



Measuring Racial-Ethnic Diversity in California's Nonprofit Sector

An Overview

Carol J. De Vita and Katie L. Roeger

Racial and ethnic minorities are fast becoming a larger share of the U.S. population, and California is on the forefront of this change. Already, "minorities" account for the majority of California's population. Non-Hispanic whites are the largest racial-ethnic group in the state, but one in three Californians is Latino, one in eight is Asian American, and one in sixteen is African American. About 1 percent is Native American or Pacific Islander. And while California as a whole is diverse, there is enormous variation in the patterns of racial-ethnic diversity among the state's regions. Some regions, such as the North Coast and Sacramento, have a majority non-Hispanic white population, while in the Los Angeles area, two-thirds of the residents are people of color.

To learn whether California's nonprofit organizations reflect this demographic change, the Urban Institute's Center on Nonprofits and Philanthropy conducted a statewide, representative survey on the diversity of nonprofit boards, executive directors, and staff in California's nonprofit sector. The survey addressed five questions:

- What proportion of California's nonprofits can be categorized as "diverse"? In addressing this question, the report compares three different models for defining diverse organizations (see box).¹
- What percentage of board members, executive directors, and staff in the sector are people of color, and what percentage are members of specific racial-ethnic communities?
- How does the number and proportion of diverse organizations vary by the size

of the organization, field of activity, or location in the state?

- Is there a gender difference in the leadership of organizations led by people of color?
- What effects, if any, is the current economy having on nonprofit organizations in terms of demand for services and funding, and are the effects correlated with the racial or ethnic diversity of organizational leadership?

The study provides valuable baseline information on how racially and ethnically diverse California's sector is in terms of leadership and staffing. However, it does not address questions pertaining to such issues as the relationship between diversity and quality of service, why some organizations are more diverse than others, or how diversity can be promoted in the sector.

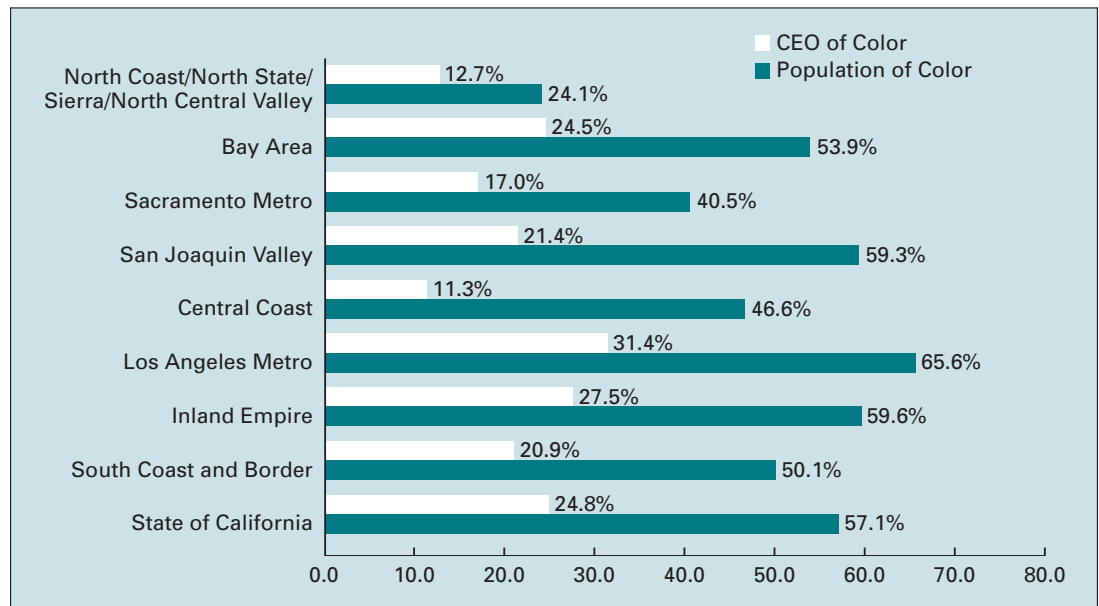
Nonprofit Leadership Lags Population Diversity

Like the findings of other diversity reports, this study finds that the leadership of California's nonprofit sector is not as diverse as the state's population. Non-Hispanic whites tend to hold a greater share of leadership positions than their proportion in the state's population. But the gap between diversity in the community and in nonprofit leadership is smaller in California than in national studies, especially for nonprofit boards.

Executive Directors

Statewide, people of color account for 57 percent of California's population, but

FIGURE 1. Percentage of Nonprofit Executive Directors of Color and Region’s Population of Color



Source: 2008–09 Urban Institute California Survey of Nonprofit Economic and Diversity Issues; U.S. Census Bureau, *American Community Survey*, 2005–07.

Note: Thirty-six respondents did not provide information on the race or ethnicity of the CEO or executive director.

hold 25 percent of the nonprofit executive director positions. This pattern is evident in every region of the state, although the largest difference is in the San Joaquin Valley, where nearly 60 percent of the region’s people are people of color, compared with about 20 percent of the region’s nonprofit executive directors (figure 1).

Latinos are the most underrepresented as nonprofit executive directors. Statewide, Latinos account for more than a third of California’s population but hold fewer than 10 percent of nonprofit executive director positions. Asians are also underrepresented as executive directors,

but other racial-ethnic groups have about the same share of executive directors as their shares in California’s population (table 1).

Board of Directors

California’s nonprofit boards, on average, are more diverse than the national average, despite the underrepresentation of people of color. People of color hold 28 percent of board positions in California compared with 14 percent nationwide. Women hold a slight majority of seats on California’s nonprofit boards, while nationwide, they have slightly less than the majority of seats.

TABLE 1. California’s Nonprofit Executive Directors by Race-Ethnicity

	Number of CEOs	Percent of CEOs	Percent of population
Non-Hispanic white	1,279	75.2	42.9
Person of color	421	24.8	57.1
Asian/Asian American	118	7.0	12.1
Black/African/African American	125	7.3	6.1
Hispanic or Latino/a	110	6.5	35.8
Native American/Alaskan Native	11	0.6	0.5
Native Hawaiian/Pacific Islander	8	0.5	0.3
Mixed race/multiracial/other	49	2.9	2.3

Source: 2008–09 Urban Institute California Survey of Nonprofit Economic and Diversity Issues; U.S. Census Bureau, *American Community Survey*, 2005–07.

Staff of Nonprofits

Most paid workers in California’s nonprofit sector are women and people of color. Seventy percent of all paid staff positions are held by women, and 55 percent by people of color. In fact, the typical nonprofit employee is a woman of color. However, not all nonprofits in California are diverse. About a quarter has all white (non-Hispanic) staff, and one in six employs only people of color. Health and human services nonprofits tend to have the highest percentage of people of color on staff, and health and education nonprofits have the highest percentages of women.

The diversity of nonprofit staff generally mirrors the racial-ethnic diversity of California’s regional populations. For example, in the Los Angeles region, the typical staff is comprised of 64 percent people of color. In the Bay Area, it is 48 percent, and in the North Coast/North State/Sierra/North Central Valley region, about 35 percent of nonprofit paid staffs are of color (figure 2).

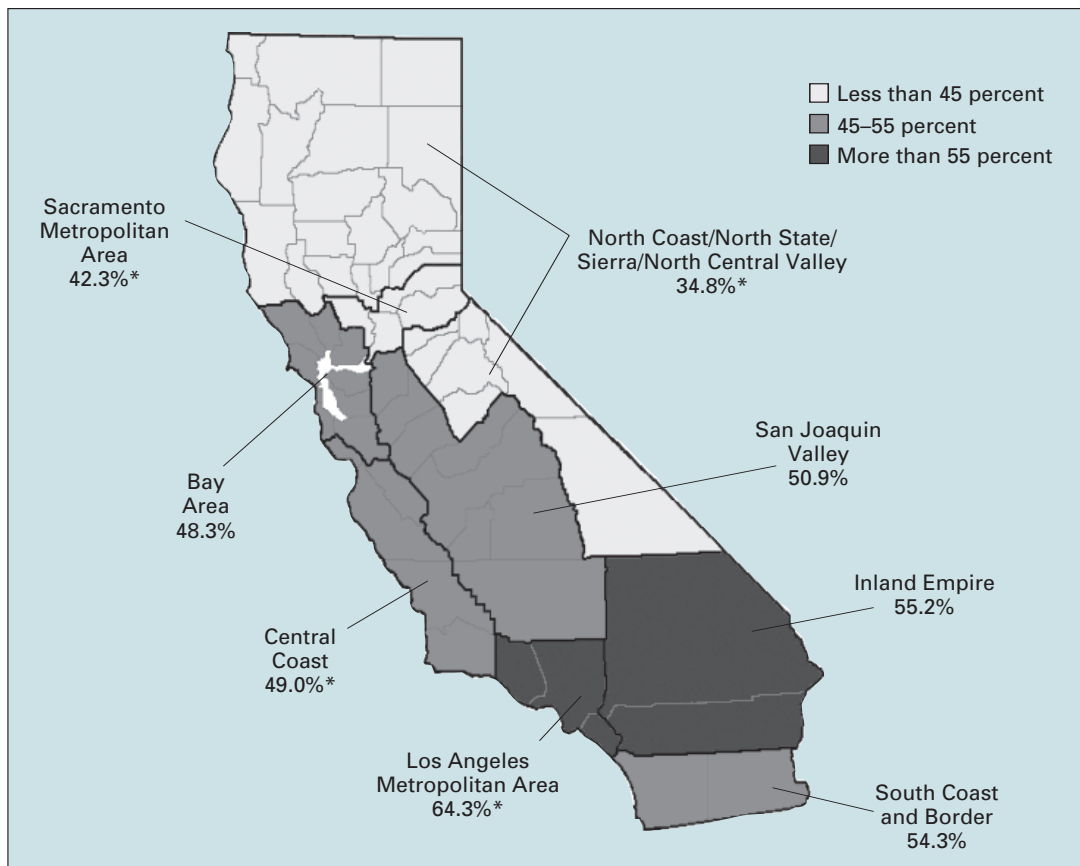
Executive directors of color are much more likely than their non-Hispanic white counterparts to have a highly diverse staff and a diverse management team. On average, 52 percent of non-Hispanic white executive directors’ staff are people of color; for executive directors of color, 72 percent of staff are of color. Also, having an executive director of color increases the likelihood of having a diverse management team.

California Nonprofits Struggle in the Economic Downturn

The economic downturn has severely affected all aspects of life in California. Nonprofit leaders, like other Californians, are facing difficult financial times.

California’s nonprofits report decreased funding and increased demand for services. Nearly two of every three nonprofits in California reported a decrease in their revenues, while two in five reported an increase in demand for their services.

FIGURE 2. Percentage of Nonprofit Paid Staff Members of Color by Region



Source: 2008–09 Urban Institute California Survey of Nonprofit Economic and Diversity Issues.

Notes: There is a total of 30,566 paid staff. Information on paid staff was not provided by 666 respondents.

* Differences for respondents were statistically significant at the 95% confidence level.

A substantial share (nearly 30 percent) has experienced the proverbial double whammy—a decrease in revenue and an increase in demand. Only one in six has seen both revenues and demand stay the same. In addition, executive directors of color were more likely than their non-Hispanic white counterparts to report a decrease in funding and an increase in demand for services.

Nonprofits in the arts, education and health fields were most likely to report funding declines. Seventy-one percent of arts organizations reported a drop in revenues, as did about 67 percent of education and health organizations. While most California nonprofits have felt the effects of funding declines, large and mid-sized nonprofits have more frequently seen a decline than the smaller ones.

The three most important sources of funding for California nonprofits are individual donations, fees for service, and government. Patterns of financial support vary from one type of nonprofit to another. For arts and educational groups, fees and donations were most frequently named as the largest sources of support. For health and human service nonprofits, government was cited as the largest source of support. Foundation support reaches about half (53 percent) the nonprofits in California, but reliance on foundation support varies widely. Nonprofits with executive directors of color are as likely as their non-Hispanic white counterparts to receive foundation grants. However, they are somewhat more reliant on foundation support to run their operations.

More to Learn about Diversity

As the first representative survey of racial-ethnic diversity in California's nonprofit sector, these findings provide an important baseline. But they also represent the tip of the iceberg of what might be known. In addition to the topics listed earlier in this brief, at least four other research areas could expand and deepen what is known about racial-ethnic diversity in the sector.

- The current survey captures only one moment in time, and does not indicate how quickly the racial-ethnic composition of leadership positions is changing. The survey should be replicated in a few years to see what changes, if any,

have occurred in the prevalence of leaders and staff of color in California's nonprofit sector.

- The survey provides evidence that nonprofits with leaders of color are being particularly affected by the economic downturn, but additional data are needed to understand what steps nonprofit leaders are taking to address their fundraising problems and what is needed to help build organizational capacity for the future.
- More needs to be known about the factors that contribute to nonprofit leadership. Is it dependent on attaining a certain level of education or particular skills? Do people of color have ready access to acquiring this training or these skills? What policies and practices have enhanced the recruitment and retention of leaders of color?
- Little is known about how service quality and cultural competency relate to the effectiveness of nonprofit organizations. Do nonprofits led by a person of color and serving people of color provide better services (and achieve better outcomes) than organizations that do not have a leader of color? These are difficult questions to measure and answer, but they are critical for informing discussions on how best to support and strengthen nonprofit organizations and the communities they serve.

Decisionmakers in California and across the country are facing critical challenges related to diversity. There is broad agreement that people of color should have full access to nonprofit leadership opportunities, and that organizations with highly diverse staff and leadership should have full access to funding opportunities. But until now, there has not been a comprehensive picture of how diverse the leadership and staff of the sector are throughout California. Data have been lacking on how diversity relates to an organization's budget size, type, and funding patterns.

This study provides a major advance in our understanding of the nonprofit sector. It prepares the ground for investigations into *why* diversity in the nonprofit sector is important to communities, and *how* diversity can be promoted most effectively. It also provides the baseline for monitoring how quickly the gap between California's

population diversity and nonprofit leadership diversity closes over time.

About the Survey

Information in the study is based on a randomly drawn sample of 501(c)(3) organizations, stratified by regions within California, type of nonprofit, and size of organization. The survey resulted in 1,736 responses, yielding a response rate of 31.1 percent.

The full report, *Measuring Racial-Ethnic Diversity in California's Nonprofit Sector*, can be found at <http://www.urban.org/url.cfm?ID=411977>.

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Note

1. There are many ways to define diversity (e.g., in relation to age, disability, income, or sexual orientation), although information on these characteristics may not be collected by an organization or may not be known to a single respondent answering on behalf of an entire organization. The survey focused only on racial-ethnic diversity and to a lesser extent on gender.

How Many Nonprofits Might Be Regarded as Racially and Ethnically Diverse?

Recent efforts to define diverse leadership in the nonprofit sector have resulted in a number of typologies. Three models were empirically tested using the survey data. The results suggest that how one conceptualizes and defines diversity affects the results. Different definitions and criteria produce different results in terms of the number and characteristics of organizations that might be considered diverse.

Model 1, called "leadership diversity," requires that the CEO and at least half the board members are people of color. Survey data show that 15.5 percent of California's nonprofit sector is diverse under this model.

Model 2, called "organization of color," also requires the CEO and at least half the board to be people of color, but in addition, the majority of people served must be people of color. Fourteen percent of California's nonprofits are diverse according to this second model.

Model 3, called "minority-led," requires the majority of board members and paid staff to be people of color, the majority of people served to be people of color, and the organization's mission statement to indicate that the organization predominantly serves and empowers minority communities. Only 4 percent of California's nonprofit organizations meet these criteria.

Including an organization's mission statement as a criterion for diversity greatly lowers the number of nonprofits that might be considered diverse and raises the proportion of large organizations that meet the criterion. Smaller nonprofits are less likely than large and mid-sized ones to include racial-ethnic descriptions in their mission statements.

Foundation support reaches between half and two-thirds of diverse nonprofits, depending on the definition used to identify diversity; however, nonprofit reliance on foundation support varies widely. On average, nonprofits under the minority-led model relied on foundation support for 23 percent of their revenues. By comparison, nonprofits in the leadership diversity model and the organization of color model reported that 14 percent of their revenues came from foundations.

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