

Goodwill: Providing Opportunities or Exploiting the System?

Goodwill International Industries is a 501(c)(3) nonprofit organization that provides community based programs for people who have disabilities and struggle with employment. Goodwill is funded by a network of over 2,700 retail stores, an online auction site, grants, gifts, fees for services, and lots of government support. The organization's vision states, "Every person has the opportunity to achieve his/her fullest potential and participate in and contribute to all aspects of life."¹ However some critics, including a nonprofit called National Federation of the Blind, disagree with this statement and argue that Goodwill is unnecessarily lining the pockets of executives while simultaneously exploiting disabled workers.

The National Federation of the Blind held a large protest against Goodwill last year for their use of a "loophole" in federal law, which allows the company to pay disabled workers less than the federal minimum wage. Section 14(c) of the Fair Labor Standards Act of 1938 allows employers to obtain a Special Wage Certificate and grants employers, mostly nonprofits, the ability to pay disabled workers a subminimum, commensurate wage based on their performance. The National Federation of the Blind filed a request under the Freedom of Information Act revealing that Goodwill employees have been paid as low as \$0.22 per hour.²

Data obtained from the U.S. Department of Labor's Wage and Hour Division analyzed by Watchdog.org revealed that 109 of the 165 Goodwill entities utilize this Special Wage Certificate program and 7,300 of its 105,000 employees are subject to it. Not all employees subject to this program receive only \$0.22 per hour, but one of the largest

¹ <http://www.goodwill.org/about-us/our-mission/>

² <https://nfb.org/americans-disabilities-protest-goodwill-s-subminimum-wages>

Goodwill entities in the country, the Columbia Willamette Goodwill reportedly paid \$922,444 in commensurate wages to approximately 250 people with disabilities. These employees worked 159,584 hours for an average hourly wage of \$5.78 with the lowest paid worker receiving only \$1.40 per hour.³

Goodwill's response to media coverage of their use of the Special Wage Certificate emphasizes that their goal is to help people in need reach their full potential and this program is helping them do that. They claim that the federal law in question is not a loophole, but a vocational opportunity for people with disabilities who would otherwise not have one.⁴ I have not had the opportunity to analyze the abilities of each worker compensated under this program for a comparison of productivity or contribution to the organization, but it appears to me that such a lucrative organization can afford to at least pay its workers at least minimum wage.

The Watchdog.org analysis of the most recent tax returns for the entities that utilize this subminimum wage program revealed a pattern of what some call unreasonable payouts for top executives, totaling over \$53 million. This included compensation for the highest paid Goodwill executive, Douglas Barr, the prior CEO of Goodwill of Southern California, who received a total compensation package worth \$1,188,733, including a base salary of \$350,200, bonuses worth \$87,550, retirement benefits of \$71,050, and \$637,864 in other reportable compensation.⁵

Another CEO payout that raised a fuss was that of the aforementioned Columbia Willamette Goodwill, because its CEO and president, Michael Miller, received only about 10

³ <http://watchdog.org/83209/policies-tax-dollars-enrich-goodwill-execs/>

⁴ <http://www.goodwill.org/press-releases/goodwill-responds-to-recent-media-coverage-on-special-minimum-wage-certificate/>

⁵ <http://watchdog.org/83209/policies-tax-dollars-enrich-goodwill-execs/>

percent less than the total amount received by 250 workers receiving subminimum wages. Michael Miller, the president and CEO of this entity was investigated by the Oregon Department of Justice in 2004 for review of his compensation. An 18-month investigation concluded that Miller's pay of \$831,508 was "unreasonable," which resulted in a 24 percent decrease of his pay to \$634,477. The investigation found that the board erroneously based Miller's compensation on a study that was flawed primarily because its data was based on for-profit organizations.

In response to the Department of Justice's conclusion, the board agreed to require independent salary surveys before deciding upon Miller's compensation. In 2010, his pay of \$719,147 made him the highest-paid nonprofit CEO in Oregon. Critics find it unlikely that Miller's compensation will be challenged again because in response to another complaint filed in 2011, the chief investigator in the Charitable Activities Section of the Department of Justice stated that the office has limited resources to pursue these matters and did not intend to pursue this one. Additionally, due to the new requirement of independent salary surveys, critics believe that this compensation will now pass the legal standard.⁶

In conclusion, it seems to me that an organization that places so much emphasis on the importance of providing opportunities to everyone and compensates its top executives so highly should at least provide its workers with minimum wage.

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⁶ <http://www.bizjournals.com/portland/print-edition/2011/10/07/goodwill-ceo-highest-paid-in-state.html?page=all>