merits

MDPI

Article

Funding the Future: How Size, Revenue, and Community Shape Retirement Benefits in Nonprofits

Xintong Chen

Political Science Department, San Jose State University, San Jose, CA 95192, USA; xintong.chen@sjsu.edu

Abstract

The nonprofit sector provides roughly one in ten jobs in the United States. Yet retirement benefits remain uneven and often inadequate compared to those in the public and private sectors. This article examines disparities in nonprofit access to retirement plans and analyzes how organizational and community characteristics shape retirement benefit provision. The study uses panel regression approaches with data from the NCCS Core PC files and the U.S. Census. The analysis shows that most nonprofits do not offer retirement plans, and those that do often contribute only minimally. Larger organizations and those with higher levels of donative revenue are more likely to offer and contribute to retirement plans. By contrast, the arts and humanities nonprofits and nonprofits in communities with lower educational attainment are significantly less likely to do so. Racial and geographic disparities also persist. Nonprofits in whiter communities are more likely to offer plans, though not necessarily at higher contribution levels. These findings underscore the need for targeted policy and philanthropic interventions. Supporting under-resourced organizations in providing competitive retirement benefits can promote workforce stability and advance equity across the nonprofit sector.

Keywords: retirement benefits; nonprofit organizations; employee well-being; organizational capacity; community characteristics

check for updates

Academic Editor: Paula Benevene

Received: 29 July 2025
Revised: 15 October 2025
Accepted: 16 October 2025
Published: 24 October 2025

Citation: Chen, X. Funding the Future: How Size, Revenue, and Community Shape Retirement Benefits in Nonprofits. *Merits* **2025**, *5*, 20. https://doi.org/10.3390/merits5040020

Copyright: © 2025 by the author. Licensee MDPI, Basel, Switzerland. This article is an open access article distributed under the terms and conditions of the Creative Commons Attribution (CC BY) license (https://creativecommons.org/licenses/by/4.0/).

1. Introduction

People are the primary assets of nonprofits and a key factor in their success [1]. However, with the rapid growth of the nonprofit sector and millions of baby boomers retiring each year, the nonprofit sector began to experience a leadership crisis decades ago [2]. According to the Pew Research Center's U.S. labor force statistics, baby boomers retired more in 2020 compared to prior years [3]. Thus, attracting and retaining talents in the nonprofit sector and filling the leadership pipeline is an important task for the nonprofit sector as a whole and for individual organizations.

Attracting and retaining talent is a more challenging task for the nonprofit sector compared to the other two sectors since nonprofit workers are under-supported compared to the other two sectors [1]. Unlike public agencies, which always have middle- or upper-level openings for talent to fill, or the private sector, which has money to secure the top talent it needs, the nonprofit sector provides relatively less compensation and has a "glass ceiling" that prevents people from advancing along their career paths [4]. This disparity has long been rationalized by the "labor donation hypothesis," which posits that nonprofit employees are motivated by mission alignment and intrinsic rewards and are therefore willing to accept lower financial compensation [5]. Public service motivation

theory highlights that many individuals are drawn to nonprofits out of a commitment to serving the public good. However, even highly motivated employees may struggle to remain in the sector when inadequate compensation and weak benefits undermine their long-term financial security. This challenge is particularly pronounced among younger generations entering the workforce. Recent studies suggest that traditional assumptions about nonprofit employees' willingness to accept lower compensation do not hold for current workers, especially millennials, who now represent a dominant share of the labor force and place greater emphasis on compensation when making career decisions [6–8]. Organizational justice theory offers an additional lens for understanding this shift by emphasizing that employees' perceptions of fairness in both outcomes (e.g., pay and benefits) and processes (e.g., transparency in decision-making) strongly influence job satisfaction and commitment [9]. When nonprofit employees perceive inequities in benefits such as retirement plans, their sense of fairness may erode, weakening motivation and retention regardless of mission alignment.

The retirement plan, as an important element of compensation, influences the career decisions of nonprofit employees. Many young professionals move out of the nonprofit sector due to a lack of retirement support from nonprofits [10]. Cornelius Corvington & Ruesga surveyed 6000 emerging nonprofit leaders across the U.S. in 2007, and 48% of respondents could not commit to a long-term career in the nonprofit sector because they felt they would not retire comfortably [9]. Moreover, a lack of retirement plans makes the nonprofit sector less competitive than the public sector. Lee and Wilkins found that managers who value pension and retirement plans are more willing to serve the public sector than the nonprofit sector, using data from the National Administrative Studies Project III [11]. Therefore, helping employees with their retirement preparations is important for attracting and retaining high-quality employees and filling the leadership pipeline for the nonprofit sector.

The nonprofit compensation literature primarily focuses on wage disparities and the factors influencing nonprofit pay and compensation provision. Hallock (2000) found that nonprofit employees are generally paid less and that nonprofit compensation is shaped by sector-specific drivers such as altruistic motivations, structural constraints, and governance practices, with variables like organizational size, mission, and design also playing important roles [12]. Pratt (2019) argues that compensation decisions in nonprofits are influenced by both the internal perspective of organizational mission and external pressures from conservative funders, such as foundations, as well as resource limitations in the market rather than alignment with equitable labor standards [13]. He also highlights subsector differences, noting that fields such as childcare, disability services, and arts and culture have some of the lowest-wage nonprofit positions. Ruhm and Borkoski (2003), using longitudinal data to track worker movement across sectors, found a modest 2–4% wage penalty when transitioning into the nonprofit sector and similarly small gains when returning to for-profit roles [14]. They argue that structural factors like industry composition and market-driven wage rates primarily shape nonprofit compensation. Frumkin and Keating (2010) focus specifically on executive compensation, concluding that nonprofits tend to base executive pay more on organizational size and available resources than on mission-related performance or financial outcomes [15]. While numerous studies have examined factors that influence nonprofit compensation, retirement benefits remain an underexplored area. Therefore, this study investigates which types of nonprofits lag in retirement benefits and aims to better understand their rationales, ultimately helping these organizations close the gap.

This study investigates disparities in nonprofit retirement benefit provision by asking which organizational and community factors shape whether nonprofits offer retirement

plans and at what level. More specifically, it addresses three questions: (1) Do disparities in retirement preparation exist within the nonprofit sector? (2) How do community-level characteristics influence nonprofit provision of retirement plans? (3) How do organizational-level characteristics influence nonprofit provision of retirement plans? By focusing on retirement benefits, an often-overlooked dimension of nonprofit employment practices, this study contributes to understanding broader patterns of inequality in nonprofit workforce support. For nonprofit organizations, retirement benefits are not only a matter of fairness but also a strategic tool for attracting and retaining skilled professionals. As the sector confronts persistent leadership deficits and workforce challenges, offering competitive retirement benefits can strengthen organizational appeal and sustainability. Ultimately, this study advances scholarship on nonprofit employment by highlighting retirement benefits as a critical yet understudied component of employment practices, while offering insights that can inform strategies to strengthen employee security and organizational capacity.

2. Literature Review

2.1. Retirement Benefits and Gaps in the Nonprofit Sector

A retirement plan provides individuals with a source of income after they exit the workforce, helping to ensure financial stability and the ability to maintain their standard of living in old age. Employer-sponsored retirement plans generally fall into two main categories: defined benefit (DB) plans and defined contribution (DC) plans. A defined benefit plan guarantees retirees a specific monthly benefit based on factors such as salary history and years of service. While this model offers predictability and long-term security for employees, it requires substantial financial responsibility and planning on the part of the employer. Traditional pension plans are a common example of defined benefit plans. In contrast, defined contribution plans do not promise a predetermined payout at retirement. Instead, contributions are made to an individual account by the employee, the employer, or both—often at a fixed percentage of the employee's earnings. The final benefit depends on the total contributions and investment performance over time. Common examples of defined contribution plans include 401(k) and 403(b) plans [16]. 403(b) plans are more prevalent in nonprofit sectors.

Nonprofit organizations support their employees' long-term financial well-being by offering retirement plans. These plans not only benefit employees but also serve as strategic tools for the organizations themselves. For instance, retirement benefits can enhance a nonprofit's ability to attract and retain highly qualified personnel [17]. In addition, nonprofits can strategically manage their financial outcomes by adjusting pension contributions [18]. By modifying retirement benefits, organizations may pursue various financial management objectives, such as smoothing consumption, managing reported net earnings, and minimizing long-term pension liabilities. Empirical findings suggest that nonprofits engage in such behavior selectively. For example, they may increase retirement contributions to reduce reported profits when financial performance exceeds expectations. Conversely, in times of underperformance, nonprofits may reduce contributions or adjust actuarial assumptions to align reported earnings with internal targets.

Psychosocial theories of motivation and well-being provide additional insights into the role of retirement benefits in nonprofit employment. Maslow's hierarchy of needs positions security as a foundational requirement, suggesting that access to retirement benefits contributes directly to employees' sense of stability [19]. Herzberg's two-factor theory identifies benefits such as retirement security as hygiene factors that, when absent, can cause dissatisfaction even if other job aspects are fulfilling [20]. Similarly, Hackman and Oldham's job characteristics model underscores how adequate rewards influence employee motivation, psychological states, and overall job satisfaction [21]. Together, these

perspectives highlight that retirement benefits should be viewed not only as financial support but also as critical elements shaping employee motivation, well-being, and long-term workforce stability.

Gender dynamics further underscore the importance of retirement benefit provision in the nonprofit sector. Approximately 70 percent of nonprofit employees are women [22], and women as a group accumulate lower retirement savings over their lifetimes due to lower average wages, career interruptions, and part-time employment patterns [23]. Given women's disproportionate representation in nonprofits, gaps in retirement plan provision have heightened implications for gender equity in financial security and workforce well-being.

Despite the importance of retirement benefits, nonprofit provision remains inconsistent. Therefore, it is important to investigate retirement benefit practices across different types of nonprofits. Specifically, identifying which types of nonprofits lag behind can inform targeted strategies to understand the underlying challenges and support these organizations in enhancing their retirement offerings.

2.2. Theoretical Framework and Hypothesis Development

Larger nonprofit organizations often possess more stable financial footing and greater access to financial reserves, which can enable them to make longer-term financial commitments, such as offering retirement benefits to their employees [24]. Organizational size has been consistently linked to compensation practices in the nonprofit sector. Hallock, using panel data from nonprofit tax returns between 1992 and 1996, found that size is one of the key factors influencing the compensation of top managers in U.S. nonprofit organizations [25]. Similarly, Frumkin and Keating analyzing IRS Form 990 filings from 1998 to 2000, reported that larger nonprofits tend to pay significantly more to their executive directors [15]. These findings suggest that organizational size influences not only base salaries but potentially other forms of compensation, including benefits. Providing retirement plans demands substantial financial resources, administrative infrastructure, and long-term planning capacity, and all these characteristics more likely to be found in larger organizations. Additionally, larger nonprofits are more likely to maintain professionalized human resources departments that can support the implementation and management of employee benefit programs. Therefore, based on existing empirical research and theoretical reasoning, it is reasonable to conclude that larger nonprofit organizations are better positioned to offer retirement plans to their employees. Accordingly, I propose the following hypothesis:

Hypothesis 1. *Larger nonprofit organizations are more likely to provide retirement plans for their employees.*

The source and structure of donative revenue can significantly influence how nonprofit organizations allocate their funds [26]. From the perspective of resource dependence theory, nonprofits adapt their practices to align with the expectations and constraints of key external stakeholders [27]. Unlike earned income, donor contributions are often earmarked for specific purposes, including employee-related expenses such as benefits. Donors may prioritize or even require that a portion of their funding be directed toward staff welfare, leading to greater investment in retirement plans. In addition, higher levels of donative revenue may signal stronger donor relationships and reduced financial vulnerability, which provide nonprofits with greater flexibility to enhance compensation packages. Based on this reasoning, the following hypothesis is proposed:

Hypothesis 2. *Nonprofit organizations with higher levels of donative revenue are more likely to provide retirement benefits for their employees than those with lower levels.*

Resource dependence theory argues that organizations relying heavily on external and uncertain revenue sources face greater financial constraints [27], which limit their ability to allocate resources to employee compensation and benefits. Arts and humanities nonprofits depend primarily on private donations, which fluctuate with economic conditions. For example, this subsector was more severely affected than others during the COVID-19 pandemic [28]. In addition, donors often prioritize programmatic activities such as exhibitions, performances, or educational outreach over administrative or personnel expenses, including employee benefits. As a result, nonprofit organizations in the arts and humanities sector tend to offer lower compensation to their employees compared to other subsectors [13,14]. The combination of unstable revenue streams, donor restrictions, and pressure to demonstrate programmatic impact makes it especially difficult for arts and humanities nonprofits to commit to long-term financial obligations such as pensions or other retirement plans. Based on these observations, the following hypothesis is proposed:

Hypothesis 3. *Nonprofit organizations in the arts and humanities sector are less likely to provide retirement benefits for their employees compared to nonprofits in other sectors.*

Financial knowledge shapes how individuals perceive and prepare for retirement, influencing both expectations and long-term planning. Clark et al. demonstrate the importance of financial literacy for retirement preparedness [29]. Similarly, Dulebohn and Murray (2007) find that financial knowledge affects individuals' decision-making and retirement choices in communities with higher education levels, nonprofits may encounter greater competition for skilled and informed workers, prompting them to offer more attractive compensation packages, such as retirement benefits, to recruit and retain talent [30]. In such environments, retirement benefit offerings can serve as a strategic tool to enhance organizational appeal. Furthermore, communities with higher education rates may place a stronger emphasis on employee well-being, long-term security, and institutional accountability. Nonprofits embedded in these communities may reflect local values by allocating more resources toward retirement benefits as a sign of their commitment to employee welfare. Additionally, a more educated workforce tends to be more financially literate and aware of the value of retirement plans. These employees may be more likely to advocate for such benefits, increasing organizational pressure to provide them. Based on this reasoning, the following hypothesis is proposed:

Hypothesis 4. *Nonprofit organizations located in communities with higher levels of education are more likely to provide retirement benefits for their employees.*

Communities differ in cultural values, demographic composition, and philanthropic practices, all of which shape how nonprofit organizations allocate resources. In areas with a higher proportion of white residents, organizations may benefit from broader donor networks and philanthropic traditions that historically emphasize employee benefits. These communities may also reflect labor market norms that prioritize employment stability and long-term financial security, reinforcing expectations for nonprofits to offer retirement plans. Historical patterns of philanthropy and the legacy of labor movements in predominantly white communities may further strengthen this emphasis on worker benefits. As a result, nonprofits in such contexts may face greater pressure from donors, board members, and community stakeholders to view retirement benefits as a standard component of competitive compensation. Based on this reasoning, the following hypothesis is proposed:

Hypothesis 5. *Nonprofit organizations located in communities with a higher proportion of white residents are more likely to provide retirement benefits for their employees.*

3. Methodology

3.1. Data

This study uses the Core Public Charities (PC) data maintained by the National Center for Charitable Statistics (NCCS) and U.S. 2020 census data to construct a panel of nonprofits across the U.S. (2016–2018). This longitudinal data is used to investigate the disparities in the retirement benefits of a wide range of nonprofit subsectors and how community-level and organizational-level covariances lead to this disparity within the nonprofit sector. Organizational-level variables are obtained from the core PC files, which are assembled by the Urban Institute and contain tax return information for most 501(c)(3) public charities that must file Form 990 annually with the United States Internal Revenue Service (IRS). Community-level variables are obtained from U.S. 2020 census data. These sources were selected because the NCCS core files provide comprehensive organizational-level information on 501(c)(3) public charities that file Form 990 annually with the Internal Revenue Service (IRS), while Census data supply reliable community-level demographic characteristics. Together, these datasets enable the analysis of both organizational and community factors shaping nonprofit retirement benefits, though they do not provide information on internal management practices or leadership priorities.

This study is situated in the U.S. context, where all nonprofit organizations are legally classified as private entities under the Internal Revenue Code [31]. As such, the nonprofit sector does not encompass public organizations, and the analysis focuses exclusively on variation among nonprofits rather than public–private comparisons.

The annual core files were first merged into a single panel dataset covering the years 2016 to 2018. Demographic data on race and education levels were then merged from U.S. Census sources, resulting in a combined dataset with 627,106 observations from 242,843 unique nonprofits. Revenue and asset variables were log-transformed to address skewness. All fiscal data were adjusted to 2016 dollars using the Consumer Price Index (CPI) to account for inflation. Nonprofits with missing data were excluded from the analysis. The final analytic sample includes 540,773 observations from 214,605 nonprofits.

3.2. Variables

This study uses two dependent variables to measure nonprofit retirement benefits. The first variable is binary retirement indicator, which measures whether a nonprofit contributes to their employee's retirement plans. The first variable is binary retirement indicator, which measures whether a nonprofit contributes to its employees' retirement plans. In this study, retirement plan refers broadly to any type of employer-sponsored plan, including 401(k), 403(b), or pension plans. The data do not differentiate among defined benefit, defined contribution, or hybrid arrangements. If a nonprofit contributes to their employee's retirement plans, the variable will be coded as one, and if a nonprofit does not contribute to their employee's retirement plans, it will be coded as zero. Retirement contribution is the second dependent variable in this study. The retirement contribution is calculated as the proportion of the retirement plan contributions of a nonprofit to its total expenses. Total expense is used to normalize the expense difference between different-sized or subsector nonprofits.

This study includes five independent variables. Three of the variables reflect organizational characteristics, including organization size, subsector, and contribution revenue, and the other two represent community characteristics of the area where the nonprofit is located, specifically higher education rates and the percentage of white residents. Organizational size is measured using the natural logarithm of total assets, which is commonly adopted in prior nonprofit research [32–35]. Subsector is a categorical variable defined according to the primary codes in the National Taxonomy of Exempt Entities—Core Codes (NTEE-CC)

system. This classification, developed by the IRS and the National Center for Charitable Statistics (NCCS), organizes nonprofit organizations by their main mission focus. The five main categories include arts, culture, and humanities; education; health; human services; and other. We measure the contribution revenue as the total contribution revenue of a nonprofit, which includes both governmental funds and private contribution. Higher education rates are the higher education rate of a county. *White rates* are calculated as the number of white people in a community divided by the total population of the community. Table 1 presents the sources and calculations of the variables.

Table 1. Variables Definition.

Variable Name	Measure	Sources
Binary retirement indicator	Coded as 1 if a nonprofit contributes to employees' retirement plans, and 0 if it does not.	NCCS core files
Retirement contribution	Calculated as the proportion of the retirement plan contributions of a nonprofit to its total expenses	NCCS core files
Organization size	The natural logarithm of total assets	NCCS core files
Subsector	The primary codes in the National Taxonomy of Exempt Entities	NCCS core files
Contribution revenue	The total contribution revenue of a nonprofit	NCCS core files
Higher education rates	The higher education rate of a county	Census Data
White rates	The number of white people in a community divided by the total population of the community	Census Data

3.3. Model Specification

Two models are used to investigate the disparities in the retirement benefits. First, to estimate the probability that a nonprofit offers a retirement plan, a Generalized Estimating Equations (GEE) model was adopted to run analysis. The GEE model accounts for the binary outcome and repeated observations within each nonprofit over a three-year period (2016–2018). The GEE was specified with a binomial family and a logit link function, and an exchangeable working correlation structure was assumed to model within-organization correlations. Robust standard errors were used to ensure valid inference under potential misspecification of the correlation structure. The formula to calculate binary retirement indicator is shown below:

$$\text{logit}\,(\Pr(\text{binary retirement indicator}_{it} = 1)) = \beta_0 + \beta_1 \text{organizational size}_{it} + \beta_2 \text{contribution revenue}_{it} + \beta_3 \textit{subsector} + \beta_4 \text{higher education rates}_{it} + \beta_5 \text{white rates}_{it}$$

where i denotes organizations;

t denotes time (year).

Second, a random-effects panel regression is adopted to estimate how nonprofit and community factors may affect a nonprofit retirement contribution. Panel regression is chosen since the dataset is longitudinal. The panel regression model used in this study is shown below.

$$\text{Retirement contribution} = \beta_0 + \beta_1 \text{organizational size}_{it} + \beta_2 \text{contribution revenue}_{it} + \beta_3 \textit{subsector} + \beta_4 \text{higher education rates}_{it} + \beta_5 \text{white rates}_{it}$$

where i denotes organizations;

t denotes time (year).

4. Results

Table 2 presents the descriptive statistics for all variables. The binary retirement indicator shows that approximately 21.6% of the 627,106 observations reported offering a retirement plan. This result suggests that nearly 80% of nonprofits do not provide retirement benefits to their employees, highlighting a potential gap in retirement security within the nonprofit sector. *Retirement contribution* has a mean of 0.004 and ranges from –7.637 to 6.522. This measurement indicates that, on average, retirement contributions represent a very small proportion of total expenses among nonprofits. The wide range suggests substantial variability across organizations. Independent variables reflect considerable variation across nonprofits and communities. Therefore, it is important to investigate organizational and community-level factors that influence pension provision within the nonprofit sector. The subsequent panel regression analysis further explores which types of nonprofits are more likely to offer pension plans and which types are falling behind in providing such employee benefits. Correlation was run before regression and shows that independent variables do not present a multi-collinearity problem (Table 3).

Table 2. Descriptive Statistics.

Variable	Obs.	Mean	Std. Dev.	Min	Max
Retirement contribution	622,801	0.004	0.024	−7.478	6.386
Binary retirement	627,106	0.216	0.412	0	1
Size	622,335	13.549	2.34	−0.045	25.045
Donative revenue	544,673	12.292	2.177	−0.045	22.879
Higher education	627,106	0.362	0.123	0.052	0.791
White rates	627,106	0.697	0.173	0.074	1

Table 3. Correlation Matrix.

Variables	Organizational Size	Donative Revenue	Higher Education	White People Rates
Organizational size	1.000			
Donative revenue	0.466	1.000		
Higher education	0.033	0.097	1.000	
White rates	0.001	−0.122	−0.303	1.000

4.1. Likelihood of Offering a Retirement Plan

All of the proposed hypotheses are supported by the analysis. As presented in Table 4, all independent variables are statistically significant at the 0.001 level. Hypothesis 1 proposed that organizational size is positively associated with whether a nonprofit offers a retirement plan, which is supported by the results. On average, a one-unit increase in organizational size is associated with a 0.488 increase in the log-odds of offering a retirement plan. When converted to an odds ratio, this translates into a 63 percent increase in the odds of providing a retirement plan (exp (0.488) $\approx$ 1.63). In other words, larger nonprofits are substantially more likely to provide retirement benefits than smaller ones. This population-averaged effect highlights the importance of organizational capacity in shaping employee benefit decisions across the nonprofit sector.

Table 4. GEE Model Results.

	Gee Model
Organizational size	0.488 ***
	(0.00379)
Donative revenue	0.143 ***
	(0.00294)
Education	0.595 ***
	(0.0258)
Health	0.831 ***
	(0.0273)
Human services	0.540 ***
	(0.0228)
Others	0.187 ***
	(0.0244)
Higher education	0.974 ***
	(0.0603)
White people rates	0.297 ***
	(0.0509)
Constant	−11.03 ***
	(0.0779)
N	541,697

Standard errors in parentheses *** $p < 0.01$.

Hypothesis 2 proposed that nonprofits relying more heavily on contributions as their primary revenue source are more likely to offer retirement benefits. The results support this hypothesis, with a positive and significant coefficient ($\beta = 0.143$, $p < 0.001$). This means that for each one-unit increase in contribution revenue, the odds of offering a retirement plan rise by about 15 percent (exp (0.143) $\approx$ 1.15). This suggests that nonprofits dependent on external funding may place greater emphasis on employee welfare, either to attract and retain qualified staff or to meet donor expectations for organizational capacity building.

Hypothesis 3 proposed that nonprofits in the arts and humanities sector are less likely to provide retirement plans than those in other sectors. This is also supported. Compared to arts and humanities organizations, nonprofits in education ($\beta = 0.595$), health ($\beta = 0.831$), human services ($\beta = 0.540$), and other sectors ($\beta = 0.187$) are all significantly more likely to provide retirement plans. Education nonprofits show the strongest effect: a coefficient of 0.595 corresponds to an odds ratio of 1.81, meaning they are 81 percent more likely to offer retirement benefits than arts and humanities nonprofits.

At the community level, both racial composition and education matter. Nonprofits located in areas with higher proportions of white residents are more likely to provide retirement plans ($\beta = 0.297$, $p < 0.001$). This may reflect differences in community wealth, access to resources, or donor expectations, as predominantly white communities often have greater financial stability and more consistent funding streams. The proportion of residents with higher educational attainment is also positively associated with retirement plan provision ($\beta = 0.974$, $p < 0.001$). This indicates that nonprofits in more highly educated communities face stronger pressures to provide competitive employment packages, as these labor markets include more skilled and professionally oriented workers with higher expectations for benefits.

4.2. Level of Retirement Contributions

The results of the random-effects panel regression model are presented in Table 5. All independent variables, with the exception of community white population rates, are statistically significant at the 0.001 level, supporting the proposed hypotheses regarding

organizational and sectoral influences on retirement plan contributions. Organizational size has a small but positive effect: for each one-unit increase in logged assets, retirement contributions as a share of expenses rise by approximately 0.09 percent (β = 0.000905, $p < 0.001$). This indicates that larger organizations, holding other factors constant, are better able to contribute to employee retirement benefits, reflecting their greater financial and administrative capacity.

Table 5. Random Effect Panel Regression Results.

	RE Model
Organizational size	0.000905 ***
	(0.0000148)
Donative revenue	0.000496 ***
	(0.0000149)
Education	0.00430 ***
	(0.000126)
Health	0.00219 ***
	(0.000131)
Human services	0.00110 ***
	(0.000112)
Others	0.000480 ***
	(0.000116)
Higher education	0.000959 ***
	(0.000268)
White people rates	0.000143
	(0.000192)
Constant	−0.0163 ***
	(0.000292)
N	540,773

Standard errors in parentheses *** $p < 0.01$.

Nonprofits that rely more heavily on contributions as their primary revenue source also show higher retirement plan contributions, with a 0.05 percent increase in contribution levels for each one-unit increase in contribution revenue (β = 0.000496, $p < 0.001$). This suggests that organizations drawing more from external donations may be better positioned or more motivated to invest in employee benefits.

Clear sectoral differences also emerge. Compared to arts and humanities organizations, nonprofits in education contribute about 0.43 percent more of their expenses to retirement benefits (β = 0.00430, $p < 0.001$). Health organizations contribute about 0.22 percent more, human services about 0.11 percent more, and other nonprofits about 0.05 percent more. Education nonprofits show the strongest effect, underscoring that retirement benefits are more institutionalized in that sector.

At the community level, higher education attainment is positively associated with nonprofit retirement contributions: a one-unit increase in community education rates corresponds to nearly a 0.10 percent increase in contributions (β = 0.000959, $p < 0.001$). In contrast, the proportion of white residents in a community does not significantly influence contribution levels once other factors are controlled (β = 0.000143, p = n.s.).

5. Discussion

This study examines retirement plan provision in the nonprofit sector. It investigates whether organizational characteristics and community factors contribute to disparities in retirement benefits. Descriptive analysis shows that most nonprofits do not offer retirement plans. Among those that do, contributions make up only a small share of total expenses. However, there is wide variation in how much organizations contribute, pointing to un-

even support across the sector. Regression results show that organizational size, donative revenue, subsector, and higher education levels in the community are positively associated with both retirement plan provision and higher contribution levels. In contrast, the proportion of white residents is linked only to plan provision, not to retirement plan contribution levels. These findings are important for policymakers, funders, and nonprofit leaders. They offer insights into what drives retirement benefit disparities. Addressing these gaps can support stronger workforce policies, reduce the leadership deficit in the sector, and help nonprofits attract and retain talent. In turn, this may improve organizational capacity and long-term sustainability. In addition, this study contributes to nonprofit leadership and human resources research by highlighting the underexplored area of retirement benefits. It underscores the need to view employee benefit practices not only as internal HR or managerial decisions but also as outcomes influenced by broader organizational structures and community environments. This perspective helps deepen our understanding of how nonprofits can build stronger, more sustainable leadership pipelines and improve workforce stability through strategic HR planning.

Organizational size was found to be significantly associated with both the likelihood of offering a retirement plan and the level of contributions provided. This finding aligns with previous nonprofit compensation research, which shows that larger organizations tend to offer better overall compensation to their employees [15]. Extending this understanding, our study highlights that larger nonprofits not only provide higher salaries but also offer stronger retirement benefits. This advantage likely helps larger nonprofits attract and retain talented staff more effectively. Given these disparities, policymakers and philanthropic funders should consider directing additional resources and support toward smaller nonprofits. In addition, nonprofits could establish pooled or group retirement plan options, allowing small nonprofits to share administrative costs and reduce financial barriers. Such targeted assistance could help these organizations improve their retirement benefits, reduce workforce instability, and enhance their capacity to compete for skilled employees.

Nonprofit organizations with higher levels of donative revenue are, as expected, significantly more likely to offer retirement plans and provide higher contribution levels. This finding supports previous research showing that the source and availability of donated funds influence how nonprofits allocate their resources [26]. It also suggests that nonprofits with greater donative revenue have a competitive advantage in attracting and retaining employees through better benefits. To address disparities, nonprofits with lower donative revenue might consider strategic fundraising efforts to boost their financial capacity. This could enable them to offer more competitive compensation packages, including retirement plans, which are critical for talent retention. Additionally, policymakers could provide incentives encouraging commercial nonprofits to offer retirement plans, further supporting workforce stability across the sector. For example, offering payroll tax credits tied to retirement plan participation or matching grants that reward organizations for providing retirement contributions could encourage these nonprofits to expand coverage.

This study confirms that nonprofit organizations in the arts and humanities sector are less likely to provide a retirement plan and less likely to allocate a significant portion of their budgets to employee retirement benefits compared to nonprofits in other subsectors. In addition to offering fewer retirement plans, these organizations also tend to provide lower overall compensation, as noted in previous research [14]. This highlights the financial challenges faced by arts and humanities nonprofits, which often operate with limited resources and must carefully balance competing budget priorities. To address this issue, donors supporting arts and humanities nonprofits should be educated about the importance of funding not only programs but also employee benefits such as retirement plans. Increased

philanthropic attention to workforce support could strengthen these organizations' ability to build sustainable teams and better fulfill their missions.

Nonprofit organizations located in communities with higher levels of education are more likely to provide retirement plans and allocate a significant portion of their budgets to employee retirement benefits, as confirmed by this study. In contrast, nonprofits in communities with lower higher-education rates are less likely to offer such benefits, which can jeopardize employees' long-term financial security. This gap also makes it harder for nonprofits in less-educated communities to attract and retain skilled talent, contributing to a pronounced leadership deficit that undermines organizational capacity. To address these challenges, it is critical for policymakers to design targeted interventions that support nonprofits serving lower-education areas. Such policies could include financial incentives, grants, or tax benefits specifically aimed at encouraging the provision of retirement plans and other employee benefits.

This study finds that the proportion of white residents in a community is statistically significant in predicting the likelihood that a nonprofit will provide a retirement plan, but not the level of contributions to that plan. In other words, nonprofits located in communities with a higher proportion of white residents are more likely to offer retirement plans, but they do not necessarily offer more generous benefits compared to those in more racially diverse communities. One possible explanation is that these communities may have greater access to financial resources, stronger donor networks, or cultural expectations that prioritize standard employment benefits, making it easier for organizations to establish retirement plans. However, the lack of difference in contribution levels suggests that while access to plans is more common, the overall quality of benefits may remain modest. This disparity has broader workforce implications. Retirement benefits are a critical tool for attracting and retaining qualified talent, particularly in competitive labor markets. Nonprofits in communities with fewer retirement offerings may struggle to compete for skilled employees, further deepening existing leadership and staffing challenges. To address these issues, policymakers and philanthropic funders should invest in equity-focused initiatives such as subsidies to offset retirement contributions for nonprofits with retirement benefit provision in racially diverse or underserved communities. Targeted funding, capacity-building programs, and technical support could help these organizations improve their ability to recruit and retain top talent, while promoting greater equity in nonprofit employment practices.

This study has several limitations. First, the dataset covers the years 2016–2018 and thus exclude the pandemic period, a time of major workforce disruptions and financial pressures on nonprofits. Future research should use post-2020 data and richer community indicators to more fully capture the dynamics of retirement benefit provision. Second, the analysis excludes certain types of organizations, such as small nonprofits that are not required to file IRS Form 990 and religious congregations that are exempt from filing. As a result, the findings may not fully capture retirement benefit practices across the entire nonprofit sector. Third, there is potential for omitted variable bias. Due to data constraints, the analysis does not account for internal management strategies, leadership priorities, or organizational culture, factors that may also influence the provision of retirement plans. Future research could benefit from incorporating qualitative data or survey-based measures to better understand the role of leadership and human resource practices in shaping employee benefits. Fourth, we are unable to account for potential geographic or regional variations. Future research should examine how regional contexts influence retirement benefit provision. Fifth, this study focuses on identifying organizational and community factors associated with retirement benefits rather than evaluating outcomes for employees over time. As such, we do not address short- versus long-term effects, which remain an im-

portant area for further investigation. Sixth, our analysis does not measure outcomes such as employee satisfaction, retention, or cost-effectiveness. Although prior research suggests that retirement benefits may improve retention and reduce burnout, we cannot provide causal evidence on these effects. Future research using longitudinal or experimental designs could assess these outcomes and develop practical frameworks for evaluating workforce impacts, using indicators such as retention rates, satisfaction surveys, contribution-to-expense ratios, and administrative costs. Seventh, while expanding retirement benefits could reduce disparities across the sector, such measures may also create pressures for smaller organizations, increase administrative burdens, or rely on philanthropic funding that is not guaranteed to be sustainable. Future studies should therefore consider not only the benefits but also the risks and trade-offs associated with policies designed to increase nonprofit retirement contributions. Finally, this study is limited by data constraints that prevent distinguishing among retirement plan types or contribution structures and provide only partial measures of community context. Without detail on plan types or socioeconomic controls such as income and poverty, the findings capture broad patterns rather than precise causal mechanisms.

6. Conclusions

This study sheds light on disparities in retirement plan provision across the nonprofit sector, drawing from both descriptive and regression analyses to understand how organizational and community characteristics shape access to employee benefits. Descriptive findings reveal that the majority of nonprofits do not offer retirement plans, and those that do tend to dot that allocate only a small portion of their budgets to retirement contributions. However, the wide variation in contribution levels suggests uneven retirement support across organizations, raising concerns about financial security for nonprofit employees.

Regression results further indicate that larger nonprofits and those with higher donative revenue are more likely to offer retirement plans and contribute more generously. These findings reinforce prior research that links organizational resources to better compensation practices. We expected, based on resource dependence theory, that nonprofits relying heavily on external and uncertain resources would be less likely to provide retirement benefits. Our results for arts and humanities nonprofits confirm this expectation: because these organizations depend primarily on private donations, they tend to offer lower levels of retirement support to their employees. This reliance on unstable funding streams may constrain their ability to invest in long-term employee benefits, placing them at a disadvantage in attracting and retaining skilled staff and potentially exacerbating workforce instability and inequities across the nonprofit sector.

At the community level, nonprofits located in areas with lower levels of higher education are significantly less likely to provide retirement benefits, placing them at a disadvantage in attracting and retaining talent. In contrast, nonprofits in communities with higher proportions of white residents are more likely to offer retirement plans, although they do not contribute at significantly higher levels. This pattern points to inequities in access to benefits across communities.

Together, these findings highlight the need for targeted policy interventions and philanthropic support. Policymakers and funders should prioritize efforts that enable under-resourced nonprofits, particularly those in underserved communities and sectors, to offer competitive retirement benefits. Strengthening retirement support in these organizations can promote workforce stability, improve talent retention, and foster greater equity and sustainability in the nonprofit sector.

This study highlights retirement benefits as a neglected area of nonprofit compensation and shows they are shaped by both organizational and community factors. Future research

should examine leadership strategies, organizational culture, and staff engagement in shaping benefit decisions. Nonprofit leaders and policymakers can use these findings to evaluate practices and advocate for funding structures that strengthen employee well-being alongside mission delivery.

Funding: This research received no external funding.

Institutional Review Board Statement: This study does not involve human subjects. It relies entirely on secondary, publicly available data, specifically the NCCS Core Files and U.S. Census data (https://nccs.urban.org/nccs/datasets/, accessed on 1 July 2025). Because these datasets are de-identified and publicly accessible, Institutional Review Board (IRB) approval was not required.

Informed Consent Statement: Not applicable.

Data Availability Statement: This study relies entirely on secondary, publicly available data, specifically the NCCS Core Files and U.S. Census data (https://nccs.urban.org/nccs/datasets/, accessed on 1 July 2025).

Conflicts of Interest: The author declares no conflict of interest.

References

1. Stahl, R.M. Talent philanthropy: Investing in nonprofit people to advance nonprofit performance. *Found. Rev.* **2013**, *5*, 6. [CrossRef]
2. Tierney, T.J. *The Nonprofit Sector's Leadership Deficit*; The Bridgespan Group: Boston, MA, USA, 2006; pp. 1–36.
3. Fry, R. *The Pace of Boomer Retirements Has Accelerated in the Past Year*; Pew Research Center: Washington, DC, USA, 2020. Available online: https://www.pewresearch.org/short-reads/2020/11/09/the-pace-of-boomer-retirements-has-accelerated-in-the-past-year/ (accessed on 1 July 2025).
4. Linscott, K.G. Filling the leadership pipeline: Driving forces and their effect on the next generation of nonprofit leaders. *SPNHA Rev.* **2011**, *7*, 4.
5. Andreoni, J. Impure altruism and donations to public goods: A theory of warm glow giving. *Econ. J.* **1990**, *100*, 464–477. [CrossRef]
6. Kim, M.; Charbonneau, É. Caught between volunteerism and professionalism: Support by nonprofit leaders for the donative labor hypothesis. *Rev. Public Pers. Adm.* **2020**, *40*, 327–349. [CrossRef]
7. Ng, E.S.; McGinnis Johnson, J. Game of loans: The relationship between education debt, social responsibility concerns, and making a career choice in the public, private, and nonprofit sectors. *Nonprofit Volunt. Sect. Q.* **2020**, *49*, 292–315. [CrossRef]
8. Walk, M.; Stewart, A.; Kuenzi, K. Should I stay or should I go? Investigating nonprofit sector commitment among nonprofit education alumni. *J. Nonprofit Educ. Leadersh.* **2019**, *11*, 1–37. [CrossRef]
9. Cornelius, M.; Corvington, P.; Ruesga, A. *Ready to Lead. Next Generation Leaders Speak Out. A National Study in Partnership by CompassPoint Nonprofit Services, The Annie E. Casey Foundation, the Meyer Foundation and Idealist.org*; CompassPoint Nonprofit Services: Milpitas, CA, USA, 2008.
10. Manzo, P. The real salary scandal. *Stanf. Soc. Innov. Rev.* **2004**, *2*, 65–67.
11. Lee, Y.J.; Wilkins, V.M. More similarities or more differences? Comparing public and nonprofit managers' job motivations. *Public Adm. Rev.* **2011**, *71*, 45–56. [CrossRef]
12. Hallock, K.F. Compensation in nonprofit organizations. In *Research in Personnel and Human Resources Management*; Emerald Group Publishing Limited: Leeds, UK, 2000; pp. 243–294.
13. Pratt, J. It's Complicated: Nonprofit Organizations and Wage Equity. Nonprofit Quarterly. 2019. Available online: https://nonprofitquarterly.org/its-complicated-nonprofit-organizations-and-wage-equity/ (accessed on 1 July 2025).
14. Ruhm, C.J.; Borkoski, C. Compensation in the nonprofit sector. *J. Hum. Resour.* **2003**, *38*, 992–1021. [CrossRef]
15. Frumkin, P.; Keating, E.K. The price of doing good: Executive compensation in nonprofit organizations. *Policy Soc.* **2010**, *29*, 269–282. [CrossRef]
16. U.S. Department of Labor. Types of Retirement Plans. Available online: https://www.dol.gov/general/topic/retirement/typesofplans (accessed on 1 July 2025).
17. Internal Revenue Service (IRS). *Tax-Exempt Status for Your Organization (Publication 557)*; U.S. Department of the Treasury: Washington, DC, USA, 2023.
18. Calabrese, T.D.; Searing, E.A. The strategic use of pensions by not-for-profit organizations. *J. Pension Econ. Financ.* **2019**, *18*, 388–414. [CrossRef]
19. Maslow, A.H. A theory of human motivation. *Psychol. Rev.* **1943**, *50*, 370. [CrossRef]

20. Herzberg, F. *Motivation to Work*; Routledge: Abingdon, UK, 2017.
21. Hackman, J.R.; Oldham, G.R. Motivation through the design of work: Test of a theory. *Organ. Behav. Hum. Perform.* **1976**, *16*, 250–279. [CrossRef]
22. Clerkin, C. More women work in nonprofits—So why do men end up leading them? *Harv. Bus. Rev.* **2024**. Available online: https://hbr.org/2024/04/more-women-work-in-nonprofits-so-why-do-men-end-up-leading-them (accessed on 1 July 2025).
23. Jefferson, T. Women and retirement pensions: A research review. *Fem. Econ.* **2009**, *15*, 115–145. [CrossRef]
24. Rosenthal, J.A. Qualitative descriptors of strength of association and effect size. *J. Soc. Serv. Res.* **1996**, *21*, 37–59. [CrossRef]
25. Hallock, K.F. Managerial pay and governance in American nonprofits. *Ind. Relat. J. Econ. Soc.* **2002**, *41*, 377–406. [CrossRef]
26. Anheier, H.K.; Toepler, S.; Wojciech Sokolowski, S. The implications of government funding for non-profit organizations: Three propositions. *Int. J. Public Sect. Manag.* **1997**, *10*, 190–213. [CrossRef]
27. Pfeffer, J.; Salancik, G.R. *The External Control of Organizations: A Resource Dependence Perspective*; Stanford University Press: Stanford, CA, USA, 2003.
28. Kim, M.; Mason, D.P. Are you ready: Financial management, operating reserves, and the immediate impact of COVID-19 on nonprofits. *Nonprofit Volunt. Sect. Q.* **2020**, *49*, 1191–1209. [CrossRef]
29. Clark, R.L.; d'Ambrosio, M.B.; McDermed, A.A.; Sawant, K. Retirement plans and saving decisions: The role of information and education. *J. Pension Econ. Financ.* **2006**, *5*, 45–67. [CrossRef]
30. Dulebohn, J.H.; Murray, B. Retirement savings behavior of higher education employees. *Res. High. Educ.* **2007**, *48*, 545–582. [CrossRef]
31. Internal Revenue Service. *Retirement Plan Information for Tax-Exempt Organizations*; Internal Revenue Service: Washington, DC, USA, 2025. Available online: https://www.irs.gov/charities-non-profits/retirement-plan-information-for-tax-exempt-organizations (accessed on 1 July 2025).
32. Hodge, M.; Piccolo, R. Funding Source, Board Involvement Techniques, and financial vulnerability in Nonprofits. *Nonprofit Manag. Leadersh.* **2005**, *16*, 171–190. [CrossRef]
33. Keating, E.K.; Fischer, M.; Gordon, T.P.; Greenlee, J.S. Assessing Financial Vulnerability in the Nonprofit Sector. Cambridge: SSNR. Kennedy School Working Paper No. RWP05-002. 2005. Available online: https://www.hks.harvard.edu/publications/assessing-financial-vulnerability-nonprofit-sector (accessed on 1 July 2025).
34. Prentice, C.R. Understanding Nonpro t Financial Health: Exploring the Effects of Organizational and Environmental Variables. *Nonprofit Volunt. Sect. Q.* **2016**, *45*, 888–909. [CrossRef]
35. Trussel, J. Revisiting the Prediction of Financial Vulnerability. *Nonprofit Manag. Leadersh.* **2002**, *13*, 17–31. [CrossRef]

Disclaimer/Publisher's Note: The statements, opinions and data contained in all publications are solely those of the individual author(s) and contributor(s) and not of MDPI and/or the editor(s). MDPI and/or the editor(s) disclaim responsibility for any injury to people or property resulting from any ideas, methods, instructions or products referred to in the content.