



INDIANA NONPROFITS PROJECT
NONPROFIT EMPLOYMENT: REGIONAL SERIES
REPORT #02

Nonprofit Paid Employment in Economic Growth Region 02, Indiana, 2000-2019

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and the Lilly Family School of Philanthropy

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Copies of this report are available on the Indiana Nonprofit Sector Website (www.indiana.edu/~nonprof).

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Introduction

Nonprofits employed 301,000 workers in Indiana in 2019 – about 10 percent of all paid workers in the state. These workers play a vital role by providing Hoosiers with key services in health care, social assistance, education, arts, culture and recreation, and more.

However, nonprofits also have a significant impact on the state’s overall economy. The \$15 billion¹ earned by nonprofit employees in 2019 benefit the general economy when nonprofit workers buy goods and services from local businesses or own homes in the region. These workers also contribute to state and local government finances, when they pay state income taxes, state and local sales taxes, and local property taxes.

In this report we examine the economic impact of the nonprofit sector in North Central Indiana, Economic Growth Region 2, and how that compares to the state of Indiana. We also compare nonprofit employment and payroll to other industries, and to the for-profit and government sectors.

Economic Growth Region 2: North Central Indiana



Economic Growth Region (EGR) 2 is composed of five counties – Elkhart, Fulton, Kosciusko, Marshall, and St. Joseph. The region includes both the Elkhart-Goshen and the Indiana portion of the South Bend-Mishawka IN-MI Metropolitan Statistical Areas. In 2019, EGR 2 had just under 322,000 paid workers and a total payroll of over \$15 billion.

Employment and Payroll

Of the 322,000 paid employees in the region in 2019, nonprofits employed over 38,000 with a payroll of over \$1.9 billion. Figure 1 shows how these 38,000 nonprofit employees are distributed across the five counties. Just under 90 percent work in St. Joseph (65 percent) and Elkhart County (22 percent). The remaining 13 percent is distributed among Kosciusko County (8 percent), Marshall County (5 percent), and Fulton County (0.6 percent).² Since 2000, only Marshall and St. Joseph Counties increased in share, both by less than three percentage points.

Quick Facts

- Nonprofits employed 38,000 workers in the region with a total payroll of \$1.9 billion in 2019 – about 12 percent of all paid employees and 13 percent of the total payroll in the region.
- Nonprofit employment trails only manufacturing in the region, and the gap have narrowed some over the 2000-2019 period (Fig. 4).
- Nonprofit payroll trails only manufacturing and nonprofit payroll is outpacing other major nonprofit industries, except for manufacturing (Fig. 5)
- Nonprofit employment and payroll (adjusted for inflation) grew considerably more than for-profit or government employment during the 2000-2009 period but lagged for-profits in the second half. However, over the entire period, nonprofit employment grew by 25 percent and nonprofit payroll by more than 50 percent, far outpacing both the for-profit and government sectors (Fig. 6 and 7).
- Nonprofit employment has grown almost every year since 2000, except for declines in 2008-09 and 2010-11 (Fig. 8)
- Most nonprofit employees work in health care (43%), but more than a third work in education (34%) – a much higher share than for the state as a whole (13%, see Fig. 9).
- Nonprofit employees account for more than half of all employees in health care and social assistance (Fig. 10).
- Nonprofit establishments have significantly more employees on average than for-profit establishments in the same industries, except for arts, entertainment & recreation where nonprofits and for-profits are fairly similar in size (Fig. 12)
- Average wages are higher for nonprofit employees than for-profit workers in education and social assistance and roughly equivalent in health care, but much lower in arts, entertainment and recreation (Fig. 14).

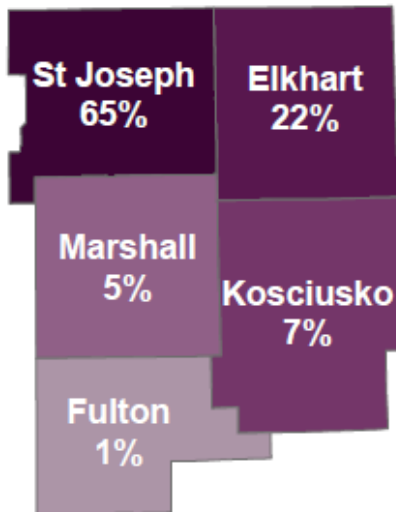
¹ All payroll values in this report are adjusted to 2019 inflation.

² Counts do not add up due to rounding.

The distribution of nonprofit payroll among the five counties is similar to the trends above, except that St. Joseph County accounts for 72 percent of total payroll in EGR 2, leaving the four other counties with correspondingly smaller shares. The distribution of nonprofit payroll remained largely unchanged over the 20-year period.

St. Joseph’s nonprofit employment is sufficiently large that the county has the second highest share of the state’s total nonprofit employment (8 percent) among Indiana’s 92 counties. Only Marion County (Indianapolis, 28 percent) has a higher share. St. Joseph County also has the second highest (9 percent) share of total nonprofit payroll among the 92 counties.

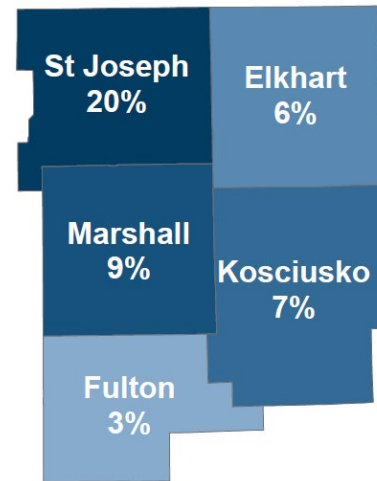
Figure 1: Distribution of Nonprofit Paid Employment (2019) by County for EGR 2



More revealing, however, is how important nonprofit employment is as a percentage of total employment in the region. Of the 92 counties in Indiana, St. Joseph County has the highest nonprofit share— 20 percent. In the remaining four counties fewer than 10 percent of all employees work for nonprofits.

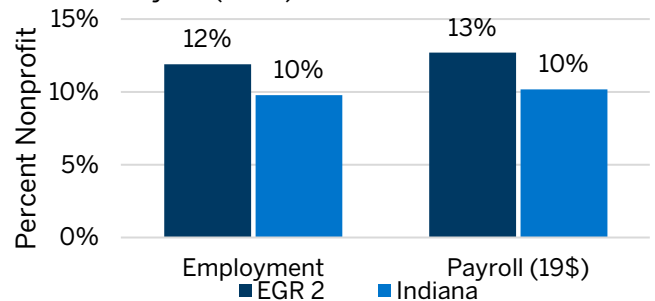
Nonprofit share of total payroll is similarly revealing. Nonprofits account for almost a quarter (24 percent) of total payroll in St. Joseph County, more than is the case for any other county in the state.³ In the remaining four counties nonprofits accounted for less than 10 percent of total payroll in the county. Since 2000, nonprofit shares of payroll, in constant 2019 dollars, has increased. The largest increase was in St. Joseph County where the nonprofit share increased by four percentage points over the 20 years.

Figure 2: Nonprofit Share of Total Paid Employment (2019) by County for EGR 2



Among the state’s 11 Economic Growth Regions, EGR 2 has the highest nonprofit share of total employment, also surpassing the corresponding percentages at the state level, as shown in Figure 3. For Indiana as a whole, nonprofits account for 10 percent of total employment and payroll, compared to EGR 2’s 12 and 13 percent share of employment and payroll, respectively. Since 2000, nonprofits have increased their share of total employment in EGR 2 (from 10 to 12 percent).

Figure 3: Nonprofit Share of Total Paid Employment and Total Payroll (2019), EGR 2 and Indiana



Industry Comparisons

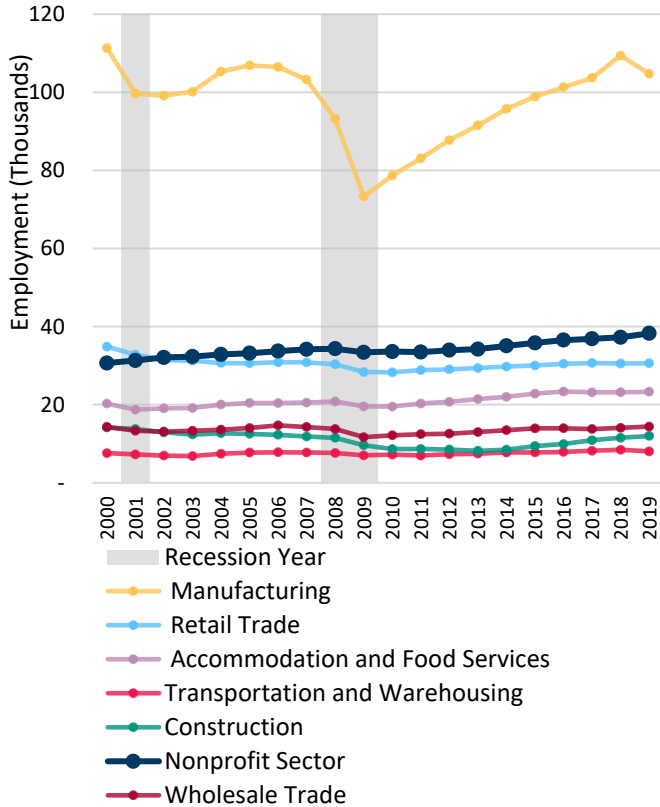
EGR 2 is dominated by the manufacturing industry which accounts for 33 percent of total employment and 38 percent of total payroll in the region. With just under 105,000 workers and a payroll of \$5.7 billion in 2019, the industry is almost triple the size of nonprofit employment and payroll in the region.

Manufacturing is down a total of 6,000 employees since 2000. However, as Figure 4 shows, those numbers hide major changes in the intervening years when two major recessions significantly impacted the industry. Between 2000 and 2001, almost 12,000 manufacturing jobs were lost and only 3,500 of those

³ Wayne County in east central Indiana has the second highest share of total payroll accounted for by nonprofits.

were recovered by the time the Great Recession hit. In 2008 and 2009, the manufacturing industry lost 30,000 employees, including more than 23,000 in Elkhart County. As a result, Elkhart County faced the highest jump in unemployment rate in 2008 of any county in the U.S.⁴ Since the Great Recession, EGR 2's manufacturing industry has recovered most of the lost jobs but is still short of the level of employment it had in 2000.

Figure 4: Nonprofit Paid Employment Compared to Key Private Sector Industries (2019) for EGR 2



By comparison, employment in all other industries has been fairly stable. This includes most notably nonprofit employment, which – if it were a separate industry – would have the second largest number of employees of all major industries in the region since 2002.⁵ Only in 2000-2001 was retail trade larger than nonprofit employment. By 2019, the nonprofit sector (dark blue line in Figure 4) had a lead of 7,600 employees compared to retail trade (light blue) the next largest industry.

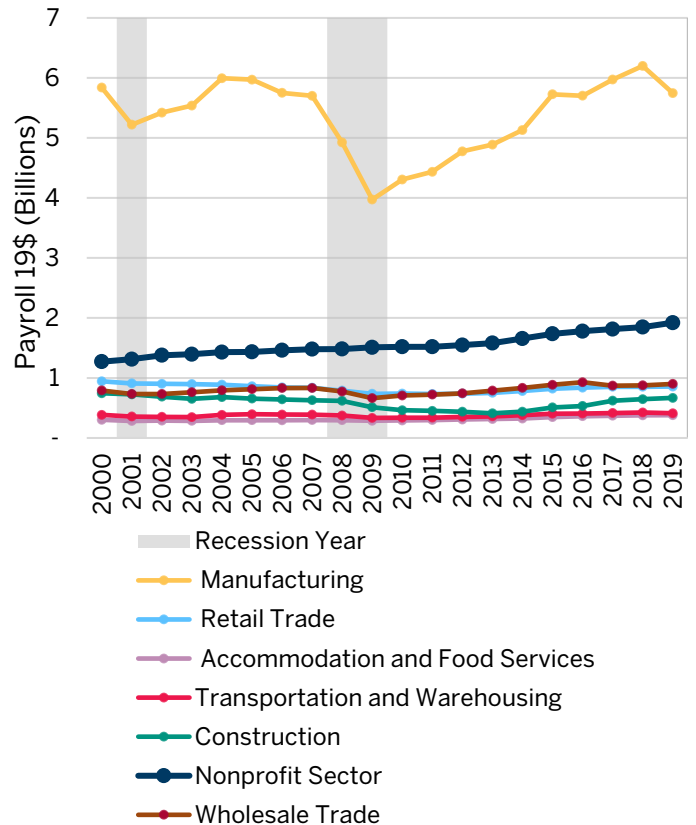
Changes in manufacturing payroll are largely similar to changes in manufacturing employment. Manufacturing payroll dropped from \$5.8 billion in 2000 to below \$4.0 billion in 2009, adjusted for inflation. The

recovery after 2009 was stronger for payroll than for employment and manufacturing payroll briefly rose above the 2000 payroll in 2017 and 2018 before falling below in 2019. Manufacturing remains the largest payroll of the major industries by almost \$4 billion.

The second largest payroll belongs to nonprofits, although patterns for total nonprofit payroll differ from employment in several important aspects. Over the 2000-2019 period, nonprofit payroll grew over 50 percent, adjusted for inflation, up from \$1.2 billion to \$1.9 billion. This growth is significantly faster than the major for-profit industries, as shown in Figure 5. In 2000, the payroll gap between nonprofit payroll and the next largest industry (retail trade) was \$326 million. By 2019, the nonprofit payroll reached \$2 billion, twice the amount of the next largest for-profit industry.

For the remaining industries, the increase in total payroll was slower. If the nonprofit sector were considered an industry, it would rank second in total payroll, just like with employment.

Figure 5: Nonprofit Payroll Compare to Key Private Sector Industries (2019) for EGR 2



⁴ See David Whiteford (2009), "Ground zero for rising unemployment," available online at archive.fortune.com/2009/02/09/news/economy/Elkhart_economy.fortune/index.htm

⁵ Some of these industries have a small number of nonprofit workers, so some nonprofit workers may be double counted.

Growth in Nonprofit Employment and Payroll

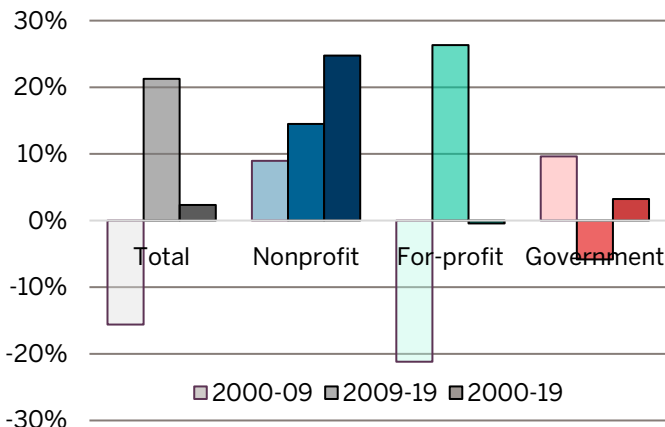
Total paid employment in EGR 2 increased 2 percent from 2000 to 2019 and payroll increased by 9 percent, adjusted for inflation. Below, we explore overall and average growth rates for the three sectors in EGR 2 and then compare these rates to the state as a whole.

The small net growth in total employment in EGR 2 between 2000 and 2019 reflects several contrasting trends. For-profit employment declined slightly, reflecting net losses in two large industries (manufacturing and retail trade, down by 6,600 and 4,300 jobs respectively), offset by modest growth in other for-profit industries. By contrast nonprofit jobs increased by 25 percent, up almost 7,600 jobs from 30,700 in 2000 to 38,250 in 2019, while government jobs increased by only about 3 percent.

These overall growth rates, of course, hide major changes over the period. Figure 6 shows the percent change in employment by sector separately for 2000-2009 (lightest bar) and 2009 to 2019 (middle bar), as well as the change for the entire period (darkest bar). During the first half of the period, 2000 to 2009, both total and for-profit employment *decreased* by 16 and 21 percent, respectively. This is largely due to the losses faced in the manufacturing industry during the Great Recession. By contrast both nonprofit and government employment *increased* by respectively 9 and 10 percent.

During the second half of the period, from 2009 to 2019, growth in total and for-profit employment surpassed nonprofits, while government lost employees (6 percent decrease). Only nonprofit employment increased in both periods, from 2000 to 2009 and 2009 to 2019.

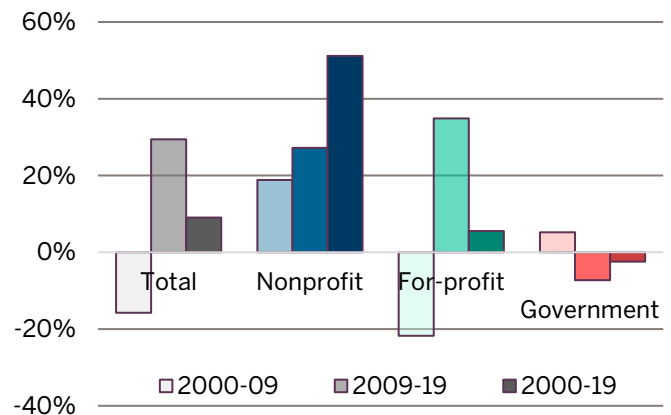
Figure 6: Percent Change in Total Paid Employment in EGR 2 by Sector, 2000-09, 2009-19, 2000-19



Total payroll in EGR 2 increased by 9 percent from 2000 to 2019, adjusted for inflation. This growth was largely driven by nonprofit payroll, which was up 51 percent from 2000 to 2019, as shown in Figure 7. During the same period, for-profit payroll increased by only 6 percent while government payroll declined by 2 percent.

As was the case with employment, overall changes in payroll hide major differences during the two periods. For-profit payroll decreased 21 percent from 2000 to 2009, due to two industries: manufacturing (down \$1.9 billion or 32 percent) and retail trade (down \$209 million or 22 percent), in constant 2019 dollars. During the second half of the period. From 2009 to 2019, for-profit payroll grew the fastest of the three sectors at 35 percent. This jump more than recovered the payroll loss from the first period.

Figure 7: Percent Change in Constant 2019 Dollars in Total Payroll in EGR 2 by Sector, 2000-09, 2009-19, 2000-19



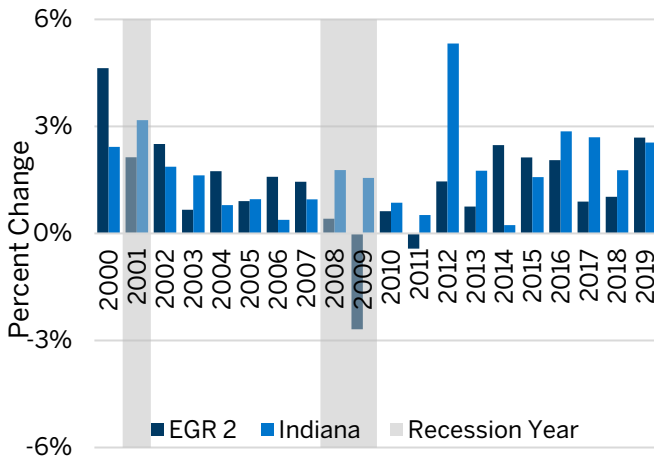
The 9 percent increase in total payroll in EGR 2 between 2000 and 2019 was slower than the corresponding increase for the state, 11 percent. Similarly, although nonprofit payroll increased by 51 percent over the entire period, that also trailed the statewide growth (84 percent).

We explore trends in nonprofit employment in more detail by looking at annual growth rates. In EGR 2, nonprofit employment grew at a faster average annual rate (1 percent) than total, for-profit, and government employment (0.2, 0.1, and 0.3 percent respectively). Indeed, nonprofit employment only decreased for two years in the 20-year period while the other sectors lost employees during 6 or 7 years, respectively. However, for-profit employment grew the fastest during 10 years of the 2000-19 period, nonprofits for 7 years, and government for 3 years. The payroll growth rate corresponds largely with employment.

Indiana Nonprofit Employment: EGR 2 Report

The average annual growth of nonprofit employment in EGR 2 was 1 percent compared to the statewide average of 2 percent. However, there were some fluctuations. Nonprofit annual growth was generally stable and modest (less than 2 percent) during the middle period for EGR 2 (dark blue bar in Figure 7) but reached 5 percent in 2000 and declined in 2009 and 2011. For 12 of the 20 years, annual rates of growth for nonprofit employment trailed the corresponding growth rate for the state as a whole (light blue bars in Figure 8).

Figure 8: Percent Annual Change in Total Nonprofit Paid Employment, EGR 2 and Indiana



Nonprofit payroll increased in every year from 2000 to 2019 for both EGR 2 and Indiana at an annual rate of 2 and 3 percent, respectively. See Appendix B for more details.

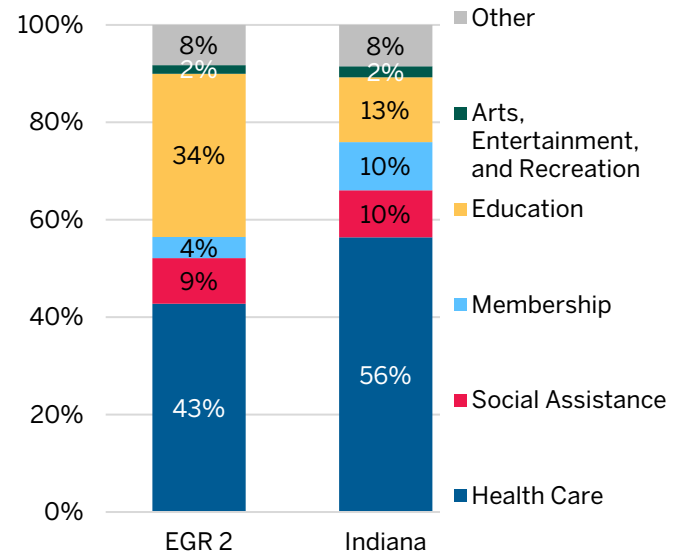
Major Nonprofit Industries

The distribution of nonprofit employment among major nonprofit industries is largely similar between EGR 2 and Indiana, with the key difference being the education industry. Figure 8 shows the distribution of nonprofit employment across the major nonprofit industries. The industry with the highest number of nonprofit workers is health care (excluding social assistance) in both EGR 2 (43 percent) and Indiana (56 percent).

The next largest nonprofit industry in EGR 2 is education, which employs 34 percent of all nonprofit employees, compared to 13 percent statewide. The greater dominance of nonprofit education reflects the presence of one of the largest clusters of private universities and colleges in the region, including Notre Dame University, Saint Mary's College, Holy Cross College, and Goshen College in or very close to South Bend. For membership organizations (this includes religious, grantmaking, civic, professional, and similar organizations), the nonprofits share is lower in EGR 2 (4 percent) than for the state (10 percent). The

remaining industries have similar percentage shares.

Figure 9: Industry Distribution of Paid Nonprofit Employment (2019), EGR 2 and Indiana



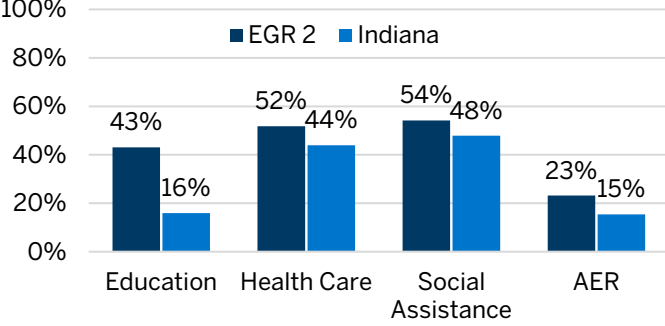
For EGR 2, the distribution of nonprofit payroll in these select industries looks largely similar to the employment distribution. However, each of the major industries, except for the education and other industry, have lower shares in payroll than for employment. See Appendix B for more details.

We next take a closer look at overall employment in these major nonprofit industries. Together, they account for 92 percent of total nonprofit employment in both EGR 2 and the state as a whole. Not surprisingly, the "membership" industry (religious, grantmaking, civic and professional associations) is entirely nonprofit. However, nonprofits in EGR 2 (dark blue bars in Figure 10) dominate in health care and social assistance, where they account for more than half of all paid employment (52 and 54 percent, respectively). In education, 43 percent of employees are nonprofit workers, with most of the rest employed by public schools and public universities. Even in arts, entertainment, and recreation, the industry with lowest nonprofit share, almost one in four workers are employed by a nonprofit.

Nonprofits account for a larger share of total employment in EGR 2 than for the state as a whole in four of the major nonprofit industries (membership is all nonprofit in both regions). In the education industry, the nonprofit share of total employment in EGR 2 (43 percent) is over 2.5 times that of Indiana (16 percent). For the other industries, the percent employed by nonprofits in EGR 2 is 6-8 percentage points above the corresponding percentages for the state as a whole.

Indiana Nonprofit Employment: EGR 2 Report

Figure 10: Percent Nonprofit of Total Paid Employment, by Industry (2019), EGR 2 and Indiana



For EGR 2, the nonprofit share of total employment in these industries has changed some since 2000. The nonprofit employment share has increased in education (from 38 to 43 percent) but declined in health care (from 57 to 52 percent), arts, entertainment, and recreation (from 31 to 23 percent), and especially in social assistance (from 77 to 54 percent).

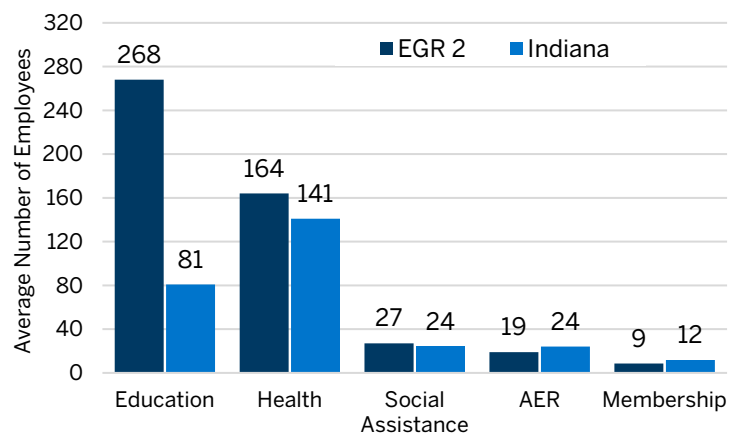
Average Size of Nonprofit Establishments

We use the average size of establishments to get a better sense of how these industries are structured. These averages should be interpreted with caution, however, since they may hide very large or very small establishments. They also do not distinguish between full-time and part-time workers. Both of these features likely vary considerably among industries and sub-industries (e.g., hospitals vs. clinics in health care). Nor do these figures adequately capture the size of nonprofit (or for-profit) organizations, since some larger organizations may operate multiple establishments both in the region and elsewhere.

Nonprofit establishments in EGR 2 (dark blue bar) are typically larger on average than for the state as a whole (light blue bars) with 64 versus 43 employees per establishment, respectively. Figure 11 shows that this is the case for education and health care. Average size is most notably different in education where EGR 2 establishments (268 employees on average) are more than twice the size of those for Indiana as a whole (81 employees), reflecting the large number of private institutions of higher education in the region. Health care, with an average of 164 employees is the second largest nonprofit industry in EGR 2 and exceeds the statewide average by 23 employees.

The average size of establishments for the remaining industries trail far behind with social assistance at 27, AER at 19, and membership at 9 employees on average. These averages are roughly similar to industries for the state as a whole.

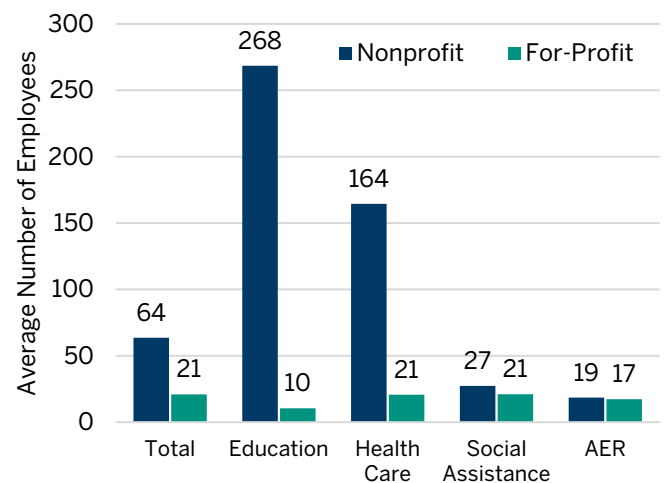
Figure 11: Average Size of Nonprofit Establishments by Select Industries (2019), EGR 2 and Indiana



From 2000 to 2019, only the average size for health care increased (from 142 to 164 employees) but declined for education (360 to 268 employees), AER (24 to 19 employees), and membership (10 to 9 employees). Social assistance remained the same (27 employees).

Nonprofit establishments in EGR 2 are also larger than their for-profit counterparts (Figure 12).⁶ This is especially the case in education and health care where the average size of nonprofits is 27 and 8 times larger than for-profits, respectively. Nonprofit establishments are somewhat larger than for-profits in social assistance (27 vs. 21 employees) and roughly similar in AER (19 and 17 employees on average respectively). For-profit average size changed minimally since 2000, except for social assistance which tripled from an average size of 8.3 in 2000.

Figure 12: Average Size of EGR 2 Establishments for the Private Sector (2019)



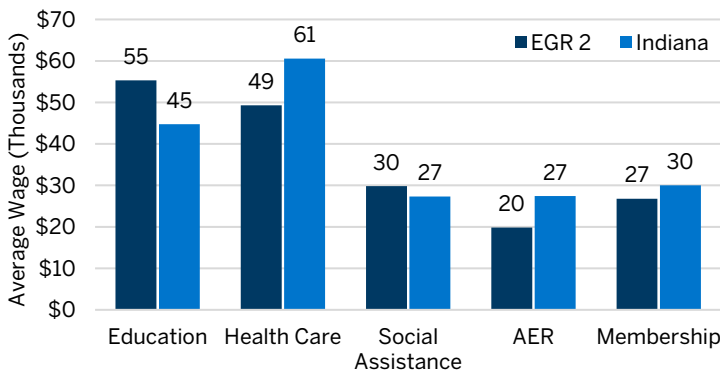
⁶ Because we assume that there are no for-profit membership establishments, Figures 12 and 14 do not show membership. Also, due to confidentiality restrictions, we do not show the average size for government establishments.

Average Annual Nonprofit Wages

We also look at average wages in major nonprofit industries. Average wage is calculated as total payroll, adjusted for inflation, divided by the number of employees. As with average size of establishments, these values should be interpreted with caution, since averages may hide very large or very low annual wages in some establishments or subindustries (e.g., hospitals vs. nursing homes). In addition, the number of employees includes both part-time and full-time workers, so industries with many part-time workers may appear to have very low average annual wages. Total payroll includes monetary compensation (e.g., salary, wages, bonuses, commissions, incentive payments, and tips), but not deductions (such as taxes) or fringe benefits.

The average annual nonprofit wage overall is almost the same for EGR 2 and Indiana (\$50,000 versus \$51,000). However, Figure 13 shows that nonprofit workers in education and social assistance have higher average wages in EGR 2 (dark blue) than in the state overall (light blue), while health care, AER, and membership workers have lower average wages.

Figure 13: Average Annual Nonprofit Wage for Select Industries (2019), EGR 2 and Indiana

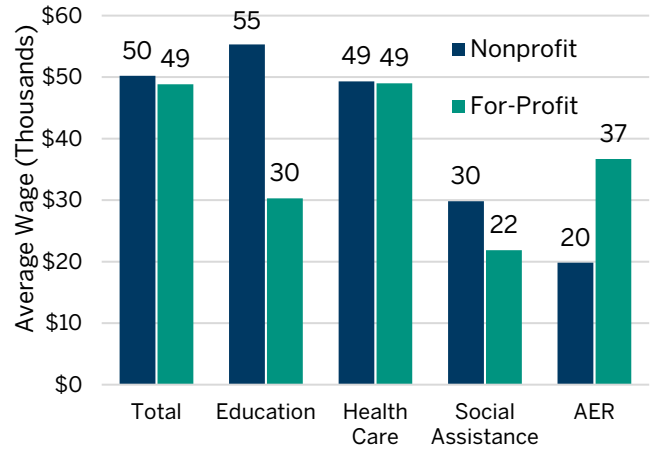


Adjusted for inflation, average annual wages for nonprofit workers increased for all industries except AER which remains the same. The largest change in average wage was for education, which increased by \$11,500 in constant 2019 dollars. The smallest change was the slight decrease in arts, entertainment, and recreation, down by 100 dollars.

Next, we compare nonprofit and for-profit annual wages within EGR 2. Figure 14 shows that average annual wages are roughly the same for nonprofit and for-profit establishments overall and for the health care industry. In education, average annual nonprofit wages are much higher, almost twice as large, as for-profit wages (\$55,000 vs. \$30,000). Average annual nonprofit wages are also higher than for-profits in social assistance (\$30,000 vs. \$22,000). Only the

AER industry has a higher for-profit average annual wage (\$37,000 vs \$20,000 for nonprofits).

Figure 14: Average Annual Wage in EGR 2 for Select Industries (2019) by Sector



From 2000 to 2019, for-profit average wages increased in social assistance (by \$1,000) and AER (by \$4,100) in EGR 2. However, they have decreased in education (by \$5,000) and health care (by \$4,300).

Summary and Conclusion

The nonprofit sector is a large economic force in EGR 2, accounting for 12 percent of all employees in the region, compared to 10 percent in Indiana. Total and particularly for-profit employment faced major losses during the first half of the 2000 to 2019 period, but largely recovered during the second half of the period.

Overall, nonprofit employment is second in size only to the manufacturing industry in EGR 2. The sector has maintained this rank since 2001 with regard to both paid employment and payroll. It also accounts for most of the overall growth in the region's employment and payroll since 2000. Manufacturing, the largest industry in EGR 2, saw heavy job losses during the two recession periods (2001 and 2008-9), as did, to a much lesser extent, retail trade. As a result, for-profit employment in 2019 is below the level it was in 2000, down by 0.4 percent. By contrast, nonprofit employment increased by 25 percent from 2000 to 2019, and government employment by 3 percent.

Nonprofit employment is concentrated in five major industries in the region: health care, education, social assistance, membership associations, and AER. Health care and education are the primary nonprofit industries, jointly accounting for 77 percent of all nonprofit jobs in EGR 2. Education in particular accounts for a significantly higher share of total nonprofit employment in EGR 2 (34 percent) than for the state as a whole (13 percent).

Nonprofits dominate several of these industries. In health care and social assistance, nonprofits account for more than half of all jobs. Nonprofits also account for more than two-fifths (43 percent) of jobs in the education industry and almost a quarter of all jobs in AER (23 percent). Compared to the Indiana as a whole, the nonprofit share of total employment in these major nonprofit industries is significantly higher in EGR 2, especially for education and health care.

Compared to Indiana overall, the education industry not only makes up a larger share of total nonprofit employment in EGR 2, but has much larger average establishments, and higher average annual wages, in constant 2019 dollars. Health care establishments in EGR 2 are on average somewhat larger than for the state as a whole, but with somewhat lower average wages. For other major nonprofit industries, nonprofits in EGR 2 have similar size of establishments and average annual wages to the state level.

Compared to for-profits in these industries, nonprofits are generally larger in terms of average size of establishments, especially for education and health care. Nonprofits pay higher average annual wages than for-profits in education and to a lesser extent in social assistance. They pay only marginally better wages than for-profits in health care, and pay notably lower wages in arts, entertainment, and recreation.

Overall, EGR 2 faced severe economic challenges during the 2000-2019 period, particularly during the Great Recession of 2008-09. The region's overall positive growth appears to be due in large part to the health and vitality of the nonprofit sector in the region.

Appendix A: Methodology

Source of Data

The two sources of data for this report is the Quarterly Census of Employment and Wages (QCEW, once called ES-202) and IRS Exempt Organization's Master File/Business Master File (EOMF/BMF). We use both sources in order to construct the best possible estimate of nonprofit employment in Indiana.

Scope of Data

The QCEW is a cooperation between the U.S. Bureau of Labor Statistics, the U.S. Department of Labor, and State Employment Security Agencies. In Indiana, the Department of Workforce Development works with the Indiana Business Research Center (IBRC) to produce quarterly counts of employers, employees, and wages for the state, Metropolitan Statistical Areas (MSA), Economic Growth Regions (EGR), and counties by industry as defined by the North American Industry Classification System (NAICS). Nationwide, the QCEW covers over 95 percent of U.S. jobs⁷.

The BMF lists all tax-exempt entities registered under section 501(c) of the Internal Revenue Code. Among other fields, the file includes the exempt entity's name, reporting address, Federal Employer Identification Number, and the Internal Revenue Code Subsection under which it is recognized and registered by the Internal Revenue Service. We include all twenty-six subsections of 501(c) entities in the BMF, of which most (74 percent in Indiana) are registered under subsection 501(c)(3) and are commonly referred to as charities. Nationally, the BMF includes 1.8 million exempt organizations.⁸

Data Processing and Cleaning

The Indiana Business Research Center (IBRC) at Indiana University reconciles the data in the two sources using Employer Identification Numbers (EINs) to identify private nonprofit establishments in the QCEW files. IBRC then aggregates the data by industry, region, and sector (nonprofit, for-profit, and government), and applies legally mandated confidentiality screens. Thus, data are suppressed if the aggregate includes less than three establishments, if one establishment comprises more than 80 percent of the employment of a data grouping, or if suppressed data can be estimated from other available data. We standardize the names of data fields, compute annual counts of establishments, number of employees, total payroll, and average annual wages by industry and subindustry for all sectors, and by region.

Limitations

The QCEW covers an estimated 95 percent of all paid employees.⁹ However, certain employees are not required to participate, including religious organizations and charities with less than four employees.¹⁰ These omissions from the QCEW data are important for our analysis since it means we underestimate nonprofit employment in Indiana. To quantify the extent of the underestimation, we rely on data obtained from our large 2017 Indiana Nonprofits Survey, based on a randomly selected sample of all types of Indiana nonprofits. This survey effort involved combining and de-duplicating nonprofits registered with the IRS under section 501(c), incorporated nonprofits from the Indiana Secretary of State (SOS), and Yellow Page Listing of Churches (Infogroup).¹¹

⁷ The U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages. United States Department of Labor, 2020. Available at <https://www.bls.gov/cew/>, retrieved January 13, 2020.

⁸ Internal Revenue Services, Exempt Organizations Business Master File Extract. Internal Revenue services, 2019. Available at www.irs.gov/charities-non-profits/exempt-organizations-business-master-file-extract-eo-bmf, retrieved November 15, 2020.

⁹ The U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages. United States Department of Labor, 2020. Available at https://www.bls.gov/cew/overview.htm#data_available, retrieved February 10, 2020.

¹⁰ Exceptions include proprietors, unincorporated self-employed, unpaid family members, certain farm and domestic workers, certain railroad workers, some workers who earned no wages during the entire applicable pay period (e.g., because of work stoppages, temporary layoffs, illness, or unpaid vacations), select elected officials, members of the armed forces, certain short-term government employees. In Indiana, insurance agents on commission, casual labor not in course of employer's business, part-time service for nonprofits, student nurses and interns, and students working for schools are not required to participate. Employment and Training Administration, ETA Overview. United States Department of Labor, 2020. Available at <https://oui.doleta.gov/unemploy/pdf/uilawcompar/2019/coverage.pdf>, retrieved February 10, 2020.

¹¹ The 2017 Indiana Nonprofits Survey allows a clearer picture of unaccounted nonprofit employees. Using the sample statistics, we estimated the mean and median number of paid employees per establishment. These numbers were then used on the de-duplicated universe of nonprofits in Indiana created using the IRS, Secretary of State, and Infogroup data. For more details see the 2017 ARNOVA Conference paper cited below.

The exclusion of religious organizations is likely to be most important. Congregations are neither required to register as tax-exempt entities with the IRS nor participate in the QCEW reporting system. We estimate that there are about 8,800 congregations in Indiana,¹² but only 174 were included in the QCEW data for 2019. Using a conservative estimate of 3 paid employees per congregation, the 8,800 congregations are likely to have at least 26,500 paid employees, but perhaps as many as 77,300.¹³ The QCEW only reports 1,426 employees of religious establishments, suggesting that our estimate of nonprofit employees in Indiana is undercounted by at least 25,100 religious employees, but the true underestimate is likely closer to 75,800.

Charities with less than four employees are also not required to participate in QCEW. Based on the 2017 Indiana Nonprofit survey, we estimate that there are almost 3,700 IRS-charities that are not churches that have at least 1 but less than four paid employees. The survey also shows that these small charities employ an average of 1.7 employees, suggesting that there should be a total of 6,400 employees. Although some of these are indeed included in the QCEW data, that is the case for only 943 establishments with 1,814 paid employees. Consequently, our estimate of nonprofit employees in Indiana is underestimated by about 4,600 employees.¹⁴

Finally, not every nonprofit in Indiana registers with the IRS, but some nevertheless are incorporated with the Indiana Secretary of State (SOS). As part of our efforts to develop the sample for our 2017 survey, we estimate that roughly 18,566 nonprofits were incorporated with the SOS, but not registered with the IRS. From our 2017 Indiana Nonprofit Survey, we estimate that about 14 percent of these (about 2,700 nonprofits) had employees with a median of 6.5 employees, for a total of roughly 17,200 employees.¹⁵ If those employers report to the QCEW system, they would be classified as for-profit employers under our methodology. It seems clear that the actual number of nonprofit paid employees is substantially higher, probably by at least 46,950 than the numbers we are able to document.

There are other potential sources of error in the QCEW data. Thus, the number of employees is measured by the number of filled jobs for the pay period that includes the 12th day of each month as reported by the employer. There is no distinction between part-time and full-time employees in this count. Under this system, a person working two jobs would be double counted.

Similarly, the BMF used to identify nonprofits in the QCEW data is not comprehensive. Some nonprofits are not required to register with the IRS as exempt entities. In addition to religious organizations, nonprofits with less than \$5,000 in revenues, political groups, and homeowners' associations do not need to register.¹⁶ Unfortunately, we can only identify private establishments as nonprofits in the QCEW data, if they are registered with the IRS; all other nonprofits that have paid employees in the QCEW data will by necessity be classified as for-profit establishments.

In addition, some for-profit companies may have nonprofit subsidiaries and the QCEW would not identify the subsidiaries as nonprofit in their records. The reverse is also true – if nonprofits have commercial subsidiaries, the latter would be counted as a nonprofit. Regarding wages, the QCEW counts bonuses, stock options, the cash value of meals and lodging, and tips and gratuities in addition to wage. However, fringe benefits (such as employer contributions to health insurance or pensions) are not included.

Finally, the IRS status in the EOMF is as of March or April of the data year in question. Any newly registered exempt entities may not be included, since the process to identify nonprofits may take up to several months. We believe the error is relatively insignificant, but we cannot confirm that assumption. The same situation occurs for entities that

Surveying Nonprofits: Sampling Strategies and Quality, by Kirsten A. Grønberg, Ashley Clark, Hannah Martin, Tyler Abbott, and Anthony Colombo (Bloomington, IN: Indiana University School of Public and Environmental Affairs, November, 2017).

¹² The Infogroup (yellow page) listing includes about 9,600 congregations; de-duplication leaves just over 8,800.

¹³ The underestimate of 25,100 employees is conservative as a result of using the median number of employees per congregation from the 2017 Indiana Nonprofit survey. Using the mean value of 8.75, the underestimation would be closer to 75,900 employees. The latter is likely more valid, since the 174 congregations included in the QCEW data for 2019 have an average of 8.2 employees, very close to the survey mean.

¹⁴ The QCEW data show that charities with less than four paid employees on average have 1.92 employees. This is very close to average estimate based on the survey (1.7) suggesting that this underestimate is likely to be fairly accurate.

¹⁵ The employee estimate is conservative using the low median of 6.5. The mean number of employees is 17.5 which suggests an employee count of nearly 46,000.

¹⁶ Internal Revenue Services, Tax-Exempt Status for Your Organization. United States Department of the Treasury, 2020. Available at <https://www.irs.gov/pub/irs-pdf/p557.pdf>, retrieved February 10, 2020.

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convert to for-profits during the data year. Then, although the EOMF lists them as nonprofits, they technically would cease to be nonprofits during the year. In either case, if these entities have employees and payroll during the year, they would be counted as for-profits. These limitation leads to discrepancies between the true count of Indiana nonprofit employment and the estimates developed by the Indiana Nonprofits Project.

Appendix B: Payroll Graphs

Figure A: Distribution of Nonprofit Payroll (2019\$) by County for EGR 2

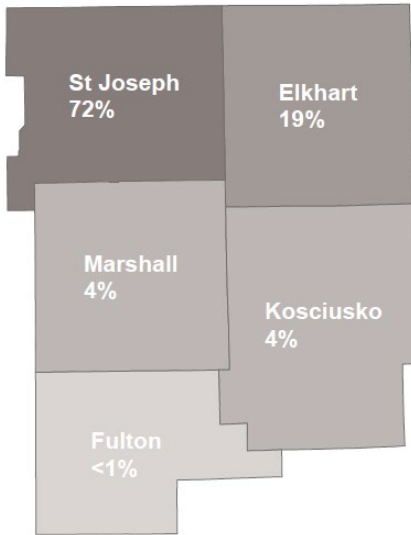


Figure B: Nonprofit Share of Total Payroll (2019\$) by County for EGR 2

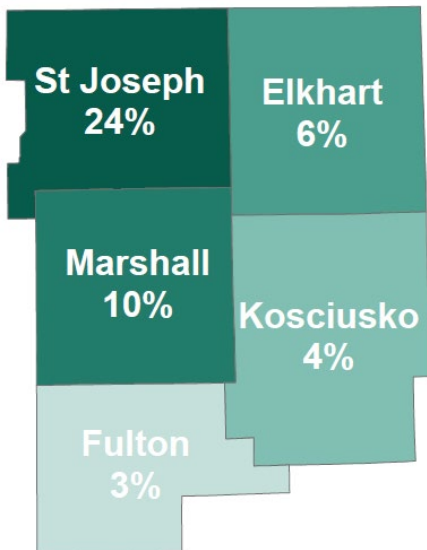


Figure C: Percent Annual Change in Total Nonprofit Payroll in Constant Dollars (2019), EGR 2 and Indiana

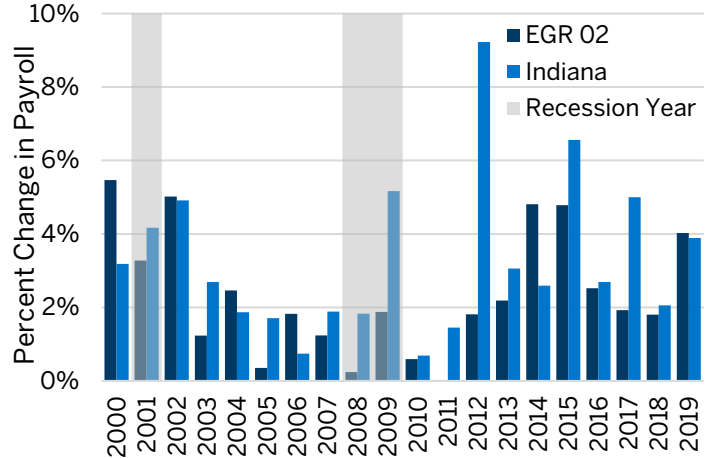


Figure D: Industry Distribution of Nonprofit Payroll (2019), EGR 2 and Indiana

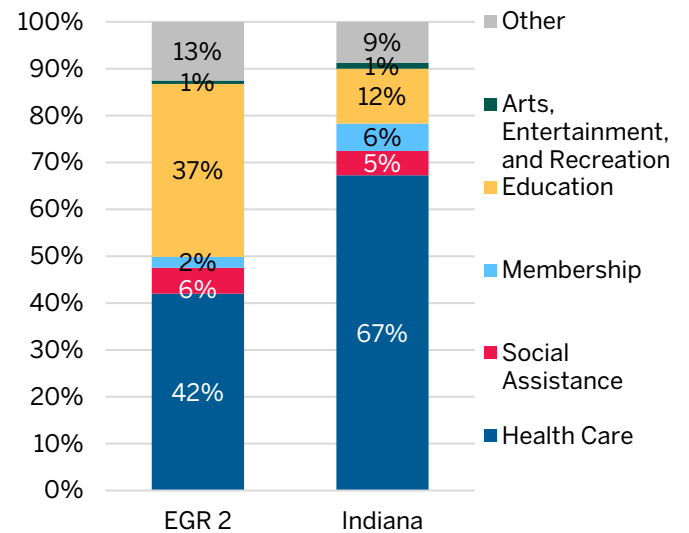
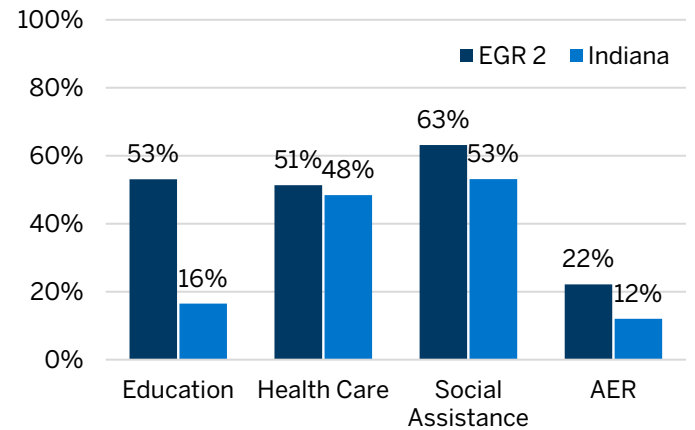


Figure E: Nonprofit Payroll as Percent of Total Payroll, by Select Industries (2019)





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