Wages & Unionization in the Non-profit Sector: 
New Evidence from the Workplace & Employee Survey

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Abstract

Using the workplace and employee survey (WES) 2005 workplace and employee matched data set, this study examines non-profit/for-profit sector wage differentials, after controlling for differences in personal and workplace characteristics of the two sectors. Special attention is paid to the union wage premium in nonprofit sector. Furthermore, we use the Oaxaca decomposition procedure to provide detailed information on the contribution of union status and other personal and workplace characteristics in explaining the non-profit/for-profit wage gap.

In 2005, the average non-profit worker earned $22.53 per hour while the average for-profit worker earned $20.72, an overall non-profit premium of about 2 dollars before controlling for any differences in individual and workplace differences. Workers in non-profit sector are unionized at a rate almost double that in the for-profit sector (38% versus 16%). In addition, there are 4% more female, 12% more married people and 5% more employees with kids in the non-profit sector. The higher average wage in the non-profit sector can be attributed to superior personal and workplace characteristics.

A striking difference between the two sectors emerges in the union wage advantage: 11% in the non-profit sector compared to -4% in the for-profit sector after controlling for personal and workplace characteristics. Unionization adds in two ways to the wage advantage in the non-profit sector: through higher unionization and through a greater union wage premium on comparable jobs.

Decomposition of the overall wage gap yields further insights into the factors that contribute to the wage gap. First, the non-profit sector in the selected industry groups would have a wage advantage of almost $2.78 per hour if wages were to reflect the superior personal and workplace characteristics of the non-profit sector. Second, this possible premium is reduced by some factors that work against the non-profit sector, e.g., a higher proportion of women who tend to earn less than men. Third, unionization adds on average about $0.41 per hour to the non-profit wages. Other significant factors that add to the non-profit advantage are: education, experience and industry. On the other hand, a higher proportion of women and immigrants in the non-profit sector widens the wage gap between the two sectors.