



INDIANA NONPROFITS PROJECT
NONPROFIT EMPLOYMENT: REGIONAL SERIES
REPORT #05

Nonprofit Paid Employment in Economic Growth Region 06, Indiana, 2000-2019

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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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Introduction

Nonprofits employed 301,000 workers in Indiana in 2019 – about 10 percent of all paid workers in the state. These workers play a vital role by providing Hoosiers with key services in health care, social assistance, education, arts, culture and recreation, and more.

However, nonprofits also have a significant impact on the state's overall economy. The \$15 billion¹ earned by nonprofit employees in 2019 benefit the general economy when nonprofit workers buy goods and services from local businesses or own homes in the region. These workers also contribute to state and local government finances, when they pay state income taxes, state and local sales taxes, and local property taxes.

In this report we examine the economic impact of the nonprofit sector in East Central Indiana, Economic Growth Region 6, and how that compares to the state of Indiana. We also compare nonprofit employment and payroll to other industries, and to the for-profit and government sectors.

Economic Growth Region 6: East Central Indiana



Economic Growth Region (EGR) 6 is composed of nine counties – Blackford, Delaware, Fayette, Henry, Jay, Randolph, Rush, Union, and Wayne County. EGR 6 includes the Muncie Metropolitan Statistical Area (Delaware County). In 2019, EGR 6 had just under 118,000 paid workers and a total payroll of over \$4.7 billion.

Employment and Payroll

In 2019, the nonprofit sector in EGR 6 employed 14,000 workers with a payroll of \$636 million. Figure 1 shows how those nonprofit employees are distributed across the nine counties. Almost four-fifth (79 percent) are employed in Delaware County (Muncie, 45 percent) and Wayne County (Richmond, 34 percent). The third largest is Jay County, with only 6 percent. The remaining 15 percent is spread almost evenly across the other six counties. Since 2000, Delaware County's share has declined by 3 percentage points and Wayne County's gained 5 percentage points. Of the 92 counties in Indiana, Delaware County ranks 10th in share of total Indiana nonprofit workers, employing 2 percent of the state's nonprofit workers.

Quick Facts

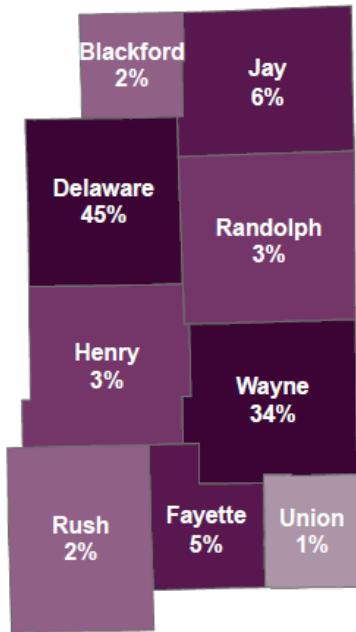
- Nonprofits employed 14,000 workers in the region with a total payroll of \$636 million in 2019 – about 12 percent of all paid employees and 14 percent of the total payroll in the region.
- Nonprofit employment trails employment in manufacturing and retail trade in the region, but the gaps have narrowed considerably over the 2000-2019 period (Fig. 4).
- Nonprofit payroll trails only manufacturing, and that gap has also narrowed (Fig. 5).
- Nonprofit employment and payroll (adjusted for inflation) have grown considerably over the 2000-2019 period (up respectively 18 and 54 percent), while for-profit or government employment and payroll declined (Fig. 6 and 7).
- Nonprofit employment has grown more slowly than nonprofit jobs at the state level but grew in 12 of the 20 years between 2000 and 2019 (Fig. 8).
- Most nonprofit employees work in health care (65%) with most of the rest distributed across social assistance, membership associations, education and all other industries (including arts, entertainment and recreation) (Fig. 9).
- Nonprofit employees account for almost half of all health care workers and more than two-thirds of social assistance workers (Fig. 10) in the region.
- Nonprofit establishments have significantly more employees on average than for-profit establishments in the same industries. Nonprofit health care establishments are considerably larger on average than nonprofit establishments in other industries (Fig. 12).
- Average wages are highest for nonprofit workers in health care, followed by those in education. Average wages are higher for nonprofit employees than for-profit workers in all major nonprofit industries except for arts entertainment and recreation, where average annual wages are comparable (Fig. 14).

¹ All payroll values in this report are adjusted to 2019 inflation.

Indiana Nonprofit Employment: EGR 6 Report

The \$636 million nonprofit payroll is spread nearly proportionally to nonprofit employment. Delaware (46 percent) and Wayne (37 percent) Counties account for over four-fifths of the payroll (83 percent). The next largest is Fayette County with only 5 percent. See Appendix B for more details. Wayne County's nonprofit payroll increased 8 percentage points and Delaware County's decreased by 7 percentage points since 2000 while the remaining counties changed minimally.

Figure 1: Distribution of Nonprofit Paid Employment (2019) by County for EGR 6



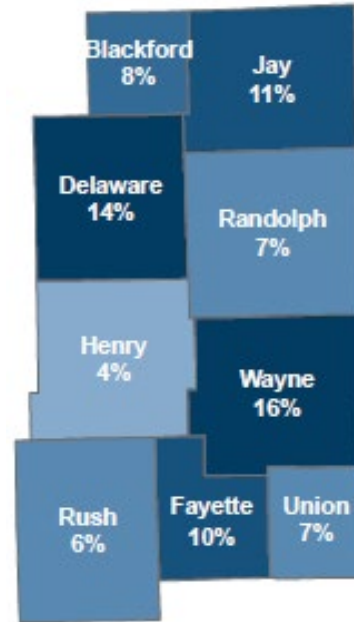
The nonprofit share of total employment and total payroll points to the economic role that nonprofits play in the region. The nonprofit sector is particularly important in Wayne County (Richmond), where fully 16 percent of all paid workers are employed by nonprofits. This is the highest percentage among the nine counties in EGR 6 and the fourth highest of the 92 counties in Indiana. Delaware, Jay, and Fayette counties also had high nonprofit shares at 14, 11, and 10 percent, respectively. In the remaining counties in EGR 6, nonprofits account for 6 to 8 percent of all employees, except for Henry County at 4 percent.

Since 2000, the percent of all paid employees working for nonprofits grew by 6 percentage points for Blackford, Jay, and Wayne County, increased by 3 percentage points for Delaware and Rush County, and remained unchanged for the rest.

The nonprofit share of total payroll across the nine counties is generally similar to the employment share, with two exceptions. Fayette and Wayne Counties

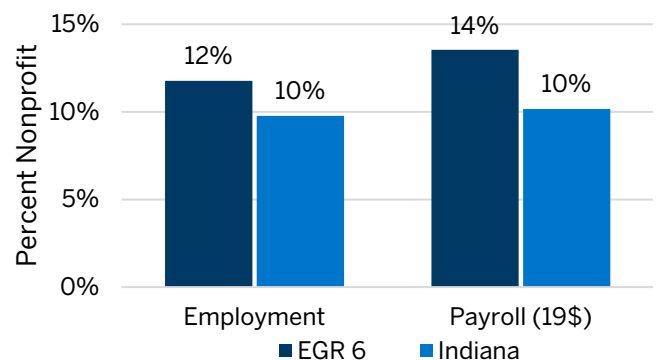
have four percentage points higher share of total payroll in the county than of employment. Since 2000, the nonprofit share of total payroll has increased in every county, most notably in Wayne County which increased by 11 percentage points. See Appendix B for more details.

Figure 2: Nonprofit Share of Total Paid Employment (2019) by County for EGR 6



Of Indiana's 11 EGRs, EGR 6 has the second highest nonprofit share of total employment at 11.8 percent (just 0.1 percentage points lower than EGR 2 – the region that includes South Bend, which has the highest share). The nonprofit share in EGR 6 is higher than Indiana for employment (by 2 percentage points) and payroll (by 3 percentage points), as shown in Figure 3. Since 2000, the nonprofit sector has increased its share of total employment in EGR 6 by 4 percentage points and its share of total payroll by 6 percentage points.

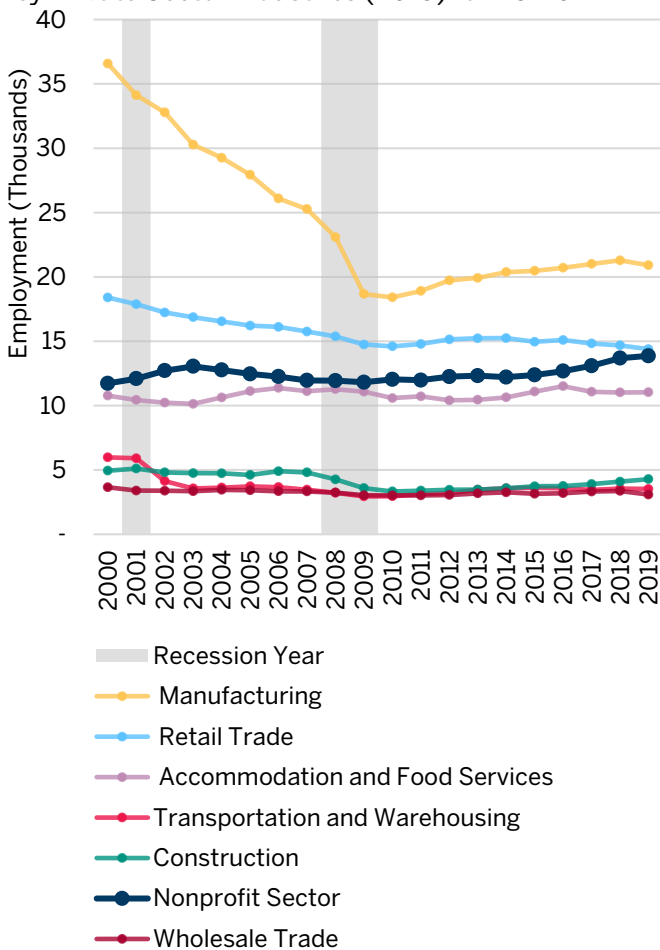
Figure 3: Nonprofit Share of Total Paid Employment and Total Payroll (2019), EGR 6 and Indiana



Industry Comparisons

Next, we compare nonprofit employment to major industries in EGR 6. From 2000 to 2019, the nonprofit sector ranks third (dark blue line in Figure 4) after manufacturing and retail trade.² The manufacturing industry is the largest at 20,900 employees and a \$1.1 billion payroll in 2019. However, manufacturing lost half of the jobs it had in EGR 6 between 2000 and 2010, down 50 percent from 36,600 jobs in 2000, to 18,400 in 2010, before regaining some of its losses to 20,900 in 2019. Delaware and Wayne Counties alone accounted for 8,600 of the 15,700 net loss (55 percent).

Figure 4: Nonprofit Paid Employment Compared to Key Private Sector Industries (2019) for EGR 6



The next largest industry in the region, retail trade (light blue), has also declined since 2000, but not as much or as abruptly as manufacturing. In 2019, the industry employed 14,400 workers, down from 18,400 in 2000, with most of the decline also occurring during the first part of the period.

By contrast, jobs in the nonprofit sector have grown

from 11,700 in 2000 to 13,900 in 2019. If these trends continue, jobs in the nonprofit sector will shortly surpass those in the retail trade, second only to manufacturing. By 2019, the number of nonprofit jobs trailed manufacturing jobs by 7,000. In 2000, the gap was more than three times as large – a difference of 24,900 jobs.

Jobs in the remaining major private sector industries in EGR 6 have changed only minimally over the 2000-2019 period. The fourth largest industry, accommodation and food services, had about 11,000 jobs during the entire period, just below the number of nonprofit jobs. The remaining major private sector industries generally had fewer than 5,000 jobs.

The corresponding trends in payroll are somewhat similar to trends in the number of jobs, but there are some notable differences. First, the decline in manufacturing payroll, in constant 2019 dollars, was even more dramatic than the loss of manufacturing jobs, down 58 percent from \$2.2 billion in 2000 to \$925 million in 2010, before recovering to \$1.1 billion in 2019. Manufacturing payroll remains the largest payroll, although the gap between it and the second largest payroll (the nonprofit sector) closed from \$1.8 billion in 2000 to 422 million in 2019.

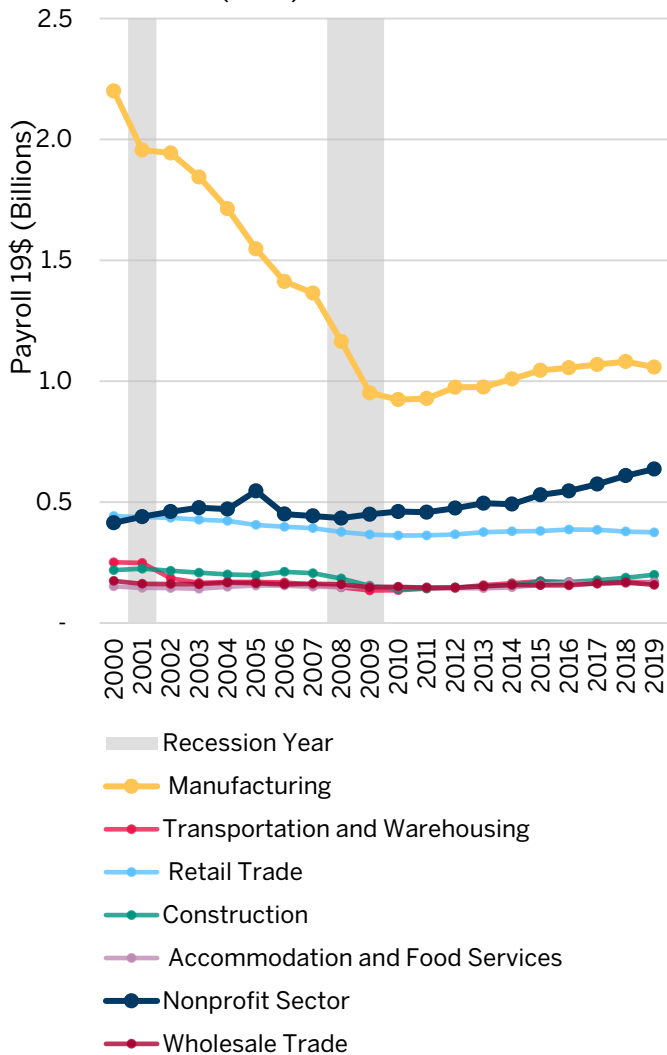
Second, the nonprofit payroll ranks second in size, with a \$636 million payroll in 2019. In 2000, retail trade had a payroll that was \$28 million higher than the nonprofit sector, but it was surpassed by the nonprofit payroll in 2001. By 2019, the nonprofit payroll was \$262 million more than retail trade.

Third, accommodation and food services, the fourth largest employer and about twice as large as the next three largest industries in terms of jobs, has a payroll similar to the remaining three industries (all below \$200 million in 2019). These patterns suggest that jobs in accommodation and food services have relatively low wages.

Since 2000, the nonprofit payroll increased by \$223 million adjusted for inflation. Only the accommodation and food services industry also saw a net growth in total payroll (by \$16 million). All other industries payroll decreased over the 20-year period.

² Some of these industries have a small number of nonprofit workers, so some nonprofit workers may be double counted.

Figure 5: Nonprofit Payroll Compare to Key Private Sector Industries (2019) for EGR 6



dropped by 17 percent (dark grey bar in Figure 6). During this same period, Indiana’s employment grew 5 percent. In fact, of the 11 Economic Growth Regions in Indiana, EGR 6 ranked last in growth over the 20-year period, fully 11 percentage points lower than the second lowest (EGR 7).

The significant decline in total paid jobs in EGR 6 over the 2000-2019 period reflects net losses of jobs in both the for-profit and government sectors, although the timing of the losses differed. Overall for-profit jobs declined by 25 percent during the first half of the period (2000-2009, light green bar in Figure 6). The loss was mainly due to the loss of manufacturing jobs described above. While for-profit jobs increased slightly during the last part of the period (up 3 percent), it barely made a dent in the decline experienced during the prior 10 years. The overall loss of jobs for the entire period was 23 percent.

Jobs in the government sector decreased during both periods (see red bars in Figure 6), although only slightly (down 1 percent) during the 2000-2009 period. The loss was a more substantial 9 percent during the second half, for an overall net loss of 11 percent from 2000 to 2019.

By contrast, only the nonprofit sector had a net growth in employment both overall, up 18 percent from 2000 to 2019 (dark blue bar), and during each of the two halves of the period (lighter blue bars). Nonprofit jobs were up, although only minimally between 2000 and 2009 (when for-profit jobs declined 25 percent). Nonprofit jobs grew by a substantial 17 percent between 2009 and 2019, a much higher rate of growth than the 3 percent growth in for-profit jobs.

The growth in nonprofit jobs in EGR 6 was considerably slower than for Indiana as a whole, up 42 percent over the entire period. However, jobs in the nonprofit sector were clearly a bright spot in what was otherwise a very grim economic environment in the region. The growth in nonprofit jobs in EGR 6, provided a crucial cushion for the region’s workforce.³

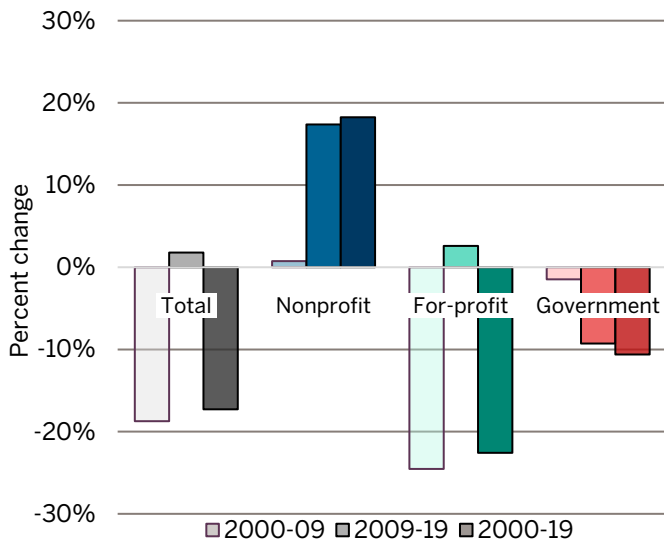
Growth in Nonprofit Employment

We turn now to a broader look at how nonprofit trends over the 2000 to 2019 period compare to the corresponding trends in the for-profit and government sectors. We also compare the region to the state of Indiana as a whole to better understand the unique trends for EGR 6.

Figure 6 shows changes in paid employment by sector for three time periods. The first and second bar (lightest) for each sector represent two halves of the 20-year period, with the third and darkest bar representing the overall growth rate. Between 2000 to 2019, EGR 6 experienced significant economic declines - total paid employment in the region

³ In addition to the workforce not growing, the population in EGR 6 has decreased overtime suggesting that people may be leaving the region because jobs are not available. See “IN depth Regional Profile: EGR 6,” available online at http://www.hoosierdata.in.gov/profiles.asp?scope_choice=b&county_changer2=Regr:6&id=2&page_path=Area+Profiles&path_id=11&menu_level=smenu1&panel_number=1

Figure 6: Percent Change in Total Paid Employment in EGR 6 by Sector, 2000-09, 2009-19, 2000-19

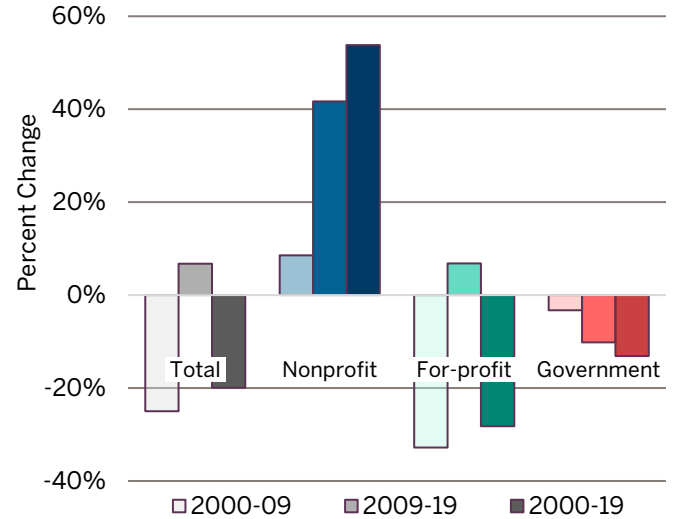


Next, we look at the trends in payroll over these three periods. Total payroll dropped 20 percent between 2000 to 2019, adjusted for inflation, a slightly larger drop than the 17 percent decline in the number of jobs during that period. The drop in payroll was also greater than the number of jobs during the first part of the period, down respectively 25 and 19 percent, suggesting that it was primarily well-paying jobs that were lost. Total payroll increased by 7 percent over the second part of the period, but far from enough to offset the large loss between 2000 and 2009.

As with employment, the loss in total payroll in the region reflects net losses in both for-profit and government payrolls. For-profit payroll decreased by 28 percent from 2000 to 2019, reflecting a massive decline of 33 percent during the first part of the period and a modest growth of 7 percent during the second half. Government payroll declined in both periods, as did government jobs. Government payroll was down by 3 percent from 2000-2009 and 10 percent from 2009-2019, for a total net loss of 13 percent, slightly higher than the losses in government jobs during the corresponding periods.

Only the nonprofit payroll increased in both periods, up 9 percent during the first part of the period and by 42 percent during the second part. The 54 percent increase over the entire period was more modest than the 84 percent growth in nonprofit payroll for the state as a whole, but still much better than the losses experienced in for-profit and government payrolls.

Figure 7: Percent Change in Constant 2019 Dollars in Total Payroll in EGR 6 by Sector, 2000-09, 2009-19, 2000-19



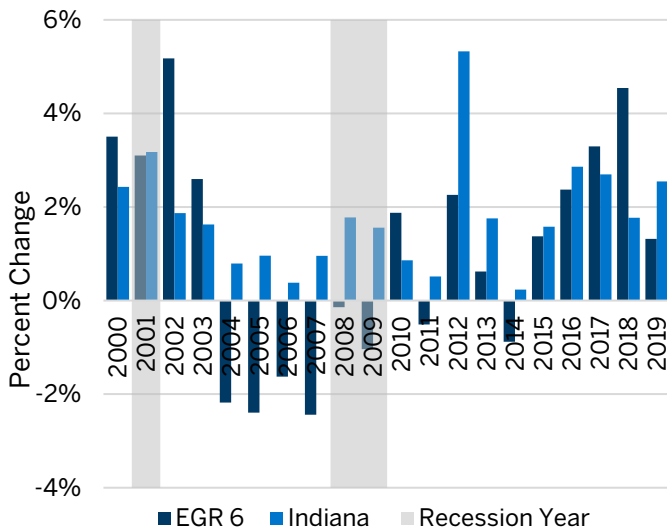
We explore trends in nonprofit employment in greater detail by looking at annual rates of change. As expected, given the overall change discussed above, nonprofit employment in EGR 6 grew at an annual rate of growth of 1 percent, while the average annual change in total, for-profit, and government jobs were all negative. Total and for-profit jobs both declined by about -1 percent per year, while government jobs declined by -0.5 percent. Despite the overall positive growth of nonprofit jobs in the region since 2000, the detailed annual trends are a bit more mixed.

Over the period, nonprofits actually lost employees during 8 of the 20 years (dark blue bars in Figure 8), including every year between 2004 and 2009.⁴ However, that was better than jobs in the for-profit and government sector, which both declined for 12 of the 20 years in the period. Annual rates of change in payroll looks largely similar, although the rates tend to be higher in magnitude.

Although nonprofits were clearly an important force in the region, the average annual growth rate of 1 percent was only half the rate of growth in nonprofit jobs for the state as a whole (2 percent). However, as Figure 8 shows that Indiana's nonprofit employment growth was higher than for EGR 6 during 14 of the 20-years from 2000 to 2019.

⁴ The largest decline, from 2007-2008, reflects mainly losses in nonprofit ambulatory health service jobs. We explored whether the drop may have reflected the conversion of nonprofit establishments to for-profit status, rather than a decline in total jobs, but that seems unlikely since there was also decline in for-profit jobs during the same period.

Figure 8: Percent Annual Change in Total Nonprofit Paid Employment, EGR 6 and Indiana



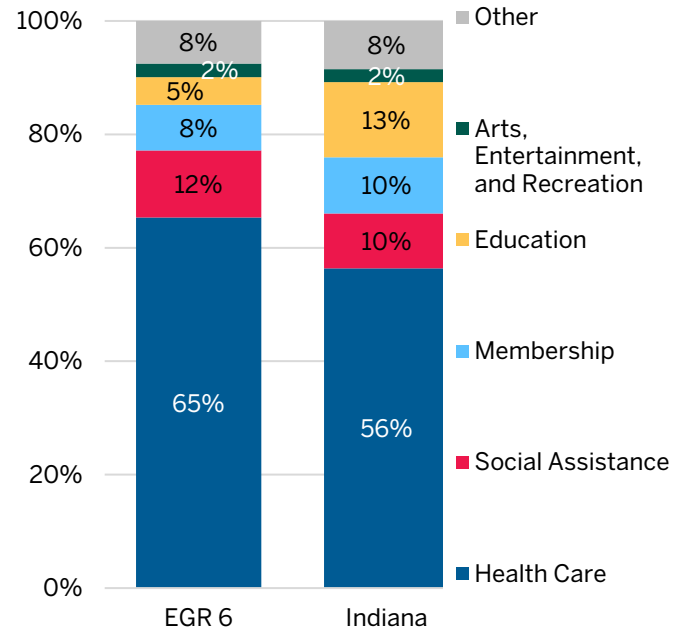
Nonprofit payroll increased for 14 years from 2000 to 2019 in EGR 6 at an average annual growth rate of 3 percent, similar to the statewide annual growth. Annual fluctuations in nonprofit payroll largely follow annual fluctuations in jobs, except for a major decline in payroll of 16 and 18 percent in 2005 and 2006, respectively. See Appendix B for more details.

Major Nonprofit Industries

The great majority (92 percent) of nonprofit workers in EGR 6 and Indiana as a whole work in five major industries: health care, social assistance, membership associations (includes religious, grantmaking, civic, and professional associations), education, and arts, entertainment and recreation. However, as Figure 9 shows, the relative distribution among the five varies some. Thus, relatively more nonprofit workers in EGR 6 are employed in health care than for the state as a whole (65 vs. 56 percent) and proportionately fewer are employed in education (5 vs. 13 percent). The second largest nonprofit industry in EGR 6 is social assistance with 12 percent of all nonprofit workers in the region, compared to 10 percent for Indiana as a whole (4th highest at the state level).

The distribution of nonprofit payroll among the five major industries is notably more skewed. Thus, health care accounts for 80 percent of total nonprofit payroll in EGR 6, compared to 67 percent statewide. As we detail below, nonprofit jobs in the health care industry pay higher wages than those in other nonprofit industries. Social assistance absorbs 6 percent of total nonprofit payroll in EGR 6, compared to 5 percent for Indiana overall. The other major nonprofit industries absorb below 4 percent of total payroll in the region. See Appendix B for more details.

Figure 9: Industry Distribution of Paid Nonprofit Employment (2019), EGR 6 and Indiana



We next take a closer look at overall employment in these major nonprofit industries. As Figure 10 shows the nonprofit share of total employment in three of the four industries noted is higher in EGR 6 than for the state overall. The difference is particularly noteworthy for social assistance which nonprofits dominate in EGR 6 with more than two-thirds (70 percent) of all workers in that industry, compared to less than half (48 percent) for Indiana overall. Nonprofits also play a more prominent role in arts, entertainment and recreation in EGR 6, accounting for more than a third (35 percent) of all workers, compared to 15 percent for Indiana.

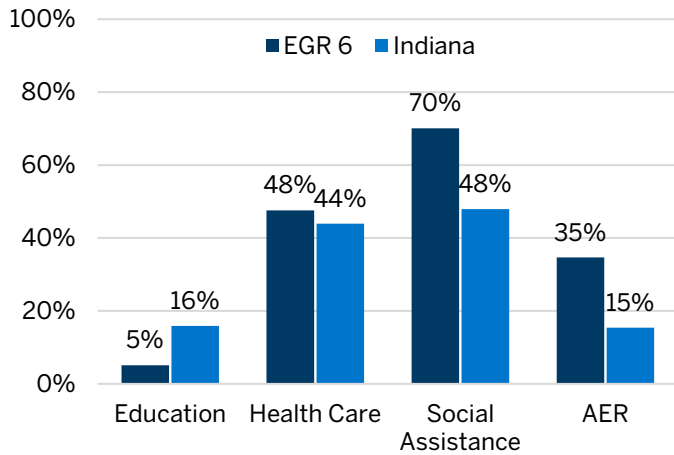
The percentages are more similar in health care, where nonprofits account for 48 percent in EGR 6 and 44 percent in Indiana. Virtually all employees in the membership association industry (not included in Figure 10) work for nonprofits.

By contrast, only 5 percent of all education employees work for nonprofits, compared to 16 percent for Indiana as a whole. This small nonprofit presence in education in EGR 6 reflects the relatively few nonprofit colleges in the region. Most of the other education employees work for the many public schools in the region, IVY Tech campuses, or the two fairly large public institutions of higher education: Ball State University in Muncie and IU East in Richmond.

Since 2000, the nonprofit share of employment in social assistance dropped from 86 to 70 percent, consistent with, but less steep than, the decline at the

state level from 70 percent in 2000 to 48 percent in 2019. The nonprofit share of employees in EGR 6 remained roughly the same in the AER industry (35 percent) and education (up from 4 to 5 percent). By contrast, nonprofit employees have increased their share in the health care industry from 40 to 48 percent.

Figure 10: Nonprofit Employment as Percent of Total Paid Employment, by Select Industries (2019), EGR 6 and Indiana



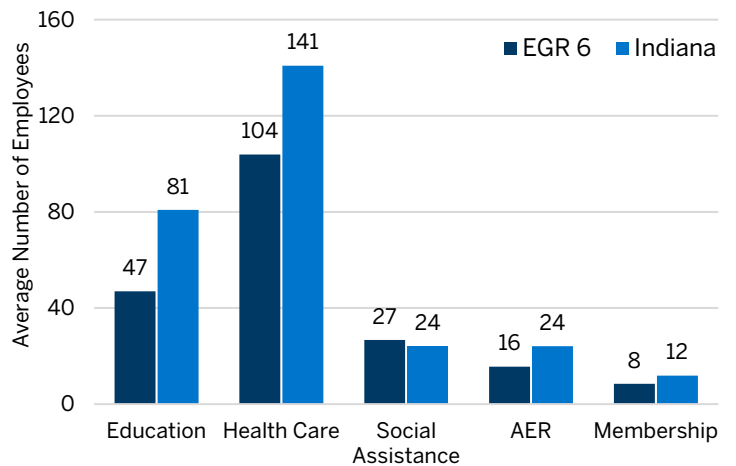
Average Size of Nonprofit Establishments

We use the average size of establishments to get a better sense of how these industries are structured. 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. Both of these features likely vary considerably among industries and sub-industries (e.g., hospitals vs. clinics in health care). Nor do these figures adequately capture the size of nonprofit (or for-profit) organizations, since some larger organizations may operate multiple establishments both in the region and elsewhere.

Nonprofit establishments in EGR 6 are overall smaller (35 workers on average) than for the state as a whole (43 employees on average). The same pattern holds for four of the five major industries. The only exception is social assistance. As Figure 11 shows, the average size of social assistance establishments in EGR 6 (dark blue bar) is slightly larger than for the state as whole (27 vs. 24 employees). However, nonprofit establishments are notably smaller on average than for Indiana in education (47 vs. 81 employees) and health care (104 vs. 141 employees). The average size of establishments is also considerably smaller than for Indiana as a whole in the arts, entertainment and recreation (16 vs. 24 employees) and membership industries (8 vs. 12 employees).

Since 2000, the average size of establishments in EGR 6 has decreased considerably in the education and health care industries. The 47 employees who on average worked in education establishments were less than half the number of workers education establishments employed on average in 2000 (47 vs. 106). The average size of establishments also declined notably in the health care industry – from 175 employees on average to only 104. There were no major changes in the average size of establishments in the social assistance, membership, and AER industries over the 20-year period.

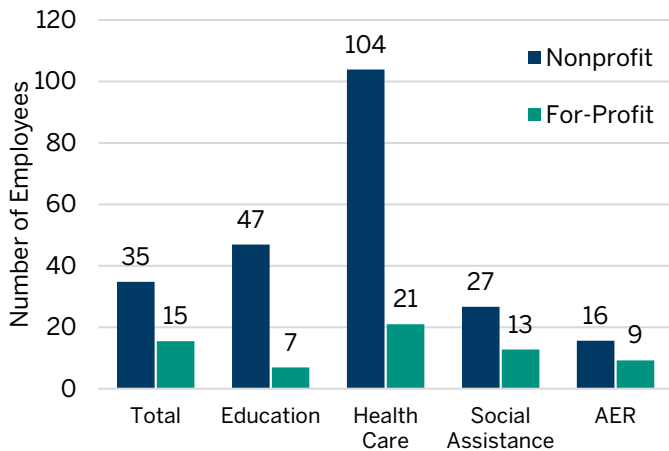
Figure 11: Average Size of Nonprofit Establishments by Select Industries (2019), EGR 6 and Indiana



Although smaller on average than their counterparts in the same industries at the state level, nonprofit establishments are considerably larger than for-profit establishments in the same industries in EGR 6, as shown in Figure 12. The difference is most notable in the health care and education industries. In health care, nonprofit establishments employ roughly five times as many employees on average then for-profits (104 vs. 21 employees). The ratio is even larger in education: nonprofit education establishments (47 employees) are nearly seven times larger than for-profits (7 employees). In the two remaining industries, nonprofit establishments are roughly twice as large as their for-profit counterparts: 27 vs. 13 employees on average in social assistance and 16 vs. 9 workers in AER.

Since 2000, the average size of for-profit establishments in these industries has remained largely unchanged. Only in social assistance has the average size of for-profit establishments increased, up by 8 employees from an average size of 5 in 2000.

Figure 12: Average Size of EGR 6 Establishments for the Private Sector (2019)



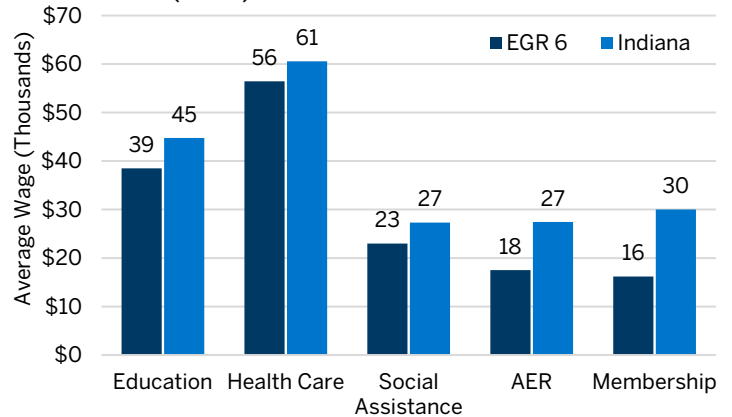
Average Annual Nonprofit Wages

We also look at average wages in major nonprofit industries. This is total payroll divided by the total number of employees. As for average size of establishments, these values should be interpreted with caution, since averages may hide very large or very low annual wages in some establishments or sub-industries. In addition, the number of employees include both part-time and full-time workers, so that industries 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. Note that for AER there are many part-time workers. Note also that average annual wages within subindustries differ greatly as well (e.g., hospitals vs. nursing homes).

The average annual wage for all nonprofit workers in EGR 6 are lower than for the state as a whole (\$46,000 vs. \$51,000). Figure 13 shows that the same difference holds for all major nonprofit industries. Nonprofit workers in the health care industry have the highest average wages in both EGR 6 (\$56,000 – dark blue bar in Figure 13) and for Indiana as a whole (\$61,000 – light blue bar). Nonprofit workers in education have the next highest average wages in both EGR 6 and Indiana, respectively \$39,000 and \$45,000. Average nonprofit wages are most similar in social assistance (\$23,000 vs. \$27,000) but differ considerably for AER and membership workers. On average, nonprofit workers in AER earn an average of \$10,000 less than their counterparts at the state level (\$18,00 vs. \$27,000). The difference is even greater for nonprofit employees in the membership industry. Their average wages are only \$16,000, fully \$14,000 below their counterparts at the state level (\$30,000).

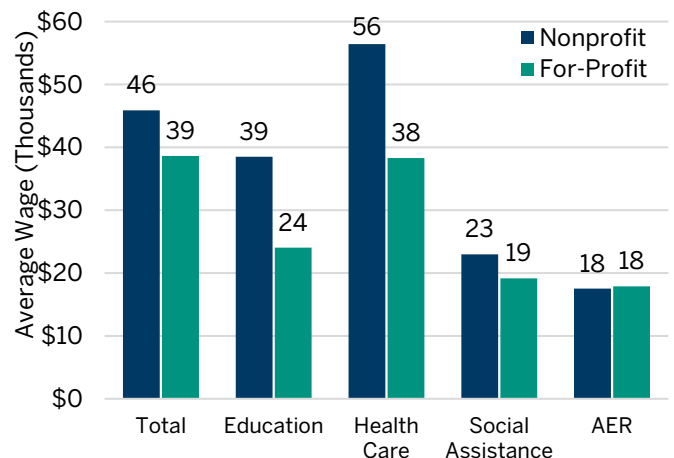
Since 2000, average annual wages, adjusted for inflation, increased in EGR 6 for nonprofit workers in health care and education, remained the same in social assistance, and decreased for AER and membership. Health care changed by the highest magnitude, growing \$15,000 from \$42,000 in 2000 to \$56,000 in 2019. Education increased from \$35,000 to \$39,000 in the same period, while average nonprofit wages in the AER and membership industries decreased by no more than \$2,000 over the 20-year period.

Figure 13: Average Annual Nonprofit Wage for Select Industries (2019), EGR 6 and Indiana



Although nonprofit workers in EGR 6 have lower average wages than their counterparts for Indiana as a whole, their wages are generally higher than those of employees working for for-profits in the same industries as shown in Figure 14. Only AER has the same average annual wage for both sectors. The largest gap is in health care (\$56,000 vs. \$38,000) and education (\$39,000 vs. \$24,000). In comparison, average wages in social assistance is only \$4,000 higher for nonprofit than for-profit workers.

Figure 14: Average Annual Wage in EGR 6 for Select Industries (2019) by Sector



Since 2000, average wages in for-profits have increased for education, remained roughly the same in social assistance and AER, and decreased in health care. For-profit average wages in education grew by \$6,500 from \$17,500 to \$24,000. In health care, for-profit average wages decreased from \$43,000 to \$38,000.

Summary and Conclusion

The nonprofit sector is a large economic force in EGR 6, composing 12 percent of the total workforce in the region and 14 percent of the payroll. Even as the overall economy in EGR 6 faced a substantial net loss of jobs and payroll over the 2000 to 2019 period nonprofit jobs and payroll grew. As a result, the nonprofit sector was clearly a bright spot in what was otherwise a very grim economic environment in the region.

From 2000 to 2019, total employment in EGR 6 decreased by 17 percent. Most of the loss could be attributed to the significant hit suffered by the manufacturing industry. This industry lost 18,000 jobs in the region between 2000 and 2009, almost half of the manufacturing workforce in 2000. Although the industry recovered after 2010, as of 2019, it recovered below 3,000 of the lost jobs.

Nonprofit employment increased more in total, at a higher average rate, and during more years, than for-profit and government jobs. Nonprofit employment increased by 18 percent from 2000 to 2019 even as for-profit (-23 percent) and government (-11 percent) employment decreased. The average annual growth rate was 1 percent for nonprofit employment (2 percent statewide) and 4 percent for nonprofit payroll for both EGR 6 and statewide, while the other sectors in EGR 6 had negative average growth rates. Nonprofit employment grew for 12 years of the 20-year period.

Over three-quarters of nonprofit employees in EGR 6 work for health care (65 percent) and social assistance (12 percent). The education industry is very small in EGR 6; only 5 percent of the total nonprofit workforce is employed by the education industry. In fact, only 5 percent of all education employees work for nonprofits, compared to 70 percent of the social assistance work force.

Compared to Indiana, the average size and wage of nonprofits in EGR 6 is smaller for each of the major industries except social assistance. Health care establishments are the largest, with an average of 104 employees in EGR 6, followed by education (47 employees). Social assistance, AER, and membership are significantly lower in average wage and size. Compared to for-profits within EGR 6, nonprofits tend

to have larger average sizes and higher average wages. This is most notable in education and health care where the gaps are wider.

EGR 6 was significantly impacted by the loss of manufacturing jobs that occurred during the first half of the period. Despite this, the nonprofit sector of EGR 6 continued to grow. EGR 6 has the second largest nonprofit share of total employment in Indiana, when compared to the other economic growth regions.

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. jobs⁵.

The BMF lists all tax-exempt entities registered under section 501(c) of the Internal Revenue Code. Among other fields, 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 1.8 million exempt organizations.⁶

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. 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.⁷ However, certain employees are not required to participate, including religious organizations and charities with less than four employees.⁸ 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 survey effort involved combining and 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).⁹

⁵ 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.

⁶ 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.

⁷ 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.

⁸ 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/uiilawcompar/2019/coverage.pdf>, retrieved February 10, 2020.

⁹ 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-

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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,¹⁰ 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 77,300.¹¹ 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 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. 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.¹²

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 (about 2,700 nonprofits) had employees with a median of 6.5 employees, for a total of roughly 17,200 employees.¹³ If those employers report to the QCEW system, they would be classified as for-profit employers under our methodology. 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.¹⁴ 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.

duplicated universe of nonprofits in Indiana created using the IRS, Secretary of State, and Infogroup data. For more details see the 2017 ARNOVA Conference paper cited below.

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).

¹⁰ The Infogroup (yellow page) listing includes about 9,600 congregations; de-duplication leaves just over 8,800.

¹¹ 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.

¹² 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.

¹³ 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.

¹⁴ 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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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: Payroll Graphs

Figure A: Distribution of Nonprofit Payroll (2019) by County for EGR 6

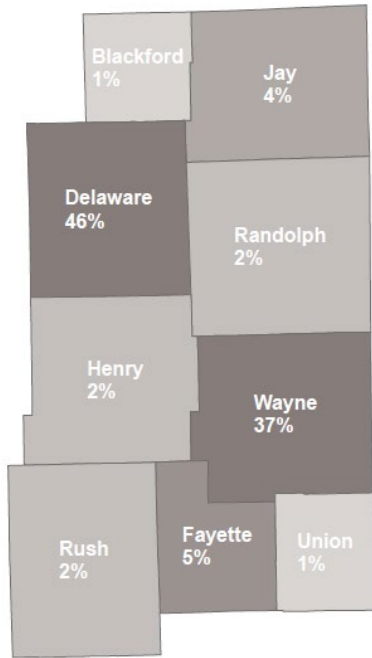


Figure B: Nonprofit Share of Total Payroll (2019) by County for EGR 6

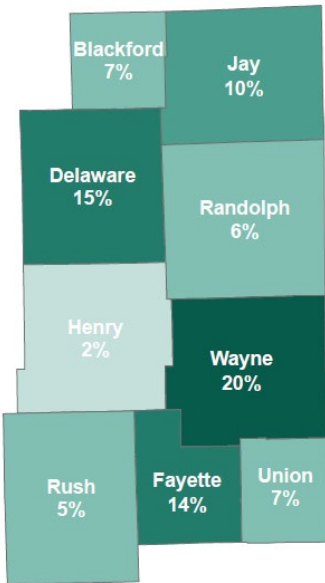


Figure C: Percent Annual Change in Total Nonprofit Payroll in Constant Dollars (2019), EGR 6 and Indiana

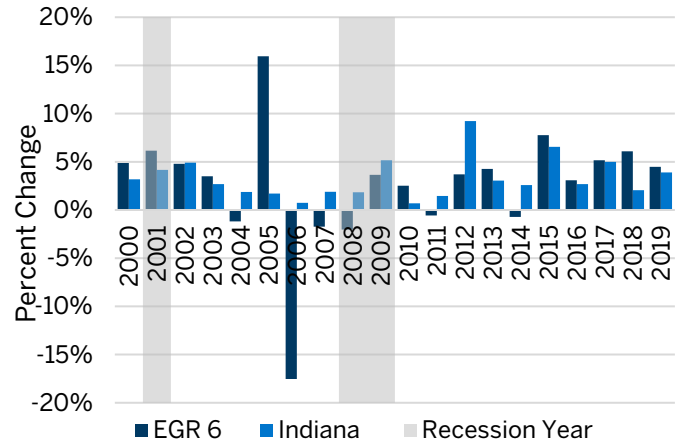


Figure D: Industry Distribution of Nonprofit Payroll (2019), EGR 6 and Indiana

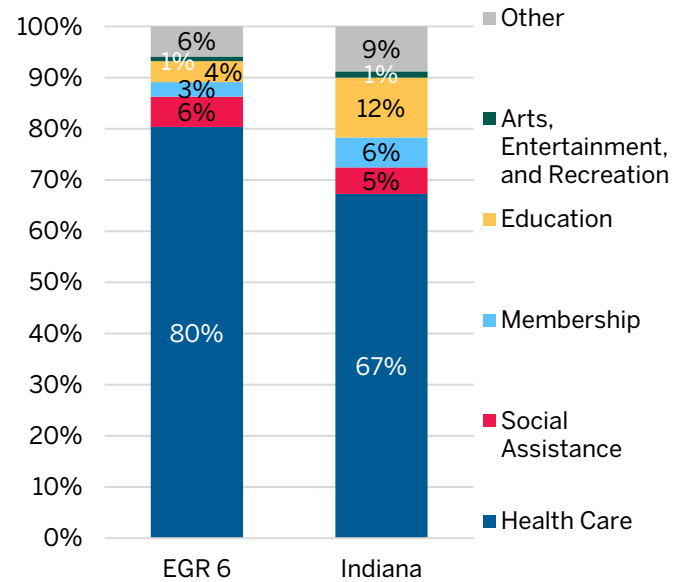
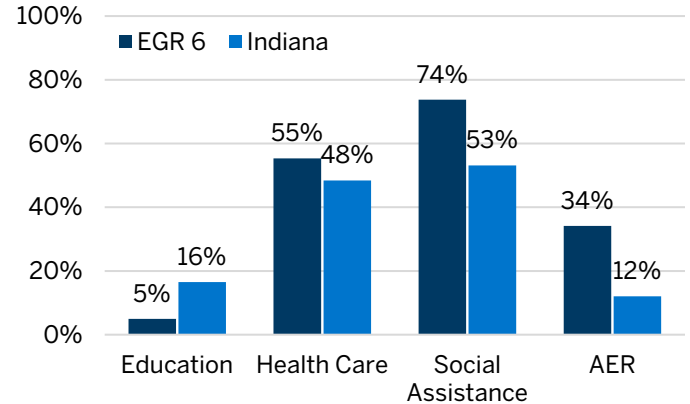


Figure E: Nonprofit Payroll as Percent of Total Paid Employment, by Select Industries (2019), EGR 6 and Indiana





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