



INDIANA NONPROFITS PROJECT
NONPROFIT EMPLOYMENT: REGIONAL SERIES
REPORT #10

Nonprofit Paid Employment in Economic Growth Region 9, Indiana, 2000-2019

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The O'Neill School of Public & Environmental Affairs at Indiana University
and the Lilly Family School of Philanthropy

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

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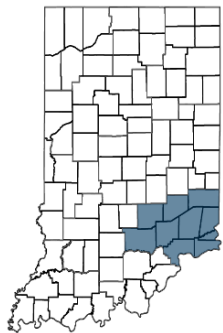
Introduction

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

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 Southeast Central Indiana, Economic Growth Region 9, 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 9: Southeast Central Indiana



Economic Growth Region (EGR) 9 is composed of ten counties – Bartholomew, Dearborn, Decatur, Franklin, Jackson, Jefferson, Jennings, Ohio, Ripley, and Switzerland. This region includes the Columbus Metropolitan Statistical Area (Bartholomew County) and three counties that belong to the Cincinnati MSA (Dearborn, Franklin, and Ohio Counties).

EGR 9 accounts for roughly 5 percent of employment and payroll in Indiana, with 142,000 employees and a payroll of \$6.8 billion.

Employment and Payroll

Of the 142,000 paid employees in the region in 2019, nonprofits employed slightly below 8,100 with a payroll of \$309 million. Figure 1 shows how the region’s nonprofit employees are distributed among

Quick Facts

- Nonprofits employed 8,100 workers in the region with a total payroll of \$309 million in 2019 – 6 percent of all paid employees and 5 percent of the total payroll in the region.
- In 2019, total nonprofit employment ranked fourth compared to major for-profit industries. Manufacturing, retail trade, and accommodation and food services ranked first through third, respectively (Fig. 4).
- Nonprofit payroll also ranks fourth to manufacturing, retail trade, and transportation and warehousing payrolls (Fig. 5).
- Nonprofit employment and payroll (adjusted for inflation) have grown more than the for-profit and government sectors between 2000 and 2019 (Fig. 6 and 7).
- Nonprofit employment has grown in 14 of the 20 years since 2000 (Fig. 8).
- Most nonprofit employees work in health care (42%) and social assistance (21%). The distribution of social assistance is significantly different in EGR 9 than Indiana (Fig. 9).
- Nonprofit employees account for 70 percent of all social assistance (Fig 10).
- Nonprofits have more employees on average than for-profit establishments in the same industries (Fig. 12).
- Average wages are slightly lower for nonprofit employees than for-profit workers but higher in most nonprofit industries (Fig. 14).

the ten counties. A little more than half of the region’s nonprofit employment is concentrated in two counties, Bartholomew (30 percent) and Jefferson (21 percent) County, followed by Ripley (16 percent), Jackson (10 percent), and Dearborn County (8 percent). The remaining five counties account for the final 15 percent of the region’s nonprofit employment, ranging from 5 percent (Decatur and Franklin Counties) to less than 1 percent (Ohio County). Since 2000, the distribution

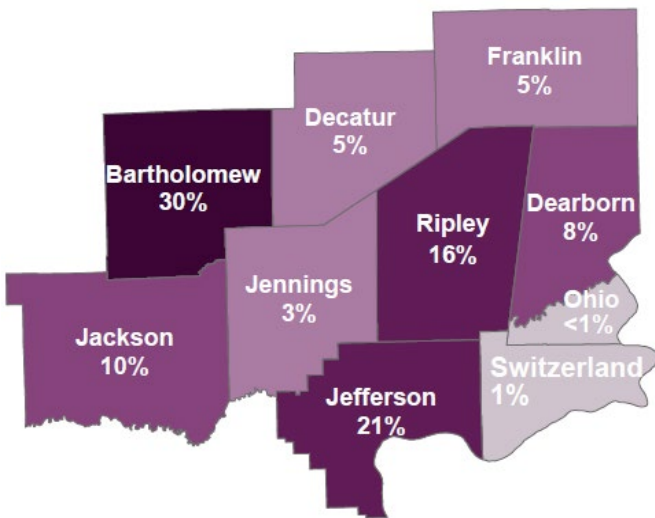
¹ All payroll values in this report are adjusted to 2019 inflation.

of nonprofit employment has remained largely unchanged.

Nonprofit payroll, in constant 2019 dollars, is similarly distributed among the nine counties with more than half of EGR 9's nonprofit payroll in Bartholomew (27 percent) and Jefferson (26 percent) Counties. The remaining 47 percent is split roughly similarly to the distribution of workers. See Figure B1 in Appendix B for more details. The distribution of nonprofit payroll among the counties is largely unchanged over the 20-year period.

Bartholomew County's share of total nonprofit employment in Indiana ranks 22nd and its payroll ranks 23rd among the state's 92 counties. The smallest county in the region, Ohio County, also has the smallest share of Indiana's total nonprofit employment and payroll.

Figure 1: Distribution of Nonprofit Paid Employment (2019) by County for EGR 9

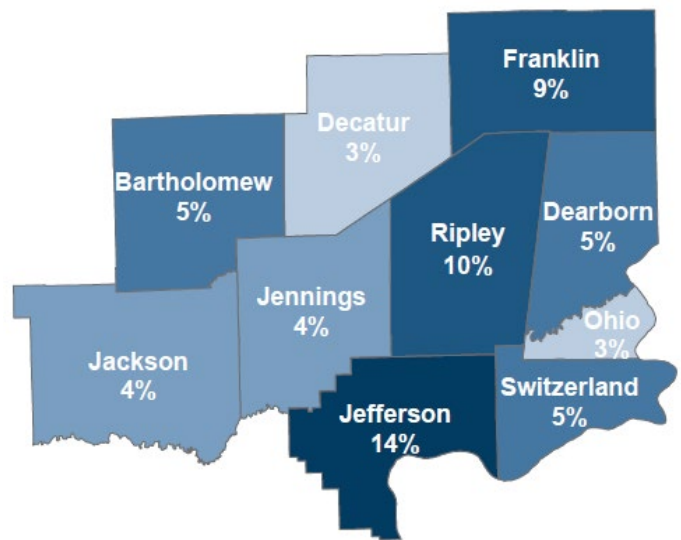


Nonprofit employment as a percentage of total employment in the county is more suggestive of the role of nonprofits in EGR 9 (Fig. 2). Jefferson County (includes City of Madison) ranks ninth highest for nonprofit share of employment in Indiana at 14 percent. Interestingly, although it employs a large portion of EGR 9 nonprofits, Bartholomew County (includes City of Columbus) ranks only 65th in nonprofit share of employment at 5 percent.² Since 2000, the nonprofit share of total employment in each county has changed by 3

percentage points or less, except for Franklin County where the share increased by 7 percentage points.³

The nonprofit share of total payroll in each county shows similar patterns. Jefferson County has the highest nonprofit share of total payroll at 16 percent, followed by Ripley County at 11 percent. Except for Franklin County (7 percent share) and Dearborn County (5 percent share), in the remaining counties the nonprofit share of total payroll ranges between 1 and 3 percent. See Figure B2 in Appendix B for more details. Since 2000, nonprofit shares of payroll, adjusted for inflation, has changed only minimally by 2 percentage points, except for Franklin and Ripley County where the share increased by 6 and 5 percentage points, respectively.

Figure 2: Nonprofit Share of Total Paid Employment (2019) by County for EGR 9

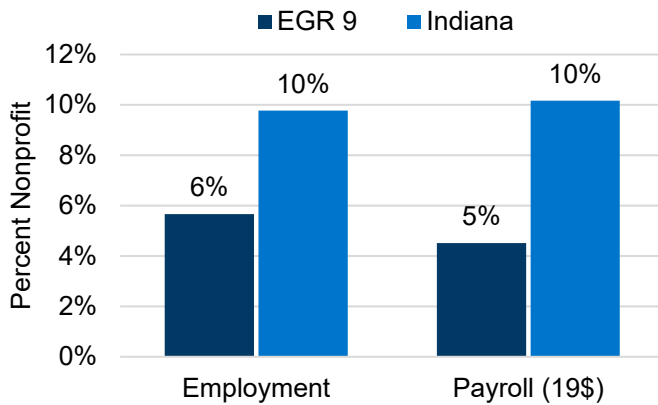


Among the state's 11 Economic Growth Regions, EGR 9 ranks last in nonprofit share of total employment. Figure 3 shows that while Indiana nonprofits account for 10 percent of total employment and payroll in the state, the share is only about half that for EGR 9, with nonprofits accounting for 6 percent of the region's employment and 5 percent of the region's payroll. Since 2000, nonprofits in EGR 9 have increased their share of total employment and payroll by 1 percentage point each.

² Most likely the small nonprofit share in Bartholomew County reflects the presence of several large for-profit businesses in Columbus, including Cummins, a Fortune 500 company, with thousands of workers.

³ The nonprofit share increased notably from 2012 to 2013 but it is unclear whether that reflects a real growth in number of nonprofit workers or at least in part the result of reporting changes.

Figure 3: Nonprofit Share of Total Paid Employment and Total Payroll (2019), EGR 9 and Indiana



Industry Comparisons

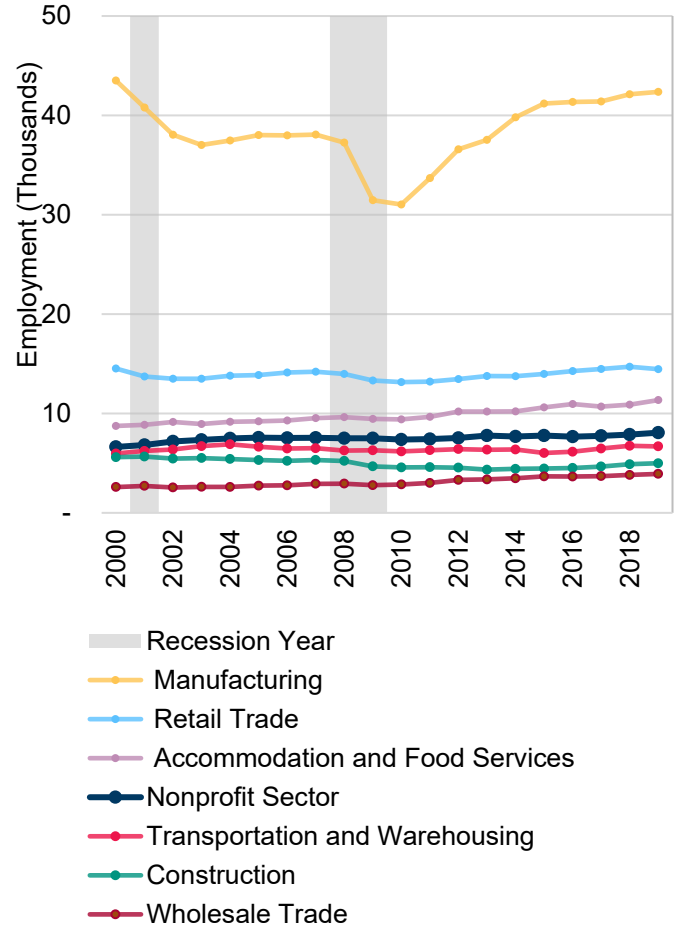
In 2019, the nonprofit sector ranked fourth in employment when ranked against major industries in EGR 9, surpassed by manufacturing, retail trade, and accommodation and food services. The manufacturing industry employed 42,400 workers, followed by retail trade with 14,500, and accommodation and food services with 11,300. The nonprofit sector trailed behind with 8,100 employees, 3,300 less than the next highest industry. Transportation and warehousing followed with 6,700 employees, just below the nonprofit sector. In most other EGRs nonprofit workers gained jobs relative to major for-profit industries, but that does not appear to be the case here.

As shown in Figure 4, every major industry in EGR 9 had a net change of 1,500 or less in the number of workers since 2000 except for accommodation and food services which grew by 2,600 employees. Even so, manufacturing clearly faced significant losses during the first half of the 20-year period, down from 43,500 in 2000 to 31,000 in 2010, with most of the decline (5,800 jobs) occurring during the Great Recession, 2008-2009. Since then, the industry has recovered to 42,400 paid workers, only 1,100 fewer jobs than in 2000. Retail trade changed minimally remaining between 13-15,000 employees with a net loss of 65 employees from 2000 to 2019. Nonprofit employment grew 1,400 over the 20-year period.

The remaining industries had less than 7,000 employees. Of the smaller industries, transportation and warehousing is the largest, growing over 700 employees from almost 6,000 employees in 2000 to

6,700. Wholesale trade grew by 1,300 workers from 2,600 in 2000 to 3,900 in 2019. Construction had a small net loss from 5,600 in 2000 to 5,000 in 2019.

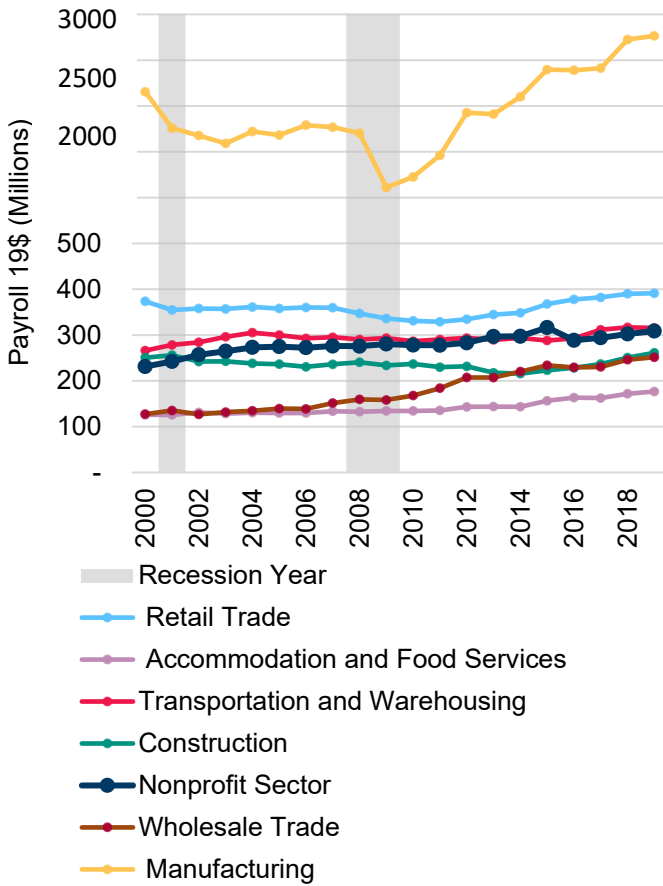
Figure 4: Nonprofit Paid Employment Compared to Key Private Sector Industries (2000-2019) for EGR 9



Patterns in payroll in EGR 9 differs somewhat from that of paid workers. As Figure 5 shows, manufacturing payroll has remained by far the largest payroll in EGR 9, with \$2.9 billion in 2019. Still, it faced significant losses during the first part of the period, dropping from \$2.5 billion in 2000 to \$1.9 billion in 2009 (adjusted for inflation). Still, it recovered well from 2010 to 2019, gaining a net of \$367 million from 2000 to 2019.

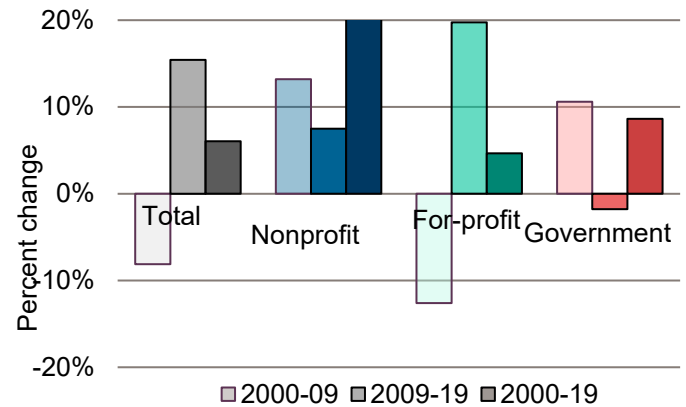
The remaining industries had payrolls less than \$400 million. Except for wholesale trade and the nonprofit sector, the net increase was roughly \$50 million or less over the period. Wholesale trade payroll almost doubled up from \$127 million in 2000 to \$252 million in 2019. Nonprofit payroll grew only modestly (up \$77 million), from \$231 million in 2000 to \$309 million in 2019.

Figure 5: Nonprofit Payroll (2019\$) Compare to Key Private Sector Industries (2000-2019) for EGR



half saw fairly sustained economic growth. Figure 6 shows the percent change in employment by sector separately for 2000-2009 (lightest bar) and 2009 to 2019 (middle bar), as well as the change for the entire period (darkest bar).

Figure 6: Percent Change in Total Paid Employment in EGR 9 by Sector, 2000-09, 2009-19, 2000-19



Looking at the first period, we see that both total and for-profit employment decreased, by 8 and 13 percent, respectively. The losses are largely due to the loss in manufacturing during the first half of the period, especially during the Great Recession. In contrast, government and nonprofit employment grew by 11 and 13 percent, respectively.

Then, during the second period, employment grew across the private sector, but decreased in government, resulting in a growth of 15 percent in total employment from 2009 to 2019. Nonprofit employment increased by 7 percent and for-profit employment increased 20 percent. In contrast, government employment decreased 2 percent.

Total payroll in EGR 9 increased by 16 percent from 2000-2019, adjusted for inflation. This growth was a result of a growth in especially nonprofits (33 percent), but also for-profits (16 percent) and government (11 percent), as shown in Figure 7.

As with employment, payroll has different patterns of growth between the first and second period. In the first period, total payroll declined 9 percent, largely due to the 13 percent decline in for-profit payroll, adjusted for inflation. Similar to employment, the drop appears to be tied to lost jobs and payroll in the manufacturing industry. Nonprofit and government payrolls both grew, at 21 and 11

Growth in Nonprofit Employment and Payroll

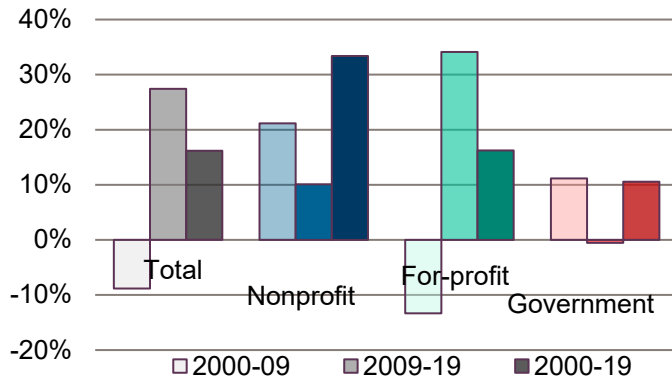
From 2000 to 2019, total paid employment in EGR 9 increased 6 percent and payroll increased by 16 percent, adjusted for inflation. Below, we explore overall and average growth rates for the three sectors in EGR 9 and then compare these rates to the state as a whole.

Nonprofit employment in EGR 9 increased by 22 percent over the 2000-2019 period, up from 6,600 jobs in 2000 to 8,100 in 2019. That is about four times faster than the growth in total employment (up 6 percent) and for-profit employment (up 5 percent). It is more than twice the growth in government employment (up 9 percent).

However, these overall growth rates fail to capture very diverse trends during the first and second halves of the period. The first part saw two major recessions (2001 and 2008-09), while the second

percent, respectively. During the second half of the period, nonprofit payroll grew by 10 percent, but for-profit payroll at more than three times that rate (34 percent), while government payroll decreased 1 percent.

Figure 7: Percent Change in Constant 2019 Dollars in Total Payroll in EGR 9 by Sector, 2000-09, 2009-19, 2000-19



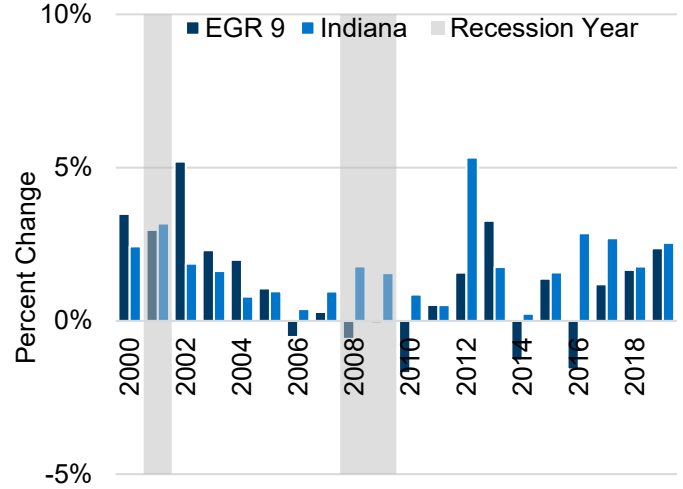
We explore trends in nonprofit employment in more detail by looking at annual growth rates. In EGR 9, nonprofit employment grew at a faster average annual rate (1 percent) than total, for-profit, and government employment (0.4, 0.3, and 0.6 percent, respectively). Indeed, nonprofit employment grew in 14 of the 20 years in the period, as did government employment. Total and for-profit employment increased for 15 years each. Further, nonprofits grew fastest for 9 years in the 2000-2019 period, for-profits for 6 years, and government for 5 years.

Payroll growth largely mirrors growth in employment. For more details on annual growth trends by sector for employment and payroll see Figures C1 and C2 in Appendix C.

The average annual growth of nonprofit employment was a percentage point lower in EGR 9 (1 percent) than compared to the state as a whole (2 percent). However, for 7 of the 20 years in the period, nonprofit employment in EGR 9 (dark blue bars) grew faster than for Indiana (light blue bars), as shown in Figure 8.

Nonprofit payroll in EGR 9 decreased for 5 years in the 20-year period and grew at a faster rate than the state as a whole for only 7 years. The average annual growth rate for EGR 9 nonprofit payroll was 2 percent, compared to 3 percent statewide. See Figure B3 in Appendix B for more details.

Figure 8: Percent Annual Change in Total Nonprofit Paid Employment, EGR 9 and Indiana



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.

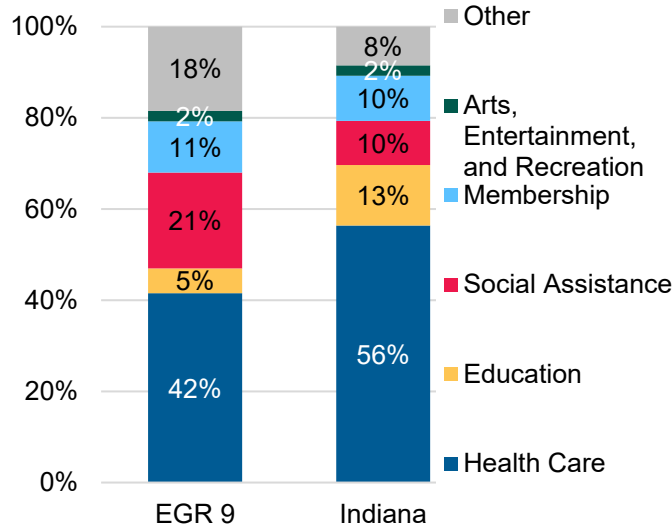
Major Nonprofit Industries

The distribution of nonprofit employment among major nonprofit industries in EGR 9 differs somewhat from how they are distributed overall in Indiana. As Figure 8 shows, five major nonprofit industries – health care, social assistance, membership, education, and arts, entertainment and recreation (AER) account for 82 percent of total nonprofit employment in EGR 9, but 92 percent for Indiana.

Health care (excluding social assistance) is the largest of these nonprofit industries with 42 percent of all nonprofit workers in EGR 9, notably less than for Indiana overall (56 percent). Nonprofit education in EGR 9 (5 percent) is also smaller than for the state as a whole (13 percent). Social assistance ranks second with 21 percent of nonprofit jobs employment in the region, notably higher than for the state (10 percent), while membership and AER have largely similar shares in EGR 9 and Indiana (respectively 10-11 percent and 2 percent). All other industries jointly account for almost one-fifth

(18 percent) of all nonprofit workers, almost as many as social assistance, and notably more than those industries account for in Indiana (8 percent).⁴

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



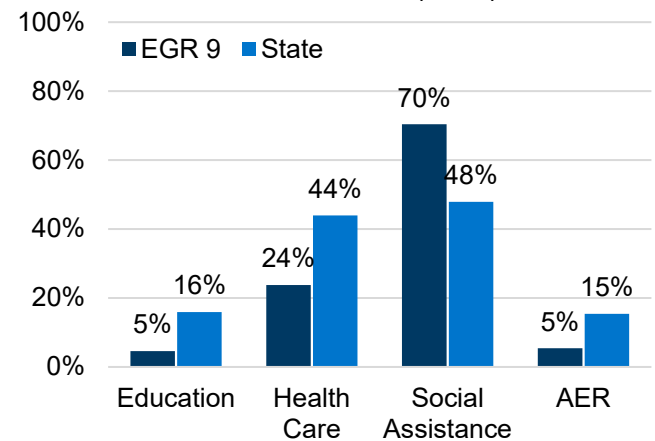
The distribution of total nonprofit payroll differs somewhat from the distribution of nonprofit jobs, with health care absorbing a disproportionate share of nonprofit payroll (53 percent) in EGR 9, compared to jobs (42 percent). Nonprofit payroll in all other industries combined account for 21 percent of total nonprofit payroll in EGR 9, notably more than social assistance, which only accounts for 13 percent, suggesting that social assistance jobs are less well paid and/or have more part-time workers. See Figure B4 in Appendix B for more details.

We next take a closer look at overall employment in the five major nonprofit industries. Together, they account for 82 percent of total nonprofit employment in EGR 9 and 92 percent Indiana. Not surprisingly, the “membership” industry is entirely nonprofit. However, nonprofits in EGR 9 (dark blue bars in Figure 10) play a large role in social assistance where they account for 70 percent of employees (almost all other workers in this industry are employed by for-profits). The nonprofit share of jobs in health care and education is much lower (24 and 5 percent respectively). In education, almost all

other workers are employed by government. AER has the same nonprofit share as education.

Compared to Indiana overall, nonprofits account for a larger share of total employment in EGR 9 only in social assistance, where EGR 9 nonprofits employ 22 percentage points more of total social assistance employees (70 vs. 48 percent). For the remaining industries, Indiana as a whole has a much higher share of employment. The difference for health care is 20 percentage points and 10 and 11 percentage points for AER and education, respectively. The relatively low nonprofit shares in EGR 9 for health care most likely reflect the presence of a large public hospital in the region (Columbus Regional Hospital) and the relatively few nonprofit hospitals, compared to the state overall, where many hospitals are nonprofit.⁵ For education, we note that only one of the state’s 30 nonprofit colleges and universities is located in EGR 9.⁶

Figure 10: Nonprofit Paid Employment as a Percent of Total Paid Employment, by Select Industries, EGR 9 and Indiana (2019)



For EGR 9, the nonprofit share of total employment in education, AER, and health care has changed by 2 percentage points or fewer since 2000. Social assistance is the only notable industry, which decreased from 81 percent share in 2000 to 70 percent share in 2019. Patterns of nonprofit share of total payroll are largely similar. See Figure B5 in Appendix B for more details.

⁴ The increased share of other industries in nonprofit distribution appears to be because nonprofits have a higher share of utilities and finance and information services employment in the region compared to all other EGRs.

⁵ See Indiana Department of Health, Hospital Community Benefits Report. IN.gov, 2021. Available at <https://www.in.gov/isdh/25324.htm>, retrieved April 11, 2021.

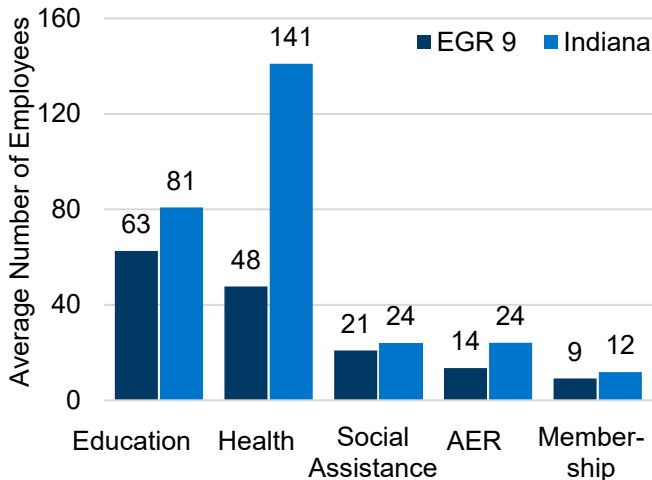
⁶ See “Independent College of Indiana Member Colleges and Universities,” available online at www.icindiana.org/indiana-private-colleges/.

Average Size of Nonprofit Establishments

We use the average size of establishments to get a better sense of how these industries are structured. These averages should be interpreted with caution, however, since they may hide very large or very small establishments. They also do not distinguish between full-time and part-time workers. Both of these features likely vary considerably among industries and subindustries (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 nonprofit establishments in EGR 9 is only half the size for Indiana overall (21 versus 43 employees per establishment). As Figure 11 shows, the same pattern of smaller establishments in EGR 9 (dark blue bars) than the state as a whole (light blue bars) holds for every industry. The largest size difference is in health care where nonprofits in EGR 9 have on average of only 48 employees per establishment versus 141 statewide. In education (63 vs 81 employees) and AER (14 vs. 24 employees), the difference is notably smaller, and it is only three employees in social assistance (21 vs. 24 employees) and membership (9 vs. 12 employees).

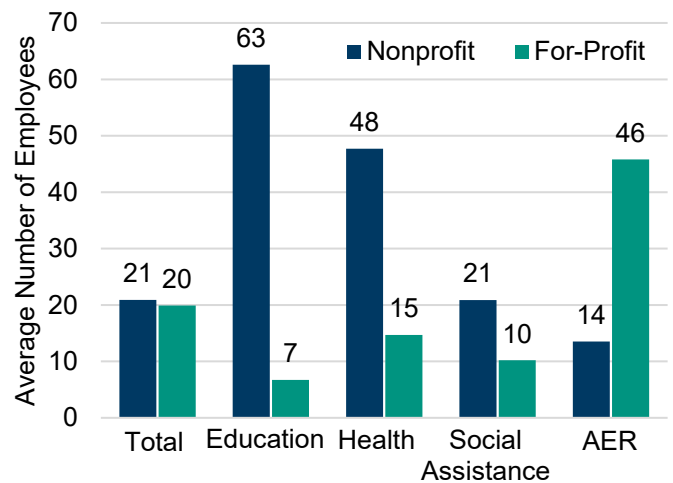
Figure 11: Average Size of Nonprofit Establishments by Select Industries (2019), EGR 9 and Indiana



From 2000 to 2019, the average size for nonprofit establishments in EGR 9 increased from 18 to 21 employees. Most of the major nonprofit industries changed by 6 or fewer employees. However, in education average number of employees decreased dramatically from 178 employees per establishment in 2000 to 63 in 2019.⁷

Nonprofit establishments in EGR 9 are roughly equal in size to their for-profit counterparts at 21 and 20 employees respectively on average for all establishments. However, there are notable differences in the average size of establishments when we focus on establishments in just the major nonprofit industries (see Figure 12).⁸ The most significant size difference is in education, where the average nonprofit establishment is nine times larger than its for-profit counterpart (63 vs. 7 employees), reflecting the presence of a nonprofit college. The average size of nonprofit establishments is also larger than for-profit ones in health care and social assistance, but by smaller margins (48 vs. 15 and 21 vs. 10 respectively). In AER, the average size for nonprofits (14 employees) is much smaller than for-profits (46 employees). We note that the latter includes gambling and recreation and that EGR 9 has several casinos along the Ohio River.

Figure 12: Average Size of EGR 9 Establishments by Sector (2019)



The average size of for-profit establishments changed only minimally since 2000 except in AER, where the average size decreased from 74 employees to 46 employees. For the remaining

⁷ The decrease in nonprofit average size is due to a gradual decrease in average size for both elementary and secondary schools and a more notable decrease for colleges and universities.

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.

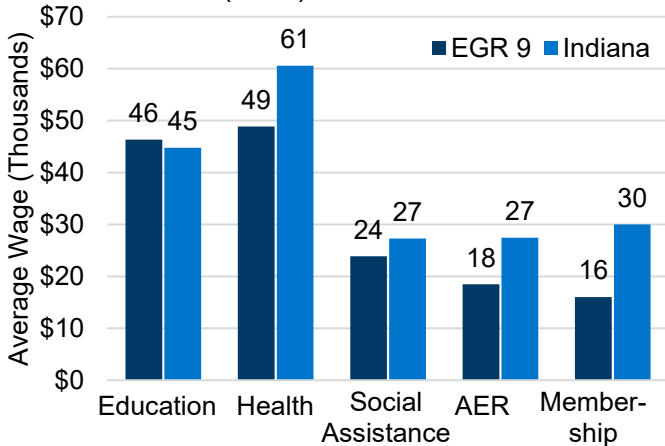
industries, the change is 4 or fewer employees.

Average Annual Nonprofit Wages

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

The average annual nonprofit wage overall is much smaller for EGR 9 than Indiana (\$38,000 versus \$51,000). In fact, Figure 13 shows that the average wage for EGR 9 (dark blue) establishments is lower than their Indiana counterparts (light blue) for every major nonprofit industry except for education. In education, EGR 9 pays \$46,000 on average annually, while Indiana as a whole pays \$45,000.

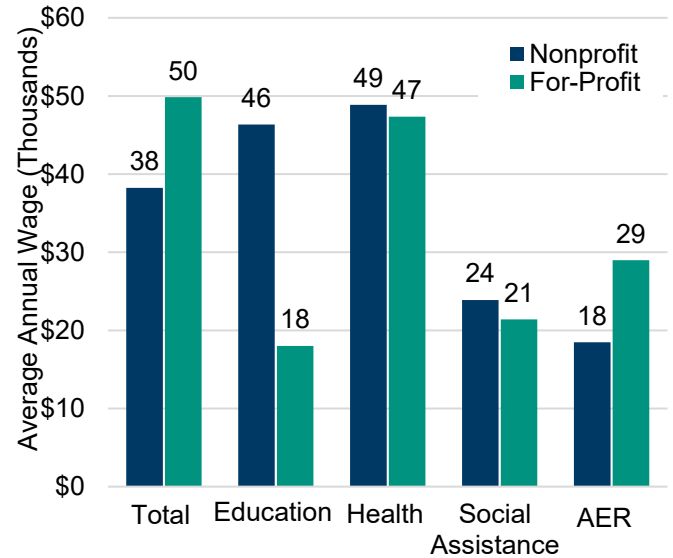
Figure 13: Average Annual Nonprofit Wage for Select Industries (2019), EGR 9 and Indiana



Adjusted for inflation, average annual wages for nonprofit workers increased since 2000 for two of the five major nonprofit industries, but by no more than \$6,300 (adjusted for inflation). Average annual wages dropped in social assistance (from \$25,500 in 2000 to \$23,800 in 2019), AER (\$21,000 to \$18,500), and membership (\$16,900 to \$16,000).

Next, we compare annual wages across sectors within EGR 9. Figure 14 shows that the total average annual wages for all industries are smaller in nonprofits (\$38,000) than for-profits (\$50,000). However, in each of the major nonprofit industries, except for AER, nonprofits have higher average wages. The largest difference is in education where nonprofits pay \$46,000 on average compared to only \$18,000 for for-profits. The differences in health care and social assistance are much smaller at only \$2,000 each. In AER, nonprofits pay \$18,000 on average, compared to for-profits at \$29,000.

Figure 14: Average Annual Wage in EGR 9 for Select Industries (2019) in the Private Sector



From 2000 to 2019, for-profit average wages increased for most for social assistance by \$5,100. Health care also increased, by less than \$1000. In education, average annual for-profit wages dropped by \$4,400 and by \$9,300 in AER.

Summary and Conclusion

The nonprofit sector is a relatively small economic force in EGR 9 accounting for only 6 percent of all employees in the region, lower than for Indiana (10 percent). Total and particularly for-profit employment faced losses during the first half of the 2000 to 2019 period but recovered during the second half of the period.

Overall, in 2019 nonprofit employment and payroll ranks fourth compared to major private sector industries in EGR 9. Its jobs and payroll also grew much faster than the overall region's employment

and payroll since 2000. While for-profits spent the 2009-2019 period recovering most of the jobs they lost during the prior ten years, nonprofit employment increased in both periods.

The 13 percent loss in for-profit employment during the 2000-2009 period are largely due to drops in the manufacturing industry, especially during the Great Recession. Manufacturing employment in 2019 fell below its level in 2000, while payroll surpassed its 2000 level as a result of strong recovery. For-profit employment in the second period from 2009-2019 grew 20 percent, leading to a net gain of 5 percent employment. By contrast, nonprofit employment grew during both period and overall, by 22 percent. Government employment had a net gain of 9 percent as a result of an 11 percent gain in the first period and a 2 percent loss in the second.

Nonprofit employment is concentrated in five major industries in the region: health care, education, social assistance, membership associations, and AER, which jointly account for 82 percent of all nonprofit jobs in the region. Health care (42 percent) and social assistance (21 percent) are the primary nonprofit industries, jointly accounting for 60 percent of all nonprofit jobs in EGR 9. Social assistance has a higher share in EGR 9 than Indiana, by 11 percentage points.

In EGR 9, nonprofits have the largest role in social assistance, accounting for 70 percent of jobs in the industry. Health care is the next largest, but trails as 24 percent, followed by education and AER (5 percent, each).

When looking at average size of establishments, we see that EGR 9 typically has smaller establishments on average than Indiana as a whole. Education has the largest establishments on average in EGR 9 at 63 employees, followed by health care (48 employees). However, that is still much larger than the remaining industries which each have fewer than 25 employees per establishment. When compared to for-profits in EGR 9, nonprofit establishments are much larger on average in every industry except for AER. Most notably, nonprofit establishments in education (63 employees) are significantly larger than for-profits (7 employees).

The same pattern holds for nonprofit average

wage, where EGR 9 typically pays lower than for the state as a whole, except in education. Nonprofit average wages are highest in health care (\$49,000) and education (\$46,000). When compared to for-profits in the region, nonprofits pay higher in each of the major nonprofit industries, except AER.

Overall, EGR 9 faced notable economic growth over the 20-year period, despite some challenges to the for-profit sector during the Great Recession of 2008-09. The nonprofit sector in EGR 9 is one of the smallest in Indiana but has seen steady growth over the period.

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. Grønberg, 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, 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.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 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.

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 9

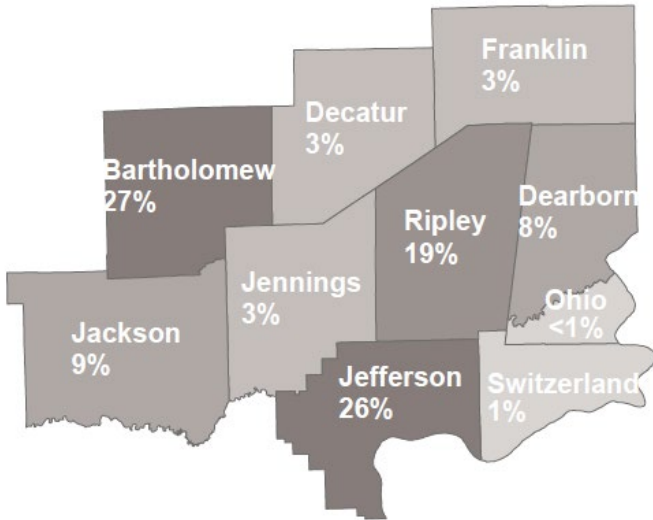


Figure B2: Nonprofit Share of Total Payroll (2019\$) by County for EGR 9

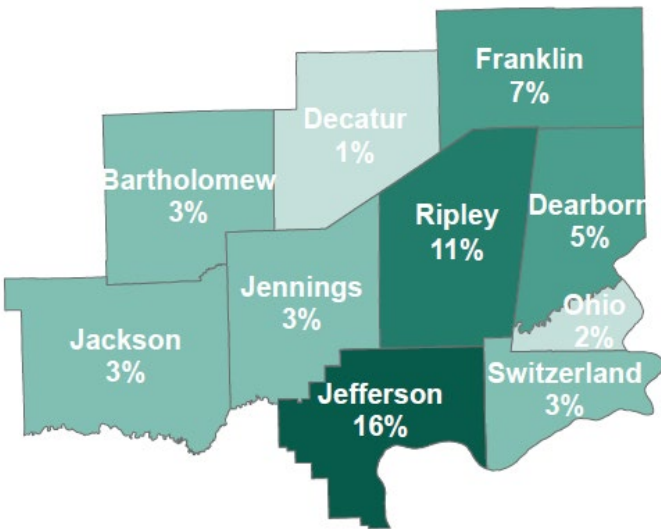


Figure B3: Percent Annual Change in Total Nonprofit Payroll in Constant Dollars (2019), EGR 9 and Indiana

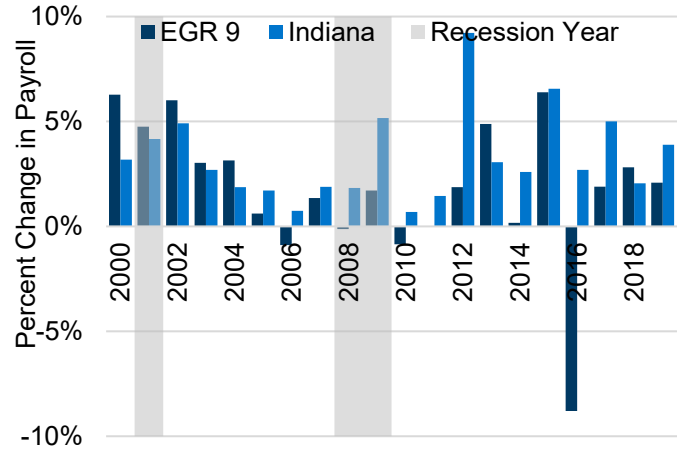


Figure B4: Industry Distribution of Nonprofit Payroll (2019), EGR 9 and Indiana

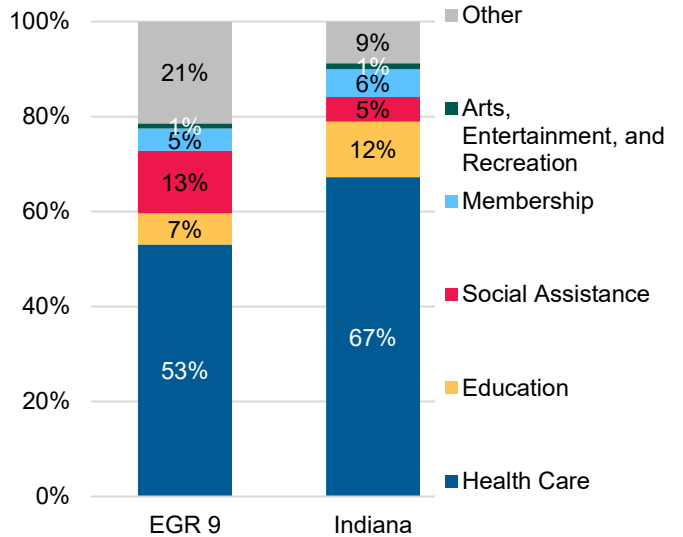
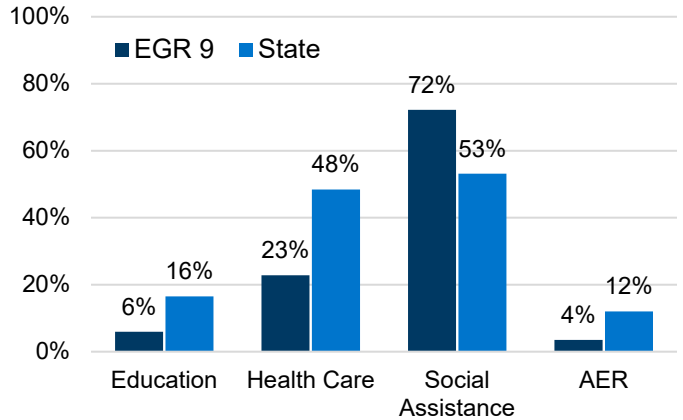


Figure B5: Nonprofit Payroll as Percent of Total Payroll, by Select Industries, EGR 9 and Indiana (2019)



Appendix C: Annual Trend Graphs

Figure C1: Percent Change in Employment by Sector in EGR 9

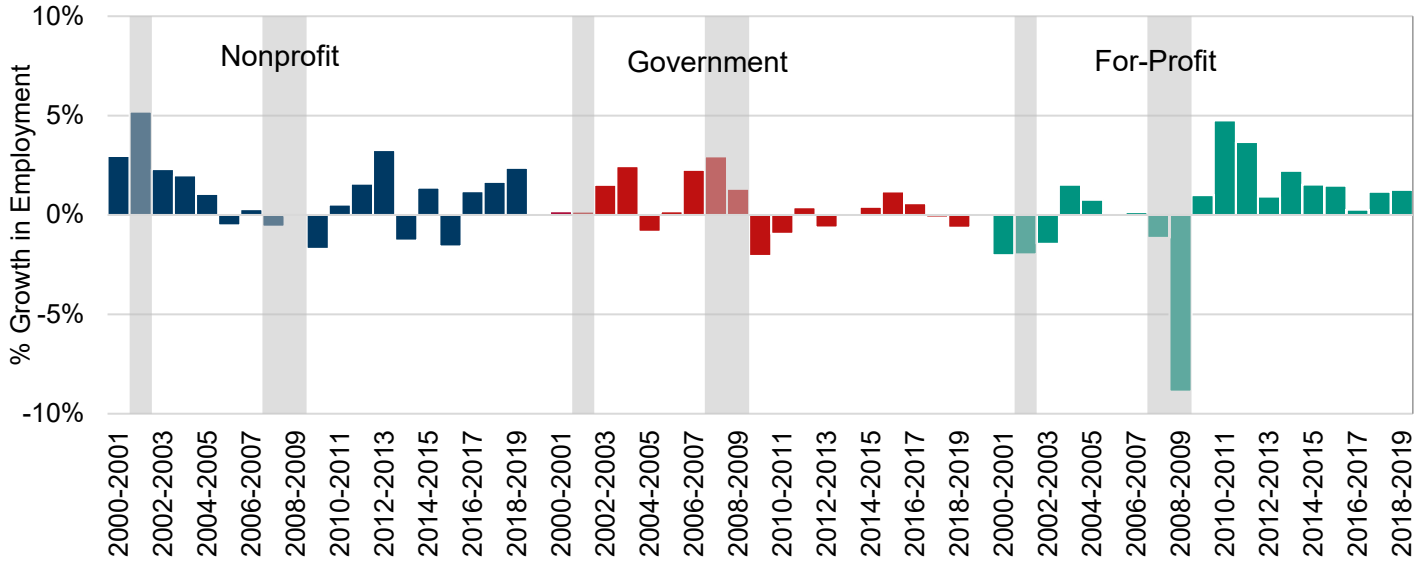
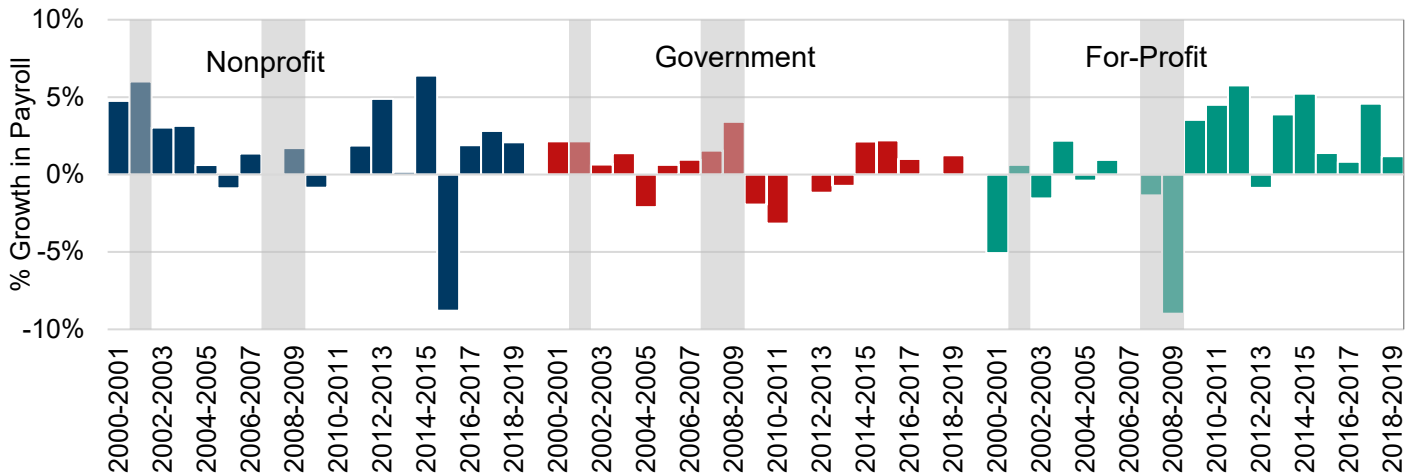


Figure C2: Percent Change in Payroll by Sector in EGR 9





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