



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 Social Assistance 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. This employment information provides insights into how nonprofits contribute to particular industries. For example, in 2009 nonprofits employed 1 in 11 Indiana workers; in the social assistance industry alone, nonprofits employed 6 in 10 workers. Additionally, nonprofit social assistance programs contribute to the quality of life in Indiana communities by providing services to people in need, helping workers secure and retain jobs, and supporting families. For example:

- Vocational rehabilitation programs assist those who are unemployed, underemployed, or who have been injured or ill return to the ranks of the employed by providing training and job placement services.
- Individual and family services provide supportive services to children, the elderly, and those facing a variety of problems and challenges.
- Child care services ensure children have a safe, constructive, and nurturing environment when parents or guardians are at work.
- Emergency relief services are critical in assisting communities both during and after natural and other major disasters.

Key Findings in Nonprofit Social Assistance 1995-2009

- Employment in nonprofit social assistance grew faster than overall state employment and the state's nonprofit sector as a whole.
- Employees working in nonprofit social assistance establishments tended to have higher annual wages than those working in for-profits.
- Even during recessions, nonprofits stayed in business, kept staff levels relatively steady, and even founded new establishments.
- Nonprofits accounted for the majority of employees in the industry – a higher share than for any other private industry in Indiana – but this share decreased over time, reflecting the growth of the for-profit sector.
- For-profit presence in the industry increased dramatically, due in part to large government contracts with IBM and other corporations. Dramatic increases in for-profit employment appear partially associated with minor drops in nonprofit employment.

Social assistance was the second-fastest growing nonprofit industry in Indiana.

Nonprofit employment in social assistance grew by 44 percent over the time period, from less than 19,000 workers in 1995 to over 27,000 workers in 2009 (Figure 2). In comparison, the entire Indiana nonprofit sector grew only 34 percent, while total employment in Indiana declined 0.3 percent.

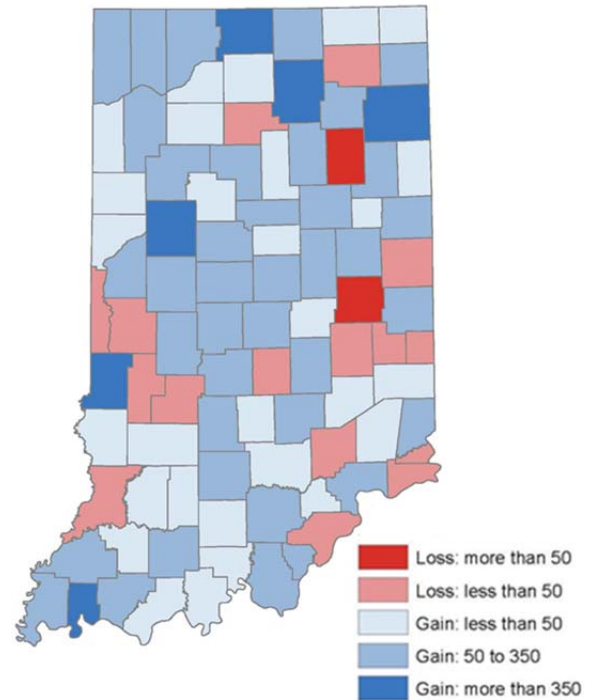
Despite the small size of the social assistance industry relative to other major nonprofit industries such as education or health care, nonprofit employment in social assistance grew from 10 percent of all nonprofit employment in 1995 to 12 percent between 2002 and 2007. Employment then decreased slightly to 11 percent in the final two years. For more information, see Section II.B in the full report.

Most counties added nonprofit social assistance jobs from 1995 to 2009.

Of the 92 counties in Indiana, 74 saw an increase in nonprofit social assistance employment, while the remaining 18 experienced a decrease (Figure 1). Allen, Kosciusko, St. Joseph, Tippecanoe, and Vigo counties all saw increases of at least 350 workers; in Allen, Kosciusko, and Vigo counties the gain was over 500 employees. Huntington and Henry County both lost more than 50 nonprofit workers.

Only 64 Indiana counties saw increases in for-profit social assistance employment. Allen, Marion, and St. Joseph counties each added more than 1,000 jobs. Jennings County had the greatest job losses – over 200 employees.

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



For-profit employment grew faster than nonprofit employment in social assistance.

While the number of nonprofit employees in the social assistance industry increased by nearly half through 2009, the number of for-profit employees in the industry more than doubled over the course of just three years, from 2006 to 2009 (Figure 3).

From 1995 through 2006, nonprofit organizations employed nearly 70 percent of all social assistance workers, but this percentage decreased in the final years and, as of 2009, for-profits employed nearly 40 percent of all social assistance workers.

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

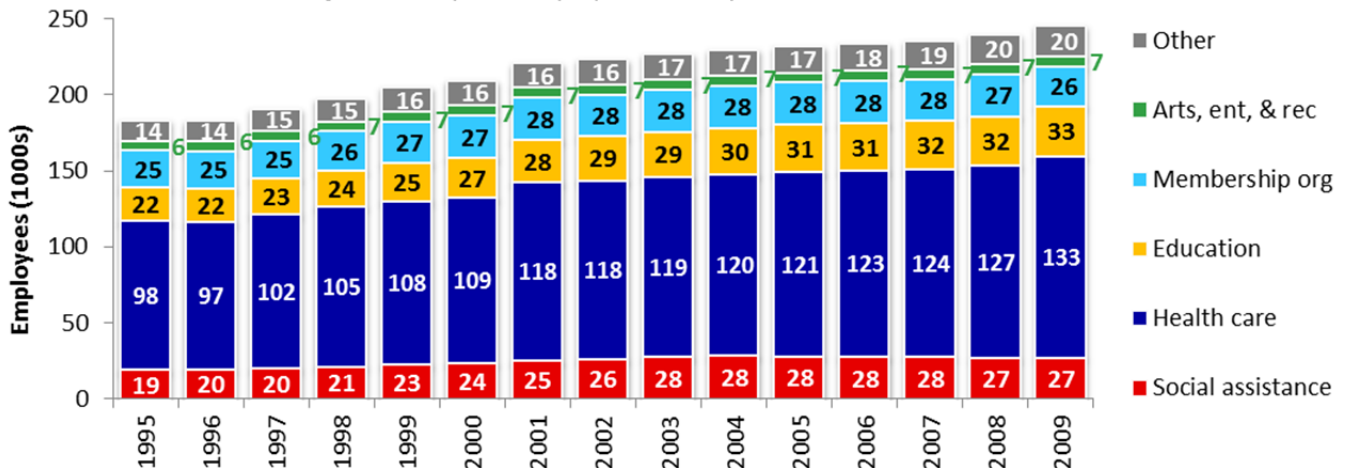
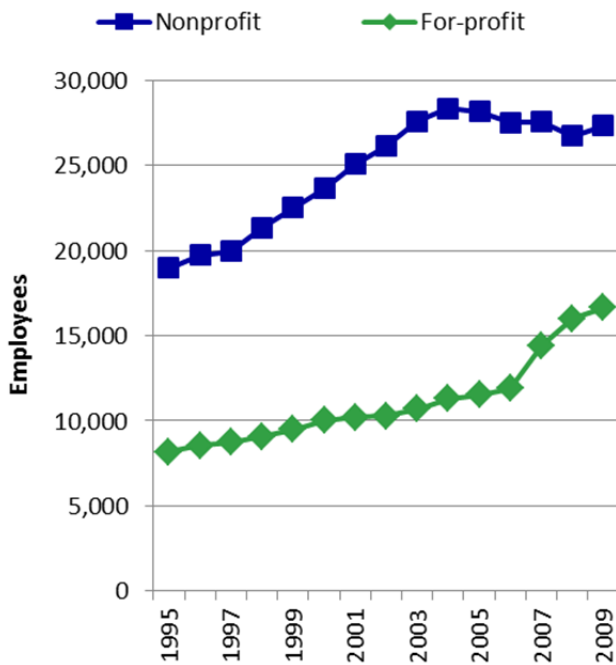


Figure 3: Social assistance nonprofit and for-profit employment, 1995-2009



Changing market incentives (particularly in provision of government programs like welfare) not only affected the composition of providers, but also transformed how nonprofits provide services to their clientele. This increased competition between nonprofits and for-profits will likely continue to shape the industry over the next 10-15 year period. While this competition may have some benefits, there remains the risk that nonprofits will be forced to leave behind their tradition of serving the needs of society’s most marginalized members. For more information, see Section II.B of the full report.

Payroll grew faster than employment in nonprofit social assistance establishments.

Social assistance nonprofit payroll grew by about 60 percent, from nearly \$384 million in 1995 to more than \$612 million in 2009. From 1995 to 2006, nonprofits accounted for approximately 75 percent of all social assistance payroll. However, growing for-profit employment decreased nonprofit payroll’s share to 66 percent by 2009.

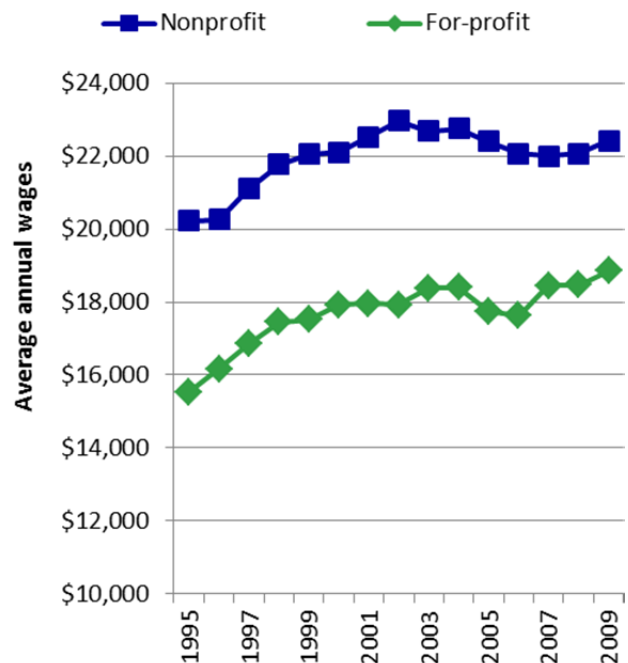
For-profit payroll grew from roughly a quarter of private sector social assistance payroll in 1995 through 2006, to about 34 percent by 2009. This increase was a byproduct of both increasing em-

ployment and increasing wages. For more information, see Section IV.D of the report.

Nonprofit social assistance employees had higher average annual wages than their for-profit peers.

Contrary to the popular belief that nonprofits pay less than the for-profit sector, nonprofit annual wages averaged around \$22,000, while average for-profit annual wages failed to exceed \$20,000 (Figure 4). Nonprofit wages also remained resilient after the onset of the Great Recession, decreasing only about 3 percent overall from 2004 to 2007, before increasing again through 2009 (all adjusted for inflation). Wages in the for-profit sector experienced a similar decrease—about 4 percent from 2004 to 2006—then quickly regained ground. For more information, see Section V.C of the full report.

Figure 4: Average annual wages in social assistance, 1995-2009



Vocational rehabilitation and individual and family services organizations were major employers within the nonprofit social assistance industry.

The nonprofit social assistance industry is comprised of four sub-industries (in order of greatest nonprofit employment to least): vocational rehabilitation services, individual and family services, relief services, and child day care services.

Nonprofit employment in **vocational rehabilitation services** increased 48 percent, adding 3,700 new jobs over the period (Figure 5). The staff size at the average establishment also increased from 40 to 60 employees. Overall, nonprofit wages tended to be lower, but less volatile, than for-profit wages. In 2009, the average nonprofit worker made a little over \$21,100 per year.

In contrast, **individual and family services** workers in nonprofit establishments made on average \$25,300 per year – nearly \$4,400 more than the average for-profit worker. While nonprofit employment increased 60 percent to over 10,100 workers in 2009, the number of for-profit workers sextupled to a total of 6,900. At first, these for-profit establishments were quite small, but by 2009 were similar in size to nonprofits, which generally have 20 employees on average.

Both nonprofit and for-profit **relief services** establishments tended to be small – only 8 to 12 workers. However, between 1995 and 2009, nonprofits added more establishments and increased their total workforce by 72 percent. While for-profit employment shrank by 44 percent, average wages increased. By 2009, employees made \$24,000 on average working for a nonprofit, while for-profit worker wages were over \$31,000.

Child day care services workers had the lowest average wages in 2009—\$18,300 in nonprofits and \$15,100 in for-profits—likely due to a large percentage of part-time employees. While nonprofit employment grew to nearly 4,200 workers in 2009,

for-profit establishments still employed more than 60 percent of the workforce.

Policy implications

Our findings show that nonprofits continue to play a dominant role in serving the needy, protecting at-risk populations, administering government-funded social assistance programs, and training individuals to make them more competitive in an economy undergoing major structural changes. These findings also show the remarkable growth of for-profits in the social assistance industry at a time when public and private funds are dwindling.

The data do not allow us to determine whether the shift towards for-profit employment in the social assistance industry reflects a preference by state policymakers to direct more contracts to for-profit providers or less ability of nonprofit providers to compete on the same basis as for-profit. If the latter, it is not necessarily because nonprofits are less efficient or worse service providers; they may simply have a greater commitment to clients who are more costly and difficult to serve. It is also possible that the growth of for-profit social assistance reflects the greater ability of such providers to expand service capacity because they have access to equity capital, which nonprofit providers do not. The latter must rely on accumulated surplus revenues or philanthropic support to expand their service capacity. In either case, the result is greater and more direct competition between nonprofit and for-profit service providers in Indiana.

Figure 5: Nonprofit employment in social assistance sub-industries, 1995-2009

