Cases in Ethical Analysis: A Student Symposium

Retirement & Profit-Sharing in Nonprofits: Avoiding Ethics Collisions

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All employers, especially nonprofit agencies, should provide their employees with retirement and profit sharing. This is a recent and important development for social justice organizations. Providing for the inevitable retirement of older employees is crucial. Nonetheless, the challenge of balancing the needs of a socially progressive workforce and their future retirement can be extremely contentious. Executive directors of nonprofit organizations have to be very sensitive, respectful, and responsive to the ethical/moral questions that vested, well-informed employees are asking in relation to systems change and social justice work. Twenty years after its founding, our small nonprofit agency of 15 employees was finally able to offer retirement benefits to staff through profit sharing. I was hardly prepared for the ethical/moral dilemma that followed our decision to do so.

Moral Dilemma

In the fall of 2000, a staff meeting was called to discuss a previously unthinkable issue for our organization–a retirement and profit sharing plan. My advancement to executive director came on the heels of developing an understanding of the organization's historical narrative and its future vision as a relevant national resource center for immigrant rights. I was completely caught by surprise, however, at the meeting wherein senior staff mostly made up of white professionals clashed with newer, program people about our proposed 403B retirement and profit sharing plan, a benefit a few good years of fundraising made possible. Confronted with the choices of retirement plans, the staff found itself at odds. Newer staff were angered by the perception that they would benefit from what they described as the "the warmongering, blood profiteering of Wall Street retirement plans," while the more senior staff were interested in pursuing a "high risk" investment portfolio they had previously researched on their own. Of the fifteen usually mild mannered progressive, leftist liberal types, none of us were prepared for the emotion packed conflict of values and ethics that emerged.

What had started out as a forward thinking, generous and genuine "act of kindness" on the part of our board of directors, became a charged, educational experience for me and the entire staff. The points of contention were painfully obvious. On the one hand, I had employees who had first hand knowledge of atrocities committed across the globe on behalf of US business interests. They had either read or heard personal accounts of people who had been tortured, or lost loved ones in US supported military strikes against students, peasants and labor organizers in the name of "promoting democracy" and "market stabilization". On the other hand, I had employees who deserved and demanded the peace of mind that comes with a retirement savings plan. In retrospect, I realize that I had developed my own sense of the "bureau ideology". I had become subsumed with the goal of providing my employees with a retirement nest egg and providing for their future well-being while forsaking other employees' need for feeling that they were creating an alternative to the system responsible for what they saw as the cause of social, political and economic repression across the globe.

Organizational Culture

From its inception, our organization has always prided itself in "giving voice to the underserved" and being active participants in social justice change work. These are not just ideals that we pitch in development letters to donors and funders, but truly represent the values that drive our work as an organization. At each staff meeting, everyone from the receptionist to the assistant director is both encouraged and expected to voice their opinion and give their reasoning for supporting their position. Initially, I found this process to be overly time consuming, but in time have come to appreciate the model for building morale and connecting the relevance of our organization's internal workings to the social change mission our organization espouses.

Ethical Standards

"In general," Rosenbloom and Kravchuk, in *Public Administration: Understanding Management, Politics, and Law in the Public Sector, 6th Ed.*, assert, "public servants are held to higher standards of conduct than are private or nonprofit sector employees." However, I would like to suggest that nonprofit executives are held to even higher standards of ethics than more bureaucratic governmental agencies, because nonprofit sector employees are more invested in their agency's mission, goals and outcomes. As a result, this commitment can sometimes manifest itself in contradictory if not inconsistent organizational processes. In an era colored by the controversies of governmental abuses such as Tuskegee, Watergate, Iran-contra, etc., the nonprofit sector workforce demands a higher degree of accountability from the agencies in which they work and the executives that run their organizations. Given how socially progressive and how highly sensitized employees working in the sector characteristically are, it's important for administrators to be prepared for this.

Because of the size of our organization, we had to reach a consensus on whether or not we would invest in the plan offered by our broker. When I arrived back at the office after a lengthy board meeting I called a quick staff meeting to announce that the board wanted to offer the staff profit sharing and retirement benefits.

Two groups immediately emerged, the "reformers" vs. "risky business." Our 45-minute staff meeting stretched into its second hour with the "reformers" holding their ground, not willing, as they put it "to receive one penny from the murder of thousands of innocent people." Without realizing it, the board and I had dropped a bomb on our organization that would take

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time to recover from. I came to see the professional, ethnic and class divisions that existed within our small organization and how those divisions impact every part of our work. In many respects, though we have always been inclusive, representative and cutting-edge, we were–as the "reformers" suggested–"perpetuating a cycle of violence endemic to our middle-class values."

Strategies

Team building exercises consisting of mixing both "reformers" and "risky business" staff was perhaps the easiest way to help them recognize their individual strengths and the contributions that working as a team can provide. Certainly this lesson carried itself over into the retirement debate. Another helpful tool was developing mentoring relationships in which older employees were coupled with younger employees. The exercise was intended to sensitize both with the knowledge and skill sets that each brings to the work environment. Finally, and perhaps most importantly we were introduced to socially responsible investment brokers who single handedly were able to provide both "the reformers" and the "risky business" advocates with options that they could live with in terms of investment portfolios that were geared towards social capital building and social justice work.

Much has been written about socially progressive stocks and their performance. As noted by John Entine, in "US Pension Funds, Social Investing and Fiduciary Irresponsibility," "Should we boycott buying stocks in tobacco companies even though the boycott has zero impact on the operations or profits of these companies but devastates the returns of pensioners who often have little say in what's being done in their name?" By implicitly encouraging the belief that the intentions of a business can be judged distinct from its economic impact, social investing often promotes corporate behavior that is neither socially progressive nor ethical and may certainly result in adverse consequences to stakeholders including pensioners. Politicians should set only the broadest investment guidelines for state funds and no more. It's time to stop gambling with other people's money in support of ideological vanity.

Regardless of these points, and though our stocks may have slightly underperformed, the overall benefit to our organization continues to pay high dividends. In response, I believe that the cost benefit on an organizational level, as well as, on a societal level is enormous- we choose "to put our money where our values are," and in the short-term we have been able to bridge the gap between our employees ideals of social justice with the reality of planning for their future retirement.

As leaders in the nonprofit sector, we have to recognize that our employees hold themselves and their executives to higher moral and ethical standards than the general workforce. And in this era of highly accessible and "polarized media," this will only become more so. With retirement and profit sharing plans tied up on Wall Street, how can organizations that support social justice and equity also help their employees prepare for their much-deserved retirement? The answers lie within each organization. Thus our first responsibility is to be the change we wish to create.

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