



INDIANA NONPROFITS PROJECT
NONPROFIT EMPLOYMENT: REGIONAL SERIES
REPORT #08

Nonprofit Paid Employment in Economic Growth Region 08, Indiana, 2000-2019

May 2021

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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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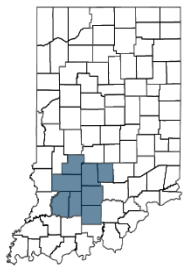
Introduction

Nonprofits employed 301,000 workers in Indiana in 2019 – about 10.3 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.

Additionally, 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 Southwest Central Indiana, Economic Growth Region 8, 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 8: Southwest Central Indiana



Economic Growth Region (EGR) 8 is composed of eight counties – Brown, Daviess, Greene, Lawrence, Martin, Monroe, Orange, and Owen. EGR 8 includes both the Bloomington and part of the Indianapolis-Carmel-Anderson Metropolitan Statistical Areas (MSA). In 2019, EGR 8 had 120,000 paid workers and a total payroll of \$5.3 billion.

Employment and Payroll

Of the 120,000 paid employees in the region in 2019, nonprofits employed just over 9,000 with a payroll of over \$328 million. Figure 1 shows how these 9,000 nonprofit employees are distributed across the eight counties. Almost two-thirds of all nonprofit employees in the region work in Monroe County, with Lawrence County at a distant second

Quick Facts

- Nonprofits employed 9,000 workers in the region with a total payroll of \$328 million in 2019 – 8 percent of all paid employees and 6 percent of the total payroll in the region.
- Total nonprofit employment trails employment in manufacturing, retail trade, and accommodation and food services in the region, but the gaps have narrowed over the 2000-2019 period for some of these industries (Fig. 4).
- Nonprofit payroll trailed only manufacturing in 2019 (Fig. 5).
- Nonprofit employment and payroll (adjusted for inflation) grew considerably during the 2000-2009 period, but decreased some from 2009-2019 (Fig. 6 and 7).
- Nonprofit employment has decreased in 7 of the 20 years included in this report (Fig. 8).
- Most nonprofit employees work in health care (44%) with the rest fairly evenly distributed across social assistance, membership associations, and all other industries (Fig. 9).
- Nonprofit employees account for about 30 percent of health care workers and over half of social assistance workers in the region (Fig 10).
- Nonprofits have more employees on average than for-profit establishments in all major nonprofit industries (Fig. 12).
- Average wages are higher for nonprofit employees than for-profit workers in social assistance, and arts, entertainment, and recreation, but roughly equivalent in education and slightly lower in health care (Fig. 14).

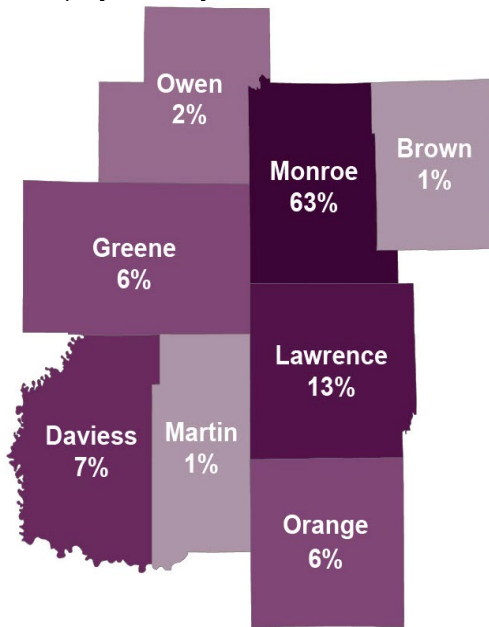
(13 percent). Most of the remaining 25 percent are concentrated in Daviess (7 percent), Greene (6 percent), and Orange counties (6 percent), with Owen, Brown and Marian counties each with 1-2

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

percent of the region’s nonprofit employees.² Since 2000, the distribution in each county increased or decreased by less than 1 percentage point, with the exception of Monroe County which decreased by 2 points.

The distribution of nonprofit payroll among the counties in the region is similar to the distribution of employees, although Monroe and Lawrence counties account for a slightly higher percent of nonprofit payroll (67 vs 63 percent for Monroe County and 15vs 13 percent of Lawrence County). The remaining 18 percent of the nonprofit payroll are distributed among the rest of the counties with correspondently smaller shares - all less than 6 percent. The distribution of nonprofit payroll remained largely unchanged over the 20-year period except for Monroe County which decreased, but by less than 3 percentage points. For more information about the distribution of nonprofit payroll, see Figure B1 in Appendix B.

Figure 1: Distribution of Nonprofit Paid Employment (2019) by County for EGR 8

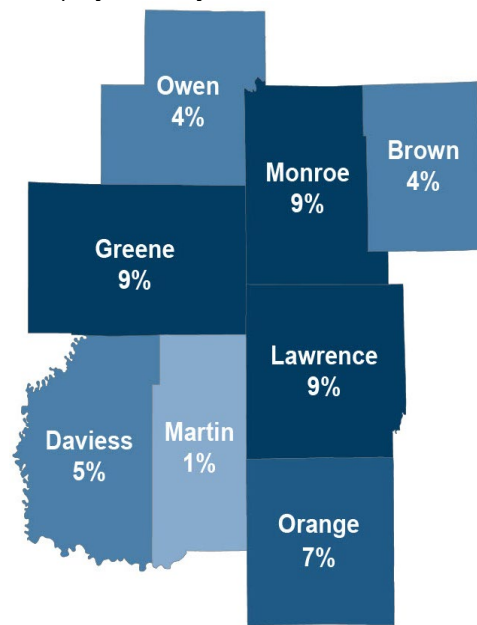


Nonprofit employment as a percent of total employment is more revealing. Notably, although Monroe

County has 66 percent of the region’s nonprofit workers, those workers account for only 9 percent of all paid workers in the county,³ the same share as Greene and Lawrence Counties (Figure 2). For the remaining counties, the nonprofit share of total employment ranges from a high of 7 percent in Orange County to a low of only 4 percent in Brown and Owen Counties and 1 percent in Martin County. Although Lawrence, Monroe, and Greene County have the highest prevalence of nonprofit employment in the region, they rank only 25th, 26th, and 27th out of the 92 counties in Indiana and Martin County ranks last among Indiana counties.

Since 2000, the nonprofit share of total employment in each of the eight counties has remained fairly consistent with each county increasing or decreasing by less than two percentage points.

Figure 2: Nonprofit Share of Total Paid Employment (2019) by County for EGR 8



The nonprofit shares of total payroll in EGR 8 on the eight counties are also consistent with the nonprofit shares of total employment noted above. Nonprofit payroll as a percent of total payroll is highest in Lawrence County (9 percent), followed

² Counts do not add up due to rounding.

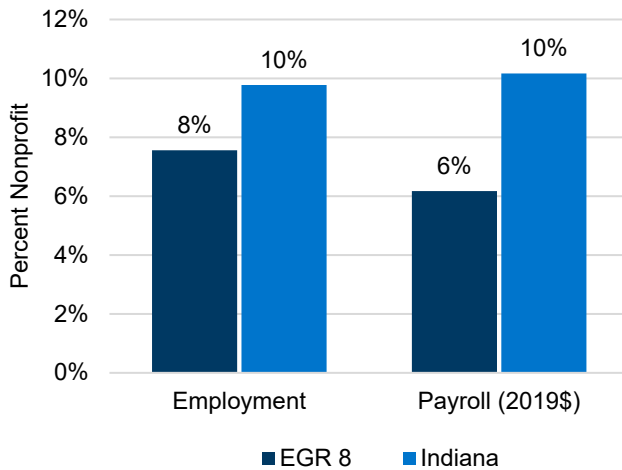
³ The relatively low nonprofit share of total employment in Monroe County reflects at least in part the presence of the very large Bloomington campus of Indiana University. In fact, 25 percent of Monroe County workers are employed by government. This, includes all local government and public schools, as well as two public institutions of higher education. The low percent of all jobs held by nonprofits in Martin County may similarly reflect the presence of a large government establishment in that county – Crane Naval Warfare Station.

by Green County (8 percent), and Monroe and Orange counties with 7 percent each. Nonprofit payroll as a percent of total payroll is also very low (less than 3 percent) in Brown, Daviess, and Owen Counties. In Martin County, nonprofit payroll accounts for less than 1 percent of total payroll in the county, the lowest share of all 92 counties in Indiana. For more information about the nonprofit share of total payroll for the eight counties, see Figure B2 in Appendix B.

Since 2000, half of the counties (Greene, Lawrence, Orange, and Owen counties) saw increases in nonprofit shares of total payroll while the other half saw decreases. The largest changes were seen in Greene and Lawrence County - both increasing by slightly more than two percentage points.

EGR 8 ranks only 9th in nonprofit shares of total employment out of all 11 EGRs in Indiana, reflecting the presence of several large government institutions in the region (most notably Indiana University Bloomington and Crane Naval Warfare Center). As shown in Figure 3, the nonprofit shares of employment in EGR 8 (8 percent) is 2 percentage points less than Indiana (10 percent). Similarly, the nonprofit share of payroll in EGR 8 is only 6 percent, while Indiana is at 10 percent. Since 2000, the nonprofit share of employment and payroll both decreased slightly in EGR 8.

Figure 3: Nonprofit Share of Total Paid Employment and Total Payroll (2019). EGR 8 and Indiana



Industry Comparisons

When comparing total nonprofit employment to the six major for-profit industries in EGR 8, the nonprofit sector (dark blue line in Figure 4) would rank fourth, if it were classified as a separate industry.⁴ Nonprofit employment stood at 9,000 jobs in 2000, reached its highest point in 2012 (10,300 employees) and its lowest in 2015 (8,700 employees) before ending with about 9,000 workers again in 2019.

Of the 1,600 nonprofit jobs lost between 2012 and 2015, Monroe County lost 700 employees, Lawrence County nearly 400, and Orange County about 100, with nonprofit hospitals accounting for a significant share of the overall loss. It appears that much of the loss is associated with reporting shifts in how several large nonprofit establishments report employees assigned to system-wide functions, rather than an actual decline in jobs.

Manufacturing (yellow line in Figure 4) has remained the largest industry over the entire period, although its dominance declined from 18 percent of total employment in 2000 to 13 percent in 2009, before increasing to 14 percent of all jobs in 2019. In terms of jobs, manufacturing declined slowly from 21,400 in 2000, to 17,150 jobs in 2008 but then dropped steeply to 15,000 employees in 2010 during the Great Recession. Since then it has increased at a steady rate back to 17,250 employees in 2019.

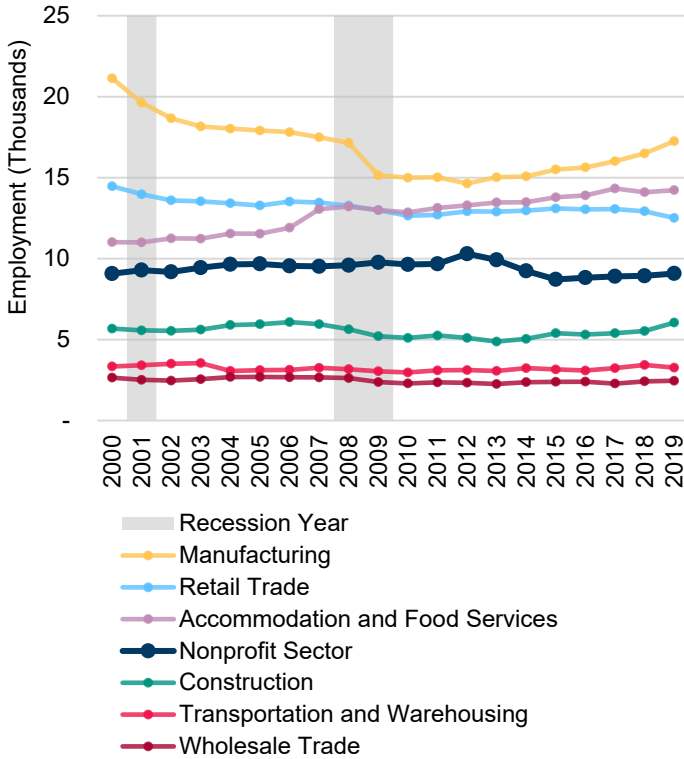
There have been more modest job declines in retail trade (light blue), while accommodation and food services (purple) jobs have increased. In 2000, retail trade ranked second at 14,500 employees and accommodation and food services ranked third at 11,000 employees. Accommodation and food services surpassed retail trade in 2009 and has remained in second place since then, although by 2019, these industries are still very close and differ only by 1,700 employees. Jobs in the remaining for-profit industries, construction, transportation and warehousing, and wholesale trade have remained fairly stable over the 20-year period.

As noted above, nonprofit jobs have also remained stable over the period, except for the decline between 2012-2015. This decline appears to in

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

large part to be due to reporting changes, rather than a true loss of nonprofit jobs in the region.

Figure 4: Nonprofit Paid Employment Compared to Key Private Sector Industries (2019) for EGR 8



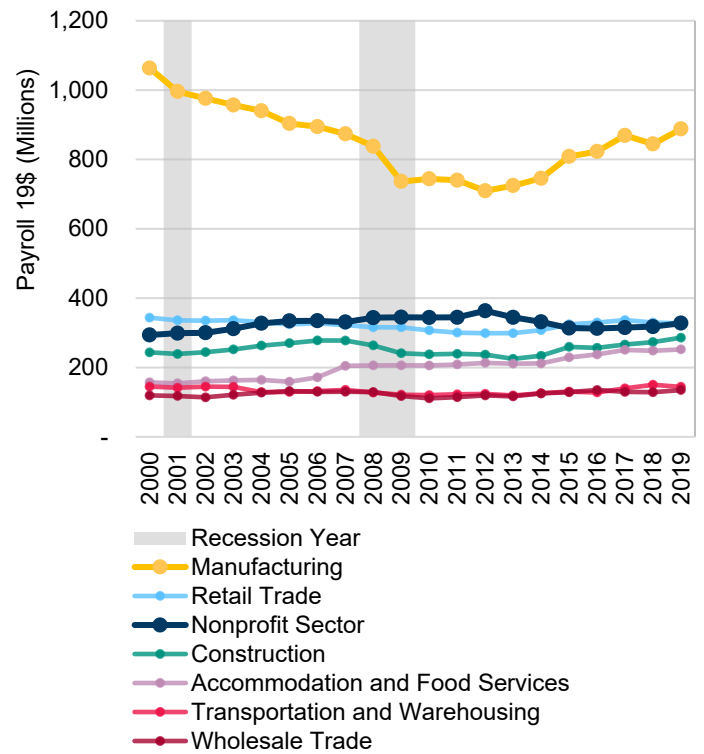
Analysis of trends in payroll for the same industries and for all nonprofit jobs combined (Figure 5) is also revealing. Two points are worth noting. First, nonprofit payroll rivals retail trade and is tied for second highest payroll. Nonprofit payroll has remained higher than accommodation and food service payroll throughout the entire period. Since nonprofit jobs trail those in retail trade and accommodation and food services by notable margins, these patterns suggest that nonprofits pay higher wages on average than those two industries.

In 2000, payroll in retail trade was only slightly higher than the nonprofit sector at 344 million and 294 million, respectively. Throughout the 20-year period, the payroll for these two industries followed one another fairly closely.

Second, manufacturing payroll, massively out ranks all of other industries, although employment in manufacturing is only modestly higher than the number of jobs in the next two largest industries, suggesting that manufacturing jobs pay much

higher wages on average than the other industries. The overall trend in manufacturing payroll does follow the trend of employment in the industry; but even at its lowest employment in 2012 (14,600 employees), its payroll is almost \$346 million higher than the next highest industry (nonprofit sector).

Figure 5: Nonprofit Payroll Compared to Key Private Sector Industries (2019) for EGR 8



Over the full period, from 2000 to 2019, manufacturing payroll saw an overall decline from just over \$1 billion to just over \$888 million. The period 2000 to 2009 was one of steady decline followed by an increase in most years after 2009.

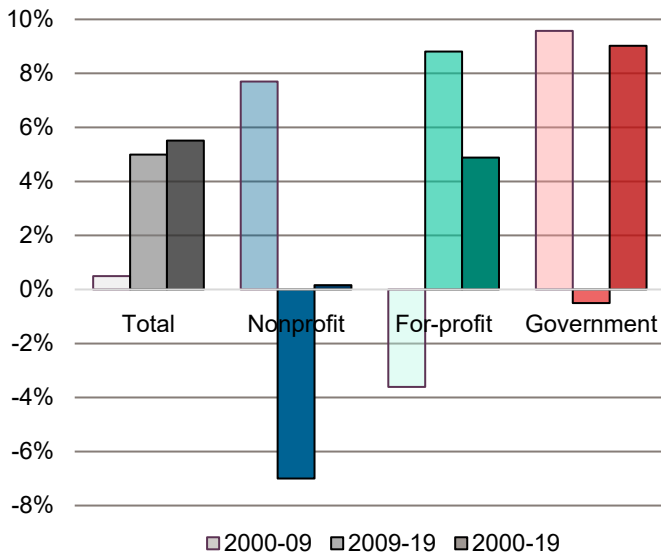
Growth in Nonprofit Employment and Payroll

In this section of our analysis, we compare changes in total, nonprofit, for-profit, and government employment and payroll in EGR 8. Total employment increased 6 percent and total payroll increased by 18 percent, adjusted for inflation, from 2000 to 2019.

Figure 6 shows the percent change in employment for each sector broken down by 2000-2009 (lightest bar), 2009-2019 (middle bar), and the entire period

of 2000-2019 (darkest bar). Although each sector and total employment for EGR 8 increased overall (darkest bar), each sector saw decreases at some point during the 20-year period.

Figure 6: Percent Change in Total Paid Employment in EGR 8 by Sector, 2000-09, 2009-19, 2000-19



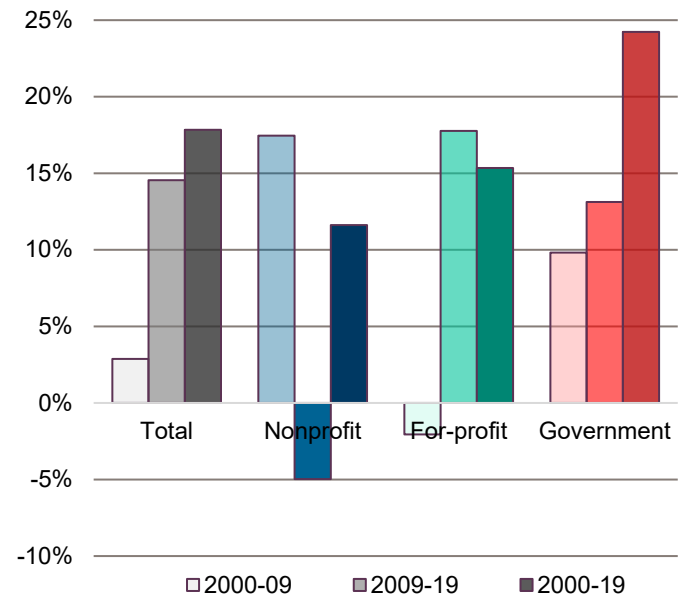
Over the full period, government employment grew the most (9 percent), for-profits by 5 percent and nonprofits by less than 1 percent. During the first half of the period, both the nonprofit and government sectors saw growth of 8 and 10 percent, respectively, while for-profits decreased by 4 percent. During the second half of the period, the sectors switched in terms of growth or loss with nonprofits and governments decreasing this time by 7 and less than 1 percent, respectively, and for-profits increasing by 9 percent. The increases of less than 1 percent in total nonprofit jobs over the full period in EGR 8 is worth noting because in Indiana as a whole, nonprofit jobs grew by 39 percent.

The overall growth trends in payroll are similar to those in employment, but payroll grew faster than employment (Figure 7) in EGR 8. The large increase in total payroll (18 percent) comes disproportionately from the government sector which increased by 24 percent over the entire period.⁵

Both nonprofit and for-profit sectors saw total increases as well but their growth was smaller at 12 percent and 15 percent, respectively.

Nonprofit payroll, following the same pattern as employment, increased during the first period of 2000 to 2009 (17 percent), but declined during the second half of the period from 2009 to 2019, although only by 5 percent. As noted earlier, we believe much of the decline is related to a change in reporting format. Nonprofit payroll stood at \$294 million in 2000 and \$328 million in 2019, up \$34 million, or a 12 percent increase overall.

Figure 7: Percent Change in Constant 2019 Dollars in Total Payroll in EGR 8 by Sector, 2000-09, 2009-19, 2000-2019



Overall, growth in government payroll contributed disproportionately to the overall payroll growth in EGR 8. It was up 24 percent of the full period, and was the only sector that saw growth for both periods, 10 and 13 percent, respectively.

For-profit payroll also followed the same general pattern as employment with a small decrease of 2 percent in the first period, followed by an increase of 18 percent in the second, resulting in a total growth of 15 percent. As noted earlier, the decline in for-profit payroll during the first half of the period is due to the decline in manufacturing payroll,

⁵ As noted earlier, the government sector includes not only traditional local government agencies and departments (police, fire) or public schools, but several very large federal and state institutions with many well-paid employees, such as Crane Naval Surface Warfare Center and Indiana University Bloomington.

especially during the Great Recession in 2008 and 2009.

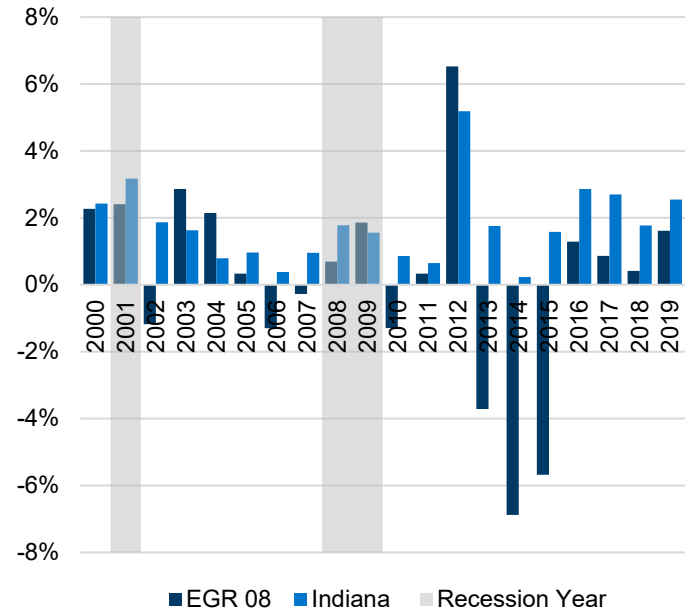
We also look at average annual growth rates for total, nonprofit, for-profit, and government employment in EGR 8. As expected, the average annual growth rate was highest for government employment at 0.5 percent. The nonprofit, for-profit sector, and total employment in the region also saw positive average annual growth, but by only 0.2 percent on average over the twenty years. Annual rates of growth were positive for most years, but total, government, and nonprofit employment saw yearly decreases for seven of the 20-year period of 2000 to 2019, with for-profit employment decreasing in eight years of those years.

Comparing annual percent change in nonprofit employment for EGR8 and Indiana, we see that EGR 8's growth was slower than Indiana's for 16 of the years from 2000 to 2019 (Figure 8). EGR 8's annual change in nonprofit employment decreased for seven of these years.⁶ The largest growth in EGR 8's nonprofit employment occurred in 2012 (7 percent), more than for the state as a whole that year (5 percent). The average annual nonprofit growth rate for Indiana was almost 2 percent while it was only 0.2 percent for EGR 8.

Nonprofit payroll in EGR 8 increased for 14 years from 2000 to 2019 while Indiana saw increases every year. Overall, EGR 8 and the entire state of Indiana's payroll grew at average annual rates of 1 percent and 3 percent, respectively. See Figure B3 in Appendix B for more details.

The annual trends shown in Figure 8 should be treated with caution. For smaller units of aggregation (such as EGRs or smaller industries), 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, including EGR 8.

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



Major Nonprofit Industries

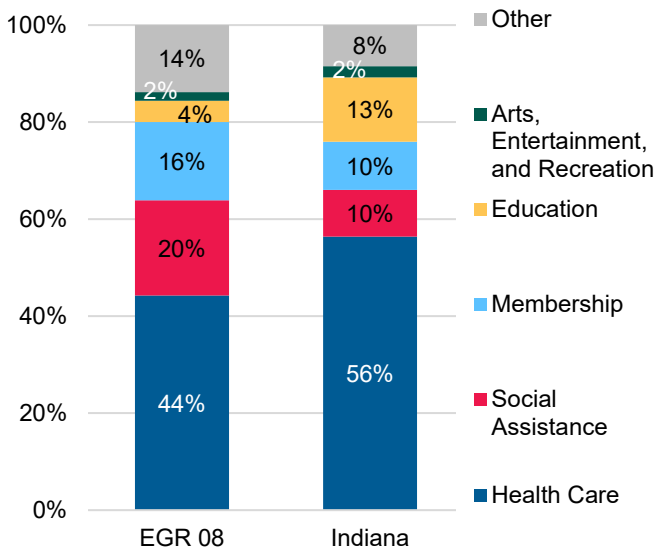
We now turn our analysis to the five industries that account for 86 percent of EGR 8's nonprofit employees and 92 percent of Indiana's (Figure 9). In both EGR 8 and statewide, the health care industry makes up the largest share of these employees, 44 percent and 56 percent, respectively.

The second largest industry in EGR 8 is social assistance (20 percent), but it is only the fourth largest in Indiana (10 percent). Similarly, membership associations (including grant-making, civic, professional associations, and the few religious organizations included in the employment data) comprise 16 percent of EGR 8's employees and only 10 percent statewide.

Nonprofit employment in the education industry is only 4 percent of the regions total nonprofit workers, compared to 13 percent for the state as a whole. The smallest percentage of paid nonprofit employment in both EGR 8 and Indiana is the arts, entertainment, and recreation industry, accounting for only 2 percent for both regions. The remaining nonprofit employees, 14 percent for EGR 8 and 8 percent in Indiana, are spread across almost all other industries.

⁶ As noted earlier, most of the 2011-2015 changes appear to be associated with a shift in reporting format by several large nonprofit establishments, rather than a real change in the number of nonprofit jobs.

Figure 9: Industry Distribution of Paid Nonprofit Employment (2019), EGR 8 and Indiana

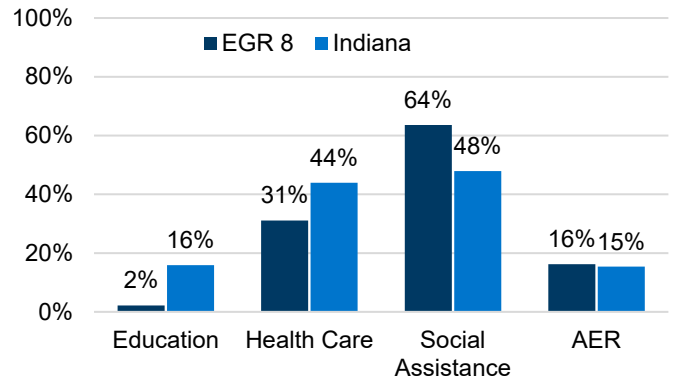


When it comes to the distribution of payroll among these industries, the distribution in EGR 8 and Indiana align fairly closely with the distribution of employment. However, health care absorbs a greater share of total payroll than employment in both EGR 8 and Indiana, leaving correspondingly smaller shares for the remaining industries. See Figure B4 in Appendix B for more details.

Next, we look more closely at how important nonprofit employment is as a percent of total employment in each of these major industries for both EGR 8 and the state of Indiana. Nonprofits workers are most important in social assistance where they account for almost two-thirds (64 percent) of all social assistant employment in EGR 8, but slightly less than half (48 percent) for Indiana (Figure 10). This is the only major nonprofit industry where nonprofits account for a notably larger share of total employment in EGR 8 than for Indiana as a whole.

Nonprofits account for less than a third (31 percent) of all employees in health care, compared to 44 percent for the state as a whole. The nonprofit share of arts entertainment and recreation (AER) is only 16 percent in EGR 8, roughly the same as for Indiana (15 percent).

Figure 10: Percent Nonprofit of Total Paid Employment, by Industry (2019), EGR 8 and Indiana



The nonprofit share of total employment in education is only 2 percent in EGR 8, compared to the much larger share of 16 percent for Indiana as a whole (and as Figure 9 shows, education accounts for only 4 percent of the region’s nonprofit employment, compared to 13 percent for Indiana). The small nonprofit presence in education in EGR 8 reflects the absence of nonprofit colleges and the dominance of government employees in this industry. The latter include the very large Indiana University campus, Ivy Tech,⁷ and many public elementary and secondary schools. Other regions of the state house one or more of the 30 Indiana nonprofit colleges and universities (e.g., Notre Dame, DePauw, and University of Evansville). As a result, nonprofits account for a higher share of total employment in education for Indiana overall and in most other regions of the state.

Since 2000, education was the only industry to see any increase in nonprofit shares of total employment in the region, but by less than 1 percentage point. Social assistance and health care decreased by 14 and 15 percentages points, respectively, over the 20-year period. Arts, entertainment, and recreation also decreased, but notably less than the others, at 4 percentage points.

Average Size of Nonprofit Establishments

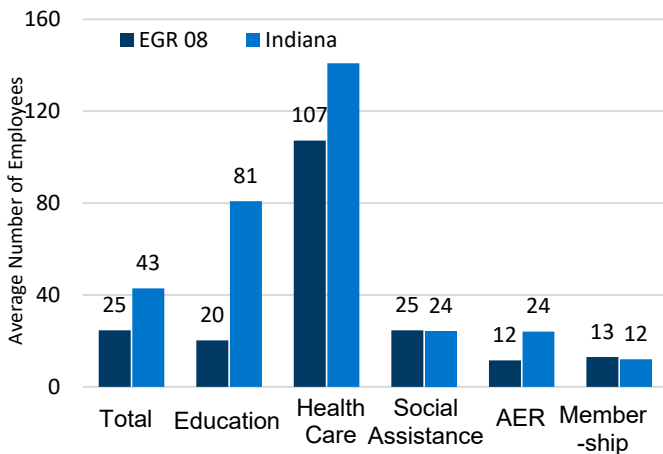
We turn now to a look at the average size of establishment to give a clearer understanding of how

⁷ See “List of Indiana Colleges and Universities,” available online at www.doe.in.gov/sites/default/files/elme/list-indiana-colleges-universities.pdf?forcedefault=true.

each industry is structured. However, these averages should be interpreted with caution 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.

The average size of a nonprofit establishment in EGR 8 is 25 employees, much smaller than the average size of 43 workers for Indiana. In both EGR 8 and Indiana, health care establishments are the largest establishments, an average of 107 workers for EGR 8 (dark blue bar) and 141 for Indiana (light blue bar), reflecting the presence of large nonprofit hospitals in this industry (Figure 11).

Figure 11: Average Size of Nonprofit Establishments by Select Industries (2019). EGR 8 and Indiana



Nonprofit establishments are notably smaller on average for all industries combined in EGR 8 than for the state as a whole (25 vs. 43 workers respectively). The same pattern holds for most of the major nonprofit industries. The difference is particularly pronounced in education, where nonprofit establishments have an average of only 20 employees (reflecting the absence of nonprofit colleges), while nonprofit education establishments in Indiana are four times larger, with an average of 81 employees. AER establishments in EGR 8 are only half as large

(12 employees on average) as for Indiana as a whole (24 workers).

The social assistance and membership industries both have slightly larger average establishments in EGR 8 than for the state as a whole. Social assistance establishments in EGR 8 employ 25 workers on average, compared to 24 workers for Indiana. Membership organizations in EGR 8 average 13 employees compared to 12 for Indiana.

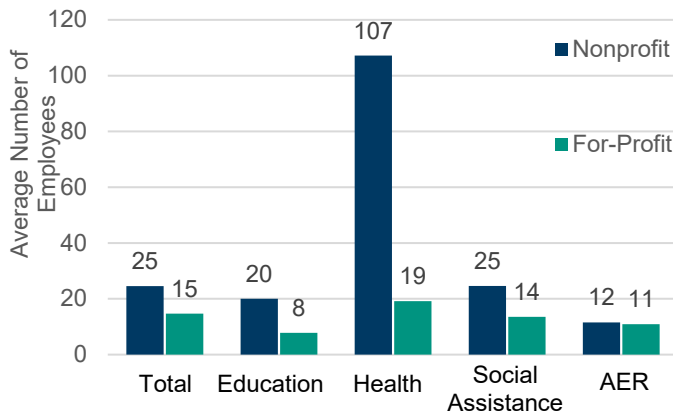
From 2000 to 2019, the average size of establishments in EGR 8 decreased in each industry with the exception of the membership associations which increased slightly from an average of 12 employees in 2000 to 13 in 2019. Arts, entertainment, and recreation had the most notable decrease beginning with 27 employees per establishment in 2000 and ending with 12 in 2019. Education also experienced a notable decrease beginning the period with an average of 26 employees and ending with 20 employees per establishment. Health care and social assistance establishments decreased by 6 and 9 employees respectively.

Despite being smaller than their counterparts at the state level, nonprofit establishments in EGR 8 are significantly larger than for-profit establishments in each of the major nonprofit industries in the region (Figure 12).⁸ The difference is particularly pronounced in health care and education. Nonprofit health care establishments on average are more than five times larger than their for-profit counterparts (107 vs 19 employees), reflecting the presence of several nonprofit hospitals in the region. In education, nonprofit establishments on average are more than double the size of their for-profit counterparts in the region (20 vs. 8 employees). The difference in size is smaller in social assistance (25 vs. 14 employees per establishment) and almost non-existent in AER (12 vs. 11 employees on average)

The average size of for-profit establishments increased by almost 9 employees in social assistance and by 5 employees in health care between 2000 and 2019. There was very little change in the average size of for-profit establishments in education and arts, entertainment and recreation.

⁸ 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.

Figure 12: Average Size of EGR 8 Establishments (2019)



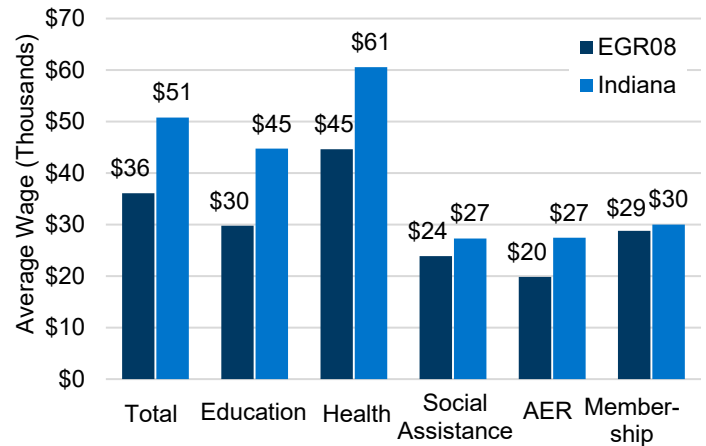
Average Annual Nonprofit Wages

We also look at average wages in the key 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 include 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 in EGR 8 was \$15,000 less than in Indiana (\$36,000 vs \$51,000) in 2019. As Figure 13 shows, that pattern holds for all major nonprofit industries - nonprofit workers (dark blue bars) in each industry on average earn less in the region than in Indiana (light blue bars).

Nonprofit health care workers have the highest annual wages in EGR 8 at \$45,000 per year, but that is \$16,000 less than their counterparts for Indiana as a whole. Nonprofit education workers have the second highest annual wages at \$30,000, also significantly below (by \$15,000) their counterparts at the state level. Employees who work in EGR 8 in nonprofit membership organizations earn an average of \$29,000 annually, only slightly less (by \$1,000) less than the statewide average.

Figure 13: Average Annual Nonprofit Wage for Select Industries (2019), EGR 8 and Indiana



Nonprofit workers in social assistance and arts, entertainment, and recreation workers earn considerably less (\$24,000 and \$20,000 respectively) than workers in the other major nonprofit industries in EGR 8 on average. These wages are also lower in the region than for the state (by \$3,000 and \$7,000 respectively).

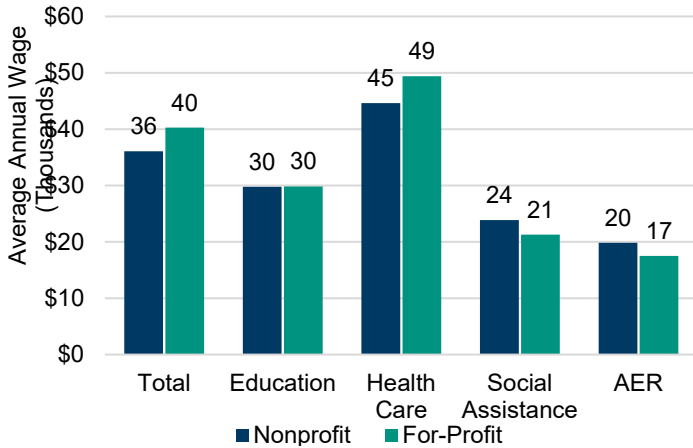
From 2000 to 2019, average annual nonprofit wages in EGR 8, adjusted for inflation, increased in education and health care by \$11,000 and \$7,000, respectively. Annual wages in arts, entertainment and recreation decreased by nearly \$8,000, but were largely unchanged in the social assistance industry (down less than \$200).

As Figure 14 shows, annual wages for all nonprofit workers (\$36,000, dark blue bar) in EGR 8 are also lower than what all for-profit employees in the region earn (\$40,000 green bar). The same holds for the health care industry, where nonprofit employees earn an average of \$4,000 less annually than their for-profit employees. There is no difference in average annual wages in education, both nonprofit and for-profit workers earn an average of \$30,000 annually. However, in social assistance and arts, entertainment and recreation nonprofit workers earn, on average, \$3,000 more annually than those working in for-profit establishments.

Over the 2000 to 2019 period, the only for-profit industry which saw decreases in average annual wages (adjusted for inflation) was education – down from \$37,000 to \$30,000. By contrast, for-profit average annual wages increased for health care and social assistance by \$6,000 and \$5,000,

respectively. Average for-profit wages in arts, entertainment and recreation were steady, up by an average of only \$200 over the period.

Figure 14: Average Annual Wage in EGR 8 in for Select Industries (2019) by Sector



Summary and Conclusion

Nonprofits in EGR 8 make up 8 percent of total employment (9,000 employees) in the region and 6 percent of total payroll (\$328 million). Although these percentages are less than the corresponding percentages Indiana (10 percent for both employment and payroll), the nonprofit sector is still an important force in the region’s economy.

Overall, nonprofit employment in EGR 8 grew from 2000 to 2012 and then decreased through 2019, ending up close to where it began in 2000, up only 0.2 percent over the entire period. Over the same period, however, nonprofit payroll in EGR 8 grew by \$34 million (12 percent). By comparison, for-profit payroll grew by \$433 million (15 percent) and the number of for-profit employees was up 4,000 employees (5 percent).

In terms of both number of employees and payroll, for-profit manufacturing dominated the region’s economy, even after its major loss of jobs and payroll during the Great Recession of 2007-2008. By comparison to major for-profit industries, the nonprofit sector ranked fourth in terms of employment in 2019 (behind manufacturing, retail trade, and accommodation and food services), but tied for second with retail trade in terms of payroll behind manufacturing.

More than two-fifth of all nonprofit workers (44

percent) in EGR 8 work in the health care industry. Most of the remaining nonprofit employees work in social assistance (20 percent) and membership associations (16 percent). Only 4 percent work in education and 2 percent in arts, entertainment and recreation, or a mix of all other industries (14 percent). Compared to Indiana, nonprofit workers in EGR 8 are less likely to be employed in health care and education, but more likely to be employed in social assistance, membership associations, and a mix of all other industries.

Nonprofit workers entirely dominate the membership industry and are also very important in social assistance, where they account for almost two-thirds (62 percent) of all employees. They are also important in health care (31 percent), but account for only 2 percent of all education workers.

There are notable differences in the average size of nonprofit establishments across major nonprofit industries in EGR 8. Nonprofit health care establishments are by far the largest, averaging 107 workers per establishments, compared to an average of 12-25 workers in the remaining nonprofit industries. The average size of nonprofit establishments in EGR 8 are notably smaller than establishments for Indiana in health care, education, and arts, entertainment and recreation. However, nonprofit establishments are considerably larger on average than for-profit establishments in health care (107 vs. 19), education (20 vs. 8) and social assistance (25 vs. 14).

Average annual wages for nonprofit workers are highest in health care (\$45,000), followed by education (\$30,000), social assistance (\$24,000) and arts, entertainment and recreation (\$20,000). Across the board, these annual wages are notably lower than the corresponding nonprofit wages for the state as a whole, although only by \$1,000 for arts, entertainment and recreation.

All nonprofit workers in EGR 8 earn less on average than all for-profit workers. That is also the case when we look at only the health care industry. However, average annual wages are the same for nonprofit and for-profit workers in education, while nonprofit workers in the social assistance and arts, entertainment and recreation industries earn more on average than those working for for-profit establishments in those industries.

Appendix A: Methodology

Source of Data

The two sources of data for this report are the Quarterly Census of Employment and Wages (QCEW) and the 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.⁹

The BMF lists all tax-exempt entities registered under section 501(c) of the Internal Revenue Code. Among other fields, it includes the exempt entity's name, reporting address, Federal Employer Identification Number (EIN), 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.¹⁰

Data Processing and Cleaning

The Indiana Business Research Center (IBRC) at Indiana University reconciles the data in the two sources using 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.¹¹ However, certain employees are not required to participate, including religious organizations and charities with less than four employees.¹² 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 all sub-sections of 501(c), incorporated nonprofits from the Indiana Secretary of State (SOS), and Yellow Page Listing of Churches (Infogroup).¹³

The exclusion of religious organizations is likely to be most important source of underestimation. Congregations are neither required to register as tax-exempt entities with the IRS nor participate in the QCEW reporting system. We estimate

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/>, retrieved January 13, 2020.

¹⁰ 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, retrieved November 15, 2020.

¹¹ 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.

¹² 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.

¹³ 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 "Surveying Nonprofits: Sampling Strategies and Quality, by Kirsten A. Grønbjerg, Ashley Clark, Hannah Martin, Tyler Abbott, and Anthony Colombo (Bloomington, IN: Indiana University School of Public and Environmental Affairs, November, 2017).

that there are about 8,800 congregations in Indiana,¹⁴ 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 77,300.¹⁵ 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 and 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 in the QCEW data. Although some of these are indeed included in the QCEW data, which is only the case for 943 establishments with 1,814 paid employees. Consequently, our estimate of nonprofit employees in Indiana is underestimated by about 4,600 employees.¹⁶

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 (corresponding to about 2,700 nonprofits statewide) had employees with a median of 6.5 employees, for a total of roughly 17,200 employees.¹⁷ If those employers report to the QCEW system, they would be classified as for-profit employers under our methodology because their EIN is not included in the IRS BMF. 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.¹⁸ 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.

¹⁴ The Infogroup (yellow page) listing includes about 9,600 congregations; de-duplication leaves just over 8,800.

¹⁵ 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 is closer to 75,900 employees. The latter is more valid, since the 174 congregations included in the 2019 QCEW data have an average of 8.2 employees, close to the survey mean.

¹⁶ 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.

¹⁷ 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.

¹⁸ 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 8

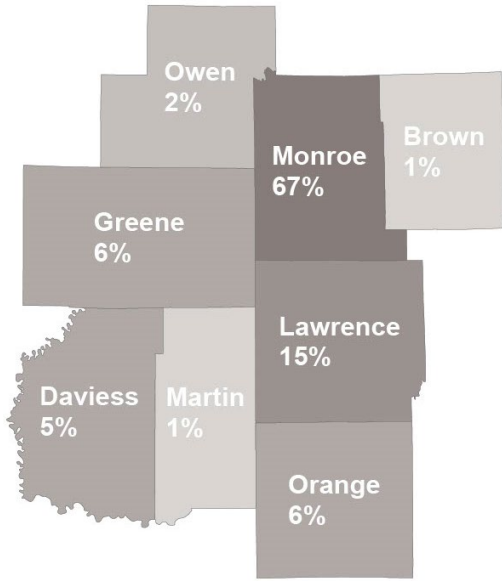


Figure B2: Nonprofit Share of Total Payroll (2019\$) by County for EGR 8

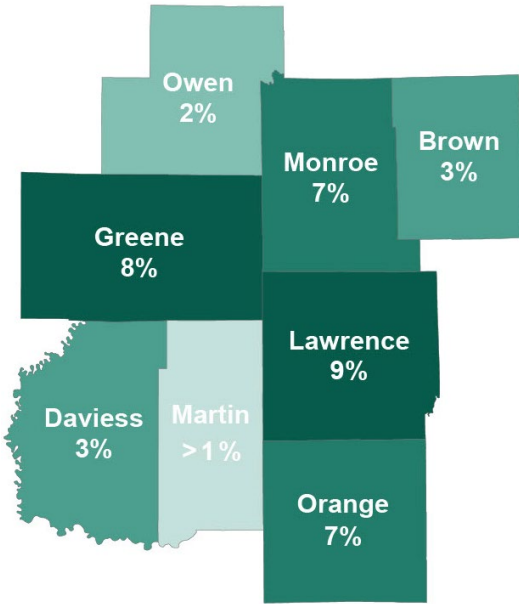


Figure B3: Percent Annual Change in Total Nonprofit

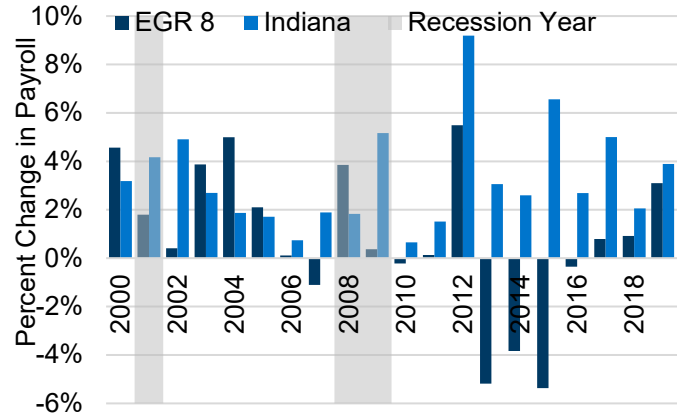


Figure B4: Industry Distribution of Nonprofit Payroll (2019), EGR 8 and Indiana

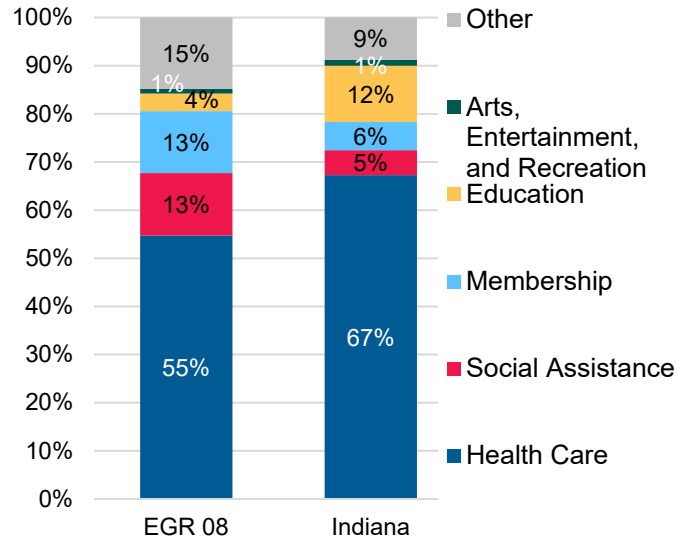
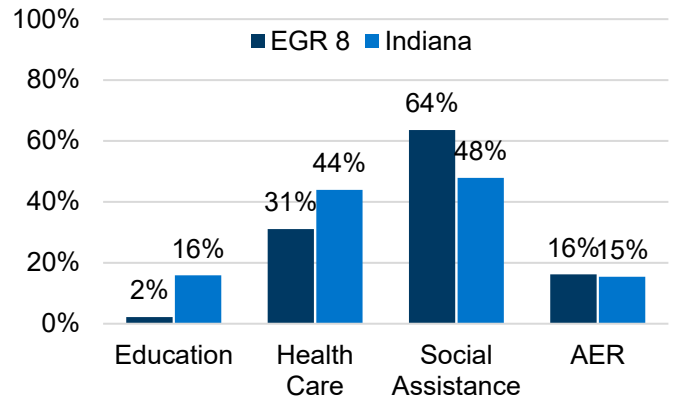


Figure B5: Nonprofit Payroll as Percent of Total Payroll, by Select Industries (2019)



Appendix C: Annual Trend Graph

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

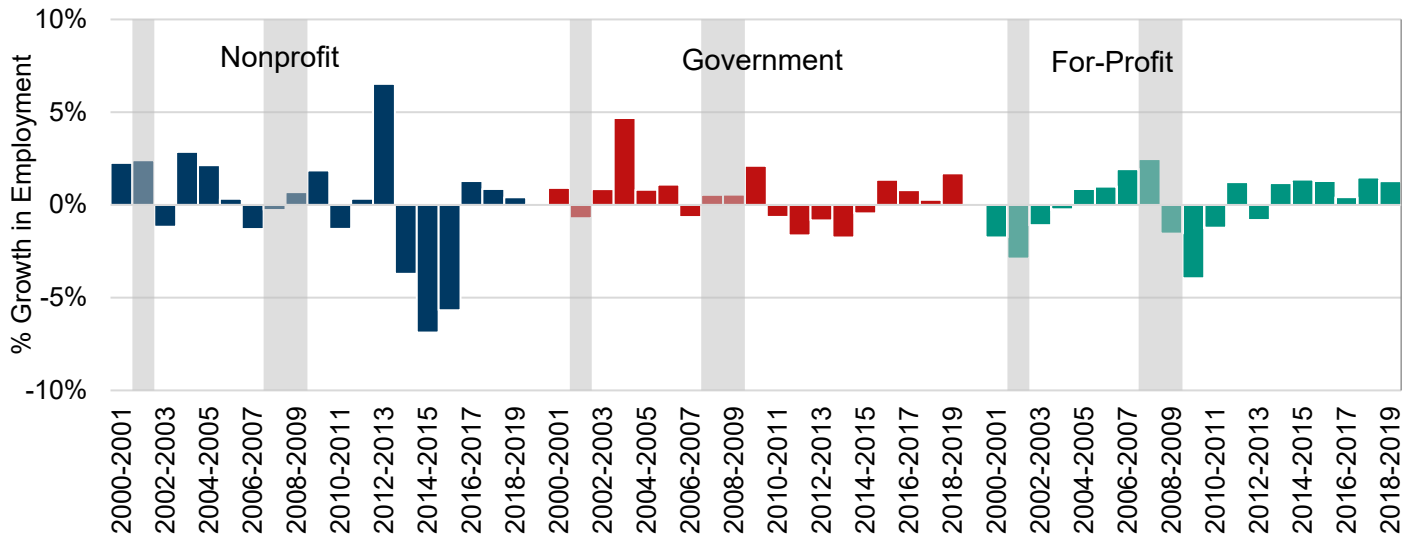
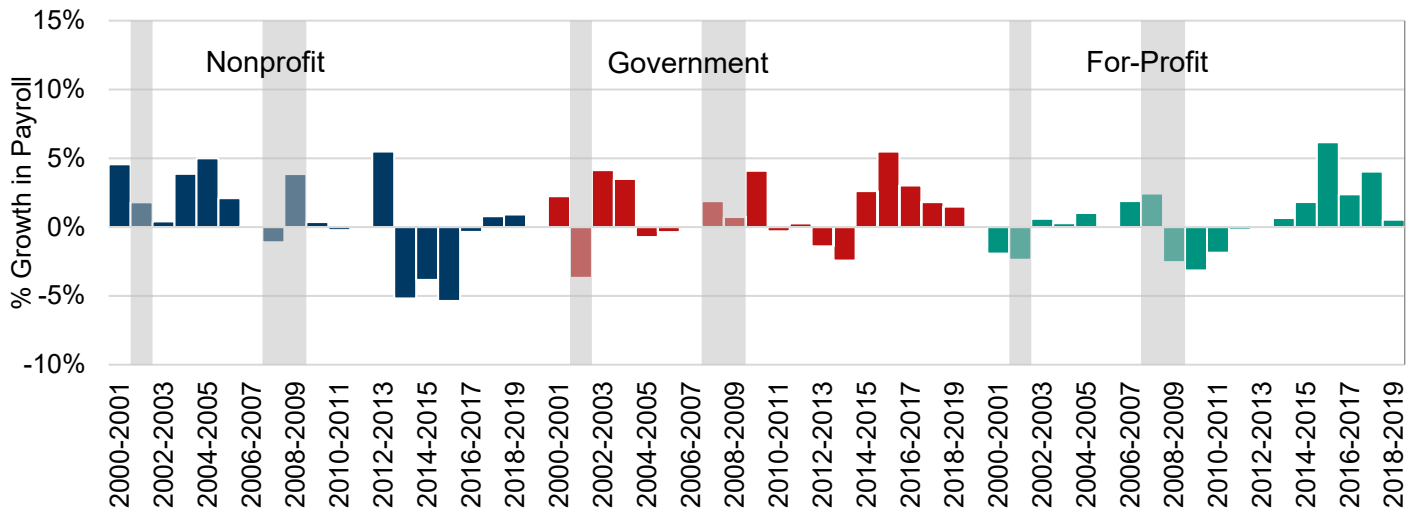


Figure C2: Percent Change in Payroll (19\$) by Sector in EGR 8 (1995-2019)





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