffing the Mission survey results reflect an overall dissatisfaction with compensation among employees of large and small nonprofit organizations. (See Appendix 1 for a breakdown of survey respondents.) Other studies, summarized below, also point to the same conclusion: many nonprofit employees are paid below the cost of living across the country.

“ We nonprofits really need to get out of this Martyr Mentality. It seems we nonprofit staff take an unspoken vow of poverty when we enter our profession. It has been beaten into us over hundreds of years, and like smoking or checking emails in bed it is a very difficult habit to break. But we have to. This mentality is ineffective; it drives talented people to burning out and to leaving the field, and it negatively shapes the perceptions of people who are not in the field, preventing good ones from even thinking of entering.”

VU LE, [NONPROFIT AF](#)

Survey responses on pay levels

Of the 82 varied nonprofit employees surveyed, the majority of respondents were not satisfied with the level of wages. Only 47% found wage standards fair or very fair.

“ The parent organization publishes annual salary guidelines, and my [local organization] paid way less than recommended, to me and several other staff members. There is a hierarchy and power hoarding by those at the top.”

Low wage standards can impact who is able to work at the organization. One former nonprofit employee said that she was unable to stay at her workplace after giving birth to her first child, a loss to the organization as well as to her.

A member of a direct service organization summarized how low wages impacted who was able to work at the organization:

“ We pay barely a living wage, no matter what your qualifications, what your experience, etc. On the one hand, it is transparent and standardized, but it also means that we basically can only ever hire entry-level staff, or those for whom they or a partner have another substantial source of income.”

An employee voice at a struggling nonprofit

One arts organization in the southwest, with a half-million-dollar budget, has struggled to provide fair working conditions for its employees. This organization runs a Latin American culture museum, as well as community events and youth education—promising programs that the staff struggles to provide because of drops in funding.

“(There are) no benefits,” an employee of the organization told Class Action. “Yet most pay is just above the margin to qualify for [public] benefits, but not enough pay to purchase individual options. If you are single and not on a partner’s plan, you are out of luck.”

The organization also struggles with a lack of transparency, especially around job requirements, salaries, and decision making. There is a “lack of communication prior to submitting requests for funding, budgets or plans,” the employee told us. “There is no clear communication in regards to pay, pay choices, pay increases or raises... We are also not paid for mileage as staff, but contractors are.”

The survey did receive positive feedback on compensation from many respondents, especially in regards to benefits packages. Sixty-nine percent indicated that their organization’s benefits packages were either fair or very fair.

However, benefits packages seemed to vary by the amount of funding an organization received. Smaller nonprofits, as well as some located in underserved areas with few funding sources, are often unable to offer benefits to their employees at all. Some respondents wished that funders would include the cost of benefits when they consider grant proposals.

A lack of benefits can induce the very problems that nonprofits are established to address, such as untreated health problems and unstable housing. Not only does poverty drive away staff members, but it also prevents staff who stay with the organization from providing stability for themselves and their families.

Two other wage surveys also found inadequate pay

In Southern New England, nonprofits do not provide salaries that align with the cost of living, according to the study “[*Wage Equity Matters: A Deeper Analysis of Compensation and Benefits Data from Valuing Our Nonprofit Workforce*](#)” by Owen Berson and Lyn Freundlich² of TSNE Mission-Works. They found that 44% of employees surveyed out of a group of 35,000 nonprofit employees in Massachusetts, Connecticut, and Rhode Island were paid less than \$31,000 a year, meaning that it was nearly impossible to afford to live in expensive cities like Boston or Hartford.

Berson and Freundlich state that “*a third of our workforce is paid so little they themselves may be considered working poor.*”

Employees of color are sometimes the first to be impacted by insufficient personnel budgets. Berson and Freundlich found that Black and Latinx (Hispanic) employees were most likely to be employed in the lowest paid jobs at nonprofits, with few opportunities for upward mobility.

New England Executive Directors surveyed in 2017:

90% identified as white
3% identified as black
2% identified as Latinx

(Berson and Freundlich)

2 Lyn Freundlich is an Advisory Council member of Staffing the Mission.

A lack of living wages is only part of the problem. A 2012 RoadMap salary study, [Wages of Peace and Justice](#), found that out of 175 total social justice organizations surveyed, only 30% were able to provide benefits to their employees. Despite most foundations regaining stability after the Great Recession, in 2012 most organizations were still seeing a decrease in funding. The survey found that some organizations in states with fewer funding sources did not have the option to pay their staff a living wage.

Employees at nonprofit organizations are doing critical work to ensure a more just future and to care for young, old and disabled people, and they deserve fair compensation for their work.

While low compensation was the most common complaint in survey responses, other answers made it clear that other factors also affect job satisfaction, as the next subsection shows.

B**It's not just pay levels: Complaints about overwork and pay gaps**

Some survey respondents said that a culture of overwork had negatively impacted the quality of their work and how they felt about their jobs overall. Some employees reported consistently working 60-hour weeks, while others spent late nights at the office, leading to burnout.

Such overwork isn't productive for either the organization or the employee. A 2014 [Stanford University study](#) revealed that worker productivity dips after an employee works more than 50 hours a week. [Another study](#) showed that workers who put in more than 55 hours a week were at risk for adverse health outcomes, including increased blood pressure and risk for heart disease.

Paid leave policies can promote or thwart healthy work-life balance. “[We have] very restricted PTO [paid time off] and sick days,” said one survey respondent at an arts organization with a \$1.5 million budget. Some employees felt that they were undervalued by their organization, but were still required to work long hours.

“

There is no comp time, so if someone works an event until 9pm they are still expected at the office at 9am the next day. Or if you attend a weekend event you don't get any time off to compensate. The schedule is very strict down to when you need to be at your desk each morning (9am), when you can take a lunch break (1pm) and when you can go home (6pm).”

Nonprofits increased their reliance on part-time staff and volunteers in the aftermath of the Great

Recession, according to a well-known [article on the “nonprofit starvation cycle” in the Stanford Social Innovation Review](#).

What is the “nonprofit starvation cycle”? Nonprofits are sometimes pressured by funders to reduce costs during times of financial difficulty. This causes organizations to reduce their spending on overhead, including support staff, staff training and fundraising, leading to less progress towards the mission. While recovering from the financial fallout in 2009 and 2010, many nonprofits ended up cutting hours and benefits in order to save money, sometimes at the expense of low-level employees. Supposedly part-time jobs with full-time job descriptions are a common cause of burnout.

Large gaps between the lowest and highest paid employee are another frequent complaint about nonprofit organizations. Some respondents saw large gaps in wages between top managers and lower ranking staff. Large pay ratios sometimes lead to employee distrust and resentment.

“ We were told that everyone in our organization was making the same wage, but then we found out that some employees were making twice or three times as much as the rest of us.”

“ There’s a huge wage discrepancy between ‘lower level’ staff (now making hourly rates, that the organization didn’t even reveal...) and leadership (making well into the 100-200K range). Also, people with the same titles sometimes have different salaries—a new staff member on a new grant might make up to 7-10K more than someone who’s been there for multiple years with the same title (especially if leadership has their eyes on the position for a friend in an act of ardent nepotism).”

It is challenging but possible to change these negative practices at organizations and to create a more positive work environment. Open communication and self-assessment of decision-making and wage-setting practices can lead to productive changes at the organizations, as Section 2 will show.

C Nonprofit compensation practices and racial equity

When nonprofits don't pay their employees enough or offer family-friendly benefits, those who are marginalized within society may be hurt first and hurt worst.

According to RoadMap's [*Human Resources and Justice: Addressing Racism and Sexism in the Workplace*](#) report, the nonprofit sector is predominantly white-led. In some regions, over 90% of nonprofit staff are white. In order for nonprofits to effectively serve diverse populations, organizations must hire diverse staff.

Survey respondents were asked to evaluate their organizations' diversity hiring practices. Their answers demonstrate that many organizations have sincere plans to hire diverse staff, informally or through affirmative action plans. Recently there has especially been an emphasis on hiring women of color to leadership positions. But hiring diverse staff is not enough; retention depends on fair compensation and workplace practices.

“Historically when POC [people of color] have been in leadership positions they usually quit within 6 months.”

Many of our survey respondents expressed concerns about the equity practices of their organizations. Some people of color report being shut out of conversations, leadership opportunities, and pay raises. Transparency was sometimes tied to racial inequities, as in these responses:

“The top leadership make all the management level hiring decisions without the input of others. They say they value diversity but always hire white people.”

“I started at 34k/year, and while I don't know exact salaries of those at the top, would venture a guess in the 100k range. I was the only person of color on staff and ended up quitting, exhausted, hurt, and angry.”

Some respondents saw higher turn-over among new and employees of color.

“ We have had a difficult time retaining younger employees—all of whom have been people of color—because of a recent drop in funding, and staff with seniority have priority in layoffs.”

Race must be an explicit part of the conversation when discussing fairness in nonprofit practices. Without a deliberate commitment to anti-racist practices, nonprofits can quickly become exclusionary, even though unintentionally.

“ White supremacist culture can still exist in nonprofit organizations, even with people of color in leadership positions.”

LYN FREUNDLICH, TSNE MISSIONWORKS

RoadMap’s [Human Resources and Justice](#) report offers suggestions for creating a more equitable workplace. Policies and practices should be regularly analyzed to ensure that they support equity and inclusion. Organizations should develop their own unique statement of racial and gender justice, inclusive of those with intersecting identities. This statement needs to apply to everyone, from workers at the bottom of the chain to top leadership. RoadMap also encourages nonprofits to develop opportunities for employees of color to share their concerns. Implementing such intentional and inclusive practices can lead to long-term racial equity.

D ‘How’ matters, not only ‘how much’: Transparency and input

Communication about pay seems to be almost as troubling as the wages themselves.

One striking result of Staffing the Mission’s survey was how discontented many nonprofit employees are about lack of pay transparency and secretive, top-down wage-setting. For many survey respondents, the greatest discontent was not with the pay itself, but with how decisions were made and communicated.

Only 37% of respondents to the transparency questions rated their organization’s pay transparency as Fair or Very Fair, the lowest of any question about fairness. Additionally, only 46% rated the decision-making process about compensation as Fair or Very Fair.

For unionized workplaces, worker coops, and the rare nonprofits that have staff representatives on management teams, there are formal mechanisms for staff input and for dissemination of

compensation information. But most nonprofits have no such channels.

Some of the most passionate criticisms by survey respondents were in response to the questions on transparency:

“ There wasn’t a lot of transparency about decisions that were being made. Staff would often find out that decisions were made after the fact.”

“ (There is a) lack of communication prior to submitting requests for funding, budgets or plans. No clear communications on decision making, plans or goals, varying levels of pay for small staff with same workload based on title.”

“ I have no idea what the processes and procedures are for making salary decisions here, and I feel like if I did, I would feel more confident in negotiating my salary.”

Lack of staff input was raised as both an organizational culture problem and an equity issue:

“ A less competent man was hired at a higher level for more pay after a Latina woman doing the job left. [There were] weak raises for entry-level people despite a demanding work culture.”

“ (It’s) hard to answer certain questions about diversity because we are such a white and upper-middle class organization. A deeply flawed supervisory culture allows for favoritism and internal biases to impact decisions and hiring and ultimately who stays or leaves, succeeds or fails.”

Hiring processes and equity

When employers don't list the salary range in a job announcement, but ask applicants to name their own salary expectations, it contributes to wage gaps, [writes Sara Parr Gill](#) of the Young Professionals Network. Several survey respondents linked publishing salary ranges with diversity outreach and valuing lived experience, not just formal credentials.

“ We publish the salary range for all of our positions. We make sure that the hiring committee for each role is diverse—across race, class, and organizational departments. We base the salary on our pre-established criteria. We prioritize outreaching to communities of color. We don't use educational requirements for any of our positions and instead use years of experience.”

Allowing salary negotiations was also seen by several respondents as leading to unfairly uneven pay.

“ A big challenge we have in getting to any kind of fair compensation system is that all of the current employees have salaries that are based largely on what they negotiated when they started and who the ED was at the time they were hired. As a result, there are now some discrepancies that are hard to fix without lowering someone's salary.”

Salary negotiations may benefit the already advantaged, in particular assertive and highly educated white men, as several respondents pointed out.

“ Women and people of color are traditionally less likely to advocate for themselves in salary negotiations, and more likely to undervalue their own work. So, whereas an organization might be prepared to pay \$65-70k for a role, if the right candidate says they'll work for \$45k, the organization would happily agree.”

The next section offers more approaches to all these dissatisfactions with nonprofit jobs and tools for making improvements.

SECTION 2

PATHS FORWARD FOR NONPROFIT EMPLOYERS

Nonprofit support organizations and compensation pioneers have contributed insights into creating fairness within the workplace for this report. This section combines their advice with suggestions from Class Action and survey respondents.

A Core values for decent nonprofit jobs

Four values are crucial to sustaining the mission of both large and small organizations, according to TSNE MissionWorks:

1. The organization sees all roles as equal to its success;
2. Employees have one central vision of their expectations and standards;
3. The compensation structure provides a dignified quality of life for all employees, regardless of their experience or job title; and it counters the societal devaluing of women, people of color and other marginalized groups;
4. Transparency is prioritized, and decisions are not made behind closed doors.

Even when organizations are unable to provide high pay or many benefits, greater transparency and staff input can improve staff experience. It's not only unionized workplaces and radically horizontal groups that can create formal channels for communication among all ranks; traditional hierarchies can build them in too.

Opportunities for training and career advancement can also act as informal job benefits, making the organization a worthwhile place to be over the long term. When each individual employee is able to grow, nonprofit organizations can better accomplish their missions.

Subsections C through E below offer tips for putting these values into practice. But first, the next subsection asserts another important principle, basing compensation more on staff needs than on comparable wages at other organizations.

B A challenge to pay-setters: Are prevailing wages fair?

What are other local employers paying for similar jobs? This is the question most nonprofits ask when setting salaries, wages and contractor fees.

But there is a problem with this way of thinking: market rates have decades of wage discrimination baked into them.

Staffing the Mission is challenging nonprofits to shift away from considering strictly prevailing wages, and to focus more on what each staff member needs to live.

Our survey asked, “What reasoning, standards or benchmarks does your organization use to set wage and salary policies?,” and one of the multiple choice options was “prevailing wage benchmark (wages are tied to what is common for that kind of position in your region).” Then it asked how fair or unfair each checked wage-setting standard is. The results were striking.

First, prevailing wages are by far the most common standard used by the surveyed organizations. Almost two-thirds (63%) of the 70 respondents who checked off any pay-setting standard chose that option.

And not only are market standards the most common, they are also widely regarded as fair. Of survey respondents who said their organizations use prevailing wages, almost 70% described that standard as fair or very fair (27 of 39 respondents). Only 3 respondents described prevailing wages as unfair, and not even one checked ‘Very unfair’. No other way of setting compensation got nearly as many affirmations of fairness. This seems to be the nonprofit sector’s predominant way of thinking about pay level: what do other employers pay?

But stop and think about what market-based, locally prevailing pay scales represent. Decades of injustice have led to those rates.

Overall, full-time working women earned only 80% of men’s median wages in 2018, according to the [Census Bureau](#) (analyzed by the [Institute for Women’s Policy Research](#)).

One reason for the gender pay gap is that women are heavily concentrated in a few occupations, with lower pay than comparable male-dominated jobs. Many of these are in the public and not-for-profit sectors such as education and health care—and also in 501(c)3 nonprofit organizations.

Does the nonprofit sector want to perpetuate the gender pay gap?

Latinx (Hispanic) workers earned 88% and African Americans earned only 84% of white workers' median pay in 2018, according to the [Census Bureau](#).

Women of color bear the heaviest brunt of wage inequality: compared with the median pay for white men, Latinas earn 62% as much, Asian women 93%, and African American women 65%, according to Census data analyzed by the Institute for Women's Policy Research. Direct care work in human services is a sector where women of color are especially concentrated in low-paid jobs.

Do nonprofits want to perpetuate the racial pay gap?

As unionization rates have fallen from 35% of the US workforce in 1954 to 10% in 2018, employers have been able to get away with paying less to non-exempt workers. In the past, even non-unionized employers felt pressure to compete with union wages, but that pressure has now weakened. Non-union workers now make on average only 82% of what union members earn, according to the [Bureau of Labor Statistics](#).

Do nonprofits want to be part of this trend of weakening the influence of the labor movement?

'Market rates' are the result of historic discrimination. When nonprofits emphasize them in setting pay, they are committing their idealistic, mission-driven organizations to perpetuating patterns of discrimination. A recurring theme in the advice below will be considering employees' human needs in setting pay and benefits.

C

Positive exemplars: Organizations that set the bar high

Many nonprofits are on the right track toward ensuring fairness and transparency for their employees, and others can learn from their methods.

Survey respondents described organizations that are making strides in terms of compensation and equity practices, as well as creating a positive workplace environment.

Praised practices included limits on how much employees could make, especially those in higher paying jobs. Some tiered pay structures were positively described as relatively flat, meaning that there was a smaller gap between the lowest and highest paid employees.

“ There are three categories of staff: organizing, administration, and executive. Wages are more or less the same in each category. And there is less than 1.5x difference between the highest and lowest paid worker.”

Benefits were a priority for some organizations, with identical packages offered to each employee upon hire.

“ All staff, except one, are full time, and therefore entitled to 100% employer paid health, between 2-6 weeks vacation, other paid time off, disability and employer matched retirement plan.”

“ Everyone gets the same benefits.”

Fair benefits were also described as accessible and well-described plans.

Some respondents appreciated transparency about compensation at their organizations, even when the news is bad.

“ When we had to lay off 25% of our staff in 2008 we did it in a transparent way that included everyone’s voice and maintained positive relationships.”

“ Everything is out in the open. Bonuses are at a flat rate calculated on the number of years working for the organization, with increases capped at 10 years.”

Employees of some organizations reported having opportunities to give input on everything from budgetary decisions to personnel policies.

“Our budgeting process is open to all leaders in the organization: staff, board and member leadership team. Our salary structure was created by a joint board-staff committee.”

“We have a staff committee that reviews all aspects of our organizational practice concerning issues of equity and transparency.”

“Using interactive methods has proven to be extremely helpful in keeping lines of communication open and personal relationships healthy.”

No workplace is perfect, but using these examples, we can develop a list of best practices for all organizations to incorporate into their pay structure, benefits packages, and decision making process, such as the Ottawa Checklist in Appendix 2 and the tips in subsections D, E and F below.

Profile: A Community Organization That Walks Its Talk

Los Angeles Alliance for a New Economy (LAANE), a community organization founded in 1993 that focuses on economic development, has implemented some best practices in their pay structure and transparency practices.

Executive director Roxana Tynan described to us how LAANE has been able to provide fair compensation to employees. *“Our starting wage is \$48K, senior staff start at \$58K and campaign directors start at \$68K. We check regional surveys to ensure we are in line*



with allies. Though we pay less than some unions, our starting wages are generally higher than our non-profit allies, and our director and ED salaries a little lower. We try to keep the top and bottom salaries pretty close, and we give the same flat wage increases to everyone to ensure we stay close.”

Diversity has also been important to LAANE’s hiring practices. “We are a diverse organization with people of color making up 2/3 of our overall number(s). The management team has 15 members, 55% people of color and 60% women, and makes the final decisions about personnel policies, wages and benefits, and overall direction of the organization. We also provide lots of paid time off, and full family health benefits and a 401K to everyone. We contribute 5% of peoples’ annual salary into the 401K.”

LAANE has a transparent and participatory decision-making structure. Tynan explained, “*Our organization does have a hierarchy, but we work to be transparent about where decisions are made, and to ensure decision-making is inclusive... The campaign and department directors have a lot of autonomy to make their own decisions. We have a leadership team of 5, three women and three people of color, that deals with more sensitive personnel issues—final decisions on hiring and firing—though we generally defer to the direct supervisor. We have spent a lot of time redoing our decision making chart, and sharing it with the whole staff.*”

LAANE provides an outstanding example of the ways that organizations can ensure fairness for their employees.

Needs-based compensation pioneers

Instead of over-relying on prevailing wages, some survey respondents described with pride how their organizations went beyond decent jobs to pioneer innovative methods of needs-based and equitable compensation.

For example, one small, donation-dependent nonprofit that couldn’t afford high salaries instead offered flexible benefits tailored to each employee’s specific needs. Base salaries matched the local living cost of living, with a maximum 2-to-1 ratio for the top and bottom jobs. Benefits were flexible; some employees received only health insurance, but others with greater needs also received child care assistance or student loan payments. Considering the cash value of benefits, it sometimes happened that a single mother in a support role got more total compensation than a no-dependents, no-debt senior manager.

“ Each year, all staff participate in both reflection on our current salary and in making any decision about amending that salary. We also engage in open and honest conversations about the challenges associated with a capped salary and the diversity of personal and family needs that staff have.”

Another national nonprofit worked hard to develop a compensation policy and calculator that took into account the local cost of living (based on the [MIT Living Wage Calculator](#)), so that its staff (who were scattered around many states) would each be afforded an equivalent standard of living. Their compensation policy also sought to provide for variable needs, such as pre-K childcare, transportation and healthcare. Staff appreciated the transparency of the compensation setting process, but it required a lot of work to maintain the complex calculator and ensure that everyone (current and prospective employees) understood how it worked.

Raise the Floor: Reimagining Compensation at CompassPoint

CompassPoint is a California-based organization that helps leaders, nonprofit organizations and movements committed to social justice realize their full power. In 2016, a team of staff members developed the “Compensation Reimagined” project as a way to grapple with inequities in how their resources were being distributed.

At that point there were six levels of positions in a traditional hierarchical organizational chart. The policy for the ratio of the highest to lowest pay was 5:1. The lowest paid staff person made only \$38,000 a year, below the living wage for the expensive Bay Area. At the time, all senior director positions were held by white women and men of color, with no women of color at that level. Staff were frustrated that most high-level hires came from outside the organization.



The Compensation Reimagined team began by exploring other organizations’ compensation models, and then formed a peer-led Equity Panel to decide on salaries for all staff. The Equity Panel did not include any executives or traditional HR management positions. They reviewed each staff person’s personal reflection on how they contribute to the organization, including how they bring their identities, values and whole selves to social change work, and the roles they play across the organization.

The Equity Panel created a simpler career framework with only four job families: Executive, Director, Associate, and Coordinator, with only eight base salaries across the organization. Two job categories were eliminated to flatten the structure and simplify the salary scale. Cost of living adjustments happen automatically, based on the Bureau of Labor Statistics Consumer Price Index for the San Francisco Bay Area.

The policy for the ratio of highest to lowest pay is now 3:1, a dramatic drop from the previous 5:1. The lowest entry-level salary is now \$50,000; the cap on possible pay is \$150,000. One higher-paid employee who was earning above the new pay cap for their job category accepted a gradual decrease in wages in order to fit the new salary structure. This gradual decrease ensured that CompassPoint could close the salary gap across the organization without suddenly destabilizing higher paid employees.

Seniority and formal education credentials are now deprioritized. Instead, the new career framework is organized around what staff contribute, how they embody CompassPoint's values, and how they develop relationships with participants, organizations and other staff.

Benefits at CompassPoint are now more flexible to meet staff members' varied needs. A flexible benefit of 4% of salary can go to a retirement account, can go to a Flexible Spending Account for childcare or health costs, or can be taken as a paycheck increase. While full family health coverage isn't in the budget yet, it is available for the lowest-paid category of employees, Project Coordinators. Higher-paid employees get 50% of healthcare covered for dependents.

Jasmine Hall,³ who is a Project Director for Human Resources, was a key part of moving the Compensation Reimagined project forward. She describes her own upward trajectory as a good example of the advantages of the new system. She started as an Operations Coordinator with a salary that became too low after her daughter was born.

“ Within the first few weeks of employment, I expressed an interest in growing at CompassPoint. Once the Director of Operations announced her transition, I shared my appetite to step into leadership. She and I created a professional development plan that would support me fully stepping into some HR roles. I deepened my understanding of HR law, talent acquisition, and compensation. When she transitioned, I became the Operations Manager, which is a position in the Associate job family.”

3 Jasmine Hall is a member of the Staffing the Mission Advisory Council.

Currently, CompassPoint is exploring moving to full salary transparency, where all staff would know exactly how much other staff are making. Jasmine and CompassPoint's Co-Directors have circulated a survey asking for staff input on a possible transition to full salary transparency. While most are strongly in favor of sharing everyone's pay amount as a way of building trust and ensuring accountability, some have questions about how it will be implemented. Moving to full transparency is part of a process still in the works.

When Jasmine was asked how organizations with smaller budgets who can't afford big raises could improve the quality of their jobs, she stressed flexible hours and the ability to work remotely. Since she has become a parent, she has been able to shift her schedule to accommodate a healthier work-life balance. Even the Office Coordinator, who is in charge of opening up the office in the mornings, can now delegate that responsibility to others to sometimes work offsite. An idea for future consideration is removing limits on paid time off.

“ We have a benefit called rejuvenation days. These are full days that are set aside for teams to rest and rejuvenate after the completion of a big project. For example, at the end of a financial audit, or a multi-day intensive training.”

These small incentives are not as expensive as raising salaries, but are a great way to show appreciation to team members for their commitment to the work by encouraging them to practice self-care.

She also stressed opportunities for staff input. “One of the biggest things that increased job satisfaction was more channels for feedback. Listening to those closest to the work is valuable, because their perspectives are gifts that lead to better solutions.”

Not allowing salary negotiations is a step towards equity that every organization can implement. “Women and people of color are not as likely to negotiate as white men... Inequities can show up when salaries are based on the candidate and not the work.”

Overall, Jasmine describes CompassPoint's Compensation Reimagined project as an important part of putting the organization's values of equity into action, and a project that wouldn't have been possible without multi-year general operating support.

To read more about CompassPoint's efforts, see their blog (www.compasspoint.org/blog) and sign up for their newsletter here (www.compasspoint.org/sign-our-newsletter-main). CompassPoint also helps convene the Human Resources Network, which holds meetings and webinars for nonprofits on HR topics, such as equitable compensation and hiring practices.



D Advice from a human resources pro

Lyn Freundlich is the head of the Human Resources Training and Consulting Practice at TSNE MissionWorks, which provides technical assistance and other support to nonprofit organizations in the Northeast. Having over 30 years of experience herself in the nonprofit world, Freundlich advises that nonprofit employees and board members work together to discuss how their organization's values are reflected on both the individual and group levels.

“When you invest in your people, your services will be there,” she says. “All nonprofit organizations have a mission and a vision that they want to implement beyond four walls. This begins with a conversation about how the values of the organization are reflected within the organization's policies.”



According to TSNE MissionWorks, nonprofits can analyze their organizational practices by asking these five questions:

1. How are organizational values reflected in policies and practices?
2. How does the organization incorporate definitions of both societal and organizational equity?
3. How is each person's role at the organization unique, and what do they offer to the organization as an individual?
4. How can every person have access to leadership and responsibility?
5. How does the organization include both formal and informal benefits in the workplace?

Asking these questions can serve as a solid starting point for organizations looking to incorporate more fairness into the workplace.

The next step is a detailed self-assessment by a set of HR benchmarks, such as the Ottawa Decent Jobs Checklist (see Appendix 2) or the one that Staffing the Mission plans to develop for the US.

Freundlich advises that low-budget organizations emphasize the importance of livable wages and benefits packages to their funders. Organizations can even ask their funders what their own employees are paid, as a wake-up call to funders to live their values.

E A 5-step process for setting need-based and equitable pay

The following five-step framework for incorporating staff needs synthesizes the TSNE model, the exemplary stories above, and other more modest experiments in need-based pay-setting.

1. First, determine the current minimum cost of living in the areas where your staff live. For each family size, set the living wage as the absolute floor below which no one will be paid. Is each current employee making above that level for their family size? If not, treat their raises as a top organizational priority.

To find the living wage for your area

To make sure your organization covers the real cost of living for families of each size, you can look up the latest amounts for your city, metro area or state on the Massachusetts Institute of Technology's online Living Wage Calculator: livingwage.mit.edu.

- a. The minimum pay for contractors should be at least 15% above the hourly pay for comparable employees, to make up for the employer FICA tax they will have to pay, as well as for the absence of unemployment and Workers' Compensation insurance.
 - b. Allocate your benefits budget to cover the most urgent human needs first, prioritizing full family health coverage for those who don't have it from another source. Get input from staff about what's most important to them. For example, benefits such as life insurance and disability insurance may be a lower priority for some than child-care assistance or retirement account contributions.
 - c. Plan to revisit living wages and the benefit package every year.
2. Second, have discussions among decision-makers (ED, board, etc.) and among the whole staff about the values of the organization and how they could be expressed in the HR policies.

- a. Set a maximum ratio for highest to lowest FTE annual pay. (Some survey respondents reported 1.5:1 to 3:1 ratios. At the other extreme, some very large nonprofits have set a ratio of 7:1.)
 - b. Decide how much to weigh staff needs, levels of responsibility, expertise and education, and seniority in setting pay. What would your ideal balance among those factors be? Reach agreement on a rough weighting of factors.
 - c. Next, discuss how far towards your aspirational vision you can go, given funder rules and budget constraints.
3. Analyze job responsibilities to make sure that levels of the organizational payscale are based on actual job content, not on the happenstance of who was hired when or who negotiated more aggressively.
 - a. If you discover unequal pay between equally skilled or responsible jobs based on the predominant gender or race of the staff doing them, that pay equity problem must be corrected as soon as possible by raising the pay of the lower-paid categories or individuals. Get help if you need it. There are many job analysis tools used for gender pay equity studies, and many consultants who perform such analyses.
 - b. Consider reducing the number of layers in your organizational chart, if it seems you have more than needed to reach your mission.
 - c. If you have many low-responsibility and thus low-paid jobs, consider reorganizing job descriptions so that supervisory, coordination and professional functions are spread more widely.
4. Compare your wages and salaries with what other local organizations pay for similar jobs—but don't necessarily take those prevailing wages as your standard for all positions.
 - a. For functions typically performed by highly educated white males, such as financial management, the local prevailing wage can be a reliable source of information on how to compete to attract candidates.
 - b. For functions typically performed by women, people of color, recent immigrants and working-class people generally, look at the local comparisons skeptically. Do they seem artificially low, held down by weak bargaining power and by past and present discriminatory practices? If so, research pay at unionized workplaces and use those for comparative standards instead.
5. Based on these factors, develop pay ranges for each position and level of the organization.
 - a. For new hires, advertise the range, along with the factors influencing where applicants would fall in the range, such as years of experience and educational credentials. (But

eliminate educational credentials as hiring criteria if they are not actually needed to do the job.)

- b. Gradually implement the new system for existing staff. Prioritize raises for those currently below a living wage for their family size and those affected by gender or race pay inequities. Promise to grandfather in those who earn more than they would under the new system, but also invite voluntary reductions by class-privileged staff inspired by the fairness of the formula. Some nonprofits have taken that step to enable others to earn a living wage.
- c. Finally, celebrate and publicize the values-based process you have just gone through. Your organization can be an inspiration to others!

F What if the spirit is willing, but the revenue is weak?

Some of the solutions suggested above are expensive. Many Executive Directors and other pay-setters long to compensate their staff better, but due to funding constraints, their only alternative to low-paid jobs is no jobs at all. What low-cost options do they have to improve their employees' jobs and promote fairness?

Pay

- Posting salary ranges in job notices will prevent highly educated white men and other confident applicants from gaining an advantage by more aggressive negotiations, which may also save money on payroll.
- When raises are possible, give raises of equal dollar amounts, instead of equal percentages. (Percent raises have the effect of gradually widening the internal pay gap.) Same-dollar raises given over several years will gradually raise the lowest jobs while narrowing the internal ratio. Foregoing raises for top management staff and concentrating increases at the bottom also helps to shrink the gap between salaries.

Benefits

- Shift your benefit program to take individual staff needs into account. This can actually save money if some staff don't need certain benefits. A [RoadMap report](#) offers valuable suggestions to nonprofits that are struggling to afford adequate compensation to their employees, such as flexible benefits plans that vary based on the needs of particular employees, offering child care

assistance to one and student loan subsidies to another.

- Be as generous as you can with paid leave policies, including parental leave and comp time. Allow flexibility in scheduling and in paid leave time, for example allowing parents to line up their holidays with those observed by their children's schools, and allowing sick days to apply to family members in need. Working from home can reduce employees' commuting and clothing costs, equivalent to a small raise.
- Set a policy that health benefits go only to those not covered by a family member's policy or a public program such as Medicare or VA benefits. This allows the organization to concentrate benefit dollars on those with the greatest need.
- Fairly cheap perks, such as bus passes, can make a difference to low-paid employees while not busting the budget, especially if bulk purchases are a bargain.
- If good pay for 40-hour weeks is unaffordable, offer interested employees a shorter workweek, such as 30 hours. This may allow some employees to make time in their schedule for other work opportunities, if needed.
- Promote a culture of self-care, for example by promoting exercise and social breaks during the workday. Managers can set an example, such as not working online overnight or during vacations, and they can also talk with employees about their hours and their self-care, and about how to keep the workplace culture healthy.

Transparency

- Create transparent and inclusive wage-setting processes, whether through collective bargaining with a staff union, staff seats on the board and/or management team, or simply open meetings to go over the budget and the pay-setting process. Regularly invite and welcome staff input.
- Create internal communication systems to take the mystery out of who-earns-what and why. Consider sharing all pay information with all staff.

Leadership development

- Promote from within, so that some lower-level staff will eventually get higher level and better compensated jobs.
- Be explicit about mentoring and skill-sharing. Support the professional development and leadership of young staff, staff of color and staff from working-class backgrounds or without college educations.
- Reorganize jobs so that professional program and management functions are shared among more employees.

In the long run, the real solution is to persuade funders and donors to recognize the real costs of reaching the organization's mission, and to donate accordingly. The next section focuses on what funders can do.

Be an active advocate for changing the rules for foundations (see subsection 3D below) and for multi-year general operating grants as a crucial ingredient in race and class equity (see subsection 3C). Learn from and support organizations such as Fund the People, Justice Funders, Change Philanthropy — and Staffing the Mission.

SECTION 3

THE ROLES OF FUNDERS IN THE PROBLEMS – AND THE SOLUTIONS

The nonprofit sector can't change without the philanthropy sector changing.

Many of our survey respondents wanted to improve pay and benefits, but expressed frustration that their limited revenue made it impossible.

“ If we had more money as an organization, we would like to offer health insurance, 401K, life insurance, more training and even higher pay.”

One respondent tied their organization's low pay to an overall shortage of funding from government grants, and highlighted how geographic location often makes a big impact on how much money a nonprofit receives.

“ Nearly every employee, other than managers, are paid equally - and equally poorly... We are mostly funded by state government grants, which fund us at a very low level because we are in a rural area and the funding structure is dependent upon population numbers. However, this completely ignores client population numbers, or the increased challenges of covering a wide rural service area, much less cost of living. We were recently chided by our main funder for not paying high enough wages - when they're the ones who determine what wages we can pay. How fair is that?”

Funders need to take into account how their contributions serve both organizational program work and the quality of life of the employees who contribute their valuable time and skills. The next subsection describes a problematic mindset that blocks such a healthy dual focus.

A

Underfed Overhead: Why is funding so scarce for raising pay?

Many funders understandably want to maximize the impact of their giving, but focusing too much on program expenses alone coerces nonprofits to skimp on core costs, such as administrative staff.

There have been scandals in which so-called charities spend little of their donations on the need they are supposedly filling, for example the scam 'veterans group' Wounded Warriors. To

be on guard against such corrupt nonprofits, many donors are vigilant about monitoring the ratio between program spending and overhead spending.

- A 2014 [study of 40,000 donors](#) showed that they decided to give twice as much if they were told that another funder had already covered all the administrative costs.
- An [experiment with individual donors](#) found that they tend to be more averse to their money going to salaries than to any other category of overhead, even fundraising.

Why such aversion to overhead giving? Charity Navigator, Guidestar and other entities that publish ratings of nonprofits are often blamed for keeping donors' attention fixed on the ratio of direct program to non-program spending. But in 2013, the leaders of three of those organizations wrote an open letter to the donors of America to oppose “the Overhead Myth—the false conception that financial ratios are the sole indicator of nonprofit performance... The percent of charity expenses that go to administrative and fundraising costs—commonly referred to as ‘overhead’—is a poor measure of a charity’s performance.... Many charities should spend more on overhead.”

Too many nonprofits are rewarded for how little they spend, not for what they get done, Dan Pallotta says in his widely viewed [TED talk](#) and book. Instead of equating frugality with morality, he suggests rewarding nonprofits for their big accomplishments, even if they come with big expenses.

This discussion of funders' unrealistic expectations was launched into prominence in the article “[The Nonprofit Starvation Cycle](#)” cited above. To please funders who set limits on non-program costs, typically 10 to 15% of the grant, nonprofits misrepresent their real costs, skimping on vital systems, and these deceptions “*feed funders’ skewed beliefs. To break the nonprofit starvation cycle, funders must take the lead.*”

Many funders make burdensome demands on applicants and grantees. A survey of 820 foundations by Grantmakers for Effective Organizations (GEO) study found that only 20% of them said their grants include enough overhead allocation to cover the time that grantees spend on reporting back to the foundation. Accepting money adds expensive burdens, [GEO informants say](#).

Few grants can be used entirely to pay administrative and fundraising staff. So it’s a challenge for grant-dependent organizations to fund decent pay for those positions in particular. One survey respondent told us that, at their organization specifically, “*funders impose a standard, that management obliges to, no more than 50% can go into staff salaries, with no regard for living wages of the city we are required to be based in.*”

In an encouraging recent development, the heads of five prominent foundations (Ford, Hewlett, MacArthur, Open Society, and Packard) [announced](#) a campaign to increase overhead funding by their own and other foundations to more realistic levels. Their leadership, and the advocacy described in the next section, give hope for a future era when fairly staffing the mission will be feasible.

B**One solution: Multiyear general operating grants**

Many prominent advocates see restricted grants as a burden on nonprofits and point out the beneficial effects of unrestricted funding. This subsection describes efforts to increase general operating grants, starting with these three leaders in the field:

“General support grants are decreasing. That is the single crux issue that is driving most nonprofits, a lack of general support, and therefore a dependence on special projects, one-issue type things, and begging from foundations. It’s disgusting.”

[PABLO EISENBERG](#), COLUMNIST FOR THE CHRONICLE OF PHILANTHROPY

“If funders actually want to help organizations strengthen their infrastructure, it’s simple: stop providing restricted capacity building grants and just give Multi-Year General Operating Dollars—MYGOD!—and get out of the way.

Here’s why giving MYGOD is the most effective way to build organizational capacity: It pays for people, the most essential element for organizational success. As we mention over and over again, it is people who do the work. Yet funders and donors continue to harbor disdain for paying for staff salaries and wages, so they fund the stuff around it. It’s like wanting to build a house and paying for everything except construction workers. The insistence on funding strategic plans, workshops, software, equipment and other things associated with capacity building continues to miss the point: **NONE** of these things work without humans to implement them. Yes, there are many important and effective volunteer-led organizations (and they need MYGOD too), but most of us still rely on paid staff to carry out our work. Multi-year unrestricted dollars pay for wages, benefits, professional development, etc., and allows for stable staffing year over year, and stable staffing leads to strong organizations.”

[VU LE](#), NONPROFIT AF

Self-assessment questions for funders

From the National Committee on Responsive Philanthropy’s “Power Moves” report:

- How does the foundation invest in human capital and leadership development for those on the front lines of fighting for social change?
- How does it invest in organizational sustainability for long-term success? For example, do we provide multi-year general support grants?

Racial justice advocates spotlight multi-year unrestricted grants

Two philanthropic intermediaries also emphasize funder flexibility as an issue of racial and economic justice. Both organizations encourage funders to channel greater resources to grassroots social justice organizations that advance systemic changes in low income communities, communities of color and Indigenous communities. This requires funders—and the predominantly white donors who make the funding decisions—to share power with, and cede power to, their grantees by providing them with flexible funding and allowing them to decide for themselves how to allocate these resources.



1. First, **Justice Funders** guides philanthropy to re-imagine practices that advance a just and equitable world. They created a resource titled [*The Choir Book: A Framework for Social Justice Philanthropy*](#) to support funders in aligning their grantmaking practice with social justice values. The following principles, taken from a simplified worksheet in The Choir Book, can be applied to grantees’ compensation policies:

- “Our grantmaking strategy recognizes structural racism, gender disparities and social determinants impacting the problems we seek to address.
- Our grantmaking strategy prioritizes support for the most marginalized in the communities we fund.

- Applications are assessed through gender and racial justice assessing authentic leadership by women and people of color.”

“This is a moment of cultural reckoning for philanthropy,” Maria Nakae⁴ of Justice Funders. “We want to shift the power dynamic and have a frank conversation with foundations about their own practices and how they do or don’t reflect their racial and gender equity values.”

2. Second, [CHANGE Philanthropy](#) describes itself as “a coalition of philanthropic networks working together to strengthen bridges across funders and communities and to transform philanthropy from within by building knowledge, fostering diversity, and creating connections, to increase funding in underserved communities and to ignite positive social change.”



To reach these transformational goals means addressing compensation fairness. Staffing the Mission aims to make the case that racial, economic and gender justice, in the form of improved pay and benefits for women and people of color, could be one of the advantages of multiyear unrestricted grants.

Covering the real costs

Funders in the U.S. have not gone as far as the UK’s Living Wage Funders initiative (see subsection E below) to promote better compensation, but one related effort is the Full Cost Project. It is a joint initiative of Philanthropy California and Nonprofit Finance Fund to support a funding model that honestly assesses the full cost for organizations to deliver on their missions and to be sustainable over time. Their goal is to increase the number of funders that provide funding that cover what it actually costs to run a successful nonprofit. The Full Cost Project provides technical assistance to nonprofits and funders working to create full-cost budgets.

The aspect of [Full Cost Project](#)’s project most related to Staffing the Mission is their category called “unfunded expenses.” This includes “sweat equity, overworking and underpaying staff—the gap between current wages and fair wages,” according to Claire Knowlton, Director of Advisory Services at Nonprofit Finance Fund. “It’s the sweat equity of the staff that allows us to

4 Maria Nakae is a member of the Staffing the Mission Advisory Council.

deliver on mission; that is not really fair to them and requires extreme sacrifice. In our sector there are arguments about whether overtime [pay] should be paid... we have such difficulty time paying fair wages.”

“ Millions of people have no problem walking into their local coffee shop every morning and paying the fully loaded cost for their latte. However, when it comes to funding organizations working with the homeless, disabled veterans, or children in foster care, these same donors want to limit how much the nonprofit organization can spend on infrastructure and operational support. How long would any for-profit business last if its customers limited the amount of money the company could spend on overhead, operations and profits? Probably not very long.

Yet we expect nonprofit and social sector organizations to achieve great outcomes while we continue to starve their organization’s infrastructure and operational needs. Clearly we need a new approach. If we want impact and great outcomes, then we need to begin with an approach that starts with the outcomes in mind, understands what those outcomes really cost and determines what role funders want their money to play.”

THE FULL COST PROJECT

C One easy step for funders: Ask the pay question!

Funding application questions have influence. Just as the now-routine questions about internal racial diversity have prompted many healthy discussions, questions about pay and benefits can encourage applicants to reflect on ways they could improve their HR practices.

“ When I was fundraising for small nonprofits, I remember worrying that funders would be upset if we raised salaries. Maybe that wasn’t always an accurate perception. But if funders could send the opposite message that they want nonprofits to pay their staff well, it would allay those worries and encourage salary review conversations.”

SUSAN WEFALD,⁵ ECONOMIC JUSTICE PROGRAM DIRECTOR, CENTER FOR COMMUNITY CHANGE

⁵ Susan Wefald is a member of the Staffing the Mission Advisory Council.

Suggested grant application questions:

- How much do your lowest paid employees earn in annual wages or salaries (FTE)?
- What's the ratio between the organization's lowest and highest paid full-time employee?
- Who does and doesn't get health benefits?
- Has the organization reviewed its compensation policies within the last two years and evaluated pay and benefits in relation to the local cost of living?

While excessively complex application forms impose a burden on applicants, these four questions are easy to answer and so shouldn't make it harder to apply for funding.

D**The big fix: Philanthropy reform**

More nonprofit jobs could have higher pay if foundations gave bigger grants. While some small or family foundations don't have the capacity to increase their giving without reducing their number of grantees, many large foundations do have the capacity to give more. These foundations could also donate larger grants to fewer organizations, allocating more resources to organizations in need. Simple reforms to public policy could lead to a surge in grants to nonprofits.

U.S. law requires that foundations distribute a minimum of 5% of their assets on an annual basis. Research shows that larger foundations tend to pay out significantly less each year—much closer to the 5% minimum—than do smaller foundations.

The last time Congress overhauled the legal framework for the philanthropic sector was in 1969. Six percent was the minimum until 1976, when Congress reduced it to 5% under pressure from foundation executives, according to Justice Funders' report [Stifled Generosity](#). Philanthropic reform now could reverse top-heavy philanthropy trends by modernizing the incentives to ensure the timely flow of funds for public benefit, while discouraging the warehousing of wealth.

Lawmakers should take action to ensure that the 5% minimum foundation payout is meaningful. One way to do this would be to eliminate foundation overhead from the minimum 5% payout requirement. This would reduce the incentive for excessive internal spending on salaries, travel and accommodations for board members, internal programs and other administrative costs, and would incentivize more funds moving to active charities, according to the [National Committee for Responsive Philanthropy](#).

Another reform would be to prohibit grants to donor-advised funds (DAFs) as qualifying toward the 5% payout, as DAFs may fail to move money to active charities.

Congress could provide a tax incentive for foundations that increase their payout, according to Class Action Board member Chuck Collins of inequality.org. Foundations currently pay an annual 2% federal excise tax on income that their investments earn in a given year. This excise tax should be restructured to encourage larger annual disbursements as follows: If a foundation pays out below 5% in annual grants, the excise tax should be raised to 3%. When a foundation pays out a higher percentage, between 6 and 8%, the excise tax should be 2%. Any foundation that boosts its payout over 8% should pay only a 1% excise tax.

Meanwhile, foundations can voluntarily go beyond the minimum pay-out. Among the “Philanthropy at Its Best” benchmarks created by the National Committee for Responsive Philanthropy is paying out at least 6% annually in grants. “Rather than viewing tax law as the standard that limits our foundations’ annual pay-out to 5% of our endowment, what if we asked ourselves what payout is necessary to beget the change we need?,” asks Justice Funders Executive Director Dana Kawaoka-Chen in the organization’s Liberate Philanthropy blog series.

Money is like manure: if spread around, it fertilizes growth, but piled up, it stinks. Philanthropy today mirrors the wealth inequality trends of society overall, with more wealth concentrated in the hands of billionaires, and more grants coming from the 200 biggest foundations, which can serve as warehouses for vast accumulated wealth into the indefinite future.

A few large foundations are making different choices, some even setting a timeline to spend down their entire endowment. The National Committee for Responsive Philanthropy profiles a variety of case studies in [*Beyond Five Percent: The New Foundation Payout Menu*](#). Increasing foundation payout would allow more nonprofits to both achieve their missions and make improvements for their staff.

E

Funders who support decent jobs: A UK exemplar

In research for Staffing the Mission, we found no foundation-reform efforts in the US that focus on staff job quality. And there seem to be no American funders who regularly talk with applicants or grantees about compensation.

But in Britain, the [Living Wage Foundation](#) has created the very model that Staffing the Mission aspires to create in the US. They certify not only Living Wage Employers, but also [Living Wage Funders](#).

More than a thousand UK employers, including for-profit businesses, charities and service providers, have been accredited as Living Wage Employers, resulting in more than 6,000 employees getting pay raises.

This initiative grew out of grassroots organizing against low pay, similar to the living wage movement and Fight for \$15 in the US. After being certified as Living Wage Employers, they have reported benefits such as better retention and lower absenteeism.

Just as in the US, nonprofit employers in the UK couldn't do it alone; they needed funders to support their quest to pay living wages. The most innovative part of the model is accreditation for Living Wage Funders. More than 40 foundations have been accredited as meeting these standards:

- Give grants for living wage jobs. Seek to ensure that all jobs which are wholly or partially funded by the funder pay the Living Wage (unless circumstances such as other funder practices make that impossible);
- Introduce grantees to the Living Wage Foundation, and encourage them to work towards becoming Living Wage Employers;
- Become a Living Wage Employer of the funder's own staff; and
- Report annually on progress on these benchmarks.

The Living Wage Foundation gives annual "Living Wage Champion" awards, another inspiring practice that Staffing the Mission could emulate. At a gala event, awards are presented to employers, funders, organizers, grassroots campaigns and municipalities. A special "Against All Odds" award is given to employers in very low-wage sectors.

“ It’s fantastic that there is now a growing groundswell amongst funders to recognise the importance of paying fairly in the charity and voluntary sector. I very much hope this leads to greater diversity across all teams; we will do better and achieve more if we can recruit and retain talented people, including those who cannot afford to take a wage cut to pursue a career through which they aspire to have a positive impact on the world around them.”

EUGENIE TEASLEY, CEO, THE GOODALL FOUNDATION



SECTION 4

THE STAFFING THE MISSION PROGRAM PLAN

Clearly, the evidence presented above shows that there is an urgent need to improve nonprofit jobs, and also that it is feasible to make progress. To meet this need, Class Action has developed a program plan for the Staffing the Mission project.

A Vision and 5-year goals

Staffing the Mission's long-term vision:

- All nonprofit jobs will be well-paying jobs, giving employees stability, input and the ability to comfortably care for all their families' needs;
- Fair pay will be defined more in terms of employees' needs and less in terms of prevailing market comparisons biased by history;
- People of color, working-class people, single parents and others historically deterred from nonprofit careers will be better able to stay long-term with nonprofit jobs and rise into leadership positions.

Five-year goals of Staffing the Mission:

The philanthropic sector and the nonprofit sector will have an increased focus on improving job quality of all employees, particularly in the lower ranks of organizations, thanks to these four programs:

1. A widely known **certification** will be earned by dozens of funders who support good jobs at their grantees;
2. A widely used set of **benchmarks** for well-paying jobs will help nonprofits assess their progress and spark discussion about HR improvements;
3. An annual **award** will be given to nonprofit(s) that find creative ways to improve staff experience despite financial constraints;
4. Hundreds of nonprofit employers and funders will use Staffing the Mission's **workshops, consulting and online toolkit** to solve HR problems and to embed their values into their compensation, personnel policies and decision-making processes.

B

Program plan and requests for input

Implementation steps for 2020-22	Requests for your input
1 Funder certification program	
Connect with foundations with equity commitments and invite them into a pioneering cohort of certified funders.	Can you suggest foundations that might be interested in improving grantees' staff jobs or in taking leadership to move philanthropy in this direction?
Name the certificate awarded to the funders who promote good jobs at grantees.	Do you have ideas of what this certificate could be called? (The name of the UK badge, "Living Wage Friendly Funders," refers only to pay; our US version should encompass benefits, equity and transparency as well. How does "Employee Friendly Funders" sound? Or "Fairness Funders"?)
Decide on criteria for awarding funder certification.	What do you think a funder should have to do to earn the certificate for promoting good jobs? (For example, ask applicants about their compensation practices; communicate to applicants that they encourage good jobs; increase the amount allowed for overhead expenses or remove the limit entirely; and if capacity allows, give larger multi-year operating grants that allow for improved pay and benefits and more reasonable hours and paid leave.)
2 The annual award for an exemplary nonprofit who improves their jobs despite financial constraints.	
Name the annual award.	Do you have an idea of what this award for nonprofits should be called?
Circulate a call for nominations and make the first annual award.	Is there an exemplary nonprofit you would like to nominate for their impressive efforts to improve job quality?

3 Benchmarks for Basic, Better and Best Practices	
Seek input and decide on benchmarks for nonprofit pay, benefits, pay equity, hours, decision-making, transparency and other components of good jobs.	Look at Ottawa's Decent Jobs Checklist in Appendix 2. For the US version, what should we keep, cut and add?
Publish and publicize the benchmarks.	Are you part of a network whose members would find benchmarks for good jobs helpful? Please let us know how we can connect.
4 Workshops, consulting and online toolkit to help nonprofits and funders	
Develop an online toolkit with self-assessment checklists, tips for funders and nonprofits, and links to resources.	Do you have ideas of what would be useful in an online toolkit?
Develop interactive popular education workshops on improving nonprofit jobs and train Class Action workshop facilitators to lead them.	We welcome invitations to do workshops and consultations.
Give presentations at conferences and webinars on nonprofit management and philanthropic promotion of equity.	We welcome invitations to give presentations on improving nonprofit jobs.

We request your support

The Staffing the Mission 5-year plan will require many kinds of expertise, including deep knowledge of nonprofit management and the philanthropic sector, research and writing skills, program development, curriculum design, website development, and social media. Donations and grants to Class Action will enable us to practice what we preach and compensate staff and consultants fairly.

In-kind donations of skills are also very welcome.

Partnerships — We envision Staffing the Mission as a collaboration between Class Action and one or more kindred organizations with compatible missions of promoting equity in the non-profit and philanthropic sectors.

If you or someone you know has expertise and commitment to Staffing the Mission's goals, Class Action welcomes more members of the Advisory Council. Each member has given invaluable input into this report.

The Advisory Council of Staffing the Mission as of Fall 2019

Margi Clarke, RoadMap

Kim Fellner

Lyn Freundlich for TSNE MissionWorks*

Davian Gagne, DCG Consulting & Standing in Our Power

Laurie Goldman, Tufts Urban and Environmental Policy and Planning

Jasmine Hall, Compasspoint

Carly Hare, CHANGE Philanthropy

Sam Hummel, former Staffing the Mission steering committee member

Maria Nakae, Justice Funders

Lisa Owens, City Life / Vida Urbana

Aisha Shillingworth, organizational development consultant, former Staffing the Mission consultant

Jonathan Spack, retired ED of Third Sector New England

Rusty Stahl, Fund the People

Susan Wefald, Community Change

(Organizational affiliations for identification purposes only, *unless noted.)

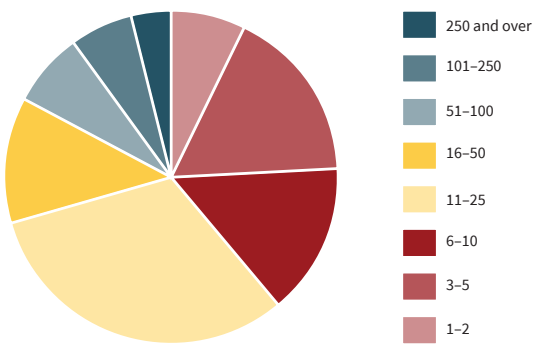
APPENDIX 1

BREAKDOWN OF SURVEY RESPONDENTS

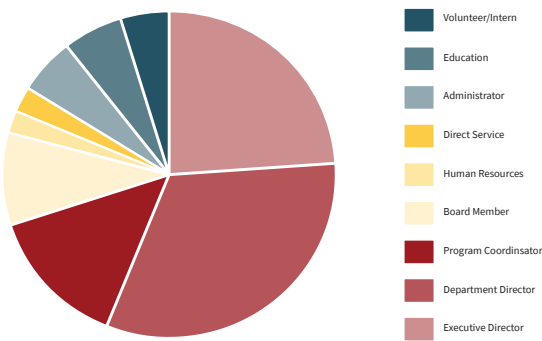
We surveyed members of 82 nonprofit organizations across the country. Our survey respondents came from varied roles in their organizations, with some executive directors and some non-management staff, some with long tenure and others relatively new to their nonprofits.

The charts below represent the overall demographics of our survey respondents' organizations.

Number of Paid Staff

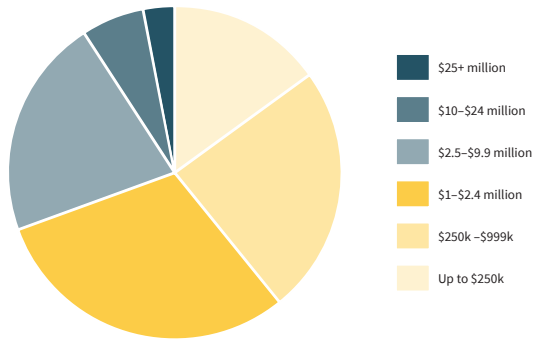


Position Title

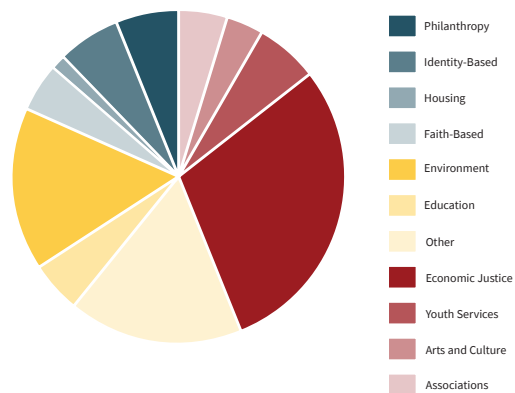


BREAKDOWN OF SURVEY RESPONDENTS

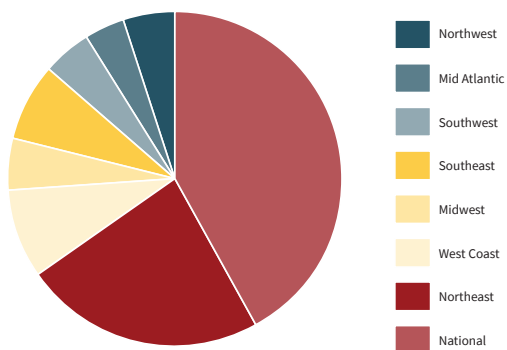
Budget of Organization



Type of Organization



Region of Organization



BENCHMARKS FOR DECENT JOBS: THE OTTAWA MODEL

Nonprofit employers need a checklist of fair HR practices, both the basic level and the exemplary best practices. One excellent checklist has been developed for Canadian nonprofits. The Staffing the Mission 5-Year Program Plan includes creating a similarly comprehensive one for the US (see Section 4 above). Below are some excerpts covering the themes in this report.

Decent Work Checklist for the Nonprofit Sector

Decent work practices are not simply limited to financial rewards and benefits. Organizational practices and cultures are part of a decent work environment. This simple checklist can help you think about what decent work practices look like for your organization, and identify areas where you are achieving impressive decent work practices and areas where you would like to improve.

1. Decent Wages

Fair income is one common aspect of decent work. This involves not only salaries, but also income security: paid holiday, parental and sick leave, and steady work hours that allow for a predictable income. Support for fair income might mean promoting and adopting “living wage” policies or other standards that promote income fairness within, and between, workplaces.

Indicator A: Adequacy of lowest paid positions in our organization Implementation	Rating	Our organization
Government-mandated minimum wage	✓ BASIC	
\$15 hourly wage	✓ BETTER	
More than \$15 an hour is required to live adequately in many cities in Ontario Visit Ontario Living Wage Network to see living wage rates in your region: www.ontariolivingwage.ca	✓ BEST	

BENCHMARKS FOR DECENT JOBS: THE OTTAWA MODEL

Indicator B: Annual salary increases across position levels	Rating	Our organization
No staff salary increases have been granted over the past 2 years	✓ BASIC	
A modest staff salary increase (below cost of living or approximately 2%)	✓ BETTER	
A staff salary increase at or above the cost of living	✓ BEST	

2. Decent Benefits

Indicator A: FULL TIME STAFF key benefits	Rating	Our organization
Those mandated in Ontario's Employment Standards Act (ESA)	✓ BASIC	
Paid sick leave	✓ BETTER	
Paid vacation time above ESA minimum	✓ BETTER	
Co-pay (by employer) or sole pay health and dental benefits	✓ BEST	
Some kind of employer/employee pension or retirement savings plan	✓ BEST	
Maternity benefits (EI) and parental leaves (ESA) are supplemented with a "top-up"	✓ BEST	
Benefit plans are reviewed regularly	✓ BEST	

Indicator B: PART TIME and/or CONTRACT STAFF Pro rated benefits (or wages in lieu of benefits)	Rating	Our organization
Those mandated in the ESA	✓ BASIC	
Paid sick leave	✓ BETTER	
Paid vacation time above ESA minimum	✓ BETTER	

Employee has the flexibility to extend maternity benefits (EI) and parental leave (ESA)	✓ BEST	
Co-pay (by employer) or sole pay health and dental benefits	✓ BEST	
Some kind of employer/employee pension or retirement savings plan	✓ BEST	
Maternity and parental leaves are supplemented with a “top-up”	✓ BEST	

Indicator C: To support work-life balance, staff are allowed flexibility in their schedule, if it does not impact their work activities	Rating	Our organization
Not at all	✓ BASIC	
Sometimes	✓ BETTER	
Yes	✓ BEST	
Frequently/regularly	✓ BEST	

Indicator D: If staff accumulate lieu time, it is tracked and they are able to use it in a timely manner	Rating	Our organization
Not at all	✓ BASIC	
Sometimes	✓ BETTER	
Yes	✓ BEST	

5. Decent Opportunities for Advancement

Decent work also means thinking about the opportunities available for training, learning, and advancement. This may include formal training and advancement opportunities, and having a workplace and sector culture that is focused on learning and the development of its employees.

Indicator B: If we surveyed our staff, what percentage do we think would agree with the statement: “My organization encourages me to take on new challenges and pursue opportunities for advancement within my organization and externally, and provide support to do so”?	Rating	Our organization
Less than 40%	✓ BASIC	
40% to 70%	✓ BETTER	
Over 70%	✓ BEST	

Indicator D: Management, senior leadership, and board positions are gender-balanced, and reflect the diversity of the community	Rating	Our organization
An evaluation of positions is in process	✓ BASIC	
Policies, plans, and targets are in place	✓ BETTER	
All position levels are gender-balanced and reflect the diversity of the community	✓ BEST	

6. Decent Workplace Culture of Participation

Effective leadership and a participatory work culture are crucial to decent work. The leadership norms and management styles practiced in workplaces impact the ability of workers to sustain their passion and commitment to work, and contribute their ideas and skills to advancing the broader mission of the organization. They also impact the ability of workers to balance work, family, and personal time. A participatory work culture also goes beyond compliance with human rights and accessibility legislation, and actively fosters inclusion and engagement.

Indicator B: Does our organization have policies that focus on diversity, equity, and inclusion?	Rating	Our organization
There is no such policy.	✓ BASIC	
There is a policy, but it is not always followed.	✓ BETTER	
There is a policy and it is always followed.	✓ BEST	

Indicator C: Have we surveyed our staff on issues of workplace culture and work satisfaction?	Rating	Our organization
No	✓ BASIC	
Yes, but not in the last year	✓ BETTER	
Yes, within the last year	✓ BEST	

Indicator D: Does our organization involve/consult staff when developing program/project proposals?	Rating	Our organization
Never	✓ BASIC	
Sometimes	✓ BETTER	
Always	✓ BEST	

7. Strategies to Promote Decent Work

Nonprofits can face significant structural barriers to providing decent work. These can be a result of program models that require flexible, part-time or casual contracts, or funders that do not allow funds to be used for certain costs (for example, identifying pension contributions as an “ineligible” expense). In the case of government-funded organizations, there is often restraint and flatlining of program funds for years at a time. Some organizations may be able to overcome aspects of these barriers over time (for example, not accepting low-wage contracts). However, to make systemic change for government funders to include cost of living increases in their allocations, it will take concerted advocacy efforts collectively by our networks and the nonprofit sector as a whole.

Indicator A: Our organization has demonstrated achievements to sustain and/or expand decent work practices	Rating	Our organization
We are aware of some good decent work practices in our organization	✓ BASIC	
We have documented case studies of our positive decent work practices, and have shared them with others	✓ BETTER	

BENCHMARKS FOR DECENT JOBS: THE OTTAWA MODEL

We are actively engaged in collaborative efforts to promote the importance of decent work, and build our sector's capacity to champion these values and practices	✓ BEST	
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Indicator B: Our organization is aware of the pressures and challenges we face to sustain or expand decent work practices	Rating	Our organization
We have completed an assessment of our decent work practices (like this one)	✓ BASIC	
We have identified key decent work challenges that as an organization we would like to address, and have developed a plan to tackle the ones within our control	✓ BETTER	
We have plans to address key challenges within our control, and are participating in collective efforts to advocate for the systemic changes that would remove some barriers our organization faces in providing decent work	✓ BEST	

Indicator C: Our organization has been speaking with our funders, seeking modifications to funding restrictions	Rating	Our organization
No, we have not discussed this with funders	✓ BASIC	
We have discussed this with funders, but with limited success	✓ BETTER	
We have discussed this with funders and have been able to get some modifications	✓ BEST	

HELPFUL RESOURCES ON IMPROVING NONPROFIT JOBS

Reports

Center for Effective Philanthropy, [*Strengthening Grantees: Foundation and Nonprofit Perspectives*](#)

D5, [*The State of the Work: Stories from the Movement to Advance Diversity, Equity and Inclusion*](#)

Roadmap, [*Human Resources and Justice: Addressing Racism and Sexism in the Workplace*](#)

Roadmap, [*The Wages of Peace and Justice: 2012 National Compensation Survey of Social Justice Organizations*](#)

TSNE Missionworks, [*Wage Equity Matters*](#)

Toolkits and worksheets

[*Fund the People Toolkit*](#)

Justice Funders, [*Resonance: A Framework for Philanthropic Transformation*](#)

Justice Funders, [*The Choir Book*](#)

Justice Funders, [*Grantmaking Self-Assessment*](#)

National Committee for Responsive Philanthropy, [*Power Moves: Your essential philanthropy assessment guide for equity and justice*](#)

RoadMap, [*My Healthy Organization*](#)

Organizational websites and blogs

[Nonprofit AF](#)

[Caring Workplaces Initiative of the National Human Services Assembly](#)

[CHANGE Philanthropy](#)

[The Full Cost Project](#)

[Justice Funders](#)

[Living Wage Friendly Funders](#)

[National Committee on Responsive Philanthropy](#)

[Nonprofit HR](#)

Sustainable Economies Law Center, [“Worker Self-Directed Nonprofits”](#)

[TSNE Insights - Human Resources blog](#)

Articles

Armstrong et al., [“Nonprofits in Crisis: How to Retain Employees in the Nonprofit Sector”](#)

Goggins and Howard, [“The Nonprofit Starvation Cycle”](#), *Stanford Social Innovation Review*

Johnson, Sarai, [Straight Talk About Nonprofit Turnover](#)

Kacere, Laura, [“6 things to do if your social justice job is a toxic environment,”](#)
Everyday Feminism

Kanter and Sherman, [“Updating the Nonprofit Work Ethic,”](#) *Stanford Social Innovation Review*

McCambridge, Ruth, [“Nonprofit Resistance to a raised minimum wage is just wrongheaded,”](#)
Nonprofit Quarterly

Pratt and McCambridge, [“Not adding to the problem: 7 ways your nonprofit can avoid mirroring the practices that perpetuate inequality,”](#) *Nonprofit Quarterly*

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