



Our ongoing analysis of Indiana nonprofit employment is a joint effort by the Center on Philanthropy, the School of Public and Environmental Affairs, and the Indiana Business Research Center at Indiana University to document the significant impact of nonprofits on Indiana's economy by providing detailed information on the size, composition, and distribution of paid employment in the private nonprofit sector in Indiana.

Highlights from a report on
Indiana Nonprofit Education Employment, 1995-2009

For the full report, visit: www.indiana.edu/~nonprof

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Why does nonprofit employment matter?

Data on nonprofit employment helps illuminate Indiana's overall economic development and health. Such information shows how nonprofits contribute to particular industries versus for-profit or government employers. Nonprofit education programs play a preeminent role in allowing Indiana citizens to better themselves and their communities by training future professionals, encouraging lifelong learning, and in other ways improving family well-being and standards of living. For example:

- Independent schools offer diverse learning environments and the opportunity to experiment with new classroom structures.
- Universities and colleges train Indiana's next generation of leaders and connect them to professionals already working within their fields of interest.
- Technology transfer programs between universities and industries in the state spur entrepreneurship and innovation.
- Junior colleges respond quickly to changes in labor demand and efficiently train workers for skilled positions.

**Key Findings in Nonprofit Education
1995-2009**

- Nonprofit employment in education grew faster than employment in other major nonprofit industries.
- In 2001, the education industry became the second largest nonprofit employer after health care.
- Employment within the education industry increased steadily even during the Great Recession, demonstrating the strength of demand for education even during weak economies.
- Annual wages in education increased steadily over the period, at a rate that exceeded most other nonprofit industries.
- In terms of wages, staff size, and payroll, nonprofits tended to look much more like government institutions than for-profit institutions.
- Caution should be used when comparing nonprofit and for-profit establishments in education because of the vastly different services provided and clientele reached.

Education was the fastest growing nonprofit industry in Indiana.

Nonprofit employment in education grew by 50 percent, from less than 22,000 workers in 1995 to over 33,000 workers in 2009 (Figure 2). In comparison, employment in the entire Indiana nonprofit sector grew 34 percent, while total employment in Indiana declined 0.3 percent over the same period.

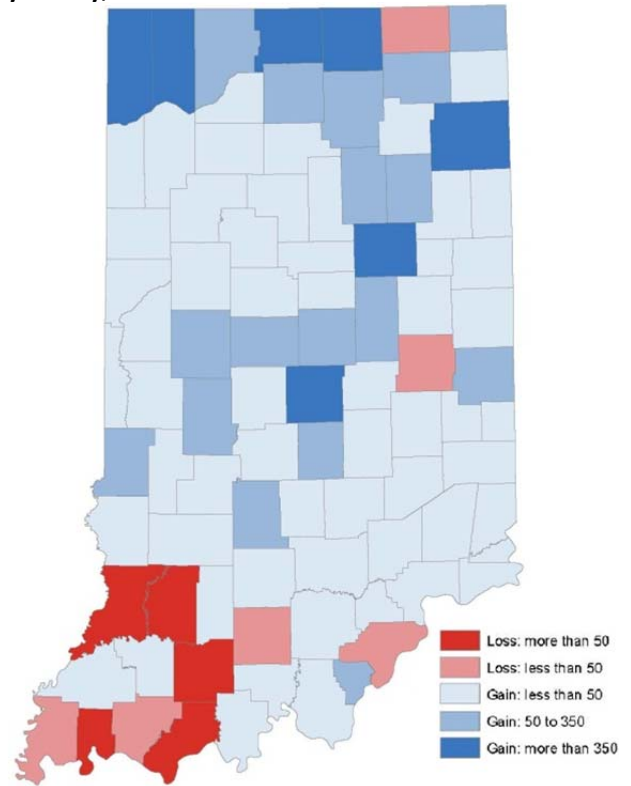
The education industry grew consistently and, by 2001, was the second largest nonprofit industry in the state. On average, the education industry employed 13 percent of all nonprofit workers from 1995 through 2009. For more information, see Section II.B in the full report.

Most counties added nonprofit education jobs from 1995 to 2009.

Of the 92 counties in Indiana, 47 had increases in nonprofit education employment, while only 10 decreased (Figure 1). Allen, Grant, Lake, Marion, Porter, and St. Joseph counties all saw increases of at least 500 workers, with Marion and St. Joseph adding over 2,500 employees. Vanderburgh and Spencer were the only counties to lose over 100.

The data indicates that cities with large nonprofit colleges and universities had the most robust growth in employment. However, not all of this growth stemmed from colleges and universities; some growth was due to increases in nonprofit elementary and secondary education employment in those the same counties.

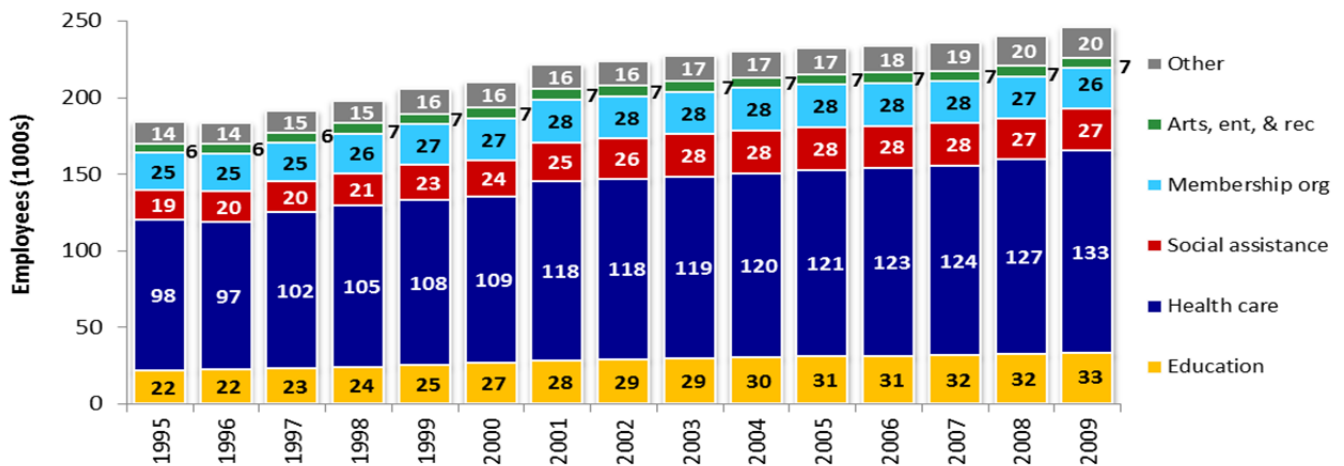
Figure 1: Changes in nonprofit education employment by county, 1995-2009



Nonprofit and for-profit sectors increased their share of total education industry employment.

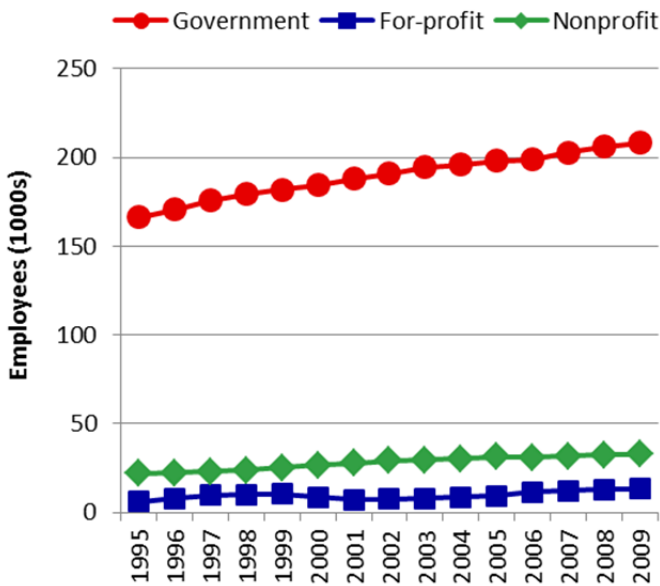
While total nonprofit, government, and for-profit education employment increased through 2009, for-profits and nonprofits grew as a proportion of total state employment. Government remained, however, the largest employer of education workers, averaging about 80 percent per year. Nonprofit employment’s share grew from 11 percent to 13 percent of employment, and for-profit employment

Figure 2: Nonprofit employment in major industries, 1995-2009



Unsurprisingly, nonprofit and government establishments showed seasonality in their employment, with the number of workers varying on average 7 and 15 percent respectively between the second and third quarter of each year. This seasonality is associated with the 10-month contracts many teachers and professors sign. There is far less seasonality in for-profit institutions, likely because many small career colleges and tutoring programs operate year around.

Figure 3: Education employment by sector, 1995–2009 quarterly



There has been remarkable growth in nonprofit and for-profit education employment, but for different reasons. For nonprofits, growth is likely associated with increasing enrollment in primary and secondary charter schools and private higher education establishments. This trend should continue as demand for and access to voucher programs increases. Through 2009, employment increased at for-profit junior colleges and “other” educational institutions that include trade schools, educational support establishments, and athletic education facilities, likely due to increased demand for retraining and affordable post-secondary education. For more information see Section II.B of the full report.

Private sector payroll grew dramatically.

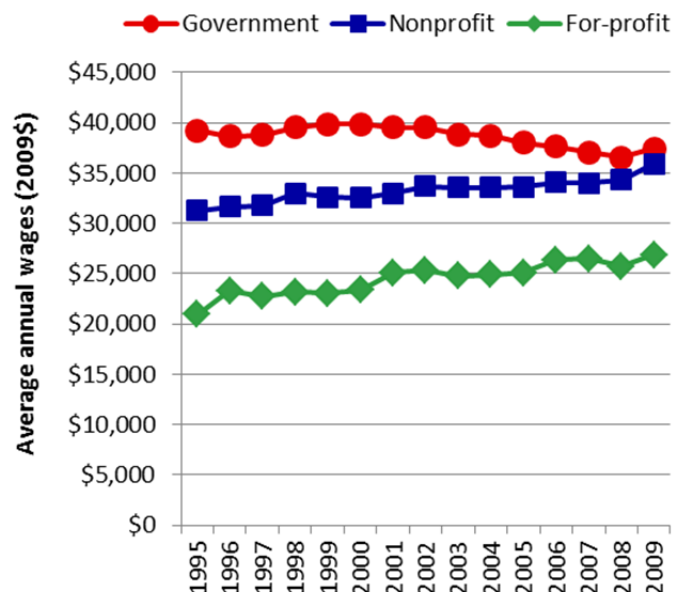
Nonprofits were the second largest source of payroll in the education industry through 2009. Nonprofit payroll increased 72 percent from \$680 mil-

lion in 1995 to nearly \$1.2 billion in 2009. For-profit payroll grew from \$127 to \$358 million—an approximately 180 percent growth. Government payroll, while substantially greater overall, increased only 19 percent from \$6.5 to \$7.8 billion over the same time period. For more information see Section V.B of the full report.

Nonprofit employees had higher wages than for-profit employees, but below government workers.

Contrary to the popular belief that nonprofits pay employees less than in the for-profit sector, nonprofit annual wages averaged around \$33,000 (adjusted for inflation), while average for-profit annual wages were \$24,000 (Figure 4). Average annual government wages were significantly higher at \$39,000. Wages, as well as employment, in all three sectors remained steady after the onset of the Great Recession, demonstrating the noncyclical pattern of the industry at large. Nonprofit wages grew nearly 15 percent from 1995 to 2009, while government wages fell by 5 percent. For-profit wages grew the most (29 percent), but this may be a by-product of the low base from which they started. We must note that this data reflects wages paid, but does not take into account full-time versus part-time employment, or indirect benefits like health insurance or pensions. For more information, see Section VI.C of the full report.

Figure 4: Average annual wages in education by sector, 1995-2009



Colleges and universities represented the majority of employment in the education industry.

To track more detailed changes in the education industry, we look separately at college and university, elementary and secondary schools, junior colleges, and “other.”

Colleges and universities employed about 70 percent of all nonprofit education employees in Indiana over the time period (Figure 4). This sub-industry added 6,900 new jobs from 1995 through 2009, a 40 percent increase. The number of nonprofit establishments in the sub-industry increased from 53 in 1995 to 90 by 2009. Some of this increase may be due, however, to some 2-year colleges being reclassified as 4-year colleges. Average nonprofit wages were \$39,500 by 2009.

Elementary and secondary schools saw a remarkable 58 percent increase in nonprofit employment, from 5,000 employees in 1995 to 7,900 in 2009. By 2009, average annual wages for nonprofit employees were \$27,400, a 20 percent increase from 1995. Nonprofit wage growth was much greater than that of government or for-profits (9 percent). In fact, Government institutions in this sub-industry saw a wage decrease of 8 percent during the same period.

Nonprofit **junior colleges** were a very small portion of overall employment in the sub-industry. In 2009, only 2 percent of employees worked for nonprofits, while government and for-profits encompassed 85 and 13 percent of the industry respectively. During our research period, there was an average of five nonprofit junior colleges in the state. Average nonprofit wages were \$24,000 through 2009.

“Other” nonprofit education establishments comprise a broad set of establishments including trade schools, educational support schools, and athletic education facilities. Employment in “other” sub-industries nearly tripled from 500 employees in 1995 to about 1,500 in 2009. Even so, most employees in this subset remain in the for-profit sector (on average 83 percent of the total). Nonprofit wages averaged \$27,200 during the time period.

Policy Implications

This report confirms that nonprofits continue to play a significant role in shaping Indiana’s youth, spurring creativity and innovation, and encouraging the lifelong learning of the state’s residents. As the demand for and provision of education has changed, often due to governmental budget constraints, the nonprofit education sector has grown and provided alternatives for Indiana’s residents.

As Indiana’s nonprofit sector has been a major economic force in the state economy, it has also proven to be a stable, seemingly recession-proof employment sector within the education industry. We find that the nonprofit sector continued to grow even after the onset of the Great Recession, and nonprofit wages continued their growth trend despite a decrease in overall average education payroll.

Over the past fifteen years, nonprofits have constituted a major and growing portion of all education employment. However, their future is not assured. The ability to adapt to major challenges (e.g. funding cutbacks, voucher programs, and dynamic structural changes) will feature prominently in the sector’s ability to grow and thrive.

Figure 4: Nonprofit employment in education sub-industries, 1995-2009

