



INDIANA NONPROFITS PROJECT
NONPROFIT EMPLOYMENT: REGIONAL SERIES
REPORT #09

Nonprofit Paid Employment in Economic Growth Region 11, Indiana, 2000-2019

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A joint product of

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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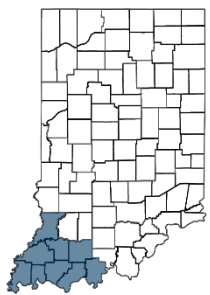
Introduction

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 Southwest Indiana, Economic Growth Region 11, 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 11: Southwest Indiana



Economic Growth Region (EGR) 11 is composed of nine counties – Dubois, Gibson, Knox, Perry, Pike, Posey, Spencer, Vanderburgh, and Warrick. The region includes Evansville Metropolitan Statistical Area (Gibson, Posey, Vanderburgh, and Warrick Counties). EGR 11 employs

218,000 of Indiana’s paid workers, with a total payroll of \$10 billion, which is 7 percent of Indiana’s total employment and payroll.

Employment and Payroll

Of the 218,000 paid employees in the region in 2019, nonprofits employed 22,000 with a payroll of over \$1 billion. Figure 1 shows how the regions nonprofit employees are distributed among the six counties. Almost two-thirds (66 percent) of nonprofit workers are concentrated in Vanderburgh County

Quick Facts

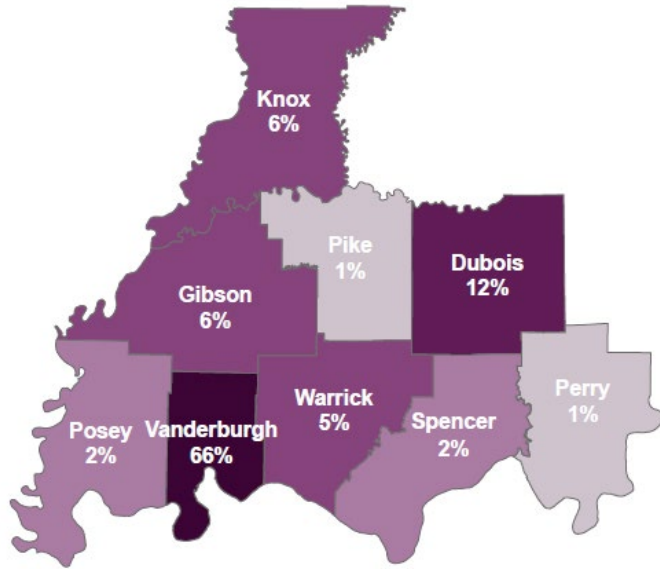
- Nonprofits employed 22,000 workers in the region with a total payroll of \$1 billion in 2019 – 10 percent of all paid employees and total payroll in the region.
- In 2019, total nonprofit employment ranked third compared to major for-profit industries in the region. Manufacturing and retail trade rank first and second, respectively, although they dipped over the 20-year period (Fig. 4).
- Nonprofit payroll trails only manufacturing, and that gap has narrowed (Fig. 5).
- Nonprofit employment and payroll (adjusted for inflation) have grown considerably more than the for-profit and government sectors (Fig. 6 and 7).
- Nonprofit employment has grown in 15 of the 20 years since 2000 (Fig. 8).
- Most nonprofit employees work in health care (62%), with the rest fairly distributed across education, membership, and social assistance. AER and other industries are smaller industries (Fig. 9).
- Nonprofit employees account for over half (57%) of social assistance and almost half (46%) of all health care (Fig. 10).
- Nonprofits have more employees on average than for-profit establishments in the same industries, except for in arts, entertainment, and recreation (Fig. 12).
- Average wages are higher for nonprofit employees than for-profit workers and in most nonprofit industries. Wages are comparable in arts, entertainment, and recreation (Fig. 14).

with Dubois (12 percent) County a distant second. The remaining 22 percent is distributed across Gibson, Knox, and Warrick Counties (5-6 percent share each), and the remaining four counties with only 1-2 percent share. Since 2000, the distribution of employment has remained largely unchanged.

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

Nonprofit payroll, in constant 2019 dollars, is similarly distributed among the nine counties with 69 percent of EGR 11's payroll in Vanderburgh County followed by Dubois County (12 percent). The remaining 20 percent is distributed across the other 7 counties similar to employment. See Figure B1 in Appendix B for more details. The distribution of nonprofit payroll is largely unchanged over the 20-year period. Vanderburgh County's share of Indiana's nonprofit employment ranks fifth among the state's 92 counties at 5 percent for both nonprofit employment and payroll, adjusted for inflation.

Figure 1: Distribution of Nonprofit Paid Employment (2019) by County for EGR 11

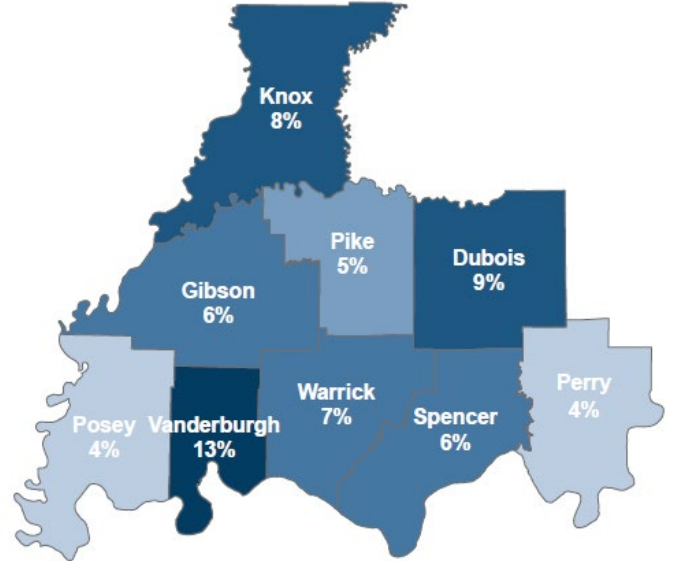


Nonprofit employment as a percentage of total employment is more revealing of the economic role of nonprofits in EGR 11. Vanderburgh County ranks tenth of all 92 Indiana counties in nonprofit share of total employment, at 13 percent. The other EGR 11 counties have smaller shares, ranging from 4 to 9 percent. Since 2000, the nonprofit share has increased for six counties by 1-3 percentage points, but remained the same in Perry County and decreased by 2 percentage points for Gibson and Spencer Counties.

The nonprofit share of total payroll shows a similar pattern. Vanderburgh County has the highest nonprofit share of total payroll at 14 percent. The remaining counties have between 2 and 10 percent share. See Figure B2 in Appendix B for more details. Since 2000, nonprofit shares of payroll, adjusted for inflation, increased in every county except for Gibson, Perry, and Spencer Counties

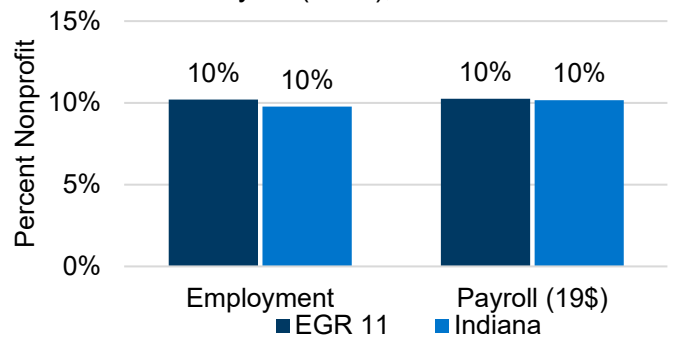
where the share dropped, but by less than 1 percentage point.

Figure 2: Nonprofit Share of Total Paid Employment (2019) by County for EGR 11



Among the state's 11 Economic Growth Regions, EGR 11 ranks sixth in nonprofit share of total employment. Figure 3 shows how EGR 11, and Indiana have roughly the same nonprofit share of total employment and payroll, adjusted to constant 2019 dollars (19\$), at 10 percent share. Over the 20-year period, nonprofits in EGR 11 have increased their share of total employment and payroll from 8 and 7 percent, respectively, in 2000.

Figure 3: Nonprofit Share of Total Paid Employment and Total Payroll (2019), EGR 11 and Indiana



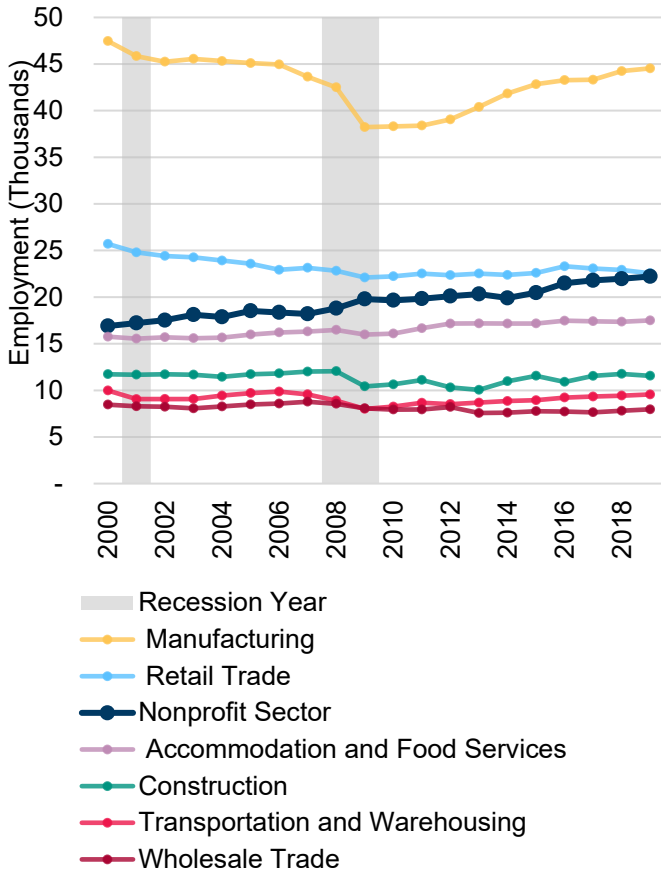
Industry Comparisons

In 2019, the nonprofit sector ranked third in employment when compared to major for-profit industries in EGR 11, surpassed by only manufacturing and retail trade. The manufacturing industry employed 44,500 workers, followed by retail trade which employed 22,600 in 2019. Nonprofits trailed very

closely with 22,200 workers. Accommodation and food services, the fourth largest in 2019, remained below nonprofit employment, with the gap widening from 1,100 in 2000 to 4,700 in 2019.

As shown in Figure 4, the nonprofit sector and the three largest for-profit industries had the highest net change in the number of paid workers over the 2000-2019 period. Two industries lost employment. Retail trade lost the most jobs, down 3,100 from 25,700 in 2000 to 22,600 in 2019, with losses spread throughout the 2000 to 2019 period. Manufacturing lost the second most, down 2,900 from 47,500 in 2000 to 44,500 in 2019. However, manufacturing actually declined to 38,200 workers in 2009, mainly during the Great Recession (2008-2009), before regaining some of the lost ground. In contrast, the nonprofit sector gained 5,300 employees over the 20-year period, up from 16,900 in 2000 to 22,200 in 2019.

Figure 4: Nonprofit Paid Employment Compared to Key Private Sector Industries (2000-2019) for EGR 11

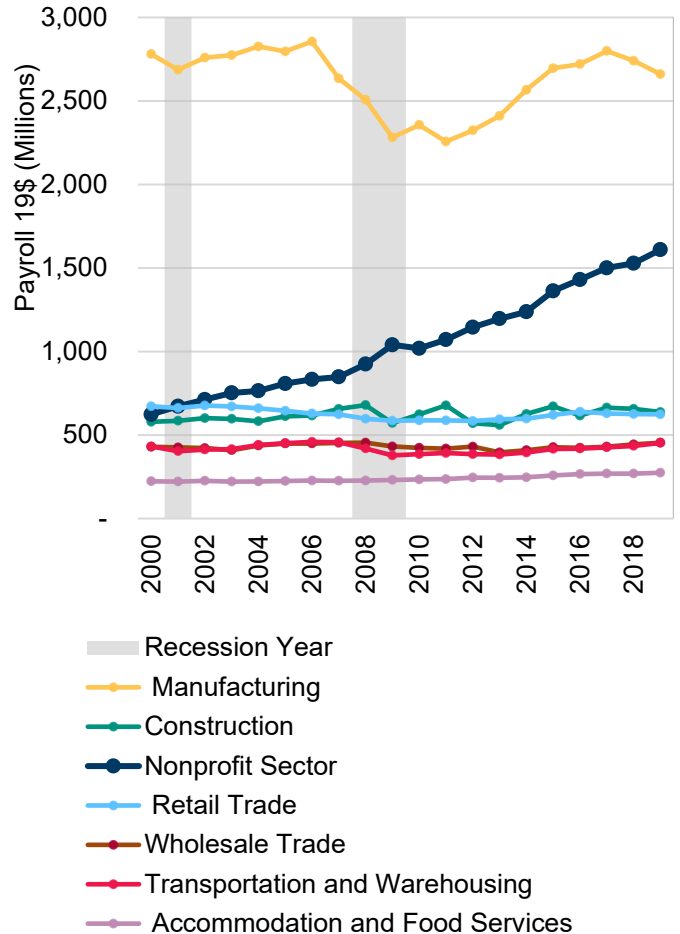


There were losses in several other important for-profit industries. Thus construction, wholesale

trade, and transportation and warehousing all had small net decreases of 500 employees or fewer. Other than nonprofit employment, only accommodations and food services had a net increase in employment over the period, up 1,700 from 15,800 in 2000 to 17,500 in 2019.

Patterns in payroll differ considerably in EGR 11, as shown in Figure 5. Manufacturing payroll is the largest payroll in EGR 11 as it is in number of workers, but declined by \$120 million, from \$2.8 billion in 2000 to \$2.7 billion in 2019 (adjusted for inflation). However, it dipped to \$2.3 billion in 2009 and 2011, before slowly recovering until 2017 when it began to decline again. The nonprofit sector has had the second largest payroll since 2003 and grew significantly from \$603 million in 2000 to over \$1 billion in 2019, in constant 2019 dollars. Payrolls for the remaining industries remained at or below \$650 million, changing only minimally.

Figure 5: Nonprofit Payroll (2019\$) Compare to Key Private Sector Industries (2000-2019) for EGR 11

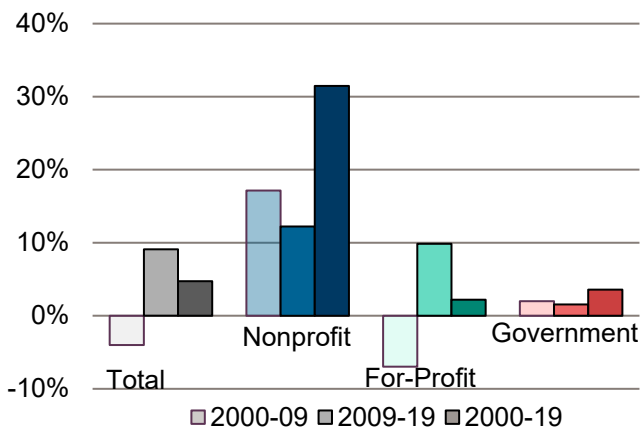


Growth in Nonprofit Employment and Payroll

From 2000 to 2019, total paid employment in EGR 11 grew 5 percent and payroll by 14 percent, adjusted for inflation. Below, we explore overall and average growth rates for the three sectors in EGR 11 and then compare these rates to the state as a whole.

Nonprofit employment increased 31 percent in EGR 11, up from 16,900 jobs in 2000 to 22,200 in 2019. For-profit and government employment increased by 2 and 4 percent, respectively. But these overall changes hide distinct changes during the first and second half of the period. Figure 6 shows the percent change in employment by sector separately for 2000-2009 (lightest bar) and 2009 to 2019 (middle bar), as well as the change for the entire period (darkest bar).

Figure 6: Percent Change in Total Paid Employment in EGR 11 by Sector, 2000-09, 2009-19, 2000-19



Looking at the first period, we see that both total and for-profit employment decreased, at 4 and 7 percent, respectively. The losses are largely due to the losses in manufacturing and retail trade during the first half of the period. Government employment increased 2 percent while nonprofit employment grew 13 percent.

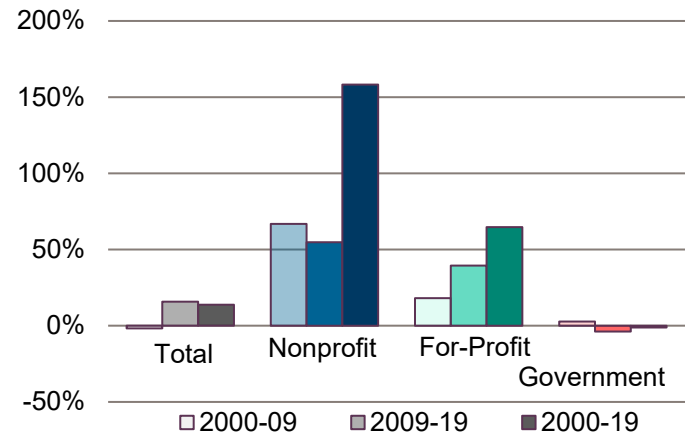
Then, during the second period, employment grew in all sectors. The highest growth was in nonprofit employment (12 percent), followed by total and for-profit at 9 and 10 percent, respectively. Government grew minimally again at 2 percent.

Total payroll in EGR 11 grew 14 percent from 2000-

2019, adjusted for inflation. As shown in Figure 7, a notable share of this growth was a result of a 158 percent growth in nonprofit payroll. For-profit payroll also increased, but by 65 percent over the 20-year period. Government payroll faced a net loss of 1 percent over the period.

As with employment, payroll has different patterns of growth between the first and second half of the overall period. In the first period, total payroll declined 2 percent, adjusted for inflation. This loss is a result of a 5 percent decrease in for-profit payroll (largely due to the decline in manufacturing payroll explored earlier). In the first period, Nonprofit payroll grew 67 percent while government grew 3 percent. In the second half, nonprofit and for-profit payroll both grew but at different rates, 55 and 39 percent, respectively; while government payroll decline by 4 percent.

Figure 7: Percent Change in Constant 2019 Dollars in Total Payroll in EGR 11 by Sector, 2000-09, 2009-19, 2000-19

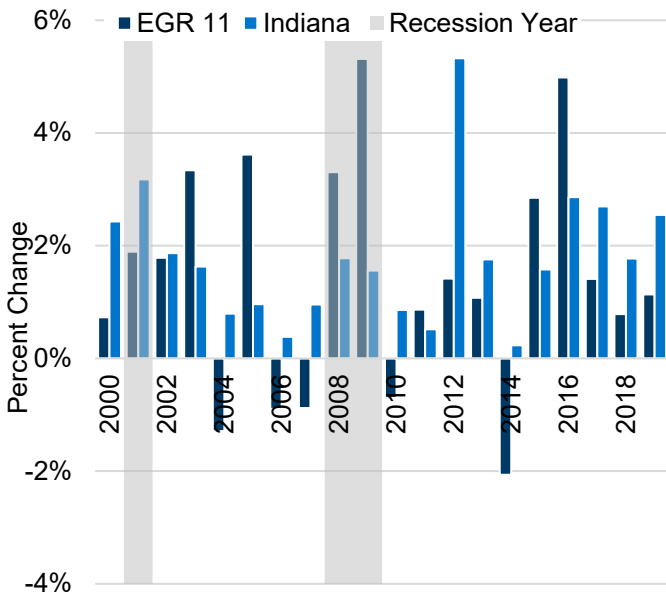


We explore trends in nonprofit employment in more detail by looking at annual growth rates. In EGR 11, nonprofit employment grew at a faster average annual rate (1 percent) than total, for-profit, and government employment (0.3, 0.2, and 0.3 percent, respectively). Indeed, nonprofit employment grew in 15 of the 20 years during the period. By comparison, total, for-profit, and government employment decreased for 5, 7, and 6 years, respectively. Moreover, nonprofit employment grew at a faster annual rate than for-profit and government employment for 12 years in the 2000-2019 period, while for-profits and government grew fastest for 4 years each. Payroll growth largely mirrors growth in employment. See Figures C1 and C2 in Appendix C for more details.

Compared to the state of Indiana, however the average annual growth of nonprofit employment was a percentage point lower in EGR 11 (1 percent vs. 2 percent). Nevertheless, for 7 of the 20 years in the period, nonprofit employment in EGR 11 (dark blue bars) grew faster than for Indiana (light blue bars), as shown in Figure 8.

Nonprofit payroll in EGR 11 decreased for only 1 year in the 20-year period and grew at a faster rate than the state as a whole for 13 years. The average annual growth rate in payroll was the same in EGR 11 and Indiana, at 3 percent. See Figure B3 in Appendix B for more details.

Figure 8: Percent Annual Change in Total Nonprofit Paid Employment, EGR 11 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, including EGR 11.

Major Nonprofit Industries

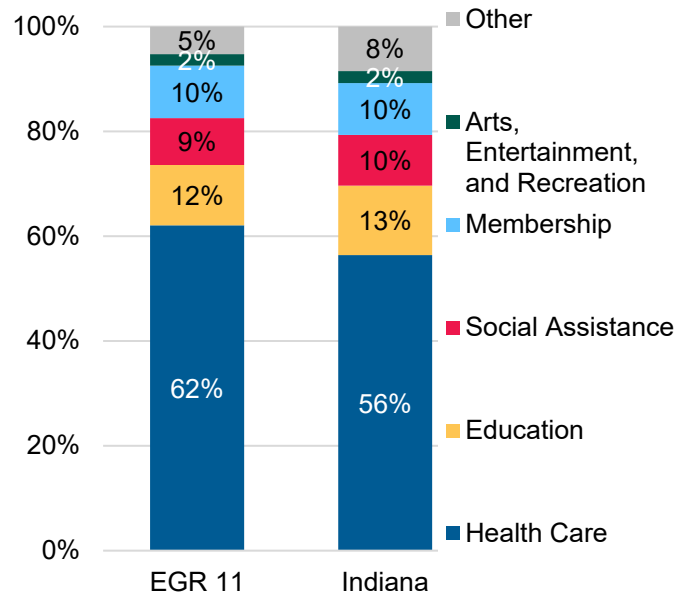
Five major nonprofit industries – health care, education, social assistance, membership and arts,

entertainment and recreation (AER) – jointly account for 95 percent of all nonprofit employment in EGR 11 and 92 percent in Indiana. The distribution of nonprofit employment among these five nonprofit industries is largely similar between EGR 11 and Indiana (see Figure 9). The industry with the highest number of nonprofit workers is health care (excluding social assistance) in both EGR 11 (62 percent) and Indiana (56 percent). For both EGR 11 and Indiana, the next largest industry is education, at 12 and 13 percent, respectively.

Social assistance and membership (includes religious, grantmaking, civic, and professional associations), employ 9 to 10 percent of all nonprofit paid employees in both the region and statewide. Arts, entertainment, and recreation (AER) only employ 5 and 2 percent, respectively in EGR 11 and for the state as a whole, leaving 5 and 8 percent respectively for all other industries combined.

The distribution of total nonprofit payroll is fairly similar but even more skewed towards health care, which absorbs 77 percent of total nonprofit payroll in EGR 11. The remaining nonprofit industries consequently have lower shares of nonprofit payroll than of nonprofit employment. See Figure B4 in Appendix B for more details.

Figure 9: Industry Distribution of Paid Nonprofit Employment (2019), EGR 11 and Indiana



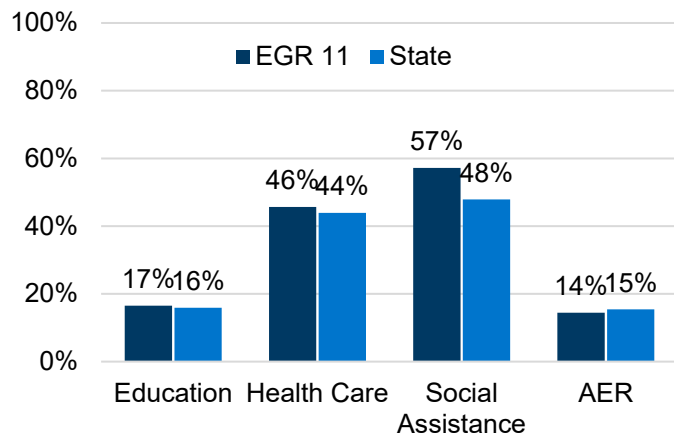
We next take a closer look at overall employment in these major nonprofit industries. Not surprisingly,

the “membership” industry is entirely nonprofit. However, nonprofits in EGR 11 (dark blue bars in Figure 10) play a large role in social assistance (57 percent) and health care (46 percent). Education (17 percent) and AER (14 percent) have lower shares of employment, although both are within one percent of the state as a whole.

Except for AER, nonprofits in EGR 11 account for a larger share in all major nonprofit industries compared to the state as a whole. While the nonprofit share in EGR 11 is only 1 or 2 percentage points higher than for Indiana in education and health care, the share in social assistance for EGR 11 is 9 percentage points higher than for the state.

The nonprofit share of total employment in some of these industries has changed significantly since 2000 in EGR 11. It has increased in health care (to 42 from 26 percent), remained the same in AER and education, and decreased in social assistance (from 79 to 57 percent). The trends in nonprofit share of total payroll are largely similar. See Figure B5 in Appendix B for more details.

Figure 10: Percent Nonprofit of Total Paid Employment, by Industry (2019), EGR 11 and Indiana



Average Size of Nonprofit Establishments

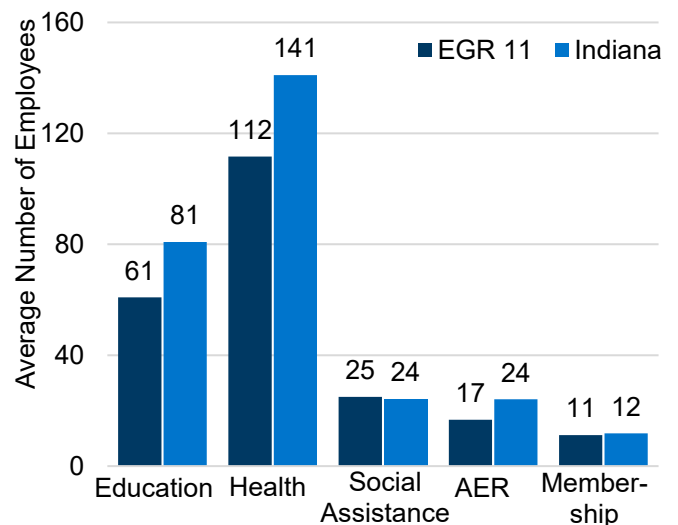
We use the average size of establishments to get a better sense of how these industries are structured. These averages should be interpreted with caution, however, since they may hide very large or very small establishments. They also do not distinguish between full-time and part-time workers. Both of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

capture the size of nonprofit (or for-profit) organizations, since some larger organizations may operate multiple establishments both in the region and elsewhere.

The average size of nonprofit establishments in EGR 11 is largest in health care at 112 employees per establishment. Education establishments, the next largest, is just less than half the size of health care establishments at 61 employees on average. In the remaining industries, average size is much smaller, ranging between 11 (membership) and 25 (social assistance) workers per establishment.

Figure 11 shows how average size of nonprofits compare between EGR 11 (dark blue bars) and the state as a whole (light blue bars). EGR 11 establishments are smaller on average than their counterparts for the state as a whole except for social assistance, where the average size for EGR 11 is slightly larger (but by only 1 worker) than for the state as a whole. For two of the industries, the average size of establishments in EGR 11 are considerably smaller than at the state level: a gap of 20 employees for education (61 in EGR 11 vs 81 employees statewide) and 29 for health care (112 vs. 141 employees). AER has a smaller size difference at 17 employees on average in EGR 11 compared to 24 statewide. Membership employment is roughly the same at 11 and 12, respectively for EGR 11 and Indiana.

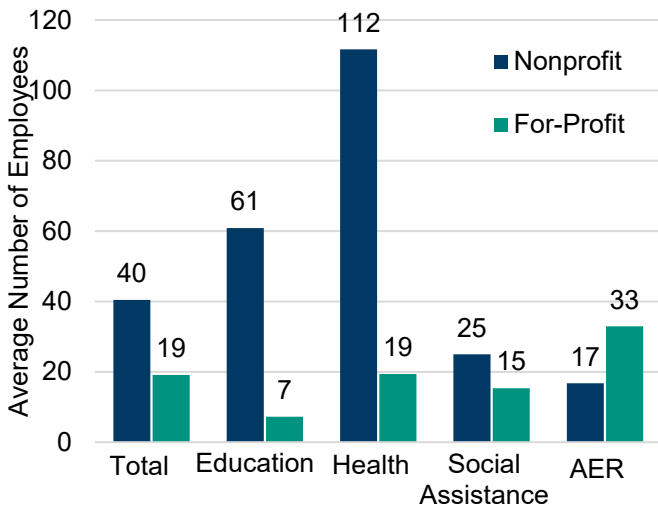
Figure 11: Average Size of Nonprofit Establishments by Select Industries (2019), EGR 11 and Indiana



From 2000 to 2019, the overall average size for nonprofits in EGR 11 increased from 35 to 40 employees and that of all other industries increased from 10 to 12 employees on average. When we focus on only the major nonprofit industries, the average size of these industries decreased in size, except for education where the size remained unchanged. The average size of health care establishments decreased the most, from 130 to 112, with much smaller losses of only 2 employees on average in social assistance (27 to 25 employees) and AER (19 to 17 employees).

Nonprofit establishments in EGR 11 are significantly larger than their for-profit counterparts at 40 and 19 employees per establishment on average, respectively. Figure 12 shows the average size of establishments for nonprofits and for-profits in major nonprofit industries.² The most significant size difference is in health care, where average size is 112 for nonprofits compared to 19 workers for for-profits, and education (61 vs. 7 employees).

Figure 12: Average Size of EGR 11 Establishments by Sector (2019)



In social assistance, the size difference is lower – nonprofits (25 workers on average) employ 10 people more than for-profits (15 employees). In AER, nonprofits (17 employees) are roughly half the size of for-profits (33 employees). The latter includes gambling and recreation.

For-profit average size changed minimally since 2000. The largest growth was in social assistance

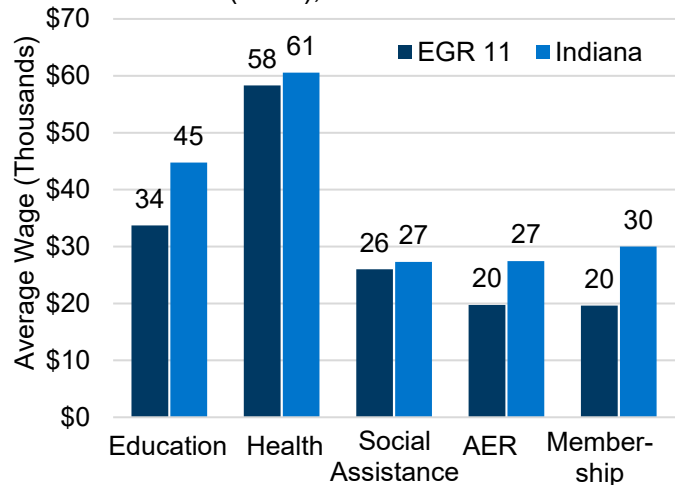
which increased from 8 to 15 employees on average. The average size of for-profit establishments in the remaining industries examined here did not change by more than 3 employees over the 20-year period.

Average Annual Nonprofit Wages

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

The average annual nonprofit wage overall is smaller for EGR 11 than Indiana (\$47,000 versus \$51,000). In fact, Figure 13 shows that the average wage for EGR 11 (dark blue) establishments is lower than their Indiana counterparts (light blue) for every major nonprofit industry, although only by \$1,000 on average in social assistance.

Figure 13: Average Annual Nonprofit Wage for Select Industries (2019), EGR 11 and Indiana

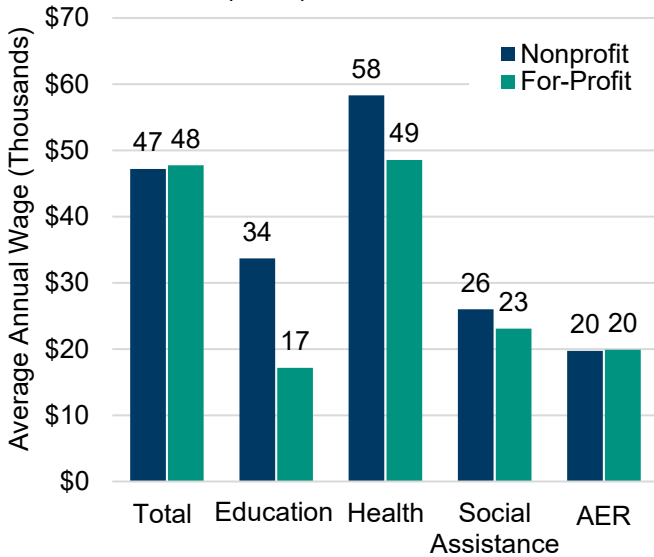


² Because we assume that there are no for-profit membership establishments, Figures 12 and 14 do not show membership. Also, due to confidentiality restrictions, we do not show the average size for government establishments.

Adjusted for inflation, average annual wages for nonprofit workers increased since 2000 for health care (\$42,000 to \$58,000), but only minimally for social assistance (\$25,000 to \$26,000). Average annual wages remained roughly the same in education (\$34,000) but decreased in AER (\$24,000 to \$20,000).

Next, we compare annual wages across sectors within EGR 11. Figure 14 shows that the total average annual wages for all industries combined are roughly the same in nonprofits (\$47,000) and for-profits (\$48,000). When we focus on just the major nonprofit industries, average wages are larger for nonprofit workers in all the industries, except for arts, entertainment, and recreation, where wages are the same in both sectors. In education, nonprofit workers on average earn twice as much as for-profit employees in that industry (\$34,000 for nonprofits vs \$17,000 for for-profits). In health care the difference is \$9,000 (\$58,000 vs \$49,000), but the difference is only \$3,000 in social assistance (\$26,000 vs. \$23,000).

Figure 14: Average Annual Wage in EGR 11 for Select Industries (2019) in the Private Sector



From 2000 to 2019, for-profit average annual wages decreased in all major nonprofit industries, between \$1,000 and \$8,000 dollars, adjusted for inflation. The highest drop was in education, down from \$25,000 in 2000 to \$17,000 in 2019.

Summary and Conclusion

The nonprofit sector is a large economic force in EGR 11 accounting for 10 percent of total employ-

ment and payroll in the region. 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 the nonprofit sector ranked third in employment compared to other major private sector industries in EGR 11 with manufacturing and retail trade ranking first and second, respectively. In payroll, nonprofits rank second only to manufacturing. Between 2000 and 2019, employment in the major industries of EGR 11 changed minimally for all industries except for manufacturing and retail trade which lost significant employment from 2000-2009. The accommodation and food services industry increased over the period, but nonprofit employment increased a faster rate.

The 7 percent loss in for-profit employment during the 2000-2009 period are largely due to drops in the manufacturing and retail trade industries. These losses were mostly concentrated in the two recession periods, 2001 and especially the Great Recession 2008-9. During the 2009-2019 period both industries recovered some, although they were below where they had been in 2000. As a result, for-profit employment increased by 10 percent in 2009-2019, leading to a net gain of 2 percent from 2000-2019. By contrast, nonprofit employment grew during both period and overall, by 31 percent. Government employment increased in both parts of the period, although at a lower rate for an overall growth of only 4 percent.

Nonprofit employment is concentrated in five major industries in the region: health care, education, social assistance, membership associations, and AER. Health care by itself accounts for 62 percent of all nonprofit workers, with education a distant second with 12 percent of all nonprofit jobs in EGR 11.

In EGR 11, nonprofits have the largest role in social assistance, accounting for almost three-fifths (59 percent) of jobs in the industry. Health care (46 percent) is the next largest, while education (17 percent) and AER (14 percent) have lower shares. The former is dominated by government (public schools and universities), the latter by for-profit establishments.

When looking at average size, we see that health care has the largest establishments on average in EGR 11 at 112 employees, followed by education

(61 employees). The remaining nonprofit industries had fewer than 25 employees on average. Although EGR 11 generally has smaller nonprofit establishments than Indiana as a whole, EGR 11's nonprofit establishments are larger than their for-profit counterparts in every nonprofit industry, except AER. This is particularly the case for health care where nonprofit establishments have 112 employees on average, compared to 19 in for-profit establishment, and in education (61 vs. 7 employees).

The same pattern holds true for nonprofit average wages, where nonprofits in EGR 11 typically pays lower wages than their counterparts for the state as a whole. Nonprofit average wages are highest in health care (\$58,000) and education (\$34,000). When compared to for-profits in the region, nonprofits pay higher in each of the major nonprofit industries, except for AER where it is the same.

Overall, EGR 11 faced notable economic growth over the 20-year period, despite some challenges for major for-profit industries during the Great Recession of 2008-09. The region's overall positive growth appears to be at least in part due to the health and vitality of the nonprofit sector in the region.

Appendix A: Methodology

Source of Data

The two sources of data for this report 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.³

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.⁴

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.⁵ However, certain employees are not required to participate, including religious organizations and charities with less than four employees.⁶ 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).⁷

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

³ 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.

⁴ Internal Revenue Services, Exempt Organizations Business Master File Extract. Internal Revenue services, 2019. Available at www.irs.gov/charities-non-profits/exempt-organizations-business-master-file-extract-eo-bmf, retrieved November 15, 2020.

⁵ 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.

⁶ 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.

⁷ 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,⁸ 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 77,300.⁹ 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 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.¹⁰

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.¹¹ 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.¹² 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.

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

⁹ 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.

¹⁰ 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.

¹¹ 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.

¹² 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 11

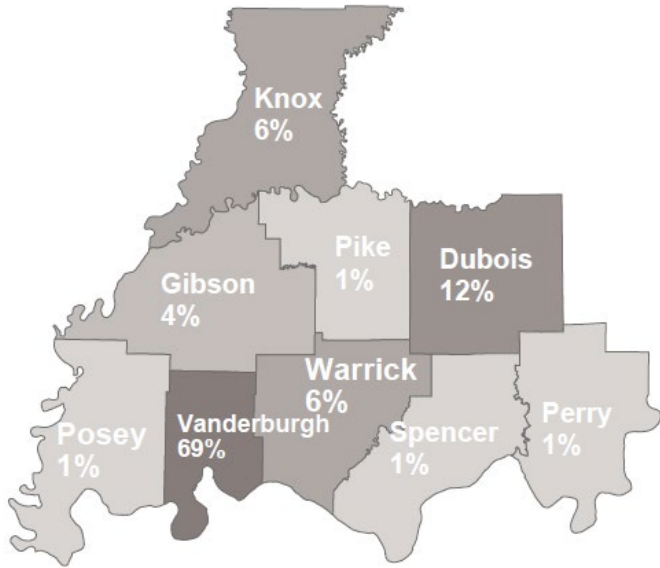


Figure B2: Nonprofit Share of Total Payroll (2019\$) by County for EGR 11

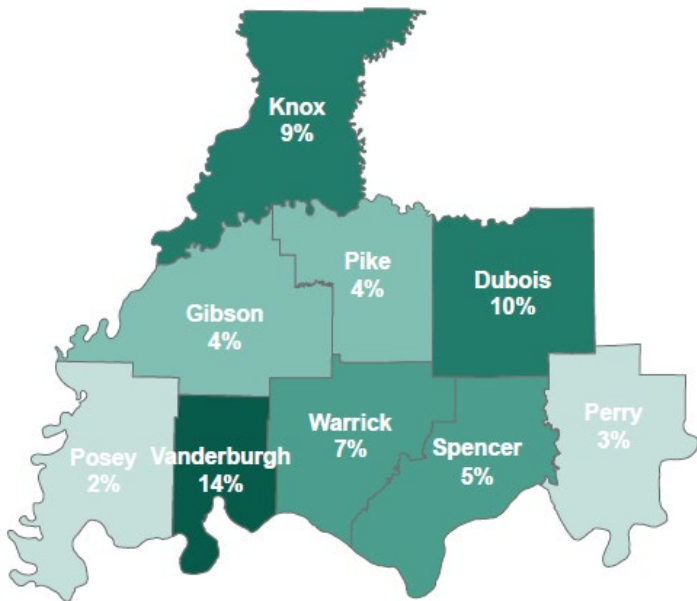


Figure B3: Percent Annual Change in Total Nonprofit Payroll in Constant Dollars (2019), EGR 11 and Indiana

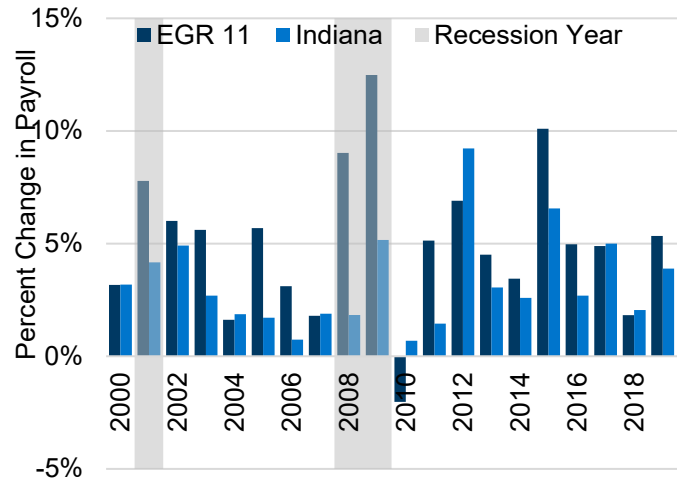


Figure B4: Industry Distribution of Nonprofit Payroll (2019), EGR 11 and Indiana

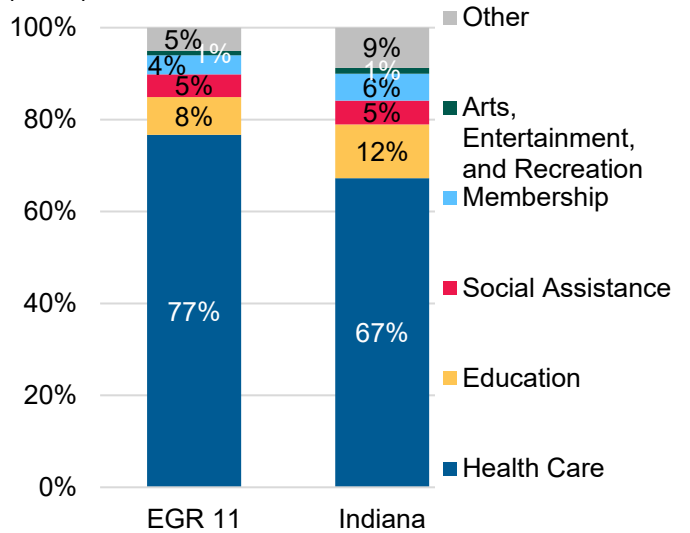
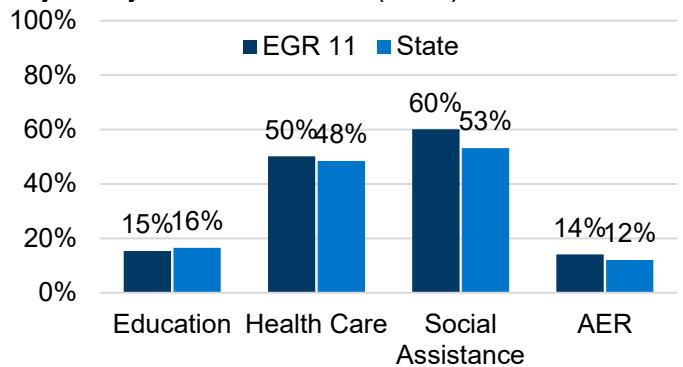


Figure B5: Nonprofit Payroll as Percent of Total Payroll, by Select Industries (2019)



Appendix C: Annual Trend Graphs

Figure C1: Percent Change in Employment by Sector in EGR 11 (1995-2019)

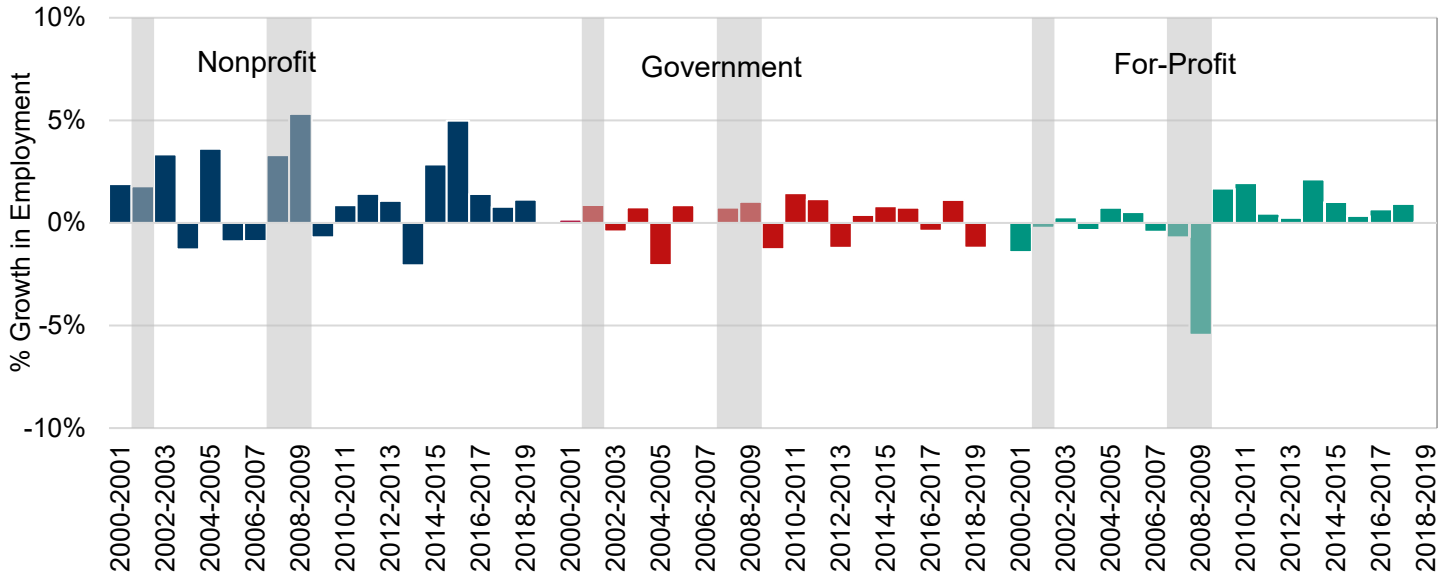
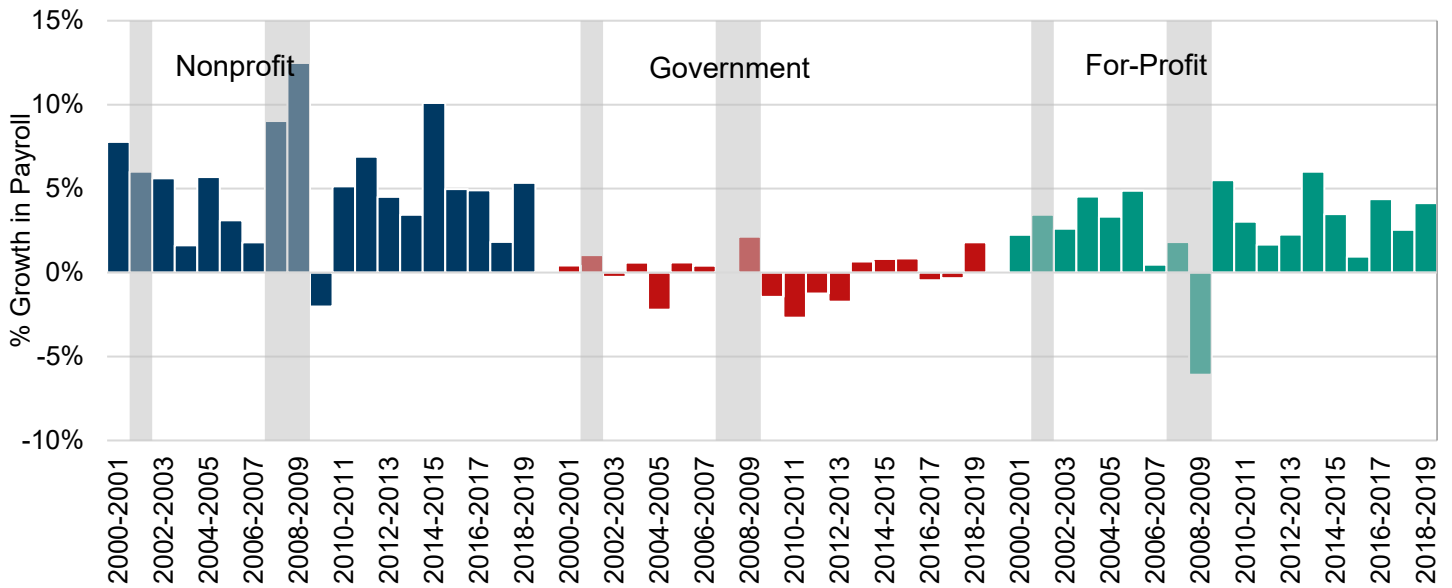


Figure C2: Percent Change in Payroll (2019\$) by Sector in EGR 11 (1995-2019)





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