

Nonprofit Membership Organizations Falter Post-Recession

Charities outperformed other membership nonprofits.

The Great Recession and subsequent recovery appear to have taken a heavy toll on nonprofit organizations that rely on members for voluntary and financial support, a new Indiana University report shows.

Nonprofit membership organizations in Indiana lost more than 1,000 employees and over \$15.6 million (adjusted for inflation) in payroll from 2007 to 2011. Those organizations include trade unions, political groups, business associations and fundraising organizations. Researchers point out membership organizations may face special challenges in attracting participants and donors as compared to other nonprofit industries, such as health and education, which are considered necessities even during recessions.

Prior to the Great Recession, membership organizations did see growth. From 1995 to 2011, nonprofit membership employment grew 8 percent and inflation-adjusted payroll grew 32 percent. Membership organizations employed an average of 12 percent of all Indiana nonprofit employees and paid an average of 8 percent of all Indiana nonprofit payroll over the time period.

“This section of the nonprofit sector is unique in that it faces no competition from the for-profit sector; there are no for-profit membership organizations,” the report says. “However, it is also unique in that the different industry groups may compete with each other for members, and more specifically, those members’ time and resources.”

The membership and related organizations industry is made up of many diverse organizations, categorized into five industry groups:

- Civic and social organizations such as alumni associations, automobile clubs, parent-teacher associations, fraternal lodges, and social clubs.;
- Business, professional, labor, political, and similar organizations such as chambers of commerce, labor unions, and political parties
- Grantmaking and giving services such as United Way organizations, private grantmaking foundations, community foundations, and organizations raising funds for various diseases;
- Social advocacy organizations such as civil liberties organizations, senior citizens’ advocacy organizations animal rights organizations, and environmental preservations organizations;
- and religious organizations, such as churches and temples.

Within each of these industry groups, charities vastly outperformed other nonprofits (those not known to be registered as 501(c)(3) organizations with the IRS) in terms of growth in employment and payroll. For example, while charitable civic organization employment grew by almost 50 percent from 1995 to 2011, employment in other civic nonprofits dropped by more than a quarter.

“The industry groups also show diverging paths,” said Kirsten Grønberg, a professor at the Indiana University Bloomington School of Public and Environmental Affairs (SPEA) and the Efrogmson Chair in Philanthropy at the Lilly Family School of Philanthropy in Indianapolis.

“While grantmaking and social advocacy organizations saw very little loss of employment during the Great Recession, employment in business and professional organization has been on a downward spiral

since the previous recession in 2001," Grønbjerg said. This industry group (business, professional, labor, political, and similar organizations) lost over 1,600 employees from 2000 to 2011.

Grønbjerg is the project director and lead author of "Indiana Nonprofit Employment: Historical Trends in Membership and Related Organizations, 1995-2011." The report is a joint project of SPEA, the Indiana Business Research Center at IU's Kelley School of Business, the Indiana University Lilly Family School of Philanthropy and the Johns Hopkins Center for Civil Society Studies.

The report's authors conclude that these data on membership and related organizations may point to worrisome trends, as, in addition to their direct impact on the Indiana economy, these groups "provide the mechanisms by which a wide range of social, political, spiritual, philanthropic and professional activities are carried out."

Membership and related organizations provide "social capital" to the organizations in which they operate, bonding residents through shared experiences. While this report does not examine whether the public's engagement with membership organizations has actually declined, the loss of employees may have serious consequences on these organizations' abilities to "most effectively serve their members and benefit Indiana communities."

About the Report

The report is the tenth nonprofit employment report in the Indiana Nonprofits: Scope and Community Dimensions project, which Grønbjerg directs. The full report and a four-page summary are available online. The study's co-author is IU Master of Public Affairs student Deb Seltzer.

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About the School of Public and Environmental Affairs

[SPEA](#) is a world leader in public and environmental affairs and is the largest school of public administration and public policy in the United States. In the 2012 "Best Graduate Schools" by U.S. News & World Report, SPEA ranks second and is the nation's highest-ranked professional graduate program in public affairs at a public institution. Four of its specialty programs are ranked in the top-five listings, including nonprofit management, ranked first. SPEA's doctoral programs in public affairs and public policy are ranked by the National Academy of Science as the best in the country.

About the Lilly Family School of Philanthropy

The [Indiana University Lilly Family School of Philanthropy](#) is dedicated to improving philanthropy to improve the world by training and empowering students and professionals to be innovators and leaders who create positive and lasting change. The school offers a comprehensive approach to philanthropy -- voluntary action for the public good -- through its academic, research and international programs and through The Fund Raising School, Lake Institute on Faith & Giving and the Women's Philanthropy Institute.

About the Indiana Business Research Center

The [Indiana Business Research Center](#), an integral part of Indiana University's Kelley School of Business since 1925, collects, transforms and interprets vast amounts of data for and about Indiana and the

nation. The center's work product includes multiple websites, including STATS Indiana, STATS America, The Stats House and, in partnership with the Indiana Department of Workforce Development, the Hoosiers by the Numbers workforce data site. Its keystone publications are the Indiana Business Review and IN Context.

About the Johns Hopkins Center for Civil Society Studies

The [Johns Hopkins Center for Civil Society Studies](#) is a leading source of research and knowledge about the nonprofit sector, social investing and the tools of government. The center's research and educational programs seek to improve current understanding, analyze emerging trends and promote promising innovations in the ways that government, civil society and business can collaborate to address social and environmental challenges. The center is directed by Lester Salamon and is part of the Johns Hopkins Institute for Health and Social Policy.