



INDIANA NONPROFITS PROJECT
NONPROFIT EMPLOYMENT: STATEWIDE SERIES
REPORT #15

Nonprofit Paid Employment in Education Report, Indiana 1995-2019

September 2021

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

Prepared by
KIRSTEN A. GRØNBJERG
Project Director

ANJALI BHATT
Kelley School of Business at Indiana University



Copyright © 2021 Kirsten A. Grønbjerg
All rights reserved
Printed in the United States of America

Acknowledgments

This report was prepared as part of an ongoing project on the **Indiana Nonprofit Sector: Scope and Community Dimensions**, which is made possible by the support for the Efroymsen Chair in Philanthropy by the Efroymsen Fund at the Central Indiana Community Foundation, and the Lilly Family School of Philanthropy's Indiana Research Fund (supported in part by Lilly Endowment Inc.). Additional funding and in-kind support have been provided by the O'Neill School of Public and Environmental Affairs at Indiana University Bloomington.

We are grateful to Carol O. Rogers and Victoria Nelson at the Indiana Business Research Center for making the data on which this report is based available to us and for very helpful comments on the draft. We thank the many research assistants working on the Indiana Nonprofit Sector project for their contributions to developing the data series and prior reports upon which this update report is based: Tyler Abbott, Andrea (Lewis) Appeltranger, Rachel Breck, Pauline Campbell, Anthony Colombo, Kristen Dmytryk, Lauren Dula, Erich Eschmann, Apurva Gadde, Jessica Hilton, Jacob Knight, Hannah Martin, Kellie McGiverin-Bohan, Weston Merrick, Rachel Miller, Kathleen Novakosky, Hun Myoung Park, Deb (Oonk) Seltzer, Lauren Shaman, Virginia Simpson, Alexandra (Buck) Toledo, and Kathleen Zilvinskis. Finally, we thank members of the Advisory Board for the Indiana Nonprofit Sector: Scope and Community Dimensions project for helpful comments and suggestions.

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

Suggested Citation

Nonprofit Paid Employment in Education, Indiana 1995-2019, Nonprofit Employment Series, Industry Series, Report 15, by Kirsten A. Grønbjerg and Anjali Bhatt. (Bloomington, IN: Indiana University O'Neill School of Public and Environmental Affairs), September 2021. DOI: 10.13140/RG.2.2.16122.62402

Nonprofit Paid Employment in Education for Indiana, 1995-2019

INDIANA NONPROFITS: SCOPE & COMMUNITY DIMENSIONS

NONPROFIT EMPLOYMENT SERIES: REPORT #15

A joint product of

THE O'NEILL SCHOOL OF PUBLIC
& ENVIRONMENTAL AFFAIRS
AT INDIANA UNIVERSITY
BLOOMINGTON

THE INDIANA UNIVERSITY LILLY
FAMILY SCHOOL OF
PHILANTHROPY

Prepared by
KIRSTEN A. GRØNBJERG
and
ANJALI BHATT

JULY 2021

Table of Content

Project Advisory Board	4
Key Findings	5
I. Introduction	6
A. Education	6
1. Employment	7
2. Payroll	9
II. Education Subindustries	9
A. Elementary and Secondary Schools	12
B. Colleges and Universities	12
C. Junior Colleges	13
D. Other Schools and Instruction	14
E. Educational Support Services	15
F. Technical and Trade Schools	15
G. Business Schools	16
III. Industry Structure	17
A. Average Size of Establishments	17
B. Average Annual Wages	18
IV. Shifting Nonprofit Trends: Diverse Patterns	19
V. Summary and Conclusion	20
 Appendices	
Appendix A: Methodology	24
Appendix B: Additional Graphs	27
Appendix C: Payroll Graphs	31

LIST OF FIGURES

Figure 1: Nonprofit Sector Employment by Industry	6
Figure 2: Education Paid Employment by Sector	7
Figure 3: Sector Breakdown of Total Percent Change in Education Employment	8
Figure 4: Share of Nonprofits in Employment in Major Nonprofit Industries	8
Figure 5: Education Payroll by Sector	9
Figure 6: Distribution of Total and Nonprofit Education Paid Employment and Payroll.....	10
Figure 7: Distribution of Total Employment by Sector for Education Subindustries	11
Figure 8: Nonprofit Employment in Education by Subindustry	11
Figure 9: Elementary and Secondary Schools Paid Employment by Sector	12
Figure 10: Colleges Paid Employment by Sector	13
Figure 11: Junior Colleges Paid Employment by Sector	14
Figure 12: Other Schools Private Paid Employment	14
Figure 13: Educational Support Services Private Paid Employment.....	15
Figure 14: Technical Schools Private Paid Employment.....	16
Figure 15: Business Schools Private Paid Employment.....	16
Figure 16: Major Education Subindustries Average Size of Establishments by Sector.....	17
Figure 17: Minor Education Subindustries Average Size of Establishments by Sector.....	18
Figure 18: Major Education Subindustries Average Wage by Sector.....	18
Figure 19: Minor Education Subindustries Average Wage by Sector.....	19
Figure 20: Percent of Workers in Nonprofits by AER Subindustry	19

APPENDIX B

Figure B1: Total Paid Employment for the Six Largest Industries, Indiana	27
Figure B2: Total Payroll for the Six Largest Industries, Indiana	27
Figure B3: Education Paid Employment by Sector	28
Figure B4: Education Growth in Paid Employment by Sector	28

Figure B5: Education Growth in Payroll by Sector.....29

Figure B6: Education Payroll by Sector29

Figure B7: Total Education Employment by Subindustry30

Figure B8: Total Education Payroll by Subindustry30

APPENDIX C

Figure C1: Nonprofit Sector Payroll by Industry31

Figure C2: Sector Breakdown of Total Percent Change in Education Payroll31

Figure C3: Share of Nonprofits in Payroll in Major Nonprofit Industries32

Figure C4: Distribution of Total Payroll by Sector for Education Subindustries32

Figure C5: Nonprofit Payroll in Education by Subindustry.....33

Figure C6: Elementary and Secondary Schools Payroll by Sector.....33

Figure C7: Colleges Payroll by Sector.....34

Figure C8: Junior Colleges Payroll by Sector34

Figure C9: Other Schools and Instruction Private Payroll35

Figure C10: Educational Support Services Private Payroll.....35

Figure C11: Technical Schools Private Payroll.....35

Figure C12: Business Schools Private Payroll36

Figure C13: Percent of Payroll in Nonprofits by Education Subindustry.....36

PROJECT ADVISORY BOARD

Keira Amstutz

President & CEO, Indiana Humanities

Jerold Bonnet

Chief Legal Counsel, Office of the Indiana Secretary of State

Laurie Burns

Community Impact Officer, Central Indiana Community Foundation

Betsy Denardi

Director of Complex Litigation, Office of Indiana Attorney General

Angela Espada

Executive Director, Indiana Catholic Conference

Kathryn Habecker

Impact & Advocacy Manager, Indiana United Ways

Jane Henegar

Executive Director, American Civil Liberties Union of Indiana

Shannon M. Linker

Vice President, Arts Council of Indianapolis

Jessica Love

Executive Director, Prosperity Indiana

Marc McAleavey

Executive Director, Serve Indiana

Thomas P. Miller

President & CEO, Thomas P. Miller and Associates

Ellen Quigley

Vice President of Programs, Richard M. Fairbanks Foundation

Fran Quigley

Clinical Professor of Law, IUPUI Health & Human Rights Clinic

Lewis Ricci

Executive Director, Indiana Arts Commission

Carol O. Rogers

Co-Director, Indiana Business Research Center

Patrick Rooney

Executive Associate Dean for Academic Programs, Lilly Family School of Philanthropy at Indiana University

Carolyn Saxton

President & CEO, Legacy Foundation

Rev. Timothy Shapiro

President, Indianapolis Center for Congregations

Bill Stanczykiewicz

Director, The Fund Raising School, Lilly Family School of Philanthropy at Indiana University

Sara VanSlambrook

Chief Impact Officer, United Way of Central Indiana

Pamela Velo

Principal, Velo Philanthropic Advising

Julie L. Whitman

Executive Director, Commission on Improving the Status of Children in Indiana

KEY FINDINGS

- **Total employment in the education industry in Indiana grew 29 percent over the 1995-2019 period**, up from 194,000 workers in 1995 to just under 251,000 workers in 2019. This is faster than the growth in total paid employment, up 13 percent, from 2.7 million in 1995 to 3.1 million in 2019.
- **Education's nonprofit sector grew much faster, up 83 percent over the 1995-2019 period**, from just under 22,000 employees in 1995 to just below 40,000 in 2019. As a result, 16 percent of paid employees in educational establishments worked for nonprofits in 2019, compared to 11 percent in 1995.
- **The average annual growth of nonprofit employment in education was 3 percent from 1995 to 2019**. Nonprofit employment increased for 22 years of the 25-year period, decreasing by less than 1 percent in 2006 and 2017. The much smaller for-profit education employment also grew at an average annual rate of 3 percent over during full period but declined for 8 years of those years.
- **The very large government employment grew at an average annual rate of at 1 percent** and declined for 7 of the 25 years.
- **Nonprofit payroll for education grew faster than employment**, up 120 percent up from \$810 million in 1995 to \$1.8 billion in 2019 (in constant 2019 dollars). Nonprofit payroll increased every year except for 2018 at an average annual rate of 3 percent.
- **Education has seven subindustries that differ greatly in workforce sizes**. Elementary and secondary schools and colleges are the two largest subindustries. Junior colleges and other schools follow, with significantly fewer employees and a smaller increase in employment. Educational support services, technical schools, and business schools employ the fewest workers. Educational support services grew rapidly over time, technical schools grew slowly, while employment in business schools decreased.
- **Nonprofits are concentrated in the two largest industries**. Most of the nonprofit workforce is concentrated in colleges, followed by elementary and secondary schools. The remaining industries have significantly fewer nonprofit employees.
- **The seven subindustries differ in how important nonprofits are**. Educational support services has the highest nonprofit share at 49 percent. Colleges, other schools, and technical schools have slightly lower shares, with the lowest nonprofit share found in the elementary and secondary schools subindustry (which is dominated by the public sector).

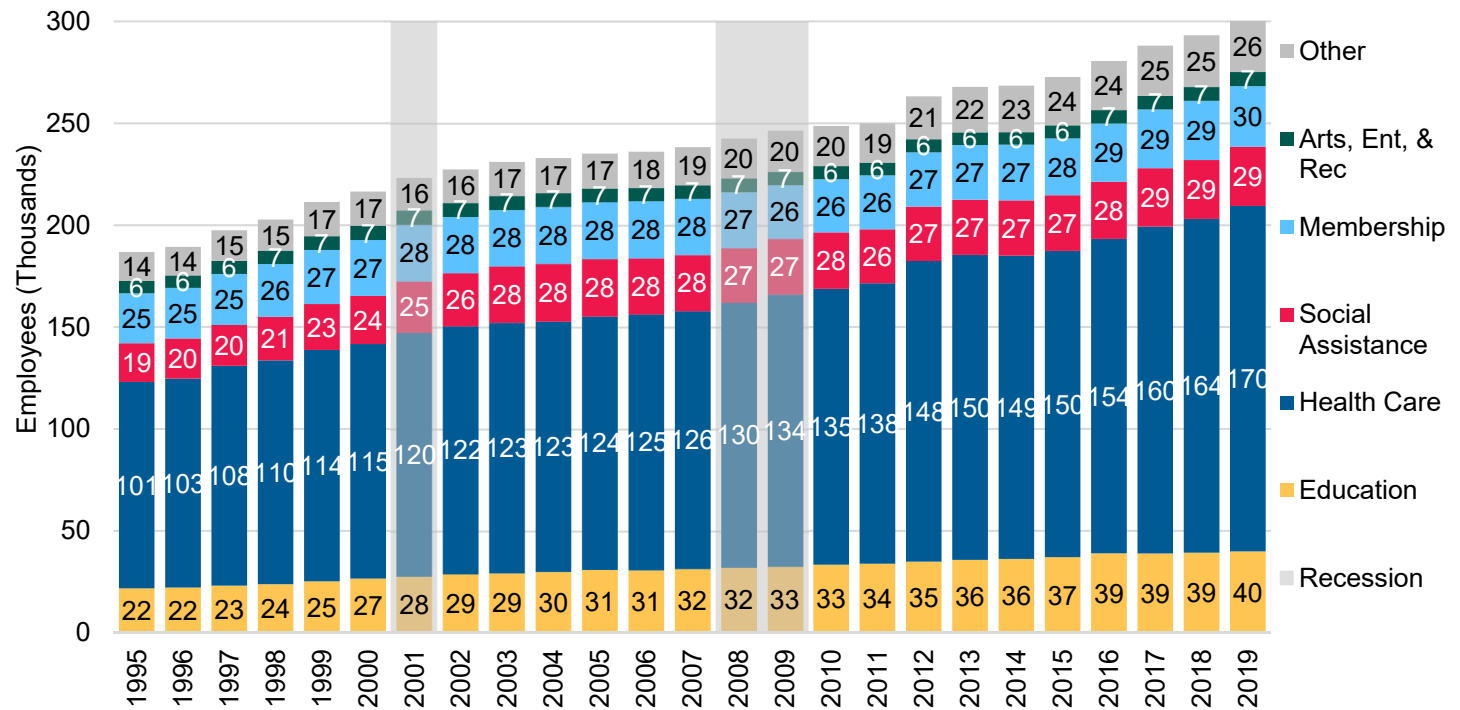
I. INTRODUCTION

Indiana nonprofits account for a significant share of the state’s economy – roughly 10 percent of total paid employees and of the state’s total payroll in 2019. Total nonprofit employment across all industries has grown every year since 1995, up 61 percent overall by 2019. The vast majority of nonprofit employees are found in key service industries, notably health care, education, membership, and social assistance (Figure 1). However, their contributions differ significantly across these industries.

This report covers the education industry—as defined by the North American Industry Classification System (NAICS 62). This industry is one of the major nonprofit employers in Indiana and includes all levels of education from elementary to graduate level institutions. It also includes a range of other organizations and businesses that offer services to schools and similar institutions.

Education is the fifth largest industry in Indiana, employing 8 percent of the state’s total workforce in 2019 (see Figure B1 and B2 in Appendix B). However, it is the second largest segment of all Indiana nonprofit workers, with 40,000 employees in 2019 (see yellow segment in Figure 1). Education accounted for 13 percent of nonprofit paid employees and 12 percent of nonprofit payroll in 2019. See Figure C1 in Appendix C for more details on nonprofit sector payroll.

Figure 1: Nonprofit Sector Employment (in thousands) by Industry (1995-2019)



A. EDUCATION

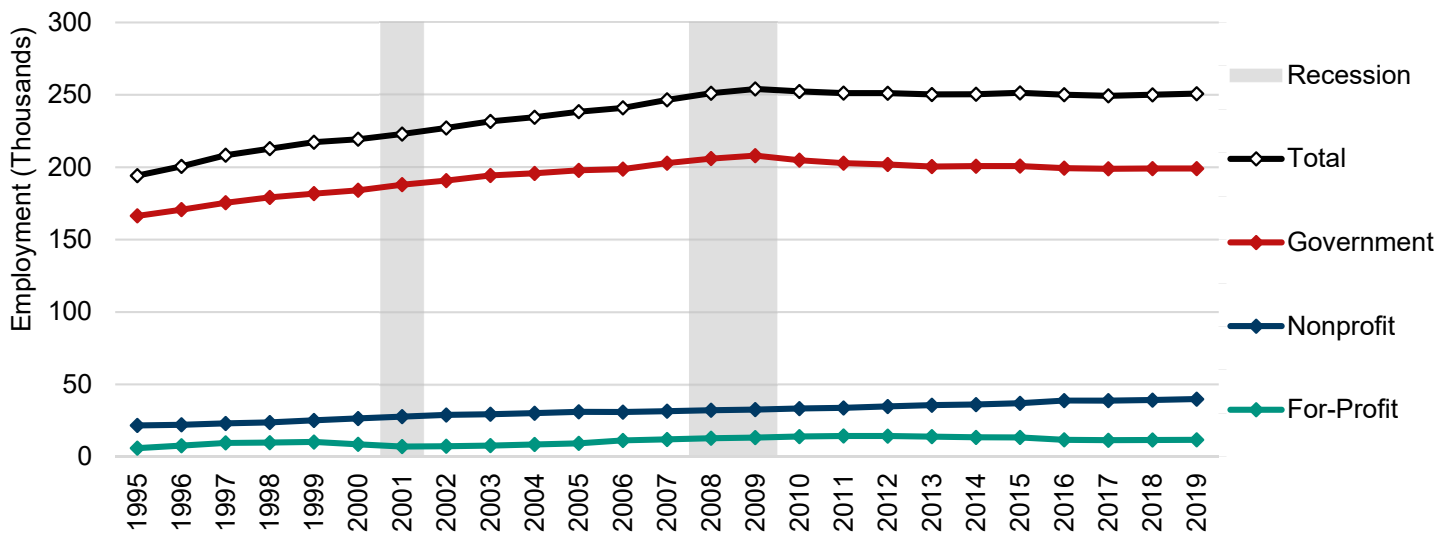
Here, we look at paid employment and payroll in the overall education industry with particular attention to trends in the nonprofit part of the industry.¹

¹ The count of employees is an average of the number of people employed each quarter by Indiana establishments for a given calendar year and includes both full-time and part-time workers. Total payroll is the sum of quarterly payrolls during a given calendar year and includes total compensation, including bonuses, but not employer contributions to fringe benefits. See Appendix A for a more in-depth description of the methodology on which this analysis is based. The education industry is seasonal as fewer workers are employed over the summer. Our methodology produces an average annual number of employees, so that actual employment is likely to be higher than what is reported here for the school/academic year and lower during the long summer vacation periods.

1. EMPLOYMENT

Total paid employment in education grew from 194,000 workers in 1995 to almost 251,000 in 2019, a 29 percent increase. Figure 2 shows the total number of education employees over time (top line) and number of employees separately for each of the three sectors: government (red line), nonprofit (blue line) and for-profit (green line). We very clearly see that government dominates the industry, employing the large majority (79 percent in 2019) of all education employees. The difference in size from government to nonprofit, the next largest sector, was 159,000 employees in 2019, up from a difference of 145,000 in 1995. Nonprofit employment remained below 50,000 workers and for-profit employment below 15,000 over the period. The gap between the latter two grew from 16,000 employees in 1995 to 28,000 in 2019. See Figure B3 in Appendix B for another visualization of Figure 2.

Figure 2: Education Paid Employment (in thousands) by Sector (1995-2019)



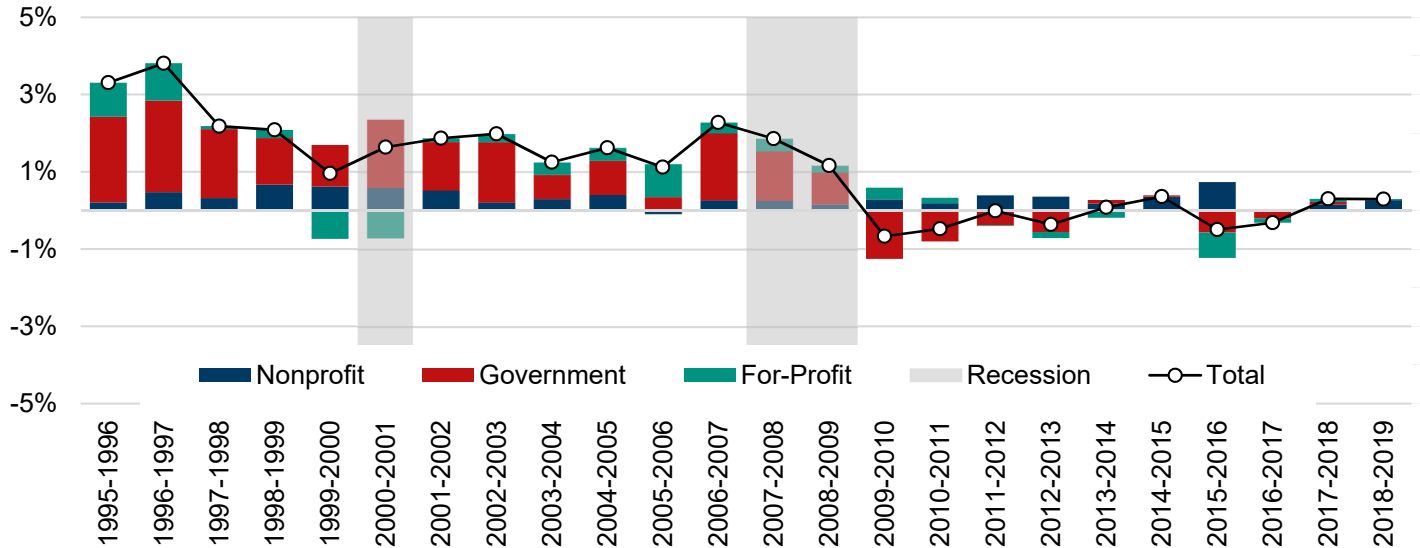
Particularly for government employment, we see shifts in growth rates. Government paid employment was up 25 percent, from 166,000 in 1995 to a peak of 208,000 in 2009, but then declined by 4 percent to 199,000 in 2019. We see this decline more clearly in Figure 3 since after 2009, the government share (red bars) of the annual overall growth was either negative or very small. Nonprofit and for-profit employment experienced slower and more even increases. Nonprofit employment was up 83 percent from 22,000 in 1995 to 40,000 in 2019. For-profit employment nearly doubled over the 1995 to 2019 period, but from only 6,000 employees in 1995 to 12,000 employees in 2019, with occasional periods of employment loss.

In Figure 3, we see the breakdowns of the average annual growth that explain these changes. From 1995 to 2019, paid employment grew on average by 1 percent annually (see white dots on Figure 3 for annual rates). Education grew fastest during the early part of period, at 3 percent on average annually from 1995 to 1999. Then, for the next 10 years until 2009, the growth averaged around 2 percent. Since 2009, total employment decreased by an average of 0.1 percent annually, decreasing for six of the 10 years and with only very small marginal increases in the remaining 4 years. See Figure C2 in Appendix C for the corresponding trends for education payroll.

Figure 3 also shows the components of change by sector. Thus, government (red segments) was the biggest driver of growth in employment for 13 of the 25 years in this period, each of which fell between 1995 and 2009. After 2009, government employment began to decline with net losses in employees for 6 years. For-profit employment (green segments) declined 8 years over the 1995 to 2019 period, while nonprofit employment

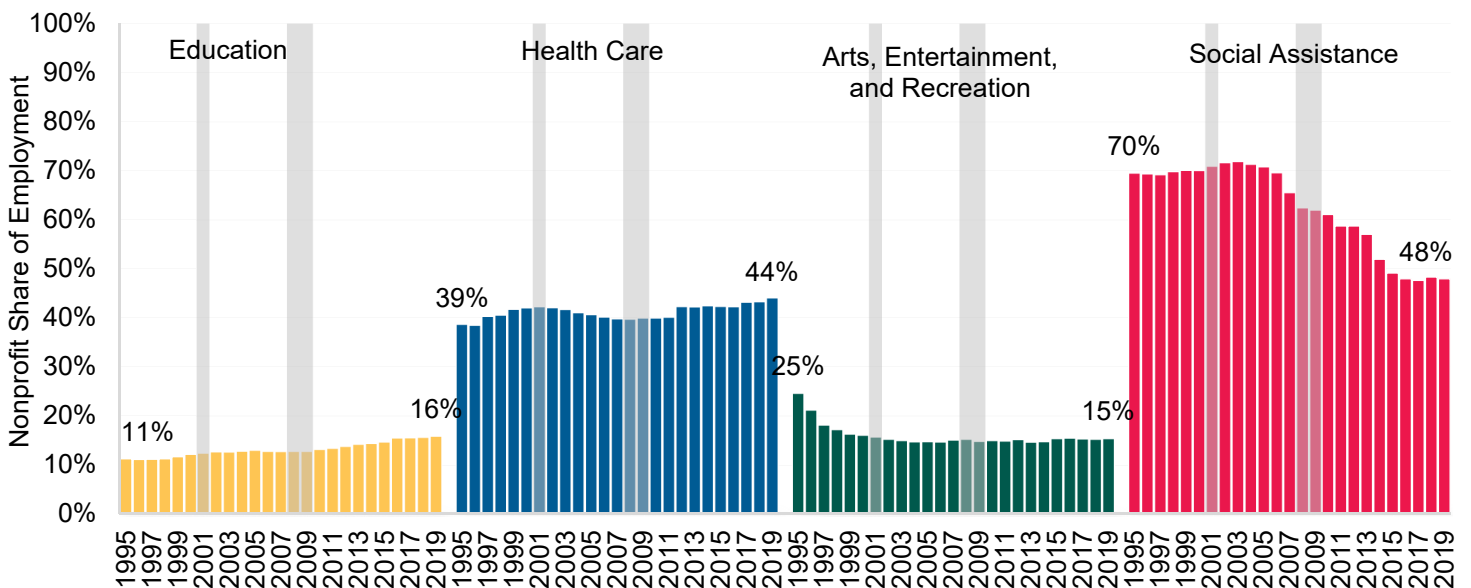
(blue segments) declined for 2 years, but only marginally. For more details on education employment and payroll growth see Figures B4 and B5 in Appendix B.

Figure 3: Sector Breakdown of Total Percent Change in Education Employment (1995-2019)



As the private sector of education grew, the government share of total employment has declined over time. As we see in the yellow segments of Figure 4, the nonprofit share of total employment in education was 16 percent in 2019, largely similar to the arts, entertainment and recreation (AER) industry (15 percent). Still, it is considerably lower than for the two other major nonprofit industries in 2019, health care (44 percent) and social assistance (48 percent). The nonprofit share in education increased by 5 percentage points from 11 percent in 1995. Nonprofits also increased their share of total employment in health care (from 39 percent to 44 percent). By contrast, the nonprofit share of total employment in AER declined by 9 percentage points from 25 percent to 15 percent. The decline was much sharper in social assistance, where the nonprofit share of total jobs in the industry declined from more than two-thirds (70 percent) to less than half (48 percent) between 1995 and 2019. See Figure C3 in Appendix C for nonprofit share of total payroll.

Figure 4: Share of Nonprofits in Employment in Major Nonprofit Industries (1995-2019)

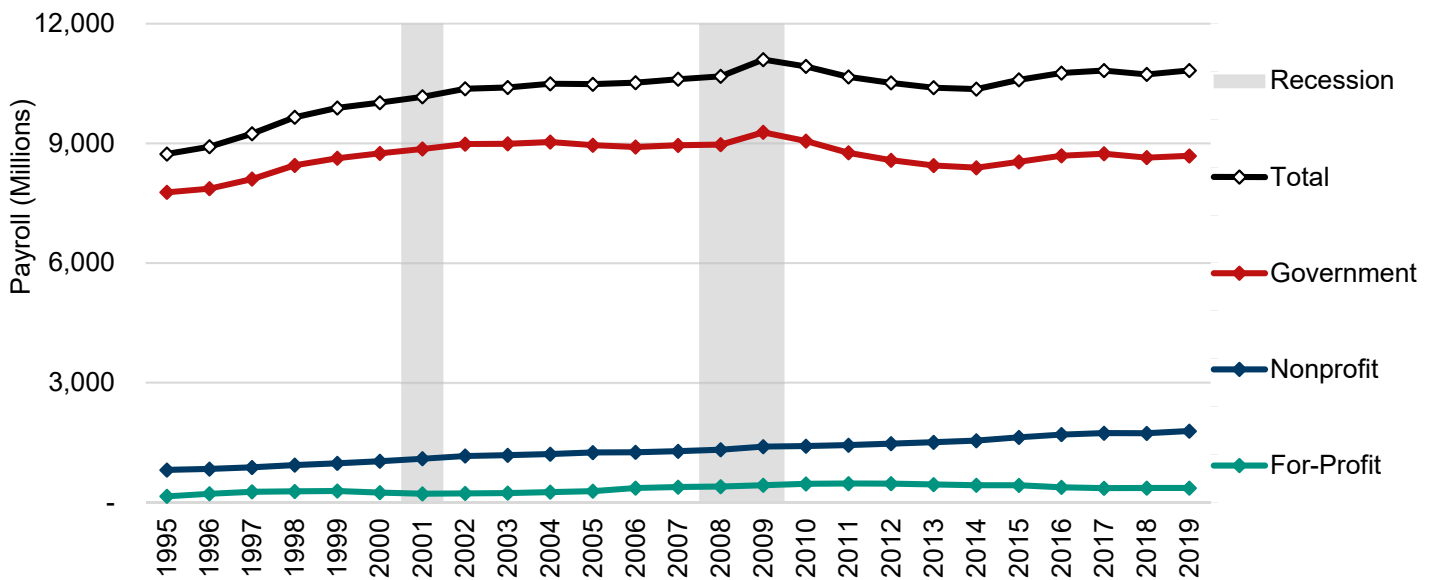


2. PAYROLL

We find similar patterns for payroll. Total payroll in the education industry grew by \$2 billion from \$9 billion in 1995 to \$11 billion in 2019, reflecting an increase of 24 percent, adjusted to 2019 dollars, a slightly slower rate of increase than for total employment in the industry.² Government payroll grew 12 percent, or by \$912 million, from \$8 billion in 1995 to \$9 billion in 2019. This growth happened largely from 1995 to 2009, after which payroll decreased until 2014 when it began to slightly increase again, but not to the level it had in 2009.

Figure 5 also shows how nonprofit payroll grew even faster, increasing 120 percent, or by \$976 million, from \$810 million in 1995 to \$1.8 billion in 2019. For-profit payroll was up \$206 million from \$151 million in 1995 to \$357 million in 2019, or by 137 percent. By 2019, nonprofit payroll exceeded for-profit payroll by \$1.4 billion, compared to a difference of \$660 million in 1995. The gap between government and nonprofit payrolls has stayed very similar at \$6.9 billion in 2019 compared to \$7 billion in 1995. See Figure B6 in Appendix B for additional details.

Figure 5: Education Payroll (in millions) by Sector (1995-2019), in constant dollars (2019)



Total payroll grew at the average annual rate of growth of 1 percent, reflecting the very slow growth of government payroll, up by only 0.5 percent on average, and declining for 8 years of the 25-year period. The major driver of percentage growth was private payroll. For-profit payroll grew the fastest at 4 percent on average per year, but from a very small base, and nonprofit payroll grew at an average annual rate of 3 percent. As a result, nonprofit payroll increased its share of total education payroll over the 25 year period, nearly doubling from 9 percent in 1995 to 16 percent in 2019. The rest of this report primarily focuses on employment trends, but further details about education payroll can be found in Appendix C.

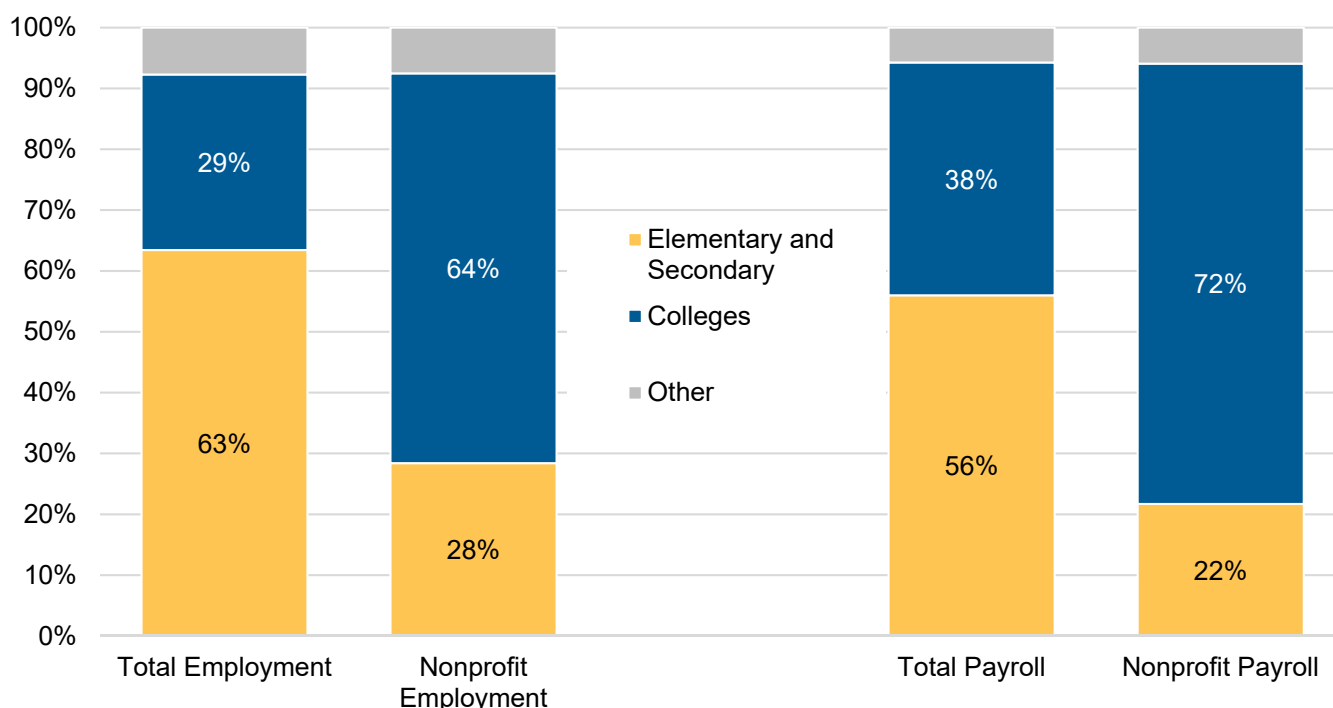
II. EDUCATION SUBINDUSTRIES

Above, we summarized the larger trends of the overall education industry. Under the North American Industry Classification System, education has seven subindustries: colleges, universities, and professional schools (colleges); elementary and secondary schools; educational support services; other schools and instruction (other schools); technical and trade schools (technical schools); junior colleges; and business schools and computer and management training (business schools). Each of these education subindustries have distinctive patterns of growth and composition.

² Previous reports have used other years as a benchmark for payroll data. Thus, some payroll values may vary between reports.

Figure 6 shows the breakdown of total and nonprofit employment (left two bars) and payroll (right two bars) by subindustry. The elementary and secondary schools subindustry accounts for almost two-thirds (63 percent) of all education workers, or 159,000 of the 251,000 workers in 2019 (left most bar). Colleges is the second largest, employing 29 percent of all paid employees. The remaining 8 percent of employees are distributed among the remaining five subindustries—junior colleges (8,200), other schools (6,000), educational support services (2,500), technical schools (2,100), and business schools (600).

Figure 6: Distribution of Total and Nonprofit Education Paid Employment and Payroll by Subindustry (2019)



By contrast, nonprofit workers (second bar) are concentrated in higher education. Colleges employ 64 percent of all nonprofit education workers or 26,000 of the 40,000 nonprofit employees, while elementary and secondary schools employ 28 percent of nonprofit workers – proportions almost exactly opposite of all education workers. Once again, the remaining workers (8 percent) and payroll (6 percent) are split among the other five subindustries.

Figure 7 shows the distribution of employment by sector for each of the education subindustries in 2019, as ordered by highest government share (first three bars) then nonprofit presence (last four bars).³ We see that government employs the great majority of employees in junior colleges (98 percent), elementary and secondary schools (91 percent), and colleges and universities (64 percent), with nonprofits accounting for almost all other employees. Nonprofits account for almost half (49 percent) of workers in educational support services, but for-profits dominate the three remaining subindustries: technical schools (71 percent), other schools (82 percent) and business schools (89 percent). Distribution of total payroll, in constant 2019 dollars, looks largely similar. See Figure C4 in Appendix C for more details.

³ To maintain confidentiality in our analysis, we only list the percentage of the largest sector.

Figure 7: Distribution of Total Employment by Sector for Education Subindustries (2019)

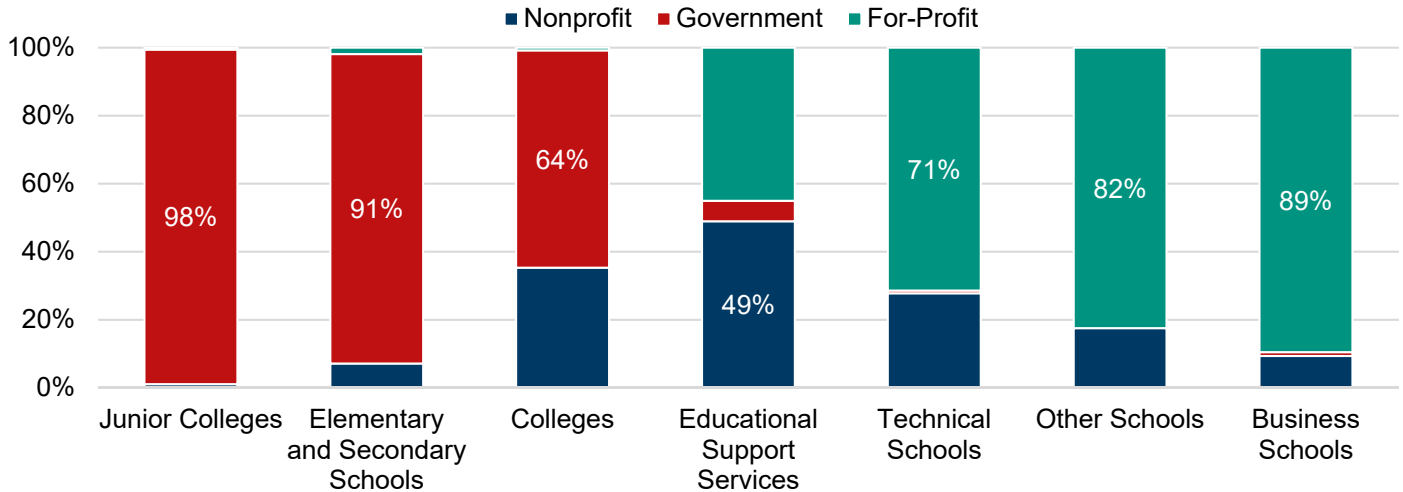
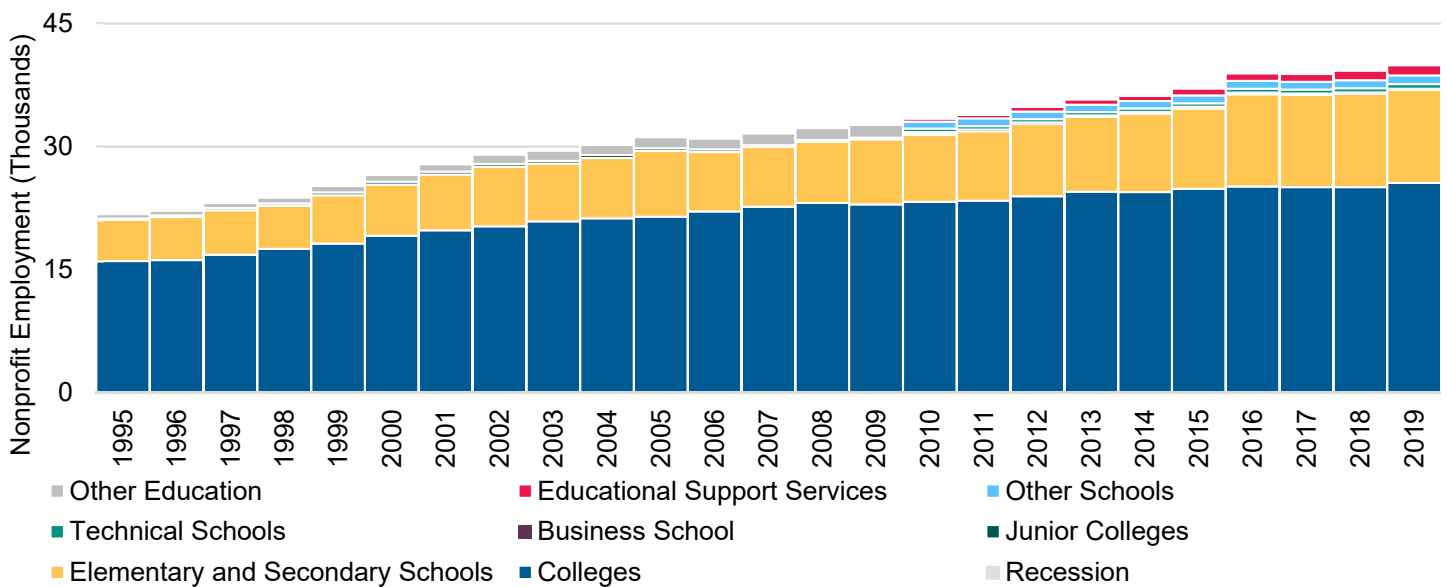


Figure 8 shows how nonprofit employment in education increased over time in all of the education subindustries (up by over 18,000 workers between 1995 and 2019).⁴ We see that nonprofit colleges and universities (dark blue bars) added the most employees (about 9,500, or up 59 percent) over the 25-year period, followed by elementary and secondary schools (6,000 workers, yellow bars – up 126 percent, but from a smaller base). When looking at the other industries, we see that they are much smaller in size, but one of these - educational support services - has grown at very high rates since 2010 (the earliest date for when we have detailed data), up 265 percent (red segment). Other schools (23 percent) and technical schools (38 percent) increased as well, but at lower rates, while business schools declined. As expected, the distribution of nonprofit employment looks somewhat different than total employment and payroll (see in Figures B7 and B8 in Appendix B). However, the distribution of nonprofit payroll by subindustry look very similar to that of nonprofit employment. See Figure C5 in Appendix C for more details.

Figure 8: Nonprofit Employment (in thousands) in Education by Subindustry (1995-2019)



⁴ Numbers for the smaller industries are not included for reasons of confidentiality. Also, from 1995-2009, our data do not include details for subindustries other than elementary and secondary schools, junior colleges, and colleges and universities. We refer to these other subindustries as 'Other Education'.

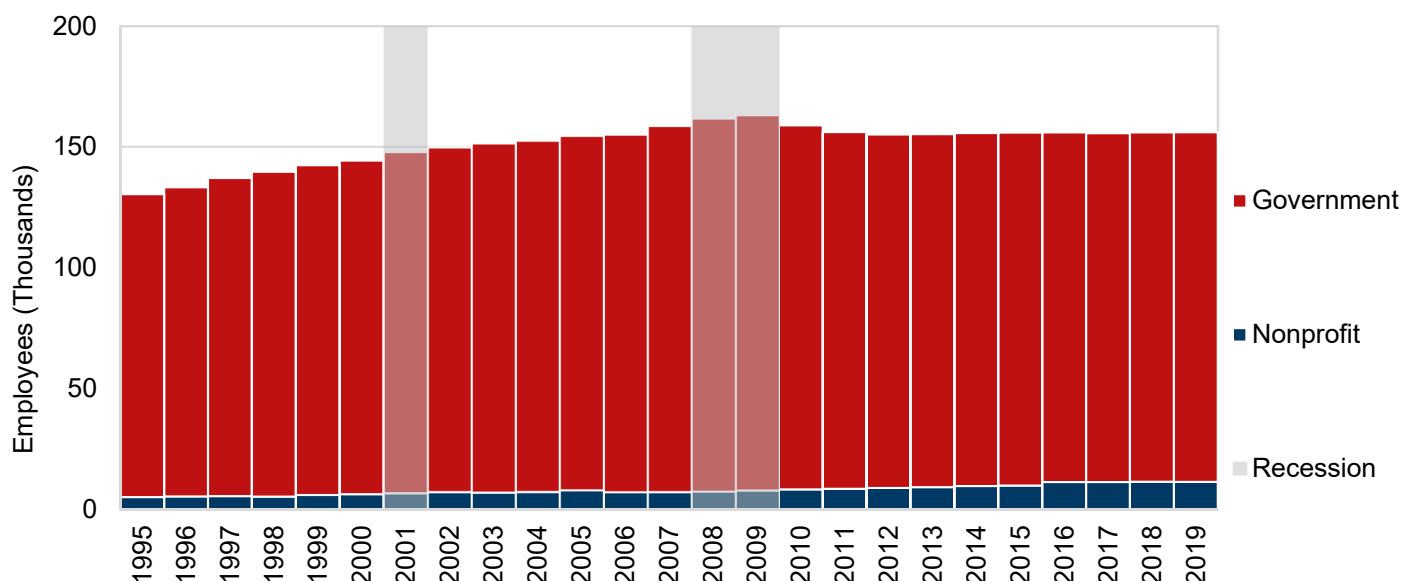
In the next sections, we take a deeper dive into the seven subindustries to show how they exhibit diverse patterns in employment and payroll.⁵

A. ELEMENTARY AND⁶ SECONDARY SCHOOLS

We begin with the largest subindustry, elementary and secondary schools. In 2019, this subindustry employed 63 percent of all paid workers in education and 28 percent of all education nonprofit workers, ranking second for nonprofit employment. This subindustry has experienced the highest increase in number of employees of any education subindustry, growing from 132,000 in 1995 to 159,000 in 2019, or by 21 percent. Employment increased from 1995 to its peak of 167,000 workers in 2009, then decreased the next three years before stabilizing (see Figure 9). The average annual growth was 1 percent, and the subindustry grew for 19 years of the 25-year period.

The government sector was a big driver of this trend, reflecting the fact that vast majority (90 percent or more) of elementary and secondary schools employees worked for public schools over the period. The much smaller number of nonprofit employees more than doubled in size over the period (up 126 percent, but from a much smaller base), and increased for 20 of the 25 years in this period.⁷

Figure 9: Elementary and Secondary Schools Paid Employment (in thousands) by Sector (1995-2019)



Total payroll in elementary and secondary schools grew much slower than employment, increasing only 3 percent from \$5.9 billion in 1995 to below \$6.1 billion in 2019. Similar to employment, total payroll in the subindustry increased in the beginning half of the period and declined after reaching \$6.9 billion in 2009. Government payroll had a net decrease of 3 percent, while nonprofit payroll rose 183 percent. See Figure C6 Appendix C for more details. Next, we look at the second largest subindustry – colleges.

B. COLLEGES, UNIVERSITIES, AND PROFESSIONAL SCHOOLS

The second largest subindustry, colleges, universities and professional schools, employs 29 percent of all education paid workers, but almost two-thirds (64 percent) of all nonprofit employees in the education in 2019. This subindustry is the largest nonprofit employer in the education industry, even though government employs

⁵ Due to confidentiality, values for the different sectors are not shown and only totals are discussed.

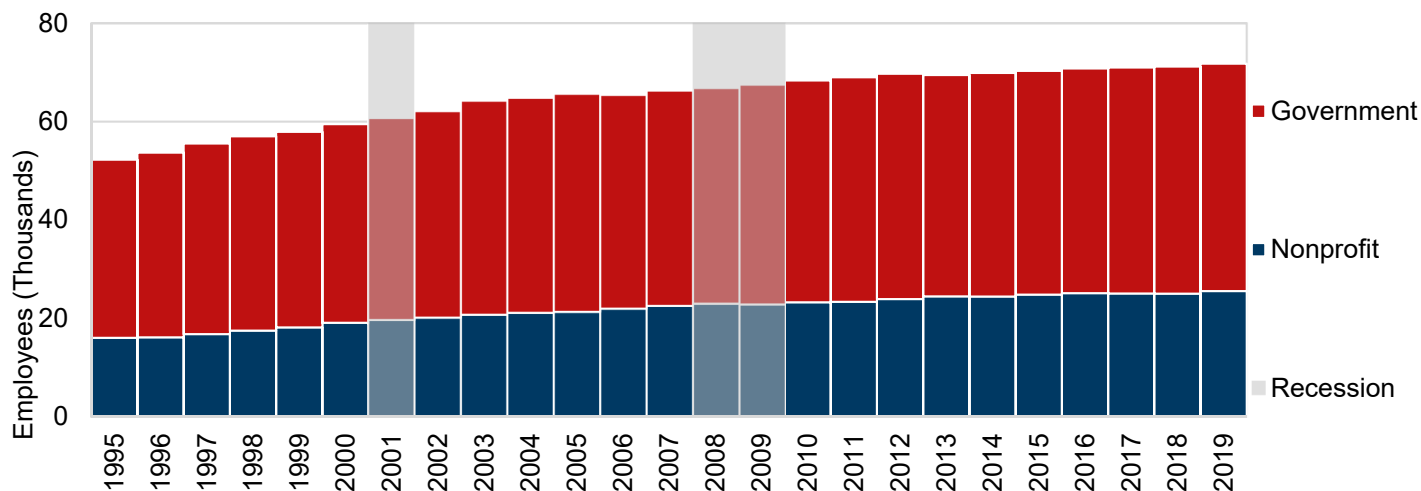
⁶ For-profit paid employment is not shown due to confidentiality reasons.

⁷ Many nonprofit establishments in elementary and secondary schools operate under religious institutions. Some estimates suggest that in 2011-12, 93 percent of Indiana's private schools were religiously affiliated (of which 29 percent are Catholic schools). See Andrew Catt (2014), "Exploring Indiana's Private Educational Sector", pp. 21-23 available online at <https://files.eric.ed.gov/fulltext/ED560671.pdf>

the majority of workers, at 64 percent in 2019.⁸ This subindustry is characterized by persistent growth and the fairly prominent role played by nonprofit institutions.

The total number of workers in the colleges subindustry has grown by 38 percent, from 52,000 in 1995 to 72,000 in 2019. Figure 10 shows that employment increased notably for nonprofit institutions (up 59 percent), with smaller growth for government institutions (up 28 percent) over the 1995 to 2019 period. Colleges grew slowly, at 1 percent on average annually from 1995 to 2019, but faster during the first half of the period.

Figure 10: Colleges Paid Employment (in thousands) by Sector (1995-2019)



The total payroll for colleges was up 64 percent, from \$2.5 billion in 1995 to \$4.1 billion in 2019. The patterns of growth for payroll across sectors are largely similar to employment, as depicted in Figure C7 in Appendix C. Next, we look at junior colleges, the third largest subindustry.

C. JUNIOR COLLEGES

The third largest subindustry is junior colleges. These institutions offer vocational training for skilled trades and technical occupations, as well as academic courses that equate to the first two years of a four-year college or university. This industry is significantly smaller than the first two with only 8,200 employees in 2019. Figure 11 shows how employment in junior colleges has changed over time. Total employment increased from 5,300 in 1995 to a peak of 11,000 in 2012, or by an average of 4 percent annually. However, since 2012, total employment decreased equally fast at an average annual rate of 4 percent, reaching 8,200 employees in 2019.

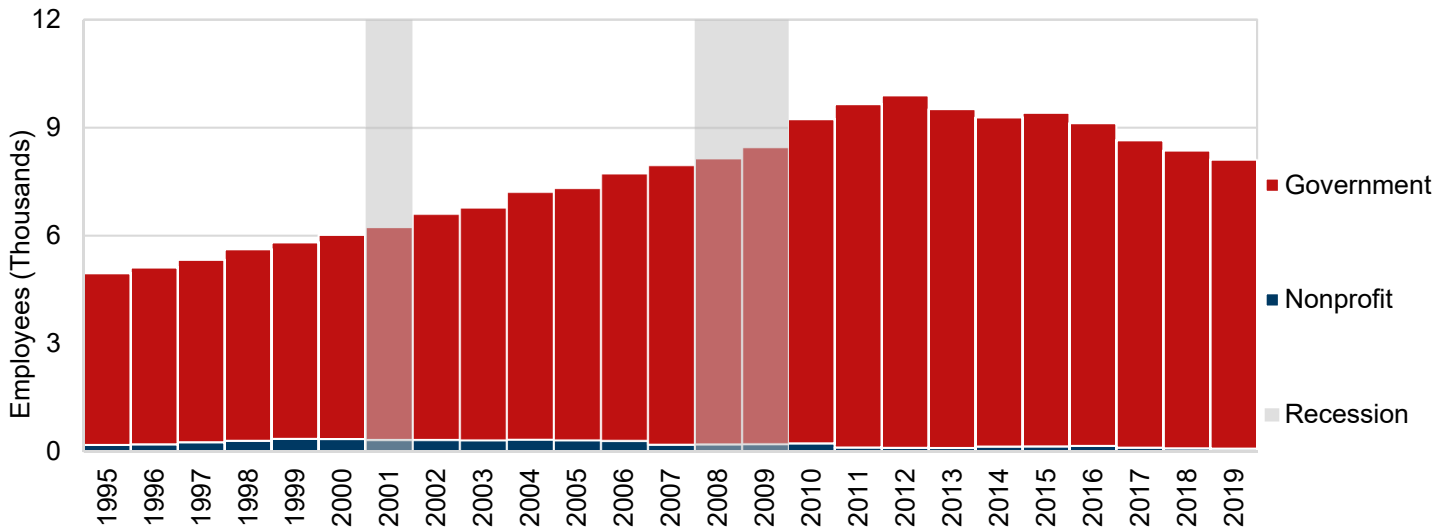
As is the case for the two larger subindustries, the vast majority of workers in junior colleges are employed in government institutions⁹ which drives the overall changes described above. The number of nonprofit workers has been vanishingly small over the entire period.

Total payroll increased in a similar manner, rising annually from \$181 million in 1995 to \$402 million in 2011 after which it decreased every year until reaching \$286 million in 2019. See Figure C8 in Appendix C for more details. We next turn our attention now to the first of four very small subindustries for which we have detailed data back to only 2010.

⁸ Public establishments in this subindustry includes state universities such as Indiana University, Purdue University, Indiana State University, Ball State University, and University of Southern Indiana. There are 30 nonprofit colleges in Indiana, including Notre Dame University, DePauw University, Earlham College and Hannover College. For a more comprehensive list of public and nonprofit universities, see Department of Education, "List of Colleges and Universities," available online at <https://www.doe.in.gov/sites/default/files/elme/list-indiana-colleges-universities.pdf>

⁹ For example, Ivy Tech Community College.

Figure 11: Junior Colleges Paid Employment (in thousands) by Sector (1995-2019)

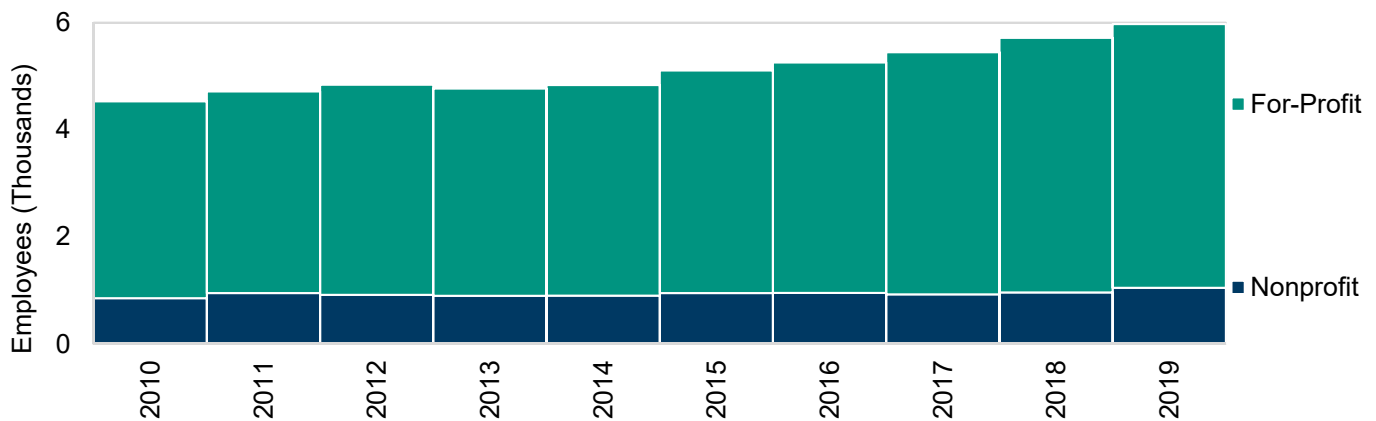


D. OTHER SCHOOLS AND INSTRUCTIONS

Other schools is a subindustry that includes all types of specialty schools, such as fine arts schools, sports and recreation instruction, language schools, exam preparation and tutoring, automobile driving schools, and more. This industry is not dominated by government employment like the previous industries, but rather by for-profits that compose 82 percent of employment in the industry in 2019. Although the next largest after junior colleges in terms of total employment, this subindustry is notably smaller in size – only 6,000 employees in 2019, compared to 8,200 employees in junior colleges.

Figure 12 shows that other schools have experienced slow growth over the 2010 to 2019 period, increasing by 31 percent, from below 4,600 employees in 2010 to just below 6,000 in 2019.¹⁰ For-profit employment was a key driver of this growth although we see that nonprofit employment has increased as well. Total employment increased in every year except 2013, at an average annual growth rate of 3 percent. This is the second fastest growing subindustry.

Figure 12: Other Schools Private Paid Employment (in thousands) (1995-2019)



Total payroll in other schools was up 36 percent from \$73 million in 2010 to \$99 million in 2019. As with employment, payroll increased in every year except for 2013, at an average annual rate of 3 percent. See

¹⁰ Other Schools and the remaining subindustries show only private employment due to confidentiality agreements. The government sector in each of these subindustries are small.

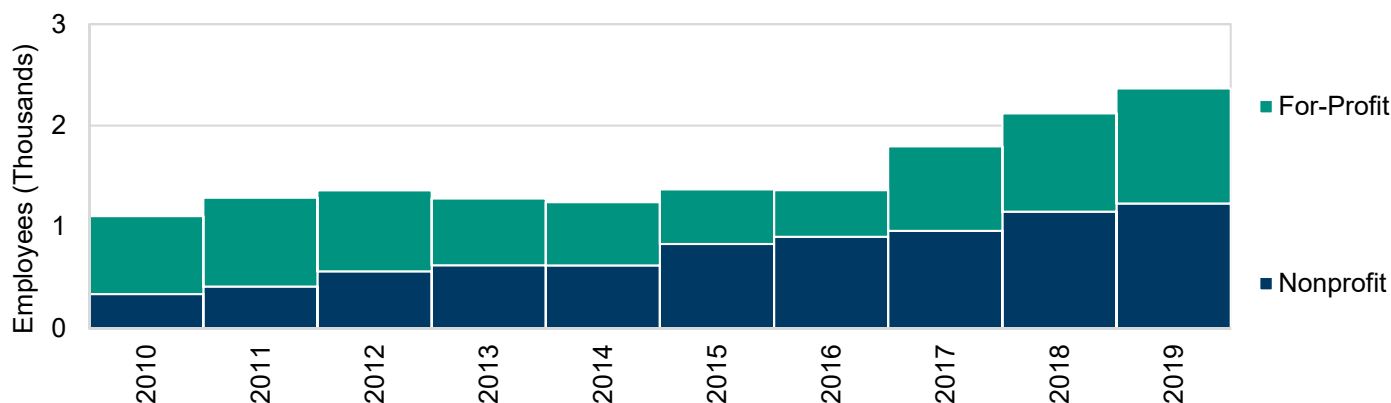
Figure C9 in Appendix C for more details. Next, we look at an even smaller subindustry – educational support services.

E. EDUCATIONAL SUPPORT SERVICES

Educational support services accounts for only 1 percent of total employment in the education industry, but it is the fastest growing subindustries in education. This subindustry includes educational consultants, testing services, guidance counseling services, student exchange programs, and testing evaluation services.¹¹ A majority of this industry is private sector employment, with very minimal government employment. This is the only subindustry where nonprofits account for a slight plurality of workers (49 percent in 2019) with the rest working mainly for for-profits and a few for government establishments. The nonprofit share has increased since 2010 when it was roughly 30 percent. This industry is characterized by its rapid growth, especially in the nonprofit sector.

Figure 13 shows how employment has grown over time. Total employment grew 126 percent, up from 1,100 in 2010 to 2,500 in 2019. The growth patterns varied over the years, with significant growth from 2016 to 2017. The average annual growth rate was 10 percent over the entire period, the fastest of any subindustry, although employment actually decreased for three years in the period. Nonprofit educational support services grew at an even faster rate at 16 percent annually between 2010 and 2019.

Figure 13: Educational Support Services Private Paid Employment (in thousands) (2010-2019)



Total payroll similarly grew 116 percent up from \$56 million in 2010 to \$121 million in 2019. Payroll grew at an average annual rate of 10 percent as well, declining during only two years of the period. See Figure C10 in Appendix C for more details. Next, we turn to technical schools, the second smallest subindustry.

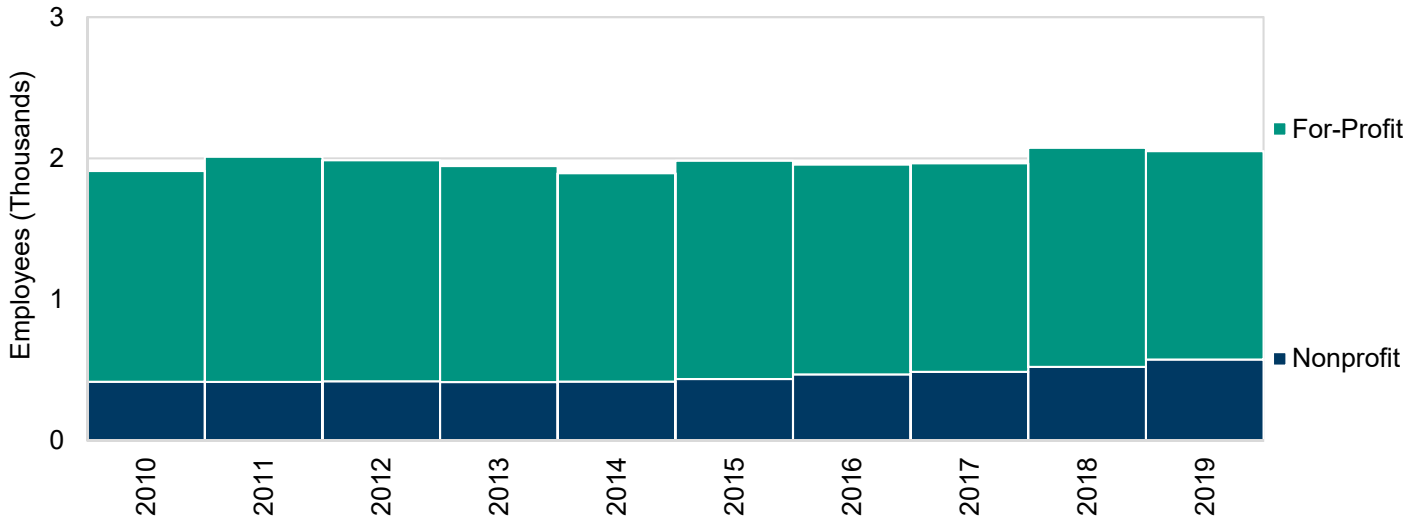
F. TECHNICAL AND TRADE SCHOOLS

The technical schools subindustry includes schools preparing students for such vocations as cosmetologists, modeling, barbers, bar tenders, pilots, truck drivers, and graphic artists. It also includes formal apprenticeship programs. For-profits employ 71 percent of all paid workers in technical schools in 2019.

Figure 14 shows how private employment in technical schools has stayed roughly the same over the 2010 to 2019 period. Total employment increased only 8 percent, up from 1,900 or so in 2010 to almost 2,100 in 2019, and actually decreased for 5 of the 10 years in this period. The average annual growth from 2010 to 2019 was 1 percent.

¹¹ Educational Support Services, NAICS Code Description. NAICS Association, 2021. Available at <https://www.naics.com/naics-code-description/?code=611710>, retrieved May 2, 2021.

Figure 14: Technical Schools Private Paid Employment (in thousands) (2010-2019)



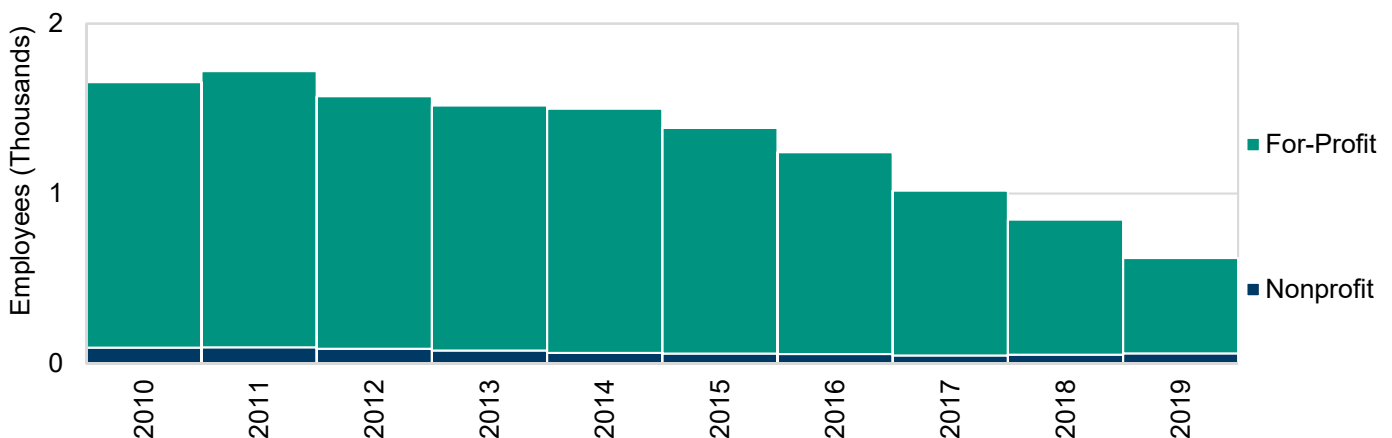
Total payroll actually decreased 4 percent from \$81 million in 2010 to \$77 million in 2019, adjusted for inflation. Payroll declined at an average annual rate of 0.4 percent, decreasing for 5 of the 10 years. See Figure C11 in Appendix C for more details. Next, we look at the smallest subindustry – business schools.

G. BUSINESS SCHOOLS AND COMPUTER AND MANAGEMENT TRAINING

Finally, we look at the smallest subindustry, business schools. This includes business and secretarial schools, computer training, and professional and management development training. This subindustry is largely a for-profit industry where 89 percent of business school employees work in for-profits institutions in 2019. The subindustry is characterized by its significant loss of employment.

Figure 15 shows that employment has declined considerably over the 2010-2019 period. From employing 1,700 workers in 2010, the industry lost 63 percent of its employees to a low of just over 600 workers in 2019. Employment decreased in every year except for 2010 to 2011. The average annual loss was 10 percent.

Figure 15: Business Schools Private Paid Employment (in thousands) (2010-2019)



Total payroll similarly declined 55 percent, down from \$82 million in 2010 to \$37 million in 2019, in constant 2019 dollars. The average annual loss in payroll was 8 percent. See Figure C12 in Appendix C for more details.

III. INDUSTRY STRUCTURE

Next, we turn to look at how the various education subindustries are structured. To do so, we examine the average size of establishments and the average annual wages by sector for each of the education subindustries.

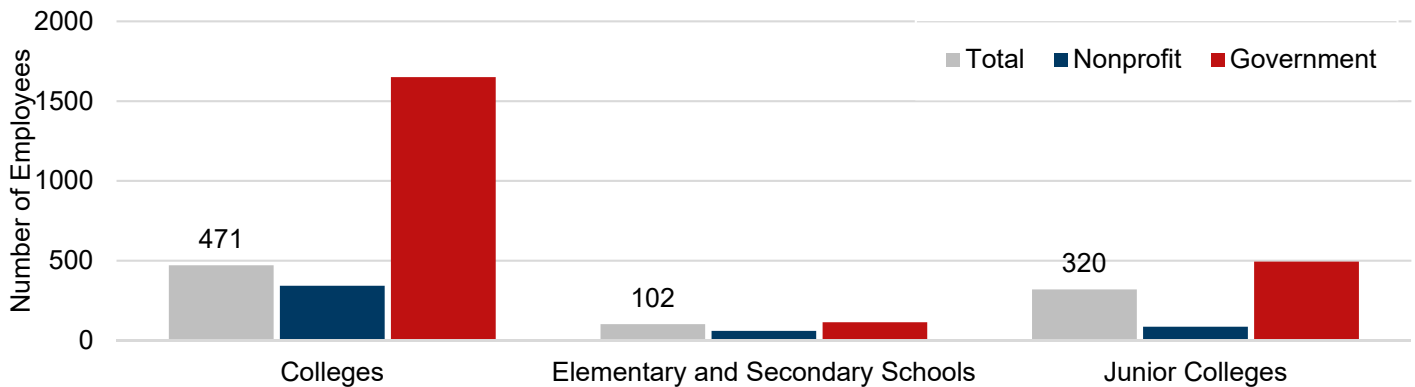
A. AVERAGE SIZE OF ESTABLISHMENTS

We begin by looking at the average size of establishments by dividing the total number of employees by the total number of establishments. These averages should be interpreted with caution, however, since they may hide very large or very small establishments. They also do not distinguish between full-time and part-time workers, or between full-year or part-year workers. All three of these features likely vary considerably among industries and sub-industries. Nor do these figures adequately capture the size of nonprofit (or public or for-profit) organizations, since some larger organizations (such as school districts) may operate multiple establishments both in Indiana and elsewhere.

Figures 16 and 17 show the average size of education subindustries for the larger and smaller subindustries, respectively. Not surprisingly, colleges tend to be the largest overall with 471 employees per establishment in 2019 (see gray bar in Figure 16) followed by junior colleges (320) and elementary and secondary schools (102).¹² The total average size has increased for junior colleges, remained roughly the same for elementary and secondary schools, and decreased significantly for colleges over the 1995-2019 period. Junior colleges grew from an average size of 192 in 1995 to where it is now at 320 employees on average in 2019. Colleges, on the other hand dropped from 986 employees on average in 1995 down over half to 471.

However, for the two largest subindustries, government establishments (red bars) are much larger than their nonprofit counterparts (blue bars). Public colleges and universities employed an average of more than 1,650 employees per establishment in 2019 and public elementary and secondary schools an average of more than 100 workers per establishment. Nonprofit establishments are on average much smaller than government establishments. The discrepancy is particularly noteworthy for the colleges subindustry.

Figure 16: Major Education Subindustries Average Size of Establishments by Sector (2019)



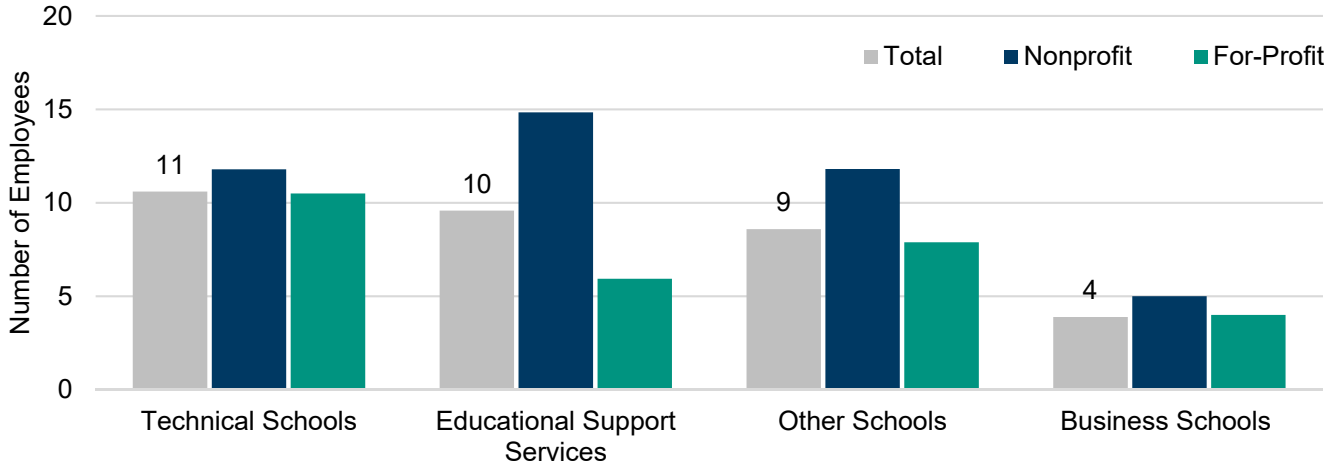
Compared to the three larger subindustries, we see that the average size of the remaining four subindustries is significantly smaller, with 4 to 11 employees in total (gray bars in Figure 17).¹³ We see that nonprofits are larger than for-profits in all subindustries, but only notably larger in educational support services. The average

¹² For-Profit establishments are excluded from the graph and our analysis because there are very few such establishments in the three major education subindustries.

¹³ Government is excluded from the graph due to its small size in the four minor education subindustries.

size of all establishments in these subindustries has changed minimally since 2010 except for business schools where the overall average size dropped from 12 employees in 2010 to only 4 in 2019.

Figure 17: Minor Education Subindustries Average Size of Establishments by Sector (2019)

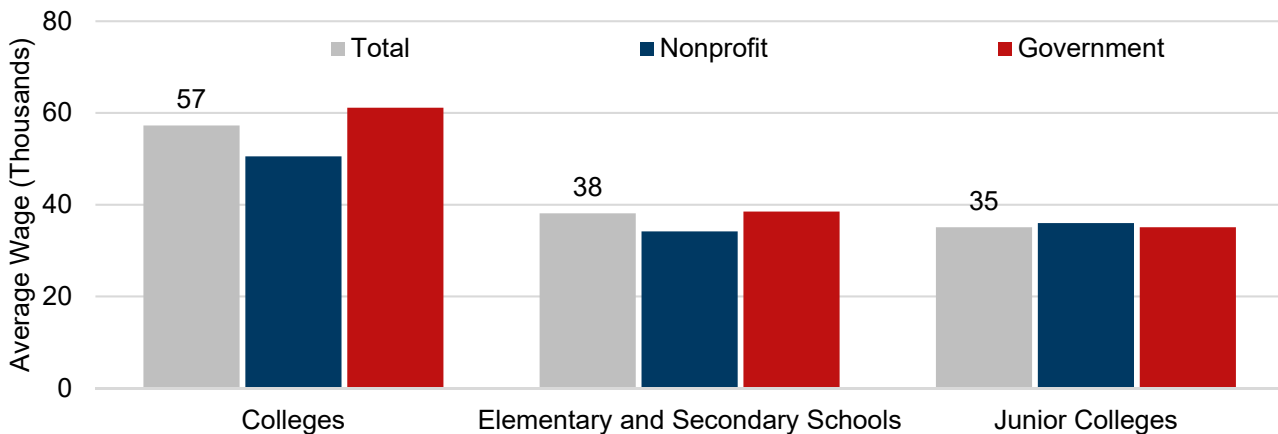


B. AVERAGE ANNUAL WAGES

Average wage offers further insights into how these subindustries are structured. We calculate average annual wages by dividing the annual payroll (adjusted for inflation to 2019 dollars) 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. In addition, the number of employees includes both part-time and full-time workers and those working year-round and some only during the school year, so industries with many part-time (or part-year) 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. Figures 18 and 19 separate the average wages into the larger and smaller subindustries.

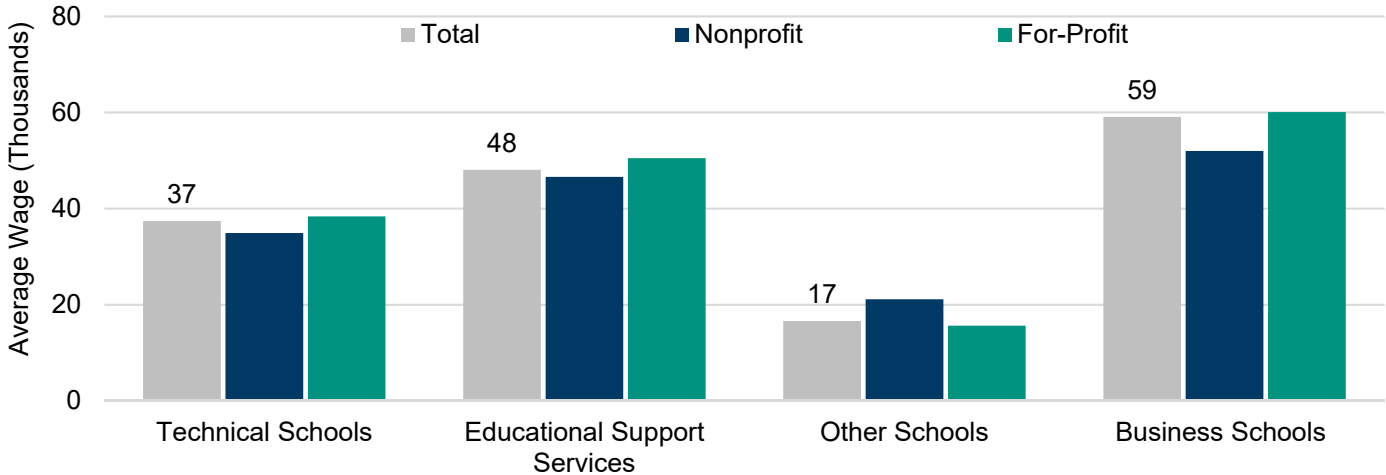
We see in Figure 18 that average annual wages in 2019 is the highest in colleges (\$57,000), followed by elementary and secondary schools (\$38,000) and junior colleges (\$35,000). The average wage for government workers (see red bars in Figure 18) tends to be roughly the same as nonprofit workers in elementary and secondary schools and in junior colleges. Average wages in the large public colleges and universities are notably higher than wages in the much smaller nonprofit colleges and universities.

Figure 18: Major Education Subindustries Average Wage by Sector (thousands) (2019)



In the four smaller subindustries shown in Figure 19, we see that overall average wage (grey bars) in 2019 is highest for business schools (\$59,000), followed by educational support services (\$48,000). Technical schools and especially other schools have lower average salaries. There is not a large difference between for-profit and nonprofit average wages within each subindustry.

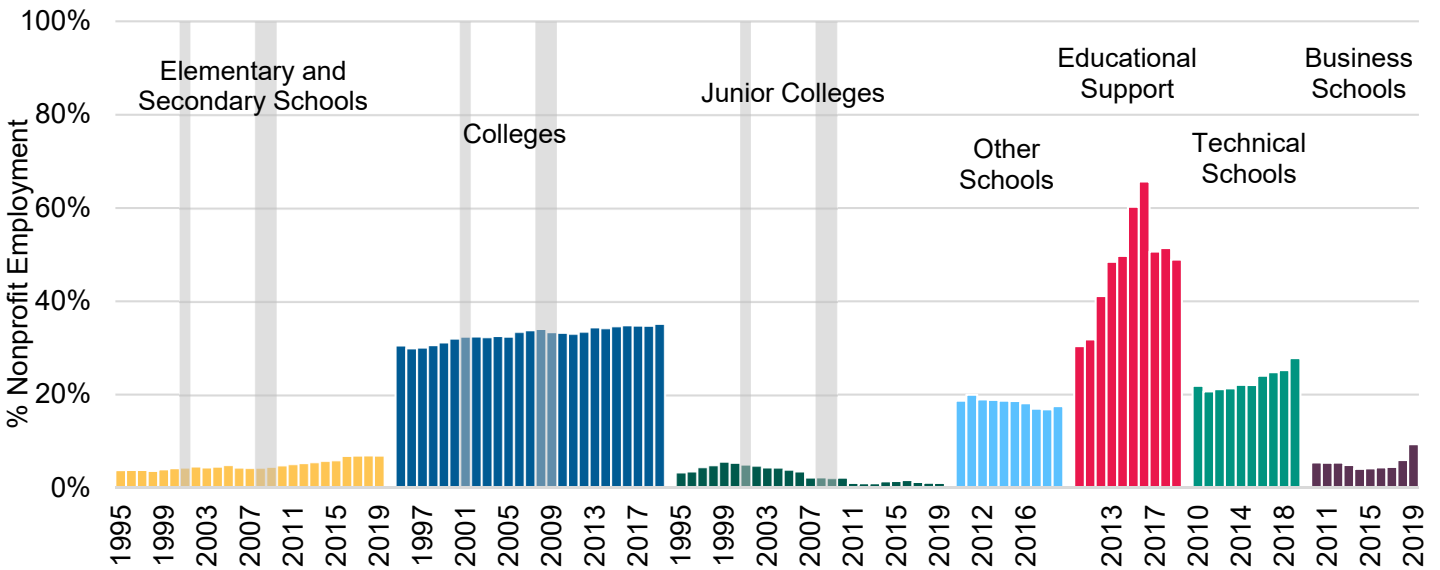
Figure 19: Minor Education Subindustries Average Wage by Sector (thousands) (2019)



IV. SHIFTING NONPROFIT TRENDS: DIVERSE PATTERNS

The diverse trends in employment by sector for each of the educational subindustries we explored above suggest that the importance of the nonprofit sector has changed over time. We turn now to a more explicit analysis of these trends. Each of the education subindustries have different patterns of trends in nonprofit employment. Figure 20 below shows the nonprofit share of employment by subindustry over the periods for which we have sufficiently detailed data.

Figure 20: Percent of Workers in Nonprofits by Education Subindustry (1995-2019 and 2010-2019)



Overall, we see the highest nonprofit share in educational support services, followed by colleges and universities. Nonprofit dominance in educational support services grew rapidly from 2010 until 2016, after which it began to decline – as noted earlier almost all other workers in this subindustry are employed by for-profit

establishments. Nonprofit share in the colleges subindustry has increased, although minimally (almost all other workers in this industry are employed by state universities).

Next, we see that technical schools and other schools have intermediary nonprofit shares of total paid employment. Nonprofits increased their share of employment in technical schools at the cost mainly of for-profit establishments but lost some of their share of jobs in other schools over the 2010-2019 period to mainly for-profit establishments.

Finally, elementary schools, junior colleges, and business schools all have really small nonprofit shares of total employment. Even so, both elementary and secondary schools and business schools gained nonprofit share from respectively public schools and for-profit institutions. Nonprofit junior colleges lost almost all of their share of total employment to public institutions. Nonprofit share of payroll shifted in similar ways to nonprofit employment. See Figure C13 in Appendix C for more details on nonprofit share of total payroll.

V. SUMMARY AND CONCLUSION

The education industry is a major force in Indiana's economy. In 2019, the industry employed more than a quarter million workers (251,000, about 8 percent of all workers in the state), up 29 percent from 194,000 workers in 1995. The employment in this industry grew faster than overall Indiana employment (13 percent) over the 1995-2019 period. The industry primarily employs government workers, although nonprofit employment has grown at a higher rate.

The education industry ranks as the second largest employer of Indiana nonprofit workers. In 2019, just under 40,000 education employees worked for nonprofits, up 83 percent from 22,000 employees in 1995. Relative to other major nonprofit industries, nonprofits account for a relatively small share (16 percent) of total employment in education than is the case for other major nonprofit industries, such as health (44 percent) and social assistance (48 percent), but similar to the nonprofit share of AER (15 percent).

The seven education subindustries—elementary and secondary schools, colleges and universities, educational support services, other schools, technical schools, junior colleges, and business schools—vary greatly on a number of dimensions. The two largest subindustries, elementary and secondary schools and colleges and universities, jointly employ 92 percent of all education employees and are dominated by government employment, as is junior colleges, the third largest. In the remaining four subindustries, for-profits employ a majority of workers except for in educational support services where nonprofits and for-profits have about the same number of workers.

We looked in greater detail at each subindustry, from highest to lowest employment. Elementary and secondary schools employ 63 percent of all paid workers in education. This industry grew 21 percent over the 25-year period. A majority of the growth occurred from 1995 to 2009 before slightly declining from 2010-2019. The colleges and university subindustry employs 64 percent of all nonprofit employees in education, the largest nonprofit employer in this industry. This subindustry has grown significantly, particularly in the nonprofit sector. Junior colleges are significantly smaller in size than the first two and is nearly all government employment. This industry grew from 1995-2012 before significantly declining until 2019.

The next four industries are much smaller in size and mainly dominated by the nonprofit and for-profit sectors. Educational support services is the only industry where nonprofits employ the highest share of employment. It is the fastest growing subindustry, growing 126 percent from 2010 to 2019. All other subindustries are largely dominated by for-profits. Other schools experienced slow growth, as did technical schools. Finally, business schools are the smallest subindustry and they have lost a significant number of employees over the past 10 years.

We then compared the subindustries against one another to observe how they have changed over time. There, we see that every industry except for other schools and junior colleges increased in nonprofit share of total employment. Educational support services grew most significantly.

The three largest subindustries have much larger establishments on average than the smaller subindustries and government establishments are generally larger than their nonprofit and for-profit counterparts. Average annual wages also differ significantly across subindustries.

The education industry performs significant services for the state of Indiana. Even as a majority of employees work for government establishments, we see a sizable growth of nonprofit workers, particularly in colleges and educational support service.

Nationally, total expenditures for education from all sources and for all institutions in the U.S. stood at \$1.5 trillion in 2018-19, or about 7.1 percent of gross domestic product (down from 7.6 percent in 2009-10),¹⁴ making it the second largest of the major nonprofit industries examined in this report.¹⁵ Government accounts for about 80 percent of these expenditures (including funding that supports nonprofits and for-profit educational institutions, such as student loans and tuition vouchers), with nonprofits a distant second at 16 percent of total expenditures.¹⁶ Given the size of public spending in the field, and the importance of education for individual achievement and job prospects, as well as for overall economic development, it is no surprise that there have been a great many educational policy developments in recent years at all levels of government.

We focus on just a few policy developments that seem most relevant to the trends in education jobs and payroll documented in this report. They include developments related to school funding and quality of education at the elementary and secondary education level, and affordability of higher education along with competition for students, faculty, and funding among post-secondary institutions.

Elementary and secondary education accounts for much of educational expenditures in the U.S. and have faced many challenges over the years. This subindustry is overwhelmingly dominated by public schools as we document earlier (91 percent of employment, 92 percent of payroll in Indiana in 2019), many of which are thought to be failing to meet the needs of particularly low-income students. However, public schools rely heavily on funding from local real estate taxes (Indiana local school districts receive about 42 percent of all property taxes¹⁷) and efforts to increase spending in order to improve education have been difficult, given widespread resistance to increased taxes, including real estate (property) taxes.

In 2008, Indiana voters approved a property tax cap amendment to the Indiana Constitution.¹⁸ The state assumed responsibility for a significant share of total K-12 public expenditures (66 percent in FY 2018), but local and federal funding remain important (accounting for 25 and 9 percent respectively).¹⁹ The property tax cap made it difficult for local school districts raise the necessary funds for some critical needs including transportation, bus replacements, capital projects, and debt service.²⁰ Although outside the period we are able

¹⁴ National Center for Education Statistics, 2021. Digest of Education Statistics: 2019 (<https://nces.ed.gov/programs/digest/d19/>).

¹⁵ Expenditures for health care (including social assistance) was a massive \$3.8 trillion in 2019, about 17.7 percent of GDP (see Centers for Medicare and Medicaid Services, 2021. National Health Expenditures Data (<https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsHistorical>)).

¹⁶ Kirsten A. Grønberg and Steven Rathgeb Smith, 2021. The Changing Dynamics of Government-Nonprofit Relations, p. 12. Cambridge University Press, Cambridge Elements in Public and Nonprofit Administration.

¹⁷ Citizen's Guide to Property Tax. Indiana Department of Local Government Finance. See www.in.gov/dlgef/2516.htm.

¹⁸ Foreclosures and the major housing crisis during the Great Recession of 2008-09, reduced property values, which combined with lower income and sales taxes threatened local government finances and led many local governments to increased property taxes rates.

¹⁹ House Republican Policy and Ways & Means Staff, October 2017. Just the Facts: How K-12 School Funding Works and Where our Education Dollars Go (https://cdn.ymaws.com/www.indiana-asbo.org/resource/collection/13F09444-C611-4280-AAB9-5D2BA0559AA0/Indiana_Education_Funding_Explained__October_2_.pdf).

²⁰ See Scott Bowling, Lori Boyland, and Kimberley Kirkeby (2019), "Property Tax Cap Policy in Indiana and Implications for Public School Funding Equity," available online at <https://eric.ed.gov/?id=EJ1225644>.

to consider, the COVID-19 pandemic resulted in additional new expenses for schools (technology, cleaning, contact tracing), off-set in part by federal stimulus funding.²¹

Nationwide, public schools often struggle to recruit top teachers. In Indiana, teacher salaries are funded primarily out of the state's tuition support payments to local school corporations. However, several efforts to increase teacher salaries have failed.²² As a result, the Next Level Teacher Compensation Commission (established by Governor Holcomb in 2019), found that average teacher salaries in Indiana continues to lag behind both the national average and inflation, making it difficult for public school districts to hire and retain high performing teachers.²³ In an effort to address the problem of teacher shortage, the governor recently signed a bill opening up additional alternative teacher certification programs.²⁴

The challenges faced by public schools to provide quality education have been further intensified by several school choice programs Indiana has enacted since 2009: School Scholarship Tax Credit (2009, effective in 2010), Choice Scholarship (2011), and Private School/Homeschool Deductions (2011).²⁵ Recent efforts include increasing access to school choice programs to help middle income families pay for private schools.²⁶ Nationally, Indiana has been considered a leader in school choice and the increased public funding for those programs has raised concerns from teacher organizations and public school administrators about diversion of support from public schools.²⁷

The combined effect of these policies help account for the stagnation of employment and payroll for employees in public elementary and secondary schools and the steady increases in employment and payroll for nonprofit schools. The nonprofit share of employment in this subindustry almost doubling over the 1995 to 2019 period, as more students have enrolled in private schools, supported at least in part with state funding. More than a quarter (28 percent) of all nonprofit education employees worked in elementary and secondary schools in 2019, giving them a vested interest in these policy developments.

There have also been important policy developments in higher education, where nonprofit workers account for more than a third (35 percent) of all such employees in Indiana in 2019. At the national level, policy issues have focused on high tuition cost (especially at private elite colleges), high student loan burdens, and concerns about access for low-income and non-traditional students. Public universities receive some state funding, allowing them to offer lower tuition than nonprofit colleges, at least to state residents.

Indiana has two very large public Research I state university systems: Indiana University and Purdue University with respectively 90,000 and 75,000 students across the state as well as a number of other public institutions. Indiana also has 30 smaller nonprofit colleges, affiliated with Independent Colleges of Indiana. These nonprofit colleges have an estimated total local economic impact of \$5.5 billion.²⁸ The public and nonprofit institutions differ not only in size, but in the cost of tuition, the range and variety of specialties available to students, the types and quality of facilities, the nature of student experiences, and more. They

²¹ See Fox 59 (2021), "Indiana schools to receive nearly \$1.8B in federal funding to help with pandemic costs," available online at <https://fox59.com/news/education/indiana-schools-to-receive-nearly-1-8b-in-federal-funding-to-help-with-pandemic-costs/>.

²² The COVID-19 stimulus funding has reopened discussions about raising minimum teacher salary. See Kayla Sullivan (2021), "Indiana proposes historic K-12 funding and teacher pay increase," available online at <https://cbs4indy.com/news/indiana-proposes-historic-k-12-funding-and-teacher-pay-increase/>.

²³ See Next Level Teacher Compensation Commission: A Roadmap for Improving Indiana Teacher Compensation, December 2020, available online at <https://www.in.gov/files/Teacher-Pay-Report-FINAL.pdf>.

²⁴ See Haley Ryan (2021), "Indiana Gov. Holcomb signs alternative teacher certification bill, educators express concern," available online at <https://www.idsnews.com/article/2021/04/indiana-senate-bill-205-teachers-license>.

²⁵ See <https://www.edchoice.org/school-choice/state/indiana/>.

²⁶ See Dylan McCoy (2021), "Indiana poised to open school vouchers to families earning over \$100,000," available online at <https://in.chalkbeat.org/2021/4/15/22386543/indiana-voucher-increase-private-school-tuition-middle-class>

²⁷ Wall Street Journal (2021), "Hoosiers Lead the Voucher Way," available online at <https://www.wsj.com/articles/hoosiers-lead-the-voucher-way-11619132348>

²⁸ See Independent Colleges of Indiana (2021), "Our Impact," available online at <https://www.icindiana.org/our-impact/>

compete with one another for students and high quality staff, but they also compete with institutions at the national level (and even international level) for both, as well as for donations and research funding.

Demographic trends and the state of the economy are important drivers for college enrollment²⁹ (higher education enrollment tends to be counter-cyclical and expand during recessions), but so is whether prospective students believe the cost of college education (money and time) outweighs the benefits. An important part of the cost equation has been student eligibility for grants (e.g., Pell Grants), loans (e.g., Direct Federal Student Loans), and the corresponding loan repayment policies. Indiana has its own state-funded resources, such as 21st Century Scholars that cover tuition fees for low-income students at public institutions. Currently, Indiana's senate is considering a bill that would reduce the cost of higher education.³⁰

Although state policies are important, state and federal funding for higher education has been critical.³¹ At the federal level, total spending (in 2017 dollars) for Federal Pell grants increased from \$16 billion in 2007 to a high of \$37 billion in 2010 but declined to \$28 billion in 2017. Federal Student loans followed a very similar pattern, increasing from \$75 billion in 2007, to \$119 billion in 2011, before declining to \$94 billion in 2018. The value of higher education federal tax credits, while smaller in scope, increased dramatically from \$13.5 billion in 2000 to \$40.5 billion in 2017. Philanthropic funding has also been important in supporting advocacy surrounding education policy and efforts to improve college completion,³² particularly for non-traditional students.

These policies have helped make higher education more affordable³³ and have benefitted both public and nonprofit institutions, since the funding follows the student. They are an important factor in the growth of nonprofit employment and payroll in Indiana, but probably more so for public universities, since nationally 70 percent of Pell Grants went to students attending public institutions in 2017, which also receive 61 percent of all federal research funding³⁴. In Indiana, government employment in higher education increased by 28 percent, compared to 59 percent for nonprofits.

While the smaller educational subindustries have not received much policy focus on them, they still serve major roles in providing jobs and revenue to their local communities. In these smaller subindustries, private, for-profit establishments dominate overwhelmingly. They play a key role in supporting other educational institutions and by providing alternative training and educational opportunities for Indiana residents. Still, institutions providing vocational education and training, such as junior colleges, business schools, and technical schools, have all either declined or had stable total employment. This suggests that opportunities for Hoosiers to access these types of training may have declined.

²⁹ See Margaret Menge (2021), "Fewer Indiana high school graduates going on to college," available online at https://www.thecentersquare.com/indiana/fewer-indiana-high-school-graduates-going-on-to-college/article_70335628-a45b-11eb-a771-47ac93e58afa.html

³⁰ See Margaret Menge (2021), "Indiana legislature calls for universities to reduce the cost of college, by 10%, among other things," available online at https://www.thecentersquare.com/indiana/indiana-legislature-calls-for-universities-to-reduce-the-cost-of-college-by-10-among-other/article_638c58f0-9f08-11eb-be96-a3902e29776b.html.

³¹ See Pew Charitable Trusts. Two Decades of Change in Federal and State Higher Education Funding. October 15, 2017. Available at <https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2019/10/two-decades-of-change-in-federal-and-state-higher-education-funding>.

³² See Nabih Haddad (2021), "Philanthropic Foundations and Higher Education: The Politics of Intermediary Organizations," available online at <https://www.tandfonline.com/loi/uhej20>

³³ But the burden of student loans has increased significantly, up from \$1.06 trillion in outstanding student debt in 2014 to \$1.57 trillion in 2020 with 54 percent of current students taking out loans. Defaults have increased as well. See <https://www.investopedia.com/student-loan-debt-2019-statistics-and-outlook-4772007>.

³⁴ id. Footnote 29

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).³⁵ Nationwide, the QCEW covers over 95 percent of U.S. jobs.³⁶

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.³⁷

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.³⁸ However, certain employees are not required to participate, including religious organizations and charities with less than four employees.³⁹ 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

³⁵ The IBRC calculates number of employees with the average annual number of employees. For industries with strong seasonal patterns such as education and arts, entertainment, and recreation, actual employment is likely to be higher than what is reported here.

³⁶ 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.

³⁷ 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.

³⁸ 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.

³⁹ 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.

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).⁴⁰

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 that there are about 8,800 congregations in Indiana,⁴¹ 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 77,300.⁴² 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.⁴³

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.⁴⁴ 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

⁴⁰ 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).

⁴¹ The Infogroup (yellow page) listing includes about 9,600 congregations; de-duplication leaves just over 8,800.

⁴² 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.

⁴³ 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.

⁴⁴ 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.

than \$5,000 in revenues, political groups, and homeowners' associations do not need to register.⁴⁵ 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.

⁴⁵ 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: ADDITIONAL GRAPHS

Figure B1: Total Paid Employment (in thousands) for the Six Largest Industries, Indiana (1995-2019)

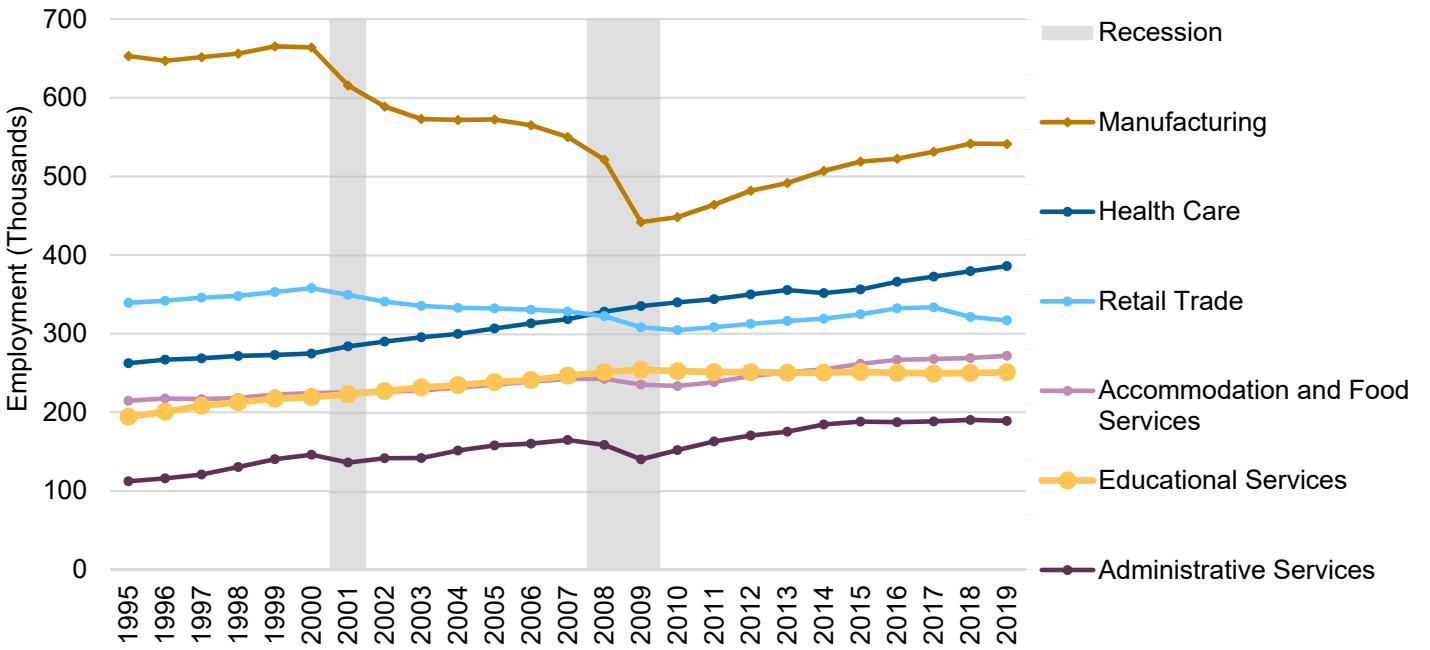


Figure B2: Total Payroll (in millions) for the Six Largest Industries, Indiana (1995-2019), in constant dollars (2019)

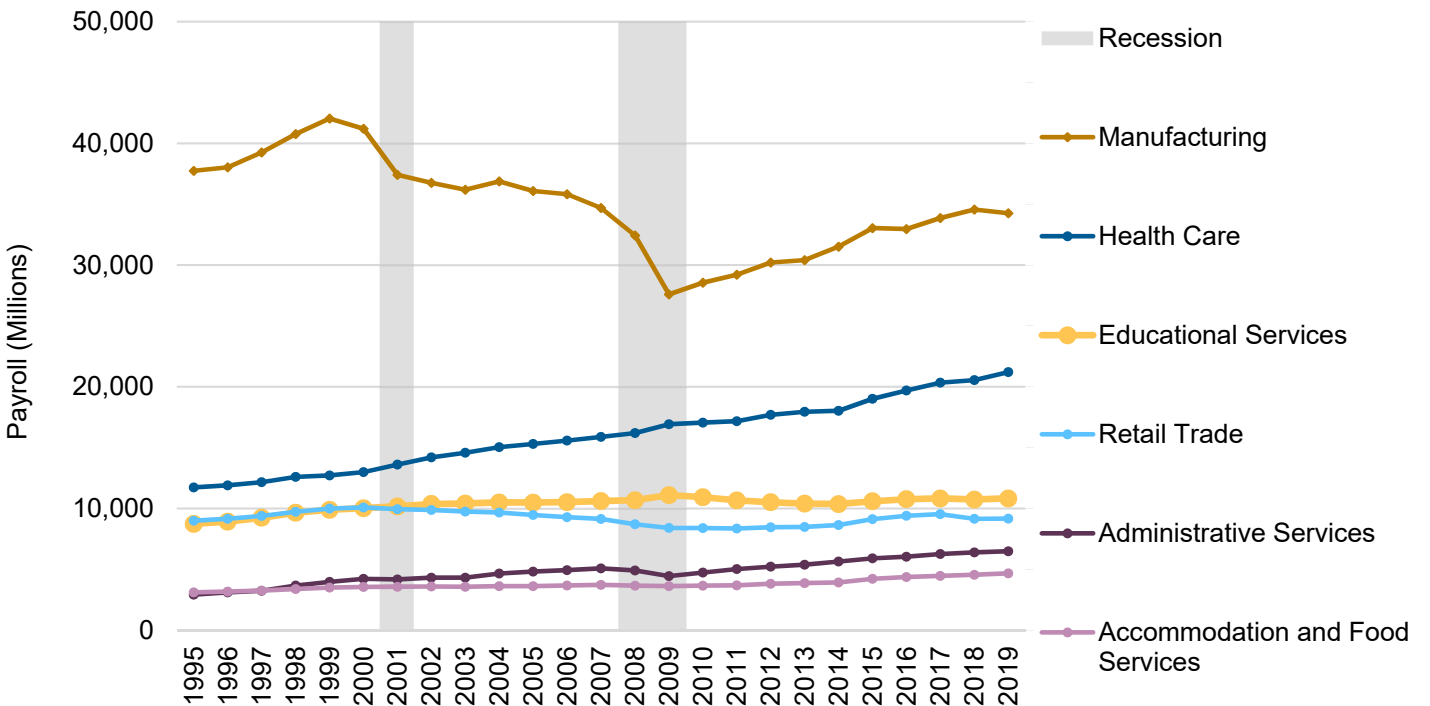


Figure B3: Education Paid Employment (in thousands) by Sector (1995-2019)

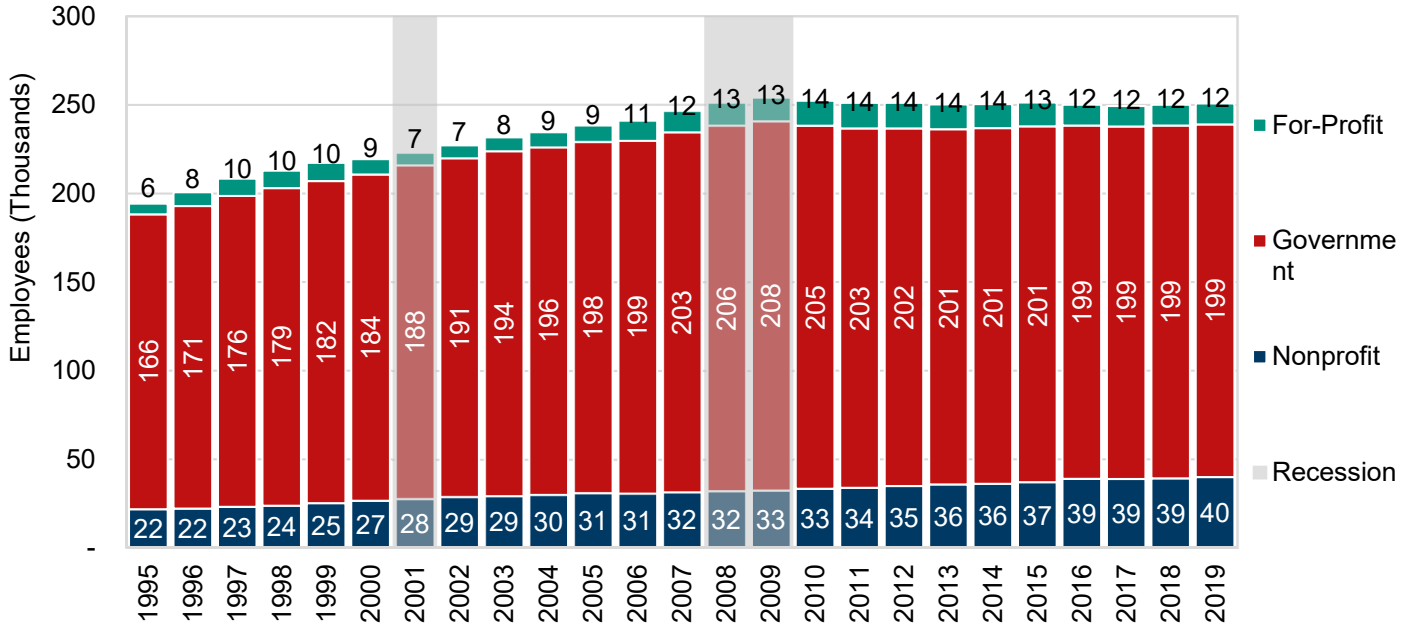


Figure B4: Education Growth in Paid Employment by Sector (1995-2019)

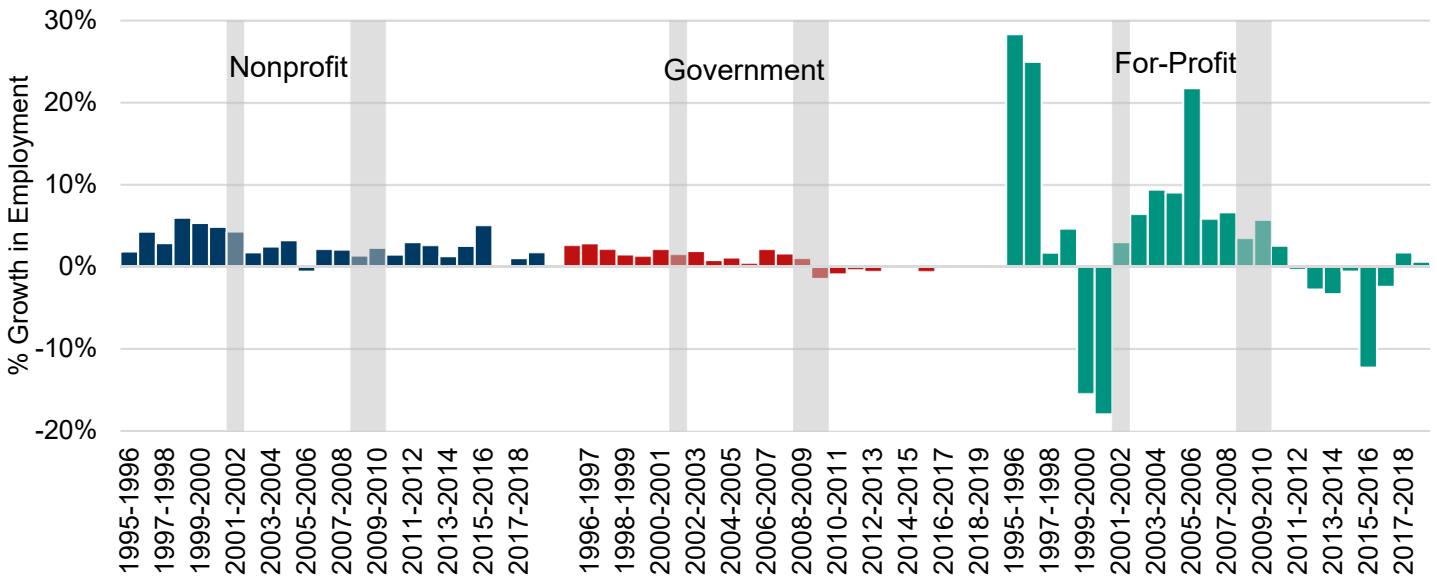


Figure B5: Education Growth in Payroll by Sector (1995-2019), in constant dollars (2019)

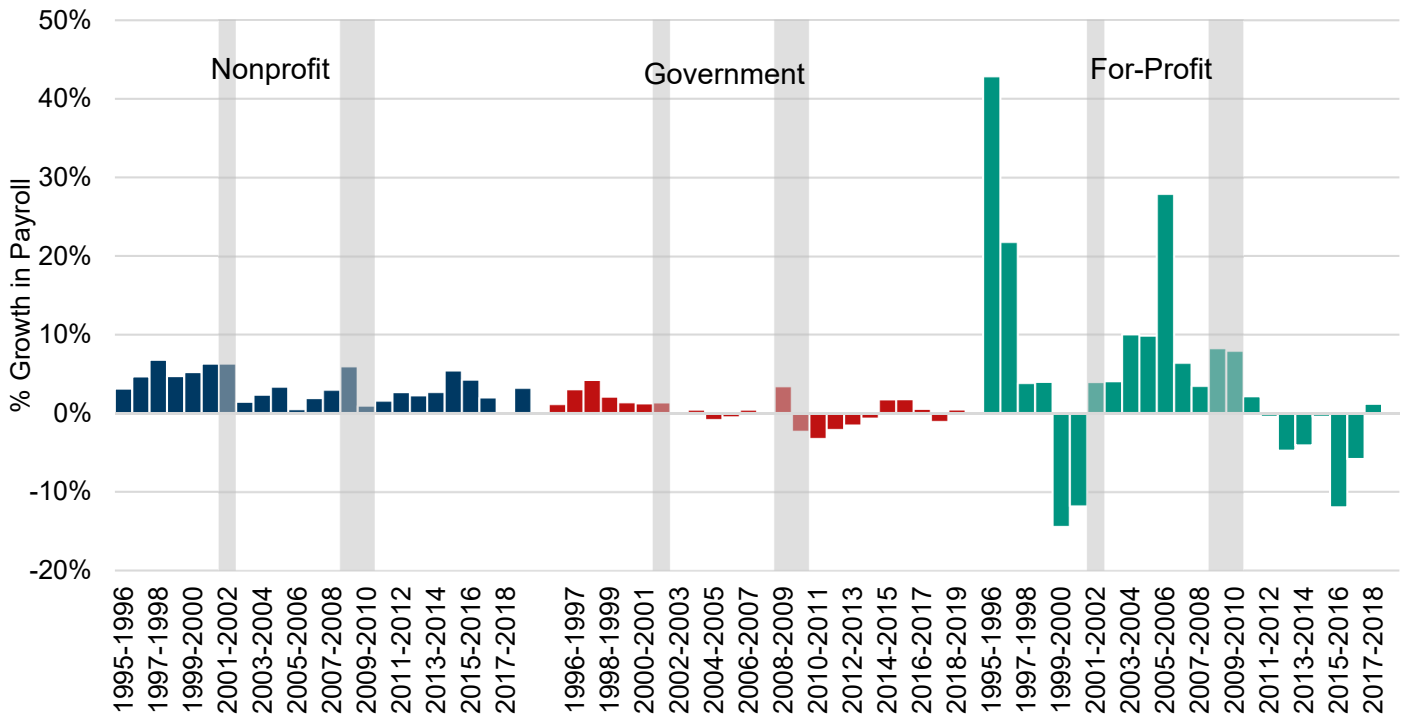


Figure B6: Education Payroll (in billions) by Sector (1995-2019), in constant dollars (2019)

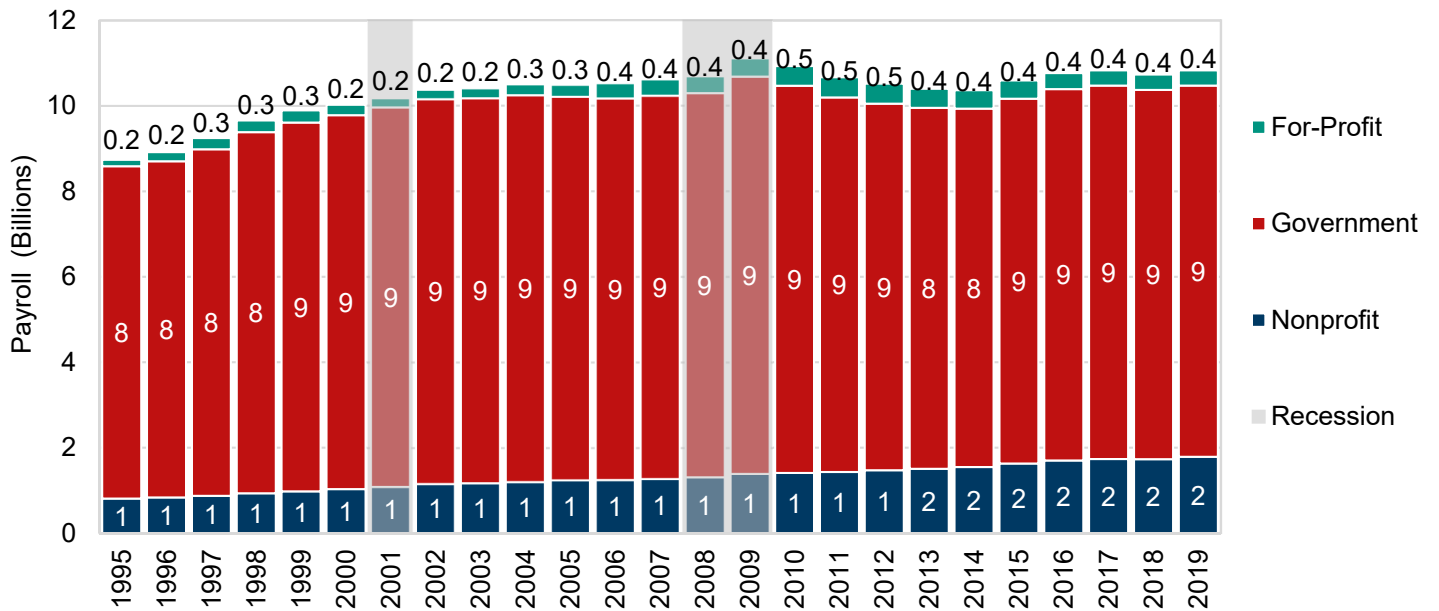


Figure B7: Total Education Employment (in thousands) by Subindustry (1995-2019)

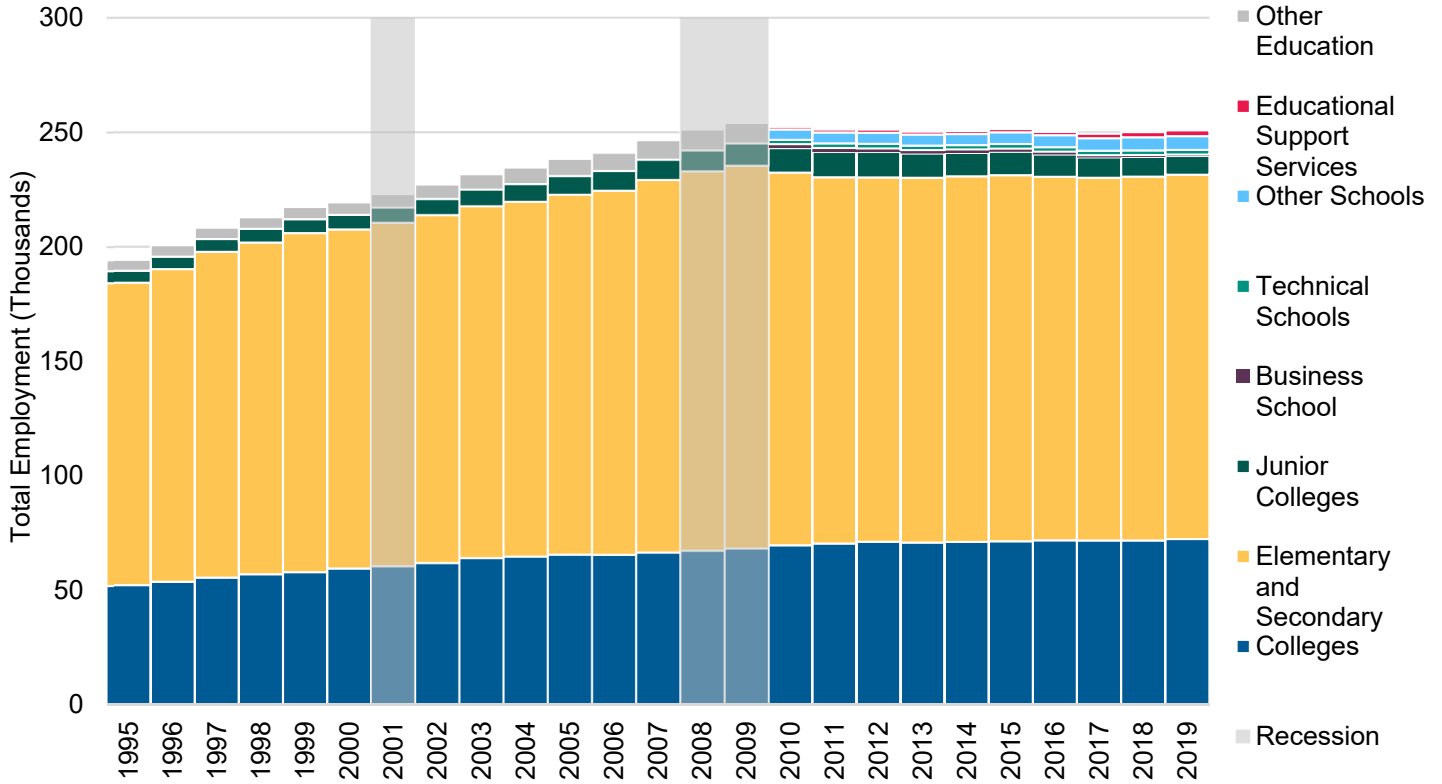
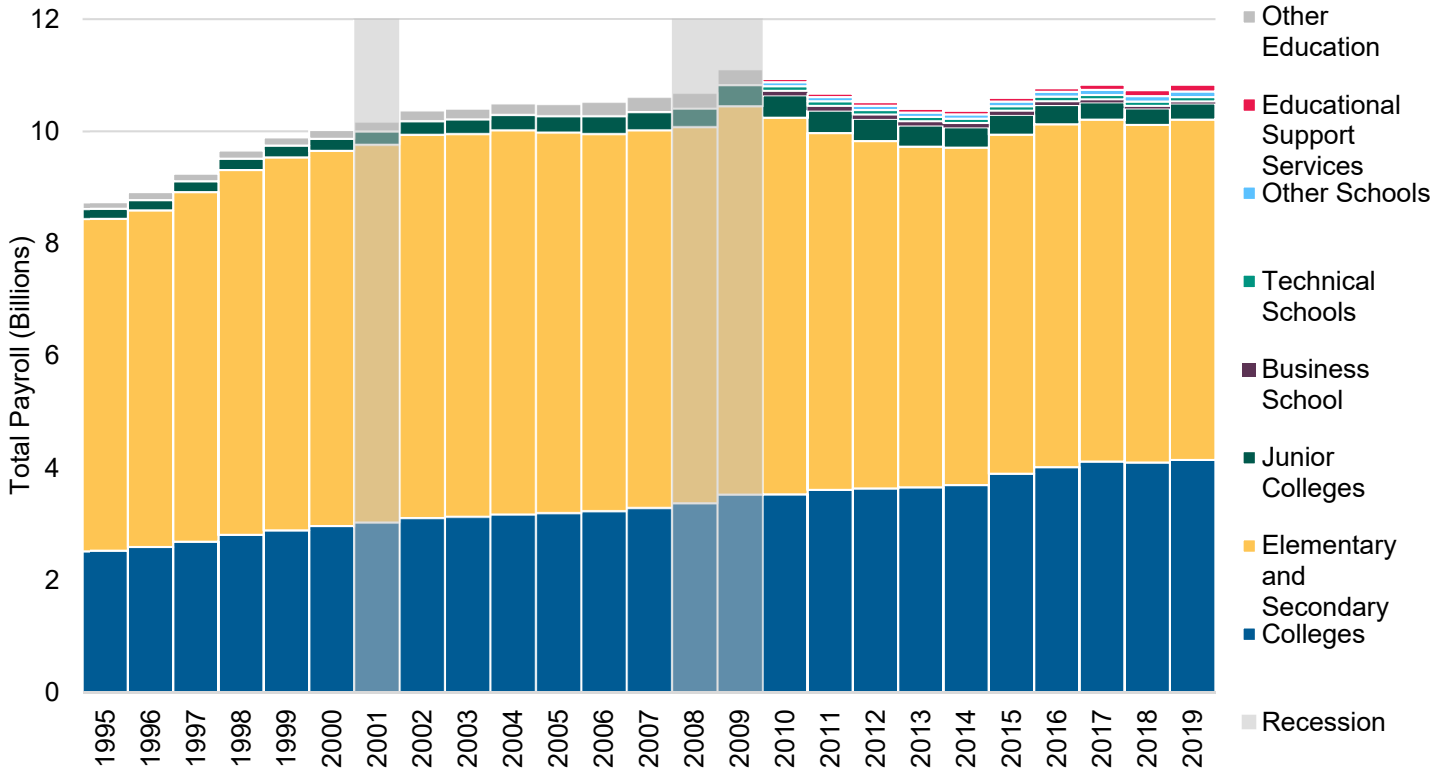


Figure B8: Total Education Payroll (in billions) by Subindustry (1995-2019), in constant dollars (2019)



APPENDIX C: PAYROLL GRAPHS

Figure C1: Nonprofit Sector Payroll (billions) by Industry (1995-2019), in constant dollars (2019)

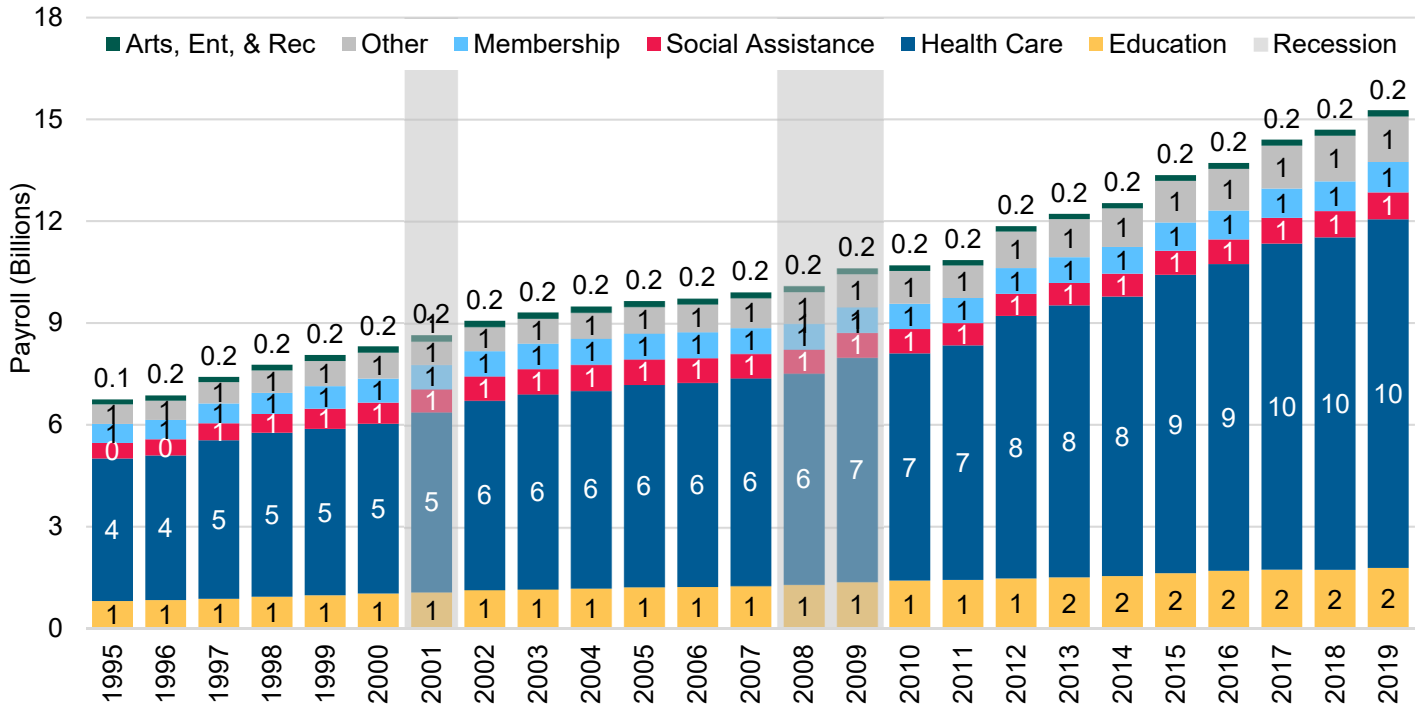


Figure C2: Sector Breakdown of Total Percent Change in Education Payroll (1995-2019), in constant dollars (2019)

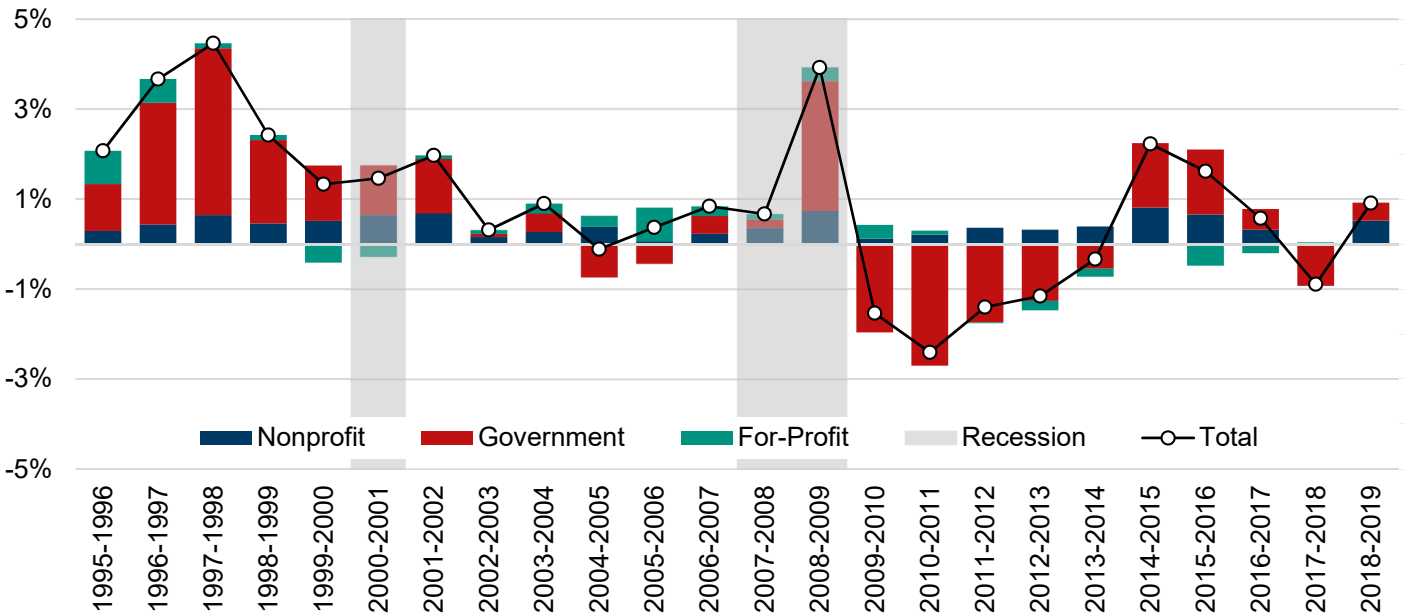


Figure C3: Share of Nonprofits in Payroll in Major Nonprofit Industries (1995-2019), in constant dollars (2019)

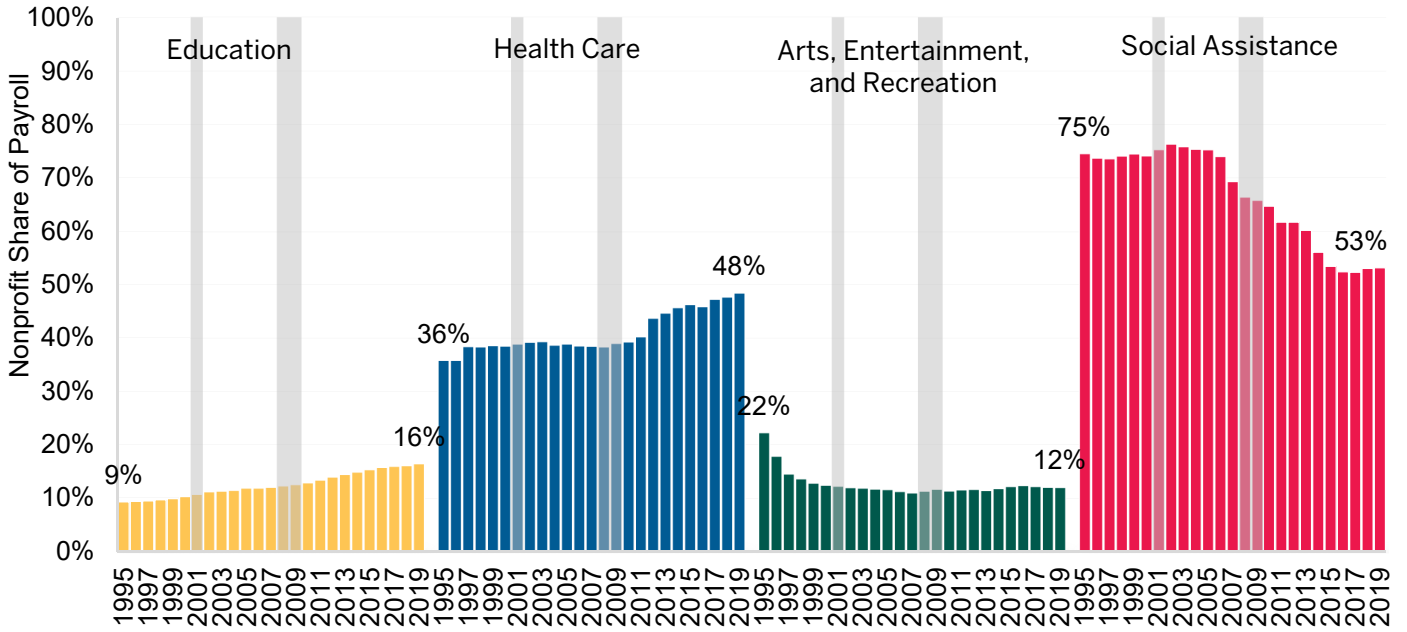


Figure C4: Distribution of Total Payroll by Sector for Education Subindustries, in constant dollars (2019)

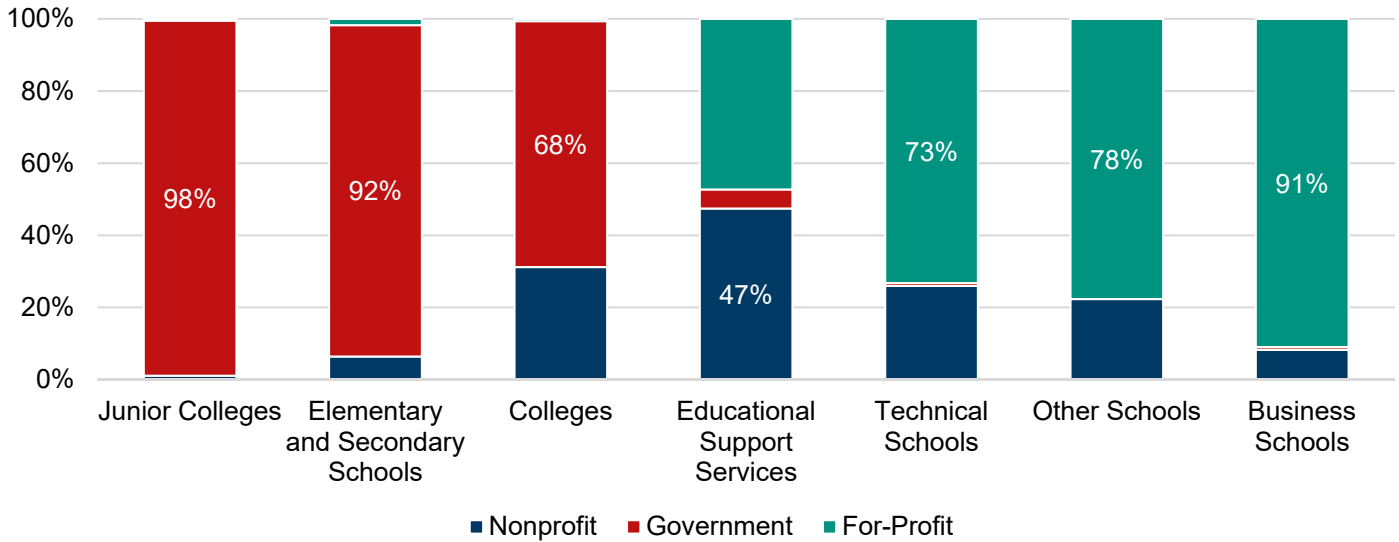


Figure C5: Nonprofit Payroll (in millions) in Education by Subindustry (1995-2019), in constant dollars (2019)

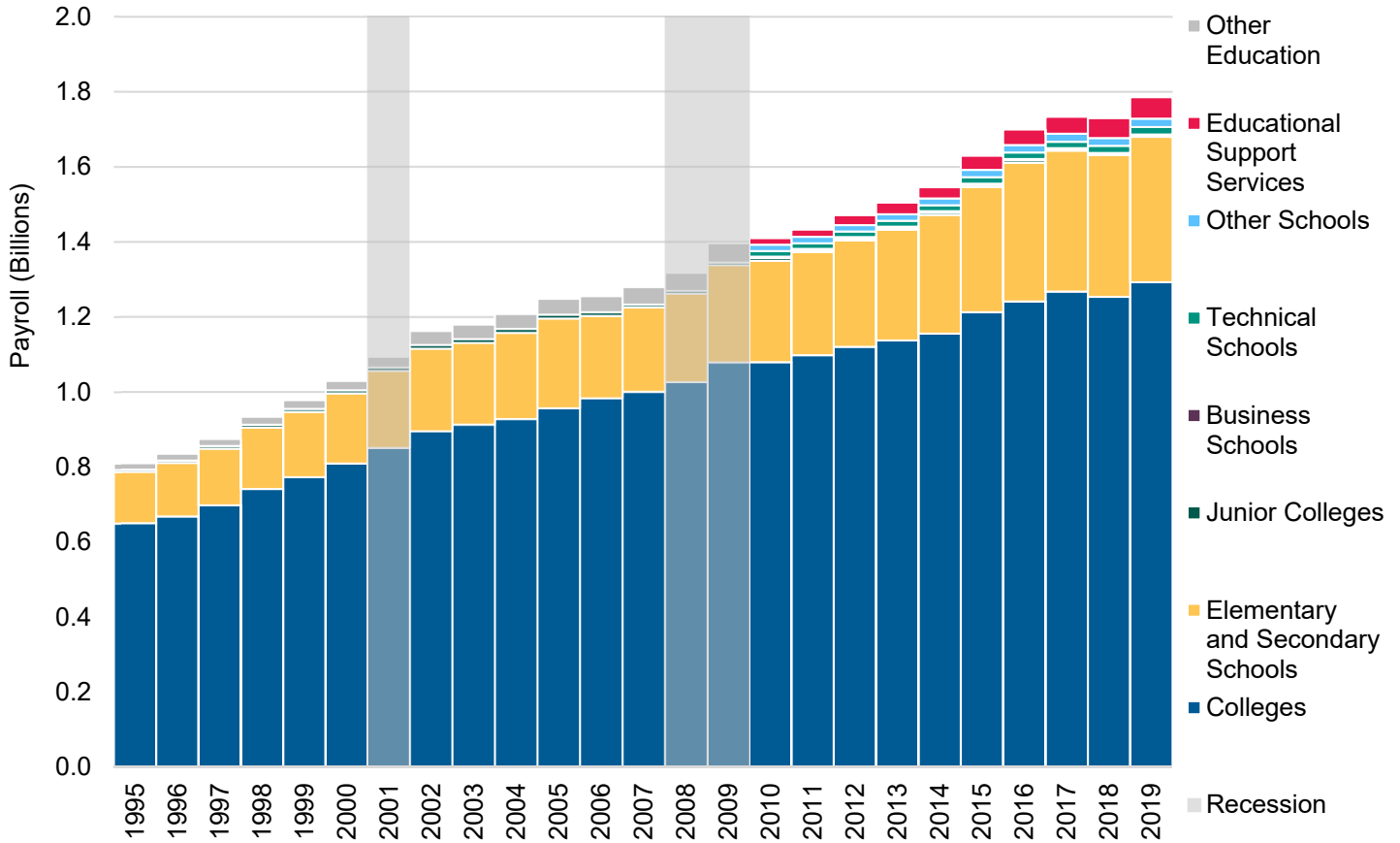


Figure C6: Elementary and Secondary Schools Payroll (in millions) by Sector (1995-2019), in constant dollars (2019)

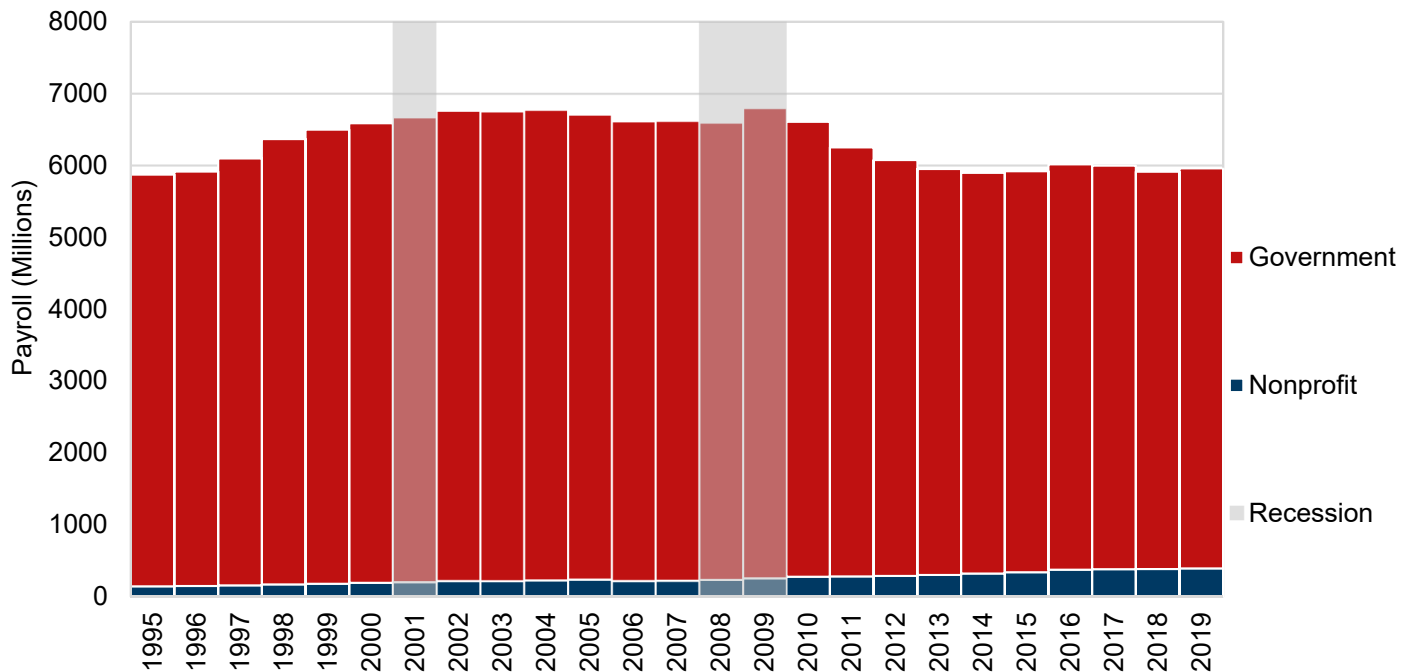


Figure C7: Colleges Payroll (in billions) by Sector (1995-2019), in constant dollars (2019)

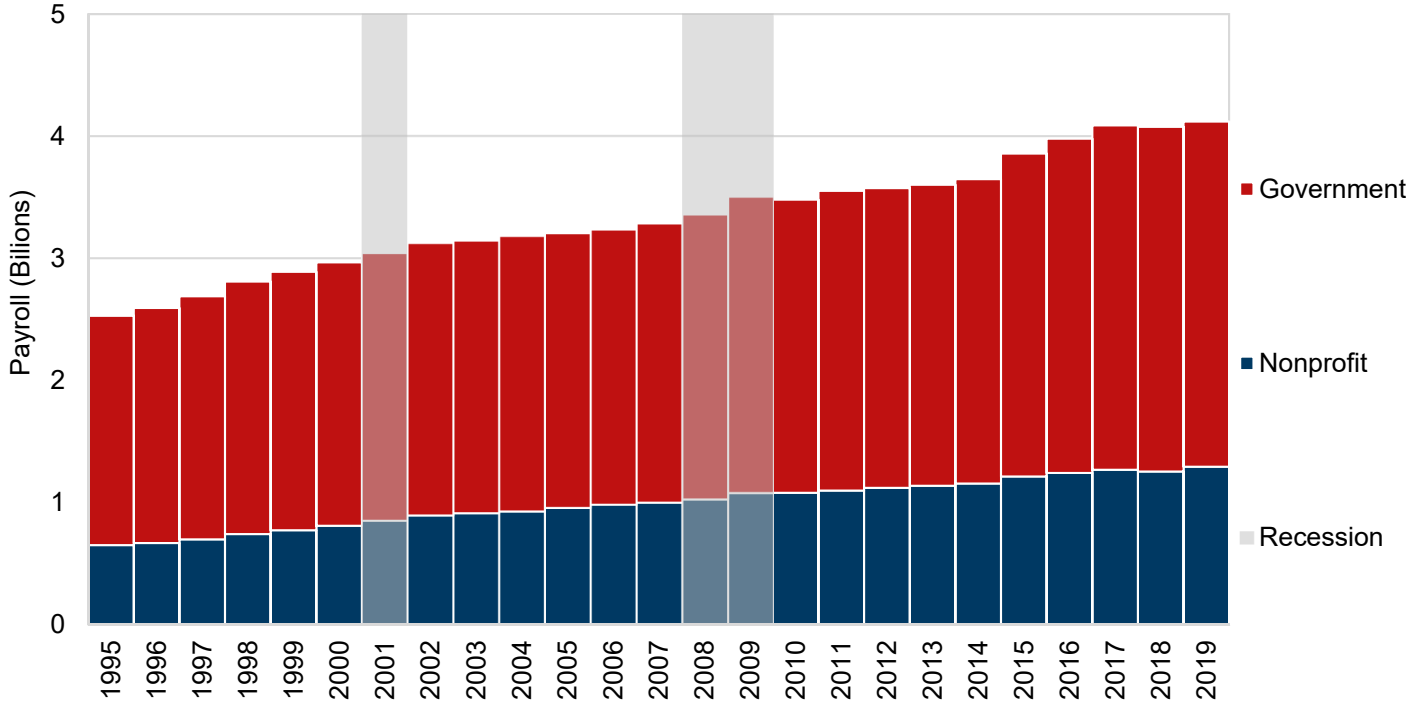


Figure C8: Junior Colleges Payroll (in millions) by Sector (1995-2019), in constant dollars (2019)

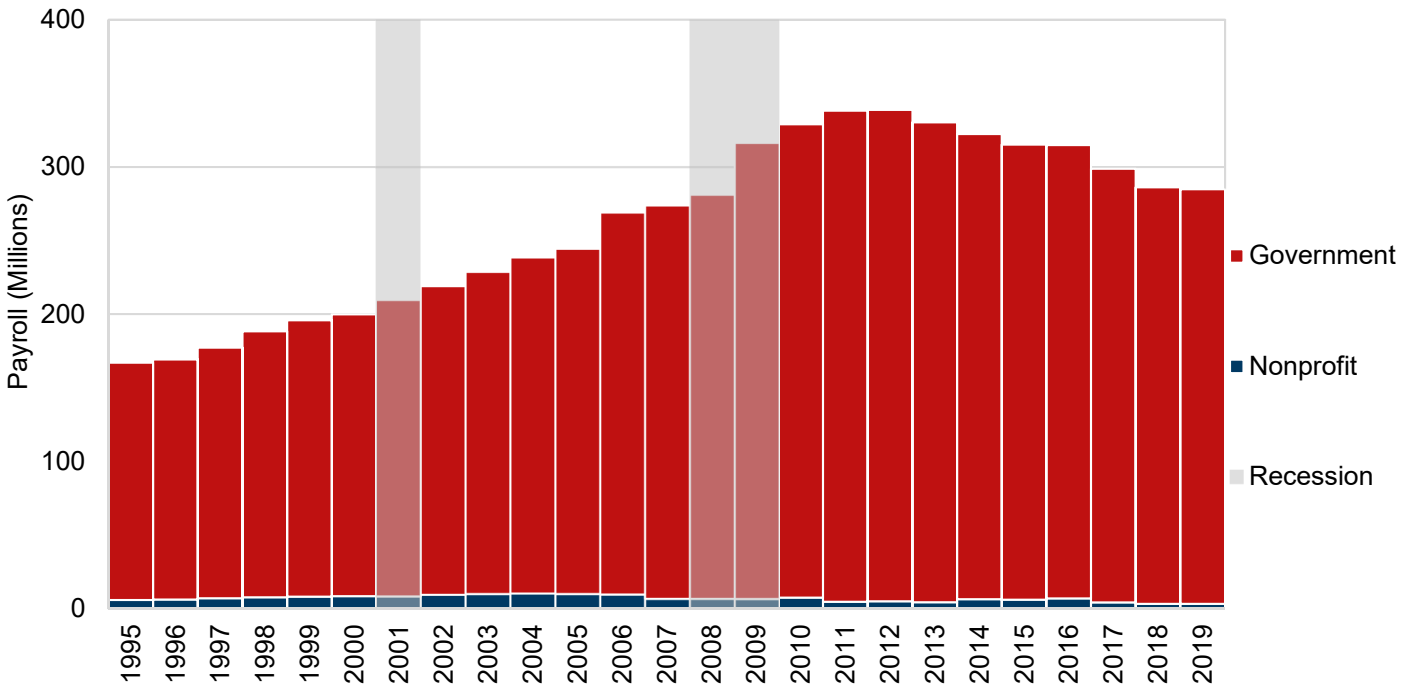


Figure C9: Other Schools and Instruction Private Payroll (in millions) (2010-2019), in constant dollars (2019)

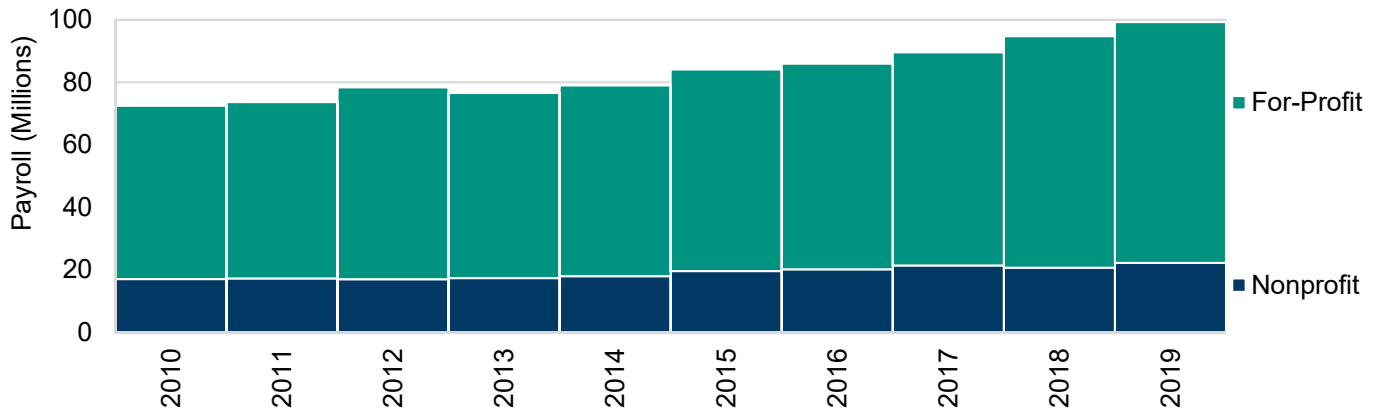


Figure C10: Educational Support Services Private Payroll (in millions) (2010-2019), in constant dollars (2019)

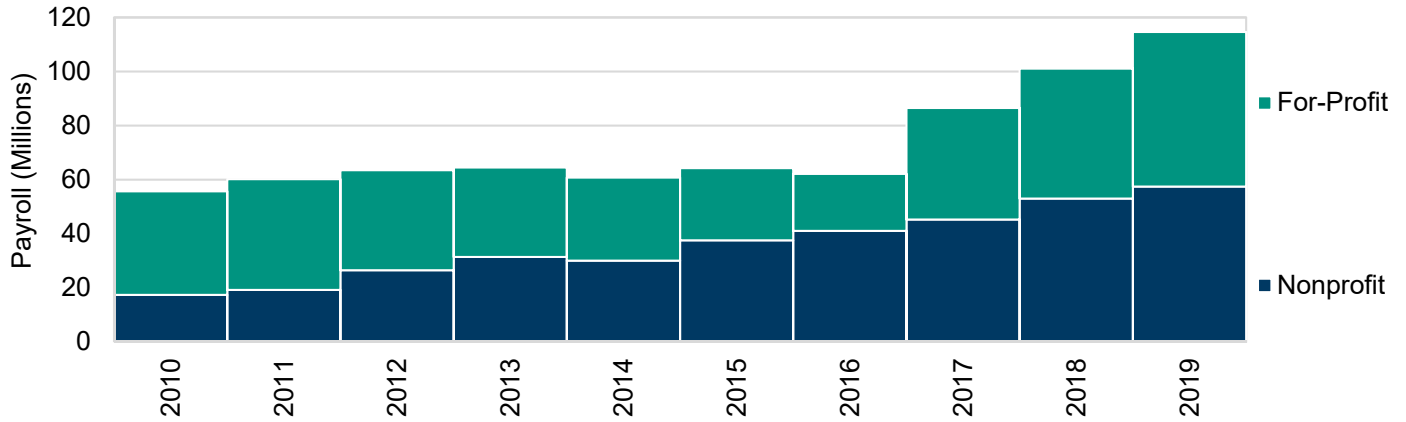


Figure C11: Technical Schools Private Payroll (in millions) (2010-2019), in constant dollars (2019)

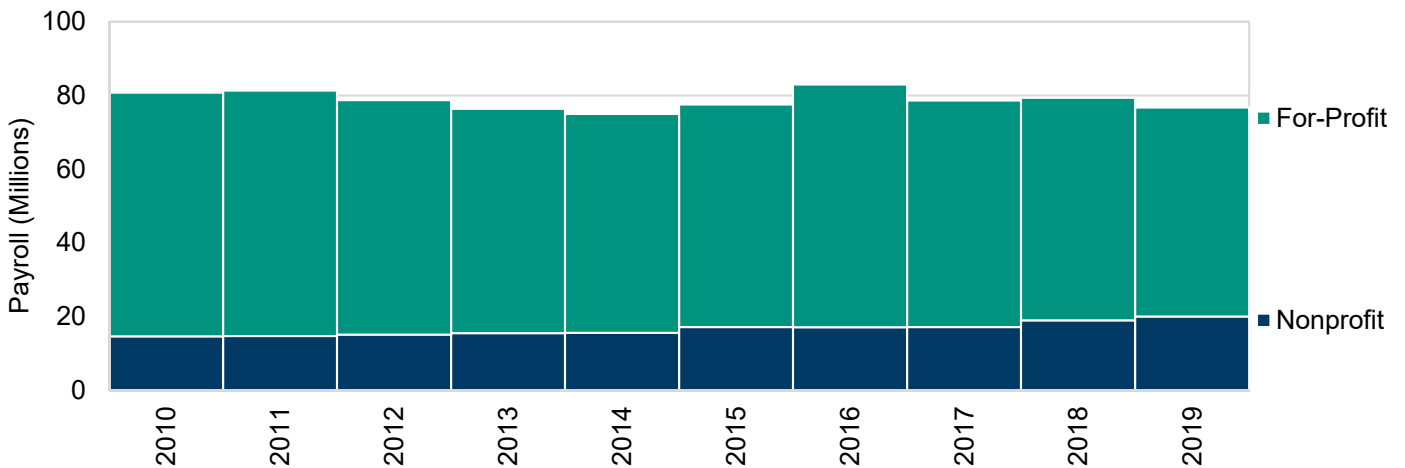


Figure C12: Business Schools Private Payroll (in millions) (2010-2019), in constant dollars (2019)

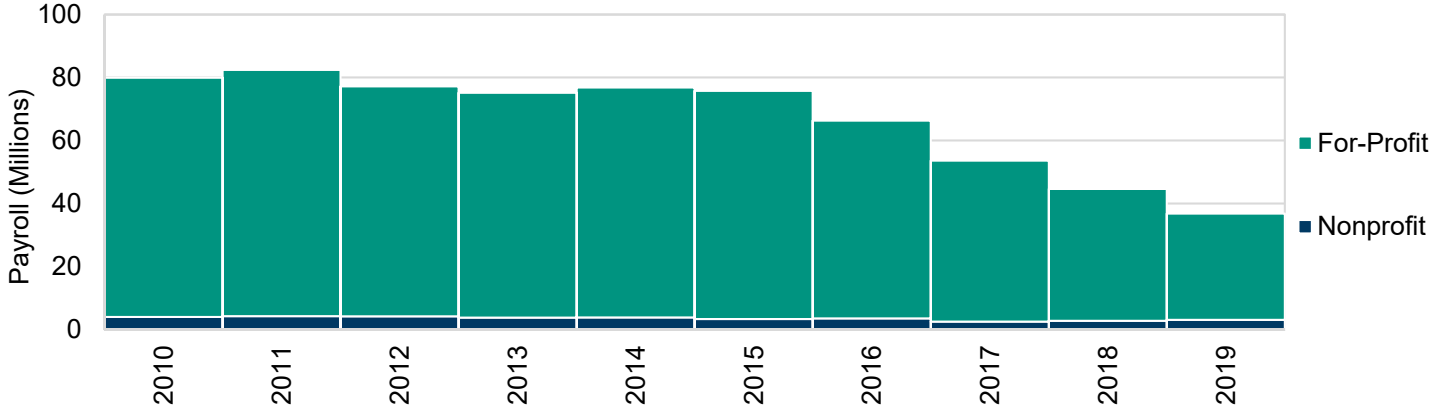
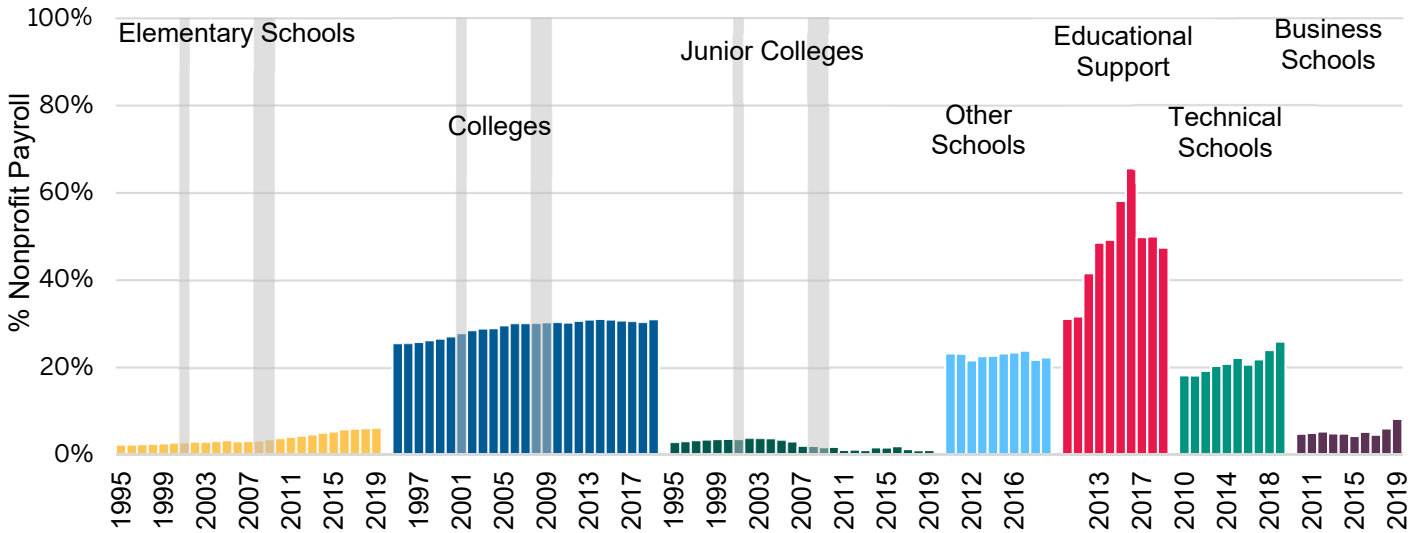


Figure C13: Percent of Payroll in Nonprofits by Education Subindustry (1995-2019 and 2010-2019), in constant dollars (2019)





IUPUI

LILLY FAMILY SCHOOL OF PHILANTHROPY



O'NEILL

SCHOOL OF PUBLIC AND
ENVIRONMENTAL AFFAIRS