

Wages in Profit and Nonprofit Hospitals and Universities

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Do for-profit establishments pay higher wages than nonprofit establishments? A new research project finds few significant differences in hourly pay.

The term "nonprofit organizations" may bring to mind small social services agencies, museums, or membership organizations. But the majority of workers in nonprofit organizations are employed by large health services or educational services establishments. These two industries have a high number of both for-profit and not-for-profit establishments, making it possible to compare wages in similar occupations. A research project based on the [National Compensation Survey](#) has provided some interesting wage comparisons.

This article compares average hourly earnings in private for-profit hospitals to those in private nonprofit hospitals. It then compares those rates to the rates in State and local government hospitals, which by definition are nonprofit. The comparisons include average hourly rates for all workers, full-time workers, part-time workers, registered nurses, and licensed practical nurses. Next, the article compares average hourly rates in State and local government colleges and universities to those in private nonprofit colleges and universities. In addition to comparing the rates for all workers, full-time workers, and part-time workers, the study compares the average hourly rates for all teachers.

National Compensation Survey

The [National Compensation Survey \(NCS\)](#) provides comprehensive measures of occupational earnings, compensation cost trends, benefit incidence, and detailed plan provisions. Research for this article was based on extracts from the database used for the most recent bulletin covering wage data in the United States, entitled [National Compensation Survey: Occupational Wages in the United States, July 2003](#).¹ This article includes previously unpublished wage information by industry and by establishment profit and nonprofit status.²

When a sampled establishment is first visited by a BLS representative, specific establishment characteristics are recorded, including the industry and the profit or nonprofit status. A large majority (84 percent) of the private nonprofit establishments studied for the 2003 NCS wage survey were classified as health services (43 percent), educational services (27 percent), or social services (14 percent).³ Health services include doctors' offices, nursing facilities, hospitals, medical laboratories, and home health care services. Educational services include elementary and secondary schools, colleges and universities, libraries, and vocational schools.

Establishments Studied

Hospitals, along with colleges and universities,⁴ were chosen for this analysis because a large number of both for-profit and not-for-profit establishments were found in these two industry groups. Approximately 76 percent of surveyed private hospitals, 795 out of 1,047, were classified as nonprofit. In addition, 259 State and local government hospitals were analyzed. (See chart 1.) By surveyed employment, 83 percent of private hospital workers, 1,651,000 out of 1,980,000 workers, were in nonprofit establishments. Government hospitals in the survey employed 604,000 workers.⁵

Relatively few of the private colleges and universities examined in this study were classified as for-profit. In fact, approximately 92 percent of surveyed private colleges and universities (339 out of 369) were classified as nonprofit. An additional 70 State and local government colleges and universities were studied as well. (See chart 2.) By surveyed employment, 97 percent of private college and university workers (445,000 out of 461,000) were in nonprofit establishments. The 70 government colleges and universities in the survey employed 483,000 workers, nearly the same number as those in private establishments.

Other Studies

An Internet search reveals several studies of wages in nonprofit establishments, a number of which were conducted in the health care field. These studies mention the general assumption that the earnings of employees in for-profit establishments are higher than those in not-for-profit establishments.⁶ However, in health care, where many occupations in both profit and nonprofit establishments are similar, the wages are usually found to be comparable.

One article suggests that the similar pay in health care establishments is due to the fact that the rates insurers pay for health services are not determined by the profit or nonprofit status of the provider.⁷ An article entitled *Compensation in the Nonprofit Sector*, which is posted on the website of the National Bureau of Economic Research, includes a summary of previous research on nonprofit earnings differentials.⁸

Findings In Private Hospitals

In data extracted from the July 2003 National Compensation Survey, the average hourly rate for all workers in profit hospitals, \$19.26, was found to be lower than the average hourly rate for all workers in nonprofit hospitals, \$20.16.

Full-time workers in for-profit hospitals had a lower average hourly rate than their not-for-profit counterparts, but part-time workers in profit and nonprofit hospitals had nearly identical average hourly rates. Full-time workers in profit hospitals, at \$19.21, averaged nearly a dollar per hour less than full-time workers in nonprofit hospitals, at \$20.20. But the average hourly rates for part-time workers in the two types of hospitals were very similar, as profit hospitals averaged \$19.68, and nonprofit hospitals averaged \$19.95.⁹ (See chart 3.)

The lower average wage rate in profit hospitals may be due to the fact that the profit hospitals were smaller than the hospitals classified as nonprofit.¹⁰ Of the 252 private for-profit hospitals studied, only 34 (13 percent) employed more than 2,500 workers. But of the 795 private nonprofit hospitals studied, 220 (28 percent) had more than 2,500 workers.

Nurses And Other Occupations In Private Hospitals

The average hourly earnings for registered nurses (full and part time) followed the same pattern as the earnings for all workers, with registered nurses in profit hospitals showing a lower rate per hour (\$25.58) than those in nonprofit hospitals (\$27.02).¹¹ Full-time registered nurses in for-profit establishments earned \$25.32 per hour, which is considerably lower than the rate for those working in nonprofit establishments (\$27.01 per hour). Yet, for part-time registered nurses, the average hourly rates were virtually identical for those working in for-profit and nonprofit hospitals--\$27.02 per hour and \$27.06 per hour, respectively. (See chart 4.)

Licensed practical nurses earned nearly the same average hourly rates, whether they were employed by profit hospitals (\$15.88) or nonprofit hospitals (\$15.82). Similarly, the rates for full-time licensed practical nurses in each type of hospital were within pennies of each other, with those working in profit hospitals earning \$15.89 per hour, and those working in nonprofit hospitals earning \$15.77. The average hourly rate for part-time workers appeared to be slightly lower in for-profit establishments (\$15.64) than in nonprofit establishments (\$16.04), although that difference is not statistically significant. (See chart 5.)

In other specific occupations, there was no pattern to whether profit or nonprofit hospitals paid higher rates. The average hourly rate for managers, medicine and health, appeared to be lower in for-profit hospitals (\$33.73) than in nonprofit hospitals (\$37.60), but that difference is not statistically significant. For physical therapists, the hourly rate of \$25.44 in profit establishments was lower than the hourly rate of \$27.58 in nonprofit establishments. For radiological technicians, the average hourly rate in profit establishments (\$21.44) was similar to the average hourly rate in nonprofit establishments (\$23.00). Finally, the hourly rate for health record technologists and technicians in profit hospitals (\$15.42) was close to the hourly rate in nonprofit hospitals (\$14.93).

Government Hospitals

How do wage rates in government hospitals compare with those in profit and nonprofit private hospitals? As part of this research project, data from the National Compensation Survey for hospitals in the State and local government sector were extracted. The average hourly rate of \$18.71 for all government hospital workers was relatively close to the average rate of \$19.26 for all workers in private profit hospitals, but was significantly lower than the average rate of \$20.16 for all workers in private nonprofit hospitals.

Full-time workers followed a similar pattern. The average hourly rate of \$18.56 for all full-time government hospital workers was close to the average rate for full-time workers in private for-profit hospitals (\$19.21), but it was significantly lower than the average rate for full-time workers in private nonprofit hospitals (\$20.20). However, the part-time average hourly rate for all government hospital workers (\$20.49) was not much different from the part-time average hourly rates for private workers in both profit and nonprofit hospitals (\$19.68 and \$19.95, respectively).

Nurses In Government Hospitals

Registered nurses in State and local government hospitals, with an average hourly rate of \$25.68, earned about the same as those in private for-profit hospitals (\$25.58) but slightly less than those in private not-for-profit hospitals, where they earned \$27.02 per hour. The average hourly rates for licensed practical nurses were remarkably similar across the different types of hospitals: government hospitals paid \$15.87; profit hospitals paid \$15.88; and nonprofit hospitals paid \$15.82.

It is not unusual for full-time nurses to receive a lower average hourly rate than part-time nurses, whether in private or government hospitals. The analysis for this article did not consider benefit costs, and full-time workers often receive a better benefit package than part-time workers.¹² Within government hospitals, full-time registered nurses were paid \$25.22 per hour, while part-time registered nurses were paid \$28.91 per hour. Although this difference seems to be large, it is not statistically significant. Full-time licensed practical nurses earned an average of \$15.81 per hour, which was similar to the average of \$16.68 per hour for part-time licensed practical nurses. (See chart 6.)

Table 1 summarizes the average hourly earnings for all workers and for nurses in private for-profit, private nonprofit, and government hospitals. Relative standard errors are included.¹³

Findings In Colleges And Universities

As mentioned previously, this study found few private colleges and universities classified as for-profit establishments. Again, the findings presented here are based on data extracted from the July 2003 National Compensation Survey. Only 8 percent of the surveyed private universities (30 out of 369) were considered for-profit establishments, and these employed only 4 percent of the surveyed workers in private colleges and universities. A brief comparison of wages in private for-profit and private nonprofit universities appears later in this article.

Government Colleges And Universities

Estimates of average hourly earnings for workers in government colleges and universities, including State colleges, were calculated for this study. The average hourly rate for all workers in government colleges and universities was \$25.37. All full-time workers in government universities averaged \$25.57 per hour, and all part-time workers averaged \$16.20 per hour.

For the occupational category teachers, college and university¹⁴, the average hourly rate in government colleges and universities was \$38.92. Full-time college and university teachers in government universities averaged \$39.14 per hour, and part-time college and university teachers in government universities averaged \$29.02 per hour.¹⁵ (See chart 7.)

Government And Private Nonprofit Colleges And Universities

Since most private universities are nonprofit, and government universities are by definition nonprofit, a direct comparison might be useful. In total, the two types of universities employ similar numbers of workers: The 339 private nonprofit

universities examined in this study employed 445,000 workers, and the 70 government universities employed 483,000 workers.

All workers in private nonprofit colleges and universities averaged \$26.21 per hour, while all workers in government colleges and universities averaged \$25.37 per hour. However, this difference is not statistically significant. The full-time average hourly rate for private nonprofit universities was \$26.43, while the full-time rate for government universities was \$25.57. The difference between the part-time average hourly rate in private nonprofit universities (\$19.34) and the part-time rate in government universities (\$16.20), is not statistically significant.

Do teachers in government or private universities receive higher wages? For all college and university teachers, the private nonprofit average hourly rate of \$44.86 was nearly \$6.00 higher than the average hourly rate in government establishments (\$38.92). Full-time college and university teachers followed a similar pattern, with those in private nonprofit universities averaging \$45.36 per hour, while those in government universities averaged \$39.14 per hour. For part-time college and university teachers, however, the average hourly rates were similar: \$31.29 per hour in private nonprofit establishments, and \$29.02 in government establishments. (See chart 8.)

Private Colleges And Universities

Very few private colleges and universities are classified as for-profit establishments. In private colleges and universities, the average hourly earnings within for-profit institutions were similar to those in not-for-profit institutions. Data showed the average hourly rate for all workers in private for-profit universities to be \$28.45, while the average hourly rate for all workers in private nonprofit universities was \$26.21. All full-time workers in for-profit universities averaged \$29.33 per hour, and those in nonprofit establishments averaged \$26.43 per hour. The average hourly rate for all part-time workers in for-profit universities was \$16.22, while the rate in nonprofit establishments was \$19.34. (See chart 9.)

The hourly earnings for all college and university teachers were nearly identical, regardless of whether they worked in private for-profit universities or in private not-for-profit universities. The average hourly earnings for all teachers in for-profit universities was \$44.29, and the hourly earnings for those in nonprofit universities was \$44.86. Full-time teachers in both types of universities showed virtually identical average hourly rates, with full-time teachers in profit establishments averaging \$45.26 per hour, and full-time teachers in nonprofit establishments averaging \$45.36 per hour. As for part-time teachers, those in profit establishments averaged \$34.30 per hour, and those in nonprofit establishments averaged \$31.29 per hour. (See chart 10.)

Table 2 summarizes the average hourly rates for all workers and teachers in private for-profit, private nonprofit, and government colleges and universities. Relative standard errors are included.

Conclusion

Contrary to the authors' expectations, this study found that the average hourly rate for all workers in private for-profit hospitals was lower than the average hourly rate for all workers in private nonprofit hospitals. This may be due to the fact that the larger, higher paying, hospitals were classified as nonprofit. Full-time Registered Nurses followed a similar pattern, as those in private profit hospitals had a lower average hourly rate than those in private nonprofit hospitals. For part-time registered nurses, the average hourly rates in both profit and nonprofit hospitals were nearly identical. In State and local government hospitals, the average hourly rate for all workers was similar to the average rate for all workers in private for-profit hospitals, but it was lower than the average rate for all workers in private nonprofit hospitals. Registered nurses in government hospitals earned about the same as those in private profit hospitals, but they earned less than their colleagues in private nonprofit hospitals.

In State and local government colleges and universities, the average hourly rate for all workers was similar to the average rate for all workers in private nonprofit colleges and universities. College and university teachers in government establishments had a lower average hourly rate than those in private nonprofit establishments. Very few private colleges and universities were found to be classified as for-profit establishments. The average hourly rates within private profit universities

were similar to those in private nonprofit universities. Earnings for teachers, college and university, were nearly identical in private profit universities and private nonprofit universities.

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Notes

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1 *National Compensation Survey: Occupational Wages in the United States, July 2003*, Bulletin 2568 (Bureau of Labor Statistics, September 2004); available on the Internet at www.bls.gov/ncs/home.htm.

2 The profit or nonprofit designation is determined by the Internal Revenue Service (IRS). Section 501(c)(3) of the Internal Revenue Code, which permits a number of different types of organizations to be exempt from Federal income taxes, identifies the charitable, religious, educational, scientific, and other organizations that may qualify for tax-exempt status. The IRS requires a written application with a full description of the purposes and activities of the organization, plus financial statements and other information. The IRS issues a ruling or determination letter if an organization's application and supporting documents establish that it meets the tax-exempt requirements. See Internal Revenue Service Publication 557, *Tax-Exempt Status for Your Organization* (Revised March 2005), on the Internet at <http://www.irs.gov/publications/p557/index.html> (visited June 21, 2005).

3 The classification of establishments for this article was based on the Standard Industrial Classification (SIC). Health services are in major group 80, education services are in major group 82, and social services are in major group 83.

4 Estimations for hospitals included SIC 8062, general medical and surgical hospitals, SIC 8063, psychiatric hospitals, and SIC 8069, specialty hospitals, except psychiatric. Estimations for colleges and universities included SIC 8221, colleges, universities, and professional schools. Those classified in SIC 8222, junior colleges and technical institutes, were not included in this study.

5 Surveyed employment figures were estimated from the National Compensation Survey and are not as precise as those developed from other BLS surveys with larger samples and with designs geared toward generating employment estimates. The employment estimates in this article are presented only to indicate the proportion of workers within profit and nonprofit establishments.

6 The Internet site NonProfitExpert.com, located at <http://www.nonprofitexpert.com/salary.htm> (visited June 7, 2005), states the following: "It is safe to say that people who work in the nonprofit arena do not do so for the money!"

7 See Susan Raymond, "Looking at Wages in Non-profits vs. For-profits," onPhilanthropy.com (Changing Our World, Inc., October 11, 2000), on the Internet at: http://www.onphilanthropy.com/tren_comm/tc2001-09-06q.html (visited February 18, 2005).

8 Christopher J. Ruhm and Carey Borkoski, "Compensation in the Nonprofit Sector," *NBER Working Paper 7562* (National Bureau of Economic Research, February 2000), on the Internet at: <http://www.nber.org/papers/w7562.pdf> (visited February 18, 2005).

9 All the statements of comparisons appearing in this article are significant at a standard error level of 1.6 or better, unless otherwise indicated. A more detailed explanation is available from the authors upon request.

10 For for an analysis of earnings by size of establishment, see Robert W. Van Giezen, "Occupational Pay by Establishment Size," *Compensation and Working Conditions* (Bureau of Labor Statistics, spring 1998).

11 The classification of registered nurses was based on the 1990 Census of Population. A selected job may fall into 1 of about 480 occupational classifications.

12 Data from the BLS [Employer Costs for Employee Compensation](#) program show that the employer benefit cost for full-time workers in private industry in December 2004 was \$8.19 per hour, while the employer benefit cost for part-time workers in private industry was \$2.68 per hour. See [Employer Costs for Employee Compensation-December 2004](#), USDL 05-432 (U.S. Department of Labor), March 16, 2005, table 11.

13 The standard error, or sampling error, indicates the precision with which an estimate from a particular sample approximates the average result of all possible samples. The relative standard error (RSE) is the standard error divided by the estimate.

14 The occupational category "teachers, college and university," includes 28 specific Census of Population teacher disciplines, as well as two "other" teacher groupings. For a complete list of the occupational categories, see *National Compensation Survey: Occupational Wages in the United States, July 2003*, Bulletin 2568, Appendix B, pp. 164-71.

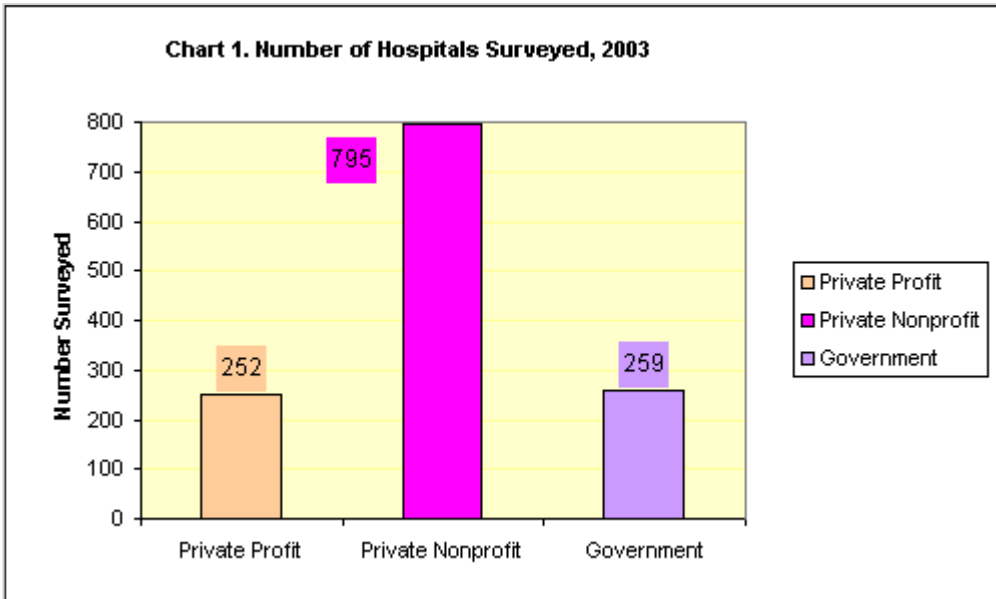
15 Teachers at all levels generally do not work 12 months per year. To convert an hourly rate for full-time teachers to an annual rate, multiply by 1,583 hours for government establishments, or by 1,598 hours for private establishments, rather than by a 12-month figure of 2,080 hours. See *National Compensation Survey: Occupational Wages in the United States, July 2003: Supplementary Tables* (Bureau of Labor Statistics, August 2004), table 4.2, pp. 73-74.

Table 1. Average Hourly Earnings in Hospitals, 2003

Occupation and Full-time or Part-time Status	Private				State and local government	
	Profit		Nonprofit		Hourly Mean	Relative Standard Error
	Hourly Mean	Relative Standard Error	Hourly Mean	Relative Standard Error		
All workers	\$19.26	1.9	\$20.16	1.2	\$18.71	2.3
Full Time	19.21	1.9	20.20	1.1	18.56	2.1
Part Time	19.68	4.2	19.95	2.5	20.49	7.8
Registered Nurses	25.58	2.5	27.02	1.2	25.68	2.7
Full Time	25.32	2.6	27.01	1.6	25.22	2.2
Part Time	27.02	2.4	27.06	1.5	28.91	7.6
Licensed Practical Nurses	15.88	1.9	15.82	1.7	15.87	3.0
Full Time	15.89	2.0	15.77	1.9	15.81	3.2
Part Time	15.64	2.6	16.04	2.6	16.68	3.1

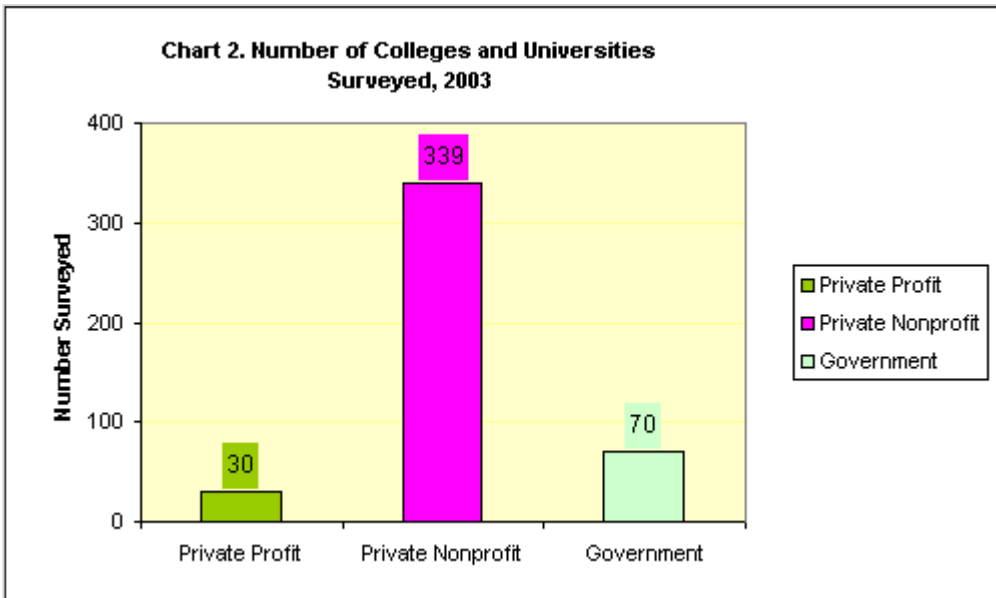
Table 2. Average Hourly Earnings in Colleges and Universities, 2003

Occupation and Full-time or Part-time Status	Private				State and Local Government	
	Profit		Nonprofit		Hourly Mean	Relative Standard Error
	Hourly Mean	Relative Standard Error	Hourly Mean	Relative Standard Error		
All Workers	\$28.45	9.4	\$26.21	2.6	\$25.37	6.4
Full Time	29.33	9.7	26.43	2.7	25.57	6.4
Part Time	16.22	8.7	19.34	8.2	16.20	7.8
Teachers	44.29	13.0	44.86	3.3	38.92	6.1
Full Time	45.26	13.9	45.36	3.2	39.14	6.2
Part Time	34.30	18.2	31.29	14.9	29.02	24.8



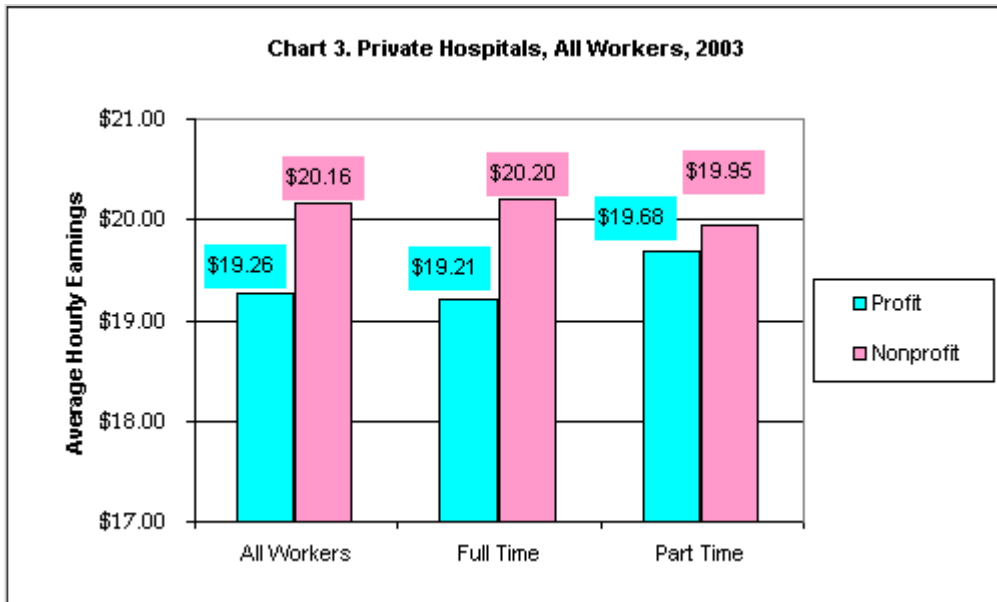
Data for Chart 1. Number of Hospitals Surveyed, 2003

Type of Hospital	Number Surveyed
Private Profit	252
Private Nonprofit	795
Government	259



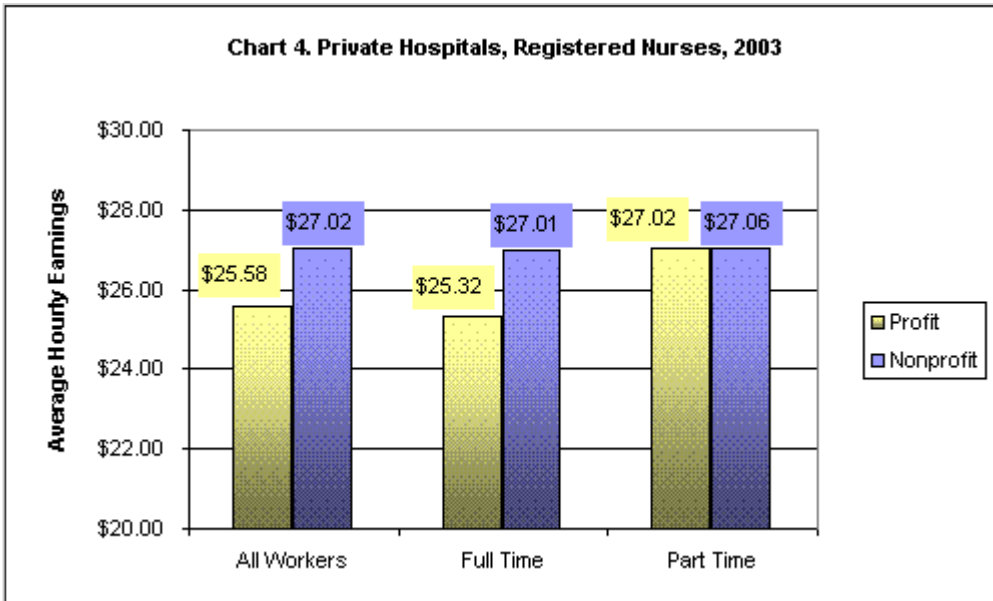
Data for Chart 2. Number of Colleges and Universities Surveyed, 2003

Type of College or University	Number Surveyed
Private Profit	30
Private Nonprofit	339
Government	70



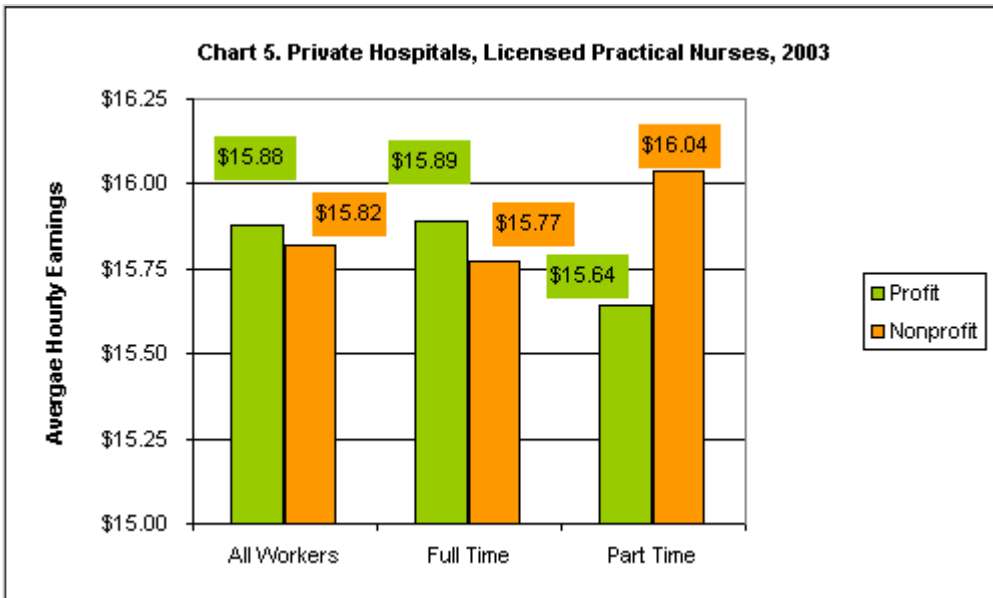
Data for Chart 3. Private Hospitals, All Workers, 2003

	Profit	Nonprofit
All Workers	\$19.26	\$20.16
Full Time	\$19.21	\$20.20
Part Time	\$19.68	\$19.95



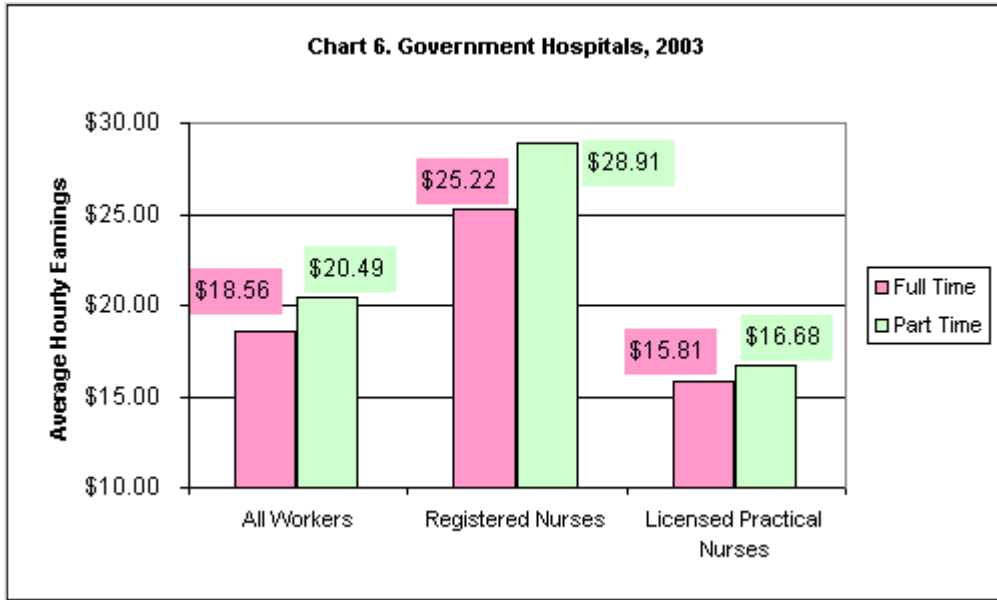
Data for Chart 4. Private Hospitals, Registered Nurses, 2003

	Profit	Nonprofit
All Workers	\$25.58	\$27.02
Full Time	\$25.32	\$27.01
Part Time	\$27.02	\$27.06



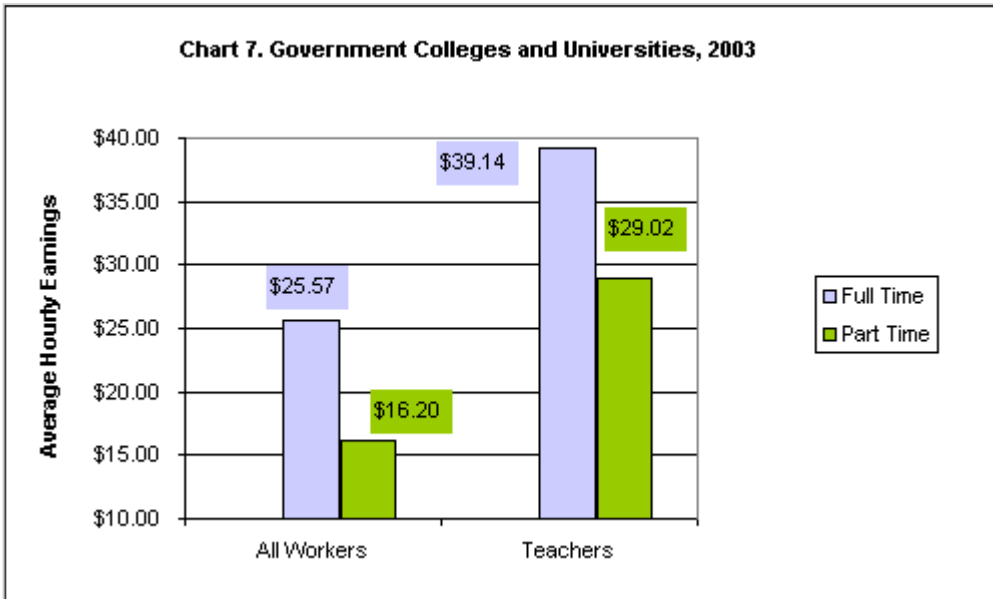
Data for Chart 5. Private Hospitals, Licensed Practical Nurses, 2003

	Profit	Nonprofit
All Workers	\$15.88	\$15.82
Full Time	\$15.89	\$15.77
Part Time	\$15.64	\$16.04



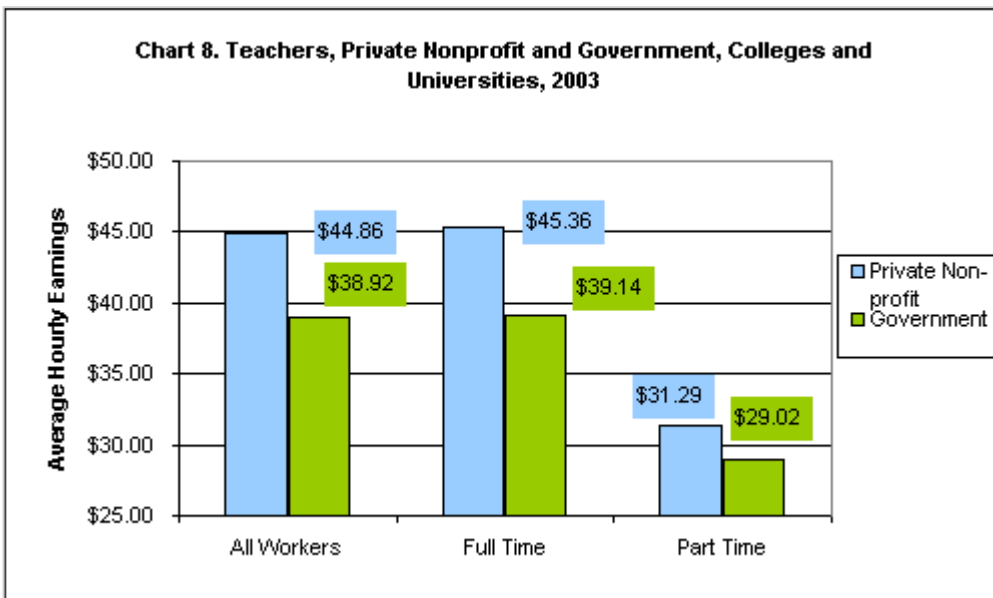
Data for Chart 6. Government Hospitals, 2003

	Full Time	Part Time
All Workers	\$18.56	\$20.49
Registered Nurses	\$25.22	\$28.91
Licensed Practical Nurses	\$15.81	\$16.68



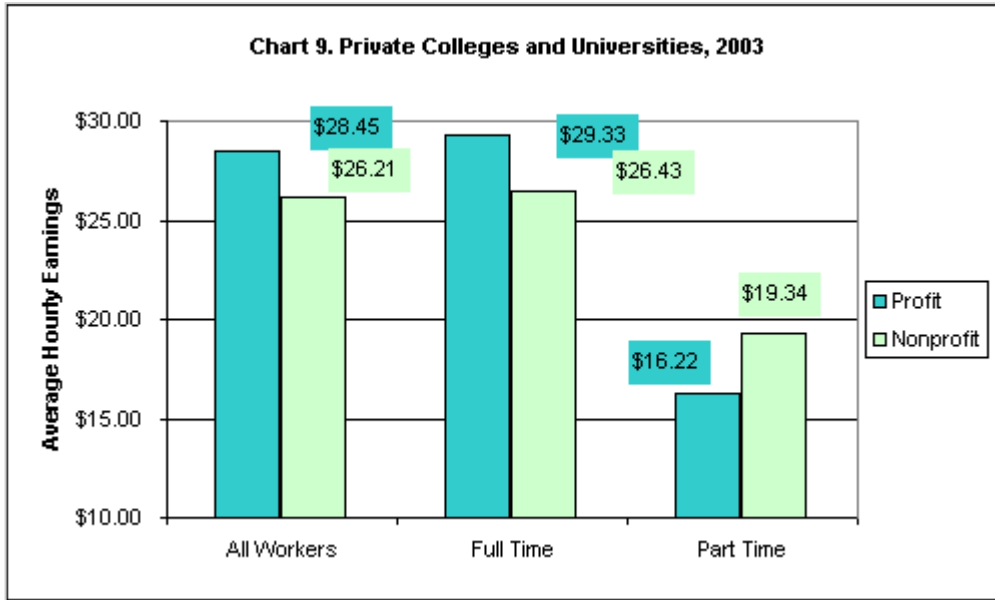
Data for Chart 7. Government Colleges and Universities, 2003

	Full Time	Part Time
All Workers	\$25.57	\$16.20
Teachers	\$39.14	\$29.02



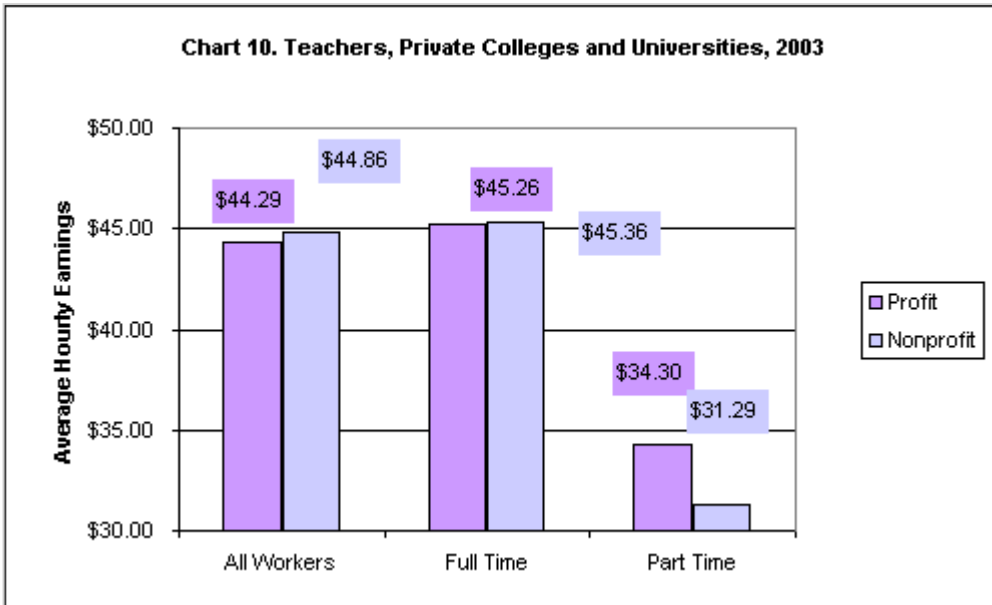
Data for Chart 8. Teachers, Private Nonprofit and Government, Colleges and Universities, 2003

	Private Nonprofit	Government
All Workers	\$44.86	\$38.92
Full Time	\$45.36	\$39.14
Part Time	\$31.29	\$29.02



Data for Chart 9. Private Colleges and Universities, 2003

	Profit	Nonprofit
All Workers	\$28.45	\$26.21
Full Time	\$29.33	\$26.43
Part Time	\$16.22	\$19.34



Data for Chart 10. Teachers, Private Colleges and Universities, 2003

	Profit	Nonprofit
All Workers	\$44.29	\$44.86
Full Time	\$45.26	\$45.36
Part Time	\$34.30	\$31.29