



INDIANA NONPROFITS PROJECT
NONPROFIT EMPLOYMENT: STATEWIDE SERIES
REPORT #16

Nonprofit Paid Employment in Membership Report, Indiana 1995-2019

November 2021

A joint product of

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

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

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Religious,
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Organizations,
Indiana,
1995-2019**

**INDIANA NONPROFITS:
SCOPE & COMMUNITY
DIMENSIONS**

**NONPROFIT EMPLOYMENT
SERIES: REPORT #16**

A joint product of

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

**THE INDIANA UNIVERSITY LILLY
FAMILY SCHOOL OF
PHILANTHROPY**

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NOVEMBER 2021

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KEY FINDINGS

- **Almost all religious, grantmaking, civic, professional and similar organizations are nonprofit, with very few government establishments.** Nonprofits employ nearly 100 percent of all workers in this industry; most of those covered by this report work for various types of civic, professional and similar membership associations. (Religious institutions are exempt from reporting requirements and significantly undercounted).
- **Nonprofit employment in the membership industry in Indiana grew 21 percent over the 1995-2019 period**, up almost 5,300 workers from 24,500 in 1995 to just below 29,800 workers in 2019. The industry grew slower than total paid nonprofit employment in Indiana, which increased by 61 percent, from 187,000 in 1995 to 301,000 in 2019.
- **The average annual growth was 1 percent for nonprofit employment in membership associations from 1995-2019.** Nonprofit employment increased for 18 years during the 25-year period. Four of the six years during which nonprofit employment decreased were around the Great Recession, from 2007 to 2010.
- **Nonprofit payroll grew faster than employment** up 60 percent from \$559 million in 1995 to \$894 million in 2019 (in constant 2019 dollars), suggesting that average annual wages increased as well. Nonprofit payroll increased for 19 of the 25-year period at an average annual rate of 2 percent.
- **Membership has five distinct subindustries—civic organizations, business organizations, grantmaking services, social advocacy organizations, and religious organizations.** Grantmaking services and social advocacy organizations grew the fastest. Employment in civic organizations and the few religious organizations included in the analysis were mainly stable, while business organizations lost employees over time.

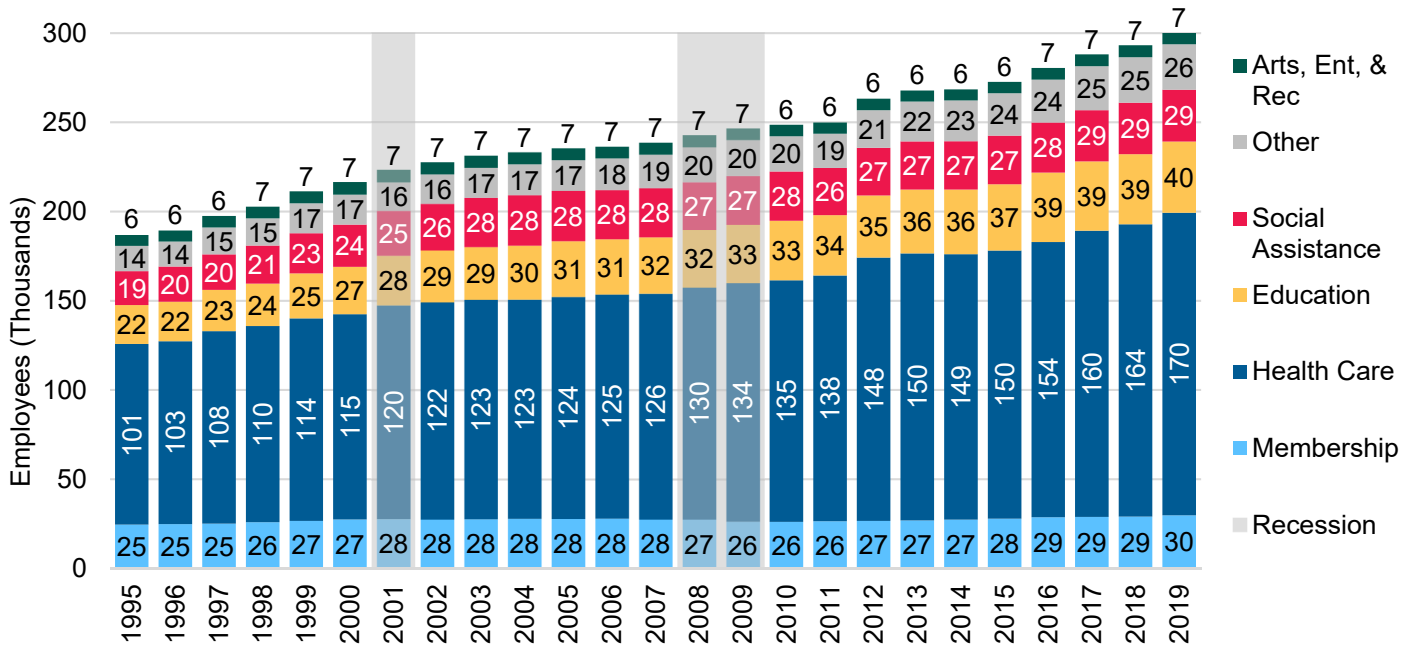
I. INTRODUCTION

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 establishments in the religious, grantmaking, civic, professional, and similar organizations industry as defined by the North American Industry Classification System (NAICS 813). In this report, we refer to the industry as membership, since that is the dominant type of establishments. It is one of the major nonprofit employers in Indiana and nearly all employees in the membership industry work for nonprofits.

The membership industry is a relatively small segment of Indiana’s overall economy, employing only 1 percent of the state’s total work force. However, its 30,000 paid employees makes it the third largest nonprofit industry in Indiana in 2019 (see light blue segment in Figure 1), accounting for 10 percent of all nonprofit paid employees and 6 percent of nonprofit payroll. See Figure C1 in Appendix C for details.

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



A. MEMBERSHIP ASSOCIATIONS

We examine paid nonprofit employment and payroll in the membership industry.¹ However, we caution that our data are particularly incomplete in this industry. As described in more detail in Appendix A, churches and religious institutions are not required to participate in the Quarterly Census of Employment and Wages (QCEW) that serves as the basis for our analysis. In fact, we estimate that there are about 8,800 congregations and similar religious institutions in Indiana,² but only 174 were included in the QCEW data for 2019. As a result, we believe this particular industry is severely underestimated and we focus mainly on other types of membership

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.

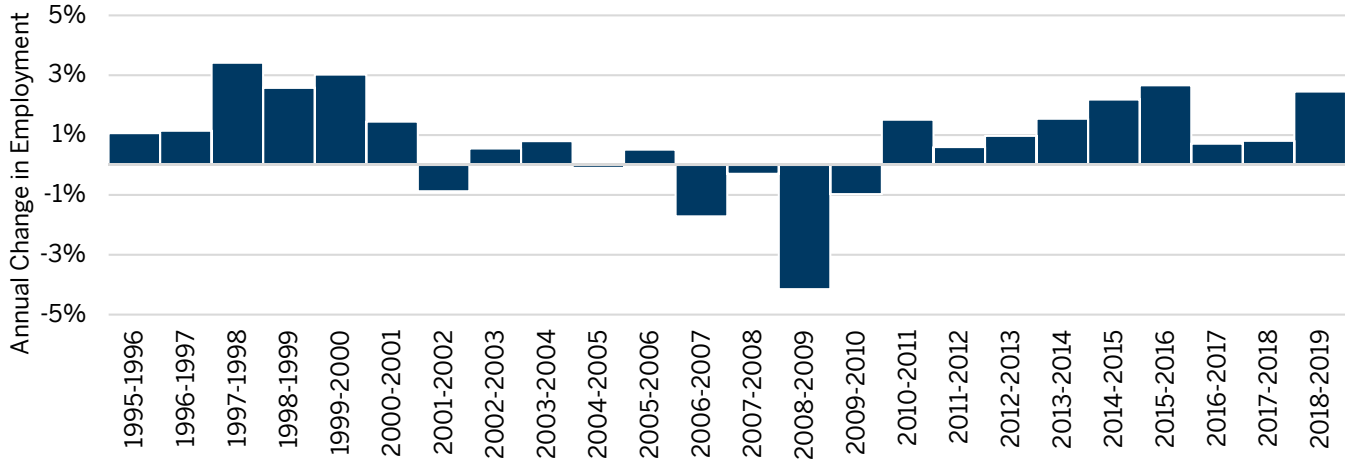
² The Infogroup (yellow page) listing includes about 9,600 congregations; de-duplication leaves just over 8,800.

associations in this report.

1. EMPLOYMENT

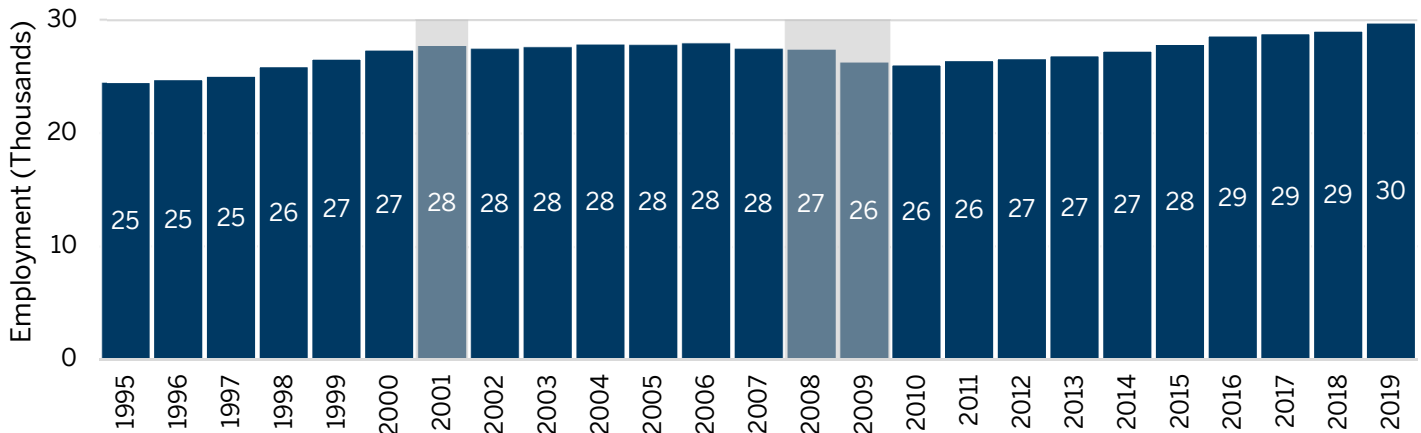
Documented nonprofit employment in membership associations grew from 24,500 in 1995 to almost 29,800 in 2019, a 21 percent increase, or at the rate of about 1 percent annually.³ As Figure 2 shows, the annual growth for nonprofit employment ranged from -4 percent to +3 percent over the 1995-2019 period. Employment in the industry grew for 18 years of the 1995-2019 period, decreasing for six years between 2002 and 2010. Since 2010, the growth rate has been positive. See Figure C2 in Appendix C for details on nonprofit membership payroll annual growth rates.

Figure 2: Annual Percent Change in Nonprofit Membership Employment (1995-2019)



Despite these seemingly significant annual rates of change, total nonprofit employment in membership associations has been fairly stable over the period. As Figure 3 shows, nonprofit employment in the industry grew from 25,000 to 28,000 paid employees between 1995 and 2001, then stabilized at roughly 28,000 employees until 2007, before losing employees through the Great Recession, to 26,000 in 2010. Since then, nonprofit employment has grown slowly to 30,000 employees.

Figure 3: Nonprofit Employment in Membership (in thousands) (1995-2019)



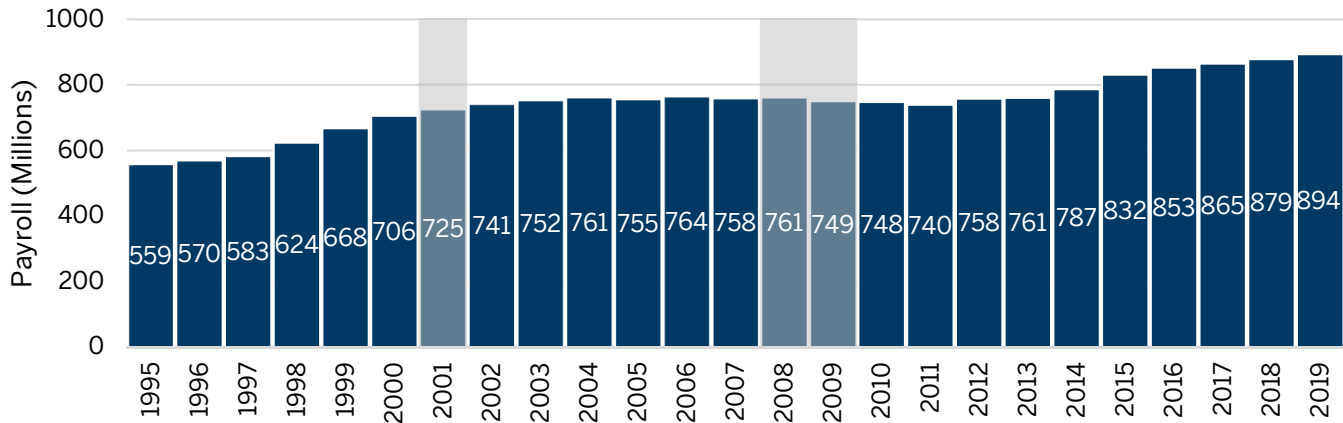
³ The membership industry has only a few government establishments (less than 10) with paid employees (about 50) in 2019 and is excluded in this report because of confidentiality restrictions.

2. PAYROLL

The trends above focus on nonprofit employment for membership, but we find similar patterns for payroll. The main distinction between growth patterns of employment and payroll is that payroll tends to grow at a faster rate. Since 1995, nonprofit membership payroll has grown 60 percent, up from \$559 million in 1995 to \$894 million in 2019, in constant 2019 dollars.⁴

The average annual growth for nonprofit payroll was 2 percent, and payroll decreased for only 5 years from 1995-2019. Figure 4 shows the nonprofit payroll for membership, adjusted for inflation, and indicates that payroll displayed a largely upward trend, except for a slight dip between 2008 and 2011.

Figure 4: Nonprofit Payroll in Membership (in millions) (1995-2019), in constant dollars (2019)



The remainder of this report primarily focuses on employment trends, but further details on payroll for membership is located in Appendix C.

II. MEMBERSHIP SUBINDUSTRIES

The larger patterns explored above do not accurately assess the varying trends for each of the membership subindustries. Under the North American Industry Classification System, the membership industry has five subindustries: religious organizations, grantmaking and giving services (grantmaking services), social advocacy organizations (social advocacy), civic and social organizations (civic organizations), and business, professional, labor, political, and similar organizations (business organizations). None of these subindustries are further divided into minor subindustries.

More than half (54 percent) of all nonprofit jobs in this industry are found in civic organizations, 16,000 of the 30,000 workers in 2019. The next largest is business organizations, employing 27 percent all paid nonprofit workers, with 7,900 employees. The remaining 20 percent are distributed among the three remaining industries – grantmaking services (8 percent or 2,300), social advocacy (7 percent or 2,100), and religious organizations (5 percent or 1,400). As noted above, employment in religious services is severely underestimated.⁵

To further understand the divergent patterns, we can look at total growth over the 25 year-period. The membership industry grew 21 percent overall. This growth was led by grantmaking services (up 81 percent)

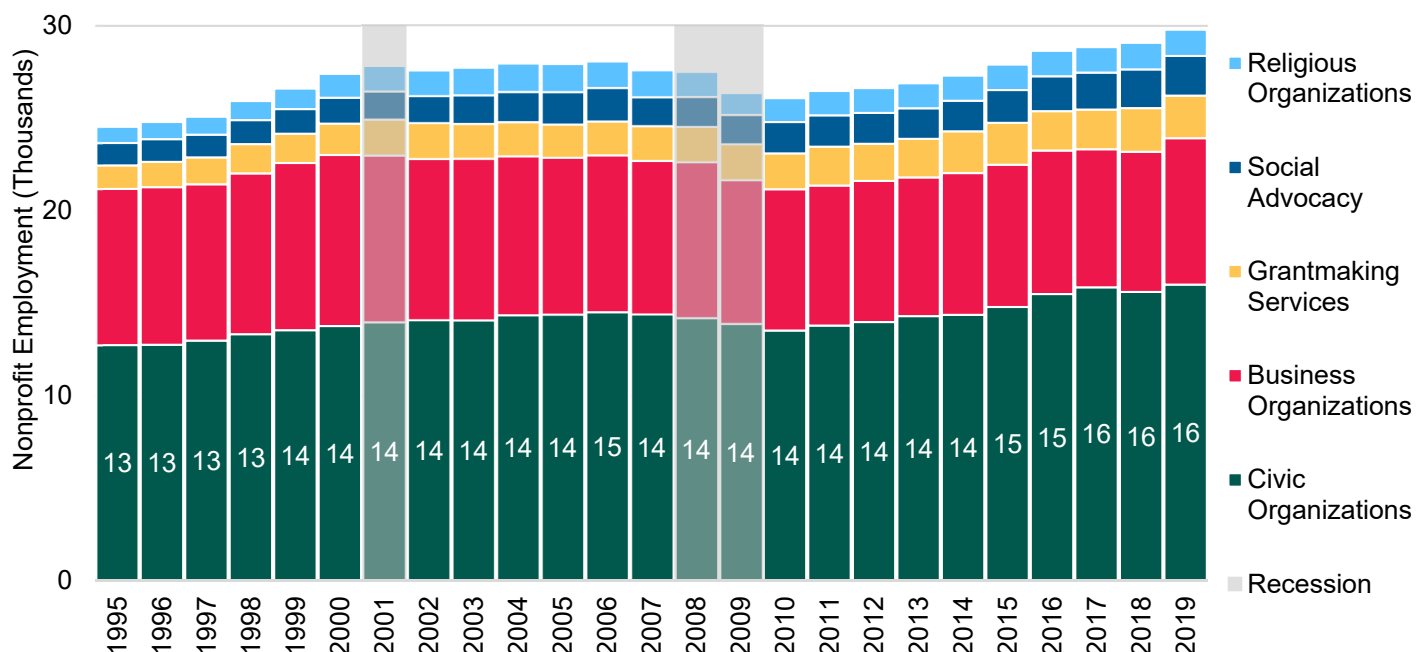
⁴ Previous reports have used other years as a benchmark for payroll data. Thus, some payroll values may vary between reports.

⁵ Religious organizations are not required to report to the IRS and are often overlooked in nonprofit research. We conservatively estimate that there are roughly 8,800 congregations in Indiana, although only 174 are included in the QCEW data, roughly 2 percent. We estimate that the 8,800 congregations employ at least 26,500 employees, but perhaps as many as 77,300 (the 174 included in the QCEW data reported 1,426 employees in 2019). For more details, see Appendix A.

and social advocacy (up 77 percent).⁶ Civic organizations grew much slower, increasing only 26 percent while business and related organizations actually decreased by 6 percent. Nonprofit payroll, which increased by 60 percent for all membership organizations from 1995-2019, grew for all subindustries. Grantmaking services grew the fastest at 156 percent, followed by social advocacy (130 percent). Although business and related organizations lost employees over the period, its payroll grew 64 percent. Payroll for civic organizations grew the slowest, at 16 percent. See Figure B1 and Figure B2 in Appendix B for subindustry share of growth in employment and payroll.

Figure 5 shows how nonprofit employment in the membership subindustries changed over time. Each of the industries except for business organizations increased. Civic organizations grew the most, adding 3,000 employees from 1995 to 2019. The remaining industries increased by roughly 1,000 or fewer employees. See Figure C3 in Appendix C for more details on nonprofit payroll by subindustry.

Figure 5: Nonprofit Employment (in thousands) in Membership by Subindustry (1995-2019)



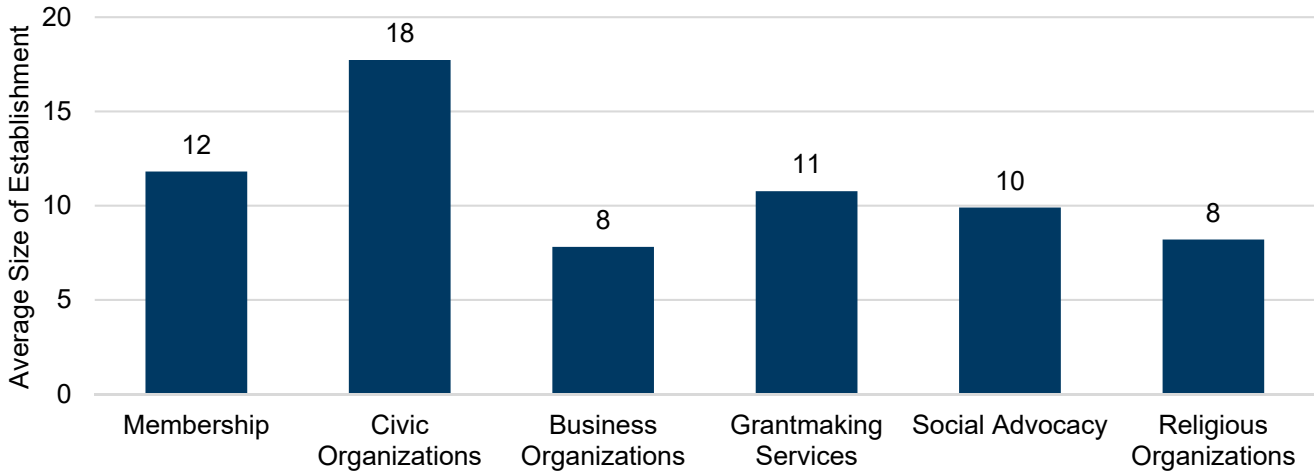
To further distinguish between the membership subindustries, we look at the average size of establishments (calculated by dividing total employees by total establishments). These averages should be interpreted with caution, however, since they may hide very large or very small establishments. They also do not distinguish between full-time and part-time workers. Figure 6 shows the average size of nonprofit establishments for membership and its subindustries.

The average size for membership organizations is 12 employees per establishments. Of the subindustries, only civic organizations are larger than that average with 18 employees per establishments. Grantmaking services and social advocacy come next with 11 and 10 employees on average. Both religious and business organizations are the smallest with only 8 employees on average.⁷

⁶ Reported employment in religious organizations increased (up 64 percent) and payroll by 94 percent, but the data are too incomplete to be reliable.

⁷ The average size of religious institutions reported here is very similar to what we found in our 2017-18 survey of Indiana nonprofits, which included a random sample of congregations. The almost 230 churches that responded to the survey reported an average of 8.75 paid employees and a median of 3 workers (Indiana Nonprofits: unpublished data).

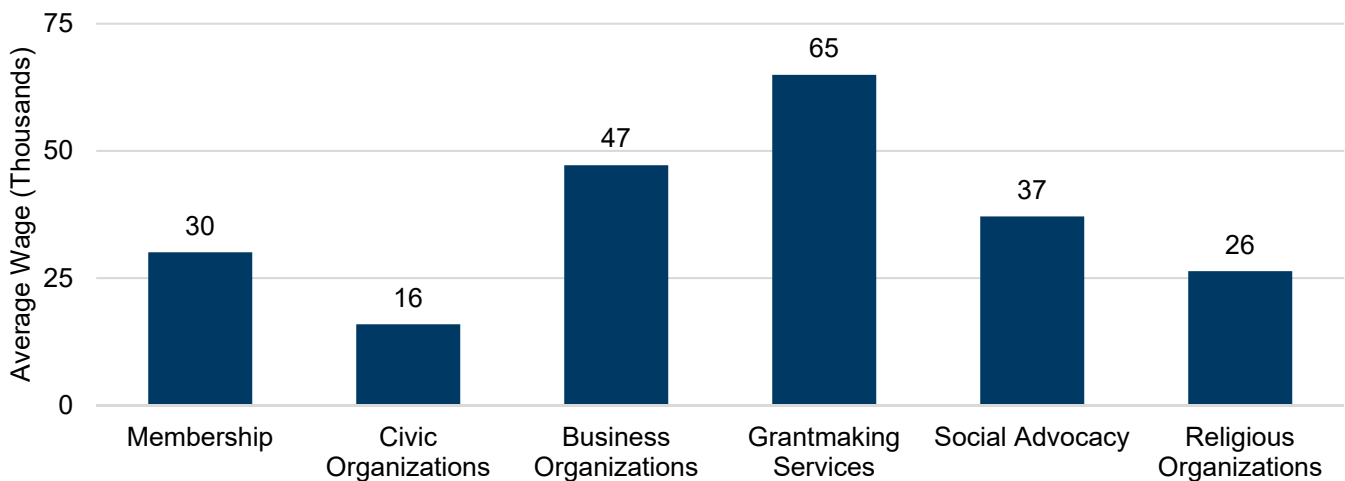
Figure 6: Nonprofit Average Size of Establishments for Membership Subindustries (2019)



Average annual wage also offers insights into the patterns for these subindustries. Average wage is calculated by dividing the annual payroll (adjusted for inflation to 2019 dollars) by the number of employees. These values also 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 include both part-time and full-time workers, so that industries (or establishments) with many part-time 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. Figure 7 shows the average annual wage for nonprofit establishments for membership and its subindustries.

Figure 7 shows that the average worker in the membership industry earns \$30,000 annually, with those in grantmaking services earning more than double this amount (\$65,000), followed by and business organizations (\$47,000) and social advocacy (\$37,000). Those working for religious organizations (\$26,000) and civic organizations (\$16,000) trail behind, suggesting that some of these workers may be employed only part-time.

Figure 7: Membership Subindustries Nonprofit Average Wage (thousands), in constant dollars (2019)



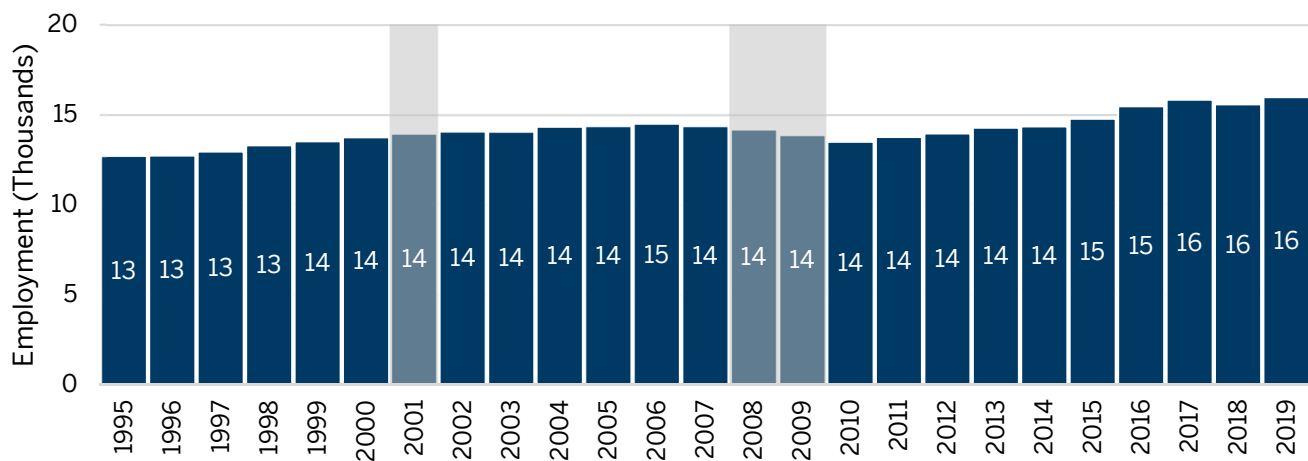
In the next sections, we take a deeper dive into the five subindustries to identify diverse patterns in employment and payroll.

A. CIVIC AND SOCIAL ORGANIZATIONS

Civic organizations is the largest membership subindustry employing over half (54 percent) of paid nonprofit workers in the industry in 2019. This subindustry provides services such as automobile clubs, parent-teacher associations, fraternal lodges, and social clubs.⁸ It is characterized by its large size and moderate growth. Nonprofit employment in civic organizations grew 26 percent up from 12,700 in 1995 to 16,000 in 2019, as shown in Figure 8. Employment in civic organizations grew 1 percent on average annually over the 1995-2019 period, and decreased for 6 years, four of them from 2007 to 2010.

Nonprofit payroll increased more slowly, up only 16 percent from \$219 million in 1995 to \$255 million in 2019 (in constant 2019 dollars) and the average annual growth rate in payroll was only 0.7 percent between 1995 and 2019. Indeed, for the 9 years from 2003 to 2011, payroll continuously declined at an average annual rate of 1 percent. See Figure C4 in Appendix C for more details. While average annual wages declined over the entire period, they fluctuated somewhat, increasing from \$17,200 in 1995 to \$18,300 in 2002, before declining to \$15,900 in 2019, adjusted for inflation. The low average annual wages suggest that civic organizations employ a number of part-time workers and that the share of part-time workers may have increased over time.

Figure 8: Civic Organizations Paid Nonprofit Employment (in thousands) (1995-2019)



B. BUSINESS, PROFESSIONAL, LABOR, POLITICAL, AND SIMILAR ORGANIZATIONS

Business and related organizations is the second largest subindustry, employing 7,900 or 27 percent of all membership nonprofit employees. Those employed in this industry work to promote the interests of their members including business associations, professional organizations, labor unions, and political organizations.⁹ This is the only subindustry which lost nonprofit employment over time decreasing by 6 percent, down from 8,500 in 1995 to 7,900 in 2019, as shown in Figure 9. On average, nonprofit employment in business organizations decreased 0.2 percent annually and for 12 of the 20 years between 1995 and 2019.

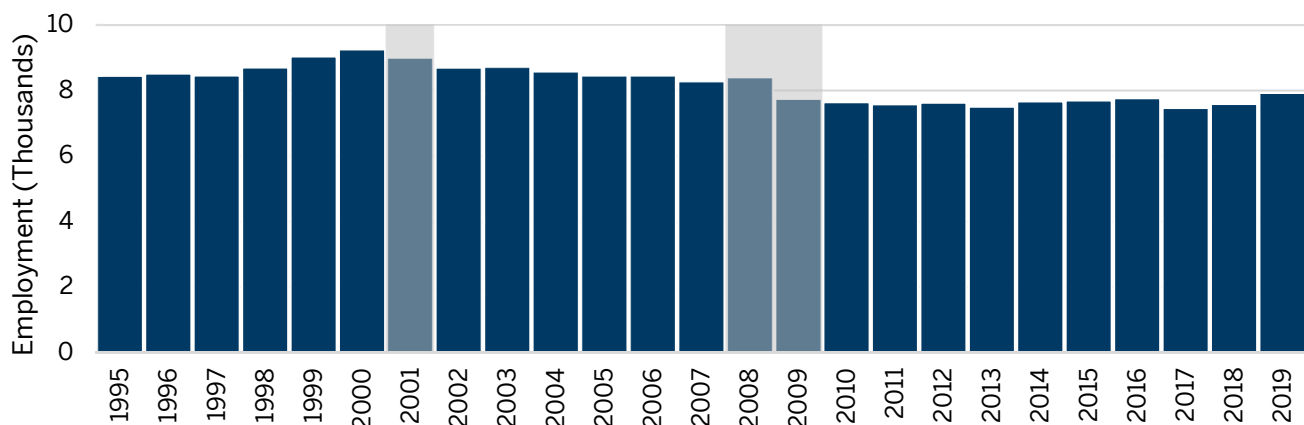
Despite the job losses, nonprofit payroll grew 64 percent up from \$227 million in 1995 to \$373 million in 2019. Total payroll for business and similar organizations grew at an average annual rate of 2 percent, decreasing for only 6 years of the period. See Figure C5 in Appendix C for more details. The combination of job losses with increased total payroll means that average annual wages increased considerably over the period, up from

⁸ U.S. Census Bureau, 2017 NAICS Manual. Available online at https://www.census.gov/naics/reference_files_tools/2017_NAICS_Manual.pdf

⁹ Ibid Footnote 5

about \$27,000 in 1995 to \$47,000 in 2019, or by 75 percent, adjusted for inflation.

Figure 9: Business Organizations Paid Nonprofit Employment (in thousands) (1995-2019)

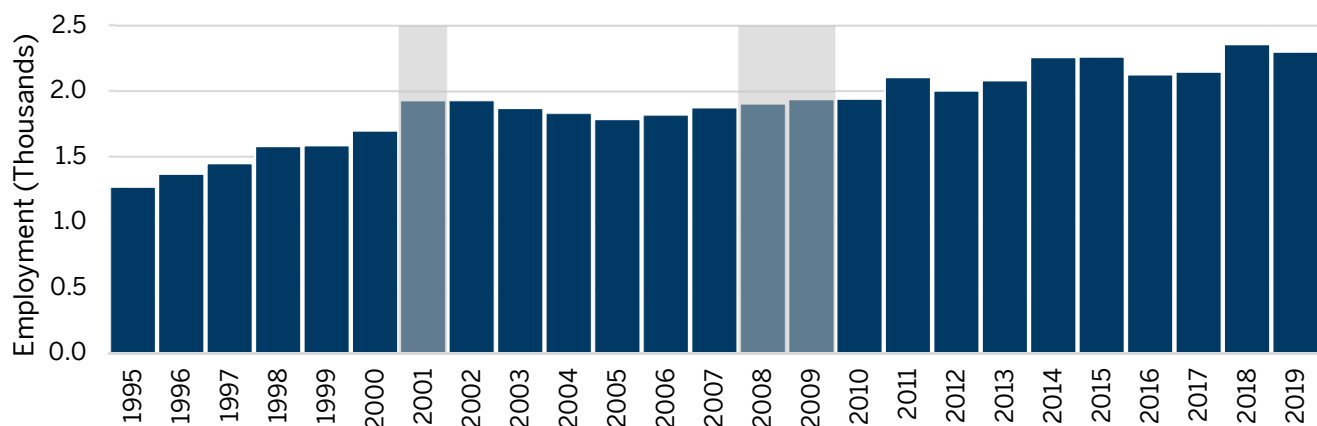


C. GRANTMAKING AND GIVING SERVICES

Grantmaking services is a notably smaller subindustry, employing only 8 percent of all reported membership nonprofit workers. This subindustry includes establishments related to writing, funding, or raising money for grants, such as private foundations, community foundations, and United Way organizations.¹⁰ This industry is characterized by its rapid growth rate over the 25-year period. Nonprofit employment grew by 1,000 employees up from 1,300 in 1995 to 2,300 in 2019, an 81 percent increase or at an average annual rate of 3 percent. Figure 10 shows how employment changed over time and the occasional dips in employment — decreasing for 7 years from 1995 to 2019.

Nonprofit payroll grew even more rapidly than employment, up 156 percent from \$58 million in 1995 to \$149 million in 2019, in constant 2019 dollars. The average annual growth rate for payroll was 4 percent and payroll increased for all but four of the years in the period. See Figure C6 in Appendix C for details. As a result, average annual wages increased, up from \$46,000 in 1995 to \$64,900 in 2019. The increase in average annual wages, 41 percent (adjusted for inflation), is notable, but less than the 75 percent increase for business and related organizations.

Figure 10: Grantmaking Services Paid Nonprofit Employment (in thousands) (1995-2019)



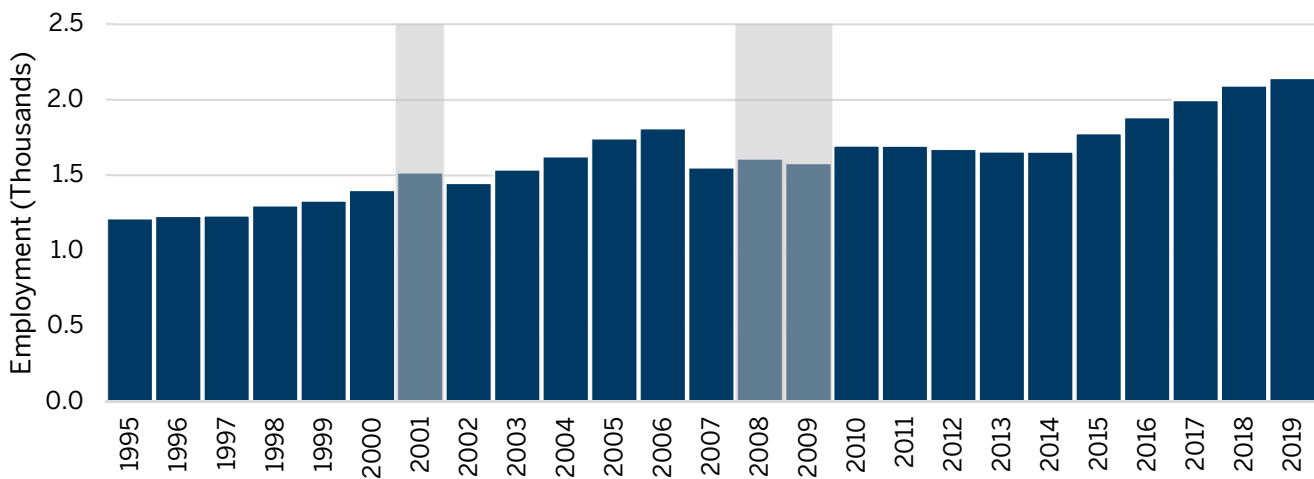
¹⁰ Ibid Footnote 5

D. SOCIAL ADVOCACY ORGANIZATIONS

The social advocacy sub-industry resembles grantmaking services when it comes to size and growth rate. This subindustry accounts for 7 percent of nonprofit membership employees and has a high growth rate. Establishments in this subindustry are engaged in promoting particular causes or working towards a specific social or political goal.¹¹ Figure 11 shows how nonprofit employment grew by roughly 900 employees, from 1,200 to 2,100 over the 1995-2019 period, up by 77 percent over the period, with an average annual growth rate of 3 percent. Despite the high growth, this industry lost jobs for 7 of the years in the period.

As with grantmaking services, nonprofit payroll for social advocacy services increased considerably, up 130 percent from \$35 million in 1995 to \$80 million in 2019 (in constant 2019 dollars), or at an average annual rate of 4 percent annually. Payroll in the subindustry increased for 20 of the 25 years between 1995 and 2019. See Figure C7 in Appendix C for more details. As suggested by the higher growth of payroll than jobs in this subindustry, average annual wages increased, up 30 percent, from \$28,500 in 1995 to \$37,000 in 2019.

Figure 11: Social Advocacy Paid Nonprofit Employment (in thousands) (1995-2019)



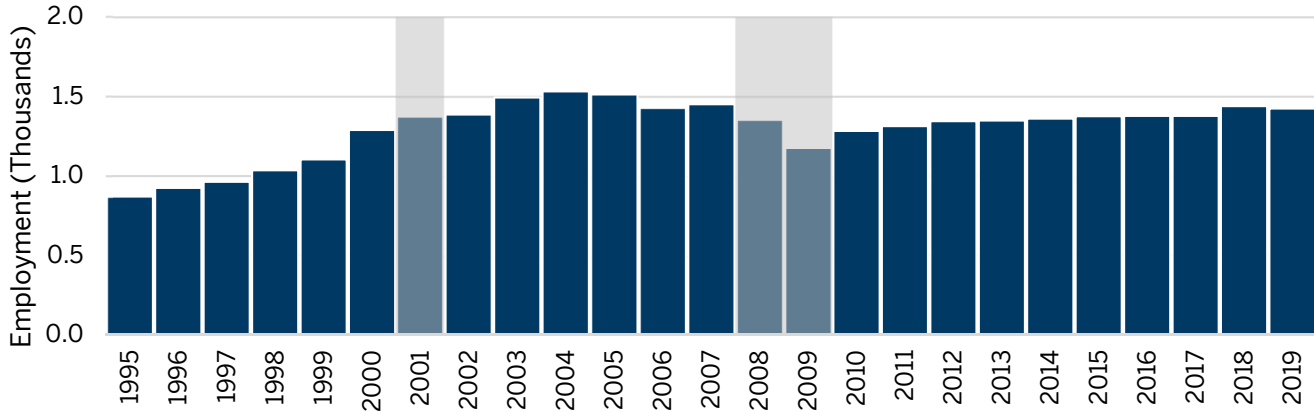
E. RELIGIOUS ORGANIZATIONS

The final membership subindustry is religious organizations. This subindustry includes a variety of religion-based services and places of worship. However, as noted above, religious organizations are not required to report to participate in the QCEW (nor report to the IRS) and many religious organizations are unaccounted for in our analysis below. See Appendix A for more details. Given these data problems, it is not surprising that religious organizations is the smallest subindustry, employing only 5 percent of membership employees. Reported nonprofit employment in this subindustry grew from less than 900 workers in 1995 to 1,400 in 2019, up 64 percent (Figure 12). On average, employment grew 2 percent annually and decreased for only 5 years in the period.

Nonprofit payroll grew even more, up 94 percent from \$19 million in 1995 to \$38 million in 2019 (adjusted for inflation). Reported payroll for religious organizations increased by 3 percent on average annually and decreased for only 6 years in the period. See Figure C8 in Appendix C for more details. Average annual wages increased in this subindustry, up from \$22,200 in 1995 to \$26,400 in 2019. Of the three subindustries which experienced growth in average annual wage, the 19 percent increase in average annual wages (adjusted for inflation) was smallest. As noted earlier, average annual wages decreased in civic and social advocacy organizations.

¹¹ Ibid Footnote 5

Figure 12: Religious Organizations Paid Nonprofit Employment (in thousands) (1995-2019)



III. CONCLUSION

The membership and related organizations profiled in this report serve vital roles in Indiana. They employed a minimum of 30,000 paid workers in 2019, possibly more than twice as many, if it were possible to include all those working for religious organizations. As a result, the economic importance of congregations and other religious organizations is severely underestimated. The paid nonprofit employees we can document for this industry, account for 10 percent of the total nonprofit workforce in Indiana. Employment in this industry grew at only 1 percent annually on average. In 2019, total payroll for the industry was just under \$900 million, up from about \$560 million in 1995 (in constant 2019 dollars).

The membership industry has several subindustries that differ in their share of total industry employment and growth rates. Civic organizations, the largest subindustry with roughly 16,000 employees, experienced moderate growth over the 25-year period. In contrast, the next largest industry, business and related organizations, actually decreased by 500 employees from 8,500 in 1995 to 8,000 workers in 2019. The remaining membership industries are much smaller in size. Grantmaking services employed around 2,300 employees in 2019 even though it grew 81 percent over the 25-year period. Social advocacy is similar in size to grantmaking services and also experienced notable growth over the 1995-2019 period. Religious organizations is seemingly the smallest of the membership subindustries, but most religious organizations are excluded from the data sources available to us.

We also looked at average size and saw that civic organizations have the largest average size, with 18 employees per establishment on average with the next largest subindustry, grantmaking services, having 11 employees on average. Social advocacy was the next largest with 10 employees on average. Religious and business organizations tend to be the smallest with roughly 8 employees.

We also looked at average wage and found that those working for grantmaking services (\$65,000 on average annually) and business organizations (\$47,000) have notably higher average wages compared to the remaining subindustries – and in both cases, average annual wages increased considerably (up respectively 41 and 75 percent, adjusted for inflation). Average annual wages for social advocacy workers were \$37,000, followed by religious organizations at \$26,000. Average annual wages in these subindustries also increased, but more modestly, by respectively 30 and 19 percent. Those working for civic organizations had the lowest average annual wages by far, at only \$16,000, and average wages actually declined over the 1995 to 2019 period.

Although the membership and related establishments appear to be a relatively small component of the Indiana nonprofit sector in terms of paid employees and payroll, they are likely a larger segment than we are able to document. Moreover, these organizations play key roles in other ways. They advocate for diverse social and political causes, promote and defend the interests of their members, support various causes through raising

funds and making grants to other charities, and organize and promote religious services.

Civic and social organizations often have a large presence on college campuses, where they engage college students who in turn get involved in the broader community. The same holds for seniors who also commit more time to such organizations.¹² Business and professional organizations allow Indiana citizens to get involved in various efforts that may tie in with their occupational-related needs and interests. For example, Chambers of Commerce work to support business interests in their communities. The American Federation of Labor & Congress of Industrial Organizations (AFL-CIO) in Indiana works to support workers' rights.¹³

Grantmaking services play crucial roles in funding other organizations and supporting nonprofits that provide needed services to Hoosiers. For example, the COVID-19 pandemic curtailed crucial services because of social distancing requirements, but special fundraising efforts allowed United Way organizations and Community Foundations to ensure that key services were available.¹⁴ Social advocacy organizations provide opportunities for Hoosiers to organize and support the causes they care about, such as racial justice, immigrant rights and child welfare.¹⁵ Religious organizations serve a particularly important role in the United States. Although religious attendance and membership has decreased, it is estimated that roughly half of US adults still members of a church.¹⁶

Membership establishments are primarily funded through membership fees, special events, charitable donations, and government support. Grantmaking organizations, such as those represented by the Indiana Philanthropy Alliance, are private foundations (e.g., the Lilly Endowment) or public charities (e.g., United Way organizations and community foundations), eligible to receive tax-deductible contributions from Individuals and businesses). In turn, they provide grants for many different charitable organizations, including a subset of civic and advocacy associations that are registered as public charities.¹⁷ All civic and advocacy organizations also get funding (usually in the form of membership fees) from those who support their cause. Government support is more limited for establishments included in this industry, but may include grants to a subset of membership organizations, tax exemption, tax credits, non-cash assistance, and more.¹⁸ Many businesses support special events that are important sources of funding for membership organization. Business, professional and labor organizations rely on fees and dues from their own members, although there have been efforts to limit the bargaining power of labor unions, such as teachers' organizations.¹⁹

The membership industry offers a wide range of services to Indiana citizens. Although the funding and supports vary across the subindustries, each offers crucial services and opportunities for Hoosiers to connect with their community, pursue their passions, and advocate for particular policy goals.

¹² See Farrell McKenna (2015), "IBISWorld Industry Report 81341," online at https://nonprofitcas.com/resource_bank/155/ibisworld_industry_report_81341.pdf

¹³ See IN AFL-CIO, "Indiana State AFL-CIO," online at <https://www.inaflcio.org/>

¹⁴ See Times Union (2021), "Additional COVID-19 Relief Coming to United Way," online at <https://timesuniononline.com/Content/Local-News/Local-News/Article/Additional-COVID-19-Relief-Coming-To-United-Way/2/453/134060>

¹⁵ See Indiana Philanthropy Alliance (2020), "Clowes Fund Supports Immigrant Justice, Child Welfare in Indianapolis," online at <https://www.inphilanthropy.org/news/clowes-fund-supports-immigrant-justice-child-welfare-indianapolis>

¹⁶ See Jeffrey Jones (2019), "U.S. Church Membership Down Sharply in Last Two Decades," online at <https://news.gallup.com/poll/248837/churchmembership-down-sharply-past-two-decades.aspx>

¹⁷ See Serve Indiana (2021), "Resources & Trainings," online at <https://www.in.gov/serveindiana/resources-and-trainings/>

¹⁸ Ibid Footnote 17

¹⁹ See Dan Carden (2021), "State lawmakers target membership, funding of Indiana teachers' unions," online at http://kokomoperspective.com/politics/indiana/state-lawmakers-target-membership-funding-of-indiana-teachers-unions/article_f0673014-3c3e-5052-ad09-a29b01a3c47b.html

APPENDIX A: METHODOLOGY

Source of Data

The two sources of data for this report is 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). Nationwide, the QCEW covers over 95 percent of U.S. jobs.²⁰

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.²¹

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.²² However, certain employees are not required to participate, including religious organizations and charities with less than four employees.²³ 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 2017 Indiana Nonprofits Survey, based on a randomly selected sample of all types of Indiana nonprofits. This

²⁰ 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.

²¹ 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.

²² 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.

²³ 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.

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).²⁴

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,²⁵ 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 77,300.²⁶ 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.²⁷

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.²⁸ 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 than \$5,000 in revenues, political groups, and homeowners' associations do not need to register.²⁹

²⁴ 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).

²⁵ The Infogroup (yellow page) listing includes about 9,600 congregations; de-duplication leaves just over 8,800.

²⁶ 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.

²⁷ 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.

²⁸ 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.

²⁹ 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.

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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.

APPENDIX B: ADDITIONAL GRAPHS

Figure B1: Subindustry Share for Total Percent Change in Nonprofit Employment (1995-2019)

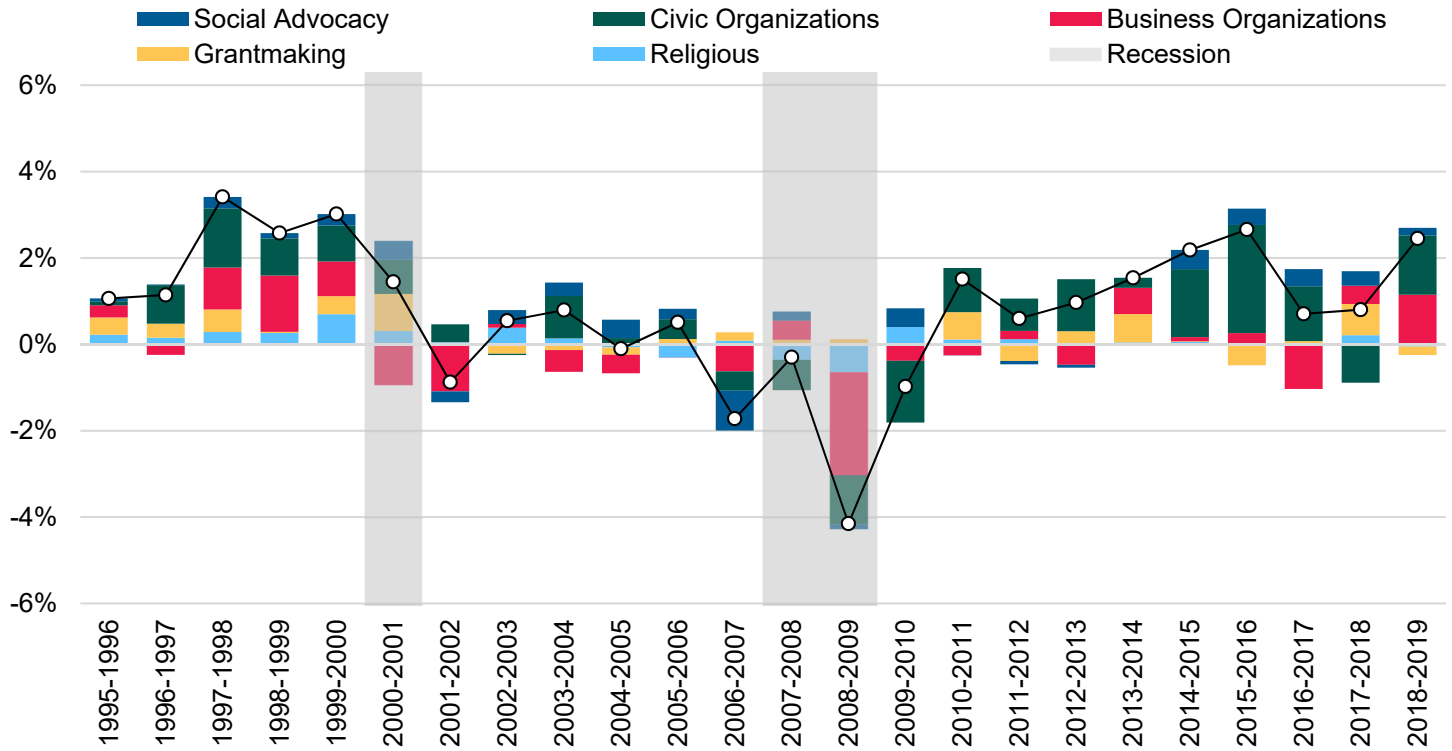
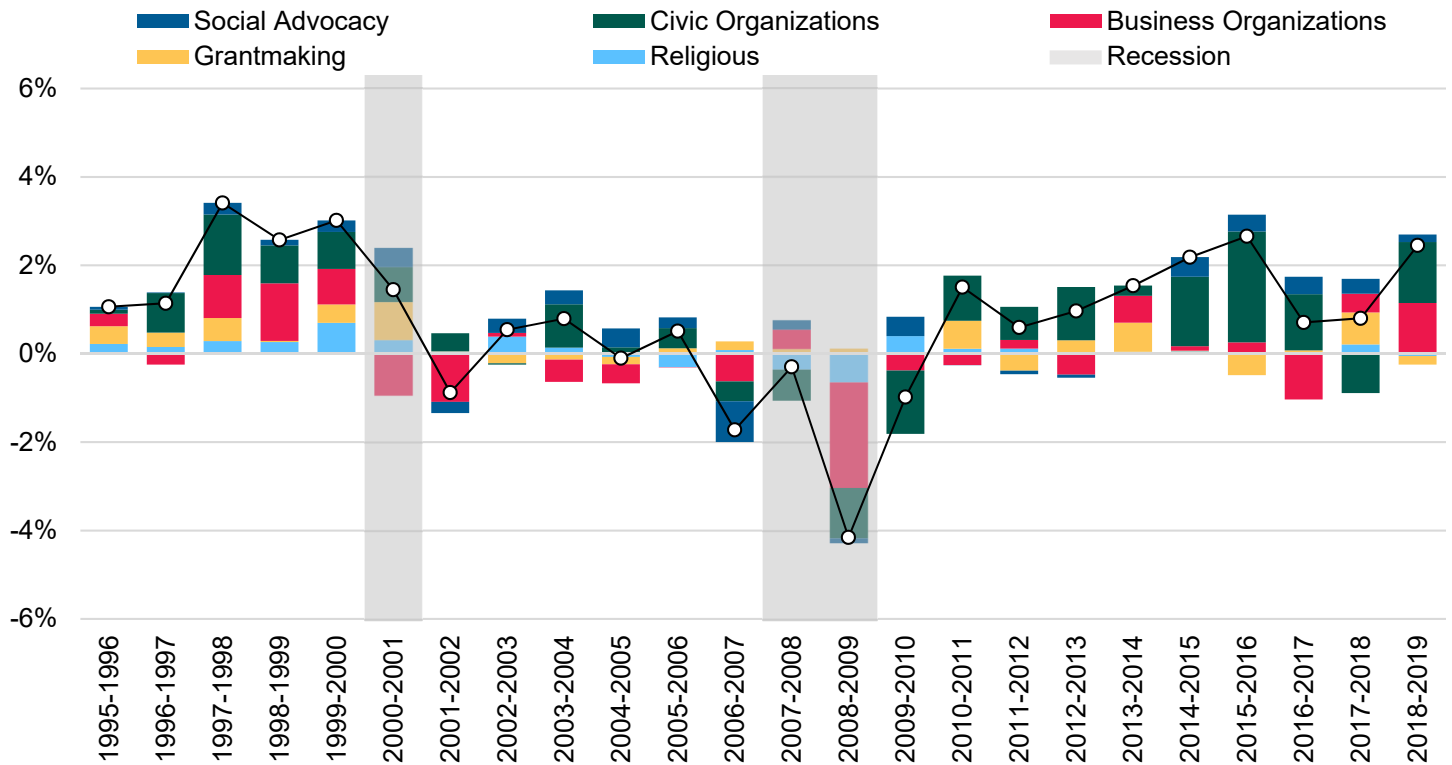


Figure B2: Subindustry Share for Total Percent Change in Nonprofit Payroll (1995-2019), in constant dollars (2019)



APPENDIX C: PAYROLL GRAPHS

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

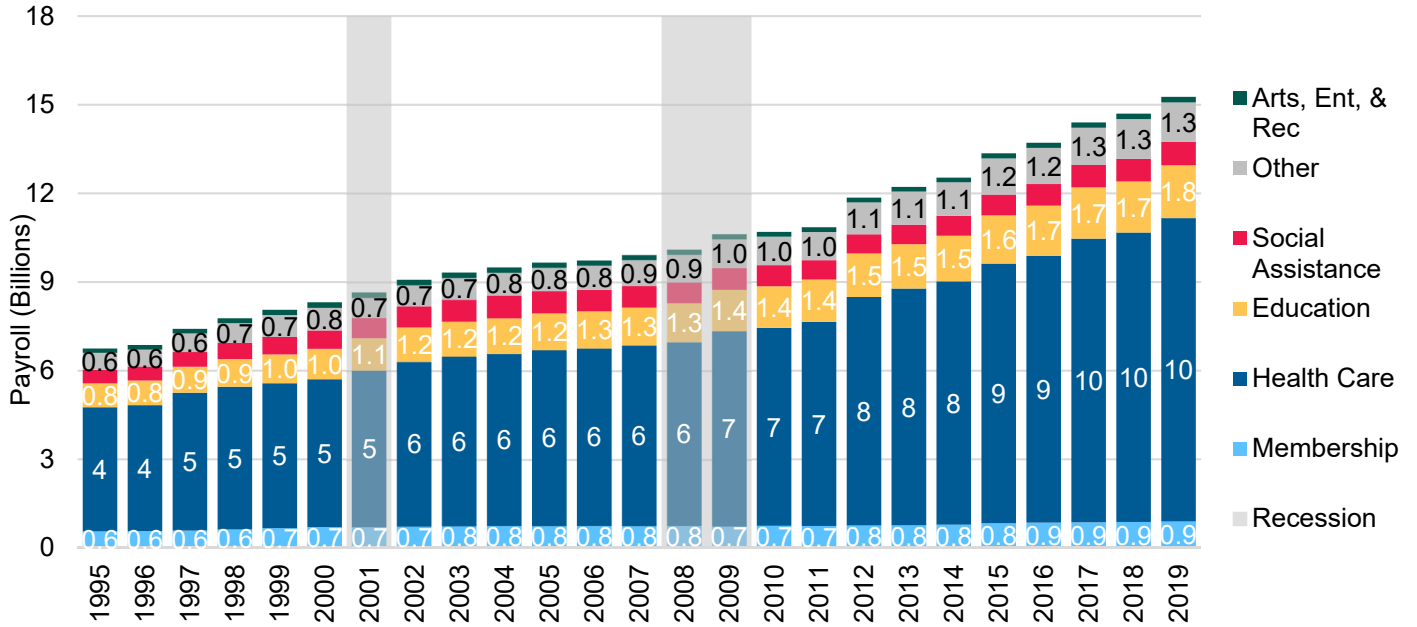


Figure C2: Annual Percent Change in Nonprofit Membership Payroll (1995-2019), in constant dollars (2019)

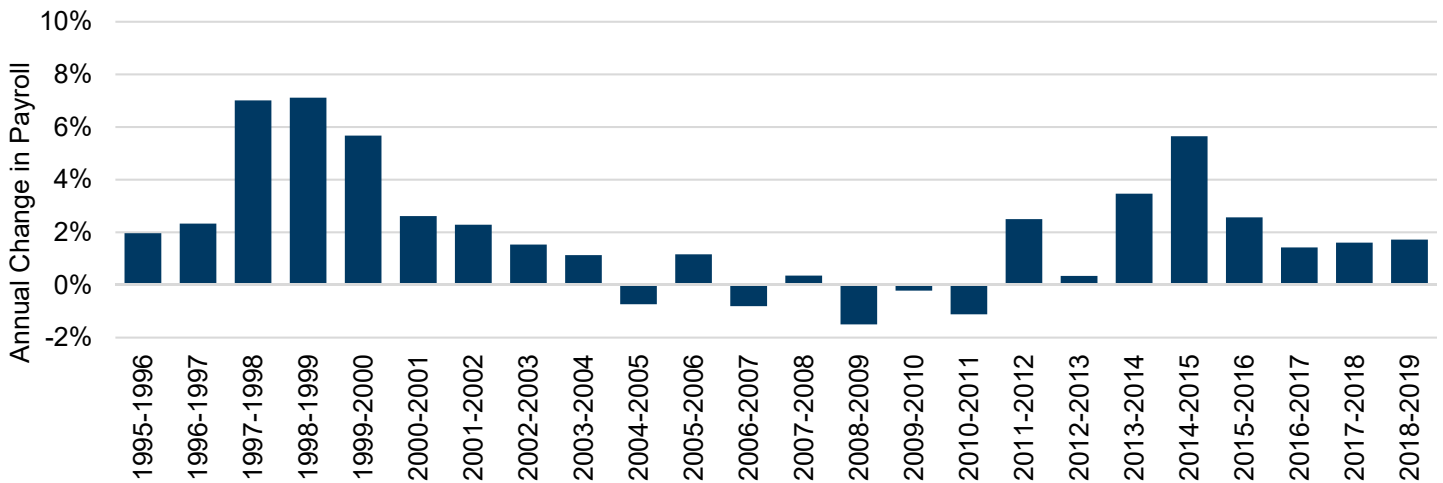


Figure C3: Nonprofit Payroll (in millions) in Membership by Subindustry (1995-2019), in constant dollars (2019)

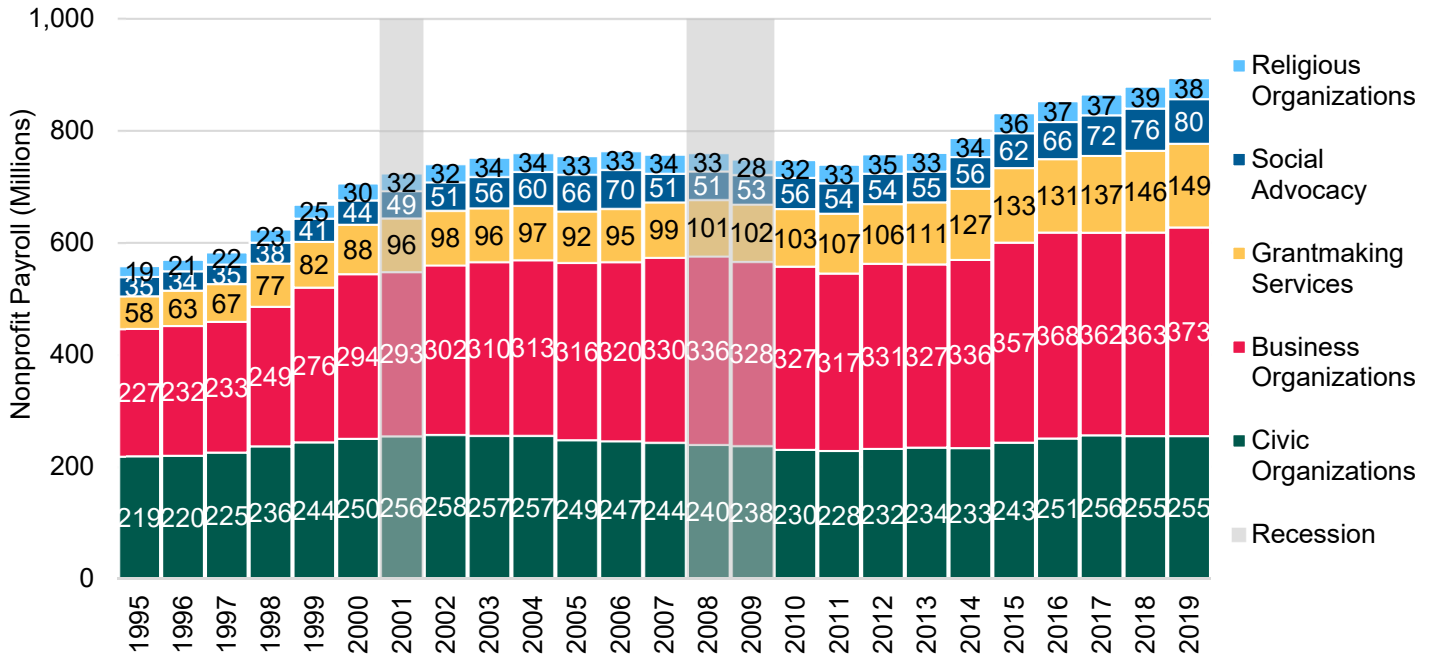


Figure C4: Civic Organizations Nonprofit Payroll (in millions) (1995-2019), in constant dollars (2019)

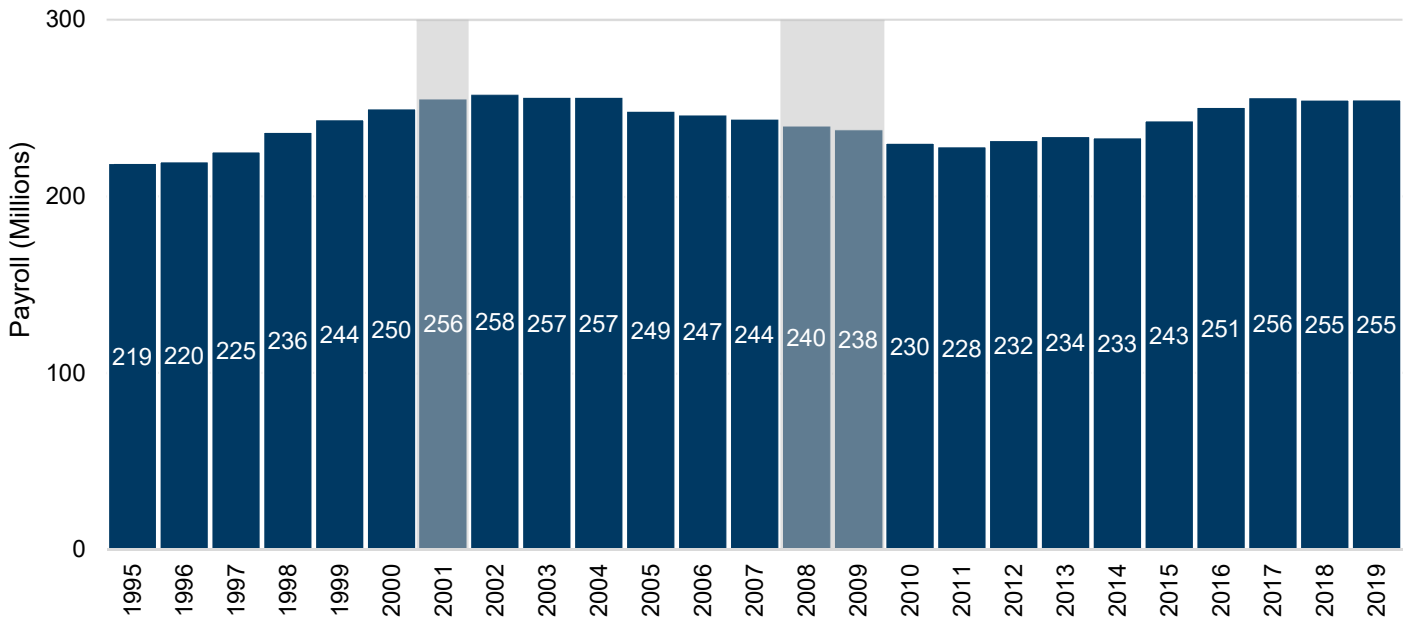


Figure C5: Business Organizations Nonprofit Payroll (in millions) (1995-2019), in constant dollars (2019)

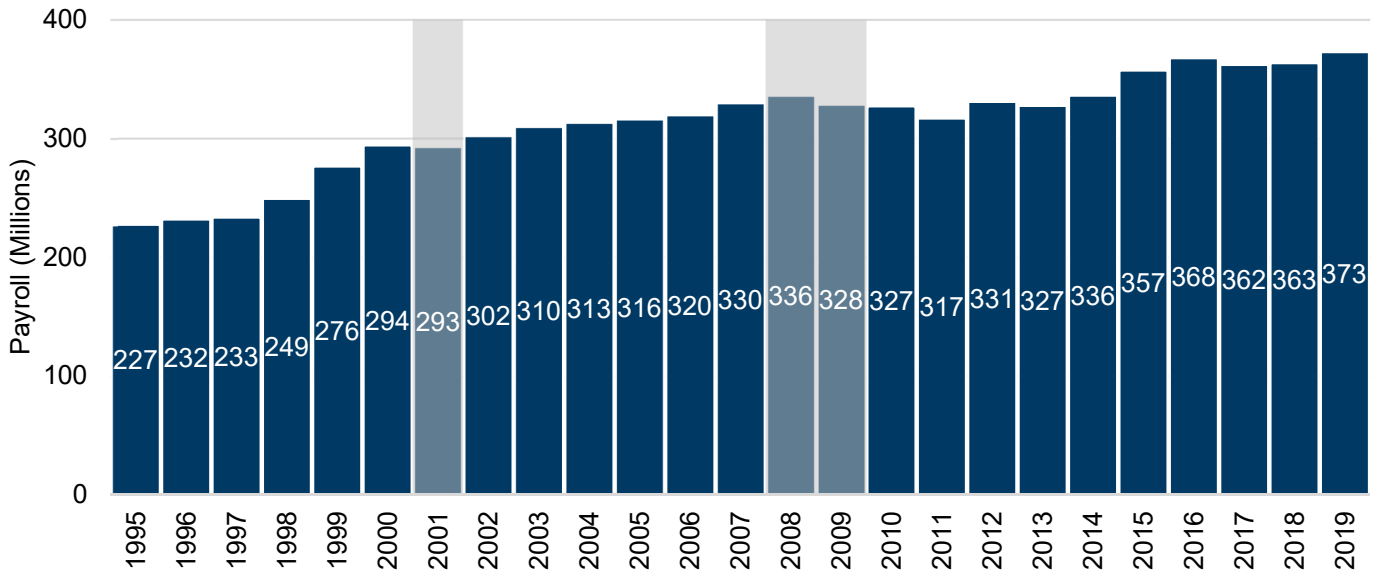


Figure C6: Grantmaking Services Nonprofit Payroll (in millions) (1995-2019), in constant dollars (2019)

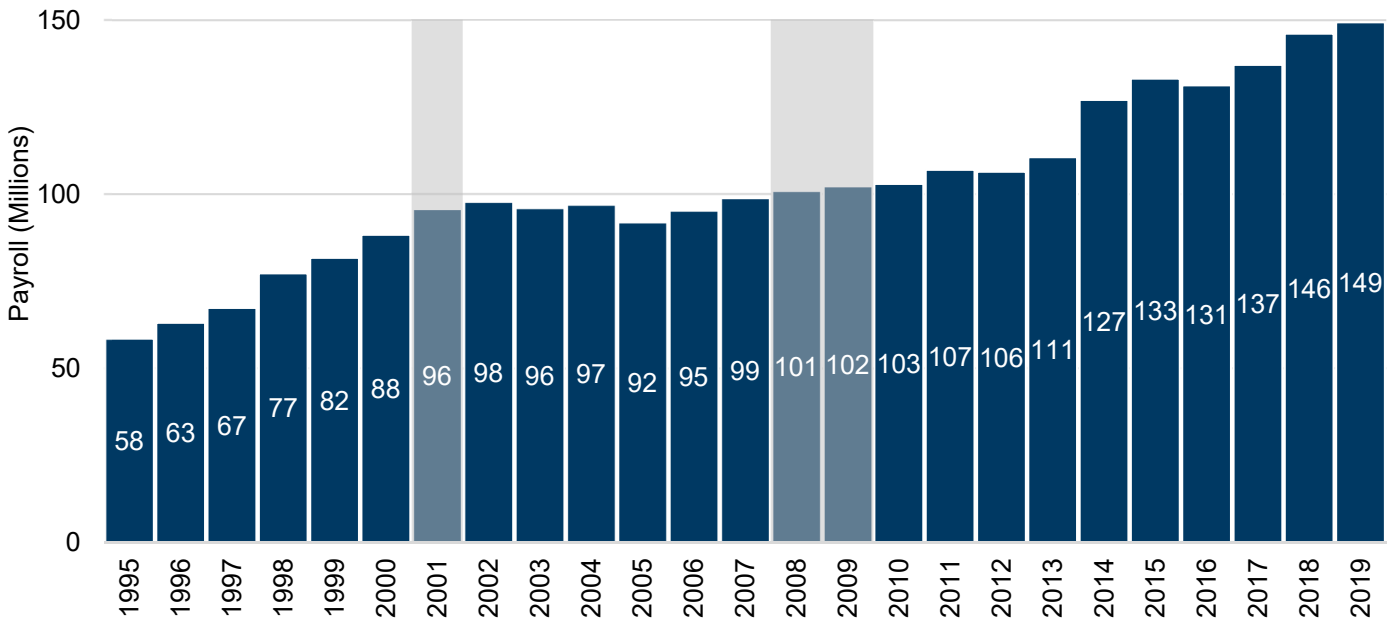


Figure C7: Social Advocacy Nonprofit Payroll (in millions) (1995-2019), in constant dollars (2019)

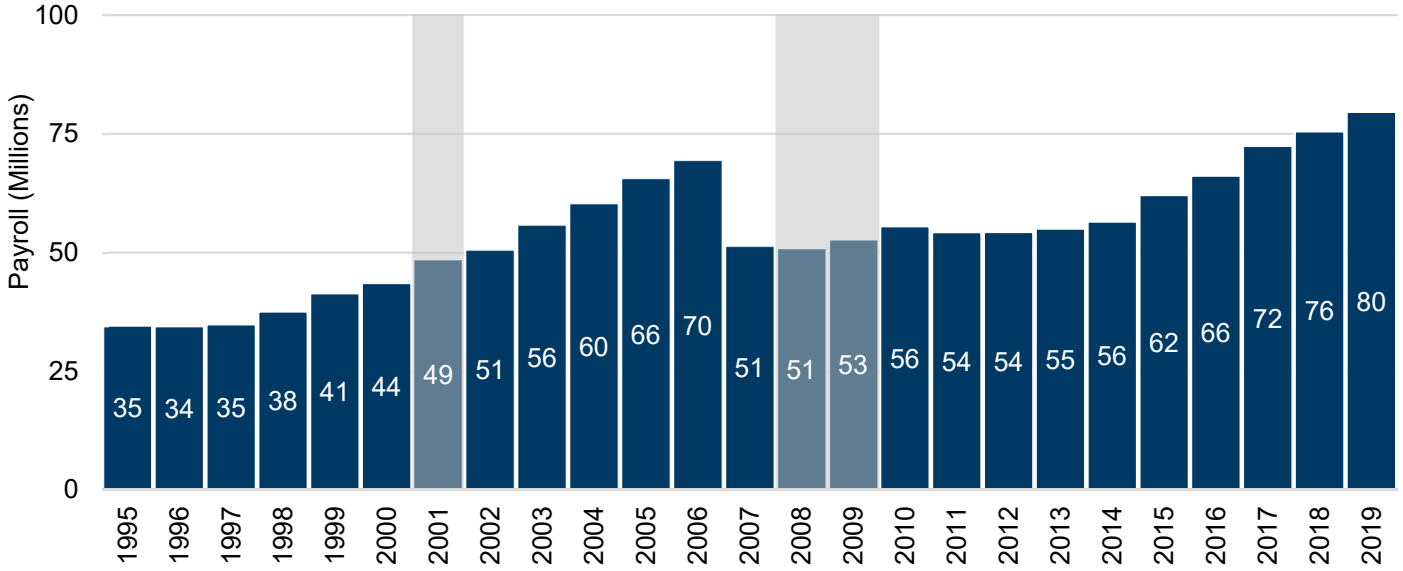
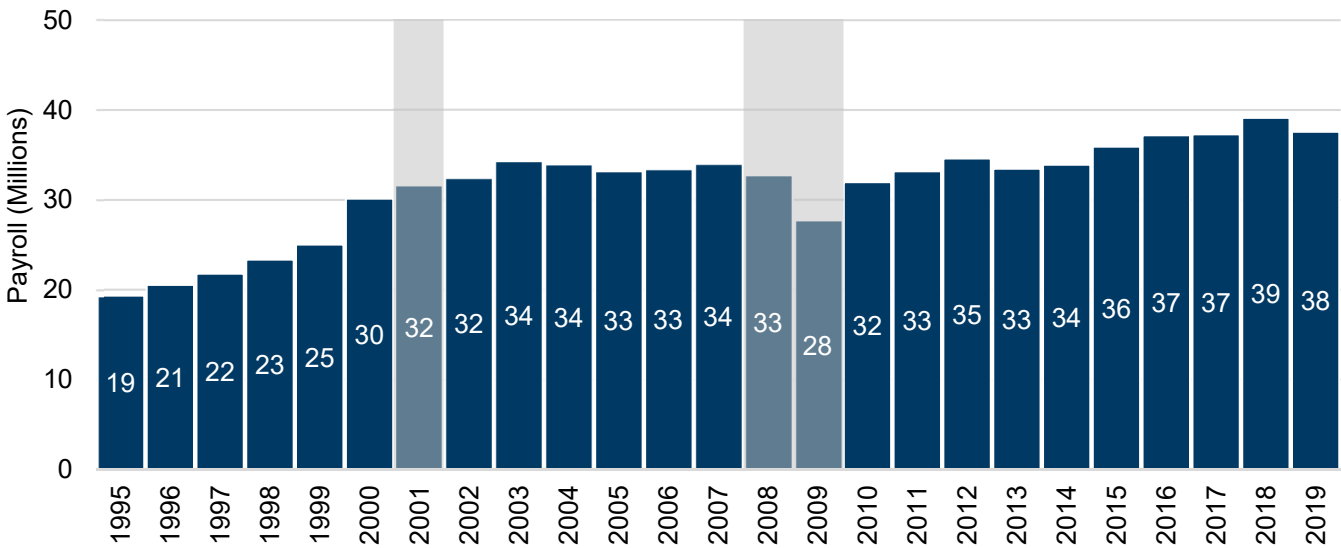


Figure C8: Religious Organizations Nonprofit Payroll (in millions) (1995-2019), in constant dollars (2019)





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