

Compensation for Non-Profits

In April 2013 the *Huffington Post* ran an article titled, “10 Insanely Overpaid Nonprofit Execs.”¹ The subject is receiving a great deal of attention. New York and North Carolina have both launched inquiries into the salaries of non-profit executives working for organizations that receive state funding, arguing that the non-profit sector is not a place for executives “to line their own pockets” but to help citizens.² North Carolina has even considered a proposal to put a \$100,000 cap on the salaries of non-profit executives whose organizations receive state support.

According to this argument, those looking to earn top salaries shouldn’t seek employment in charitable organizations. People in the non-profit sector should focus on helping other people, not advancing their own self-interest. The money that now goes to high-paid executives should be spent on those causes the organizations are addressing, such as alleviating poverty or educating voters.

Dan Pallotta, who created the successful AIDS Rides and Breast Cancer 3-Day events, disagrees. In a recent TED Talk, Pallotta argued that as long as the non-profit sector is forced to play by different rules than the private sector, it will inevitably be less successful. Although the average salary for the CEO of a hunger charity is \$80,000, the average salary for someone who has an MBA and ten years of experience is \$400,000. Pallotta argues that we cannot expect the most talented and driven people to work for non-profits when they could make so much more working in the private sector. Furthermore, those causes and charities that are not able to recruit the top talent will inevitably suffer. Pallotta thus recommends that to remain effective and vital, non-profits need to pay their leaders competitively.

STUDY QUESTIONS

1. Should non-profit executives be paid competitive salaries?
2. Is it unethical for executives of state-subsidized non-profit organizations to earn \$100,000 or more in annual salaries?

¹ http://www.huffingtonpost.com/2013/04/08/10-insanely-overpaid-nonp_n_3038162.html

² <http://www.indyweek.com/indyweek/lawmakers-consider-cap-on-nonprofit-salaries/Content?oid=3619669>;
http://www.huffingtonpost.com/2011/08/05/new-york-governor-andrew-n_919642.html