

THE DETERMINANTS OF SECTOR CHOICE: WHAT ATTRACTS PEOPLE TO THE  
NONPROFIT SECTOR AND ARE THERE GENDER DIFFERENCES?

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ABSTRACTS

This study examines the factors that affect a person's choice to work in a specific sector, looking at both aspects of utility maximization and availability of alternatives in sector choice. In this study, the sector choice of prime-age salaried workers is viewed as a three-way choice among for-profit, nonprofit, and public sectors. The analysis results using 2003-2007 Current Population Survey September supplement data indicate that people working in education and health industries are more likely to work in the nonprofit sector, and that one's industry is in fact the most determining factor in sector choice. The findings also suggest that women holding managerial and professional positions and those with more education are more likely to work for nonprofits implying a brain drain of the female workforce into the nonprofit sector.

KEY WORDS

Sector choice, nonprofit sector, gender difference

The nonprofit sector is an increasingly important part of the US economy. Nonprofit organizations play a crucial role in providing Americans with health care, education, recreation, art, and social services, to name a few. According to the National Center for Charitable Statistics (NCCS), there were over 1.5 million nonprofit organizations in the United States in 2008. Between 1987 and 2006, the growth rate of nonprofit organizations was double that of the business sector (Independent Sector, 2007). In terms of revenue, the nonprofit sector accounts for 12 percent of the U.S. Gross Domestic Product (GDP), which was approximately \$11.3 trillion in 2006. This marked a 36 percent increase in revenue since 1996. In fact, the nonprofit sector's revenues increased by an inflation-adjusted 61.5 percent from 1994 to 2004 while the nation's gross domestic product grew by 36.6 percent for the same period (NCCS, 2007).

The nonprofit sector also has a significant share of employees in the labor market. According to Salamon and Sokolowski's analysis of the 2004 Quarterly Census of Employment and Wages, 501(c)(3) organizations alone employed 9.4 million individuals, or roughly 7.2 percent of the U.S. economy in 2004. If volunteers had been included, the total workforce of these organizations would have reached 14.1 million full-time equivalents (FTEs). Employees of 501(c)(3) organizations earned \$36.1 billion which accounted for 6.6 percent of total wages paid in the U.S. in 2004 (Salamon & Sokolowski, 2006). Including other types of nonprofit organizations, nonprofits accounted for 8.3 percent of the wages and salaries paid in the United States in the same year. (NCCS, 2007). The significance of the nonprofit sector employment has rapidly increased over the last three decades. According to Independent Sector (2002), the average annual growth in employment for nonprofits between 1977 and 2001 was up to 2.5 percent higher than the rate for business corporations (1.8 percent) or the rate for government agencies (1.6 percent). From 2002 to 2004, the number of paid nonprofit workers grew by 5.1

percent while the total number of workers in the US workforce actually decreased by 0.2 percent during the same time period (Salamon & Sokolowski, 2006).

Although the rapidly increasing importance of the sector provides a compelling reason for better understanding the nature of the nonprofit sector and identifying people working in the sector, little is known about why people choose to work for nonprofits. With the intention to understand why people work for nonprofit organizations, this study investigates the factors that determine an individual's choice of employment sector. Because nonprofit employment is the byproduct of their choice, identifying the determinants of individual's employment sector will reveal why people work for nonprofits.

In studying people's decisions to work for nonprofits, one should ask first whether they actively choose to work for nonprofits because of the greater benefits associated with working in the sector relative to other sectors or whether they involuntarily choose a nonprofit sector job because of the external factors that influence their choice. On the one hand, a person may work in the nonprofit sector for the reason that he or she gets more both monetary and non-monetary benefits by working for nonprofits. On the other hand, this person may have no alternatives as one's employment opportunities are restricted to the nonprofit sector. Since one's sector choice is determined not only by utility maximization but also by availability of alternatives, both aspects need to be examined to properly model his or her choice.

While this study attempts to answer a broader research question of how people decide their employment sector, it also aims to contribute to better understanding of the sector and its "gendered nature" by examining if there are gender differences in the sector choice. As Steinberg and Jacobs (1994, p. 80) point out, with women accounting for an overwhelming majority of the nonprofit workforce and with the occupations that are traditionally considered "women's work"

concentrating in the sector, discussion of the nonprofit sector without focusing on the gendered aspect of nonprofit institutions would be “as curious as would be studying ghettos without noticing the race or ethnicity of the people who live in them.”

## WHY DO PEOPLE WORK FOR NONPROFITS? LITERATURE REVIEW AND HYPOTHESES

Jobs in the public, for-profit, and nonprofit sectors may differ in several ways, including pay, advancement opportunities, job security, skill requirements, and intrinsic rewards (Blank, 1985; Lewis & Frank, 2002). Thus, workers with a particular set of personal characteristics and preferences may find employment in the nonprofit sector more attractive while others with a different set of characteristics and skills may prefer public or for-profit employment over nonprofit employment (Blank, 1985). This study views an individual’s sector choice as a result of preference satisfaction, but it also recognizes that people’s choices are shaped by situational factors which tend to be out of their control. While individuals actively choose a specific employment sector to better satisfy their preferences, their choice sets are restricted by social norms and stereotypes.

First, in terms of actively choosing to work for nonprofits, individuals make sector choices to maximize their utility. When saying people maximize utility, it does not necessarily mean they maximize their material self-interest only. As a matter of fact, contemporary rational choice theory says nothing about what utility consists of. Contemporary rational choice theorists rather argue that utility maximization involves doing what one most prefers to do (Hausman & McPherson, 2006). In this sense, preference satisfaction includes not only meeting the economic and self-interest needs and wants but also fulfilling the intrinsic motivations. Therefore, the

choice of employment sector is based both on the economic gains and the desirability of working in a particular sector (Adamchik & Bedi, 2000). Because a person's intrinsic motivation affects one's perception of desirability of working in a sector, estimation of the sector choice should include the intrinsic motivation of an individual. This research terms the intrinsic motivation associated with employment in the nonprofit sector as "nonprofit motivation."

Second, apart from utility maximization, an individual's sector choice is also shaped by structural factors, in other words, the availability of the alternatives from which they can choose. This study focuses on industry segregation across the sectors. In other words, depending on which industry an individual works in, he or she may have limited choice of employment sector because the distribution of industries differs across the public, for-profit, and nonprofit sectors. Some industries are concentrated in the nonprofit sector and are scarce in the for-profit sector, and vice versa. For example, a majority of hospitals are nonprofit (American Hospital Association, 2009) while most manufacturing firms operate on a for-profit basis. In this study, the following factors that influence an individual's sector choice are examined: 1) an individual's earnings differential among the sectors, 2) one's industry, 3) holding a managerial or professional position, 4) one's family situation, and 5) the intrinsic motivation that leads to nonprofit employment. Below, each hypothesis is explained in reference to the literature.

#### Earnings Differentials among the Sectors

Monetary compensation is one of the key considerations in an individual's career decisions. Utility maximization predicts that individuals choose careers that generate the highest income if other conditions are identical. If returns on worker characteristics are same across the sectors, that is, if one's potential earnings are determined only by one's own characteristics

including human capital and demographic characteristics, an individual will earn the same salary regardless of one's employment sector. Since Roy's (1951) study of inter-sectoral mobility, however, scholars have shown that returns on worker characteristics may differ from one sector to another (Blank, 1985; Casero & Seshan, 2006). In Roy's model, workers choose sectors on the basis of income maximization, between fishing and hunting, and each of them requires input of different abilities (Sjögren, 2000). Some skills and capabilities are valued more in fishing sector than in hunting sector, and vice versa. Casero and Seshan (2006) find that workers in the public sector earn higher rates of return to post-secondary education than private sector workers. These findings suggest that two individuals with the exact same set of capabilities may earn different salaries depending on their choice of sector.

When returns on individual characteristics vary across the sectors, individuals' wages will differ depending upon which sector they work in even though they possess identical socio-demographic characteristics. A rational individual, of course, will want to work in a sector where they earn the most income. As a consequence, people focus on the differences in sector-specific earnings when they compare employment opportunities in the for-profit, public, and nonprofit sectors. In sum, individuals calculate what they would earn in each of the sectors based on their personal characteristics rather than simply comparing average earnings across the sectors, because one's earnings in a respective sector are determined by one's own human capital and other characteristics rather than those of an average worker.

*Hypothesis 1: All else equal, individuals are more likely to work in the sector where they make more money.*

Industry

An individual's sector choice tends to be at least partly determined by his or her industry because the distribution of many industries differs across the public, for-profit, and nonprofit sectors. When an individual works in an industry that is heavily concentrated in a specific sector, his or her employment opportunity is somewhat limited to that sector. According to Independent Sector, in 1997, nonprofits account for 54 percent of total operating expenditures in health industry and 18 percent of total operating expenditures in education industry. The industrial structure in the nonprofit sector affects the composition of the workforce in the sector. Salamon and Sokolowski (2006) found that, as of 2002, more than a half (52.4 percent) of nonprofit employment was in the health services and 15 percent was in education, a total of 67.4 percent of nonprofit employees working in the two industries.

Historically, women have been a dominant part of the workforce in health and education industries although their participation in other industries has increased in the last half-century. Women account for 95 percent of all nurses (Davis & Bartfay, 2001). They also account for 79 percent of all teachers in K-12 U.S. public schools (National Education Association, 2003). With these female-dominated industries being concentrated in the nonprofit sector, women's choice among different sectors may well be limited. The industry structures as determining factors of sector choice suggest that some people, especially women, may be pushed to work in the nonprofit sectors where the feminine industries are more prevalent rather than actively choose to work for nonprofit organizations.

*Hypothesis 2: All else equal, individuals are more likely to work in the nonprofit sector if they work in health and education industries.*

Managerial and Professional Positions

Opportunities for career advancement are another important determinant in an individual's career choice. Individuals are expected to seek those opportunities if all else equal. Research finds that opportunities for career advancement are less abundant in nonprofit firms compared to for-profit firms (De Varo & Brookshire, 2006; De Varo & Samuelson, 2004). De Varo and Samuelson (2004, 1) argue that the output in many nonprofit organizations is typically something of intrinsic interest to the workers and that incentives in those organizations are created "automatically." This allows, they conclude, nonprofit employers to use promotions as a tool for job assignment, but not as an incentive mechanism, therefore, promotions are less likely in nonprofits.

If there are fewer opportunities for promotions, individuals will generally be less likely to be attracted to the nonprofit sector. However, the literature suggests that women, unlike their male counterparts, may have a better prospect for career advancement in the nonprofit sector than they do in other sectors. There is a widely held view that the nonprofit sector has been more successful in providing women with the opportunities for leadership, power, and influence not available in other sectors (Burbridge, 1998; LeRoux & Sneed, 2006; O'Neill, 1994; Pynes, 2000). For instance, Pynes's study of nonprofit organizations reveals that there were more female chief executives and fiscal officers in nonprofit organizations than men (Pynes, 2000), unlike in the for-profit sector where male chief executives outnumber female counterparts. In their comparison of nonprofit organizations and for-profit firms with one hundred or more employees, Pitt-Catsouphes and colleagues (2004) found that higher percentage of women held executive positions in nonprofits than for-profits. LeRoux and Sneed (2006) find that women are even more likely to hold managerial positions in nonprofits than they are in local government agencies

when similar occupational categories are compared. According to Halpern (2006), 60 percent of executive director positions in the nonprofit sector were taken by women.

Research suggests that contextual aspects of organizations substantially affect the opportunities for advancement within the organization (Blum, Fields, & Goodman, 1994). Blum and colleagues (1994) suggest that resource dependence and institutional considerations influence organization-level differences in percentage of management positions occupied by women. Specifically, they argue that organizations' perceptions of resource dependence and institutional isomorphism influence the placement of women into managerial or professional positions (Blum et al., 1994). Following their logic, given nonprofit organizations' greater dependence on outside funding sources and the pressure to conform to social norms, women may have fewer barriers for advancement. In this sense, nonprofit employment may be perceived differently by men and women, and nonprofit employment will be a more attractive option for women than for their male counterparts.

*Hypothesis 3-a: Individuals who hold managerial or professional positions are in general less likely to work in the nonprofit sector.*

*Hypothesis 3-b: Women who hold managerial or professional positions are more likely to work in the nonprofit sector than male managers or professionals.*

## Family Situation

People's career decision making is also influenced by their family situation (DeMartino & Barbato, 2003; Roe, 1957). Individuals with family obligations will act differently from those who do not have family members to support or care for. Workers who are married or have children are more likely to be attracted to an employer who provides a family-friendly workplace,

and the nonprofit sector has generally been believed to be more responsive to employee's family needs than either the for-profit or the public sectors because of higher societal expectations and ethical standards of fairness in the nonprofit sector in general (Gonyea, 1999; Jeavons, 1992). For instance, Osterman (1995) argues that organizations with high susceptibility to political environment and with high commitment work system tend to have better-developed work-life policies. Goodstein (1994) also argues that nonprofit organizations' greater resource dependency and receptivity to institutional pressures force nonprofit employers to get involved in work and family issues than employers in other sectors. Moreover, nonprofits often require stronger commitment from their employees (Handy & Katz, 1998; Mirvis & Hackett, 1983), and therefore may well have incentives to engage more in work-life issues of the employees to boost organizational commitment among the employees.

While family-friendly policies are an attraction for everyone with families, there is a possibility that men and women may perceive those policies differently. Most importantly, women's role as the primary caregiver to children or other family members affects their decisions in the labor market because they may feel greater pressure to balance their work and family obligations (Becker, 1985; Crosby, Williams, & Biernat, 2004; DeMartino & Barbato, 2003; Ridgeway & Correll, 2004). If women are more likely than men to seek a job that allows them to balance their work and familial duties, work-life policies such as parental leave, on-site child care, job sharing, and flexible hours would therefore be a great attraction for female candidates.

Research has generally supported the nonprofit sector's family-friendliness with findings that nonprofit organizations tend to offer more of these types of policies including flexible scheduling, child/elder care provisions and condensed workweeks (Gonyea, 1999; Hakim, 2000;

Hohl, 1996; Jeavons, 1992; Pitt-Catsouphes et al., 2004). For example, Hohl (1996) found that most of the 156 Illinois-based nonprofit organizations she surveyed offered four types of flexible work arrangements, including flextime, part-time, compressed workweeks, and telecommuting. Pitt-Catsouphes and colleagues' (2004) analysis of the 1988 Business Work-Life Study also reveals that nonprofits with one hundred or more employees are more likely to offer various types of work-life policies and programs than for-profits. If nonprofit organizations indeed provide more work-life policies than the public or for-profit sectors, individuals with families, especially women with families, given their responsibility for family care, will be more likely to choose to work in the nonprofit sector rather than in other sectors.

*Hypothesis 4-a: All else equal, Individuals with families are more likely to work in the nonprofit sector.*

*Hypothesis 4-b: Women with families are more likely to work in the nonprofit sector than their male counterparts.*

## Intrinsic Motivation

Along with extrinsic benefits associated with an employment sector, an individual's sector choice is also shaped by one's intrinsic motivation. Intrinsic motivation is defined as working for the sake of the work itself rather than for some detachable outcomes (Ryan and Deci 2000). According to Deci and Ryan (1985, 4), individuals have different kinds of intrinsic needs and orientations, and "these intrinsic needs provide energy for them to act on the environment and manage aspects of their drives and emotions." When it comes to sector choice, people are expected to accept a job in a sector that provides a better fit for their own values and orientations than the other sectors do (Lee & Wilkins 2009).

Scholars suggest that nonprofits attract people with unique preferences that are most in consonance with the missions of nonprofit organizations (Handy & Katz, 1998; Hansmann, 1980; Mirvis & Hackett, 1983). They argue that these organizations are organized along “different motivating and operational principles” than other types of organizations (Leete, 2000, p. 424), and therefore, nonprofit organizations will attract the types of employees dissimilar from those who work in the public and for-profit sectors. In other words, some people find working in the nonprofit sector more satisfying than others because they have distinctive intrinsic motivation associated with nonprofit employment.

Explaining the career choice with intrinsic motivation is not at all new. Public service motivation (PSM) literature is built around the emphasis on the role of intrinsic motivations in the individual’s job choice. Defined as “an individual’s predisposition to respond to motives grounded primarily or uniquely in public institutions and organizations” (Perry, 1996, p. 5), the PSM literature has argued that individuals who pursue public service careers have distinctive motivations from those of other members of society (Perry, 1996). The PSM literature, in essence, argues that public employees are less likely to be motivated by material rewards and more likely to be motivated by intrinsic rewards that are derived from the satisfaction they experience from performing a task and that PSM is positively associated with the likelihood to work in the public sector (Houston, 2000; Lewis & Frank, 2002; Perry & Wise, 1990; Vandenberg & Hondeghem, 2004).

Although it is believed that nonprofit employees are as intrinsically motivated by things other than monetary compensation as public sector employees are, the literature suggests that there remains an important difference between the two sectors making generalizations of the intrinsic motivation of nonprofit and government workers problematic (Brown, Khagram, Moore,

& Frumkin, 2000; DiMaggio & Anheier, 1990; Goodin, 2003; Kearns, 1994; Salamon & Anheier, 1997). The most fundamental difference is that nonprofit organizations are private in nature and institutionally different from government agencies (Salamon & Anheier, 1997). The term “non-governmental organizations” is often used interchangeably with nonprofits. Nonprofits also contribute to pluralism by creating “centers of influence” outside the realm of the government and provide means through which disenfranchised groups can organize (DiMaggio & Anheier, 1990, p. 151). Nonprofits also play a role as a voice from the margins by pointing out deficiencies and inequalities in government services and offering alternatives to them. Nonprofit organizations and public organizations also differ in setting policy priorities, the first striving to be responsive to individual clients, even at the expense of equity, and the latter trying to spread resources evenly over affected populations (Lipsky & Smith, 1989). In summary, as Goodin (2003, p. 21) argues, the nonprofit sector is “motivationally and organizationally distinct” from the government and the business sectors. Under these circumstances, it is expected that nonprofit organizations and public agencies need and attract people with different motivations and characteristics.

Provided that the intrinsic motivation of nonprofit employment is differentiated from PSM, what is unique about this nonprofit motivation? This study finds the intrinsic motivation of nonprofit employees in the satisfaction of pro-social preferences. In order to qualify for tax-exemption, all nonprofit organizations must serve public purposes (Boris & Steuerle, 2006). The majority (80 percent) of nonprofit organizations in the United States are 501(c)(3)s and 501(c)(4)s, which include public charities, private foundations, civic leagues, social welfare organizations, and local associations of employees (Internal Revenue Service, 2006). These two types of nonprofit organizations typically have missions of promoting community welfare and

producing public goods, which typically involves caring for other people than (or in addition to) themselves.

Given the fact that charitable and welfare organizations consist of the largest part of the sector, nonprofit motivation may well be conceptualized as the satisfaction of pro-social preferences including helping and caring for others. Light (2002) reported that nonprofit employees were much more likely to state that reasons for taking their current job to help the public, make a difference, and do something worthwhile not only than for-profit sector but also than public sector employees. When nonprofit motivation is found in pro-social behaviors, a link can be found between volunteering and nonprofit motivation. Research shows that nonprofit employees are indeed more likely to volunteer than both for-profit and government employees, controlling for other social and demographic characteristics (Rotolo & Wilson, 2006).

*Hypothesis 5: Individuals who have greater nonprofit motivation are more likely to work in the nonprofit sector.*

The five hypotheses on an individual's sector choice explained above are tested in this study. First, individuals choose nonprofit employment if they earn higher salaries than they do in other sectors. Second, people working in so-called "feminine" industries are more likely to work in the nonprofit sector. Third, individuals holding managerial or professional positions, especially women in those positions, are more likely to work in nonprofits. Fourth, individuals with families are more likely to work for nonprofits and women with families are even more likely to do so. Lastly, people with greater nonprofit motivation are more likely to work for nonprofit.

DATA

The data used in this study are from the Current Population Survey (CPS) 2003-2007. The CPS is a monthly survey of a sample of 60,000 households conducted by the US Census Bureau for the Bureau of Labor Statistics (BLS). It is focused on the civilian, non-institutional population aged 16 years and older. The CPS data contain information not only on the sector of employment, but also on various socio-economic and work-related characteristics of individuals including age, sex, race, marital status, educational attainment, family relationship, occupation, and industry. Basic labor force data are collected by personal and telephone interviews in a calendar week (Sunday through Saturday) of each month, which includes the 12th day of the month (US Department of Labor, 2004b). Each household is interviewed by this process for four consecutive months one year, and is interviewed again for the corresponding time period in the next year (National Bureau of Economic Research, 2007b). Since 2002, September supplements of CPS have collected information about individual volunteering including incidence of volunteering, hours of volunteering, and types of volunteer activities (U.S. Department of Labor, 2004a).

The CPS classifies an individual's employment status in 8 classes: for-profit, nonprofit, federal government, state government, local government, self-employed incorporated, self-employed unincorporated, without pay, and never worked (or never worked full-time) (NBER, 2007; U.S. Department of Labor, 2007). This research focuses on the sector choice of prime age (25-54 years old) salaried (paid) workers in three sectors of employment: for-profit, public (combining federal, state, and local government), and nonprofit sectors. If being self-employed is correlated with the choice of paid employment, limiting the choice set to paid work may result in a sample selection bias. However, as suggested by Verme (2000), self-employment tends to exist outside the realm of paid employment and the behavior of the

self-employed may not be assimilated with the behavior of the salaried workers. Therefore, excluding the self-employed would not create sample selection problem. In addition, labor force participation of youth and older people is limited compared to that of prime-aged workers. Younger and older workers are likely to be in and out of the labor force and their salaries tend to lag behind prime age workers' salaries because of their limited availability, lack of experience and qualifications, or limited physical strength (Bound, Schoenbaum, Steinbrickner, & Waidmann, 1999).

## METHODS

One's choice of employment sector in this study depends on extrinsic and intrinsic motivations, and is also shaped by structural factors. The extrinsic motivation includes both monetary (e.g., salary and bonuses) and nonmonetary benefits (e.g., flexibility, prestige, and psychological satisfaction). These benefits, in turn, tend to be determined by individual characteristics. Apart from preference satisfaction, one's choice among different sectors is also influenced by industry and occupation structure across the sectors.

The latent variable  $S_{ij}^*$  below is individual  $i$ 's propensity to hold a job in  $j$  sector, which is not observable, and it is a function of weakly exogenous worker characteristics  $Z_i$  and the differentials in earnings (Diff) between the sectors.

$$\text{Equation 1} \dots\dots\dots S_{ij}^* = \delta_{1i}(\ln\text{Diff}_{ijk}) + \delta_{2i}(\ln\text{Diff}_{ijl}) + \delta_{3i}Z_i + u_i \quad (j \neq k \text{ and } \neq l)$$

$$S_i = j, \text{ iff } S_{ij}^* > S_{ik}^* \text{ and } S_{il}^* \quad (j \neq k \text{ and } \neq l)$$

$$\ln\text{Diff}_{ijk} = \log(E_{ij} - E_{ik}), \text{ and } \ln\text{Diff}_{ijl} = \log(E_{ij} - E_{il})$$

The observed  $S_i$  is an indicator, which identifies one's choice of employment sector (1= the for-profit, 2= the public sector, and 3= the nonprofit sector).

$$\text{Equation 2-(1)} \dots\dots\dots S_i = 1 \text{ iff } S_{i1}^* = \max(S_{ji}^*), \quad j=1,2,3$$

$$\text{Equation 2-(2) } \dots\dots\dots S_i = 2 \text{ iff } S_{i2}^* = \max(S_{ji}^*), \quad j=1,2,3$$

$$\text{Equation 2-(3) } \dots\dots\dots S_i = 3 \text{ iff } S_{i3}^* = \max(S_{ji}^*), \quad j=1,2,3$$

$$S_i = 1, 2, \text{ or } 3.$$

As emphasized, the real earnings of  $E_{ij}$  is only observed when the person  $i$  works in the  $j$  sector. However, this study assumes that a well-informed worker can estimate her potential earnings in each sector ( $\hat{E}_{ij}$ ) given her qualifications, and that she makes sector choice in reference to her prospective earnings. This way of modeling sector choice implies that individuals try to make a best guess of what they would earn in each of the sectors rather than simply comparing average earnings across the sectors. Comparing the potential earnings is more realistic given that simple comparison between average wages tends to ignore variations in individuals' qualification.

A conventional approach to estimate the wage differentials across  $n$  sectors is to include  $n-1$  dummy variables. Then the earnings equation would look like the following:

$$\text{Equation 3} \dots\dots\dots \ln E_i = \beta_0 + \beta_1 X_i + \delta_1 d_1 + \delta_2 d_2 + e_i,$$

where  $d_1=0$  and  $d_2=0$  when an individual is employed in the nonprofit sector,  $d_1=1$  and  $d_2=0$  when an individual is employed in the public sector, and  $d_1=0$  and  $d_2=1$  when in the business sector. However, an ordinary least squares (OLS) estimation of the wage using sector dummies such as equation 3 is problematic because the returns on human capital and other personal characteristics can also differ across the sectors (Noguchi, Shimizutani, & Suzuki, 2007; Van Ophem, 1993). By restricting the coefficients for all  $X$ s the same across the sectors, the estimation is prone to suffer selection bias because assignment to each sector of employment may not be random (Heitmueller, 2004).

Instead, estimation of an individual's weekly earnings is determined by the following process:

$$\text{Equation 4} \dots\dots\dots E_{ij} = \beta_{0j} + \beta_{1j}X_{ij} + e_{ij}, j=1, 2, 3 \quad (i=1, \dots\dots\dots, N \text{ and } j=1,2,3)$$

where  $i$  is an individual observation, and  $j$  indicates the sector.  $X_i$  denotes a series of Mincerian human capital such as education and age and other characteristics that affect the earnings, including sex, race, occupation, marital status, presence of children, metropolitan status, and years of interview. Unlike equation 3, where all the coefficients across the sectors are the same, equation 3 allows the coefficient for exogenous variables including human capital and demographic characteristics to vary depending on which sector a person works in.

$$\text{Equation 4-(1)} \dots\dots\dots E_{i1} = X_{i1}\beta_1 + \varepsilon_{i1} \quad \text{iff } S_i=1$$

$$\text{Equation 4-(2)} \dots\dots\dots E_{i2} = X_{i2}\beta_2 + \varepsilon_{i2} \quad \text{iff } S_i=2$$

$$\text{Equation 4-(3)} \dots\dots\dots E_{i3} = X_{i3}\beta_3 + \varepsilon_{i3} \quad \text{iff } S_i=3$$

One problem in estimating cross-sector earnings of an individual is that one's earnings are observable only in the sector she is currently employed. That is, one's wage in the sector  $j$  ( $E_{ij}$ ) is observed if and only if one is employed in sector  $j$ . To observe an individual's potential earnings in each sector, three separate earnings equations for the public, the for-profit, and the nonprofit sectors are estimated with standard Mincer-type specifications. By estimating these three earnings regressions separately, returns on observed individual characteristics can vary by sector, and the coefficients from the three earnings regressions are used to predict an individual's wage in each sector. For instance, for a nonprofit sector worker, her for-profit and public sector earnings are estimated using the earnings regressions in those sectors.

The earnings equations are first estimated as level functions (i.e., with no logarithmic transformation) in order to avoid double logarithmic transformation, and the profit-public ( $E_{i2} - E_{i1}$ )

and profit-nonprofit differentials ( $E_{i2} - E_{i3}$ ) in earnings are predicted using the three equations. These differential terms are then put back into the selection equation in a logarithmic form in order to estimate one's likelihood to work in each of the three sectors depending on the logarithms of wage differentials between sectors.

#### Dependent Variable

The dependent variable of sector choice equation predicts in which sector a person is employed. Paid (salaried) employees must work in one of the three sectors: the public, for-profit, and nonprofit sectors. One potential problem in modeling a three-way choice is that the choice among the three sectors may not completely independent. Rather, the choices may well be correlated with each other. The blurring distinctions among the sectors make the case more likely than ever. When there is a correlation among alternatives, the sector choices are not necessarily mutually exclusive, and as a result, the Irrelevance of Independent Alternatives (IIA) assumption may not hold. That is, introducing a third alternative may affect the relative odds between the two alternatives considered. In order to take care of the IIA issue, the research estimates sector choice with a multinomial probit model, which does not suffer from IIA violation (McCulloch, Polson, & Rossi, 2000; Nobile, 1998)

#### Independent Variables

##### Gender

In addition to the determinants of sector choice, this study examines whether there are gender differences in an individual's sector choice. When men and women behave differently in their decision for employment sector, the coefficients for the independent variables may vary depending on their gender. If impacts of individual characteristics are substantially different,

estimating separate regression models for men and women would make more sense than estimating one regression with a pooled sample.

#### Earnings differentials

Monetary compensation is one of the most crucial determinants of one's career choice. This study assumes that people compare potential earnings in one sector with potential earnings in other sectors before they decide where to work. The potential earnings, of course, are to differ depending on one's qualifications and other characteristics. Therefore, rational individuals are expected to make career decision by comparing "their own" earning potentials in each sector rather than comparing average earnings across the sectors. In the equation, natural logarithms of differentials between an individual's potential for-profit and government earnings and between his or her for-profit and nonprofit earnings are included to test whether a positive differential in potential earnings in one sector would increase a person's likelihood to work in the sector.

#### Education/health industries

The second hypothesis tests whether individuals are more likely to work in the nonprofit sector due to the limited choice of industries and occupations. A dummy variable for working in the two industries that have historically been dominated by women – health and education – are included in the equation to test the effect of gendered industry structure of the nonprofit sector.

#### Managerial/professional positions

Individuals choose to work in a sector when they see more opportunities to move up the organizational hierarchy in the sector. The third hypothesis states that managers and professionals are less likely to work in the nonprofit sector because promotions are less likely to be used as incentives in nonprofits, but women are more likely to work in the nonprofit sector because nonprofit organizations have less of a glass ceiling that prevents women from being at

the managerial level, which make them more attractive for women. To test the effect of holding a managerial or professional position, dummy variable for holding a *managerial or professional occupation* is included in the model.

#### Family situation

The next hypothesis is that people with families are more likely to work in the nonprofit sector. Women with families will be even more likely to do so because they have a major responsibility to take care of children and other family members. The respondent's family situation including *marital status* and *presence of children in the household* are included in order to examine whether an individual's family situation predicts his or her employment in the nonprofit sector.

#### Intrinsic motivation - Caring attitudes

The key in modeling the sector choice equation is to find a good proxy variable for nonprofit motivation. This study finds nonprofit motivation in the caring attitudes behind pro-social behaviors such as volunteering, and uses a person's *participation in volunteering activities* during the last year as a proxy for having stronger nonprofit motivation than average. Actual hours of volunteering may provide more detailed information on intrinsic motivation than a dichotomous measure of participation in volunteering. However, only 26.2~28.8 percent of the respondents volunteered in each year, leaving more than 70 percent of the sample with having not volunteered in the past 12 months. As a consequence, using the number of hours may produce biased estimates due to the extremely skewed distribution of volunteering hours. A 0-1 variable of whether the respondent volunteered in the last year is used instead.

Control Variables

Exogenous variables such as worker characteristics and social and economic forces also influence one's selection of employment sector. In addition to the independent variables, the following variables are included in the model:

### Age

Researchers have examined whether there is an age difference among employees of different sectors, and many found a significant difference (Cornille, R. Mullis, A. Mullis, & Shriner 2006; Mirvis, 1992; Mirvis & Hackett, 1983; Mocan & Tekin, 2003; Van Ophem, 1993). For instance, Mirvis and Hackett (1983) and Mirvis (1992) found that a smaller proportion of younger (under age 24) and older (over age 55) workers was employed in the nonprofit sector than in government and for-profit firms. Although the estimation sample includes only prime age workers (age 25-54) there may be still age difference in the probability of working in a particular sector. Two variables *age* and *age*<sup>2</sup> are included in the model to see if there exists a non-linear relationship between a worker's age and the choice of employment sector.

### Race

Literature suggests that one's likelihood to have a nonprofit job changes depending on one's race (Blank, 1985; Burbridge, 1994; Cohen, 1993; Light, 2002; Weitzman, Jalandino, Lampkin, & Pollak, 2002). Light (2002), in his analysis of the random sample of 1,140 nonprofit workers, reported that whites accounted for 84 percent of the nonprofit workforce, while about 70 percent of the entire US population were white. To test the race effect on sector choice, a dummy variable for being *white* (1, if the respondent is white, and 0 otherwise) is included in the regression.

### Educational Attainment

Research has shown that there exists a pattern between educational attainment and the likelihood of nonprofit employment (Johnston & Rudney, 1987; Mirvis, 1992). Some found that nonprofit workers tend to have higher level of education. For example, Mirvis (1992) found that more college graduates and persons with post-college education were employed in the nonprofit and government sectors than in the for-profit sector. Five different levels of education are specified – less than high school education, high school graduate, some college or associate degree, college graduate, and master’s, professional, or doctoral degrees. Four dummy variables for *educational attainment* (as those who did not graduate from high school the base category) are included in the regression to measure the effects of education on sector choice.

#### Being an Only Income Source in the Household

One’s career choice is also influenced by the economic situation in her household. When a person is the only income source for one’s family, one’s career decision has a bigger effect on household economy. Therefore, monetary compensation may have less importance in dual-income families than in sole-income families, and one may be more sensitive to earnings differential between the sectors if he or she has to support the family by himself or herself. In the analysis, whether the respondent is the only income source in the family is controlled for.

#### Region

According to Salamon and Sokolowski (2006), more than half (52 percent) of paid and volunteer nonprofit workers are located in three regions — the Middle Atlantic (New Jersey, New York, Pennsylvania), South Atlantic (along the Atlantic coast from Delaware to Florida), and East North Central (Illinois, Indiana, Michigan, Ohio, Wisconsin). Given the skewed distribution of nonprofit organizations, where a person lives affects the availability of nonprofit jobs, therefore, the likelihood of having a nonprofit job. In order to control for the regional effect

on nonprofit employment, an individual's *region* (northeast, south, mid-west, and west) is controlled in the model.

#### Citizenship

U.S. Citizenship is a requirement for some government jobs. Most federal agencies employ only U.S. citizens and nationals in the civil service, and hiring non-citizens is limited to when there are no qualified citizens available and is subject to Office of Personnel Management approval (U.S. Office of Personnel Management, 2008). Citizenship is also a part of requirements for their applicants in some state government agencies. Under these circumstances, foreign nationals may find it easier to find employment opportunities in the private sector (both the for-profit sector and the nonprofit sector) than in the public sector. A dummy variable for being a *U.S. citizen* is included in the model.

#### Interview year

Individual's career choice is always influenced by external macroeconomic factors such as industrial trends, unemployment rate and the financial situation. The nonprofit sector, as a part of national economy, is not independent from the external forces such as fiscal conditions and technology development. There is also a possibility that economic situation may have different impacts on each sector, making one sector more or less attractive than another. Therefore, controlling the time period may be necessary in the estimation. This research attempts to control these macroeconomic effects by including *year dummies* in the equations as 2003 the base year.

## RESULTS

Descriptions of the characteristics of the prime-age salaried workers in the three sectors appear in table 1. Among 27,741 individuals, approximately 73 percent (20,219 persons) were

working in the for-profit sector while about 19 percent (5,364 persons) and 8 percent (2,258 persons) were working in the public and the nonprofit sectors respectively between 2003 and 2007. The proportion of female workers in each sector also shows a consistent pattern with the findings in the literature (Halpern, 2006; Independent Sector, 2002; Light, 2002; Mirvis & Hackett, 1983; Salamon & Sokolowski, 2006). In the nonprofit sector, female workers account for 68 percent of the entire workforce, compared to 38.8 percent of total for-profit workforce and 58.4 percent of total public workforce.

The estimation results of the sector choice model are presented in table 2 describing the marginal effects of a unit change in independent variables estimated by the multinomial probit regression. As the table shows, men's sector choice and women's sector choice are estimated separately. The reason is that if coefficients for men and women are significantly different in the choice equation, (i.e., if the differences between male coefficients and female coefficients are not different from 0), running two separate models makes more sense than running a pooled model with a number of interaction terms. The Chow test result suggests that the null hypothesis of no difference be rejected. Because the coefficients of key predictors are significantly different for men and women, male and female equations are estimated separately.

The multinomial probit regression coefficients in table 2 show how much the probability of working in each sector changes with a unit change (change from 0 to 1 in cases of categorical variables) in predictor variables. The logarithm of intersectoral differences in predicted earnings are significantly associated with the likelihood in an individual's decision to choose public or for-profit employment. A one percent increase in the difference between for-profit and public sector earnings would result in a 1.2 percent increase in men's likelihood of for-profit employment and a 1.7 percent increase in women's likelihood of for-profit employment. A one

percent increase in the difference between for-profit earnings and public earnings decreases men's likelihood of working in the public sector by 1.2 percent and that of women's by 1.4 percent. Women appear to react more sensitively to the difference in earnings in their decision to work in business firms and government agencies.

The intersectoral earnings difference term, however, has no significant influence on one's choice of nonprofit employment, either for men or for women. These findings do not support the first hypothesis that earnings differentials between sectors are determining factors of an individual's sector choice. Unlike in the career choice in the for-profit and public sectors, the decision to work in the nonprofit sector does not seem to be influenced by earnings differential between for-profit and nonprofit firms. If monetary compensation matters less for the choice of working in the nonprofit sector, what then are other factors that influence nonprofit career choice?

The second hypothesis claims that those who are working in education and health industries are more likely to work in the nonprofit sector because of the concentration of those "feminine" fields within the sector. The marginal effect of working in education and health industries is 0.129 for both men and women in their decision to work in the nonprofit sector. That is, working in those industries increases the likelihood of nonprofit employment by almost 13 percent. Working in the education and health industry, on the contrary, decreases the probability of for-profit employment by 45.7 percent for men and 35.3 percent for women. Belonging to the education and health industries has even bigger effects on public employment. Working in the two fields increases probability of having government jobs by almost 33 percent for men and 22.4 percent for women. These findings support the hypothesis that working in education and health industries increases the likelihood to work for nonprofits, and it is not too

surprising given the fact that a majority of government jobs are also distributed in schools and libraries (Kettl & Fesler, 2005).

The third hypothesis is that female managers and professionals will be more likely to work in the nonprofit sector while male managers and professionals will be less likely to work in nonprofits. Table 2 shows that holding a managerial or professional position is negatively associated with for-profit employment both for men and women. For men, holding a managerial or professional position increases their likelihood to work for nonprofits by 3 percent, but it does not affect their likelihood to work for government organizations. All else equal, women managers and professionals are 10.7 percent more likely to work in the public sector and 4.4 percent more in the nonprofit sector compared to women in non-managerial and non-professional positions.

Contrary to the expectation, male managers and professionals are also more likely to work in nonprofits than their non-managerial and professional counterparts. One noticeable result is that being in a managerial or a professional position has 1.5 times greater effect on women's likelihood to work in the nonprofit sector compared to that of their male counterparts. To put it another way, women managers and professionals are 1.5 times more likely to work in the nonprofit sector than male managers and professionals. This finding suggests that compared to for-profit firms, nonprofit organizations provide managers with positions that fit their work experience, and there are even more opportunities to do so for women than men.

The fourth hypothesis is that individuals with families are more likely to work in the nonprofit sector. The two family situation measures are whether the respondent was married and whether he or she had children in the household at the time of the interview. Coefficients for both terms show that family obligation does not increase the likelihood of nonprofit employment.

Being married does not affect the likelihood of working in the nonprofit sector. Having children in the household even decreases the probability of nonprofit employment by 1.2 percent for men and by 1.7 percent for women.

The last hypothesis is that individuals are more likely to work in nonprofits because of their stronger nonprofit motivation. As explained, participation in volunteer activities in the past year was used as a proxy for having stronger nonprofit motivation. Participating in volunteer activities increases the likelihood of both working in the public and nonprofit sector while it negatively affects the likelihood of working in the for-profit sector. Volunteers are more likely to work in the nonprofit sector than non-volunteers, and women volunteers are more likely to work in nonprofits than male volunteers. Specifically, it increases the likelihood of nonprofit employment by 2.2 percent for men and 3.2 percent for women. However, it also increases the likelihood of public employment by 2.3 percent for men and 3.4 percent for women. In sum, while the participation in volunteering increases the probability of both public and nonprofit employment, it does as much, if not more so, the probability of public employment. This finding suggests that volunteering may not capture the unique nonprofit motivation that is differentiated from PSM as hoped. Volunteering, instead, seems to reflect the commonality between PSM and nonprofit motivation. Given the fact that women account for an overwhelming majority of nonprofit workforce, there must be something else that has not been found in the analysis affecting women's decision to work in the nonprofit sector.

Table 2 also shows the marginal effects of control variables on an individual's sector choice. The findings present an interesting pattern between education and sector choice according to gender. For women, college education increases their likelihood to work in the nonprofit sector. Women with some college education or an associate's degree are 5 percent

more likely to have nonprofit jobs than women with less than high school education. Women with bachelor's degrees are approximately 7 percent more likely to have nonprofit jobs than women with less than high school education. On the contrary, men's likelihood to work for nonprofits does not differ significantly based on their level of education at all. In sum, educational attainment has different effects the likelihood of nonprofit employment of men and of women.

## CONCLUSION

This study examined how individuals choose their employment sector. The study tested five hypotheses on the determinants of the sector choice, including an individual's wage differential between sectors, one's industry, a managerial or professional position, family situation, and intrinsic motivation. The findings shed light on a number of important aspects of people's decision to work in a particular sector. First, the findings showed that the earnings differentials between sectors affect a person's decision to work either in the public or in for-profit sectors, but they do not have influence one's decision to work in the nonprofit sector. Positive earnings differentials in predicted earnings in the for-profit sector compared to the public sector increase one's likelihood to work in the for-profit sector, and decrease one's likelihood to working in government. One's decision to work for nonprofits, however, is not determined by predicted wage gains. This finding implies that money may not be a determining factor in choosing nonprofit employment. There may be some other unobserved reasons influencing the choice to work in the nonprofit sector that has not yet been observed instead of monetary compensation.

Results of this study suggest that the industry structure of the nonprofit sector contributes

to people's decision to work for nonprofits. In fact, working in education and health industries seems to be the most critical determinant of nonprofit employment, implying that much of the sector choice may be a result of involuntary decision embedded in the industrial structure within the sector. This empirical finding has an importation implication in terms of the concentration of women in the nonprofit sector. Recent statistics show that women account for 68 percent of all nonprofit employees (Halpern, 2006; Independent Sector, 2002; Light, 2002; Mirvis & Hackett, 1983) while women account for 46.5 percent of total US workforce (U.S. Department of Labor, 2009).

One may argue that the selection of industries and occupations is a result of an individual's voluntary choice. However, the literature on women's career choice argues that the gender differences in the perceptions of task competence foster gender differences in commitment to paths leading to that career even before an actual choice is made (Correll, 2001). In other words, there are gender differences in the beliefs of competences for various fields even in one's early stages of life such as childhood and adolescence (Wigfield & Eccles, 2002). As a consequence of these stereotypes for competences by sex, there are far more female students than male students studying so called "feminine" subjects such as nursing, primary education, and library science, while there are more male students majoring masculine fields such as mathematics and engineering. The different paths that men and women take in preparing themselves for the job market then lead to different career choices, and the career choices made in turn affect the paths of younger generation.

Next, positive and significant association between holding managerial or professional positions and the probability to work in the nonprofit sector suggests that greater availability of those positions may exist in the sector. Especially, the effect of holding a managerial or

professional position is 1.5 times greater in magnitude in terms of increasing women's likelihood to work in the nonprofit sector compared to that of their male counterparts. The greater effect of holding a managerial or professional position on women's likelihood to work in all sectors suggests that women react more sensitively to the opportunity for advancement than men. Provided that women more often than men encounter the organizational glass ceiling, chances for moving up the hierarchy may be a greater attraction for women. In the analysis, women are almost four-times less likely to work in the for-profit sector if they have managerial or professional occupations than men.

This sex-specific pattern, combined with the positive association between women's likelihood to work for nonprofits and having college education, implies that women with more education and experience may find working in the public and nonprofit sector more attractive than working in the for-profit sector as the first two sectors provide positions that fit their qualifications. Greater availability of managerial and professional positions in nonprofit organizations, however, may be due to the fact that a majority of nonprofit organizations are a lot smaller than for-profit organizations. Women managers may not be qualified for managerial positions in for-profits or there may be invisible barriers preventing them from working in larger for-profit firms, therefore, they may choose an alternative position in smaller nonprofit organizations. Since information on organizational sizes is not available, no conclusion can be made.

Based on the findings, family situation does not seem to be a major reason to work in nonprofit organizations. Marital status is not a significant factor affecting the sector choice in general. The presence of children in the household even decreases the probability to work in the nonprofit sector, and more likely so for women than men. This result implies that contrary to the

common perception, nonprofit organizations may not do as great job as presumed in providing better work-life balance. Alternatively, this may suggest that either younger or older workers (without children in the home) are more likely to work for nonprofit organizations than other demographic cohorts. As shown in table 1, nonprofit workers are indeed younger than public and for-profit workers on average with the largest standard deviation. However, neither argument is conclusive due to the lack of other measures for family situation.

The last hypothesis on nonprofit motivation tests the role of intrinsic motivation behind volunteering in the decision to work for nonprofits. Given that caring attitudes are bases of both the nonprofit sector and the idea behind volunteering, this study used an individual's participation in volunteer activity as a proxy for nonprofit motivation. The findings show that although volunteering does increase the probability of working in the nonprofit sector, it increases the probability of working for government to an equal, if not greater, extent. The result is consistent with Houston's (2005) finding that both public and nonprofit employees are more likely to volunteer than private sector employees and the difference between government and nonprofit workers are not statistically significant. The findings suggest that volunteering may not reflect the unique nonprofit motivation, but rather it captures the common area between the two types of intrinsic motivation. There is also a possibility that employment in the public and nonprofit sectors may increase probabilities for volunteering rather than motivation behind volunteering increases likelihood of working in those sectors.

Scholars have proposed that PSM is a multi-faceted concept which includes various dimensions of intrinsic motivation (Brewer, Selden, & Facer, 2000; DeHart-Davis, Marlowe & Pandey, 2006; Rainey, 1982). For instance, Dehart-Davis, Marlowe and Pandey (2006) categorize PSM into three motivational dimensions including compassion, attraction to policy

making, and commitment to public service. Volunteering as an expression of pro-social preferences in this context fits the compassion aspect of public service motivation rather than the rest. In other words, volunteering may capture one aspect of intrinsic motivation where PSM and nonprofit motivation intersect. This in turn, means that PSM and nonprofit motivation share an important commonality although they are not identical.

## FUTURE STUDIES

Although this study makes significant contributions in understanding the sector choice of individuals and concentration of women in the nonprofit sector, there remain important challenges that require further research. More than anything, the implication of this research can be restricted by the blurring distinctions between the sectors. Recent research on the nonprofit organizations points out that the increasing intersectoral collaboration has blurred the distinction between nonprofits and organizations in other sectors (Svara, 2007; Young, 2002). Increasing influence from business and government has changed not only the outside relationship of nonprofit organizations, but also the internal management practices of the organizations, including personnel management (Young, 2002). Many nonprofits now adopt the practices of the for-profit corporations. Moreover, nonprofit organizations receiving funding from government are subject to rules and regulations of government. This situation suggests that the blurred distinctions between sectors may complicate the analysis of the nonprofit employment as a unique workforce. However, scholars argue that distinction remains even in the decade of large scale collaborations and partnerships (Hansmann, 1980; Mirvis & Hackett, 1983). As Rainey and colleagues (1976, p. 234) argue, “a distinction can be blurred and still be meaningful.”

Since an employment decision is made by both employees and employers, an analysis of employment decision should consider the decisions of both. Due to the lack of employer-side information in CPS, however, this study does not model employers' behaviors. Therefore, the estimation of sector choice without employer information is likely to suffer from an endogeneity problem. Collecting employer-employee matched data would help ease this bias. Another potential problem caused by the absence of employer information is that the model does not account enough for the heterogeneity within the nonprofit sector. "Nonprofit" is a very generic term, which includes various types of organizations (Boris & Steuerle, 2006). CPS does not ask about types of nonprofit organizations when significant difference may exist depending on the types of nonprofits. Future research based on employer-employee matched data could examine differences in career choice depending on the types of nonprofit organizations. These data will also provide information on job-related amenities, and therefore help understand why nonprofit employees accept lower wages.

This research focuses on the decision for employment of prime-age paid workers who are 25-54 years old. The implication of the research should be limited to understanding the behavior of those workers. Focus on prime-age workers is justified by the fact that they account for the largest proportion of the workforce and their behaviors are expected to differ from those of younger and older workers. As a consequence, information on the sector choice of older workers is not known. However, older workers have increasingly become a significant part of workforce not only in the nonprofit sector, but also in the United States. Given the general trend of aging workforce, understanding career choice of workers over 55 is more important than ever. Future research on career choice, therefore, may have to pay special attention to this group of employees.

This research tries to control for an individual's nonprofit motivation using a proxy variable of participation in volunteering. The findings suggest that participating in volunteering reflects the common intrinsic motivation of both public and nonprofit employees, instead of capturing the unique nonprofit motivation. However, it is very likely that one's employment in public or nonprofit organizations increases volunteering rather than volunteering as a proxy for some intrinsic motivation affecting one's employment decision. Given the cross-sectional structure of the data, it is impossible to test the direction of influence in this research. Future research, therefore, could examine the relationship between participation in volunteering and nonprofit and/or public employment. If participation in volunteering indeed positively affects public or nonprofit employment, the current human resource crisis in government (Lane & Wolf, 1990; Liebowitz 2004) and as well as nonprofit organization (Saunders, 2004) in recruiting and retaining qualified individuals may be alleviated by exposing citizens to volunteering activities in their early lives, e.g. childhood, adolescence, or early adulthood.

Another benefit of employing panel data in this research will be controlling for the movement across the sectors. Many people build their careers moving across different sectors, therefore, it is important to understand how people move from one sector to another and what motivates them to do so. Due to the lack of longitudinal data, the present study focuses only on a person's current employment, and as a result, it cannot provide an answer for cross-sectoral mobility. Future research on sector choice will benefit greatly from analyzing people's movement across three sectors over time with panel data.

Lastly, this research will also benefit from employing more recent data in the empirical analysis. The current economic situation in the United States and other countries has had so tremendous effect that it must have shaped many individuals' decision making including their

career choice. In addition, economic crises may influence each sector to a different extent in terms of the wages in each sector. Therefore, incorporating more recent data will reveal the impacts of the economic downturn not only on people's choice among the three sectors, but also on their earnings across the sectors.

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Table 1. Descriptive Statistics:  
Employees across the For-profit, Public, and Nonprofit Sectors

Variable	For-profit ( <i>N</i> = 20219)	Public ( <i>N</i> = 5364)	Nonprofit ( <i>N</i> = 2258)
Percentage Female	38.8%	58.4%	68.0%
Education/Health Industry	13.1%	56.2%	68.8%
Managerial/Professional Occupation	46.2%	75.9%	82.6%
Married	65.0%	68.3%	65.1%
Presence of Children	51.7%	50.9%	48.4%
Volunteering	29.3%	45.5%	49.2%
Age	38.1 (8.3)	40.5 (8.5)	39.5 (8.8)
Only Income Earner	65.8%	64.9%	65.5%
U.S. Citizenship	90.7%	97.1%	95.1%
White	89.0%	85.4%	87.5%
Less than High School Graduate	7.5%	1.3%	1.4%
High School Graduate or GED	31.7%	15.4%	12.7%
Some College or Associate Degree	22.4%	17.4%	23.0%
Bachelor's Degree	28.3%	37.5%	36.9%
Master's or Professional Degree	10.1%	28.3%	26.0%
Weekly Work Hours	42.0 (9.6)	41.2 (9.7)	39.6 (11.5)
Weekly Earnings (in dollars)	887.5 (595.6)	875.7 (496.3)	818.4 (531.6)
Predicted For-profit Sector Weekly Earnings	884.6 (341.1)	1034.9 (321.6)	1012.3 (337.3)
Predicted Public Sector Weekly Earnings	755.3 (283.9)	871.3 (266.0)	843.0 (281.2)
Predicted Nonprofit Sector Weekly Earnings	704.2 (281.8)	839.5 (264.6)	823.0 (270.5)
Predicted Profit-Public Differential in Earnings	129.3 (97.9)	163.6 (104.9)	169.3 (101.9)
Predicted Profit-Nonprofit Differential in Earnings	180.4 (117.8)	195.3 (120.0)	189.3 (120.9)

(standard deviation)

Table 2. Marginal Effect after Multinomial Probit Regression:  
Dependent Variable: Sector of Employment

Variable	For-profit		Public		Nonprofit	
	Male	Female	Male	Female	Male	Female
Observed probability	Pr=0.82	Pr=0.70	Pr=0.14	Pr=0.20	Pr=0.04	Pr=0.10
Predicted probability	Pr=0.87	Pr=0.68	Pr=0.10	Pr=0.22	Pr=0.03	Pr=0.10
	dy/dx	dy/dx	dy/dx	dy/dx	dy/dx	dy/dx
log(Profit-Public Diff. in Earnings)	0.012*** (0.00)	0.017* (0.01)	-0.012*** (0.00)	-0.014* (0.01)	0.000 (0.00)	-0.003 (0.01)
log(Profit-Nonprofit Diff. in Earnings)	0.003 (0.01)	0.013 (0.01)	-0.002 (0.01)	-0.012 (0.01)	-0.001 (0.00)	-0.001 (0.00)
Education./Health	-0.457*** (0.02)	-0.353*** (0.01)	0.329*** (0.02)	0.224*** (0.01)	0.129*** (0.01)	0.129*** (0.01)
Industry	-0.037*** (0.01)	-0.150*** (0.02)	0.007 (0.01)	0.107*** (0.02)	0.030*** (0.01)	0.044*** (0.01)
Managerial/Professional Occupation	-0.015* (0.01)	0.006 (0.01)	0.011 (0.01)	-0.002 (0.01)	0.003 (0.00)	-0.004 (0.01)
Married	0.009 (0.01)	-0.001 (0.01)	0.002 (0.01)	0.017* (0.01)	-0.012*** (0.00)	-0.017** (0.01)
Presence of Children	-0.045*** (0.01)	-0.066*** (0.01)	0.023*** (0.01)	0.034*** (0.01)	0.022*** (0.00)	0.032*** (0.01)
Volunteering	-0.001 (0.01)	0.016 (0.01)	0.004 (0.01)	-0.014 (0.01)	-0.003 (0.00)	-0.002 (0.01)
Only Income Source	-0.097*** (0.01)	-0.130*** (0.02)	0.088*** (0.01)	0.125*** (0.02)	0.009** (0.00)	0.005 (0.02)
U.S. Citizenship	0.002*** (0.00)	0.001* (0.00)	-0.002*** (0.00)	0.001 (0.00)	0.000* (0.00)	-0.002*** (0.00)
Weekly Work Hours	0.070*** (0.01)	0.093*** (0.02)	-0.062*** (0.01)	-0.078*** (0.01)	-0.008* (0.00)	-0.015* (0.01)
Metropolitan Residence	0.003 (0.00)	0.010 (0.01)	-0.002 (0.00)	-0.006 (0.01)	0.000 (0.00)	-0.004 (0.00)
Age	0.000 (0.00)	0.000* (0.00)	0.000 (0.00)	0.000 (0.00)	0.000 (0.00)	0.000 (0.00)
Age <sup>2</sup>	0.036*** (0.01)	0.007 (0.02)	-0.029*** (0.01)	-0.010 (0.01)	-0.007 (0.01)	0.003 (0.01)
White	-0.095*** (0.03)	-0.079** (0.04)	0.094*** (0.02)	0.058* (0.03)	0.002 (0.01)	0.021 (0.03)
High School Graduate or GED	-0.143*** (0.03)	-0.059 (0.04)	0.138*** (0.03)	0.012 (0.03)	0.005 (0.01)	0.047* (0.03)
Some College or Associate Degree	-0.220*** (0.03)	-0.215*** (0.04)	0.213*** (0.03)	0.148*** (0.04)	0.008 (0.01)	0.067** (0.03)
Bachelor's Degree	-0.304*** (0.04)	-0.319*** (0.04)	0.285*** (0.04)	0.271*** (0.04)	0.019 (0.02)	0.048 (0.03)
Master's or Professional Degree	-0.005 (0.01)	-0.019 (0.02)	-0.002 (0.01)	0.007 (0.02)	0.007 (0.01)	0.012 (0.01)
2004	-0.005 (0.01)	0.006 (0.02)	-0.004 (0.01)	-0.016 (0.01)	0.009 (0.01)	0.010 (0.01)
2005	-0.002 (0.01)	0.004 (0.02)	-0.008 (0.01)	-0.004 (0.01)	0.010 (0.01)	0.000 (0.01)
2006	-0.018 (0.01)	0.000 (0.02)	0.003 (0.01)	-0.010 (0.01)	0.015** (0.01)	0.010 (0.01)
2007						

\* significant at .10 level; \*\* significant at .05 level; \*\*\* significant at .01 level (one-tailed test).  
(standard error)