



INDIANA NONPROFITS PROJECT  
NONPROFIT EMPLOYMENT: REGIONAL SERIES  
REPORT #11

# Nonprofit Paid Employment in Economic Growth Region 3, Indiana, 2000-2019

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The O'Neill School of Public & Environmental Affairs at Indiana University  
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Copies of this report are available on the Indiana Nonprofit Sector Website ([www.indiana.edu/~nonprof](http://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 (AER), and more.

However, nonprofits also have a significant impact on the state’s overall economy. The \$15 billion<sup>1</sup> 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 Northeast Indiana, Economic Growth Region 3, 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 3: Northeast Indiana



Economic Growth Region (EGR) 3 is composed of eleven counties – Adams, Allen, DeKalb, Grant, Huntington, LaGrange, Noble, Steuben, Wabash, Wells, and Whitley – and includes the Fort Wayne Metropolitan Statistical Area (MSA). In 2019, the region’s

353,000 paid workers earned a total payroll of over \$15.8 billion.

### Employment and Payroll

Of the region’s total employees, just over 38,000 worked for nonprofits in 2019. These employees are distributed across the eleven

## Quick Facts

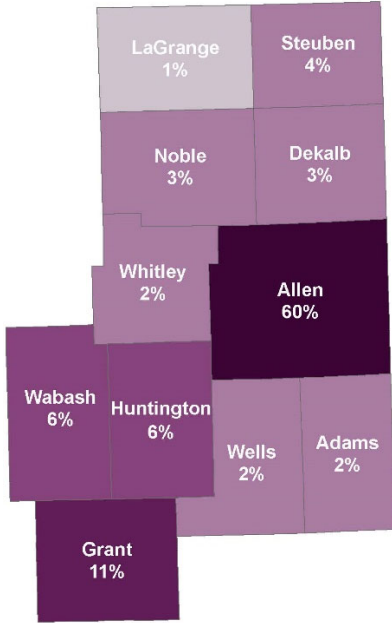
- Nonprofits employed 38,000 workers in the EGR 3 region with a total payroll of \$1.7 billion in 2019 – 11 percent of both all paid employees and of the total payroll in the region.
- By 2019, nonprofit employment trailed only employment in manufacturing, having surpassed employment in retail trade in 2018 (Fig. 4).
- Nonprofit payroll trails only manufacturing, and that gap has narrowed over the 2000-2019 period (Fig. 5).
- Nonprofit employment and payroll (adjusted for inflation) have grown considerably more than for-profit or government employment (Fig. 6 and 7).
- Nonprofit employment has grown almost every year since 2000 (Fig. 8).
- Most nonprofit employees work in health care (55%) and education (17%). The rest are distributed fairly evenly among social assistance, membership associations, and all other industries (Fig. 9).
- Nonprofit employees account for about half of all health care and social assistance workers (Fig 10).
- Nonprofits have more employees on average than for-profit establishments in the same industries (Fig. 12).
- Average annual wages are higher for nonprofit employees than for-profit workers in all major nonprofit industries (Fig. 14).

counties, as shown in Figure 1. Allen County (60 percent) has the largest percentage, distantly followed by Grant County (11 percent). Wabash and Huntington both have 6 percent each and the remaining 17 percent are spread throughout the remaining seven

<sup>1</sup> All payroll values in this report are in constant 2019 dollars.

counties. These distributions have remained mostly unchanged since 2000. Of the 92 counties in Indiana, Allen County has the fourth largest share of Indiana’s total nonprofit employees at 8 percent.

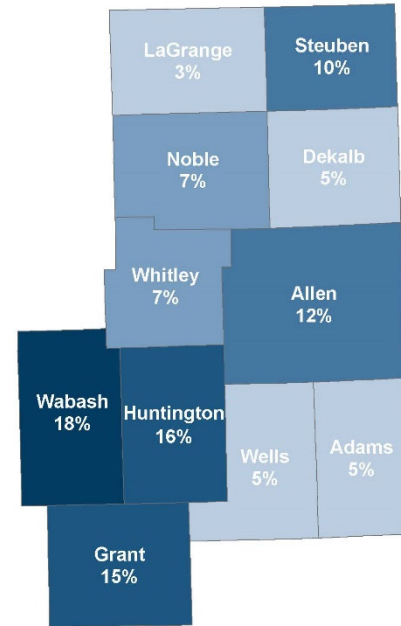
**Figure 1: Distribution of Nonprofit Paid Employment (2019) by County for EGR 3**



The nonprofit payroll of \$1.7 billion in EGR 3 is distributed quite similarly across the seven counties. However, Allen County accounts for a larger share (68 percent) of the nonprofit payroll than employees in EGR 3, with the rest of the nonprofit payroll distributed among the remaining counties in nearly the same percentages as nonprofit employment. Allen County’s share of the region’s nonprofit payroll increased by 11 percentage points from 2000 to 2019 (from 56 to 68 percent)<sup>2</sup>, while Grant County’s share decreased by 6 points (from 16 to 11 percent). The shares of the remaining nine counties changed only minimally or not at all over the 20-year period. See Figure B1 in Appendix B for more details on the distribution of nonprofit payroll across the eleven counties in EGR 3.

Analysis of nonprofit employment as a percentage of total employment shows the important economic role that nonprofits play in the region. The 38,000 nonprofit employees in EGR 3 make up 11 percent of the region’s total employment, but the nonprofit share varies considerably among the region’s 11 counties (Figure 2). In 2019, Wabash County had the highest share of nonprofit employees (18 percent), followed by Huntington (16 percent), Grant (15 percent), Allen (12 percent), and Steuben counties (10 percent).<sup>3</sup> The nonprofit share of total employment in the remaining counties ranged from 7 percent in Whitley and Noble counties, to 3 percent in LaGrange County. Since 2000, nonprofits have increased their share of total employment in every county except for Whitley where it decreased by 1 percentage point.

**Figure 2: Nonprofit Share of Total Paid Employment (2019) by County for EGR 3**



The pattern for nonprofit share of total payroll is largely similar to the nonprofit share of employment in each county, except for Wabash and Huntington counties where nonprofits

<sup>2</sup> Counts do not add up due to rounding.

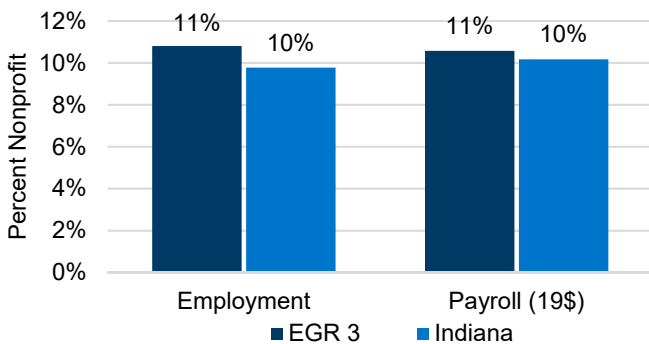
<sup>3</sup> The relatively high nonprofit share of total employment in these counties likely reflect the presence of a number of nonprofit colleges and universities, including Huntington University, Indiana Institute of Technology, Indiana Wesleyan University, Manchester University, Trine University, and University of Saint Francis.



account for a slightly smaller share (14 percent) of total payroll in each county than of total employment. Since 2000, nonprofit employees have increased their share of total payroll in almost every county, especially in Allen County (an increase of 7 percentage points). Only Whitley County saw a decline in the nonprofit share of total payroll and by less than 1 percentage point. See Figure B2 in Appendix B for more details on nonprofit share of total payroll.

Overall, the nonprofit share of EGR 3 employment and payroll, adjusted for inflation, is higher (10 vs. 11 percent) than for the state as a whole (Figure 3) and ranks fourth among the state’s 11 EGRs. Since 2000, the nonprofit share has increased for both employment and payroll. Nonprofit shares of total payroll more than doubled (from 5 to 11 percent), a notably greater increase than the nonprofit share of total employment (up from 7 to 11 percent). The relatively high growth of nonprofit payroll suggests that the region’s nonprofit establishments disproportionately added relatively well-paying jobs over the period. Clearly, the nonprofit sector is an important component of the region’s economy.

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

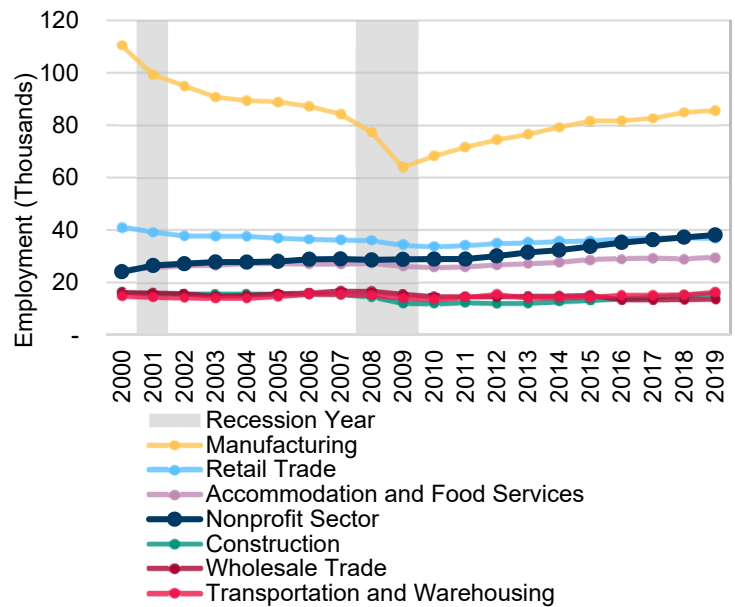


### Industry Comparisons

We explore the importance of nonprofit employment in the region further by comparing it

to the six largest for-profit industries in EGR 3. In 2019, total nonprofit employment (dark blue line in Figure 4)<sup>4</sup> ranked second only to manufacturing in the region (having surpassed retail trade in 2017). Manufacturing (yellow line) dominates almost all of Indiana’s economic growth regions and this remains true in EGR 3. In 2000, nonprofit employment stood at 24,000 employees, notably behind manufacturing at 110,500 workers), but at that time, it was also trailing retail trade and about on par with accommodation and food services.

**Figure 4: Nonprofit Paid Employment Compared to Key Private Sector Industries (2019) for EGR 3**



However, by the end of the 20-year period, nonprofit employment had grown by over 14,000 employees (an increase of 59 percent) and had surpassed employment in all major for-profit industries, except manufacturing. The latter experienced major job losses between 2000 and 2009, particularly during the Great Recession from 2008 to 2009 and was down by 42 percent or 46,500 jobs since 2000. After 2009, manufacturing slowly increased again to reach 85,700 jobs in 2019. However, that was still 24,900 jobs below the number of manufacturing jobs in 2000.

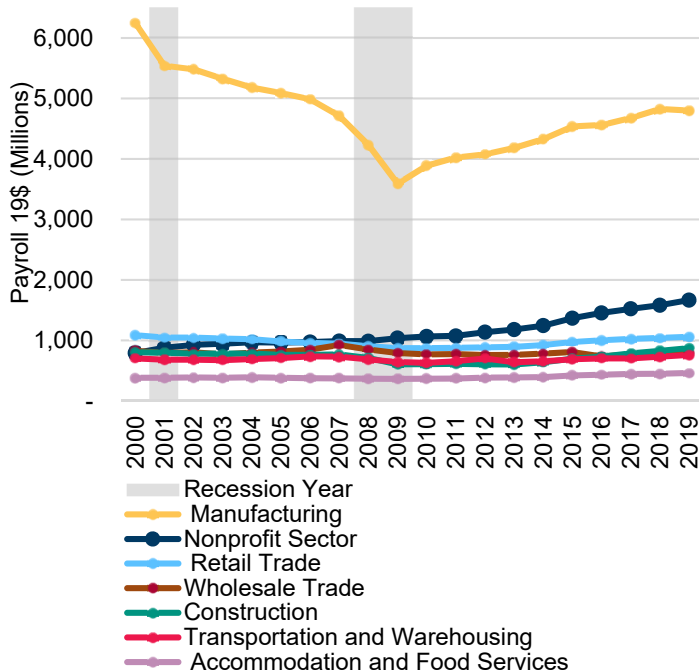
<sup>4</sup> Some of these industries have a small number of nonprofit workers, so some nonprofit workers may be double counted.

In addition to manufacturing, the retail trade industry also lost employment, decreasing by a total of 4,000 jobs, followed by wholesale trade which lost 2,300 jobs. Construction jobs also decreased, but were down only by 600 employees. Both accommodation and food services, and transportation and warehousing increased modestly, by 4,300 and 1,400 employees respectively.

Overall, most for-profit industries remained fairly stable through the entire period, except for the major losses and slow recovery in manufacturing.

The corresponding analysis of payroll, in constant 2019 dollars, shows that total nonprofit payroll (dark blue line in Figure 5) increased from almost \$800 million in 2000 to nearly \$1.7 billion in 2019, adjusted for inflation. In 2000, nonprofit payroll ranked fifth compared to major for-profit industries, but by 2019 trailed only manufacturing (yellow line), having surpassed retail trade (light blue line) already in 2006.

**Figure 5: Nonprofit Payroll Compared to Key Private Sector Industries (2019) for EGR 3**



Manufacturing payroll declined, particularly during the Great Recession, but less dramatically than jobs in that industry, confirming that this industry has better paying jobs than other industries. Manufacturing payroll in 2019 remains nearly three times as large as nonprofit payroll and at least five times larger than any of the other major for-profit industries in the region.

Retail trade, which began the period with higher payroll than nonprofits, decreased by \$29 million by 2019 (adjusted for inflation) resulting in nonprofit pay overtaking retail in 2006 and exceeding it by \$608 million in 2019. Manufacturing, wholesale trade, and retail trade were the only industries to experience a decrease in total payroll, overall.

**Growth in Nonprofit Employment and Payroll**

Total employment in EGR 3 declined by almost 3 percent between 2000 and 2019, for-profit jobs declined by almost 8 percent and government jobs by 2 percent. By contrast, total nonprofit jobs increased by 59 percent. However, these overall changes hide notable differences between the first half of the period, 2000-2009 (including the 2001 recession and the Great Recession of 2008-2009), and the second half, 2009-2019.

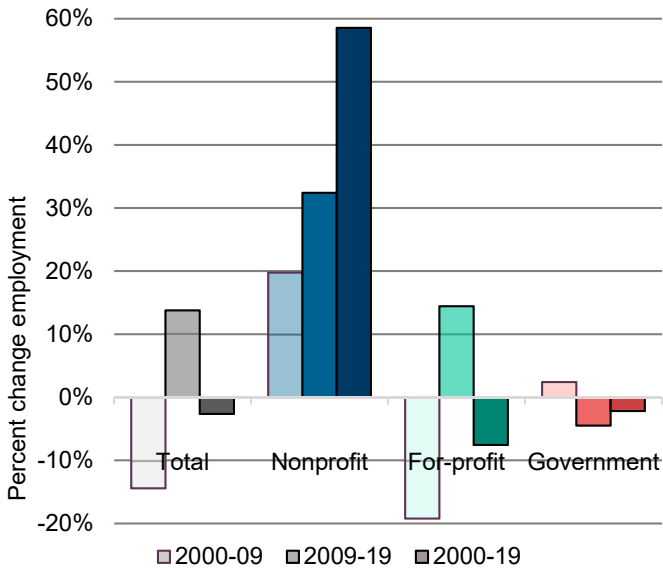
Figure 6 shows the percent change in total paid employment for 2000-2009, 2009-2019, and total change of 2000-2019 for each sector as well as total employment. Looking at the total employment (left group of bars in Figure 6), we see that from 2000-2009 (lightest shade bar), employment decreased by 14 percent, then increased by 14 percent from 2009-2019 (middle shade bar), resulting in an overall decrease of 3 percent for the entire period, down from 362,000 employees in 2000 to 353,000 employees in 2019.

Figure 6 also shows that only the nonprofit sector grew in both halves of the period as well



as having the overall highest overall growth. During the first half of the period, nonprofit employment increased by 20 percent and then grew another 32 percent during the second half of the period for an overall increase of 14,100 jobs (up 59 percent) over the entire period.

**Figure 6:** Percent Change in Total Paid Employment in EGR 3 by Sector, 2000-09, 2009-19, 2000-19



The significant increase in nonprofit employment appears to have been driven to a significant extent by growth in nonprofit health care jobs – and particularly in nonprofit general medical and surgical hospitals. Nonprofit health care increased by 10,500 jobs during the period (accounting for 74 percent of the total gain in nonprofit jobs) and nonprofit hospitals more than doubled in total employment over the period.

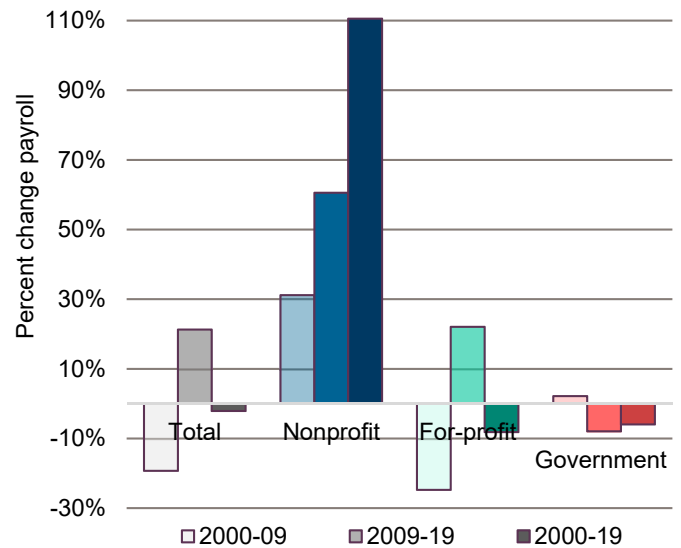
Conversely, for-profit employment dropped significantly in the first half of the period followed by a notable growth in the second half. The initial decline of 19 percent can be traced to the significant job loss in the manufacturing industry with some impact from losses in the retail and the wholesale trade industries. During the second half of the period, for-profit employment grew by 14 percent, also driven mostly by manufacturing gains, for an overall

decrease of 8 percent over the full period.

Changes in government employment were more modest but also fluctuated. Public sector jobs increased during the first half of the period although by only 2 percent. While both nonprofit and for-profit jobs grew during the second period, government employment dropped by 4 percent, for an overall decline of 2 percent.

The pattern for payroll growth follows the same trends as employment as shown Figure 7, although the percent change values are higher. Total payroll decreased by 19 percent in the first period but increased by 21 percent in the second. This recovery in total payroll resulted in a small decrease of only -2 percent overall.

**Figure 7:** Percent Change in Constant 2019 Dollars in Total Payroll in EGR 3 by Sector, 2000-09, 2009-19, 2000-19



Again, nonprofit payroll increased considerably in each period, up respectively 31 and 61 percent and more than doubled over the entire period (up 111 percent), adjusted for inflation. For-profit payroll dropped 25 percent in the first period, but then increased by 22 percent in the second, for a net decrease of -8 percent. Government payroll increased by 2 percent in the first period, followed by an -8 percent decrease in the second half for an overall decline of -2

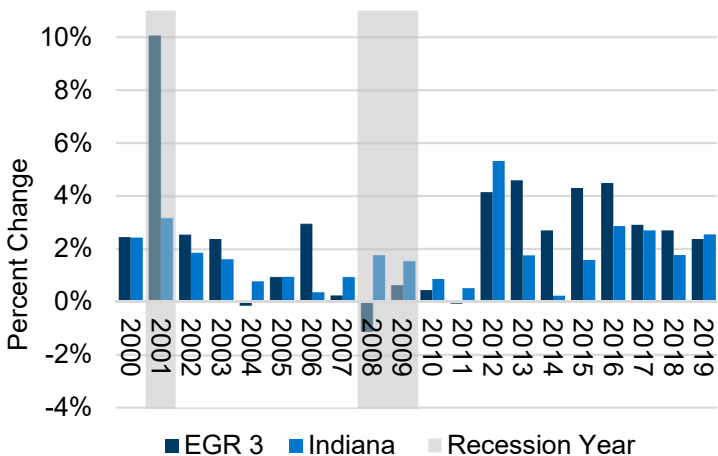
percent.

As we look closer at annual trends, we can see that nonprofit employment in EGR 3 increased by an average of 2 percent, annually. For-profit employment decreased by an annual average of 0.4 percent while government and total employment both decreased by an annual average of only 0.1 percent.

As stated in the previous section, nonprofit employment decreased annually in only 3 of the total 20 years. On the other hand, for-profit, government, and total employment saw decreases in 8, 10, and 7 years, respectively.

Figure 8 compares the annual growth in nonprofit employment in EGR 3 with the annual growth in nonprofit jobs for the state as a whole. We see that nonprofit jobs in the region grew faster than the state for 11 of the 20 years between 2000 to 2019.<sup>5</sup> However, the average annual nonprofit growth rate is roughly the same for both – slightly below 2 percent for Indiana and slightly above 2 percent for EGR 3.

**Figure 8:** Percent Annual Change in Total Nonprofit Paid Employment, EGR 3 and Indiana



The annual trends shown in Figure 8 should be

interpreted with caution, however. For smaller units of aggregation (such as EGRs), changes in how data are reported and/or establishments are classified by reporting organizations and/or the Bureau of Labor Statistics become more evident. These technical changes may account for at least some of the variations in annual growth rates shown here. We don't know the true incident of such changes, but we have identified some for virtually all Indiana EGRs.

Similar comparisons of annual rates of growth in nonprofit payroll in EGR 3 with the annual growth of nonprofit payroll in Indiana show similar patterns. In 12 of the 20 years, nonprofit payroll grew on average faster in EGR 3 than in Indiana. Overall, nonprofit payroll in EGR 3 increased by an average of 4 percent annually, while Indiana's nonprofit payroll grew by only 3 percent annually. See Figure B3 in Appendix B for more details.

**Major Nonprofit Industries**

We turn now to a look at major nonprofit industries. As Figure 9 shows, five industries account for almost all nonprofit workers in both EGR 3 and Indiana: health care, education, social assistance, "membership,"<sup>6</sup> and arts, entertainment and recreation (AER). Combined, these industries make up 93 percent of total nonprofit employment in EGR 3 and 92 percent of Indiana's nonprofit employment.

The distribution of nonprofit employment among these major nonprofit industries is largely similar between EGR 3 and Indiana (Figure 9). In both cases, health care accounts for more than half of all nonprofit employees (respectively 55 and 56 percent), followed by education (17 and 13 percent respectively). Social assistance and the "membership" industry each account for 9 percent of total nonprofit employment in both the region and for Indiana overall. Arts, entertainment and recreation (AER) accounts for 2 percent in

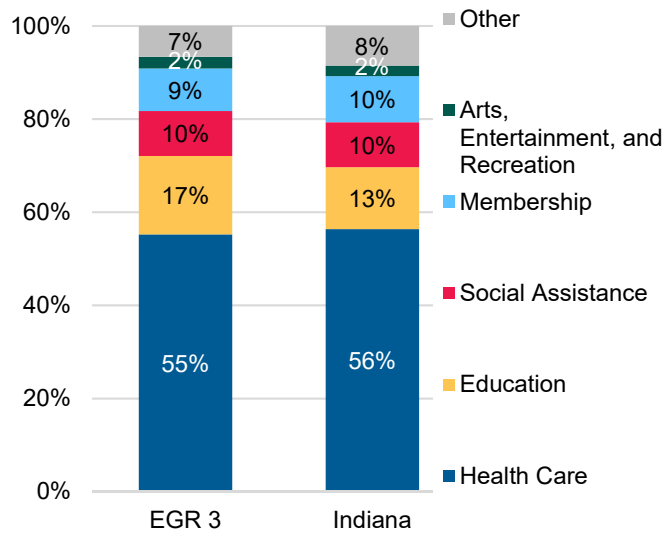
<sup>5</sup> The significant increase in 2001 appears to be related to a conversion of a health care establishment from for-profit to nonprofit status.

<sup>6</sup> The official NAICS name of this industry is religious, grantmaking, civic, and professional associations.

each case. The rest (7 percent for EGR 3 and 8 percent for Indiana) are spread out across almost all other industries.

The distribution of nonprofit payroll follows a very similar pattern, although health care absorbs a higher percent of total nonprofit payroll (69 percent for EGR 3 compared to 55 percent of nonprofit employment), suggesting that health care jobs pay somewhat better wages. That pattern is also similar to the overall state, where health care accounts for 67 percent of total nonprofit payroll, compared to 56 percent of nonprofit jobs. See Figure B4 in Appendix B for more details.

**Figure 9: Industry Distribution of Paid Nonprofit Employment (2019), EGR 3 and Indiana**

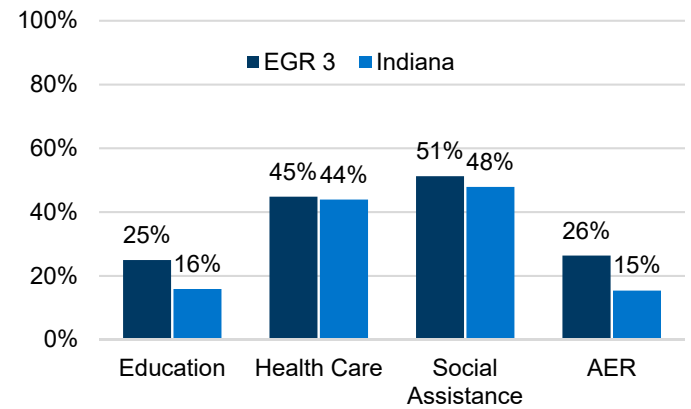


Next, we look closer at how important nonprofit employment is in each of these major nonprofit industries. As Figure 10 shows nonprofits in EGR 3 account for more than half of all paid employees in social assistance, more than four in ten workers in health care, and about a quarter of all workers in education and in AER. The “membership” industry is almost entirely composed of nonprofits and has been excluded from Figure 10.

Nonprofits in EGR 3 (dark blue bars) account

for higher percentages of all employees in each of the major nonprofit industries compared to that of Indiana (light blue bars). That is especially true for education (25 vs. 16 percent) and arts, entertainment, and recreation (26 vs. 15 percent). The difference for social assistance is only 3 percentage points (51 vs. 48 percent) and only 1 percentage point for health care (45 and 44 percent, respectively).

**Figure 10: Nonprofit Employment as Percent of Total Paid Employment, by Select Industries (2019), EGR 3 and Indiana**



Since 2000, the nonprofit share of total social assistance employment in EGR 3 has dropped significantly (from 78 to 51 percent). It has also declined in arts, entertainment, and recreation (from 34 to 26 percent). By contrast, nonprofits have become somewhat more important in education and health care; both saw increases in the nonprofit share of total employment by 5 and 12 percentage points, respectively.

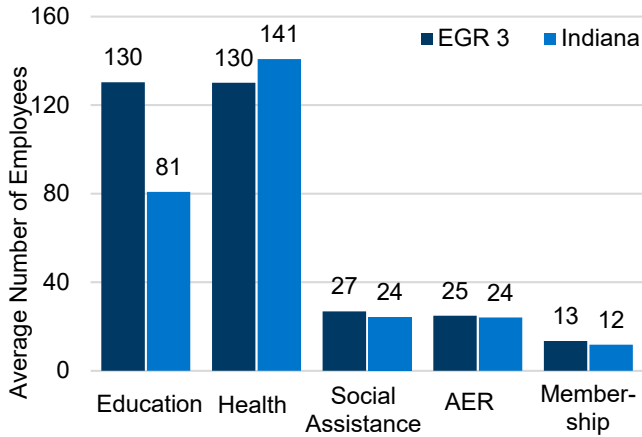
**Average Size of Nonprofit Establishments**

To get a sense of how these nonprofit industries are structured we look at the average size of establishments. 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. nursing homes 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 3 (dark blue bar in Figure 11) are much larger (by a factor of five or more) in health care and education (each about 130 per establishments) than in the other three nonprofit industries. These large sizes most likely reflect the presence of several large nonprofit hospitals and a number of nonprofit colleges and universities in the region. In contrast, the average size of establishments is much smaller in social assistance (27 workers), AER (25 workers), and especially in “membership” establishments (13 workers).

**Figure 11: Average Size of Nonprofit Establishments by Select Industries (2019), EGR 3 and Indiana**

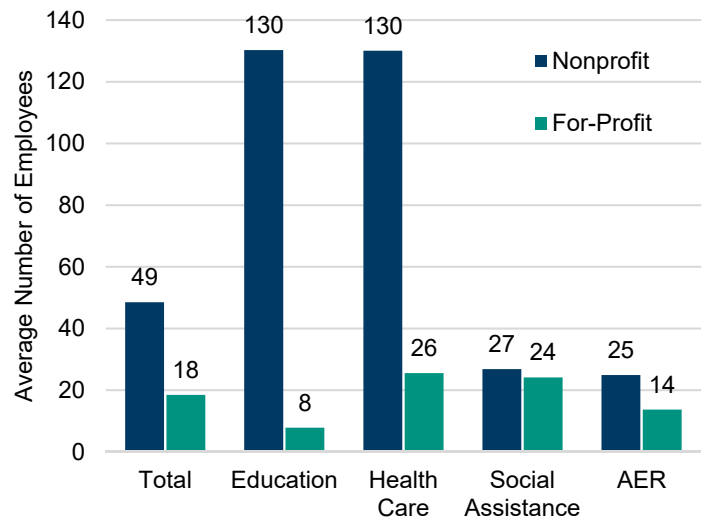


EGR 3 establishments are larger, on average, than in Indiana (light blue bar) in every industry except health care. This is most notable in education where the average establishment in the region employs 130 employees compared to Indiana overall which on average has only 81 employees per establishment. In health care, nonprofit establishments in Indiana have on average 141 employees while EGR 3’s health care establishments have 130 employees, on average.

More detailed analysis shows that the overall average size of nonprofit establishments across all industries increased slightly over time (up from 37 in 2000 to 49 in 2019) as did the average size of establishments in health care (up 27 employees) and membership associations (up 3). The average number of employees per establishments decreased in all remaining major nonprofit industries: education (down 28), social assistance (down 9) and AER (down 5).

When comparing average size of nonprofit and for-profit establishments in EGR 3, we see nonprofits have larger establishments both overall (49 vs. 18) and in each of the major nonprofit industries (Figure 12). This is most pronounced in education and health care. In education, nonprofits employ 17 times the average number of employees per establishment in for-profits (130 vs. 8). In health care the ratio is more than five to one, with nonprofits employing 130 workers on average compared to only 26 for for-profits. The average size differences in social assistance and arts, entertainment, and recreation are much smaller, but nonprofit establishments are still larger than their for-profit counterparts.

**Figure 12: Average Size of EGR 3 Establishments (2019)**



**Average Annual Nonprofit Wages**

Lastly, we look at average wages in the same

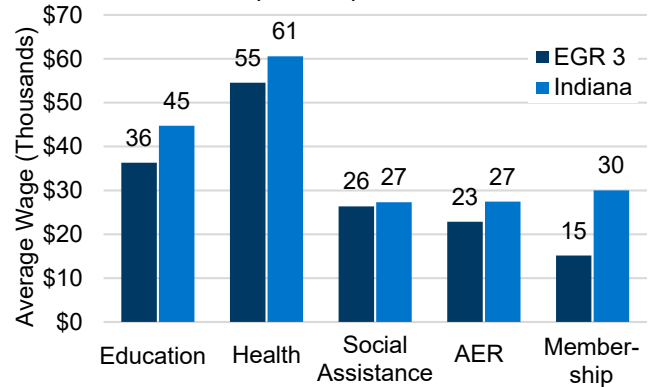
major nonprofit industries. This is calculated as total payroll divided by the total number of employees. As for average size of establishments, these values should be interpreted with caution, since averages may hide very large or very low annual wages in some establishments or sub-industries. In addition, the number of employees include both part-time and full-time workers, so that 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.

Average annual wages in EGR 3 are highest in health care (\$55,000), followed by education (\$36,000). Average wages are notably lower in social assistance (\$26,000) and AER (\$23,000) and only \$15,000 in “membership” establishments, suggesting that the latter in particular may have a number of part-time workers.

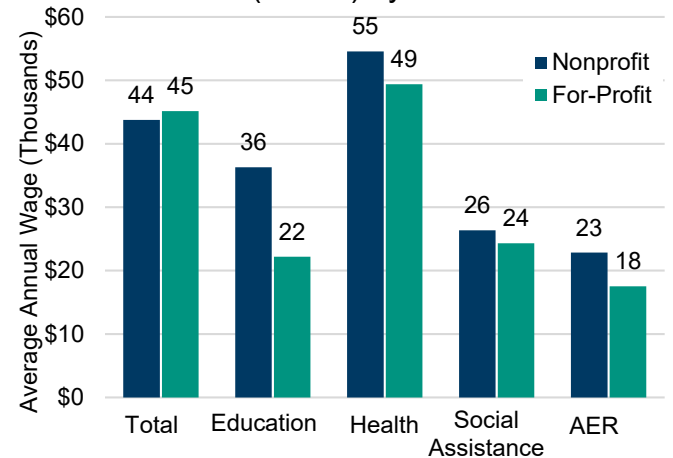
Compared to average nonprofit wages in the state, annual nonprofit wages in EGR 3 were somewhat lower in EGR 3 (\$44,000 vs. \$51,000). As Figure 13 shows, this holds for each of the major nonprofit industries. The difference is particularly pronounced in “membership” establishments (\$15,000 vs. \$30,000) but is also notable in education and health care (differences of respectively \$8,000 and \$6,000). In social assistance and arts, entertainment, and recreation, differences in average wages are lower by respectively \$1,000 and \$4,600 in EGR 3 compared to Indiana.

When compared to average annual wages in for-profit establishments, those working for nonprofits on average earn between \$2,000 and \$14,000 more per year than those employed by for-profits in the same major nonprofit industries (Figure 14). The only exception was in overall average wages for all industries, where for-profit annual average wages (\$45,000) are slightly higher than those earned by all nonprofit employees (\$44,000).

**Figure 13: Average Annual Nonprofit Wage for Select Industries (2019\$), EGR 3 and Indiana**



**Figure 14: Average Annual Wage in EGR 3 for Select Industries (2019\$) by Sector**



### Summary and Conclusion

EGR 3’s nonprofit sector is a large economic force in the region, accounting for 11 percent of the workforce and payroll in the region, compared to 10 percent for both in Indiana. Importantly, the nonprofit sector in EGR 3 grew significantly, and almost continuously, over the 2000-2019 period, despite the lasting damages inflicted upon the region by massive losses of manufacturing jobs and two recession periods, particularly the Great Recession.

Between 2000 and 2019, total employment saw a net decline of 3 percent, due to losses in government and especially in for-profit employment over the period. For-profit employment dropped significantly in manufacturing, but construction, retail trade, and wholesale trade all

dropped as well.

As a result, the nonprofit sector has been an important stabilizing force in the region. Overall, nonprofit employment increased more in total (59 percent) over the entire period, at a higher rate, and in more years than both government and for-profit employment. Nonprofit payroll more than doubled from \$800 million to \$1.7 billion, adjusted for inflation, reflecting the growth of relatively high paying jobs in medical care, particularly hospitals.

Nonprofit employment is concentrated in five major industries in EGR 3: health care, education, social assistance, membership associations, and arts, entertainment, and recreation. Health care accounts for more than half (55 percent) of all nonprofit employees in the region, followed by education at a distant second (17 percent). The remaining nonprofit employees are distributed across the remaining nonprofit industries fairly evenly with the exception of arts, entertainment, and recreation which accounts for only 2 percent.

Nonprofits employ almost all those working for membership and related establishments, but also almost half of all social assistance workers and 45 percent of all health care workers. They account for smaller, but still important shares of total employment in education (25 percent) and arts, entertainment and recreation (26 percent).

The average size of nonprofit establishments is largest in education and health care, each with 130 employees on average. Social assistance and AER establishments are notably smaller with an average of 27 and 25 employees, respectively. Membership establishments are smaller still, with an average of 13 employees. Nonprofit establishments tend to be larger on average in EGR 3 than those in the state as a whole (except for health care). They also tend to be larger than for-profit establishments in the same industries, especially in education and health care where nonprofits were more than 16 times larger on average in education and 5 times larger in health care.

Nonprofit average wages were the highest in the health care industry (\$55,000), followed by education (\$36,000), social assistance (\$26,000), and arts, entertainment and recreation (\$23,000), with average wages in and membership establishments (\$15,000) trailing far behind. Compared to the state, EGR 3's average nonprofit wages were lower in each of these industries.

Nonprofit establishments pay higher average annual wages than their for-profit counterparts in four of the major nonprofit industries, especially in education. Only when looking at total nonprofit average wages across all industries is average for-profit pay higher in terms of annual wages than nonprofits in the industry.



## Appendix A: Methodology

### Source of Data

The two sources of data for this report are 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. jobs<sup>7</sup>.

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.<sup>8</sup>

### 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.<sup>9</sup> However, certain employees are not required to participate, including religious organizations and charities with less than four employees.<sup>10</sup> These omissions from the QCEW data are important for our analysis since it means we

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<sup>7</sup> 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.

<sup>8</sup> 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-ao-bmf](http://www.irs.gov/charities-non-profits/exempt-organizations-business-master-file-extract-ao-bmf), retrieved November 15, 2020.

<sup>9</sup> 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](https://www.bls.gov/cew/overview.htm#data_available), retrieved February 10, 2020.

<sup>10</sup> 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.

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).<sup>11</sup>

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,<sup>12</sup> 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.<sup>13</sup> 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.<sup>14</sup>

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.<sup>15</sup> 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.

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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.

<sup>11</sup> 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.

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).

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

<sup>13</sup> 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.

<sup>14</sup> 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.

<sup>15</sup> 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.

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 12<sup>th</sup> 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.<sup>16</sup> 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.

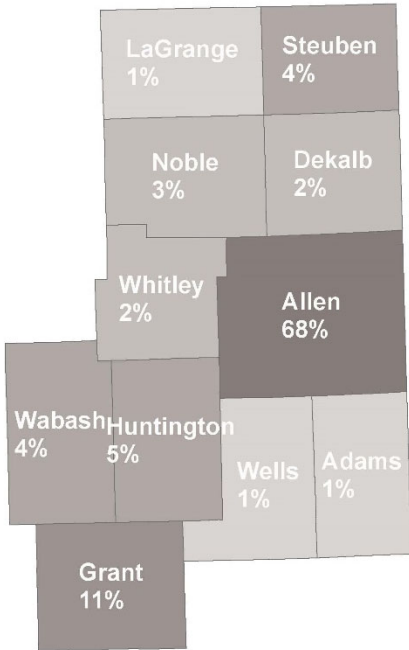
Finally, the IRS status in the EOMF is as of March or April of the data year in question. Any newly registered exempt entities may not be included, since the process to identify nonprofits may take up to several months. We believe the error is relatively insignificant, but we cannot confirm that assumption.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

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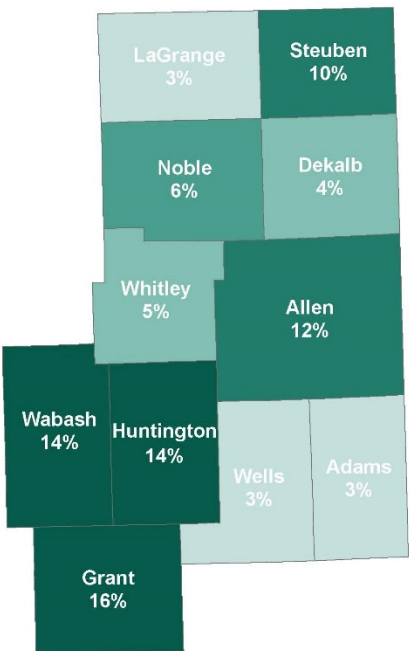
<sup>16</sup> Internal Revenue Services, Tax-Exempt Status for Your Organization. United States Department of the Treasury, 2020. Available at <https://www.irs.gov/pub/irs-pdf/p557.pdf>, retrieved February 10, 2020.

**Appendix B: Payroll Graphs**

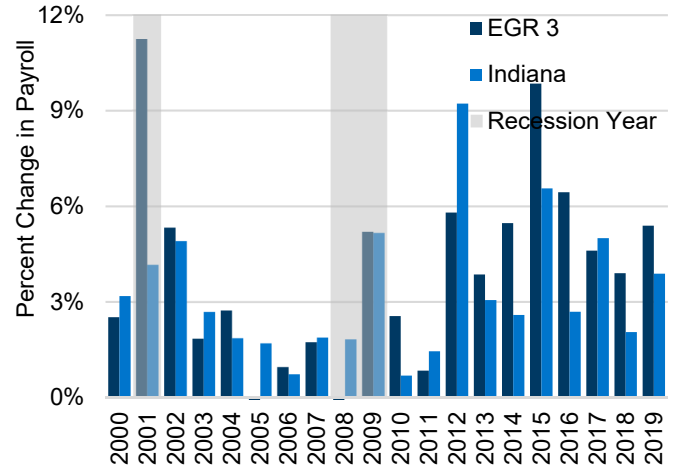
**Figure B1:** Distribution of Nonprofit Payroll (2019\$) by County for EGR 3



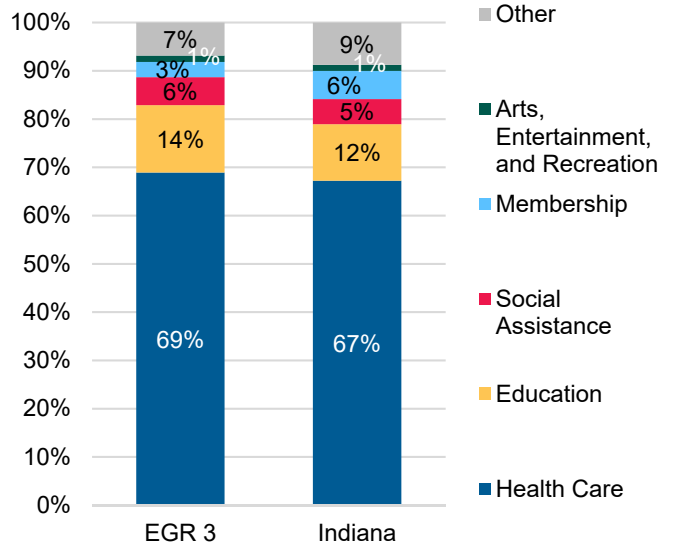
**Figure B2:** Nonprofit Share of Total Payroll (2019\$) by County for EGR 3



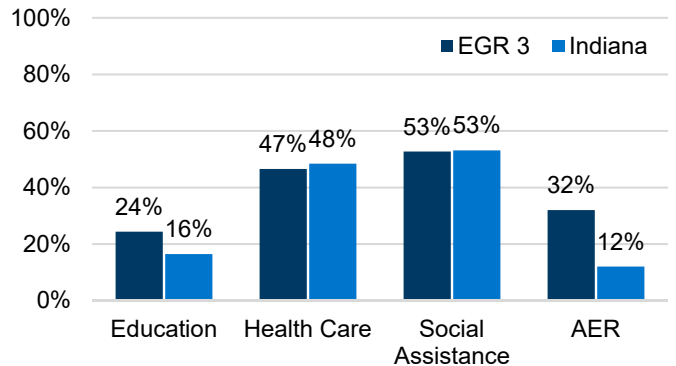
**Figure B3:** Percent Annual Change in Total Nonprofit Payroll in Constant Dollars (2019), EGR 3 and Indiana



**Figure B4:** Industry Distribution of Nonprofit Payroll (2019\$), EGR 3 and Indiana

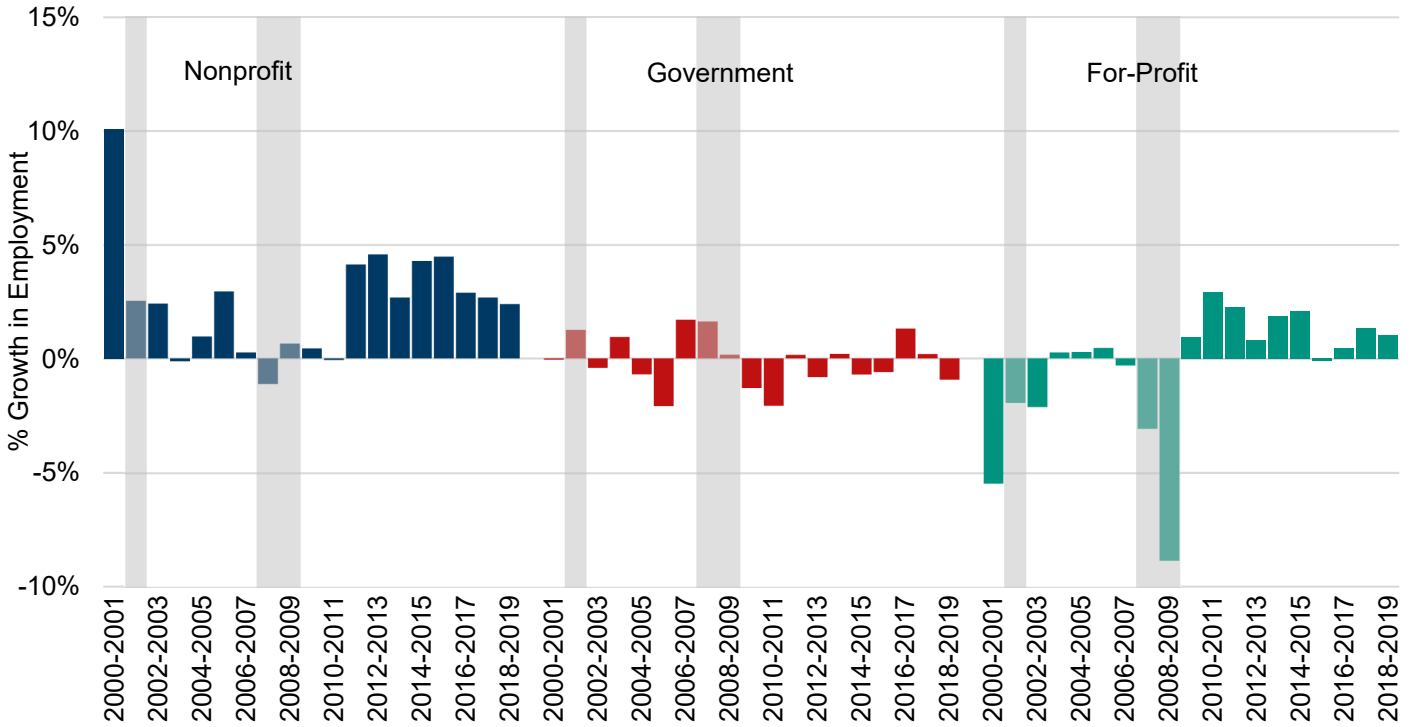


**Figure B5:** Nonprofit Payroll as Percent of Total Payroll, by Select Industries (2019\$), EGR 3 and Indiana

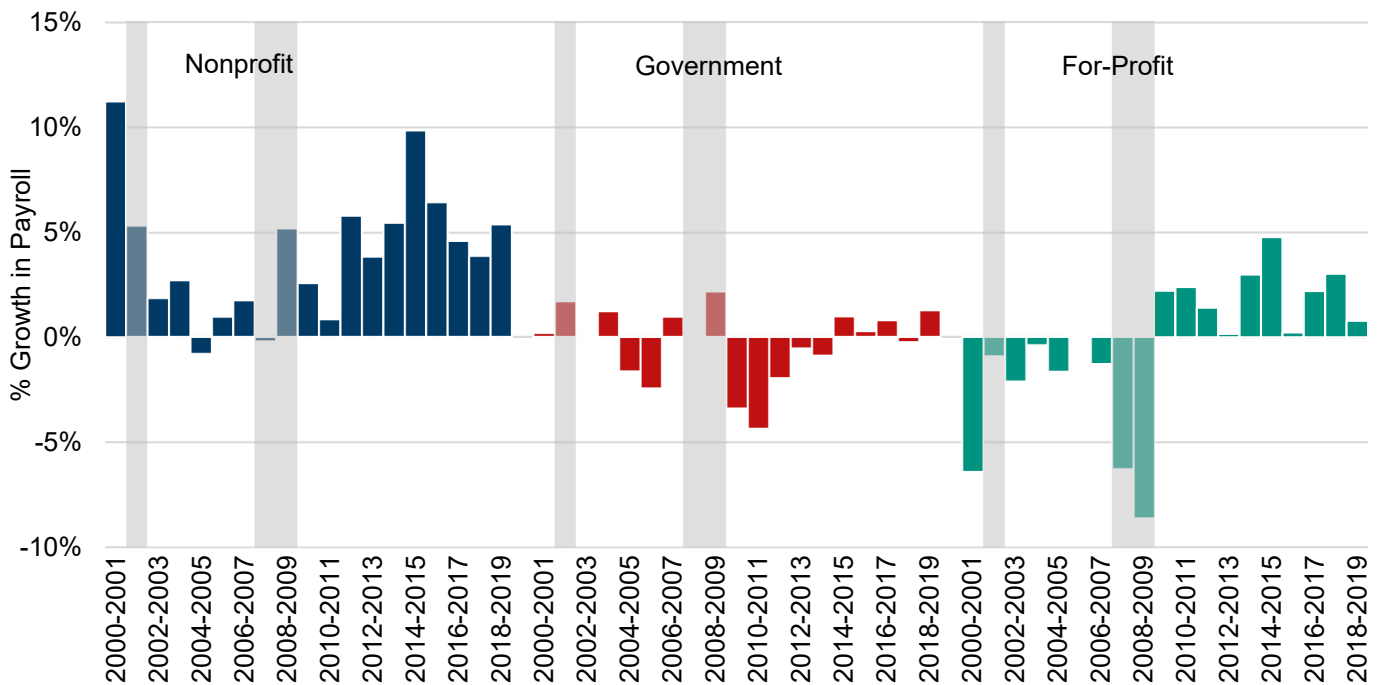


## Appendix C: Annual Trend Graph

**Figure C1: Percent Change in Employment by Sector in EGR 8 (1995-2019)**



**Figure C2: Percent Change in Payroll (2019\$) by Sector in EGR 11 (1995-2019)**





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