



INDIANA NONPROFITS PROJECT
NONPROFIT EMPLOYMENT: REGIONAL SERIES
REPORT #04

Nonprofit Paid Employment in Economic Growth Region 04, 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

Prepared by

KIRSTEN A. GRØNBJERG
Project Director

ANJALI BHATT
Kelley School Of Business



Copyright © 2021 Kirsten A. Grønbjerg
All rights reserved
Printed in the United States of America

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. 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 4, Indiana, 2000-2019, Nonprofit Employment Series, Regional Series, Report 4, 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.2.2.31044.55680

TABLE OF CONTENTS

Advisory Board	2
Introduction	3
Economic Growth Region 4: Northwest Central Indiana	3
Employment and Payroll	3
Industry Comparisons	4
Growth in Nonprofit Employment	5
Major Nonprofit Industries	7
Average Size of Nonprofit Establishments	8
Average Annual Nonprofit Wages	9
Summary and Conclusion	10
Appendix A: Methodology	12
Appendix B: Payroll Graphs	15

LIST OF FIGURES

Figure 1: Distribution of Nonprofit Paid Employment (2019) by County for EGR 4	4
Figure 2: Nonprofit Share of Total Paid Employment (2019) by County for EGR 4	4
Figure 3: Nonprofit Share of Total Paid Employment and Total Payroll (2019), EGR 4 and Indiana	4
Figure 4: Nonprofit Paid Employment Compared to Key Private Sector Industries (2019) for EGR 4	5
Figure 5: Nonprofit Payroll Compared to Key Private Sector Industries (2019) for EGR 4	5
Figure 6: Percent Annual Change in Total Nonprofit Paid Employment, EGR 4 and Indiana	6
Figure 7: Percent Change in Total Paid Employment in EGR 4 by Sector, 2000-09, 2009-19, 2000-19	6
Figure 8: Percent Change in Total Payroll (2019\$) in EGR 4 by Sector, 2000-09, 2009-19, 2000-19	7
Figure 9: Industry Distribution of Paid Nonprofit Employment (2019), EGR 4 and Indiana	7
Figure 10: Nonprofit Employment as Percent of Total Paid Employment, by Select Industries (2019)	8
Figure 11: Average Size of Nonprofit Establishments by Select Industries (2019), EGR 4 and Indiana	8
Figure 12: Average Size of EGR 4 Establishments (2019)	9
Figure 13: Average Annual Nonprofit Wage for Select Industries (2019), EGR 4 and Indiana	9
Figure 14: Average Annual Wage in EGR 4 for Select Industries (2019) by Sector	10
Appendix B	
Figure A: Distribution of Nonprofit Payroll (2019) by County for EGR 4	15
Figure B: Nonprofit Share of Total Payroll (2019) by County for EGR 4	15
Figure C: Percent Annual Change in Total Nonprofit Payroll (2019\$), EGR 4 and Indiana	15
Figure D: Industry Distribution of Nonprofit Payroll (2019), EGR 4 and Indiana	15
Figure E: Nonprofit Payroll as Percent of Total Payroll, by Select Industries (2019)	15

PROJECT ADVISORY BOARD

Keira Amstutz

President & CEO, Indiana Humanities

Jerold Bonnet

Chief Legal Counsel, Office of the Indiana Secretary of State

Betsy Denardi

Director of Complex Litigation, Office of Indiana Attorney General

Angela Espada

Executive Director, Indiana Catholic Conference

Kathryn Habecker

Impact & Advocacy Manager, Indiana United Ways

Jane Henegar

Executive Director, American Civil Liberties Union of Indiana

Shannon M. Linker

Vice President, Arts Council of Indianapolis

Jessica Love

Executive Director, Prosperity Indiana

Marc McAleavey

Executive Director, Serve Indiana

Thomas P. Miller

President & CEO, Thomas P. Miller and Associates

Ellen Quigley

Vice President of Programs, Richard M. Fairbanks Foundation

Fran Quigley

Clinical Professor of Law, IUPUI Health & Human Rights Clinic

Carol O. Rogers

Co-Director, Indiana Business Research Center

Patrick Rooney

Executive Associate Dean for Academic Programs, Lilly Family School of Philanthropy at Indiana University

Carolyn Saxton

President & CEO, Legacy Foundation

Rev. Timothy Shapiro

President, Indianapolis Center for Congregations

Bill Stanczykiewicz

Director, The Fund Raising School, Lilly Family School of Philanthropy at Indiana University

Sara VanSlambrook

Chief Impact Officer, United Way of Central Indiana

Pamela Velo

Principal, Velo Philanthropic Advising

Julie L. Whitman

Executive Director, Commission on Improving the Status of Children in Indiana

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 Central Indiana, Economic Growth Region 4, 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 4: Northwest Central Indiana



Economic Growth Region (EGR) 4 is composed of twelve counties – Benton, Carroll, Cass, Clinton, Fountain, Howard, Miami, Montgomery, Tippecanoe, Tipton, Warren, and White. EGR 4 includes both the Lafayette and the Kokomo Metropolitan Statistical Areas. In 2019, EGR 4 had 204,000 paid workers and a total payroll of \$9.5 billion.

Employment and Payroll

EGR 4’s nonprofit sector employed over 16,000 workers with a payroll of \$708 million. Figure 1 shows how nonprofit employees are concentrated in Tippecanoe County (56 percent), Howard County (18 percent), and Montgomery County (8 percent). The remaining 19 percent of nonprofit employees are distributed among the final 9 counties, each with below 5 percent share. Of Indiana’s 92 counties, Tippecanoe County ranks sixth in share

Quick Facts

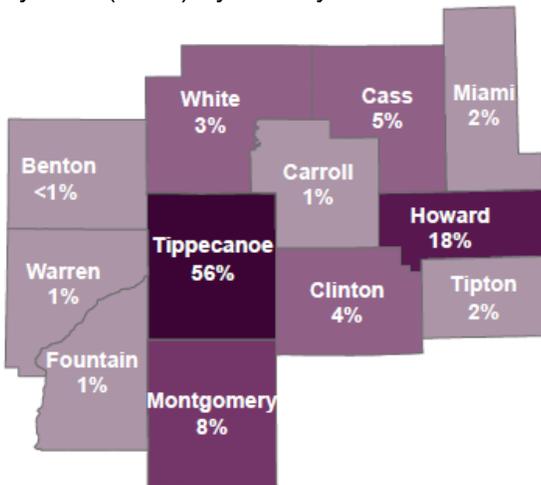
- Nonprofits employed 16,000 workers in the region with a total payroll of \$709 million in 2019 – about 8 percent of all paid employees and 7 percent of the total payroll.
- Nonprofit employment trails employment in manufacturing, retail trade, and accommodation and food services in the region, but the gaps have narrowed (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 39 and 92 percent), while for-profit or government employment either declined or grew very slowly (Fig. 6 and 7).
- Nonprofit employment has grown almost every year since 2000, except for declines in three years (Fig. 8).
- Most nonprofit employees work in health care (58%) with the rest fairly evenly distributed across social assistance, membership associations, and all other industries (Fig. 9).
- Nonprofit employees account for more than two-fifths of all health care workers and almost two-thirds of social assistance workers (Fig. 10).
- Nonprofit establishments have significantly more employees on average than for-profit establishments in the same industries, except for AER (which includes gambling) where they are roughly the same. Nonprofit health care establishments are considerably larger than nonprofits in other industries (Fig. 12).
- Average wages are higher for nonprofit employees than for-profit workers in all major nonprofit industries and highest in health care and education (Fig. 14).

of Indiana nonprofits, employing 3 percent of Indiana nonprofit employees. Since 2000, the distribution in EGR 4 changed minimally except for Tippecanoe County which increased its share by 8 percentage points and Clinton County which increased 6 percentage points.

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

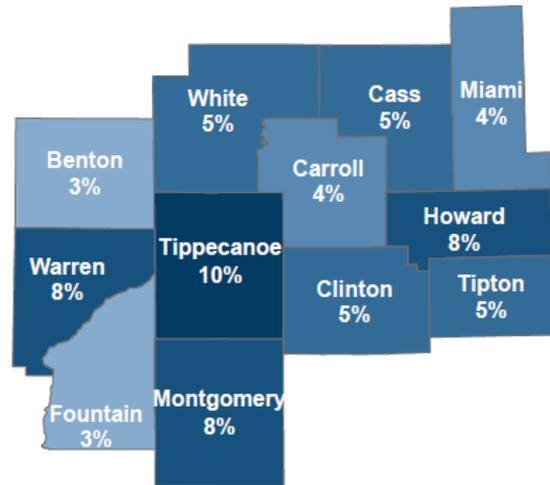
The distribution of nonprofit payroll is similar to employment. The top three counties, Tippecanoe, Howard, and Montgomery, jointly account for 86 percent of the total EGR 4 payroll (compared to 81 percent of employees). The remaining counties have below 3 percent share each. See Appendix B for details. Since 2000, the distribution of payroll in the 12 counties stayed roughly the same except for Tippecanoe County which increased share by 8 percentage points and Clinton County which lost share by 6 percentage points.

Figure 1: Distribution of Nonprofit Paid Employment (2019) by County for EGR 4



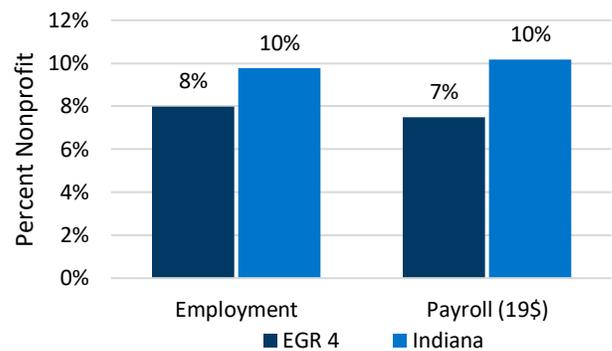
We also look at nonprofit employment as a percent of total employment in each county. Figure 2 shows that it varies significantly from a high of 10 percent in Tippecanoe County to only 3 percent in Benton County. Although the highest among the 12 counties in EGR 4, Tippecanoe county ranks only 17th of Indiana’s 92 counties in nonprofit share of total employment. Since 2000, the percentage share has increased for 9 of the 12 counties. The largest change was in Clinton County where the share decreased by 5 percentage points. The rest of the counties changed minimally, typically no more than 3 percentage points.

Figure 2: Nonprofit Share of Total Paid Employment (2019) by County for EGR 4



Of the 11 EGRs in Indiana, EGR 4 ranks 8th in nonprofit share of total employment and is lower (8 percent) than for the state as a whole (10 percent) by almost two percentage points (Figure 3). The gap for payroll is larger with 7 percent for EGR 4 compared to 10 percent for Indiana. Since 2000, EGR 4’s nonprofit share has increased for both employment (6 to 8 percent) and payroll (4 to 7 percent).

Figure 3: Nonprofit Share of Total Paid Employment and Total Payroll (2019), EGR 4 and Indiana



Industry Comparisons

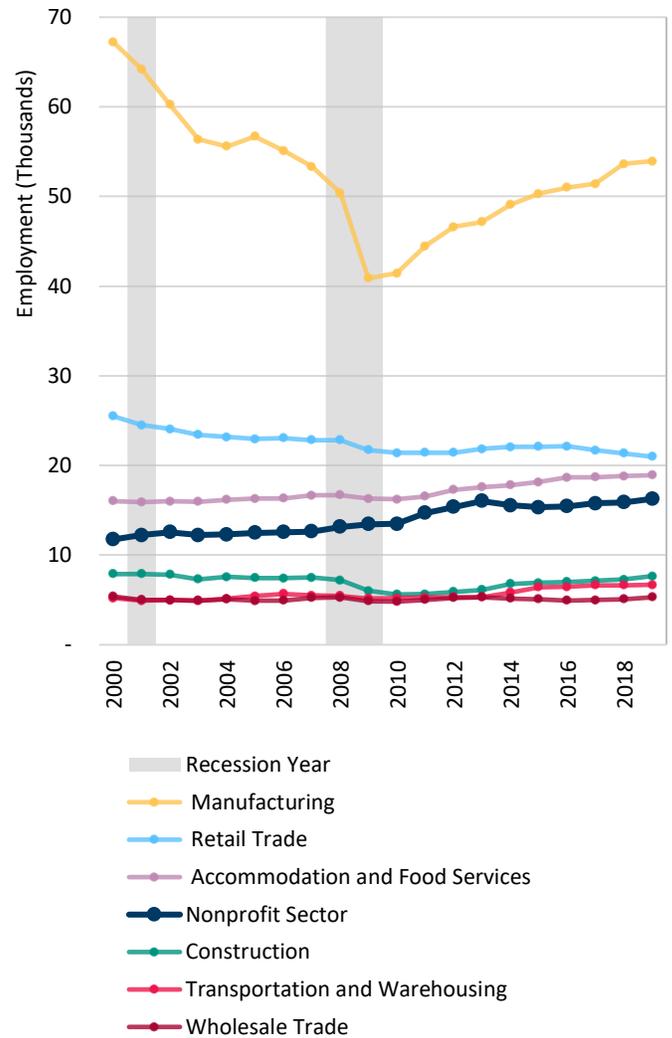
We now turn to look at the major industries in EGR 4 to see how nonprofit employment compares (Figure 4). Overall, nonprofit employment (dark blue line) is the fourth largest employer, trailing after manufacturing (yellow), retail trade (light blue), and accommodation and food services (purple). Together, the top three industries employ 46 percent, with manufacturing alone accounting for more than a quarter (26 percent) of all EGR 4 workers in 2019. Manufacturing has remained the largest industry despite significant losses since 2000 – down from 67,000 workers in 2000, to only

41,000 in 2009 before recovering to 54,000 employees in 2019. The remaining industries have all had 25,000 or fewer employees.

The second largest industry, retail trade (light blue), had 33,000 fewer employees than manufacturing in 2019 and was down 18 percent from 25,000 workers in 2000 to 21,000 in 2019. In fact, every major for-profit industry, except two (transportation and warehousing; accommodation and food services), had a net loss of employees over the 20-year period.

Accommodation and food services (purple), the third largest industry in the region, increased from about 16,000 workers in 2000 to 18,900 in 2019, or by almost 18 percent. By contrast, employment in the nonprofit sector (dark blue) grew more than twice as fast (up by 39 percent).² While the nonprofit sector remained the fourth largest employer in the region, it was gaining on the second (retail trade) and third largest industries (accommodation and food industries). For retail trade, the gap was 13,800 employees in 2000, but only 4,700 by 2019. For accommodation and food services, the gap declined from 4,300 in 2000 to 2,600 in 2019.

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



When it comes to payroll trends, only manufacturing remains similar to employment. Manufacturing payroll faced a net loss of 23 percent, adjusted for inflation, from 2000 to 2019. The net loss reflected a combination of a significant drop from 2000 to 2009 and slow recovery after that period, down from \$4.5 billion in 2000 to \$2.7 billion in 2009, before reaching \$3.5 billion in payroll in constant 2019 dollars.

As shown in Figure 5, none of the other for-profit industries showed significant fluctuations – most grew slowly or even declined. Thus, retail trade, the second largest payroll in 2000, declined by \$98 million from \$656 million in 2000 to \$557 million in 2019. By contrast, total nonprofit payroll increased by \$339 million, from \$369 million in 2000 to \$708 million in 2019, surpassing total payroll in retail trade in 2011. By 2019, nonprofits had the second largest payroll in the region, trailing only

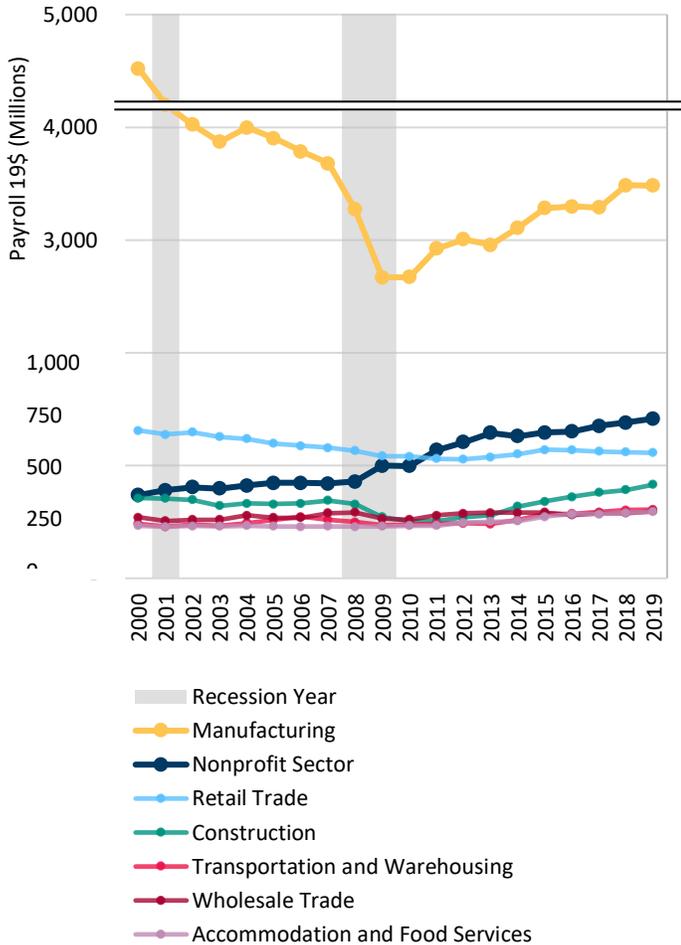
² Some of these industries have a small number of nonprofit workers, so some nonprofit workers may be double counted.

manufacturing. The remaining industries increased by less than \$62 million over the 20-year period.

Figure 5: Nonprofit Payroll Compared to Key Private Sector Industries (2019) for EGR 4³

Growth in Nonprofit Employment

Next, we look at growth in employment and payroll for EGR 4, comparing overall nonprofit trends with the corresponding changes in the for-profit and government sectors.



From 2000 to 2019 total paid employment in EGR 4 decreased by 4 percent and total payroll decreased by 3 percent, adjusted for inflation (see dark grey bars in Figure 6 and 7). Unlike employment and payroll in EGR 4 which faced a net loss, total employment in Indiana increased by 5 percent, and payroll by 11 percent. The net loss for the region is largely attributable to one major for-profit industry, manufacturing. As explored earlier, from 2000 to 2009, the manufacturing industry faced significant

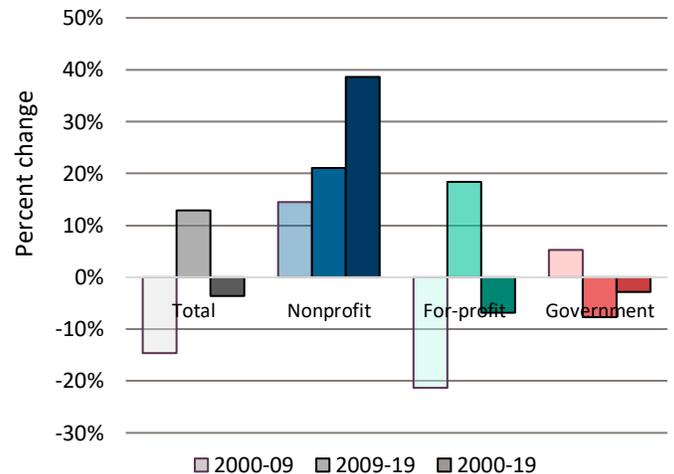
losses. Since then, the industry has been grown, but not enough to match the level of employment and payroll that it had back in 2000. The 26,000 loss in employment and \$1.9 billion loss in payroll in the manufacturing industry account for almost all the overall negative growth in this region.

As we showed earlier, the nonprofit sector employment grew almost continuously, up by 39 percent between 2000 and 2019, the same rate as for the state as a whole. Nonprofit payroll increased even more, up by 92 percent (compared to 84 percent statewide).

Figure 6 shows how employment in each sector has changed over time. The first two lighter bars show percent change for the first and second half of the 20-year period, respectively. The third and darkest bar shows percent change over the entire 20-year period. From 2000 to 2009, for-profit employment declined by 21 percent, while employment in the nonprofit sector was up 14 percent and government by 5 percent. As mentioned earlier, the large loss in for-profits is attributable to the changes in the manufacturing industry.

From 2009 to 2019, nonprofits and for-profits both experienced growth (21 and 18 percent, respectively), while government employment decreased by 8 percent. Only the nonprofit sector experienced net growth during both halves of the 20-year period.

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

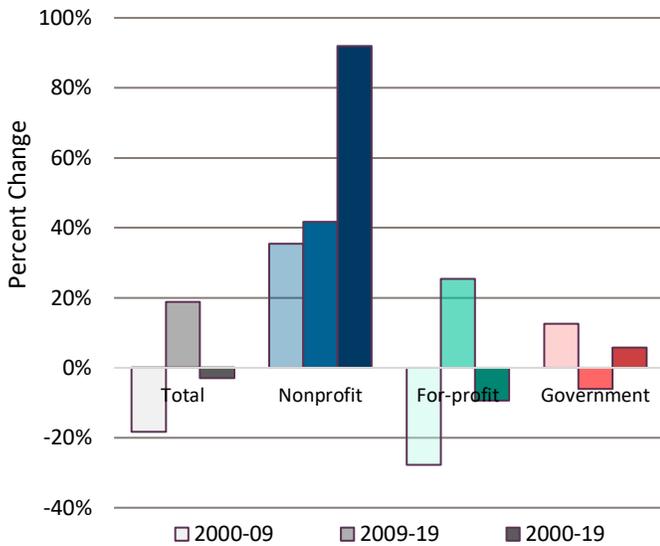


³ The vertical axis is in millions. The scaling changes between the bottom and top half to accommodate for manufacturing payroll.

The growth in payroll resembles employment with two key differences (see Figure 7). First, the rate of growth for nonprofit payroll is roughly double the rate of nonprofit employment growth in all three periods. Nonprofit payroll grew 35 percent from 2000 to 2009 and 42 percent from 2009 to 2019, for a total growth of 92 percent from 2000 to 2019. Government payroll increased 6 over the entire period, growing enough (13 percent) between 2000 to 2009 to offset a loss of 6 percent between 2009 and 2019.

The changes in for-profit payroll were fairly similar to for-profit employment in terms of magnitude. The changes in payroll were once again attributable to the major loss in for-profit manufacturing payroll.

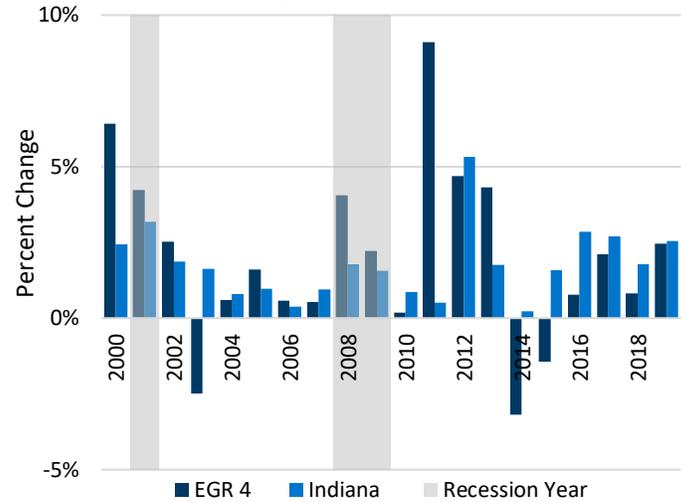
Figure 7: Percent Change in Constant 2019 Dollars in Total Payroll in EGR 4 by Sector, 2000-09, 2009-19, 2000-19



When comparing average annual rates of growth in employment, the nonprofit sector grew the fastest at 2 percent annually, followed by government, total, and for-profit (0.1, -0.2, and -0.4 percent respectively). For 12 of the 20-year period, nonprofit employment grew faster than for-profit and government. For-profit grew fastest for 5 years and government for the other 3 years. From 2000 to 2019, nonprofit employment only declined in three years. By comparison, for-profits had negative growth from 2000 to 2003 and 2006 to 2009, for a total of 8 years. Government employment declined every year from 2009 to 2019, for a total of 11 years.

Compared to growth in nonprofit employment at the state level, EGR 4 grew slower for 11 of the years between 2000 to 2019 (Figure 8). Nonprofit employment declined in EGR 4 for three years, but grew by 6 and 9 percent, respectively in 2000 and 2011. The average annual nonprofit growth rate was 2 percent in EGR 4, the same as for Indiana as a whole.

Figure 8: Percent Annual Change in Total Nonprofit Paid Employment, EGR 4 and Indiana



The annual trends shown in Figure 8 should be treated with caution. For smaller units of aggregation (such as EGRs or smaller industries), changes in how data are reported and/or establishments are classified by reporting organizations and/or the Bureau of Labor Statistics become more evident. These technical changes may account for at least some of the variations in annual growth rates shown here. We don't know the true incident of such changes but we have identified some for virtually all Indiana EGRs.

Nonprofit payroll decreased for five years in EGR 4. The average annual growth in nonprofit payroll was slightly higher in EGR 4 (4 percent) than Indiana (3 percent). See Appendix B for more details.

Major Nonprofit Industries

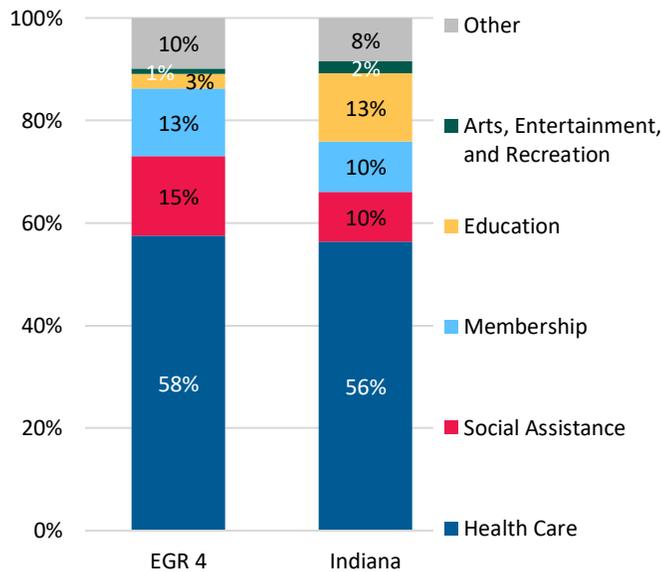
Next we look at the five industries where 90 percent of nonprofit workers are concentrated (Figure 9). The rest are scattered across almost all other industries in the region (except for mining, quarrying, and oil and gas extraction; manufacturing; wholesale trade; and public administration). As Figure 9 shows, the distribution of nonprofit employment across the major nonprofit

industries differs between EGR 4 and Indiana. Health care dominates nonprofit employment in both EGR 4 and Indiana as a whole, accounting for 58 and 56 percent of all nonprofit employees, respectively.

Social assistance is the second largest in EGR 4 with 15 percent of all nonprofit employees but is only the fourth largest in Indiana (10 percent). In contrast, education, which is the second largest in Indiana, accounts for only 3 percent of EGR 4's nonprofit employees, compared to 13 percent in Indiana. This is perhaps not surprising, since only one of Indiana's 30 private colleges is located in the region.⁴

Membership associations (which includes grant-making, civic, professional associations, and the few religious organizations included in the employment data) account for 13 percent of nonprofit workers in EGR 4 (10 percent for the state).⁵ Arts, entertainment and recreation accounts for only 1 percent of all nonprofit workers in EGR 4, and 2 percent for Indiana.

Figure 9: Industry Distribution of Paid Nonprofit Employment (2019), EGR 4 and Indiana



In terms of payroll, health care absorbs 71 percent of total nonprofit payroll in EGR 4, compared to 58 percent of nonprofit employees, suggesting these workers earn significantly higher wages than those

working in other nonprofit industries. As a result, all other industries have a smaller percentage share of nonprofit payroll than they do for nonprofit employment, except for education which is the same. See Appendix B for more details.

We next take a closer look at overall employment in these major nonprofit industries. Figure 10 shows how the nonprofit share of total employment in EGR 4 compares to the state for the major nonprofit industries.

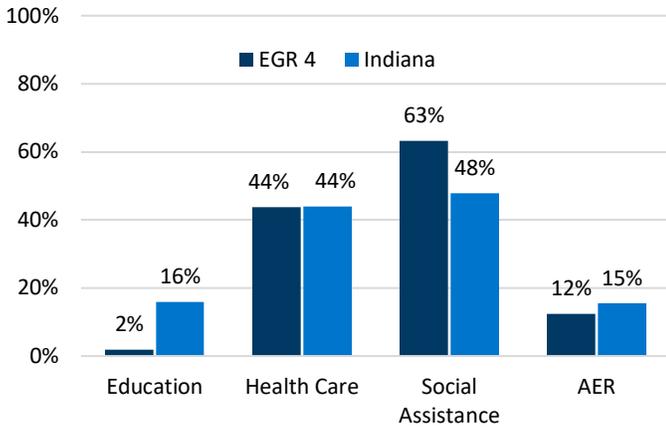
Social assistance is the only industry where nonprofits account for a larger share of total employment in EGR 4 than the state (63 vs. 48 percent). This is also the industry that nonprofits dominate the most, followed by health care, where 44 percent of all employees work for nonprofits in both EGR 4 and Indiana as a whole. In EGR 4, nonprofits employ almost 2 percent of all education employees (compared to 16 percent statewide), as do for-profits, with rest working for government institutions, such as public schools, Indiana University Kokomo, and Purdue University. About 12 percent of all arts, entertainment, and recreation employees work for nonprofits in EGR 4, compared to 15 percent in Indiana overall. Membership is not included in the graph because nonprofits make up nearly 100 percent of the industry.

Since 2000, the nonprofit share of total employment has increased in health care (up by 9 percentage points), was unchanged in education, but decreased in social assistance and arts, entertainment, and recreation. The loss of market share was most pronounced in the social assistance industry, where nonprofits declined from 81 percent of total employment in 2000 to 63 percent in 2019. Nonprofits also lost in the arts, entertainment, and recreation industry, down 11 percentage points from 23 percent in 2000 to 12 percent in 2019.

Figure 10: Nonprofit Employment as Percent of Total Paid Employment, by Select Industries (2019), EGR 4 and Indiana

⁴ See "Independent College of Indiana Member Colleges and Universities," available online at www.icindiana.org/indiana-private-colleges/.

⁵ We conservatively estimate that there are roughly 8,800 congregations in Indiana, although only 174 were included in the source data for this report, roughly 2 percent (see Appendix A). We expect at least 26,500 employees, but perhaps as many as 77,300.

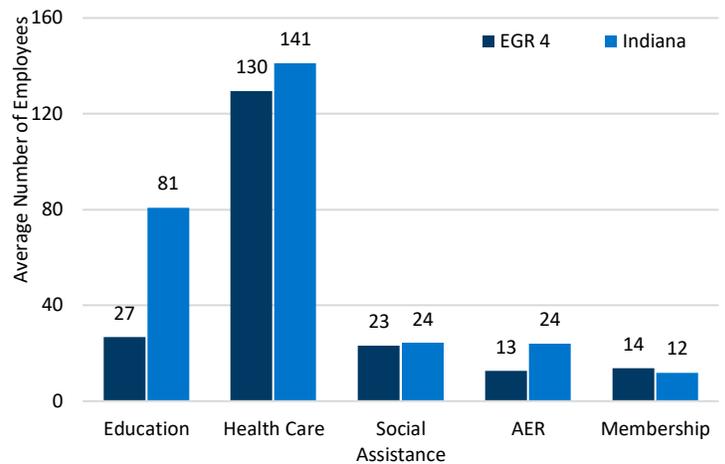


Average Size of Nonprofit Establishments

Next, we look into the average size of establishments in these industries. 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. nursing homes 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 are largest in the health care industry in EGR 4 with 130 employees on average, reflecting the inclusions of hospitals in this industry (Figure 11). Education and social assistance industries trail far behind with an average of 27 and 23 workers per establishment. Membership associations and arts, entertainment, and recreation establishments are smaller still with about 13-14 workers on average.

Figure 11: Average Size of Nonprofit Establishments by Select Industries (2019), EGR 4



and Indiana

The average size of nonprofit establishments tends to be smaller for EGR 4 than Indiana, 34 employees versus on 43 employees on average. This difference holds across all major nonprofit industries except for membership, where EGR 4 nonprofits are slightly larger than the state as a whole (14 v. 12). The largest size difference is for education (27 v. 81), probably reflecting the absence of all but a few nonprofit colleges in EGR 4. Even for arts, entertainment, and recreation the average size in EGR 4 (13) is notably lower than for Indiana as a whole (24).

Since 2000, the average size of nonprofit establishments in EGR 4 has decreased in education by 20 employees (from 47 to 27 workers on average), and in arts, entertainment, and recreation (from 18 to 13). Average size has barely changed for social assistance, but increased for health care establishments, up an average of 44 employees, from 86 to 130 employees.

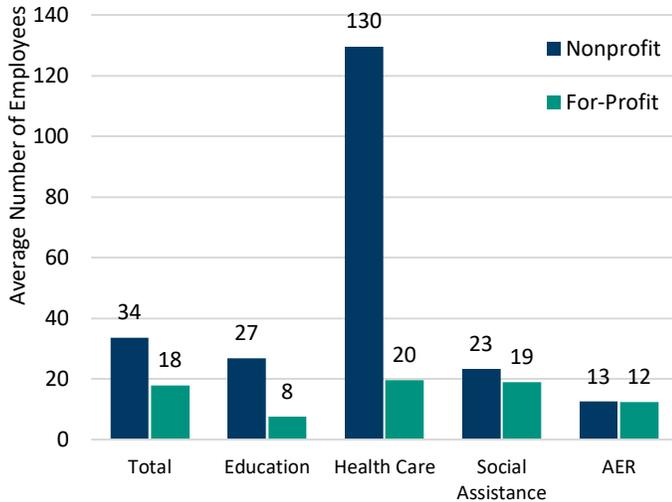
Compared to the size of for-profit establishments in these major industries, nonprofit establishments are larger in each of the respective industries (Figure 12).⁶ The most notable size difference is in health care, where nonprofit establishments are more than six times larger (130 vs. 20) than their for-profit counterparts, reflecting the presence of large nonprofit hospitals in this industry.

The size difference is also notable in education, where nonprofits (27) are over 3 times larger than

⁶ In Figure 12 and 14, the Total segment includes both the major nonprofit industries shown separately and “all other industries”. It is important to recognize that the for-profits total includes the large establishments in manufacturing and the high paying jobs in manufacturing and construction.

for-profits (8). For social assistance, the size differences was only 4 employee on average. Since 2000, the average size of for-profit establishments has remained fairly stable in these industries, except for social assistance, which increased from slightly less than 9 workers on average in 2000 to 19 in 2019, or by 120 percent.

Figure 12: Average Size of EGR 4 Establishments (2019)⁷



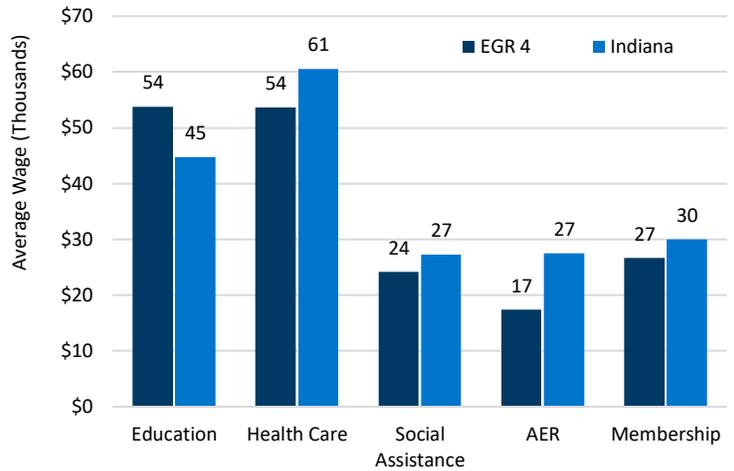
Average Annual Nonprofit Wages

We also look at average wages in these key 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.

Figure 13 (dark blue bars) shows that nonprofit employees in EGR 4 have the highest wages if they work in the education or health care industries. The average wages of \$54,000 in these two industries is at least twice as much as nonprofit workers earn in membership associations (\$27,000) and social assistance (\$24,000) or arts, entertainment and recreation (\$17,000) establishments.

Figure 13 also shows that nonprofits in EGR 4 tend to get paid less than the average nonprofit employee statewide (\$44,000 vs. \$51,000, respectively). This pattern holds across all industries except for education, where nonprofit employees in EGR 4 make roughly \$9,000 more than their counterparts at the state level. Health care (\$54,000 vs. \$61,000) and AER (\$17,000 vs. \$27,000) workers make notably lower wages in EGR 4 than in Indiana overall. Social assistance and membership make \$3,000 lower on average each.

Figure 13: Average Annual Nonprofit Wage for Select Industries (2019), EGR 4 and Indiana



Adjusted for inflation, average annual nonprofit wages in EGR 4 increased in health care, social assistance, and membership and decreased for education and AER from 2000 to 2019. The change in health care was the most notable, with the average nonprofit wage growing by \$15,000 (\$39,000 in 2000 to \$54,000 in 2019). Average wages also increased for nonprofit employees working in membership associations (up from \$18,000 to \$27,000). Average wages in social assistance were virtually unchanged over the 2000-2019 period (up only by \$500). By contrast average wages in education decreased by \$13,000 from \$67,000 in 2000 to \$54,000 in 2019. Average wages also decreased for nonprofit employees working in AER (down from \$22,000 to \$17,000)

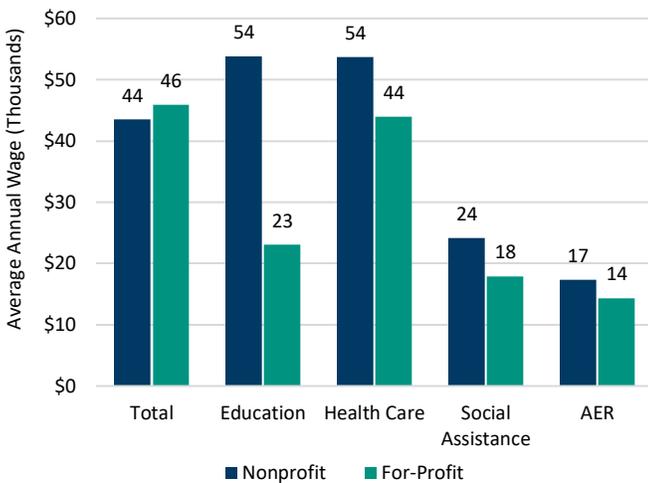
While nonprofit employees in EGR 4 on average earned less than their counterparts at the state level in all major nonprofit industries except for education, they earned more than those employed

⁷ Due to confidentiality agreements, Figures 12 and 14 do not show the government sector.

by for-profit establishments in EGR 4 (Figure 14). The gap is most pronounced in education where the average wage of nonprofits workers (\$54,000) is more than double that of for-profit employees (\$23,000). In health care, nonprofit employees earn an average of \$10,000 more than their for-profit counterparts. The difference is smaller (\$6,000) in social assistance, and AER \$3,000).⁸

Between 2000 and 2019, average for-profit wages increased in education and social assistance, but decreased for those working in the health care and arts, entertainment, and recreation industries. In each case, the change was no more than \$5,300.

Figure 14: Average Annual Wage in EGR 4 for Select Industries (2019) by Sector



Summary and Conclusion

Nonprofits employed 16,000 workers in Economic Growth Region 4 with a total payroll of \$708 million in 2019, about 8 percent of all paid employees and 7 percent of the payroll. Although those percentages are slightly smaller than for the state as a whole (both 10 percent), the nonprofit sector has been an important economic force in EGR 4. Between 2000 and 2019, nonprofit employees in EGR 4 grew by 39 percent, while for-profit employment declined by 7 percent and government employment by 3 percent. Overall, by 2019, EGR 4 had lost 4 percent of the jobs it had in 2000.

The overall net loss of jobs in EGR 4 can be traced to major losses in the manufacturing industry during the first half of the period, 2000 to 2009. The

industry recovered somewhat over the second half of the period, but as of 2019 it was still below the level of employment or payroll that it had in 2000. Even so, manufacturing remains the largest industry in EGR 4 for both the number of jobs and total payroll.

The nonprofit sector, when compared to the for-profit major industries in EGR 4, ranked fourth in number of workers employed and gained on other industries. Thus, the second largest industry, retail trade, lost jobs, and jobs in the third largest industry in the region (accommodation and food industry), grew more slowly than nonprofit jobs.

The strong economic impact of the nonprofits sector is even more pronounced for payroll. Total nonprofit payroll almost doubled over the 2000 to 2019 period adjusted for inflation (up 92 percent). Nonprofit payroll slightly higher than construction, which is fourth in 2000, behind manufacturing and retail trade, but grew faster than construction throughout the period and surpassed payroll in the retail trade industry in 2011. By 2019, nonprofits had the second highest payroll in the region.

Nonprofit jobs increased at a higher average annual growth rate than the for-profit and government sectors and had the highest annual growth in more years than the other sectors. The nonprofit sector grew in 17 of the 20 years between 2000 and 2019, and at the fastest rate for 12 of those years.

More than half (58 percent) of all nonprofit workers are employed in the health care industry in EGR 4, as is the case for Indiana. The second largest concentration is in social assistance with 15 percent of all nonprofit jobs in the region. Very few nonprofit workers in EGR 4 work in the education industry – only 3 percent, compared to 13 percent for Indiana overall. The rest of EGR 4’s nonprofit workers are split between membership associations (13 percent), arts, entertainment and recreation (1 percent) and all other industries (10 percent).

Nonprofits play particularly important roles in these major nonprofit industries in EGR 4. They account for virtually all employment in membership associations, almost two-thirds (63 percent) of all

⁸ Nonprofit workers on average earn less than for-profit employees in these industries mainly because of non-major nonprofit industries, or all other industries, where nonprofit workers earn less than for-profit employees. The “all other industries” includes well-paying jobs in manufacturing and construction.

jobs in social assistance, more than two-fifths (44 percent) of jobs in health care. They account for a much smaller 12 percent of all jobs in the arts, entertainment and recreation industry (which includes gambling), and only 2 percent of all jobs in education. The latter reflects the presence of only a few private, nonprofit colleges in the region and the many workers employed by public schools and public universities such as Purdue University and IU Kokomo.

A more detailed look at the major nonprofit industries shows that nonprofit health care establishments have the highest average size of all major nonprofit industries in EGR 4, while health care and education both have the highest average wage. Although the average size of education industries is significantly lower than health care, the average wage is the same as health care for nonprofits (\$54,000). Social assistance, AER, and membership trail behind at much smaller sizes and lower wages.

Compared to the state as a whole, nonprofit establishments in EGR 4 tend to have fewer employees on average in most of the major nonprofit industries. The discrepancy is particularly large in education, where the establishments have only 27 workers on average in EGR 4, compared to 81 on average for Indiana. Average wages for nonprofit employees is also lower in EGR 4 compared to Indiana for most of the industries, except for education, where those working in EGR 4 have higher wages on average than for the state as a whole.

By comparison to the for-profit sector, however, nonprofit establishments in EGR 4, are larger on average and pay higher average wages in each of the major nonprofit industries. The differences are most pronounced in health care where nonprofit establishments on average have almost seven times more employees than their for-profit counterparts. For education, nonprofit establishments is more than three times larger than for-profits and have average annual wages that are more than twice as high. The nonprofit sector remains strong and grew significantly, both in numbers of jobs and payroll.

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. jobs⁹.

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.¹⁰

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.¹¹ However, certain employees are not required to participate, including religious organizations and charities with less than four employees.¹² 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).¹³

⁹ 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.

¹⁰ 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.

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/overview.htm#data_available, retrieved February 10, 2020.

¹² 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.

¹³ The 2017 Indiana Nonprofits Survey allows a clearer picture of unaccounted nonprofit employees. Using the sample statistics, we estimated the mean and median number of paid employees per establishment. These numbers were then used on the de-duplicated universe of nonprofits in Indiana created using the IRS, Secretary of State, and Infogroup data. For more details see the 2017 ARNOVA Conference paper 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).

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,¹⁴ 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 77,300.¹⁵ 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.¹⁶

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.¹⁷ 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.¹⁸ Unfortunately, we can only identify private establishments as nonprofits in the QCEW data, if they are registered with the IRS; all other nonprofits that have paid employees in the QCEW data will by necessity be classified as for-profit establishments.

In addition, some for-profit companies may have nonprofit subsidiaries and the QCEW would not identify the subsidiaries as nonprofit in their records. The reverse is also true – if nonprofits have commercial subsidiaries, the latter would be counted as a nonprofit. Regarding wages, the QCEW counts bonuses, stock options, the cash value of meals and lodging, and tips and gratuities in addition to wage. However, fringe benefits (such as employer contributions to health insurance or pensions) are not included.

Finally, the IRS status in the EOMF is as of March or April of the data year in question. Any newly registered exempt entities may not be included, since the process to identify nonprofits may take up to several months. We believe the error is relatively insignificant, but we cannot confirm that assumption. The same situation occurs for entities that convert to for-profits during the data year. Then, although the EOMF lists them as nonprofits, they technically would cease to be nonprofits during the year. In either case, if these entities have employees and payroll during the year, they would be counted as for-profits. These limitation leads to discrepancies between the true count of Indiana nonprofit employment and the estimates developed by the Indiana Nonprofits Project.

¹⁴ The Infogroup (yellow page) listing includes about 9,600 congregations; de-duplication leaves just over 8,800.

¹⁵ 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.

¹⁶ 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.

¹⁷ 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.

¹⁸ 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.

Appendix B: Payroll Graphs

Figure A: Distribution of Nonprofit Payroll (2019\$) by County for EGR 4

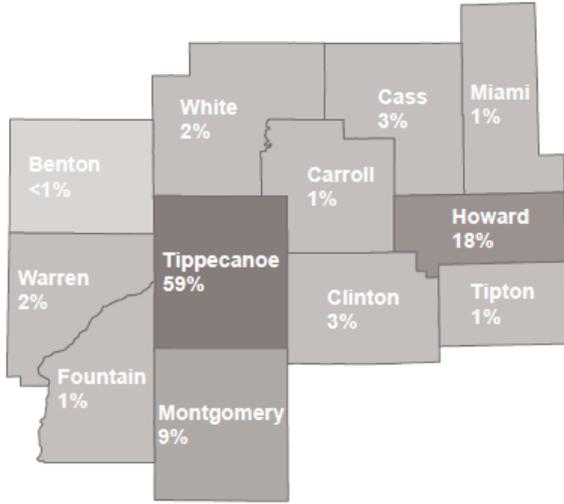


Figure B: Nonprofit Share of Total Payroll (2019\$) by County for EGR 4

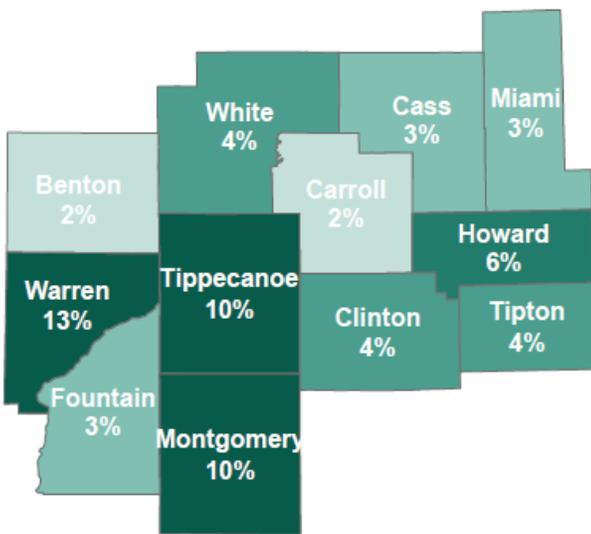


Figure C: Percent Annual Change in Total Nonprofit Payroll in Constant Dollars (2019), EGR 4 and Indiana

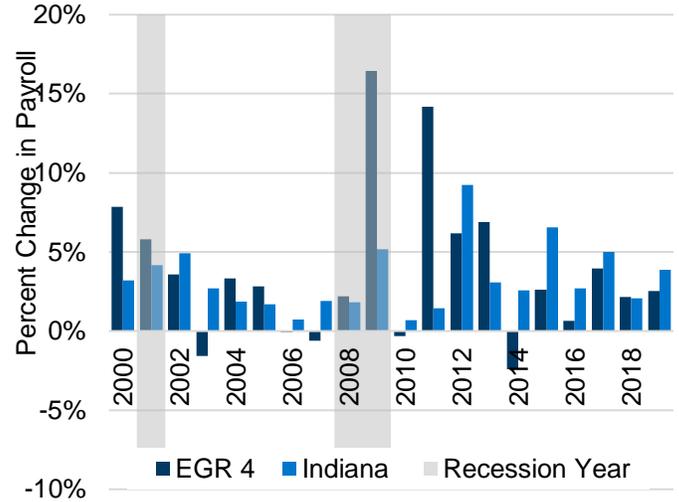


Figure D: Industry Distribution of Nonprofit Payroll (2019), EGR 4 and Indiana

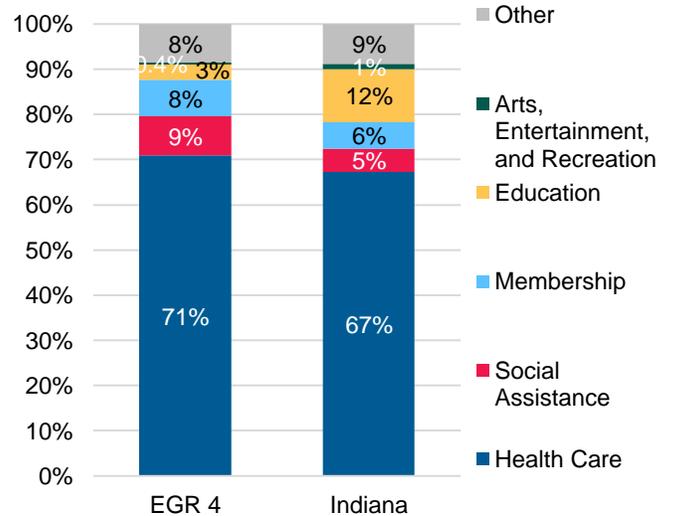
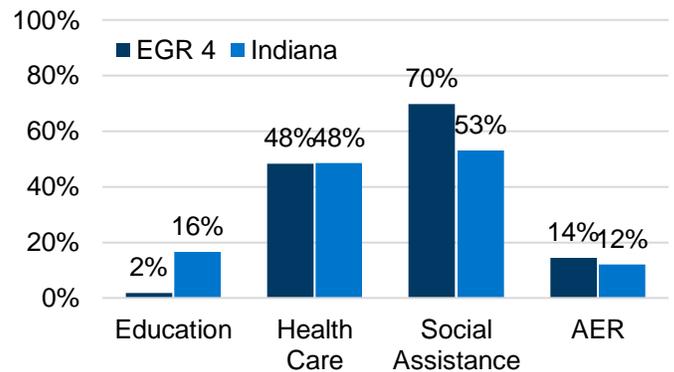


Figure E: Nonprofit Payroll as Percent of Total Payroll, by Select Industries (2019)





IUPUI

LILLY FAMILY SCHOOL OF PHILANTHROPY



O'NEILL

SCHOOL OF PUBLIC AND
ENVIRONMENTAL AFFAIRS