

# Charities suffer from wealth gap too

Although some US presidential candidates label it “class warfare” or “the politics of envy,” more and more Americans are joining with the few elected leaders who have begun to talk about the nation’s profound economic inequality. But the topic isn’t getting very much attention from charities. This is in spite of the fact that a parallel inequality exists in the nonprofit world itself.

The silence is surprising for a couple of reasons. Today’s extreme inequality multiplies the problems people face and their need for charities’ services. It also directly affects the help they get. As a general rule, nonprofit organizations at the top of the financial heap are less likely to provide the kind of assistance needed by those suffering from economic inequity. The wealthiest charities tend to cater to the wealthiest Americans—and both mutually reinforce inequality in the society and in the nonprofit world.

Let’s look at some statistics about increasing inequality and then explore what it means for people and the organizations that serve them. Since 1979, after-tax income for the top 1 percent more than doubled while it fell for middle class and poor Americans. The top 5 percent of households now account for over 60 percent of wealth in the U.S.

Inequality is greater still in the nonprofit world to which people in economic distress turn for services. Charitable assets are even more concentrated than among wealthy people: The top 2.5 percent of organizations that report data to the Internal Revenue Service have over 50 percent of the wealth and bring in over 60 percent of charities’ annual revenues.

Colleges, hospitals, and health-care facilities alone constitute that top tier of charities. Compare their finances with those of human-service groups, which account for more than a third of nonprofit organizations but have only about 13 percent of annual revenues and 11 percent of assets.

In both the nonprofit world and the larger society, the rich get richer while the rest of us get poorer. We are in the first recession on record in which the median income of working-age people is lower at recovery than it was before the economy tanked, but the wealthy continue to enjoy their gains over both the short- and long-term. Much the same holds true for charities; the most prosperous organizations

enjoy the largest increases in contributions while the smaller ones struggle to hold on.

Take colleges and universities, for instance. In nonprofits generally, even in foundations, the wealthier ones recover much faster than smaller ones. Coming out of the recession, higher education enjoyed one of the larger increases in charitable donations, at about 3.5 percent. Compare this with human services, which declined 1.5 percent in spite of contributions in response to disasters abroad.

Favoring colleges in and of itself contributes to increasing inequality in both the populace and the charitable world. Financial assistance to low- and moderate-income students has not kept pace with increases in tuition and related costs at both nonprofit and public institutions. This happens while the increasingly large salaries paid many university executives make them top 1-percenters themselves.

Looking at the top 200 or so colleges, only 15 percent of students come from the bottom half of the income distribution; 67 percent come from the top quarter. On many campuses, affluent students outnumber those from the middle class.

Such findings prompted Anthony Marx, former president of Amherst College and now head of the New York Public Library, to observe that “we are actually part of the problem of the growing economic divide rather than part of the solution.” A college education remains important to gaining, or at least holding onto, a decent economic position, but it also helps legitimate inequality by seeming to provide fair access as a route to meritocratic success.

Does it? Students with high test scores from low-income families were less likely to complete college than those with low scores from affluent families, according to an Education Department study. And only five institutions (that’s a number, not a percentage) were doing a good job serving those low-income students who managed to cobble together tuition, declared the Education Trust after examining 1,200 colleges. As President Obama pointed out in the State of the Union, higher education is not serving the nation well.

And colleges are not alone. Nonprofit hospitals share their elite financial status and also fail to do a good job serving those in greatest need—while also putting executives in the top 1 percent of wage earners. Two-thirds of hospitals dedicated under 2 percent of their total expenses to subsidized medical care; just 7 percent directed at least 5 percent to charity care. Yet we know that health-related crises

are among the powerful factors that propel people down the economic ladder and exacerbate economic inequality.

This is not to suggest that those nonprofit organizations—universities, hospitals, and the like—at the top of charity’s financial pyramid fail to provide positive and needed goods to society, as well as to those in economic decline. They do. Yet with their elite status and economic power, they could do so much more to curb inequality through their programs and their own internal operations. This is true of foundations, too.

Human-service groups and smaller community-based organizations quite often are the most helpful to people and to society itself in dealing with economic inequality. They provide direct services and also push policy changes that would improve the plight of the downwardly mobile and the financially insecure. It is those organizations, as well as social-change groups, that are challenging the structural forces that drive economic inequality, although they do not do this often enough or vigorously enough. Yet they are among the organizations most strained financially in the face of budget cuts and decreasing contributions.

Contrary to politicians’ proclamations, it is not wrong or subversive to acknowledge America’s economic inequality and try to close the gap. In fact, it’s a gross disservice to our nation to deny or play down its existence or to assert simply that it’ll go away if we just give the wealthy more tax breaks and businesses less regulation. Acknowledging a divide doesn’t create it; we can’t solve a problem unless we are willing to see it and speak of it.

Nonprofit leaders need to talk more publicly about these dynamics and to act to close the gap between rich and poor. And foundations need to provide the necessary resources to challenge growing economic inequality. Together, nonprofits and foundations ought to counter the myth-making and obfuscation that characterize too much of today’s political discourse. They can help stave off further erosion of America’s strength by assuring greater equity in their own internal operations, beginning with salaries from the lowest- to highest-paid employees. They can also help low- and moderate-income people change the policies that exacerbate economic inequality while also offering them help in finding and seizing upon new opportunities.

Most of all, charities need to help people understand their shared interests and work together to improve the common good (The Chronicle of Philanthropy, 26-1-12).

