



INDIANA NONPROFITS PROJECT
NONPROFIT EMPLOYMENT: REGIONAL SERIES
REPORT #03

Nonprofit Paid Employment in Economic Growth Region 01, Indiana, 2000-2019

March 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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Acknowledgments

This report is part of an ongoing project on the **Indiana Nonprofit Sector: Scope and Community Dimensions**, made possible by the support for the Efroymson Chair in Philanthropy (2001-2020) by the Efroymson Fund at the Central Indiana Community Foundation, the Lilly Family School of Philanthropy's Indiana Research Fund (2001-2020), supported in part by Lilly Endowment Inc., and the O'Neill School of Public and Environmental Affairs at Indiana University Bloomington.

We are grateful to Carol O. Rogers, Victoria Nelson, and Jerry Conover at the Indiana Business Research Center for making the data on which this report is based available to us and for very helpful comments on the draft. Other collaborators on the report include IU Northwest, with special thanks to Advisory Board Member Carolyn Saxton, for lending her northwest Indiana expertise.

We thank the many research assistants working on the Indiana Nonprofit Sector project for their contributions to developing the data series and prior reports which this report is based: Tyler Abbott, Andrea (Lewis) Appeltranger, Rachel Breck, Pauline Campbell, Anthony Colombo, Kristen Dmytryk, Lauren Dula, Erich Eschmann, Apurva Gadde, Jessica Hilton, Jacob Knight, Hannah Martin, Kellie McGiverin-Bohan, Weston Merrick, Rachel Miller, Kathleen Novakosky, Hun Myoung Park, Deb (Oonk) Seltzer, Lauren Shaman, Virginia Simpson, Alexandra (Buck) Toledo, and Kathleen Zilvinskis. We thank members of the Advisory Board for the Indiana Nonprofit Sector: Scope and Community Dimensions project for helpful comments and suggestions. We also thank AJ Wheeler for making the maps within the report.

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

Suggested Citation

Nonprofit Paid Employment in Economic Growth Region 1, Indiana, 2000-2019, Nonprofit Employment Series, Regional Series, Report 3, by Kirsten A. Grønbjerg and Anjali Bhatt. (Bloomington, IN: Indiana University O'Neill School of Public and Environmental Affairs), March 2021. DOI: 10.13140/RG.2.2.18461.64484

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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 Northwest Indiana, Economic Growth Region 1, 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 1: Northwest Indiana



Economic Growth Region (EGR) 1 is composed of seven counties – Jasper, Lake, LaPorte, Newton, Porter, Pulaski, and Stark. EGR 1 includes the Indiana portion of the Gary/Northwest Metropolitan Statistical Area (MSA) as well as a well as the LaPorte MSA. In 2019, employers in EGR 1 had just under 315,000 paid workers who earned a total payroll of over \$14.7 billion.

Employment and Payroll

Some 33,000 of the region’s total employees worked for nonprofits in 2019. These employees are distributed across the seven counties, as shown in Figure 1. Lake County (71 percent) has the largest percentage, followed by Porter County (15 percent), and LaPorte County (9 percent). The remaining 5 percent are distributed among the other four counties. These distributions have remained mostly unchanged since 2000. Of the 92 counties in Indiana, Lake County has the third largest share of total Indiana nonprofit employees at 8 percent.

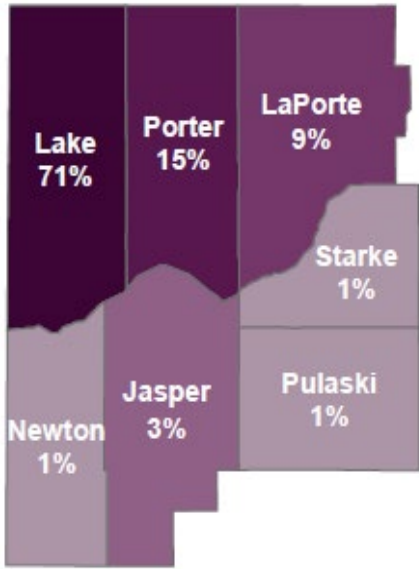
Quick Facts

- Nonprofits employed 33,000 workers in the region with a total payroll of \$1.5 billion in 2019 – 11 percent of all paid employees and 10 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 more than for-profit or government employment (Fig. 6 and 7).
- Nonprofit employment has grown almost every year since 2000 (Fig. 8).
- Most nonprofit employees work in health care (63%) with the rest fairly distributed across social assistance, membership associations, education, and all other industries (Fig. 9).
- Nonprofit employees account for about half of all health care and social assistance workers (Fig 10).
- Nonprofits have more employees on average than for-profit establishments in the same industries, except for arts, entertainment & recreation (which includes gambling) where for-profits are larger on average (Fig. 12).
- Average wages are higher for nonprofit employees than for-profit workers in all major nonprofit industries, except for arts, entertainment and recreation (Fig. 14).

The nonprofit payroll of \$1.5 billion in EGR 1 is distributed fairly similarly across the seven counties. However, Lake County accounts for a larger share (76 percent) of the nonprofit payroll than employees in EGR 1. Porter County, with the second largest, nonprofit payroll, only generates 12 percent of the payroll. The distribution of nonprofit payroll changed only minimally since 2000.

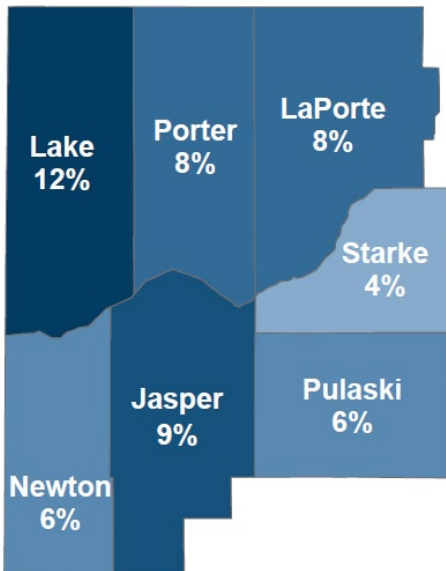
¹ All payroll values in this report are in constant 2019 dollars.

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



More revealing, however, is how important nonprofit employment is as a percentage of total employment in the region. The 33,000 nonprofit employees in EGR 1 account for 11 percent of the region's total employment, although the corresponding percentages vary considerably among the region's seven counties (Figure 2). In 2019, Lake County has the highest reliance (12 percent) on nonprofit employees, and Starke County has the lowest (4 percent). Since 2000, nonprofits have increased their share of total employment in five of the counties (except LaPorte and Starke County) and in the overall region.

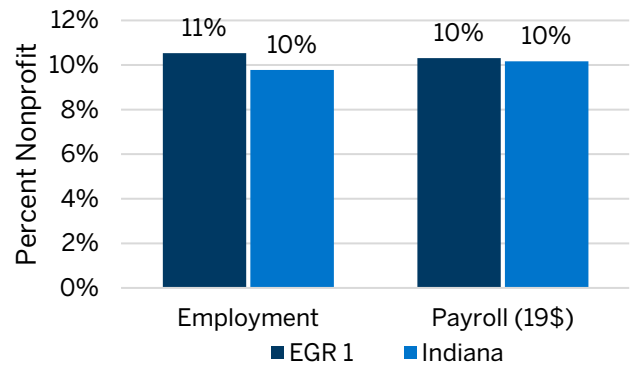
Figure 2: Nonprofit Share of Total Paid Employment (2019) by County for EGR 1



The nonprofit share of total payroll ranges from a high of 13 percent in Lake County to a low of 4 percent in Pulaski County. Since 2000, nonprofit employees have increased their share of total payroll in all but Starke County. See Appendix B for more details on nonprofit share of total payroll.

Overall, the nonprofit share of EGR 1 employment and payroll, adjusted for inflation, is higher than for the state as a whole and ranks fifth among the state's 11 EGRs (Figure 3). This is most notably the case for employment, where nonprofits account for 11 percent of total employment in EGR 1 versus 10 percent for Indiana. The percentages for payroll are roughly the same at 10 percent, suggesting that nonprofit employees on average are paid slightly less in EGR 1. Since 2000, the nonprofit share has increased for both employment and payroll.

Figure 3: Nonprofit Share of Total Paid Employment and Total Payroll (2019), EGR 1 and Indiana

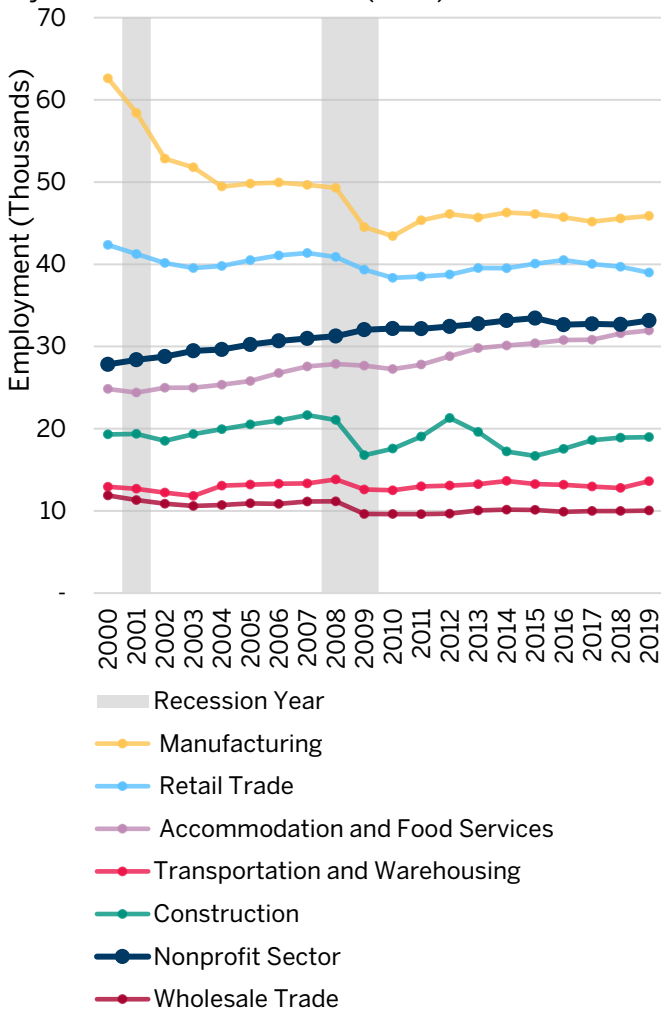


Industry Comparisons

We turn now to look at how nonprofit employment compares to major industries in EGR 1. Overall, nonprofits (dark blue line in Figure 4) would rank third among the six largest industries in the region,² if it were a separate industry, behind manufacturing (yellow) and retail trade (light blue). Manufacturing has remained the largest employer in EGR 1 over the 2000 to 2019 period, despite major job losses. Manufacturing jobs declined from 63,000 in 2000 to around 45,000 (down 16,700 employees or by 29 percent) but has remained stable since then.

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

Figure 4: Nonprofit Paid Employment Compared to Key Private Sector Industries (2019) for EGR 1



Construction faced similar losses, but the net change was only a loss of 330 (green line in Figure 4) by 2019, compared to the 19,300 employed in 2000. During the Great Recession (2008-2009), the construction industry lost 4,900 employees. It then rebounded rapidly to 21,000 in 2012, then declined until 2015 when it gradually increased again.³

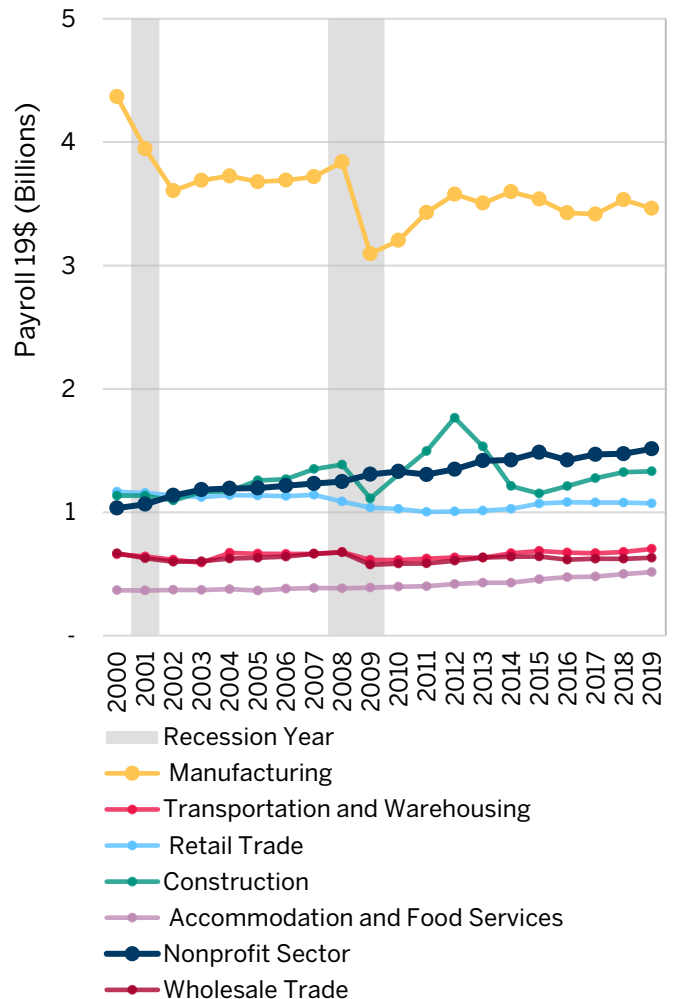
The second largest industry, retail trade (light blue) has remained fairly stable over the years. It trailed manufacturing by about 20,000 jobs in 2000, but the gap was only 6,900 employees in 2019. Several other large for-profit industries, such as transportation and warehousing (red line) and wholesale trade (maroon) remained stable over the period.

Nonprofit (dark blue) and accommodation and food services industry (purple) jobs have generally

increased over the 20-year period. However, the latter has grown faster, narrowing the gap between the two from about 3,000 workers in 2000 to 1,200 in 2019. However, among all the industries included, only nonprofit jobs did not decline during the two recession periods.

The corresponding analysis of payroll, in constant 2019 dollars, shows some important differences to trends in employment (Figure 5). First, manufacturing payroll declined, but less dramatically than jobs in that industry. As a result, manufacturing payroll remains more than twice as large as any of the remaining industries in the region, confirming that this industry has better paying jobs than other industries.

Figure 5: Nonprofit Payroll Compared to Key Private Sector Industries (2019) for EGR 1



Second, retail trade, which has more employees than nonprofits, trailed nonprofits in total payroll since 2002 and the gap has become wider over time.

³ BP invested in a \$4.2 billion project in Whiting, Indiana (Lake County) from 2007 to 2013. See Joseph Pete (2017), "BP Completes Construction on Refinery Project," available online at https://www.nwitimes.com/business/local/bp-completes-construction-on-refinery-project/article_c8c57491-35ed-51c5-a6ac-a7139d84fac7.html

Similarly, while accommodation and food industry jobs were gaining on nonprofit jobs and reached parity in 2019, nonprofit payroll is almost three times larger than payroll for accommodation and food service workers. Both patterns suggest that nonprofit jobs pay considerably better than jobs in these two other industries.

Third, nonprofit payroll has been the second largest payroll in EGR 1 for half of the 2000-2019 period, reaching \$1.5 billion in 2019. The construction industry surpassed nonprofit payroll for six of the years, suggesting that it too provides relatively well-paying jobs. Still, nonprofit payroll has done comparatively better than most of the observed for-profit industries.

Growth in Nonprofit Employment and Payroll

We turn now to a closer look at overall change in employment and payroll in EGR 1 and how nonprofit trends compare to changes in the for-profit and government sectors.

The total number of paid jobs in EGR 1 is down by 3 percent from 2000 to 2019. Even total payroll decreased in constant dollars, although minimally, by 0.1 percent during the 20-year period. During the same period, total employment in Indiana grew by 5 percent, and payroll by 11 percent. Clearly EGR 1 has faced unique economic challenges. Those challenges were concentrated in the government and for-profit sectors, which lost 15 and 4 percent of their employees since 2000, respectively.

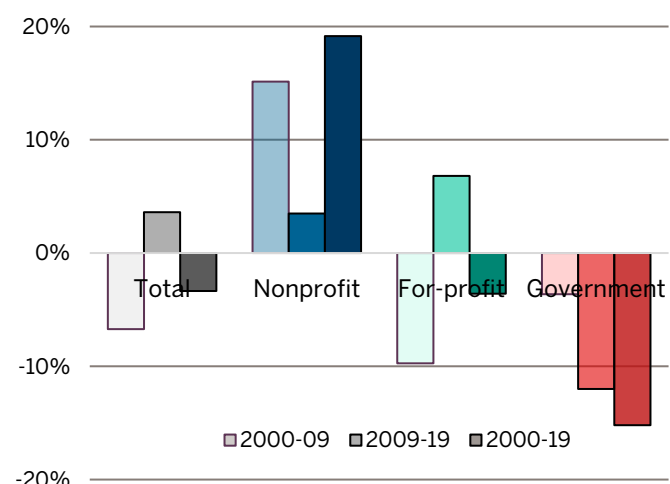
More specifically, the losses can be largely traced to declines in for-profit manufacturing and construction jobs from 2000-2009 and a decline in public health care jobs throughout the period (80 percent from 2000-2019). Thus, several government health care establishments were converted to private health care facilities in Porter County from 2006 to 2008⁴ and Jasper County in 2016.⁵

Despite the many job losses in EGR 1, the nonprofit sector grew significantly. From 2000 to 2019, nonprofit employment increased by 19 percent and payroll by 46 percent. Although this was slower than for the state as a whole (42 and 90 percent, respectively). This positive growth in nonprofits employment

and payroll was a key stabilizer for the region.

Figure 6 shows how growth or decline in employment by sector varied over three time periods. The first two lighter bars depict the first and second half of the 20-year period. The third and darkest bar show changes over the entire time period. During the first period (2000-09), nonprofit paid employment grew 15 percent, while for-profit and government employment declined by 10 and 4 percent, respectively. In the second period (2009-19), nonprofit and for-profit employment grew, by almost 4 and 7 percent, respectively, while government employment declined by another 12 percent.

Figure 6: Percent Change in Total Paid Employment in EGR 1 by Sector, 2000-09, 2009-19, 2000-19



The pattern for payroll growth is fairly similar to employment. There was a small loss in total payroll over the 2000-2019 period (down 0.1 percent adjusted for inflation) and in for-profit payroll (down 0.6 percent). Government payroll decreased significantly, down 20 percent, while total nonprofit payroll increased by a massive 46 percent (Figure 7).

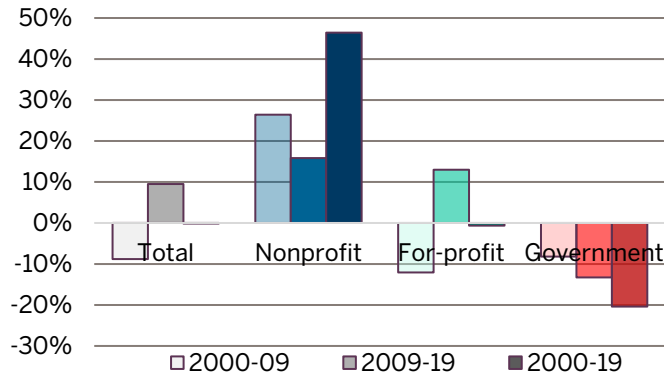
However, Figure 7 also shows major differences between the two periods. From 2000 to 2009, nonprofit payroll grew by 26 percent, while for-profit (12 percent) and government (8 percent) payrolls declined. Even from 2009 to 2019, when for-profit payroll increased by 13 percent, the growth was slower than for the nonprofit sector (16 percent). Government payroll declined 13 percent during the second period.

⁴ See Vicki Urbanik, "Porter Memorial Hospital Sold to for-profit CHS in Unanimous Vote." Chesterton Tribune, April 25, 2007, available online at http://chestertontribune.com/PorterCounty/4257%20porter_memorial_hospital_sold_to.htm. Also, Amy Lavalley (2017), "Porter County studies future of ambulance service," available online at <https://www.chicagotribune.com/suburbs/post-tribune/ct-ptb-porter-county-ambulance-st-0227-20170221-story.html>

⁵ See Taya Flores (2015), "Franciscan Alliance Buys Jasper Co. Hospital," available online at <https://www.jconline.com/story/news/2015/09/01/franciscan-alliance-buys-jasper-co-hospital/71506624/>

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Figure 7: Percent Change in Constant 2019 Dollars in Total Payroll in EGR 1 by Sector, 2000-09, 2009-19, 2000-19

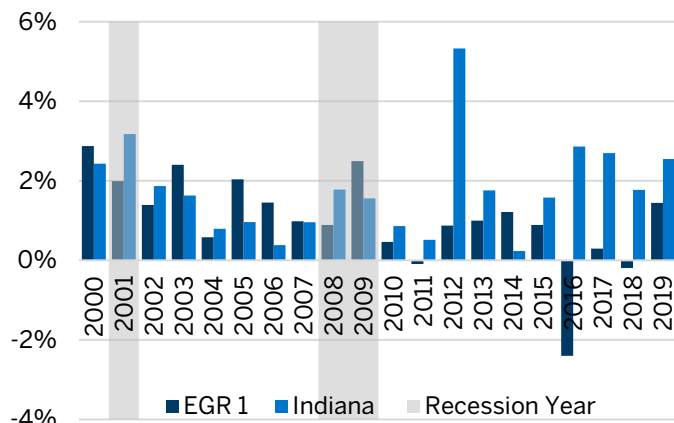


More detailed annual trends show that nonprofit employment in EGR 1 increased by an average of 1 percent per year, while total, for-profit, and government employment declined on average yearly -0.2, -0.3, and -0.8 percent, respectively.

Government employment declined for 14 of the 20 years (continuously from 2004 to 2019), while for-profit employment declined for eight years, mainly clustered around the two recession periods. In contrast, nonprofit employment only decreased for three years from 2000 to 2019, including a decline of 2 percent in 2016. Moreover, during 14 of the 20 years, the annual rate of growth was higher for nonprofit employment than for-profit employment.

Figure 8 compares the annual growth in nonprofit employment in EGR 1 with the annual growth in nonprofit jobs for the state as a whole. As expected, we see that nonprofit jobs in EGR 1 grew slower than the state for 13 years from 2000 to 2019. The average annual nonprofit growth rate for Indiana was 2 percent, compared to only 1 percent for EGR 1.

Figure 8: Percent Annual Change in Total Nonprofit Paid Employment, EGR 1 and Indiana



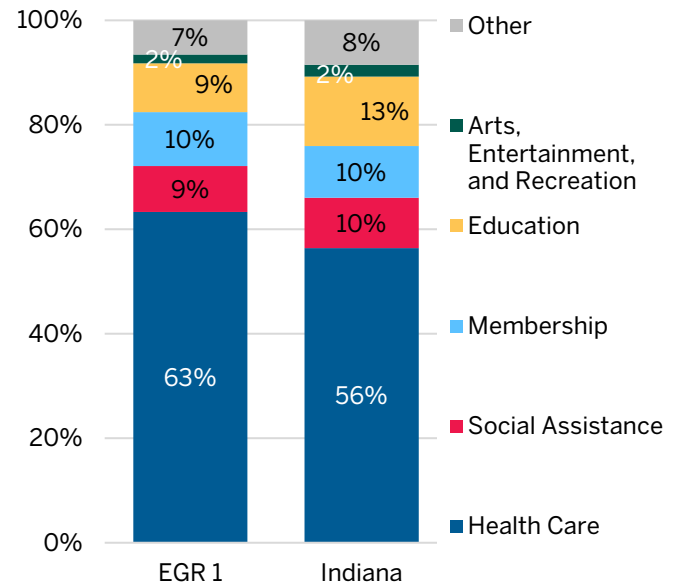
The average decrease in total payroll for EGR 1 was

0.02 percent annually. Nonprofit payroll grew by 2 percent on average annually in the region, while government and for-profit payrolls declined by -1 and -0.1 percent, respectively. Nonprofit payroll increased for every year except for two, while for-profit payroll decreased for 6 years, and government for 14 years. Compared to Indiana, nonprofit payroll grew slower in EGR 1 for 14 years in this period. See Appendix B for more details.

Major Nonprofit Industries

Almost all nonprofit employees work in five industries – 93 percent for EGR 1 and 92 percent for Indiana (the rest are dispersed among every industry except for mining and public administration). Although the distribution of nonprofit jobs among these industries are fairly similar in EGR 1 and Indiana, there are some differences. As Figure 9 shows, health care accounts for a larger percentage of nonprofit employees in EGR 1 (63 percent) than Indiana (56 percent), while education accounts for a smaller percentage (9 vs. 13 percent).

Figure 9: Industry Distribution of Paid Nonprofit Employment (2019), EGR 1 and Indiana



The distribution of nonprofit payroll is somewhat similar for EGR 1, but health care takes up over three-quarters of the payroll (76 percent). This cuts the percentage of payroll for membership and social assistance to roughly half of its employment percentage. See Appendix B for more details.

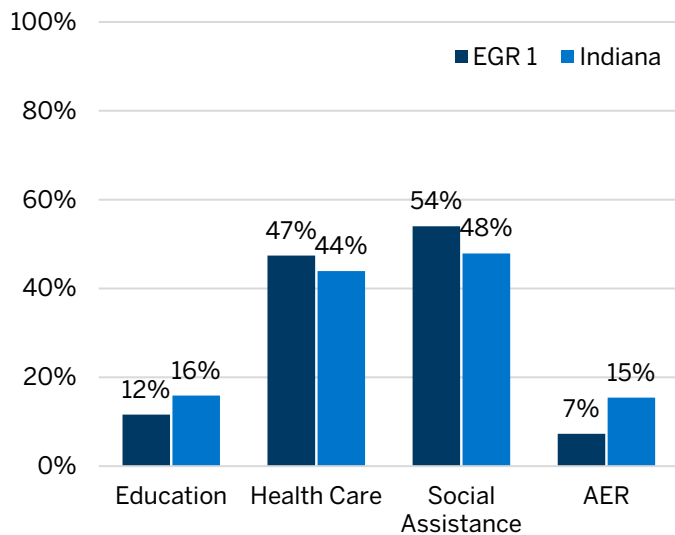
We next take a closer look at overall employment in these major nonprofit industries. As shown in Figure 10, nonprofits accounted for roughly half of all paid employment in health care (47 percent) and social

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assistance (54 percent) in EGR 1, but only 12 percent of all jobs in education and 7 percent in AER (the latter industry includes gambling, all operated by for-profit enterprises). The nonprofit share of total employment for health care and social assistance was higher in EGR 1 than Indiana, but lower for education and AER. The membership industry (religious, grantmaking, civic, and professional associations) are nearly all nonprofit.

Since 2000, only education has increased in nonprofit share (from 8 to 12 percent). Health care and social assistance both lost share of employment, by 4 and 17 percentage points, respectively. AER remained largely constant.

Figure 10: Nonprofit Employment as Percent of Total Paid Employment, by Select Industries (2019), EGR 1 and Indiana



Average Size of Nonprofit Establishments

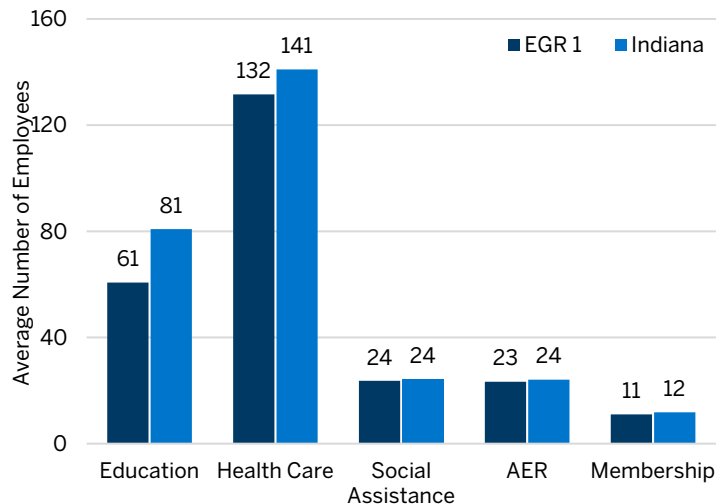
Next, we look at the average size of establishments. These averages should be interpreted with caution, however, since they may hide very large or very small establishments. They also do not distinguish between full-time and part-time workers. Both of these features likely vary considerably among industries 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.

The average size of nonprofit establishments are 43 employees for both EGR 1 (dark blue bars) and Indiana

(light blue bars). Figure 11 shows that for every industry except for social assistance, the average size for EGR 1 nonprofit establishments is smaller than for Indiana. While the difference is minimal for AER and membership, the gap is somewhat larger in health care (132 vs 141) and considerably larger in education (61 vs 81).

More detailed analysis shows that while the overall average size of nonprofits has remained largely unchanged over time, the average number of employees per establishments in each of the individual four major nonprofit industries has decreased.⁶ The most notable declines were in education where the average size dropped 47 percent, from 115 employees per establishment in 2000 to 61 in 2019, as well as in AER where average size decreased by 37 percent, from 37 to 23 employees. In health care, the decline was smaller, only about 19 percent, from 157 to 132. In social assistance, the average size minimally declined (from 26 to 24 employees).

Figure 11: Average Size of Nonprofit Establishments by Select Industries (2019), EGR 1 and Indiana



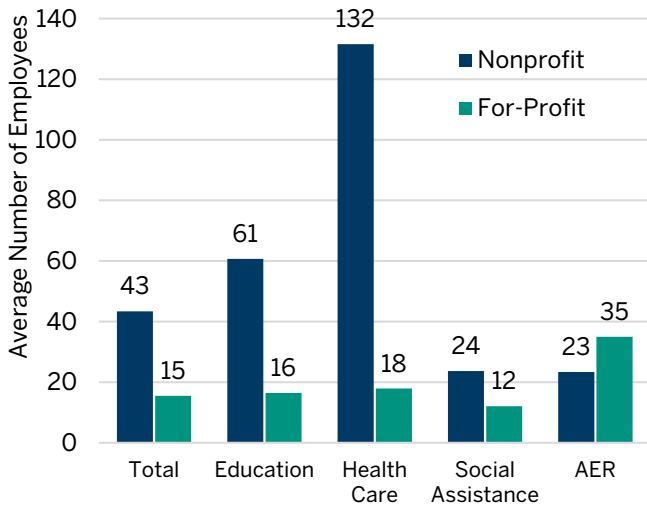
Although smaller than their counterparts at the state level, nonprofit establishments are typically about twice the size or larger than their for-profit counterparts in the same industry in EGR 1 (Figure 12).⁷ This is particularly the case in the health care industry, where the average size of nonprofit establishments is 132 compared to only 18 for for-profit establishments in that industry, reflecting the presence of several nonprofit hospitals. Only in arts, entertainment, and

⁶ The growth of average size in all minor nonprofit industries offsets the decline in average size of the major nonprofit industries.

⁷ Because we assume that there are no for-profit membership establishments, Figures 12 and 14 do not show membership. Also, due to confidentiality restrictions, we do not show the average size for government establishments.

recreation, do for-profits average more employees per establishment than nonprofits (35 vs. 23).

Figure 12: Average Size of EGR 1 Establishments (2019)

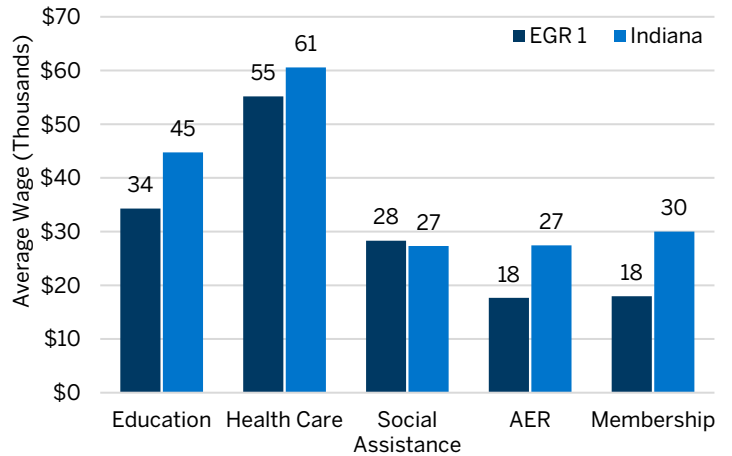


Average Annual Nonprofit Wages

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.

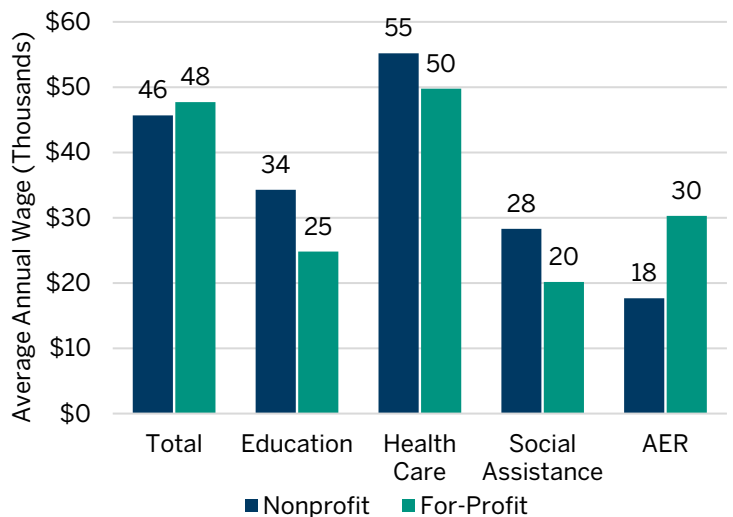
Average annual nonprofit wages were slightly lower in EGR 1 than Indiana (\$46,000 vs. \$51,000). As shown in Figure 13, among the major nonprofit industries, only social assistance had a higher average wage in EGR 1 than in Indiana (\$28,000 vs. \$27,000). Health care had the highest average wage of the major nonprofit industries in EGR 1 (\$55,000), but that was still \$5,400 lower than for the state as a whole. AER (\$18,000 vs. \$27,000) and membership (\$18,000 vs. \$30,000) had the largest wage differences between the EGR 1 and the state. Adjusted for inflation, average wage increased in every industry except for education which decreased by \$3,900 and AER which decreased by \$1,100.

Figure 13: Average Annual Nonprofit Wage for Select Industries (2019), EGR 1 and Indiana



When compared to average annual wages in for-profit establishments, those working for nonprofits on average earn between \$5,000 and \$9,000 more per year than those who work for for-profits in the same industry (Figure 14). The only exception was arts, entertainment, and recreation where for-profit annual average wages (\$30,000) are notably higher than those earned by nonprofit employees (\$18,000).

Figure 14: Average Annual Wage in EGR 1 for Select Industries (2019) by Sector



Summary and Conclusion

EGR 1’s nonprofit sector is a large economic force in the region, accounting for 11 percent of the workforce in the region and 10 percent of the payroll. Importantly, the nonprofit sector grew significantly, and almost continuously, over the 2000-2019 period, despite the lasting damages inflicted upon the region by the two recession periods. As a result, the nonprofit sector has been a major stabilizing force in the region.

Indiana Nonprofit Employment: EGR 1 Report

From 2000 to 2019, total employment saw a net decline, due mainly to significant losses in government and for-profit employment over the period. Government employment in health care significantly decreased over the 20-year period, especially in Porter and Jasper County. The decline in for-profit employment was mainly in the manufacturing and construction industries. As a result of the recessions, particularly the Great Recession, these industries lost employees and struggled to regain them. Manufacturing was particularly hit hard, losing a net 16,700 employees from 2000 to 2019.

By contrast, nonprofit employment increased more in total, at a higher rate, and in more years than for-profit and especially government employment. Since 2000, nonprofit employment has grown by 19 percent, increasing at an average annual rate of 1 percent, while total, government, and for-profit employment saw annual losses over the period. If treated as a separate industry, the nonprofit sector would be the third largest industry in EGR 1 for each of the 20 years in the period and account for the second largest payroll for all but 10 of the years.

The health care industry dominates nonprofit employment in EGR 1, accounting for nearly two-thirds (63 percent) of total nonprofit employment (and 76 percent of nonprofit payroll). The remaining nonprofit employees are fairly evenly distributed among the education, social assistance, membership associations, and a large number of other industries. Only 2 percent of nonprofit employees work in the arts, entertainment and recreation industry.

Nonprofit establishments tend to be similar in size to those in the state as a whole. Among five major nonprofit industries, health care establishments are the largest with 132 employees on average, followed by education nonprofits with an average of 61 employees. Social assistance and AER establishments are notably smaller with an average 24 and 23 employees, respectively. Membership establishments are smaller still, with an average of 11 employees.

Nonprofit average wages follow a similar pattern – highest in the health care industry (\$55,000), followed by education (\$34,000) and social assistance (\$28,000), with average wages in arts, entertainment and recreation (\$18,000), and membership establishments (\$18,000) trailing far behind.

Nonprofit establishments on average are larger and pay higher wages than their for-profit counterparts in three of the major nonprofit industries, especially in

health care. Only in the arts, entertainment and recreation industry are for-profit establishments larger and pay higher annual wages on average than nonprofits in the industry (there are no for-profit employment in the membership industry).

The long-term secular decline in manufacturing jobs has hit the Northwest region hard, given the historic dominance of manufacturing in the region. The two recession periods, especially the Great Recession of 2008-2009, further aggravated the economic health of the region, but hit mainly jobs in the for-profit sector. The changing health care landscape significantly reduced employment in the government sector and shifted many of those jobs to the nonprofit sector. The strong and growing economic contributions by the nonprofit sector stands in sharp contrast to these challenges.

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. jobs⁸.

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.⁹

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.¹⁰ However, certain employees are not required to participate, including religious organizations and charities with less than four employees.¹¹ 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).¹²

⁸ 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.

⁹ 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-ao-bmf, retrieved November 15, 2020.

¹⁰ 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.

¹¹ 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.

¹² 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,¹³ 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 77,300.¹⁴ 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.¹⁵

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.¹⁶ 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.¹⁷ 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).

¹³ The Infogroup (yellow page) listing includes about 9,600 congregations; de-duplication leaves just over 8,800.

¹⁴ 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.

¹⁵ 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.

¹⁶ 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.

¹⁷ 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 1

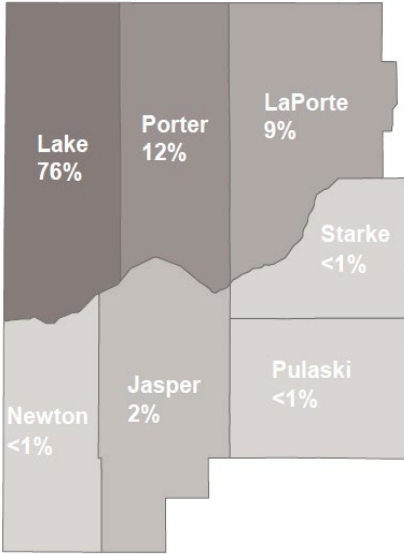


Figure B: Nonprofit Share of Total Payroll (2019\$) by County for EGR 1

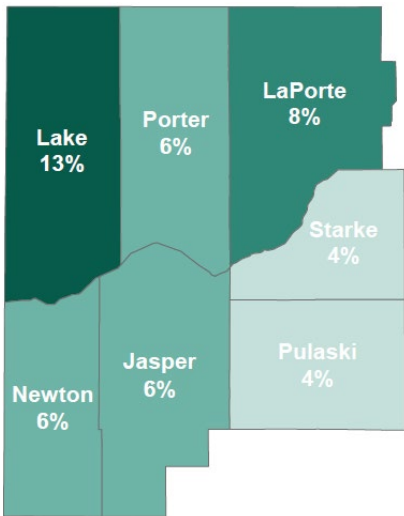


Figure C: Percent Annual Change in Total Nonprofit Payroll in Constant Dollars (2019), EGR 1 and Indiana

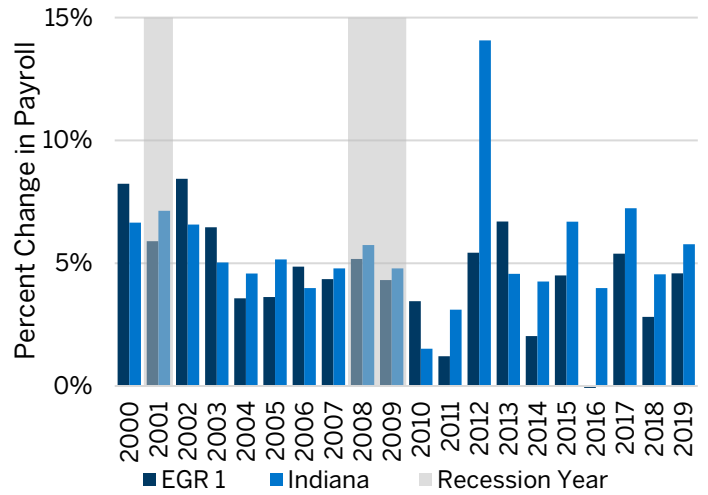


Figure D: Industry Distribution of Nonprofit Payroll (2019), EGR 1 and Indiana

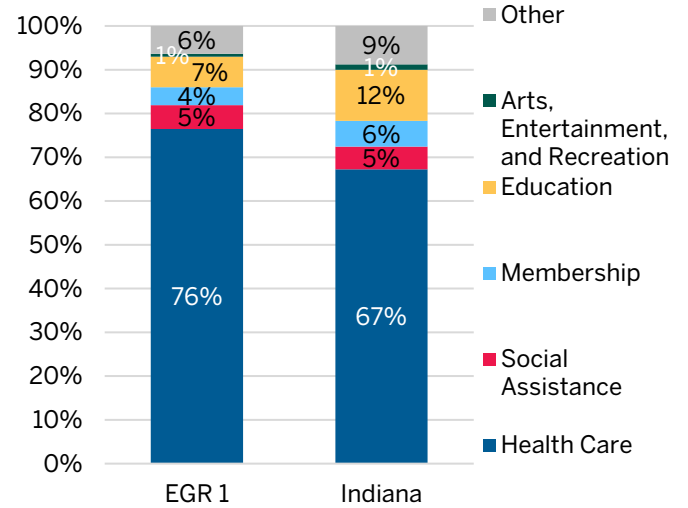
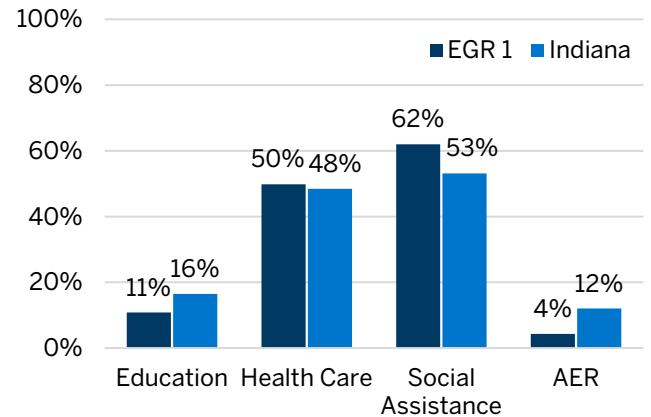


Figure E: Nonprofit Payroll as Percent of Total Payroll, by Select Industries (2019)





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