



## MINOR NONPROFIT INDUSTRIES

INDIANA NONPROFIT EMPLOYMENT, 1995-2011

*Our ongoing analysis of Indiana nonprofit employment is a joint effort by the School of Public and Environmental Affairs, the Lilly Family School of Philanthropy, 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.*

*Highlights from a report on*

### Indiana Employment in “Minor” Nonprofit Industries, 1995-2011

For the full report, visit: [www.indiana.edu/~nonprof](http://www.indiana.edu/~nonprof)

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#### Key Findings in Minor Nonprofit Industries

- Nonprofits operating in all the minor nonprofit industries jointly accounted for an average of 8 percent of all nonprofit employees in Indiana from 1995 through 2011, or about 17,115 employees. This is almost three times as many as are employed in arts, entertainment and recreation, the smallest of the major nonprofit industries. Nonprofit employment in the minor industries grew 35 percent from 1995-2011, while for-profit employment dropped 7 percent.
- Nonprofit establishments in minor industries accounted for the third-highest proportion of total nonprofit establishments in Indiana from 1995 to 2011, averaging more than 1,050. The number of establishments in minor industries increased by 18 percent over the time period. On average, each establishment employed 16 workers, relatively few compared to most major nonprofit industries.
- Nonprofit payroll in the minor industries averaged \$648 million and grew 67 percent over the time period (adjusted for inflation). This represents an average of 9 percent share of total nonprofit payroll in Indiana during that time.
- From 1995 through 2011, average nonprofit annual wages in the minor nonprofit industries were \$38,000, among the highest compared to the

#### Why does nonprofit employment in “minor” nonprofit industries matter?

Data on nonprofit employment in Indiana highlight the ways nonprofits contribute to the state's economy and the quality of life in Indiana communities. This is most evident when examining *major* nonprofit industries, where the vast majority (92 percent) of nonprofit employment is concentrated: health care; social assistance; education; arts, entertainment and recreation; and membership associations.

Very little is known about the large number of nonprofits scattered across almost all other industries in Indiana, the “*minor*” nonprofit industries, where for-profit employers dominate. We examine whether nonprofit employers in these industries follow similar growth patterns as their for-profit counterparts. We pay special attention to a sub-set of five “*selected*” minor industries where nonprofits employ at least 1,000 employees and at least one percent of all workers.

- Finance and insurance
- Information
- Management of companies and enterprises
- Utilities
- Professional, scientific, and technical services

major nonprofit industries. Average annual wages grew by 23 percent over the time period.

**Compared to major Indiana nonprofit industries, minor nonprofit industries had one of the highest growth rates in employment at 35 percent.**

Only education saw significantly more growth (56 percent). Growth in social assistance and health care was similar (39 and 36 percent, respectively), while growth in membership (8 percent) and arts, entertainment, and recreation (4 percent) was much lower.

Minor nonprofit industries employed an average of 17,115 workers over the 1995-2011 time period – the second smallest amount compared to the major nonprofit industries (Figure 1). This was notably less than health care (120,600 nonprofit employees on average), more than half the size of education (28,500), and about two-thirds the size of social assistance (25,000). However, it was almost three times the size of nonprofit employment in the arts, entertainment, and recreation industry (6,600).

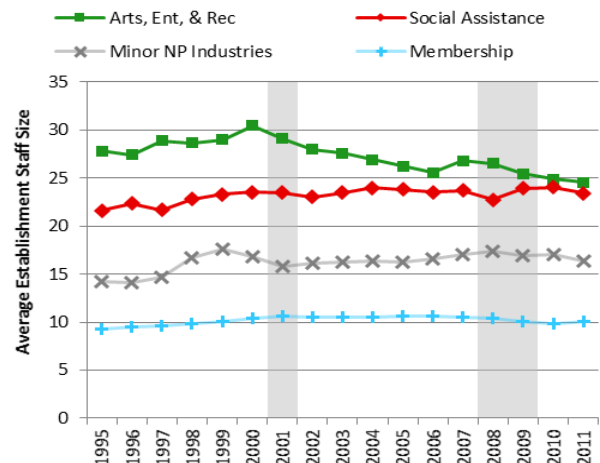
Minor nonprofit industries employed an average of 8 percent of all nonprofit employees in Indiana. The shares of nonprofit employment among the major industries remained relatively stable, with health care accounting for the greatest proportion (averaging 54 percent) and arts, entertainment, and recreation accounting for the smallest (averaging 3 percent).

Unlike more traditional nonprofit industries such as health and education, nonprofits in these minor industries must compete primarily with for-profit establishments for employees and in their provision of goods and services. For more information, see page 13 of the full report.

**Minor nonprofit industries had the second highest number of nonprofit establishments from 1995 to 2011, averaging 1,052.**

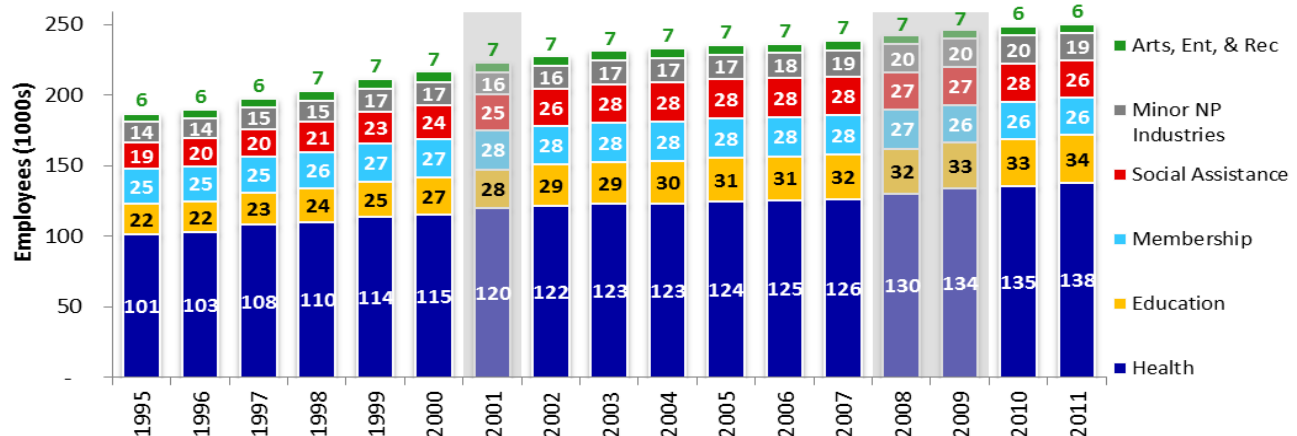
This was fewer than membership (2,630 establishments) and about the same as social assistance (1,073 establishments). The remaining major nonprofit industries all averaged less than 1,000 establishments in Indiana over the time period. However, with an average of 16 employees, minor nonprofit industries had the second smallest establishment size compared to the major nonprofit industries (Figure 2). The large number of minor nonprofit establishments and relatively low number of employees suggest there are many establishments with a small number of employees each. Minor nonprofit establishment size grew 15 percent over the time period—the largest percentage growth of all the major nonprofit industries. For more information, see page 9 of the full report.

**Figure 2: Average nonprofit establishment staff size in major and minor nonprofit industries, 1995-2011**



\*Note: Health care and education establishments are not included in this figure because they were so much larger than the other industries.

**Figure 1: Nonprofit employment in major and minor nonprofit industries, 1995–2011**



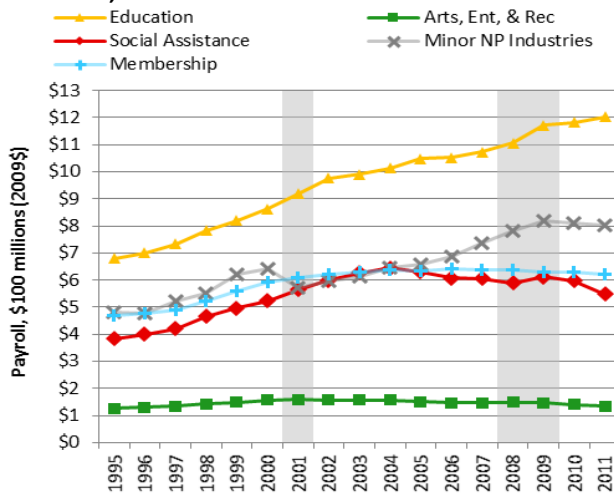
Note: Here and elsewhere, the grey bars denote recession years.

**Minor nonprofit industry organizations' payroll grew \$321 million (67 percent) from \$482 million in 1995 to \$804 million in 2011, adjusted for inflation.**

This was the second highest growth rate, lower only than education (77 percent) (Figure 3). The other major nonprofit industries all saw positive but lower payroll growth over the time period.

Payroll in minor nonprofit industries made up an average of 9 percent of all nonprofit payroll in Indiana over the time period. This is larger than their share of total nonprofit employment (8 percent) and reflect the higher-than-average wages enjoyed by nonprofit employees in some of these minor industries. For more information, see page 10-11 of the full report.

**Figure 3: Nonprofit payroll in major and minor nonprofit industries, 1995-2011**



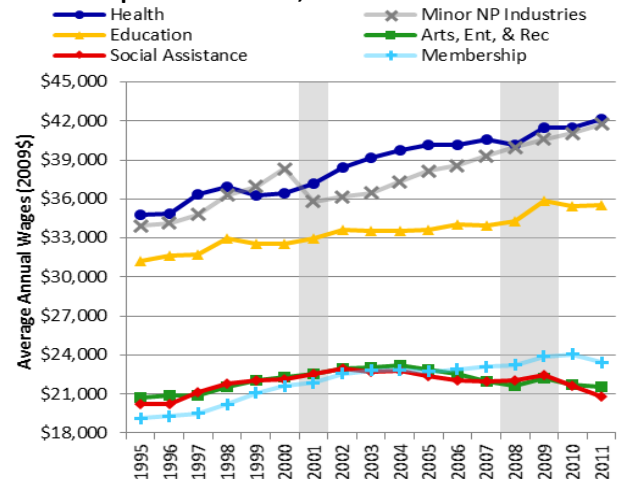
\*Note: Health care payroll is not included in this figure because it was so much larger than the other industries (ranging from \$3.5 billion in 1995 to \$5.8 billion in 2011).

**From 1995 through 2011, wages in minor nonprofit industries averaged almost \$38,000.**

This average was higher than all major nonprofit industries except for health (however, nonprofit wages in the minor nonprofit industries were briefly higher than health in 1999 and 2000) (Figure 4). High wages in the minor nonprofit industries may reflect the relatively specialized nature of the work being performed and the need to compete for workers in for-profit dominated industries.

On average, annual nonprofit wages in all minor nonprofit industries grew 23 percent (\$7,800, adjusted for inflation), from \$33,900 in 1995 to \$41,800 in 2011. This increase tied with membership for largest percentage growth of all major nonprofit industries. For more information, see page 12 of the full report.

**Figure 4: Nonprofit average annual wages in major and minor nonprofit industries, 1995-2011**



**Five industries account for two-thirds of total nonprofit employment in all minor industries combined.**

For five of the 17 minor nonprofit industries, nonprofits account for at least 1 percent of all employment and employ more than an average of 1,000 employees: finance and insurance; information; management of companies and enterprises; utilities; and professional, scientific, and technical services. These industries are usually overlooked when considering “traditional” nonprofit industries like health care or social assistance. They are also very diverse. For example, information has a large government sector (e.g., public libraries), while most nonprofit utilities establishments are structured as consumer cooperatives. For more information, see page 13 of the full report.

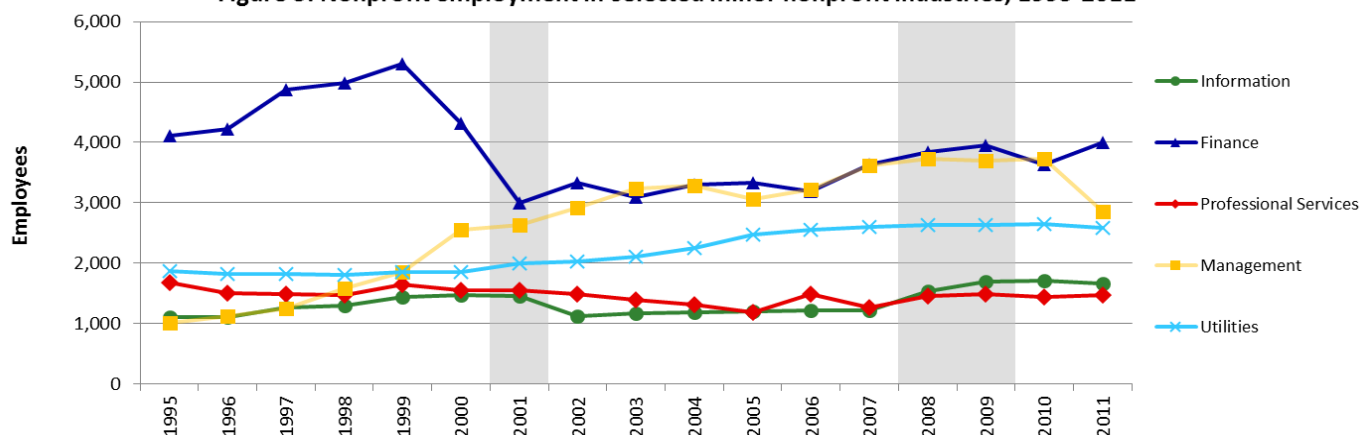
**Finance and insurance organizations** employed an average of 3,900 employees from 1995 to 2011, or roughly 34 percent of all selected minor nonprofit employees (Figure 5). However, nonprofit finance employment experienced the single largest drop of any selected industry, falling from 5,300 employees in 1999 to 3,000 in 2001. Finance had the largest average nonprofit payroll of the selected industries as well, at \$156 million. A massive \$121 million payroll drop in 1999-2001 mirrored the drop in employment. Despite this loss, finance payroll still experienced modest 5 percent growth over the time period. Nonprofit finance annual wages averaged \$39,900, among the lowest of the selected nonprofit industries.

The second largest industry in terms of employment was **management of companies and enterprises** with an average of 2,669 employees (23 percent of all selected nonprofit employees). Management experienced the largest growth of any selected nonprofit

industry in terms of employment, payroll, and wages – all three measures began the time period among the lowest of the selected industries but ended it among the highest. Management employment grew 181 percent over the time period, wages grew 62 percent, and payroll grew a massive 354 percent.

The smallest of the selected nonprofit industry is **information**, with only 12 percent average share of selected nonprofit employment (1,344 employees) and 9 percent average share of payroll (\$50 million). However, nonprofit employment and payroll in information both grew significantly – by 51 and 102 percent,

Figure 5: Nonprofit employment in selected minor nonprofit industries, 1995-2011



**Utilities** averaged 2,209 employees (19 percent of selected minor nonprofit employment) from 1995 to 2011 and grew steadily by 38 percent over the time period, including during both recessions. Utilities nonprofit payroll averaged \$127.5 million, with 120 percent growth. Because of high average annual wages, utilities nonprofit payroll represented a disproportionate share of total selected industries' nonprofit payroll – an average of 27 percent during the second half of the time period. Utilities average annual wages grew 59 percent from \$43,800 to \$69,700, ending the time period almost \$10,000 higher than management, the second highest at that time.

**Professional, scientific, and technical services** was the fourth largest selected nonprofit industry. It averaged 1,464 employees and 13 percent average share of total selected nonprofit employment from 1995 to 2011. The number of nonprofit professional services employees decreased 13 percent over the time period, the only selected nonprofit industry to experience negative average employment growth. Professional services nonprofit payroll averaged \$76 million, a 15 percent average share of total selected nonprofit payroll, but did grow 14 percent over the time period despite the decrease in employment. As a consequence, nonprofit average annual wages in professional services grew 30 percent and were the highest of the selected nonprofit industries in 1995-1999 and again in 2001.

respectively. Information began the time period with the lowest average annual wages of any selected nonprofit industry but after moderate growth ended the period with higher wages than finance.

### Policy Implications

The prevalence of nonprofit organizations within almost every industry across the state demonstrates that “minor” nonprofits exist everywhere, providing varied and diverse services even in fields typically dominated by for-profit businesses.

Nonprofit establishments in these “minor” industries showed strong performance compared to their for-profit and government counterparts and the major nonprofit industries. They enjoyed among the highest nonprofit wages, and the largest or second-largest growth in payroll, employment, and wages compared to the major nonprofit industries.

In terms of absolute numbers, employment in the minor nonprofit industries is very small, but the industries' small market share is growing. Despite economic and operating instability, a small and therefore volatile employment base, and increased barriers to inter-organizational support, nonprofits in “minor” nonprofit industries are carving out unique niches for themselves among their for-profit competitors. For more information, see page 28 of the full report.