INDIANA NONPROFITS PROJECT
NONPROFIT EMPLOYMENT: STATEWIDE SERIES
REPORT #12

Nonprofit Paid Employment in Social Assistance Update Report, Indiana 1995-2018

February 2020

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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Nonprofit Paid Employment in Social Assistance for Indiana, 1995-2018

Indiana Nonprofits: Scope & Community Dimensions

Nonprofit Employment Series: Report #12

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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Feburary 2020

Table of Contents

Appendices

LIST OF FIGURES

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KEY FINDINGS

- **Total Social Assistance employment in Indiana has more than doubled since 1995**. In 1995, a little over 27,000 people worked in the Social Assistance industry in Indiana. By 2018, paid employment in the industry had grown to just under 60,000. During the same period of time, total paid employment in Indiana increased by 13 percent (up from 2.7 million in 1995 to 3.1 million in 2018).
- **Nonprofit employment in Social Assistance has grown since 1995, but much more modestly at 52 percent overall.** In 2018, just under 29,000 of the roughly 60,000 employees in Social Assistance worked for nonprofit establishments, compared to almost 19,000 out of 27,000 in 1995.
- **Nonprofit employment growth in Social Assistance has slowed since the early 2000s.** Until 2004, nonprofit paid employment grew at an average annual rate of 4.6 percent. Since then annual growth has averaged only 0.2 percent per year and has even declined from one year to the next several times.
- **For-profit employment in Social Assistance has grown rapidly since the mid-2000s**. Between 1995 and 2004, for-profit employment in Social Assistance grew at an average annual rate of 3.7 percent, but since then has more than doubled its annual growth rate to 7.6 percent annually.
- **Nonprofit Payroll for Social Assistance has fluctuated considerably since 1995.** Between 1995 and 2004, total nonprofit payroll in Social Assistance grew from $449 million to $754 million adjusted for inflation[1] (2018 dollars), or by an average annual rate of 6 percent. By 2018, total nonprofit payroll had increased only slightly to $758 million, reflecting a period with mostly annual losses between 2005 and 2012, followed by gains since then.
- **Nonprofit paid employment shows distinctly different profiles in the four Social Assistance subindustries over the 1995-2018 period.** Nonprofit paid employment has lost market share relative to for-profits in the rapidly growing Individual and Family Services subindustry, maintained its relatively small share in the slowly growing Child Day Care Services, lost some of its dominance in the overall stable Vocational Rehabilitation Services, and increased its strong dominance in the growing Community Food, Housing and Emergency Services subindustries.

[1] The inflation adjustments are based on the 2018 CPI. All payroll data in this report has been adjusted accordingly.

I. Introduction

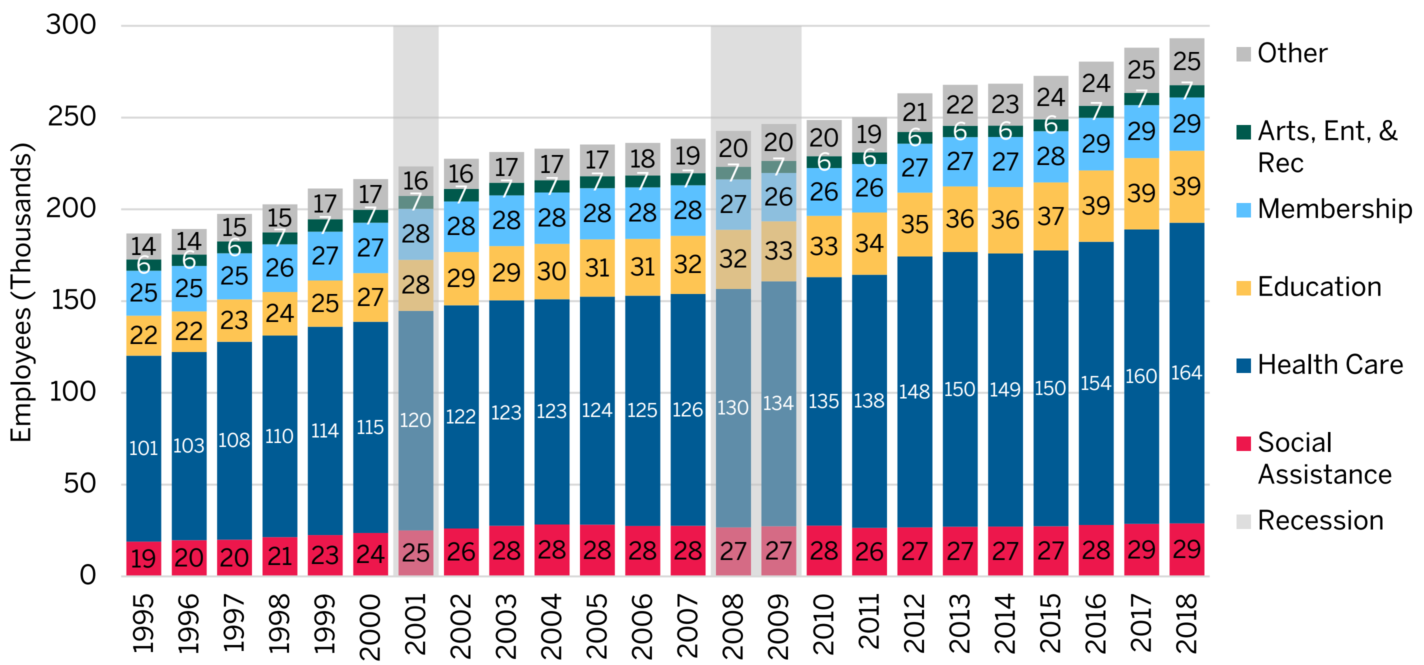
Indiana nonprofits account for a significant share of the state's economy – roughly 10 percent of total paid employees and of the state's total payroll in 2018. Total nonprofit employment across all industries has grown every year since 1995, up 57 percent overall by 2018. The vast majority of nonprofit 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.

In this report we present updated information on one of these important service sectors: Social Assistance—a subindustry under the broader industry of Health Care and Social Assistance as defined by the North American Industry Classification System (NAICS). Social Assistance is a relatively small industry in Indiana, accounting for only two percent of the state's total paid employees in 2018 and one percent of the total payroll.

Despite their comparatively smaller numbers, Social Assistance employees provide key services that support Indiana families and help them meet their life challenges. They provide day care and employment training that help community residents be productive members of Indiana's workforce. They offer individual and family counseling. They also provide food, shelter, and other relief services for the unemployed, underemployed, and other marginalized populations.

Social Assistance is also an important part of the nonprofit sector in Indiana, accounting for about 10 percent of all paid employees working for Indiana nonprofits (not counting volunteers) – at 29,000 it is the fourth largest segment of the state's nonprofit workforce (see red segment in Figure 1). It accounts for a notably smaller 5.3 percent of the total nonprofit payroll, reflecting comparatively higher wages in the two largest nonprofit industries— Health Care and Education.

Figure 1: Nonprofit Sector Employment by Industry (1995-2018)



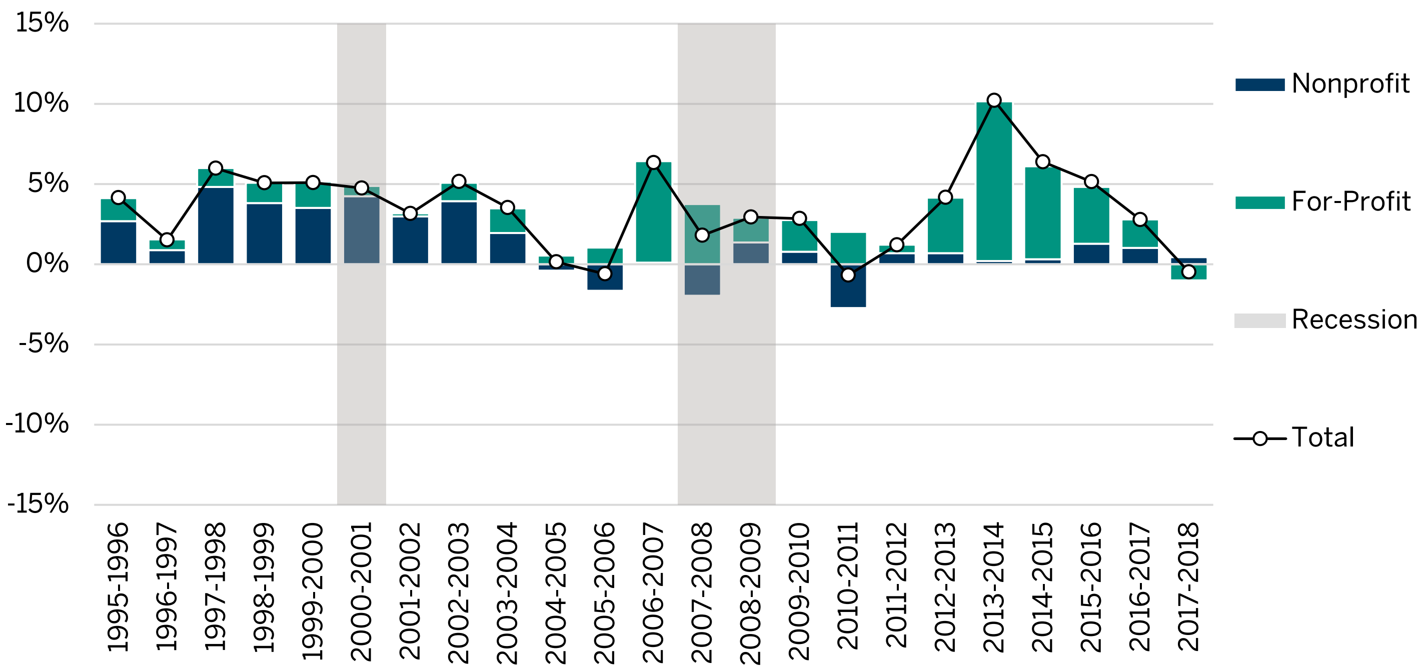
A. Social Assistance

We first examine trends in the number of paid employees in Social Assistance before taking a brief look at the corresponding trends in Social Assistance payroll.[2]

1. Employment

Total paid employment in Social Assistance, including both nonprofit and for-profit employment, has more than doubled from 27,000 in 1995 to 60,000 in 2018. However, as Figure 2 shows, the growth has been somewhat uneven across this period of time. Total Social Assistance employment grew steadily between 1995 and 2004 at an average annual rate of 4.3 percent (white circles in Figure 2), then entered a phase of slower growth (except for 2006-07) before beginning to grow more rapidly, especially after 2012, and slowing down again in 2015. Of the total growth of 33,000 paid employees between 1995 and 2018, half occurred in the eight years between 2010 and 2018, about as many as during the previous 15 years combined.

Figure 2: Percent Change in Social Assistance Employment by Sector (1995-2018)



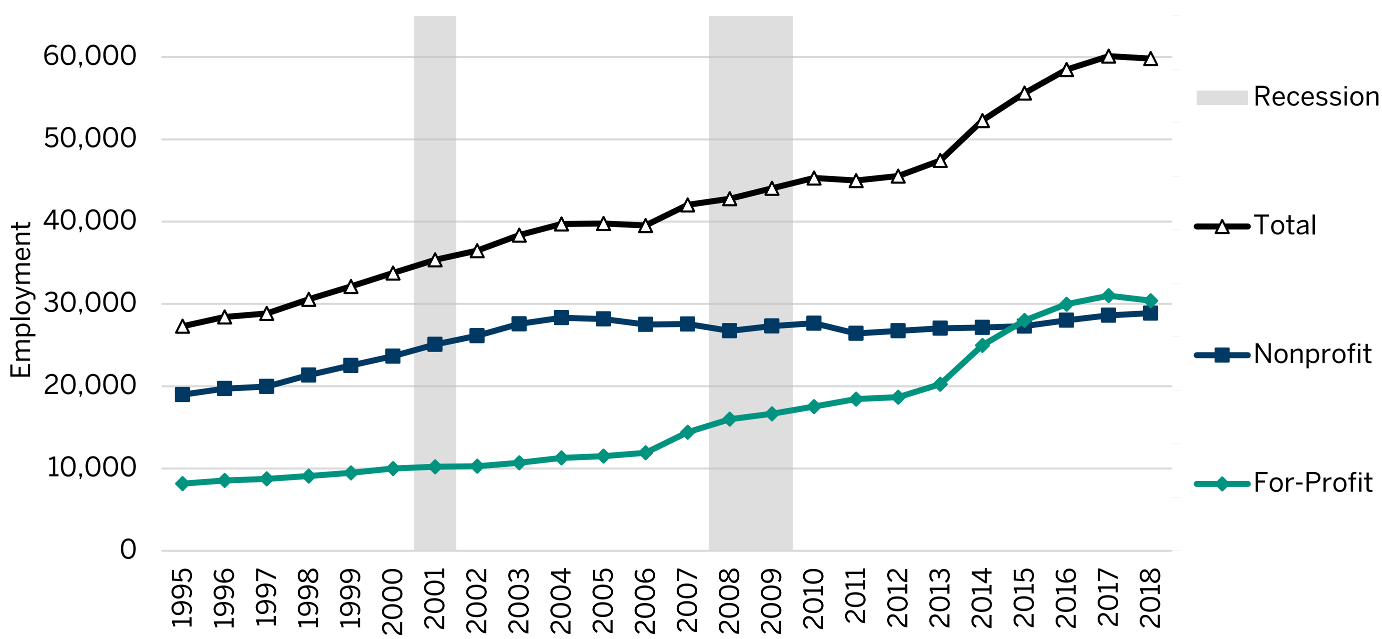
A closer analysis reveals that these distinctive periods of growth reflect divergent trends in paid nonprofit and paid for-profit employment in Social Assistance. The dark blue segments in Figure 2 show the nonprofit share of the percent annual growth in total employment and the green segments the for-profit share. As the figure shows, most of the recent growth has been accounted for by for-profit employees, while the opposite was the case during the earlier period.

[2] 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.

The divergent trends in nonprofit and for-profit employment are more evident in Figure 3, which shows the total number of employees by type of employer. As Figure 3 shows, nonprofit employment in Social Assistance grew notably from 19,000 in 1995 to 28,000 in 2003, or by an average annual increase of 4.8 percent per year. Nonprofit employment then entered a notably slower growth period around 2004. During the 15 years since then nonprofit Social Assistance has added a net of only 560 employees. In fact, nonprofit paid employment in Social Assistance actually declined during 4 of the 15 years.

By contrast, for-profit employment Social Assistance grew steadily early in the period, up from 8,000 in 1995 to 12,000 in 2006, reflecting an average annual rate of growth of 3.5 percent. However, for-profit employment then began to grow very rapidly at an average annual rate of 8.4 percent, to reach to 30,000 employees in 2018, nearly quadrupling the number of employees over the entire period.

Figure 3: Social Assistance Employment by Sector (1995-2018)

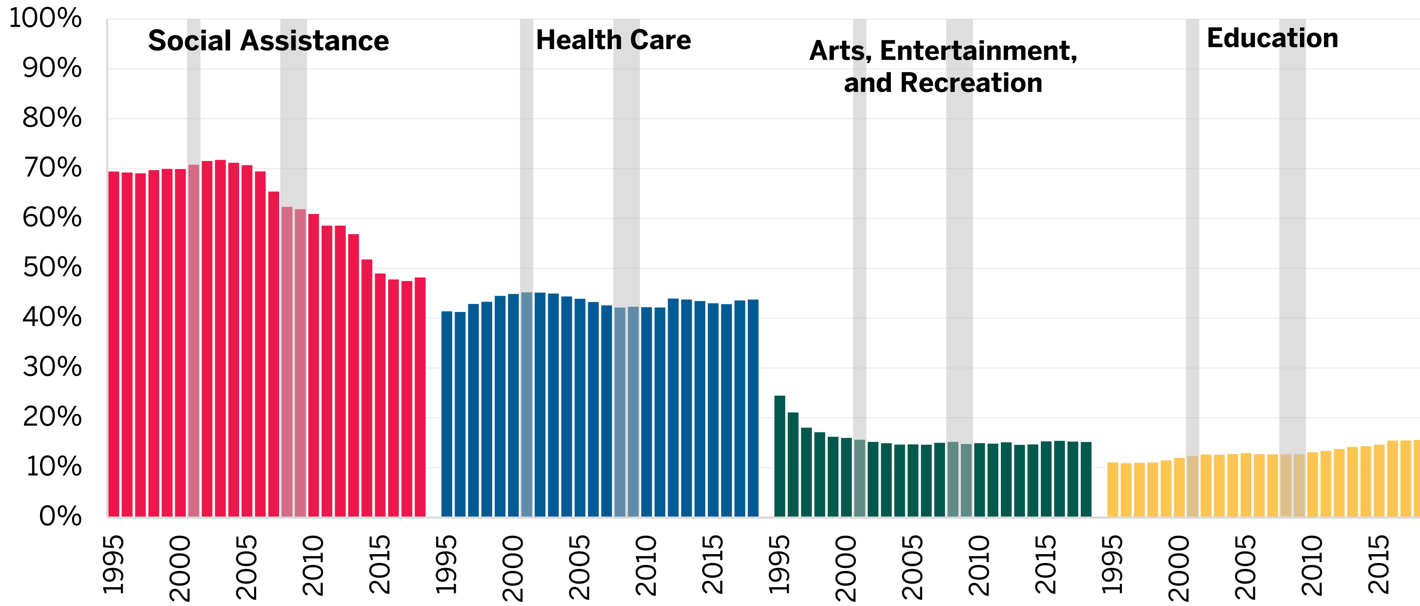


As a result of these different rates of growth, the nonprofit share of total private[3] employment in Social Assistance has declined from more than two-thirds (70 percent) in 1995 to less than half (48 percent) in 2018 (see the red segment in Figure 4). This pattern is quite different from how nonprofits have fared in other major service industries. While nonprofits also lost some share of total employment in Arts, Entertainment and Recreation (AER, see green bars) the loss occurred primarily in the early part of the period and the nonprofit share has held fairly steady since 2000. By contrast, nonprofits have held steady and even increased their share in Health and Education (at smaller shares in Education). We have no definitive explanations for why the nonprofit share

[3] Government employment and payroll that are less than 1% of total industry employment and payroll, and these data are suppressed in order to preserve confidentiality.

of private Social Assistance employment has declined so dramatically, although we note it is consistent with national data.[4]

Figure 4: Share of Nonprofits in Employment in Major Nonprofit Industries (1995-2018)



2. PAYROLL

So far, we have focused on the number of employees in Social Assistance. However, trends in total payroll are very similar to trends in employment. In the 24-year period of 1995 and 2018 payroll has more than doubled from $602 million in 1995 to $1.4 billion in 2018, adjusted for inflation.[5]

Consistent with the trends in number of paid employees, for-profit payroll accounts for most of the growth. On average, for-profit payroll has grown by an annual rate of 6.8 percent from 1995 to 2018, while nonprofit payroll has grown annually by 2.4 percent Nonprofit annual growth rates for payroll have only been higher than the annual payroll growth rates for for-profits for six of the 24 years (four of those are between 1998 to 2002).

The total dollar amounts of nonprofit Social Assistance payroll has exceeded for-profit payroll each year since 1995, but the gap between them has changed dramatically (Figure 5). The gap grew from $300 million in 1995 to over $500 million in 2004, but by 2018 it was only about $106 million with total nonprofit payroll standing at $758 million compared to $652 million for for-profit.

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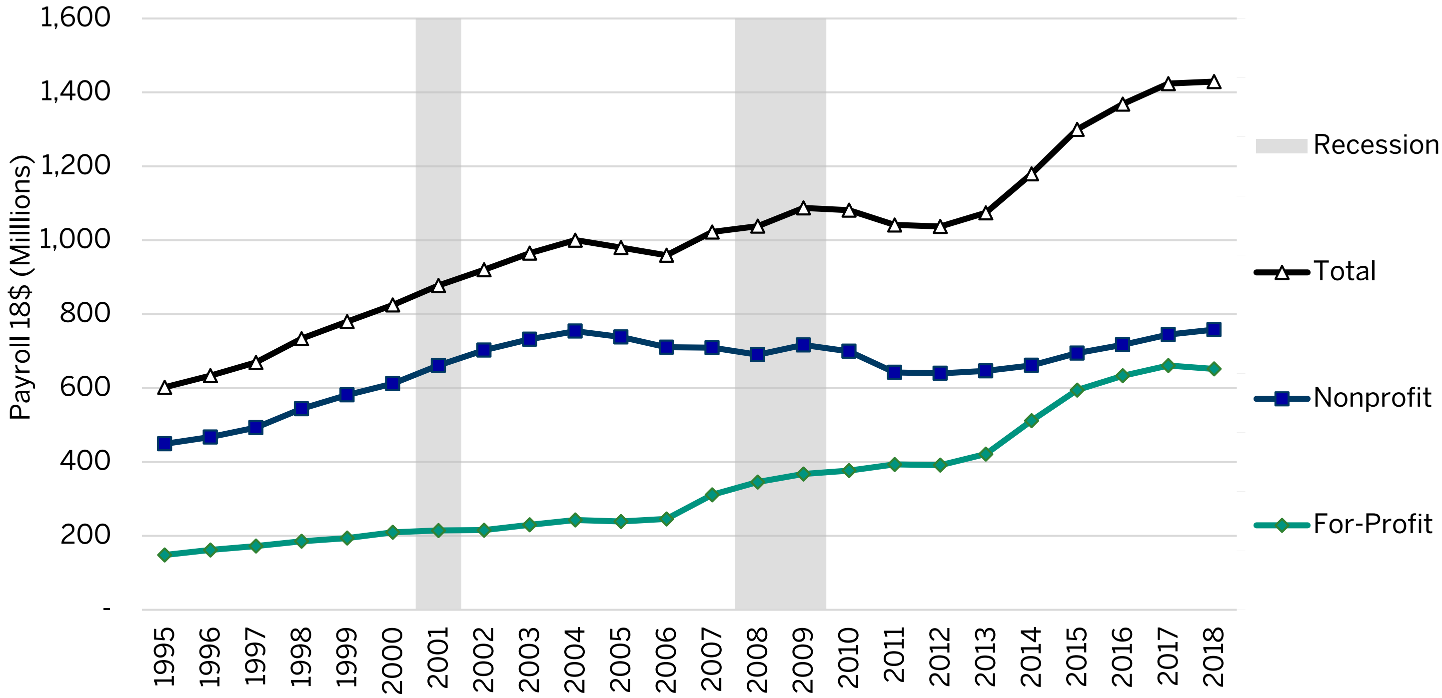
[4] See Lester M. Salamon and Chelsea L. Newhouse, "The 2019 Nonprofit Employment Report," Nonprofit Economic Data Bulletin no. 47. (Baltimore: Johns Hopkins Center for Civil Society Studies, January 2019). Available at ccss.jhu.edu. Retrieved August 12, 2019 from http://ccss.jhu.edu/wp-content/uploads/downloads/2019/01/2019-NP-Employment-Report_FINAL_1.8.2019.pdf.

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

Figure 5: Social Assistance Payroll by Sector (1995-2018)



As explained above, trends in Social Assistance payroll seem to follow the changes in paid employment for the most part. For additional insights into Social Assistance Payroll, see Appendix C.

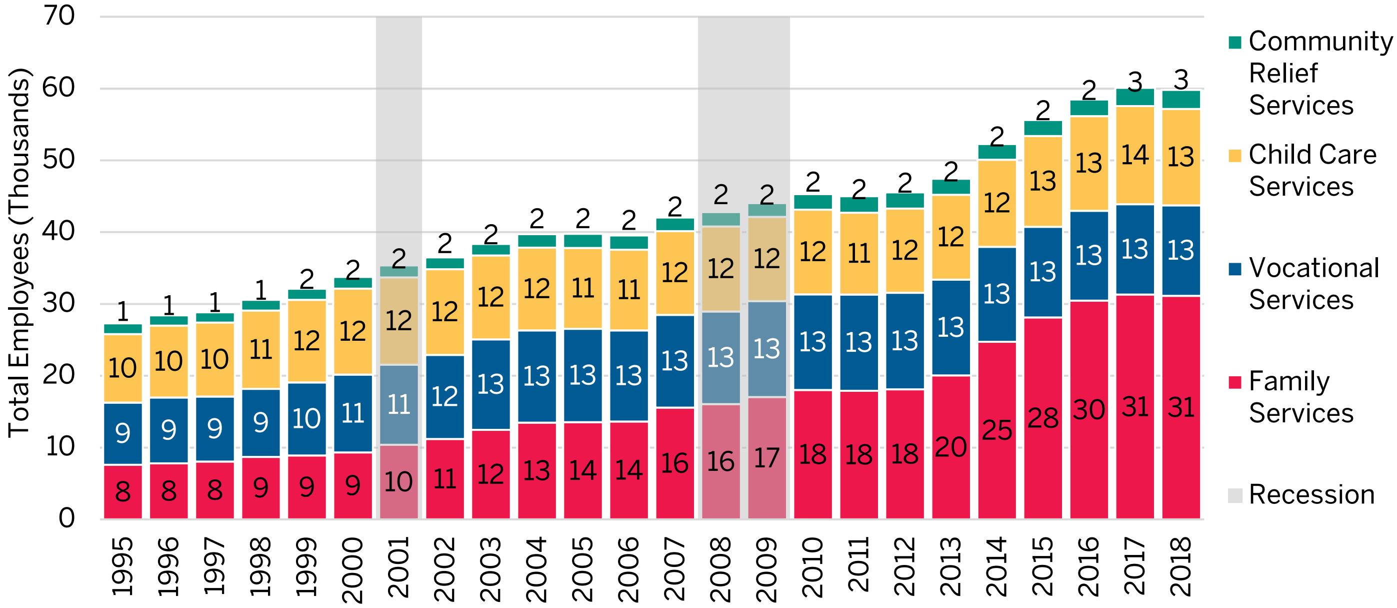
II. Social Assistance Subindustries

Until now, we have focused on trends in the overall Social Assistance Industry. However, as we show below, those patterns obscure significant differences among the four major sub-industries that comprise Social Assistance under the NAICS classification system: Individual and Family Services, Vocational and Rehabilitation Services, Child Day Care Services, and Relief Services.

Of the roughly 60,000 paid employees and overall payroll of in Social Assistance by 2018, Individual and Family Services accounts for almost half. However, as the red segments in Figure 6 shows, this particular subindustry has grown rapidly over the 24 years, up from just under 8,000 total employees (28 percent of the total) in 1995 to 31,000 in 2018. By contrast, Child Day Care Services and Vocational Rehabilitation Services each has grown much more modestly and have remained very similar in size to reach respectively 13,400 and 12,600 employees in 2018. However, Vocational Rehabilitation Services has a larger payroll—$300 million compared to $278 million for Child Day Services, most likely reflecting low hourly pay and more part-time employees in child day care. The smallest subindustry, Community Food and Housing, and Emergency and Other Relief Services, only has 2,700 employees and a payroll of $87 million.

We take a brief look at each of the four subindustries, examining overall trends and characteristics as well as the changing role of nonprofits within each subindustry.

Figure 6: Employment in Social Assistance by Subindustry (1995-2018)



A. Individual and Family Services

The Individual and Family Services subindustry provides nonresidential Social Assistance services for children and youth, the elderly and people with disabilities, and individuals and families. It is the largest and fastest growing Social Assistance subindustry. As noted above, the number of paid employees has quadrupled in the 24-year span.

As Figure 7 shows, virtually all of the growth is accounted for by for-profit establishments. Nonprofit employment has grown, but overall added only 4,800 employees over the 1995-2018 period, up by 72 percent. By contrast, for-profit employment in Individual and Family Services grew more than ten-fold, from 980 employees in 1995 to roughly 20,000 employees in 2018, adding almost 19,000 employees.

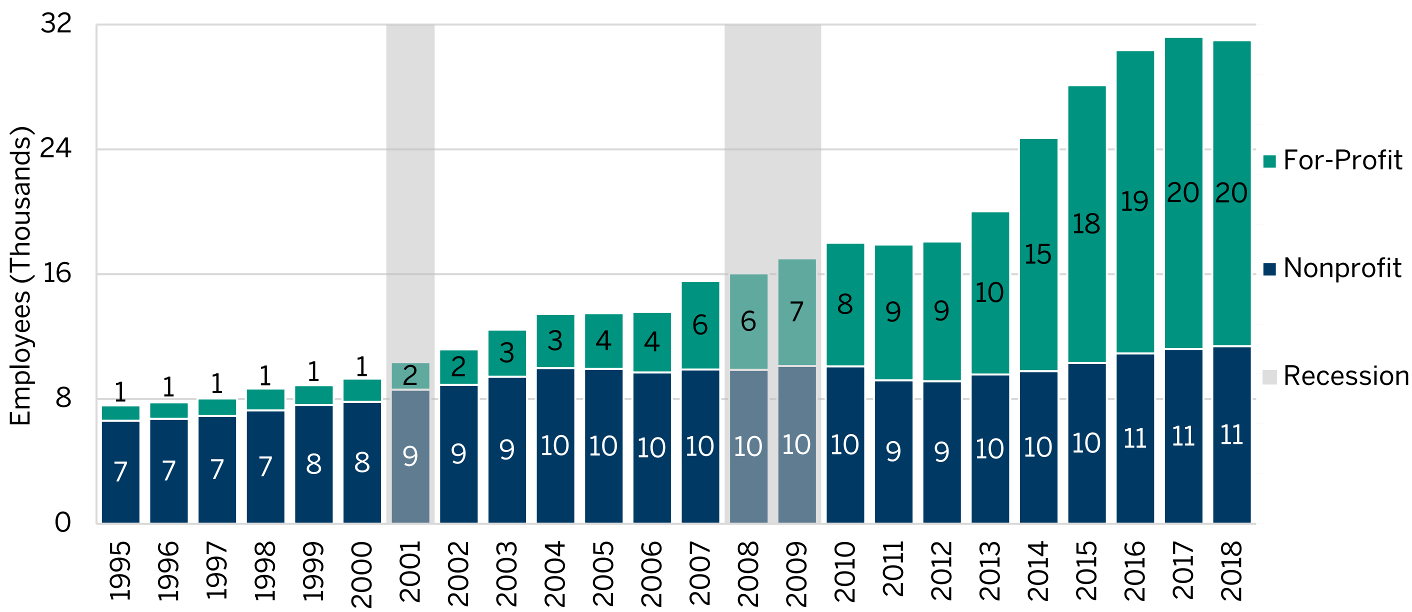
We believe several factors may have contributed to these significant shift. Thus, government funding for Social Assistance has changed from a system of grants and contracts awarded directly to Social Assistance providers (producer subsidies) to a system where payments are tied more directly to service recipients (consumer subsidies).[6] This type of market-based system has

[6] Historically, government funding for Social Assistance services has been in the form of grants and contracts awarded directly to service providers, often with a specified preference for nonprofit providers. That system allowed nonprofits to provide low or no cost service to clients with predictable funding. More recently, government funding has shifted towards a pattern of subsidizing service recipients, for example by providing them with tax credits for what they spend on eligible services (e.g., day care). In other cases, state governments have chosen to expand Medicaid to include Social Assistance-type services in order to leverage more generous federal funding available under the Medicaid system. Under this model, eligible service recipients select services from providers able and willing to accept standard reimbursement payments from government. For a discussion of these developments, see Kirsten A. Grønbjerg and Lester M. Salamon, "Devolution, Marketization, and the Changing Shape of Government-Nonprofit Relations." Chapter 15 in State of Nonprofit America, 2nd edition, Edited by Lester M. Salamon, Washington, D.C.: Brookings Institution, 2012.

long been prevalent in Health. The shift is likely to benefit for-profit firms, given their greater marketing prowess, compared to nonprofit establishments. There are also anecdotal complaints from nonprofit executives that some employees set up shop for themselves after they have gained experience with the complex public sector billing systems and established a loyal, moveable client base. If true, that pattern would further contribute to the shift from nonprofit to for-profit employment in Individual and Family services in particular, and Social Assistance more broadly.

Trends in payroll in Individual and Family Services follow similar patterns. Total payroll quadrupled from $185 million to $756 million over the 1995-2018 period, adjusted for inflation. However, total nonprofit payroll roughly doubled from $158 million to almost $333 million, while for-profit payroll increased more than sixteen-fold from $26 million to almost $417 million. See Appendix C for more details.

Figure 7: Paid Employment in Individual and Family Services by Sector (1995-2018)



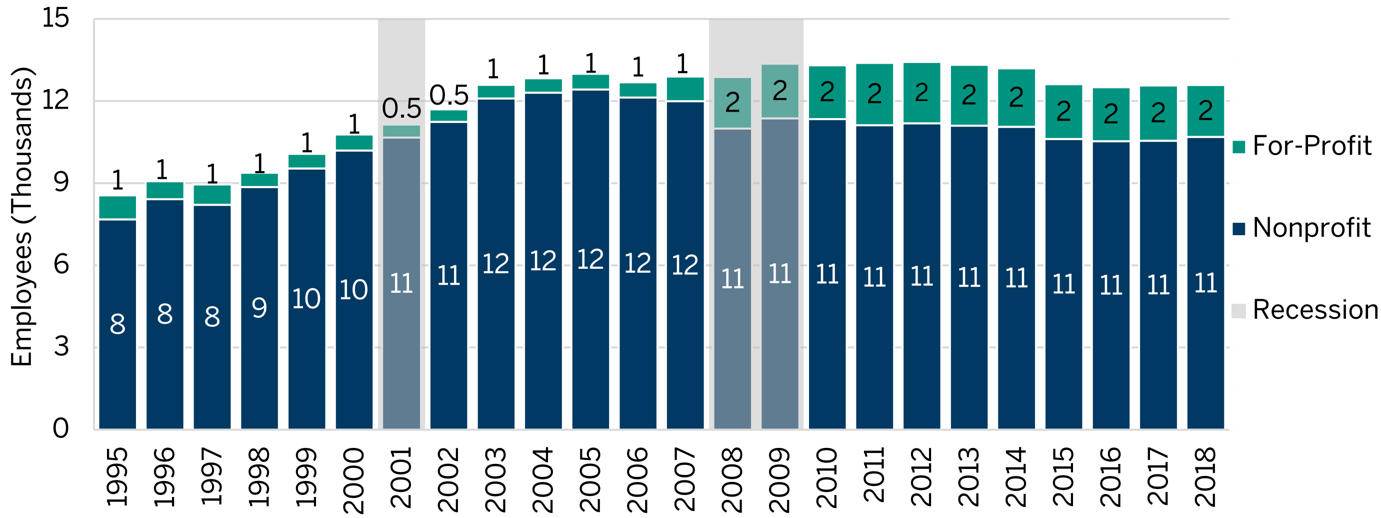
B. Vocational Rehabilitation Services

The second largest Social Assistance subindustry is Vocational and Rehabilitation Services, which provides a variety of job counseling, training and work experience to unemployed and underemployed persons, persons with disabilities, and those with job market disadvantages. Unlike the rapid growth of employment in Individual and Family Services, overall, Vocational Rehabilitation Services experiences has grown only modestly over the 24-year period (see Figure 8). The highpoint was in 2012 when total employment stood at 13,400 before losing about 850 employees since then.

In contrast with Individual and Family Services, nonprofits have continued to account for the great majority of employment in Vocational Rehabilitation Services, although the share has declined slightly from 90 percent between 1995 and 2007 to 85 percent in 2018.[7] Total nonprofit employment in this subindustry has grown from 7,700 employees in 1995, peaked in 2005 at 12,400 before decreasing by almost 1,500 by 2008 to stabilize between 10,000 and 11,000 as shown in Figure 8.

Payroll in Vocational Rehabilitation Services has followed similar trends. Nonprofit payroll was $250 million as of 2018, up by $50 million over 24 years (adjusted for inflation) and accounted for 81 percent of total payroll in the subindustry in 2018.

Figure 8: Paid Employment in Vocational Rehabilitation Services by Sector (1995-2018)



C. Child Day Care Services

The Child Day Care Services subindustry is roughly the same size as Vocational Rehabilitation Services. This includes establishments providing day care for infants or preschool children as well as after-school programs. In contrast to the continued strong dominance of nonprofits in Vocational Rehabilitation Services (and in Individual and Family Services until recently), nonprofits have accounted for only one-third to two-fifths of total paid employment in Child Day Care Services since at least 1995 (the earliest date for which we have reliable data). It is the only Social Assistance subindustry where for-profits have dominated consistently over the entire period.

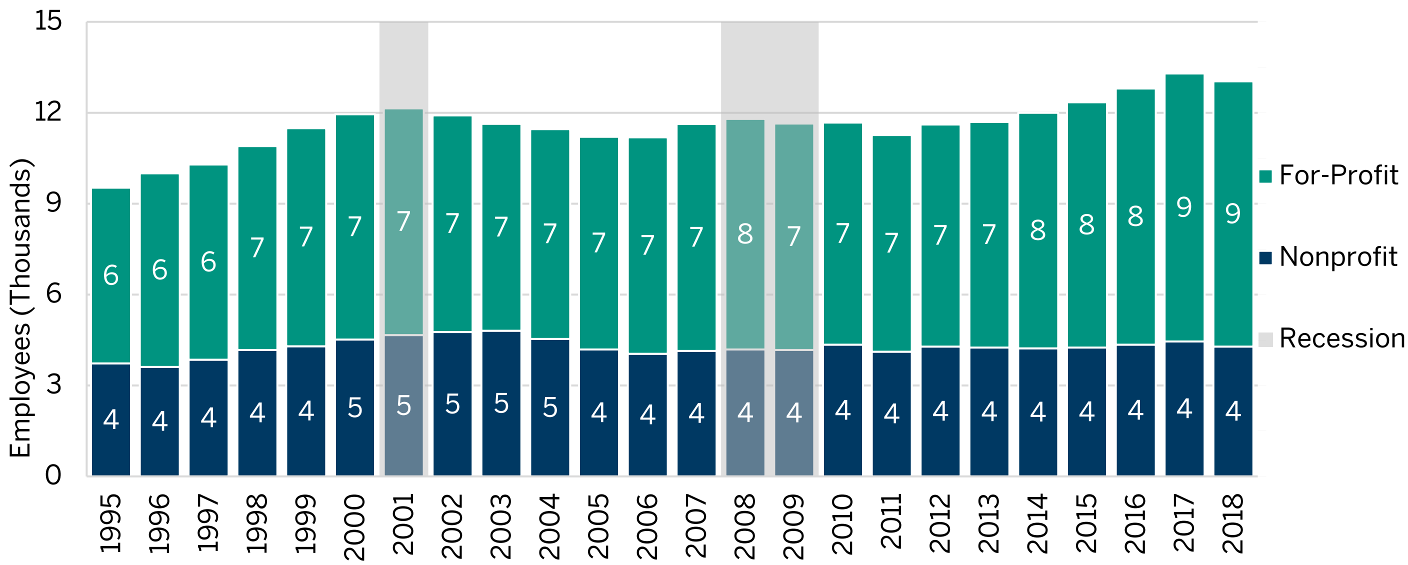
Since 1995, overall employment in Child Day Care Services has grown slowly (Figure 9), up 41 percent from about 9,500 to 13,400 in 2018. As in the other two subindustries considered above, most of the overall growth is accounted for by increases in for-profit employment, up 51 percent up from 5,800 employees to 8,800 employees (or by 3,000 employees) over that period. By contrast, total nonprofit employment in Child Day Care services, have grown by only 15 percent overall, up from 3,700 to 4,200, or by roughly 550 employees. However, as Figure 9 shows, nonprofit employment grew steadily between 1995 and 2003 to reach 4,800 employees, then

[7] Vocational Rehabilitation Services has government establishments. However, due to confidentiality constraints, we are unable to provide information on the small portion of government employees.

declined to 4,000 employees in 2006, before growing slightly to the current level. For-profit employment followed a similar pattern of early increases until 2002, then declines until 2006, before starting a period of steady increases in 2011.

Similarly, total payroll in Child Care Services has grown modestly, up from more than $150 million in 1995 to more than $275 million (adjusted for inflation), or 80 percent adjusted for inflation. However, nonprofit payroll has lagged behind, growing only 40 percent over the period (up from $69 million to $96 million), while for-profit payroll has almost doubled, up from $87 million to more than $170 million.

Figure 9: Paid Employment in Child Day Care Services by Sector (1995-2018)



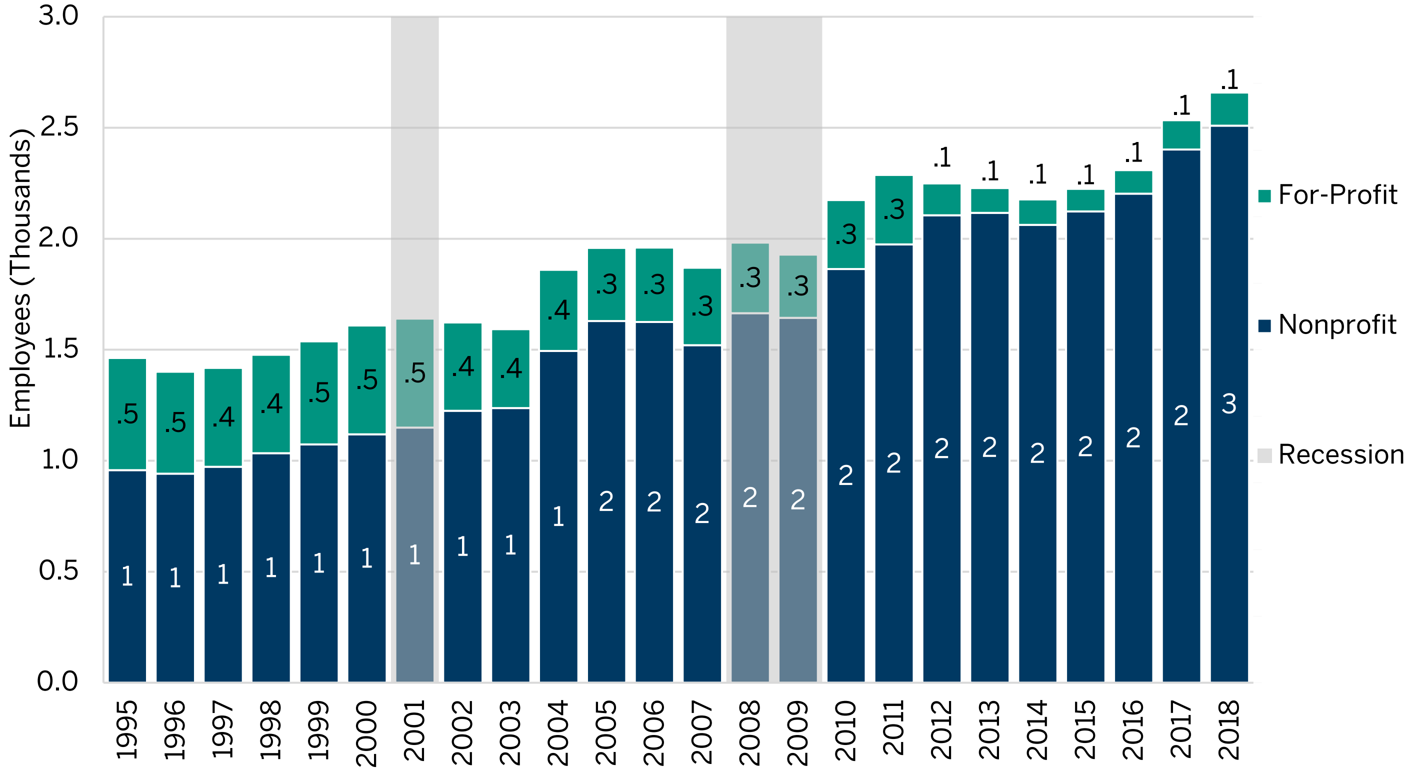
D. Relief Services

The final Social Assistance subindustry, Community Food and Housing, and Emergency and Other Relief Services, is tiny in comparison to the other three discussed so far – only 4 percent of total Social Assistance employment in 2018. These services include temporary shelters for abuse victims or the homeless, transitional housing for low-income persons or housing construction/ repairs for low-income persons, and emergency and other relief services such as food, clothing, medical relief and counseling to victims of disasters.

Overall employment in Relief Services has grown moderately from just under 1,500 paid employees in 1995, to 2,700 paid employees in 2018 (Figure 10), or up by 80 percent over the period. However, nonprofit employment has far outstripped the overall growth—up by 162 percent from less than 960 employees in 1995 to 2,500 in 2018, while for-profit employment has dropped from roughly 500 paid employees to only 149 employees.

Payroll follows a similar pattern to paid employees for this subindustry. Total payroll about doubled from just under $40 million to $87 million, adjusted for inflation over the 1995-2018 period. Total nonprofit payroll more than tripled, while total for-profit payroll dropped to less than half in this time period.

Figure 10: Employment in Relief Services by Sector (1995-2018)



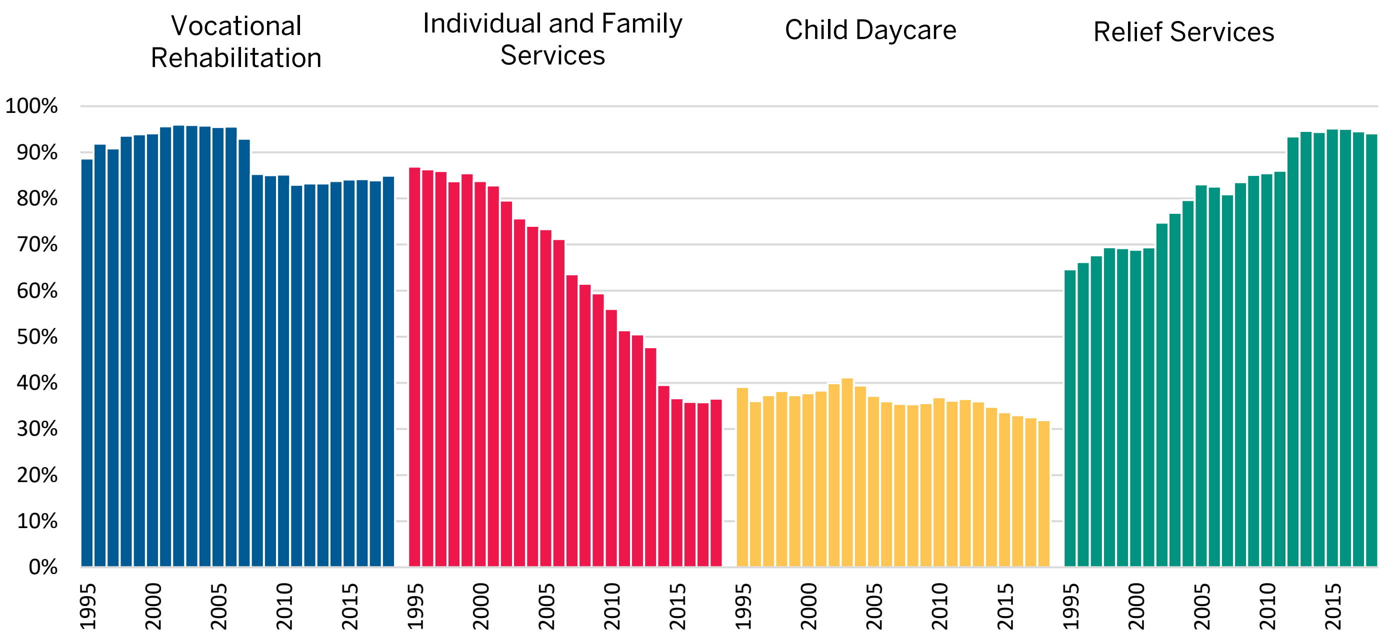
III. Diverse Patterns

Our discussion of the four Social Assistance subindustry above show distinctive patterns in how nonprofit and for-profit paid employment has changed over time (Figure 11). Individual and Family Services and Relief Services have experienced the most change in the share of total employment accounted for by nonprofits. In contrast, nonprofit share of total employment in Vocational Rehabilitation Services and Child Day Care Services have remained relatively stable.[8]

In Individual and Family Services, the nonprofit share of total employment has declined dramatically from almost 90 percent in 1995 to only 37 percent in 2018. Nonprofits were equally important in Vocational Rehabilitation Services in the late 1990s and also experienced a decline in their share of total employment in the subindustry. However, the decline has been very modest overall, down from 96 percent in the early 2000s to about 85 percent in 2018. In Child Day Care Services, nonprofits have maintained their relatively modest share of 30-40 percent of total paid employment. Finally, nonprofit share of Relief Services grew notably from just under 65 percent of total paid employees in 1995, to an almost complete dominance of 94 percent in 2018. In other words, Relief Services is the only Social Assistance subindustry where nonprofit employment has increased significantly, while for-profit employment has declined.

[8] Payroll for Social Assistance has roughly the same percent composition as employment does. See Appendix C for details.

Figure 11: Percent of Workers in Nonprofits by Social Assistance Subindustry (1995-2018)



IV. CONCLUSION

In the 24-year period from 1995 to 2018, Social Assistance has grown in total paid employees and total payroll. While there has been an overall increase in paid employment in both for-profit and nonprofit establishments, most of the growth is accounted for by for-profit establishments. However, but nonprofits have maintained an important presence.

When we look at the four subindustries, we find very distinctive trends. The largest of the subindustries, Individual and Family Services, has grown rapidly over the 1995-2018 period, driven almost entirely by growth in for-profit employment, up from just under 15 percent of total employment to just under 65 percent.

By contrast, the two smaller subindustries, Vocational Rehabilitation Services and Child Daycare Services, have stayed relatively stable in terms of overall employment and in terms of the nonprofit share of total employment. However, they differ dramatically in the dominance of nonprofits – very high (85-95 percent) in Vocational Rehabilitation Services compared to only 30-40 percent in Child Daycare Services.

Finally, the smallest of the four subindustries, Relief Services, has grown moderately over the period. This is the only subindustry where nonprofits have not only maintained but strengthened their already high dominance, up from about 65 percent of total employment to 95 percent.

These trends have important implications for public and philanthropic policy makers in Indiana. For example, it is likely that nonprofit Social Assistance providers target their services more explicitly to low income Hoosiers than their for-profit counterparts. The shift towards for-profit service providers evident in all subindustries, except for Relief Services, therefore, raises major concerns about the continued availability of low-cost services to low income families and individuals, especially given growing inequality and high levels of income insecurity. Thus, close to a million households in Indiana (39 percent) live in poverty or struggle to afford the basics of housing, food, health care, childcare and transportation.[9] Lack of access to reliable transportation for low-income families further complicate their ability to obtain low-cost services.

At the same time, developments in philanthropy also threaten the ability of nonprofit service providers to secure charitable donations to complement low fees (if any) from clients and modest reimbursements from government funding sources (where available). The Tax Cuts and Jobs Act of 2017 significantly reduced tax incentives for making charitable contributions for all taxpayers except the very wealthy. And while some wealthy individuals provide significant donations to human service nonprofits, of the 2,100 gifts of $1 million or more made nationally in 2016 (totaling more than $21 billion), human services received only 1 percent.[10] Growing income inequality therefore also threatens charitable contributions to Indiana nonprofit Social Assistance agencies and therefore also their ability to continue to provide low-cost services to struggling Indiana families.

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[9] The United Way ALICE Project, ALICE: A Study of Financial Hardship in Indiana, 2018 Report. Indiana United Ways, 2019. Available online at https://www.iuw.org/alice, retrieved January 3, 2020.

[10] Computed from Lilly Family School of Philanthropy. *Million Dollar List*. Retrieved September 8, 2019 from https://milliondollarlist.org/data/recipients/index.html.

APPENDIX A: METHODOLOGY

Source of Data

The two sources of data for this report is the Quarterly Census of Employment and Wages (QCEW, once called ES-202) and 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[11].

The BMF lists all tax-exempt entities registered under section 501(c) of the Internal Revenue Code. The file includes the exempt entity's name, reporting address, Federal Employer Identification Number, 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 1.7 million exempt organizations.[12]

Data Processing and Cleaning

The Indiana Business Research Center (IBRC) at Indiana University reconciles the data in the two sources using Employer Identification Numbers (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. 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 sub-industry for all sectors, and by region.

[11] 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.
[12] Internal Revenue Services, Exempt Organizations Business Master File Extract. Internal Revenue services, 2019. Available at https://www.irs.gov/charities-non-profits/exempt-organizations-business-master-file-extract-eo-bmf, retrieved January 13, 2020.

Limitations

The QCEW covers an estimated 95 percent of all paid employees.[13] However, certain employees are not required to participate—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, and certain short-term government employees.[14] In addition, in Indiana insurance agents on commission, casual labor not in course of employer's business, and part-time service for nonprofits, student nurses and interns, and students working for schools are not required to participate.[15]

The exclusion of religious organizations and charities with less than four employees from the QCEW data is 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 effort involved de-duplicating nonprofits registered with the IRS under section 501(c), incorporated nonprofits from the Indiana Secretary of State (SOS), and Yellow Page Listing of Churches (Infogroup).[16]

The exclusion of religious organizations is likely to be most important. 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,[17] but only 178 were included in the QCEW data for 2018. 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.[18] The QCEW only reports 1,441 employees of religious

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[13] See Footnote 11.

[14] 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.

[15] 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.

[16] The Indiana Nonprofits Project uses the 2017 Indiana Nonprofits Survey to gather a clearer picture of unaccounted nonprofit employees. Using the sample statistics from the survey, we estimated the mean and median number of paid full-time and part-time 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 information see the paper for the 2017 ARNOVA Conference cited below.
Surveying Nonprofits: Sampling Strategies and Quality, by Kirsten A. Grønbjerg, Ashley Clark, Hannah Martin, Tyler Abbott, and Anthony Colombo (Bloomington, IN: Indiana University School of Public and Environmental Affairs, November, 2017).

[17] The Infogroup (yellow page) listing includes about 9,600 congregations, but some of these are duplicates, leaving us with just over 8,800.

[18] The underestimate of 25,100 employees is based on a conservative estimate 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 be a more valid estimate of the number of employees, since the 178 congregations included in the QCEW data for 2018 have an average of 8.1 employees, very close to the average from our survey (8.75).

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 about 18 percent of the state's 28,400 charities have at least 1 but less than four paid employees, for a total of 5,200 charities. The survey also shows that these small charities employ an average of 1.9 employees, suggesting that there should be a total of 9,900 employees. Although some of these are indeed included in the QCEW data, that is the case for only 950 establishments with 1,733 paid employees. Consequently, our estimate of nonprofit employees in Indiana is underestimated by about 8,200 employees because.[19] While there is likely some overlap between these two sources of underestimation – congregations and charities with 1-3 employees only – it seems clear that the actual number of nonprofit paid employees is substantially higher 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 and often excludes status changes. 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.[20] 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

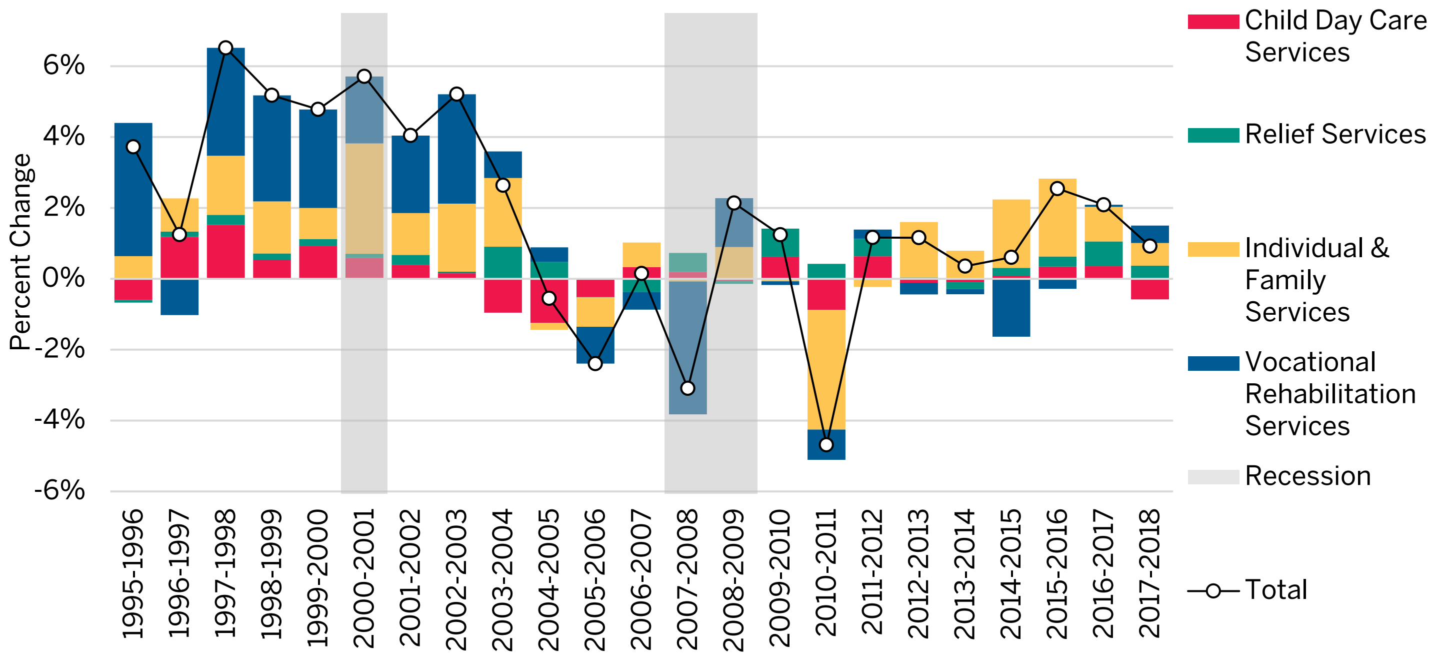
[19] The QCEW data show that small charities (those with less than four paid employees) employ an average of 1.82 employees. This is very close to average estimate based on the survey (1.9) suggesting that this underestimate is likely to be fairly accurate.

[20] 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.

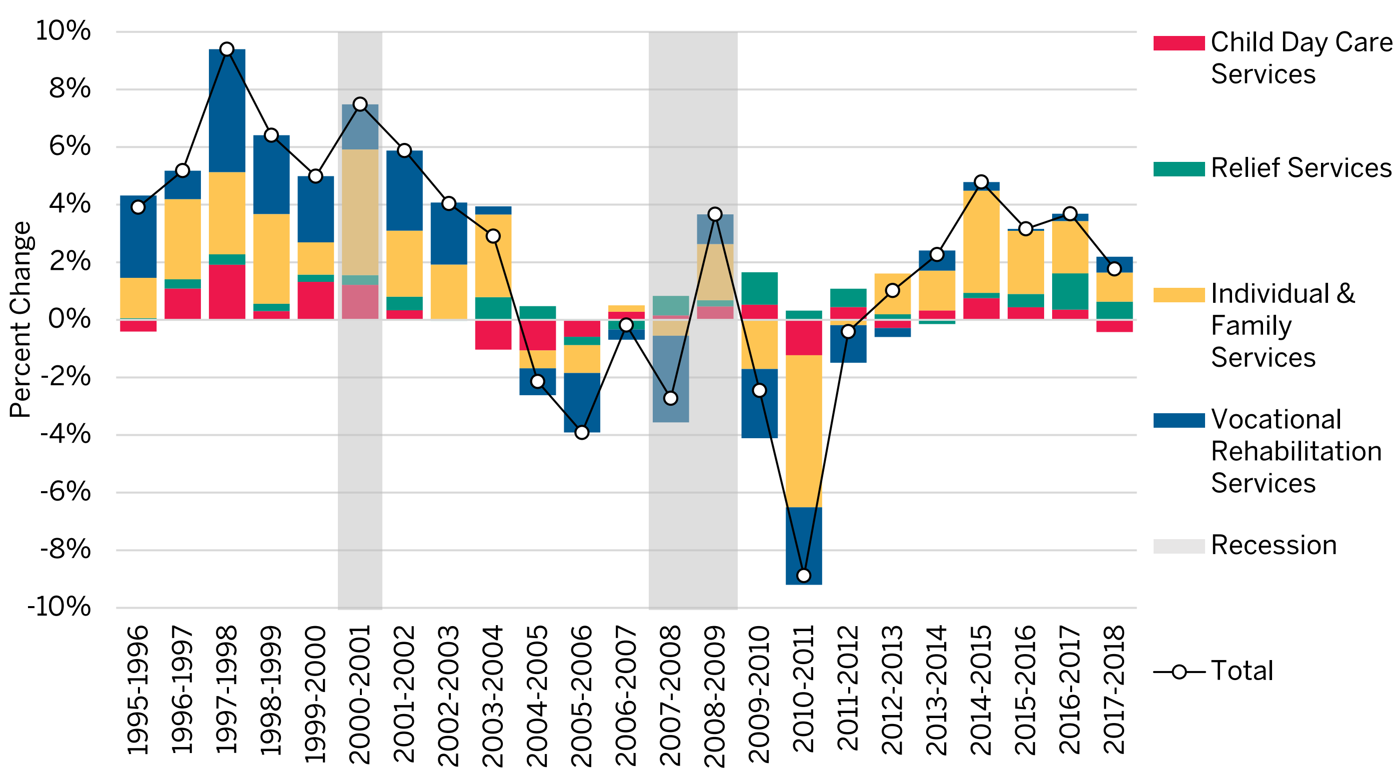
up to several months. We believe the error is relatively insignificant, but we cannot confirm that assumption. The same situation occurs for entities that convert to for-profits during the data year. Then, although the EOMF lists them as nonprofits, they technically would cease to be nonprofits during 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

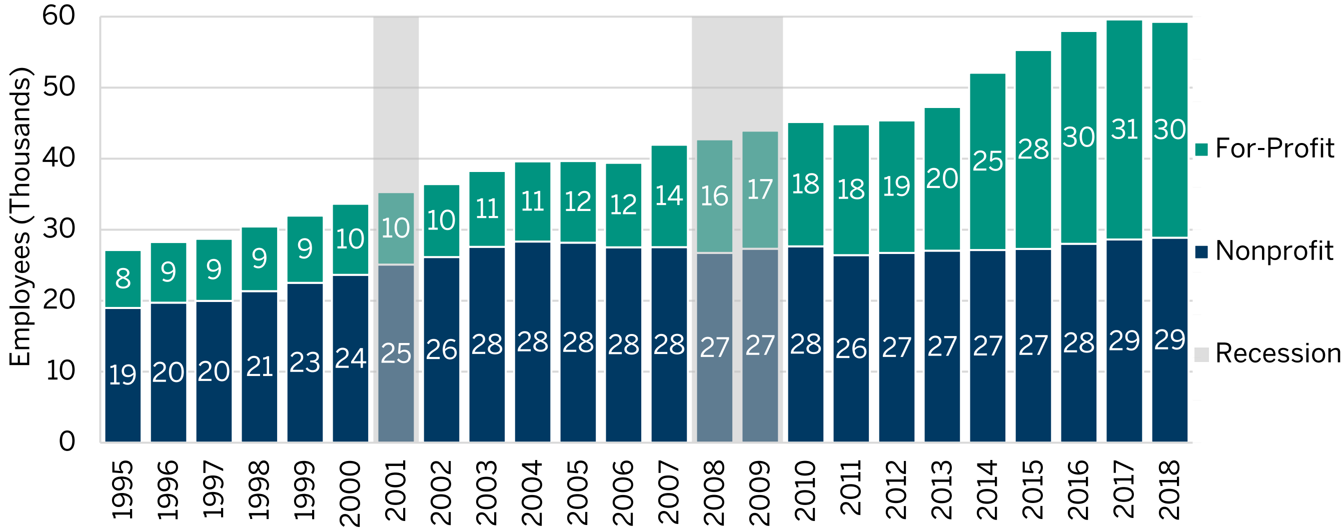
Subindustry Share of Percent Change in Nonprofit Employment (1995-2018)



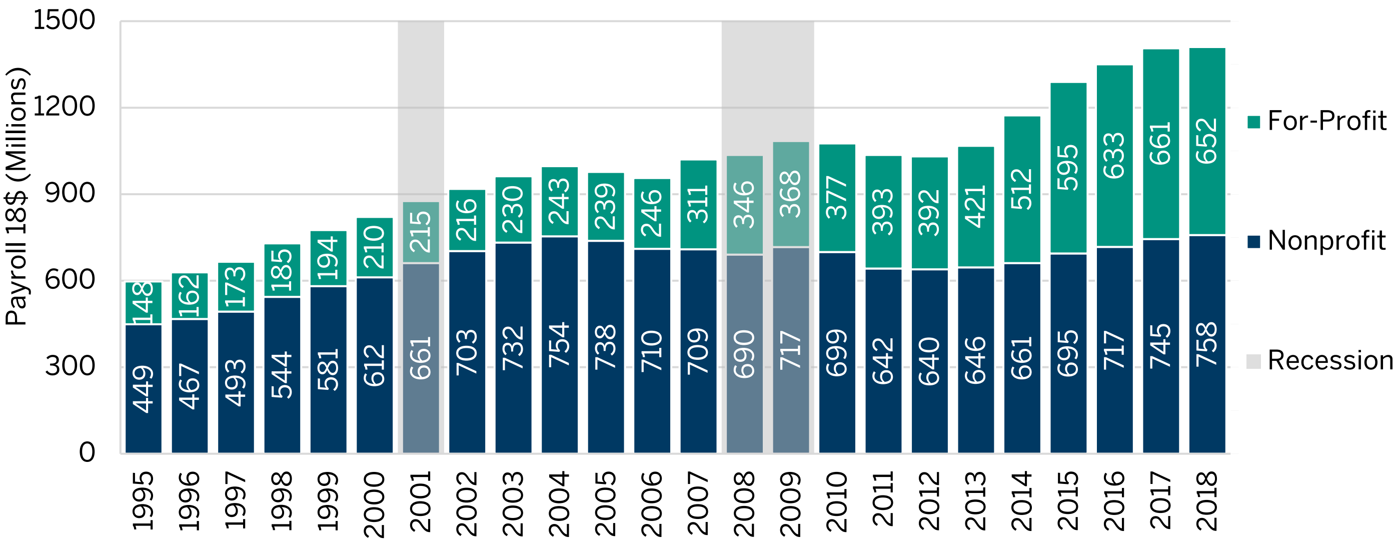
Subindustry Share of Percent Change in Nonprofit Payroll 18$ (1995-2018)



Social Assistance Employment by Sector (1995-2018)

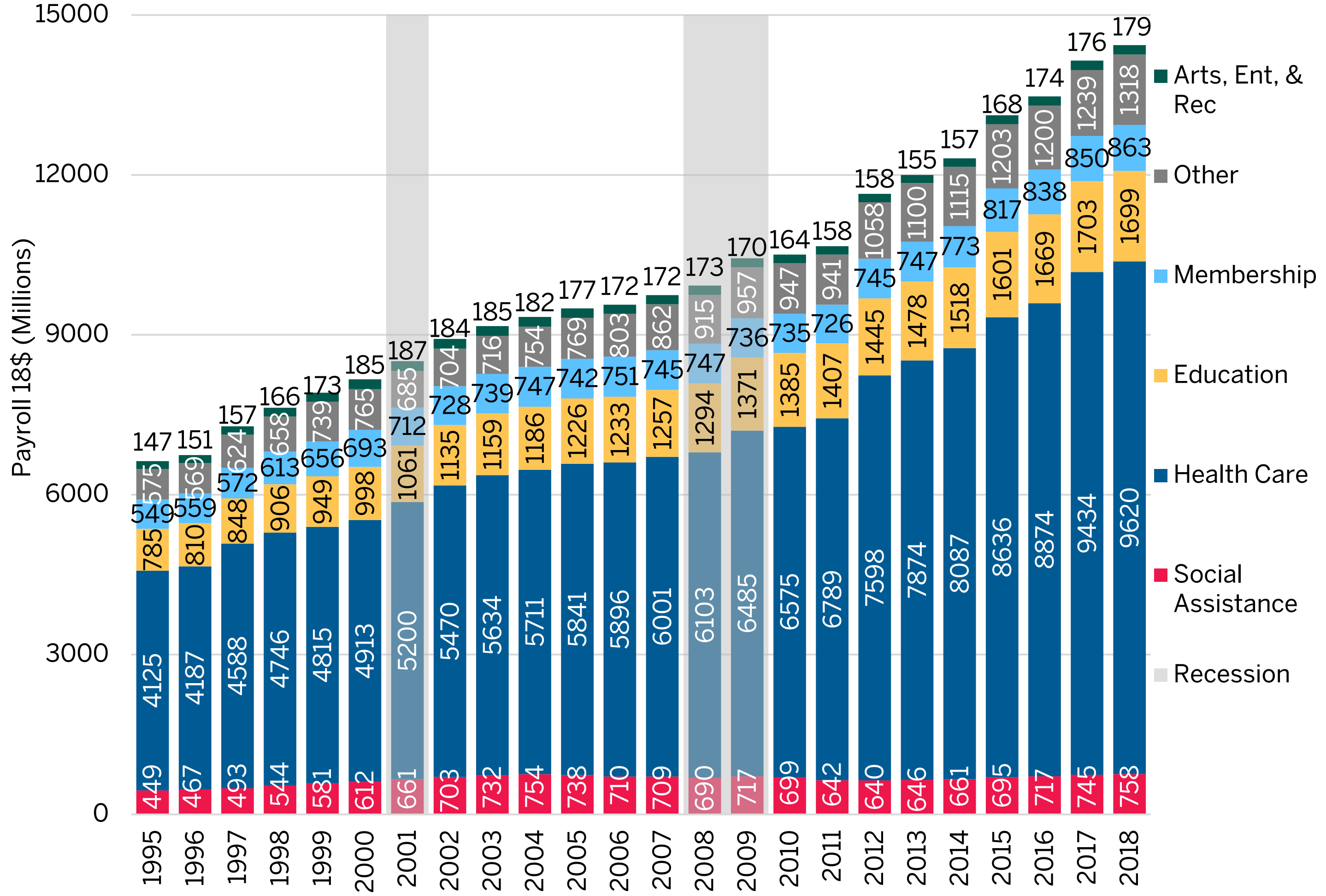


Social Assistance Payroll (18$) by Sector (1995-2018)

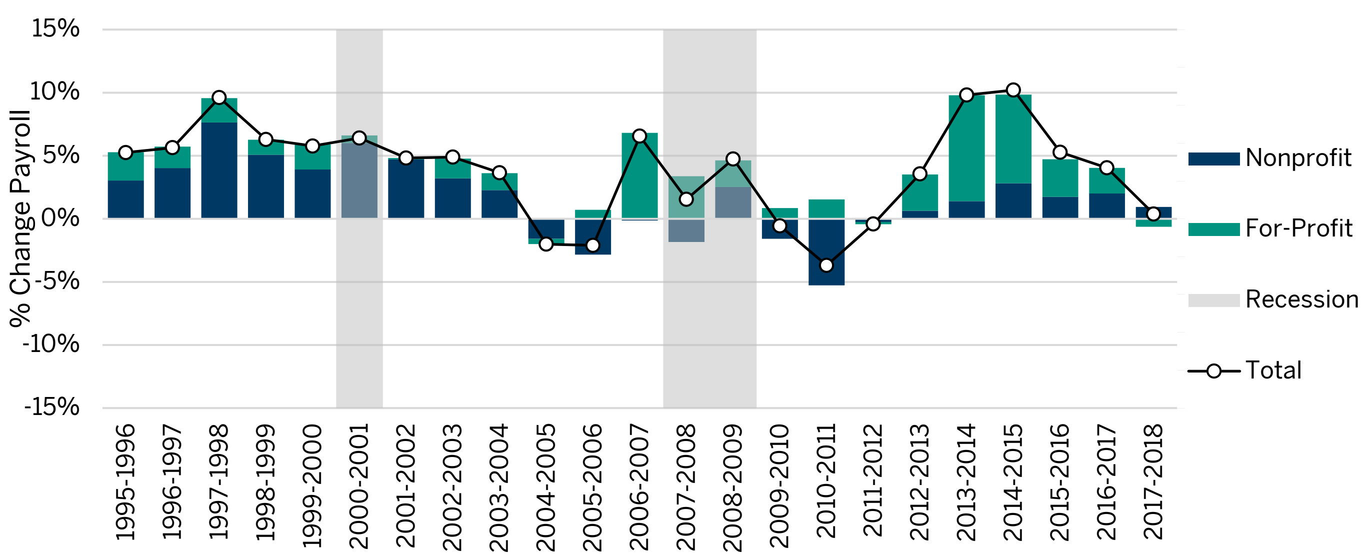


Appendix C: Payroll Graphs

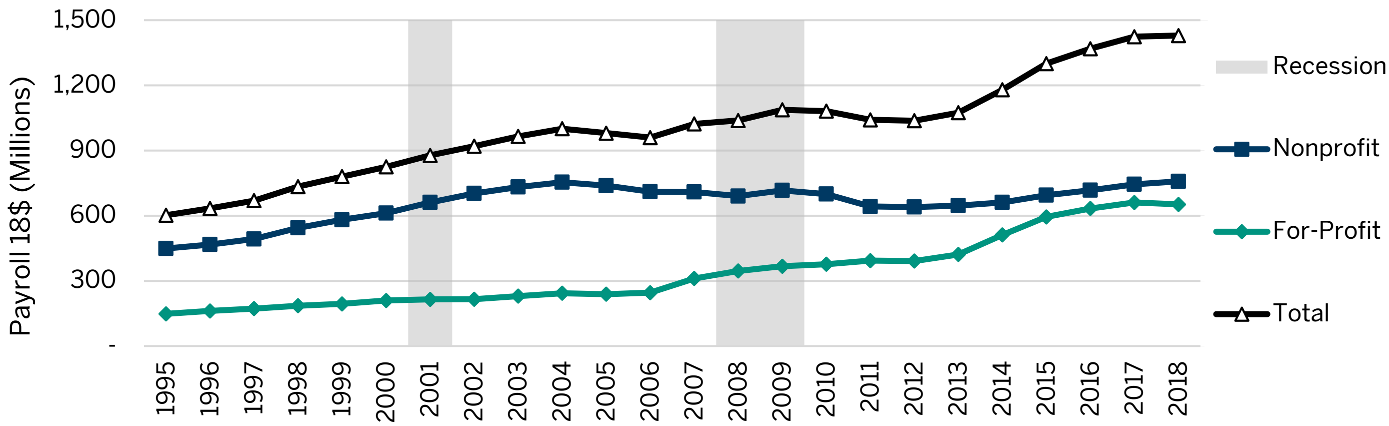
Nonprofit Sector Payroll (18$) by Industry (1995-2018)



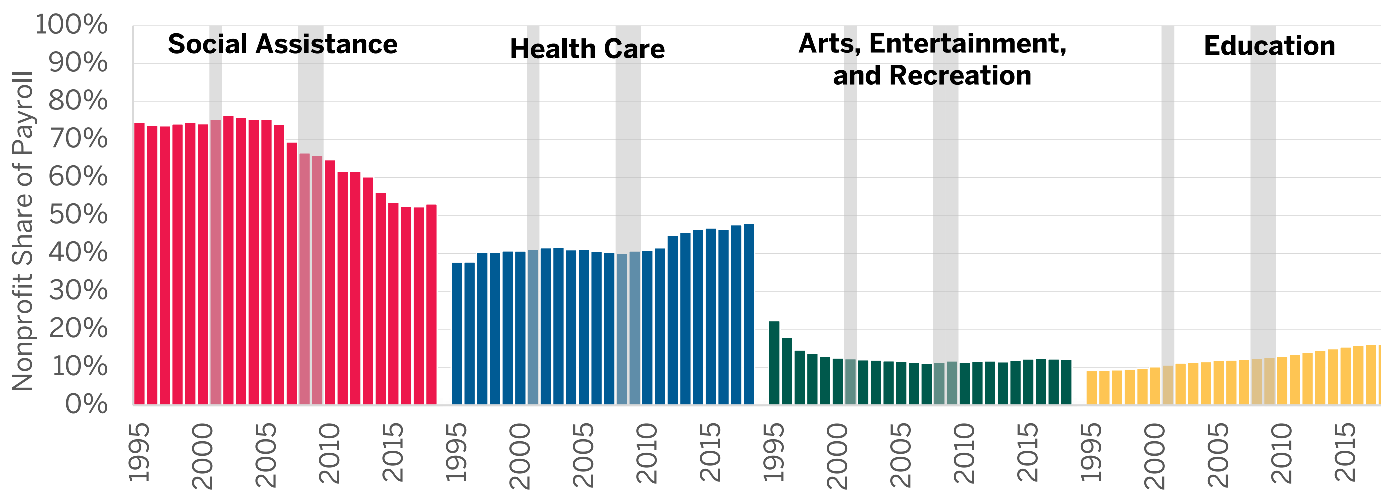
Percent Change in Social Assistance Payroll 18$ by Sector (1995-2018)



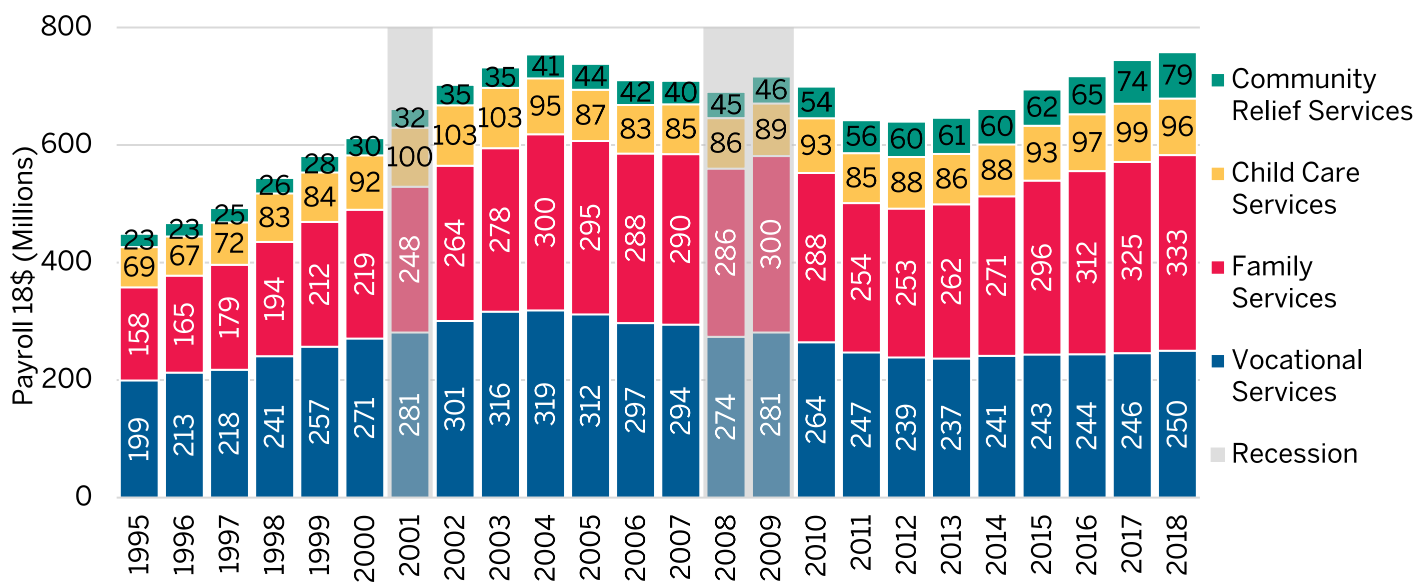
Social Assistance Payroll 18$ by Sector (1995-2018)



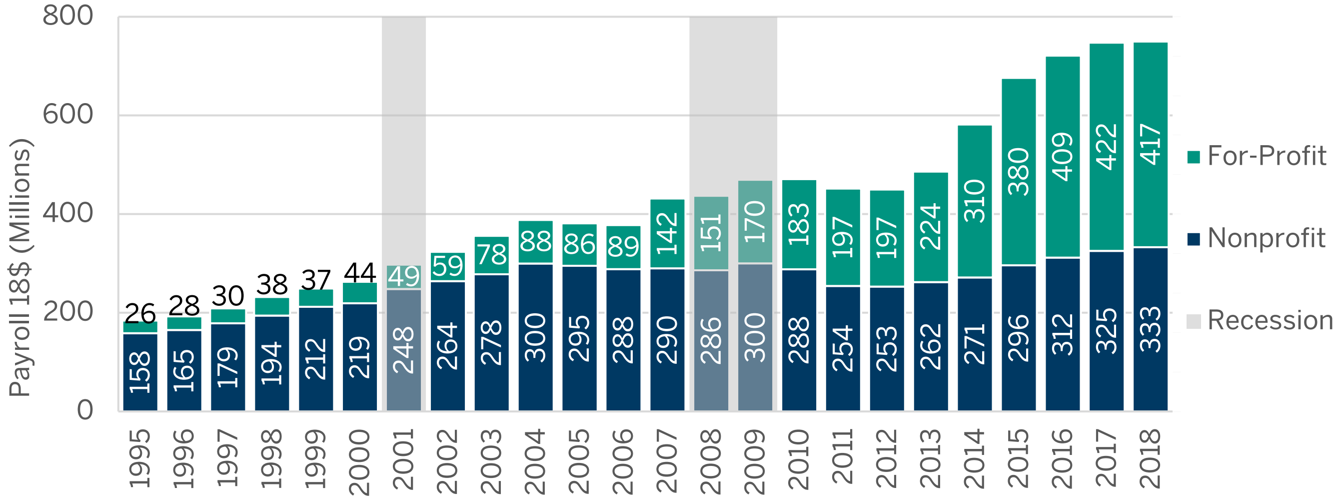
Percent Share of Nonprofits in Payroll 18$ in Major Nonprofit Industries (1995-2018)



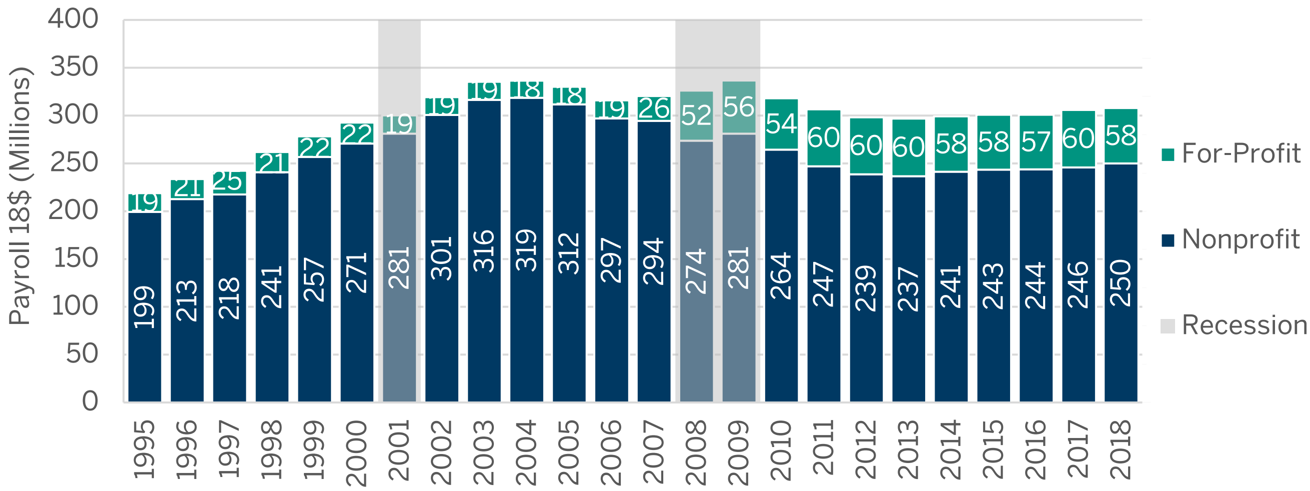
Payroll 18$ in Social Assistance by Subindustry (1995-2018)



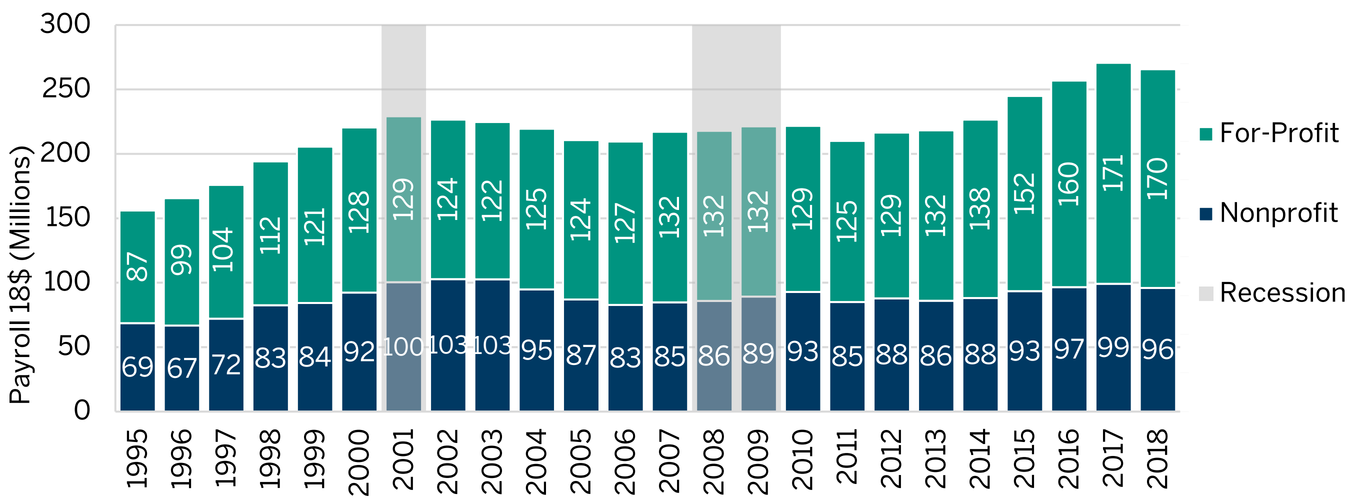
Payroll 18$ in Individual and Family Services by Sector (1995-2018)



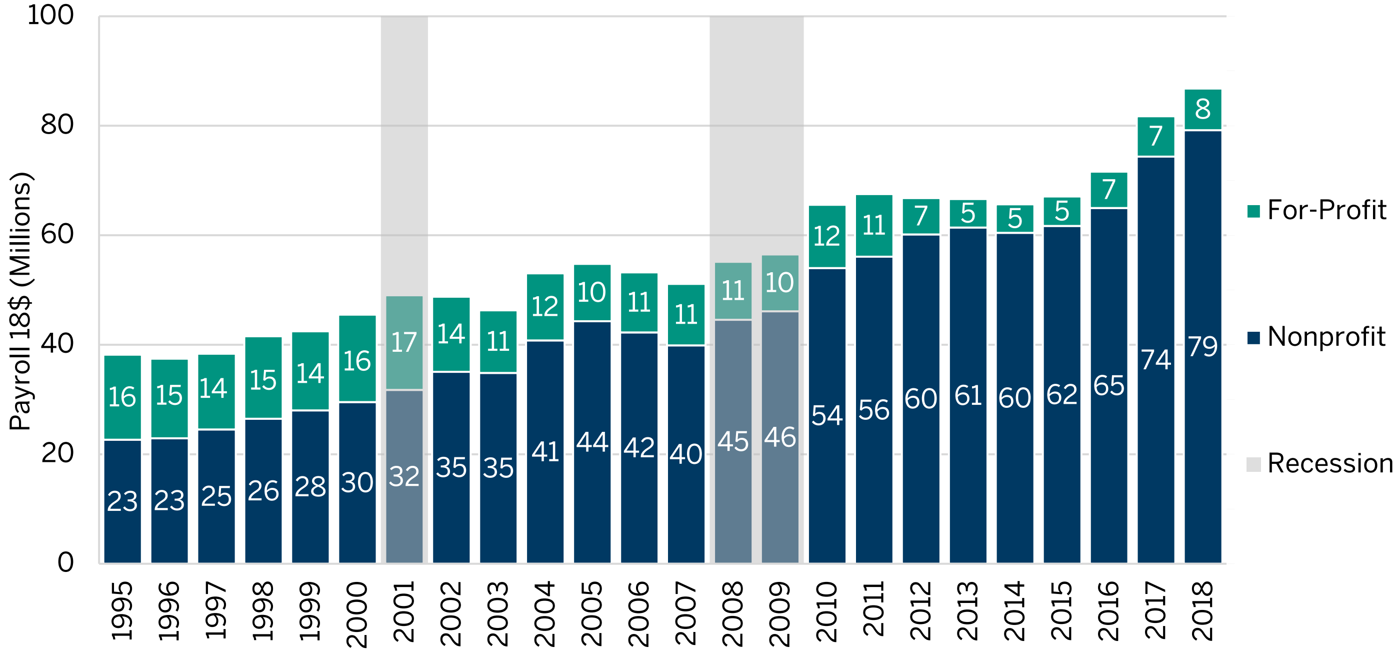
Payroll 18$ in Vocational Rehabilitation Services by Sector (1995-2018)



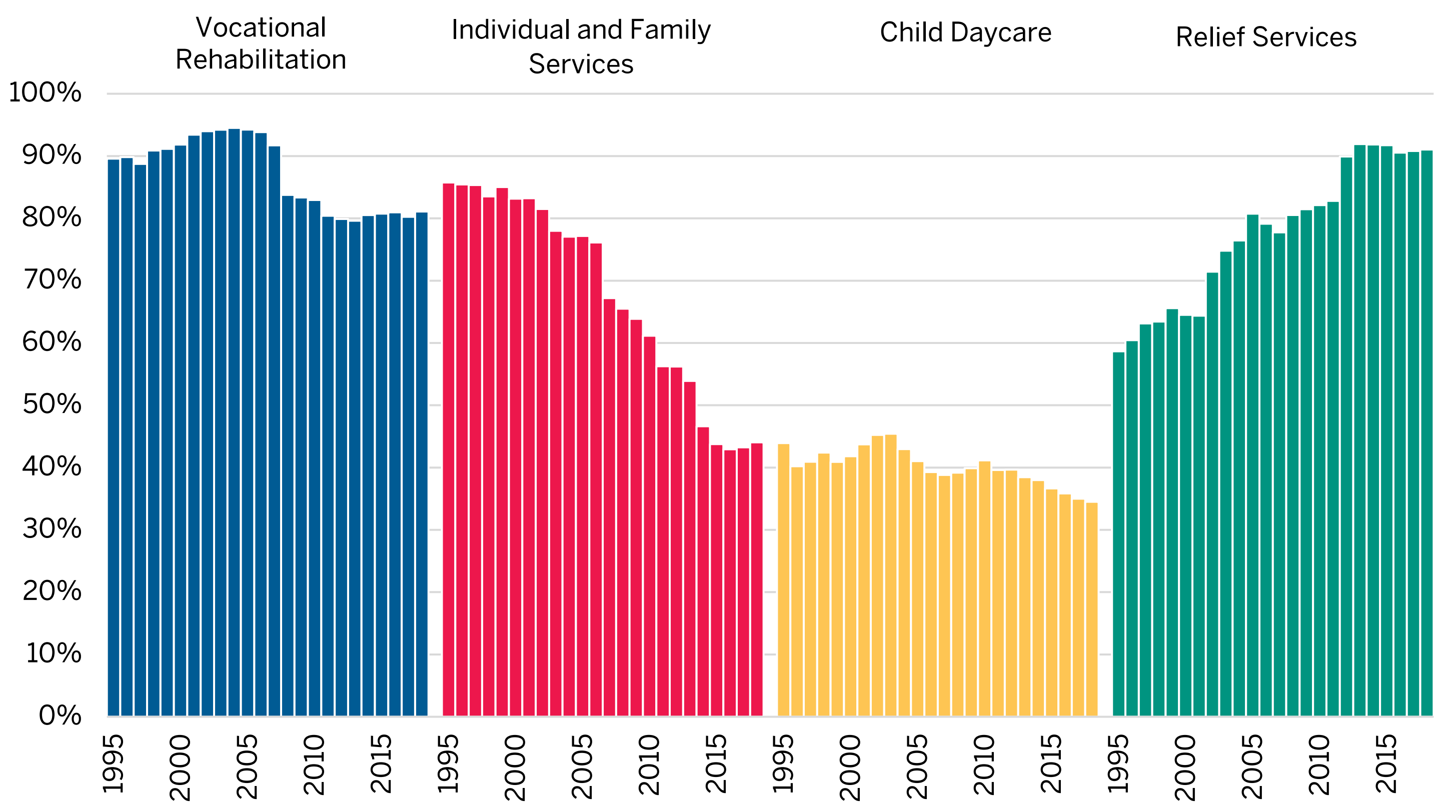
Payroll 18$ in Child Day Care Services by Sector (1995-2018)



Payroll 18$ in Relief Services by Sector (1995-2018)



Percent of Payroll 18$ that is Nonprofit by Social Assistance Sub-Industries (1995-2018)



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