



INDIANA NONPROFITS PROJECT
NONPROFIT EMPLOYMENT: REGIONAL SERIES
REPORT #07

Nonprofit Paid Employment in Economic Growth Region 07, Indiana, 2000-2019

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

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

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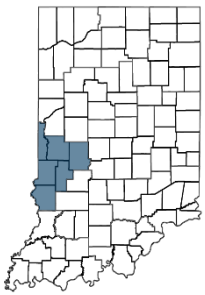
Introduction

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

Additionally, 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 West Central Indiana, Economic Growth Region 7, 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 7: West Central Indiana



Economic Growth Region (EGR) 7 is composed of six counties – Clay, Parke, Putnam, Sullivan, Vermillion, and Vigo. The region includes the Terre Haute Metropolitan Statistical Area (MSA) (Vermillion, Vigo, Clay, and Sullivan Counties), as well as one county of the Indianapolis MSA

(Putnam County). EGR 7 is one of the smallest of the 11 economic growth regions in Indiana, employing 82,000 of Indiana's paid workers (3 percent of the total), with a total payroll of over \$3.4 billion (2 percent of the total).

Employment and Payroll

Of the 82,000 paid employees in the region in 2019, nonprofits employed almost 9,300 with a payroll of over \$422 million. Figure 1 shows how the region's nonprofit workers are distributed

Quick Facts

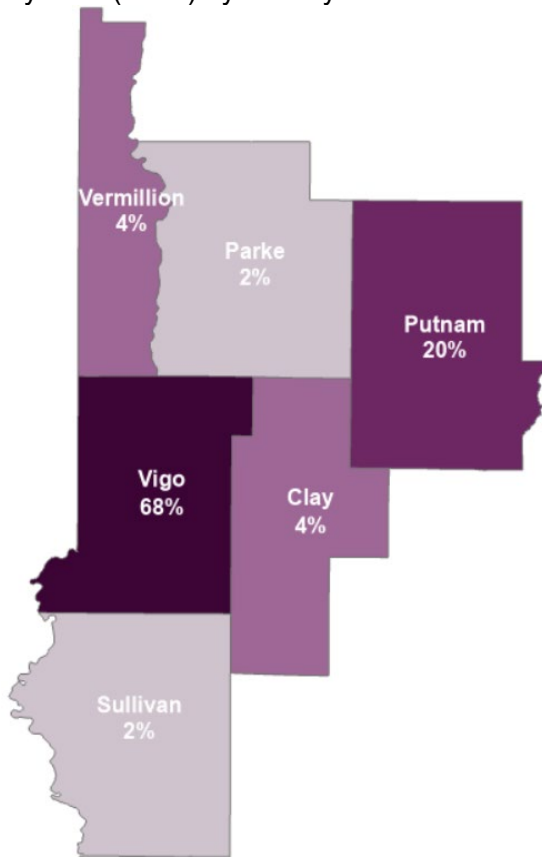
- Nonprofits employed 9,300 workers in the region with a total payroll of \$422 million in 2019 – 11 percent of all paid employees and 13 percent of the total payroll in the region.
- In 2019, nonprofit employment ranked third when compared to major for-profit industries in the region. Manufacturing and retail trade rank first and second, respectively, although they took a significant dip over the 20-year period (Fig. 4).
- Nonprofit payroll trails only manufacturing, and that gap has considerably narrowed (Fig. 5).
- Nonprofit employment and payroll (adjusted for inflation) have grown considerably more than the for-profit and government sectors (Fig. 6 and 7).
- Nonprofit employment has grown in 14 of the 20 years since 2000 (Fig. 8).
- Most nonprofit employees work in health care (47%) and education (23%), with the rest fairly evenly distributed across membership, social assistance, and all other industries (including the small arts, entertainment and recreation industry) (Fig. 9).
- Nonprofit employees account for over half (59 percent) of all social assistance workers (Fig 10).
- Nonprofits have more employees on average than for-profit establishments in the same industries (Fig. 12).
- Average wages are higher for nonprofit employees than for-profit workers in all major nonprofit industries (Fig. 14).

among the six counties. Almost 90 percent (88 percent) of the employment is concentrated in Vigo (68 percent) and Putnam (20 percent) counties. The remaining 12 percent is distributed fairly evenly across the remaining four counties (between 2 and 4 percent of the region's total). This distribution has remained largely unchanged since 2000.

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

Nonprofit payroll, in constant 2019 dollars, is similarly distributed among the nine counties, although 91 percent of EGR 7's nonprofit payroll is concentrated in Vigo (74 percent) and Putnam (17 percent) Counties. The remaining 9 percent is split among the remaining 4 counties where Vermillion accounts for 5 percent and Clay, Parke, and Sullivan for 1-2 percent. See Figure B1 in Appendix B for more details. The distribution of nonprofit payroll is largely unchanged over the 20-year period. Vigo County account for 2 percent of Indiana's nonprofit employment and payroll, the ninth highest percent among the state's 92 counties.

Figure 1: Distribution of Nonprofit Paid Employment (2019) by County for EGR 7

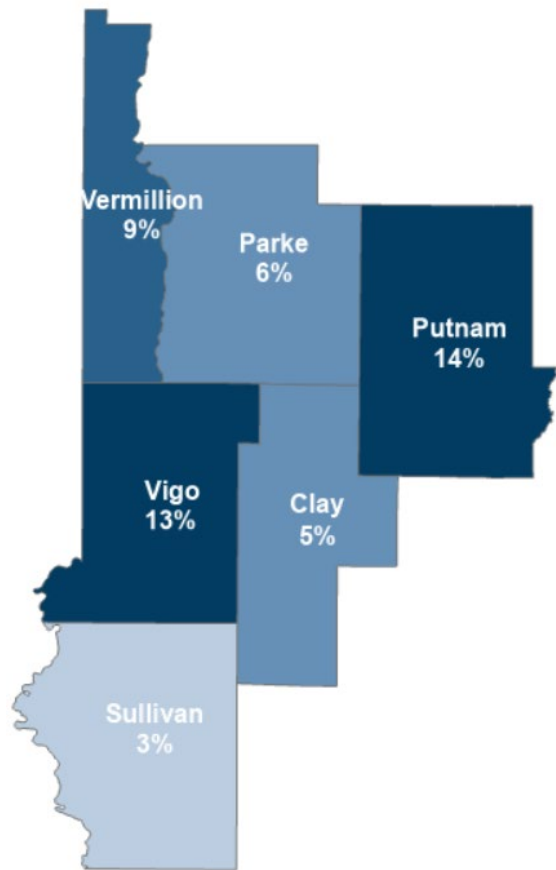


Nonprofit employment as a percentage of total employment is more suggestive of the role of nonprofits in EGR 7. Putnam County ranks sixth highest for nonprofit share of total employment among Indiana counties and Vigo County ranks eleventh, at 14 and 13 percent, respectively. Vermillion County trails at 9 percent, with the remaining three counties between 3 and 6 percent nonprofit share of total employment. Since 2000, the nonprofit share has increased by 1-3 percentage points for every county except for Parke

County, which has dropped by 1 percentage point.

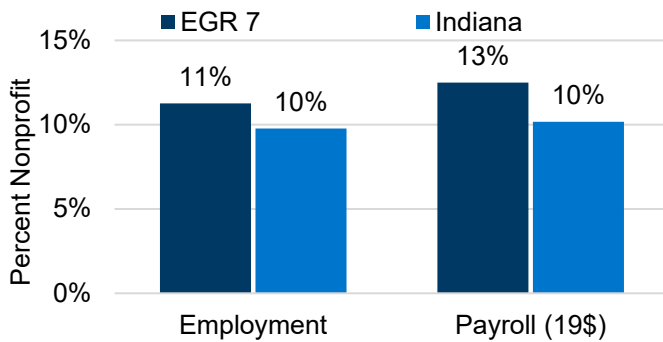
We find a similar pattern for the nonprofit share of total payroll. Vigo and Putnam County have the highest nonprofit shares of total payroll in the county at 16 and 14 percent, respectively. The nonprofit share is 9 percent in Vermillion County and between 1 and 6 percent in the remaining counties. See Figure B2 in Appendix B for more details. Since 2000, nonprofit shares of payroll, adjusted for inflation has increased in Vigo, Putnam, and Vermillion Counties by 3 to 5 percentage points and remained the same for the rest.

Figure 2: Nonprofit Share of Total Paid Employment (2019) by County for EGR 7



Among the state's 11 Economic Growth Regions, EGR 7 ranks third in nonprofit share of total regional employment. Figure 3 shows how Indiana nonprofits account for 10 percent of total employment and payroll, compared to EGR 7's 11 and 13 percent share. Over the 20-year period, nonprofits in EGR 7 have increased their share of total employment and payroll which were both 9 percent in 2000.

Figure 3: Nonprofit Share of Total Paid Employment and Total Payroll (2019), EGR 7 and Indiana



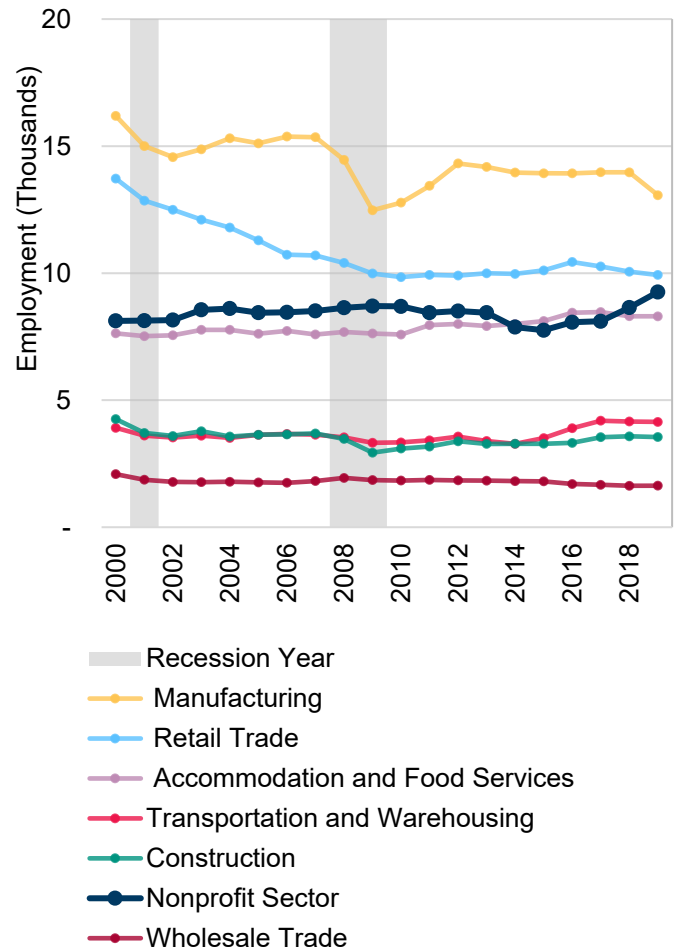
Industry Comparisons

In 2019, the nonprofit sector ranked third in total number of workers when ranked against major industries in EGR 7, surpassed by only manufacturing and retail trade. The manufacturing industry employed 13,000 workers, followed by retail trade which employed 9,900 in 2019. The nonprofit sector with 9,300 employees trailed retail trade by just 600 employees. Accommodation and food services, the fourth largest in 2019, typically remained right below the nonprofit sector over the 20-year period except for 2014-2017 when employment in this industry was slightly higher than the nonprofit sector.

As shown in Figure 4, most industries in EGR 7 changed by fewer than a thousand employees, except for retail trade, manufacturing, and the nonprofit sector. Retail trade lost the most employees, down 3,800 paid workers from 13,700 in 2000 to 9,900 in 2019. Manufacturing similarly lost 3,100 workers from 16,200 to 13,100 employees from 2000 to 2019. The losses for retail trade and manufacturing largely occurred during the first half of the period as a result of the two recession periods, before recovering some from 2010-2019. In contrast, the total number of nonprofit workers increased by 1,100 over the 20-year period, despite a slight dip between 2013 and 2015.

The remaining industries had less than 5,000 employees over the entire period. Of these smaller industries, construction and wholesale trade both saw net losses in employment. Construction was down from 4,300 employees in 2000 to 3,600 in 2019; wholesale trade dropped from 2,100 to 1,600 workers. In contrast, transportation and warehousing had a slight increase in employment from 3,900 to 4,100 employees over the 20-year period.

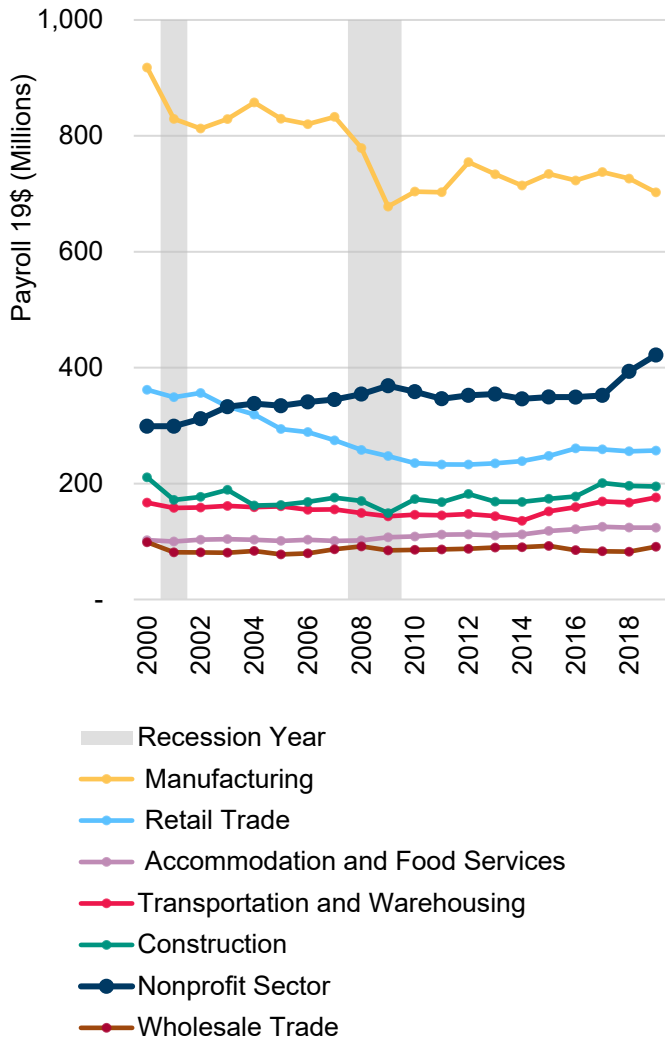
Figure 4: Nonprofit Paid Employment Compared to Key Private Sector Industries (2000-2019) for EGR 7



The corresponding trends in payroll differ considerably in EGR 7, especially for manufacturing and the nonprofit sector. As Figure 5 shows, manufacturing has had the largest payroll in EGR 7 throughout the period, although it declined considerably from \$918 million in 2000 to \$702 million in 2019 (adjusted for inflation). The nonprofit payroll, which has ranked second since 2004, grew significantly from \$299 million in 2000 to \$422 million in 2019, in constant 2019 dollars. Retail trade ranked third in 2019 but lost a little over \$100 million in payroll over the 20 years, from \$362 million in 2000 to \$257 million in 2019. The remaining payrolls remained at or below \$200 million, changing only minimally.

Over the 20-year period, nonprofit payroll has narrowed the gap to manufacturing payroll by \$338 million from \$619 million in 2000 to \$281 million in 2019 and surpassed retail payroll in 2003 to become the second largest payroll in the region.

Figure 5: Nonprofit Payroll (2019\$) Compared to Key Private Sector Industries (2000-2019) for EGR 7



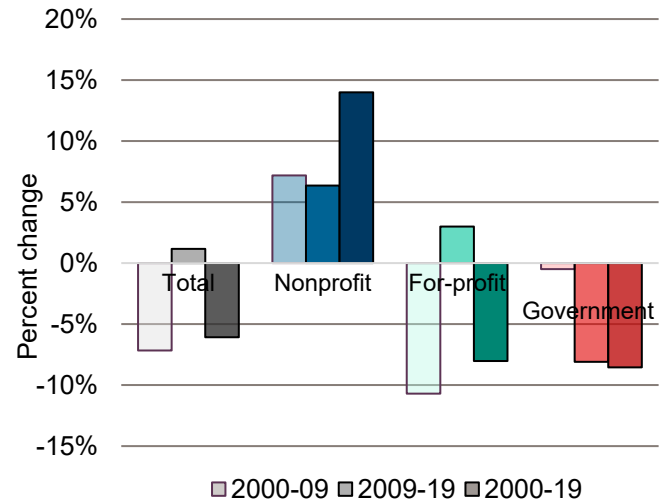
Growth in Nonprofit Employment and Payroll

From 2000 to 2019, total paid employment in EGR 7 decreased 6 percent and payroll decreased by 1 percent, adjusted for inflation. Below, we explore overall and average growth rates for the three sectors in EGR 7 and then compare these rates to the state as a whole.

For the period as a whole, nonprofit employment growth was a primary source of growth for EGR 7, up by 14 percent, from 8,100 jobs in 2000 to 9,300 in 2019, while for-profit and government employment decreased by 8 and 9 percent, respectively. Still, the overall growth rates fail to capture the varying changes over the period. Figure 6 shows the percent change in employment by sector

separately for 2000-2009 (lightest bar) and 2009 to 2019 (middle bar), as well as the change for the entire period (darkest bar).

Figure 6: Percent Change in Total Paid Employment in EGR 7 by Sector, 2000-09, 2009-19, 2000-19



Looking at the first period, we see that both total and for-profit employment decreased, at 7 and 11 percent, respectively. The losses are largely due to the loss in manufacturing and retail trade during the first half of the period. Government employment had a slight decrease from 16,100 employees in 2000 to 16,000 in 2019. In contrast, nonprofit jobs grew 7 percent.

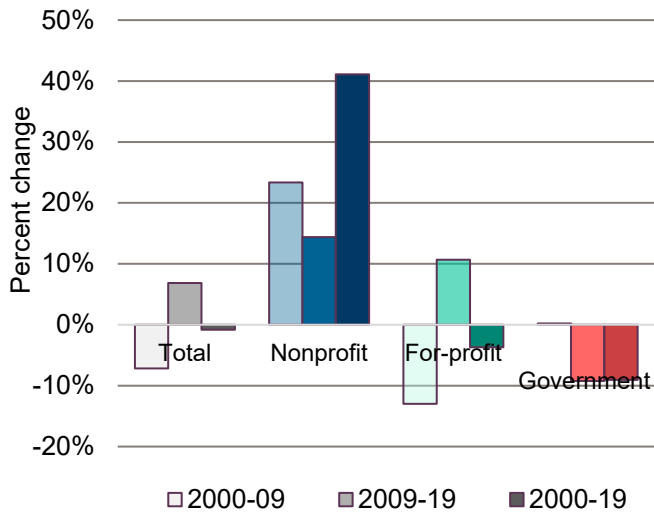
Then, during the second period, employment grew only modestly (3 percent) in the for-profit sector, but government jobs were down 8 percent, resulting in an overall growth of only 1 percent from 2009 to 2019. In contrast, nonprofit employment increased again, by 6 percent.

Total payroll in EGR 7 decreased by 1 percent from 2000-2019, adjusted for inflation. This growth was a result of a 41 percent growth in nonprofit payroll, which was largely offset by net decreases in for-profit and government employment, by 4 and 9 percent, respectively, as shown in Figure 7.

As with employment, payroll has different patterns of growth between the first and second period. In the first period, total payroll declined 7 percent, largely due to the 13 percent decline in for-profit payroll, adjusted for inflation. This is mainly due to the decline in manufacturing payroll (down \$240

million or 26 percent), in constant 2019 dollars. Nonprofit payroll grew 23 percent while government grew very minimally (only \$1.4 million). In the second half, nonprofit and for-profit payroll both grew at 14 and 11 percent, respectively. However, government payroll decline by 9 percent over the period.

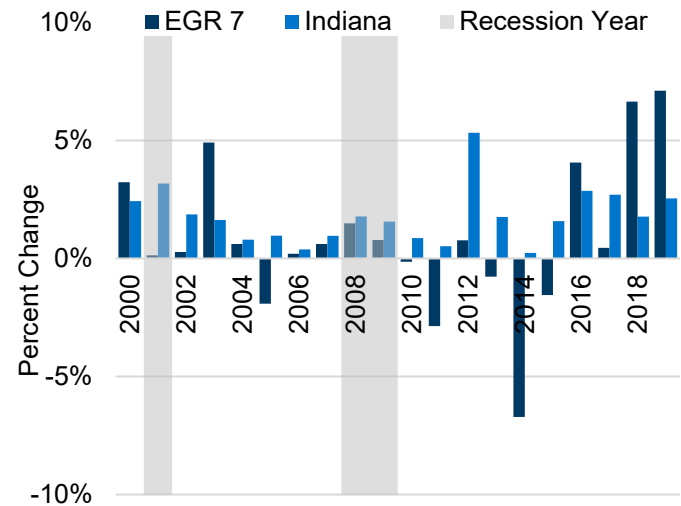
Figure 7: Percent Change in Constant 2019 Dollars in Total Payroll in EGR 7 by Sector, 2000-09, 2009-19, 2000-19



We explore trends in nonprofit employment in more detail by looking at annual growth rates. In EGR 7, nonprofit employment grew at a faster average annual rate (1 percent) than total, for-profit, and government employment (-0.2, -0.4, and -0.4 percent, respectively). Indeed, nonprofit employment grew in 14 of the 20 years in the period. By comparison, total, for-profit, and government employment decreased for 11, 7, and 13 years, respectively. Nonprofits grew the fastest for 9 years in the 2000-2019 period, for-profits for 8 years, and government for 3 years. Payroll growth largely mirrors growth in employment. See Figures C.1 and C.2 in Appendix C for annual growth in employment and payroll, adjusted for inflation, by sector.

The average annual growth of nonprofit employment was a percentage point lower in EGR 7 (1 percent) than compared to the state as a whole (2 percent). In fact, for only 5 of the 20 years in the period, did nonprofit employment in EGR 7 (dark blue bars) grow faster than for Indiana (light blue bars), as shown in Figure 8. It is likely that at least some of the annual changes in nonprofit jobs in the region reflect changes in reporting practices.

Figure 8: Percent Annual Change in Total Nonprofit Paid Employment, EGR 7 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 in EGR 7 decreased for 5 years in the 20-year period and grew at a faster rate than the state as a whole for only 5 years. The average annual growth rate for EGR 7 nonprofit payroll was 2 percent, compared to 3 percent statewide. See Figure B3 in Appendix B for more details.

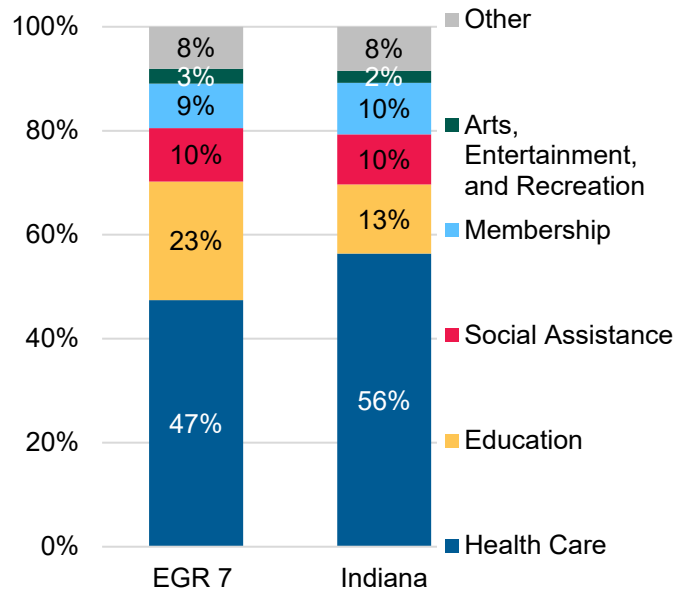
Major Nonprofit Industries

We turn now to a closer look at five major nonprofit industries that account for 92 percent of all nonprofit workers in EGR 7. Figure 9 shows the distribution of nonprofit employment across the major nonprofit industries. The industry with the highest number of nonprofit workers is health care (excluding social assistance) in both EGR 7 (47 percent) and Indiana (56 percent). For both EGR 7 and Indiana, the next largest industry is education, accounting for 23 percent of nonprofit workers in EGR 7 and 13 percent statewide. Otherwise, the distribution of nonprofit employment among major nonprofit industries is largely similar between EGR 7 and Indiana.

Of the remaining industries, social assistance and membership each account for about 9-10 percent of all nonprofit workers in EGR 7, while the arts, entertainment, and recreation (AER) industry trails at only 3 percent. Nonprofit workers in all other industries combined account for the remaining 8 percent in both EGR 7 and Indiana.

For EGR 7, the distribution of total nonprofit payroll is skewed compared to the distribution of nonprofit jobs. Fully 82 percent of total nonprofit payroll is accounted for by health care (57 percent) and education (25 percent), leaving the remaining major nonprofit industries with significantly lower shares in payroll. See Figure B4 in Appendix B for more details.

Figure 9: Industry Distribution of Paid Nonprofit Employment (2019), EGR 7 and Indiana



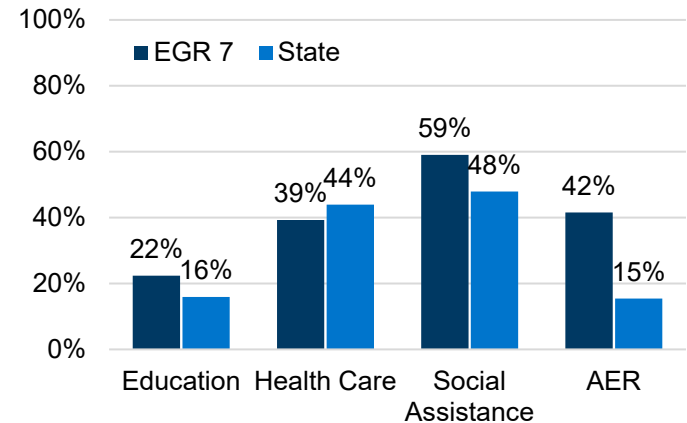
We next take a closer look at the nonprofit share of total employment in each of these major nonprofit industries. Nonprofits in EGR 7 (dark blue bars in Figure 10) play a particularly important role in social assistance where they account for over half (59 percent) of employees. In AER, 42 percent of employees work for nonprofits in EGR 7. Even nonprofits in health care (39 percent) and education (22 percent) have significant shares of total employment. Not surprisingly, the “membership” industry is entirely nonprofit (and is omitted from Figure 10).

Nonprofits account for a larger share of total employment in EGR 7 than for the state as a whole in

all but health care, where the nonprofit share in EGR 7 is 5 percentage points below the share in Indiana. The nonprofit shares of total employment in EGR 7 is 6 percentage points higher than Indiana in education, 11 percentage points in for social assistance, and a massive 26 percentage points higher in AER.

For EGR 7, the nonprofit share of total employment in some of these industries has changed considerably since 2000, especially in arts, entertainment, and recreation (up from 22 to 42 percent) and in social assistance (down from 81 to 59 percent). The changes were much more modest in education (up from 20 to 22 percent) and health care (down from 41 to 39 percent). Trends in nonprofit share of total payroll are largely similar. See Figure B5 in Appendix B for more details.

Figure 10: Percent Nonprofit of Total Paid Employment, by Industry (2019), EGR 7 and Indiana



Average Size of Nonprofit Establishments

We use the average size of establishments to get a better sense of how these industries are structured. These averages should be interpreted with caution, however, since they may hide very large or very small establishments. They also do not distinguish between full-time and part-time workers. Both of these features likely vary considerably among industries and sub-industries (e.g., hospitals vs. clinics in health care). Nor do these figures adequately capture the size of nonprofit (or for-profit) organizations, since some larger organizations may operate multiple establishments both in the region and elsewhere.

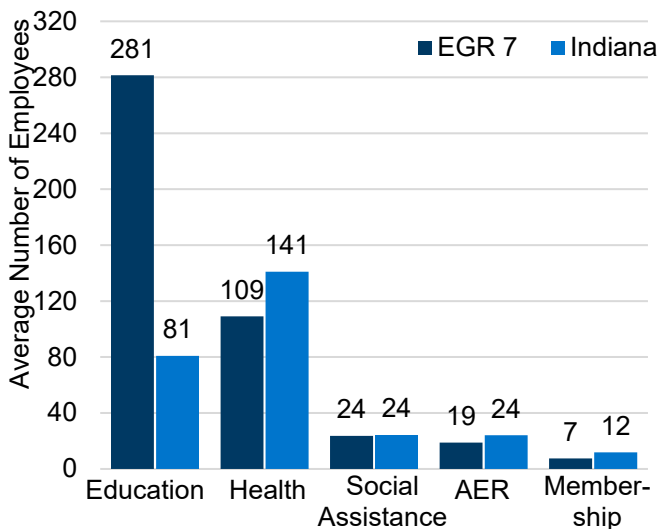
The average size of nonprofit establishments is

smaller for EGR 7 than for Indiana as a whole (35 versus 43 employees per establishment). Figure 11 shows how average size of nonprofits compare between EGR 7 (dark blue bars) and the state overall (light blue bars). EGR 7 establishments are only larger than their Indiana counterparts in education, which also has the largest size difference at 281 employees on average in EGR 7 compared to 81 for Indiana, reflecting the presence of several nonprofit colleges in the region.²

The size for social assistance establishments are the same at 24 employees on average. The average size of establishments in EGR 7 is smaller for each of the other industries. While the difference is only 5-6 employees for AER and membership, for health care EGR 7 employs 32 workers fewer on average than statewide health care establishments.

From 2000 to 2019, the average size for nonprofit establishments in EGR 7 increased from 30 to 35 employees. This increase was due mainly to the growing size for education establishments (from 258 to 281 employees), but also increases in AER establishments (from 15 to 19 employees), and health care (from 88 to 109 employees). The average size of nonprofit establishments in the social assistance (24 employees) and membership (7 employees) industries did not change over the 2000-2019 period.

Figure 11: Average Size of Nonprofit Establishments For Major Nonprofit Industries (2019), EGR 7 and Indiana

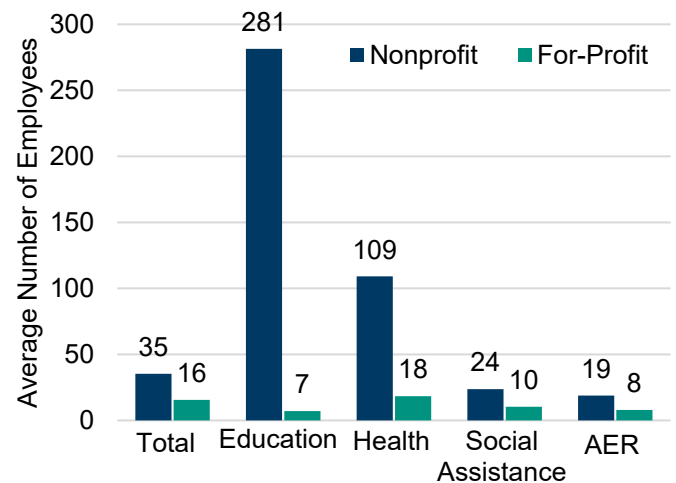


Nonprofit establishments in EGR 7 are significantly larger than their for-profits counterparts at 35 and 16 employees per establishment on average, respectively. As Figure 12 shows, the most significant size difference is in education, where the average size of establishments is 281 for nonprofits but only 7 employees for for-profits, a ratio of 40 to 1.³ Nonprofit health care establishments (109 workers on average) are six times larger than for-profits (18 employees).

In social assistance and AER, the size differences are less extreme. Still, social assistance nonprofits (24 employees) tend to be 1.4 times larger than for-profits (10 employees). Similarly, nonprofits in AER (19 employees) are twice the size of for-profits in AER (8 employees).

For-profit average size changed only minimally since 2000. The largest growth was in social assistance which increased from 4 to 10 employees on average. In the remaining industries considered here, the average size of for-profit establishments did not change by more than 3 employees over the 20-year period.

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



Average Annual Nonprofit Wages

We also look at average wages in major nonprofit industries. Average wage is calculated as total annual payroll, adjusted for inflation, divided by the average number of quarterly employees. Total

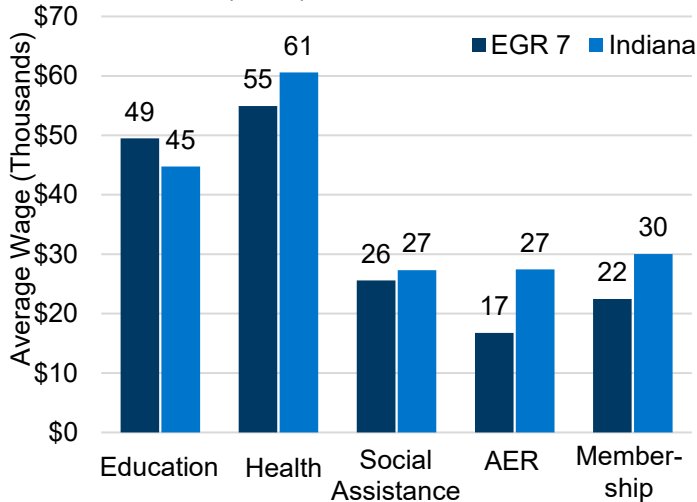
² In EGR 7, there are many major public and nonprofit colleges and universities and no for-profit ones.

³ 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 of government establishments in Figures 12 and 14.

payroll includes monetary compensation (e.g., salary, wages, bonuses, commissions, incentive payments, and tips), but not deductions (such as taxes) or fringe benefits. As with 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 subindustries (e.g., hospitals vs. nursing homes). In addition, the number of employees includes both part-time and full-time workers, so industries with many part-time workers may appear to have very low average annual wages.

The average annual nonprofit wage overall is smaller for EGR 7 than Indiana (\$46,000 versus \$51,000). In fact, Figure 13 shows that the average wage for EGR 7 (dark blue) establishments is lower than their Indiana counterparts (light blue) for every major nonprofit industry except for education. In education, EGR 7 pays an average annual way of \$49,000, compared to \$45,000 for Indiana overall.

Figure 13: Average Annual Nonprofit Wage for Select Industries (2019), EGR 7 and Indiana

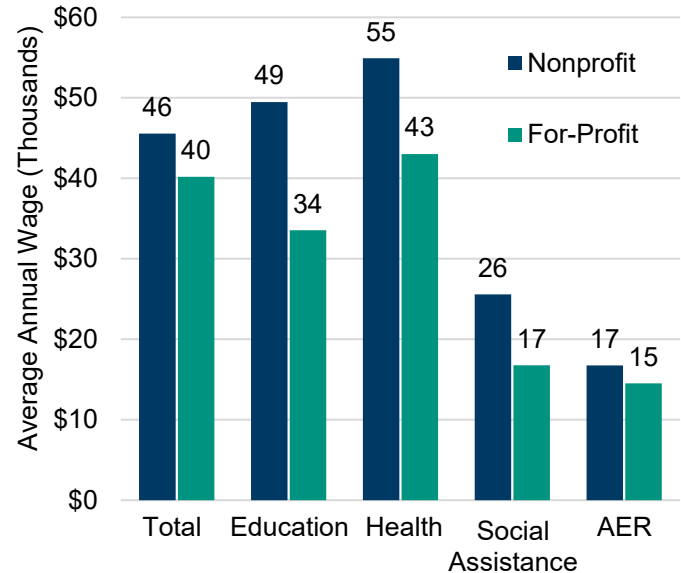


Adjusted for inflation, average annual wages for nonprofit workers increased for all industries except social assistance (which decreased from \$27,200 to \$25,600, the smallest change). The largest growth was in health care which increased almost \$15,000, from just above \$40,000 in 2000 to almost \$55,000 in 2019, in constant 2019 dollars.

Next, we compare annual wages in the nonprofit and for-profit sectors in these key industries for EGR 7. Figure 14 shows that the total average annual wages are larger in nonprofits (\$46,000) than for-profits (\$40,000). The discrepancy is most notable in education where the average annual pay

for nonprofit workers (\$49,000) is \$15,000 higher than for their for-profit counterparts (\$34,000). In social assistance and health care, nonprofit workers earn roughly \$9,000 and \$12,000 more than for-profit workers, respectively, while AER has the smallest gap at \$2,000 (\$17,000 for nonprofits versus \$15,000 for for-profits).

Figure 14: Average Annual Wage in EGR 7 for Select Industries (2019) in the Private Sector



From 2000 to 2019, for-profit average wages increased for all of the major nonprofit industries, except for social assistance which decreased by roughly \$300, adjusted for inflation.

Summary and Conclusion

The nonprofit sector is a large economic force in EGR 7 accounting for 11 percent of all employees in the region, higher than is the case for Indiana overall (10 percent). The region saw a loss in total employment during the 2000-2019 period, as well as in for-profit and government jobs. By contrast jobs in the nonprofit sector grew. For-profit employment faced major losses during the first half of the 2000 to 2019 period but recovered most of the losses during the second half of the period.

Overall, in 2019 nonprofit employment ranks third largest in size compared to major private sector industries in EGR 7, trailing employment in manufacturing and retail trade. Until 2017, nonprofit employment also trailed jobs in accommodation and food services. In payroll, nonprofits rank

second only to manufacturing, having surpassed retail trade payroll in 2003.

Nonprofit jobs account for most of the overall growth in the region's employment and payroll since 2000. Between 2000 and to 2019, employment in most of the major for-profit industries changed only minimally. However, there were significant drops in for-profit employment during the 2000-2009 period (down 11 percent), largely due to drops in the manufacturing and retail trade industry. These losses were mostly concentrated in the two recession period (2001 and 2008-9). Neither of these industries regained the level of employment and payroll they had in 2000. Still, during the 2009-2019 period for-profit employment increased by 3 percent for an overall net loss of 8 percent from 2000-2019, as many for-profit industries saw growth and recovery. By contrast, nonprofit employment grew during both period and overall, by 14 percent. Government employment decreased in all three periods, for an overall net loss of 9 percent.

Nonprofit employment is concentrated in five major industries in the region: health care, education, social assistance, membership associations, and AER. Health care and education are the primary nonprofit industries, jointly accounting for 70 percent of all nonprofit jobs in EGR 7. Education has a higher share in EGR 7 than Indiana, by 10 percentage points.

In EGR 7, nonprofits have the largest role in social assistance, accounting for almost three-fifths (59 percent) of jobs in the industry. They are also very important in arts, entertainment, and recreation where they account for 42 percent of all jobs, followed by health care (39 percent). They play a notably smaller role in education, where their share is 22 percent, although it is still higher than the statewide level (16 percent).

When looking at average size, we see that EGR 7 typically has smaller nonprofit establishments than Indiana as a whole. Education has the largest nonprofit establishments on average in EGR 7 at 281 employees. Nonprofit health care establishments are notably smaller (an average of 109 employees), but still much larger than the remaining nonprofit industries which each have fewer than 25 employees per establishment. When compared to for-profits in EGR 7, the average nonprofit establishments are notably larger in every industry.

This is especially the case in education where nonprofit establishments (281 employees) are more than 40 times larger on average than for-profit establishments (7 employees).

The same patterns hold true for nonprofit average wage. Nonprofit establishments in EGR 7 typically pay less on average than for the state as a whole, except for in education. Nonprofit average wages are highest in health care (\$55,000) and education (\$49,000). When compared to for-profits in the region, nonprofits pay higher annual wages on average in each of the major nonprofit industries.

Overall, EGR 7 faced notable economic challenges over the 20-year period. Jobs in the for-profit sector declined significantly during the Great Recession of 2008-09 and by 2019 had still not recovered these losses. Government jobs declined also throughout the period. The health and vitality of the growing nonprofit sector in the region was the major bright spot during an otherwise challenging period for the region.

Appendix A: Methodology

Source of Data

The two sources of data for this report are the Quarterly Census of Employment and Wages (QCEW) and the IRS Exempt Organization's Master File/Business Master File (EOMF/BMF). We use both sources in order to construct the best possible estimate of nonprofit employment in Indiana.

Scope of Data

The QCEW is a cooperation between the U.S. Bureau of Labor Statistics, the U.S. Department of Labor, and State Employment Security Agencies. In Indiana, the Department of Workforce Development works with the Indiana Business Research Center (IBRC) to produce quarterly counts of employers, employees, and wages for the state, Metropolitan Statistical Areas (MSA), Economic Growth Regions (EGR), and counties by industry as defined by the North American Industry Classification System (NAICS). Nationwide, the QCEW covers over 95 percent of U.S. jobs.⁴

The BMF lists all tax-exempt entities registered under section 501(c) of the Internal Revenue Code. Among other fields, it includes the exempt entity's name, reporting address, Federal Employer Identification Number (EIN), and the Internal Revenue Code Subsection under which it is recognized and registered by the Internal Revenue Service. We include all twenty-six subsections of 501(c) entities in the BMF, of which most (74 percent in Indiana) are registered under subsection 501(c)(3) and are commonly referred to as charities. Nationally, the BMF includes 1.8 million exempt organizations.⁵

Data Processing and Cleaning

The Indiana Business Research Center (IBRC) at Indiana University reconciles the data in the two sources using EINs to identify private nonprofit establishments in the QCEW files. IBRC then aggregates the data by industry, region, and sector (nonprofit, for-profit, and government), and applies legally mandated confidentiality screens. Thus, data are suppressed if the aggregate includes less than three establishments, if one establishment comprises more than 80 percent of the employment of a data grouping, or if suppressed data can be estimated from other available data. We standardize the names of data fields, compute annual counts of establishments, number of employees, total payroll, and average annual wages by industry and subindustry for all sectors, and by region.

Limitations

The QCEW covers an estimated 95 percent of all paid employees.⁶ However, certain employees are not required to participate, including religious organizations and charities with less than four employees.⁷ 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 all sub-sections of 501(c), incorporated nonprofits from the Indiana Secretary of State (SOS), and Yellow Page Listing of Churches (Infogroup).⁸

The exclusion of religious organizations is likely to be most important source of underestimation. Congregations are neither required to register as tax-exempt entities with the IRS nor participate in the QCEW reporting system. We estimate

⁴ 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.

⁵ Internal Revenue Services, Exempt Organizations Business Master File Extract. Internal Revenue services, 2019. Available at www.irs.gov/charities-non-profits/exempt-organizations-business-master-file-extract-eo-bmf, retrieved November 15, 2020.

⁶ 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.

⁷ 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.

⁸ The 2017 Indiana Nonprofits Survey allows a clearer picture of unaccounted nonprofit employees. Using the sample statistics, we estimated the mean and median number of paid employees per establishment. These numbers were then used on the de-duplicated universe of nonprofits in Indiana created using the IRS, Secretary of State, and Infogroup data. For more details, see "Surveying Nonprofits: Sampling Strategies and Quality, by Kirsten A. Grønberg, Ashley Clark, Hannah Martin, Tyler Abbott, and Anthony Colombo (Bloomington, IN: Indiana University School of Public and Environmental Affairs, November, 2017).

that there are about 8,800 congregations in Indiana,⁹ 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 77,300.¹⁰ The QCEW only reports 1,426 employees of religious establishments, suggesting that our estimate of nonprofit employees in Indiana is undercounted by at least 25,100 religious employees, but the true underestimate is likely closer to 75,800.

Charities with less than four employees are also not required to participate in QCEW. Based on the 2017 Indiana nonprofit survey, we estimate that there are almost 3,700 IRS-charities that are not churches and that have at least 1 but less than four paid employees. The survey also shows that these small charities employ an average of 1.7 employees, suggesting that there should be a total of 6,400 employees in the QCEW data. Although some of these are indeed included in the QCEW data, that is the case for only 943 establishments with 1,814 paid employees. Consequently, our estimate of nonprofit employees in Indiana is underestimated by about 4,600 employees.¹¹

Finally, not every nonprofit in Indiana registers with the IRS, but some nevertheless are incorporated with the Indiana Secretary of State (SOS). As part of our efforts to develop the sample for our 2017 survey, we estimate that roughly 18,566 nonprofits were incorporated with the SOS, but not registered with the IRS. From our 2017 Indiana Nonprofit Survey, we estimate that about 14 percent of these (corresponding to about 2,700 nonprofits statewide) had employees with a median of 6.5 employees, for a total of roughly 17,200 employees.¹² If those employers report to the QCEW system, they would be classified as for-profit employers under our methodology because their EIN is not included in the IRS BMF. It seems clear that the actual number of nonprofit paid employees is substantially higher, probably by at least 46,950 than the numbers we are able to document.

There are other potential sources of error in the QCEW data. Thus, the number of employees is measured by the number of filled jobs for the pay period that includes the 12th day of each month as reported by the employer. There is no distinction between part-time and full-time employees in this count. Under this system, a person working two jobs would be double counted.

Similarly, the BMF used to identify nonprofits in the QCEW data is not comprehensive. Some nonprofits are not required to register with the IRS as exempt entities. In addition to religious organizations, nonprofits with less than \$5,000 in revenues, political groups, and homeowners' associations do not need to register.¹³ 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.

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

¹⁰ 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.

¹¹ 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.

¹² 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.

¹³ 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 B1: Distribution of Nonprofit Payroll (2019\$) by County for EGR 7

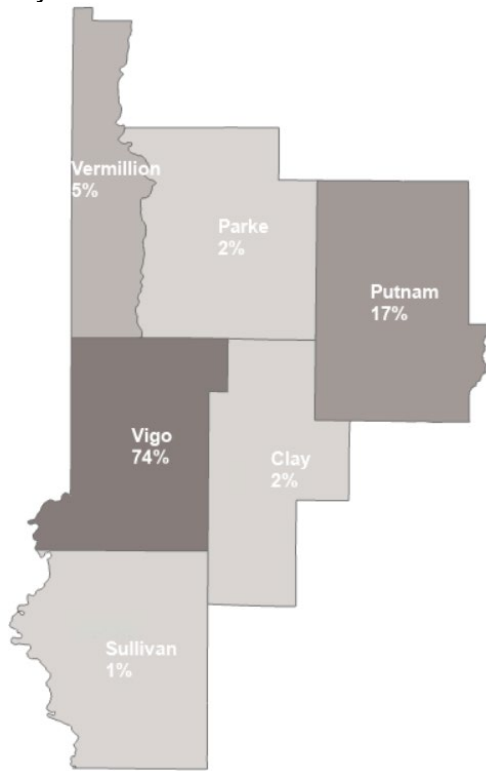


Figure B2: Nonprofit Share of Total Payroll (2019\$) by County for EGR 7

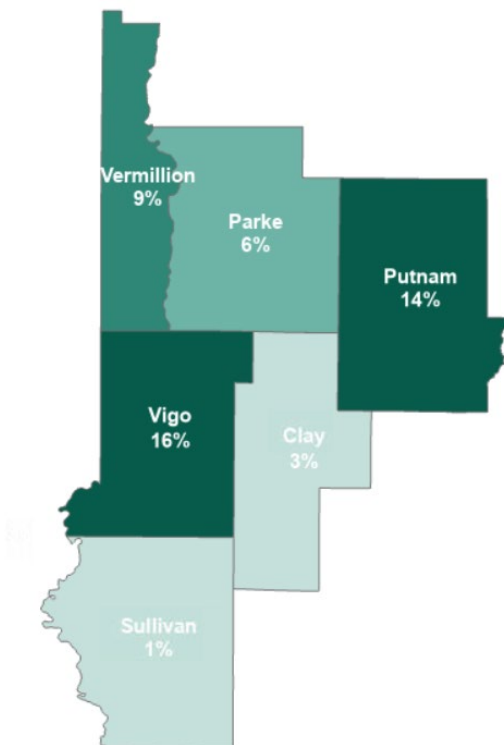


Figure B3: Percent Annual Change in Total Nonprofit Payroll in Constant Dollars (2019), EGR 7 and Indiana

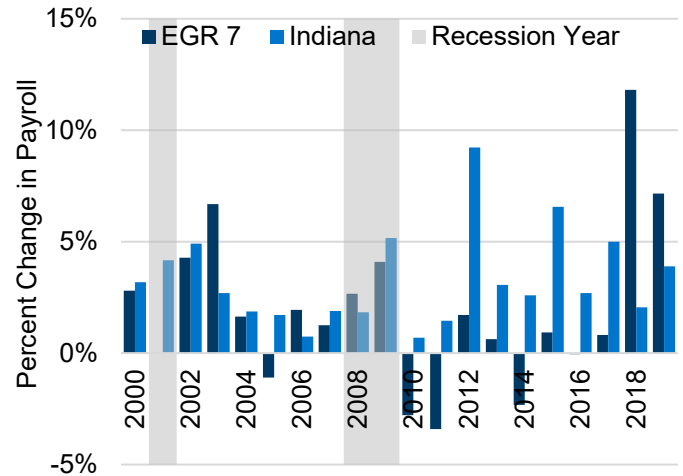


Figure B4: Industry Distribution of Nonprofit Payroll (2019), EGR 7 and Indiana

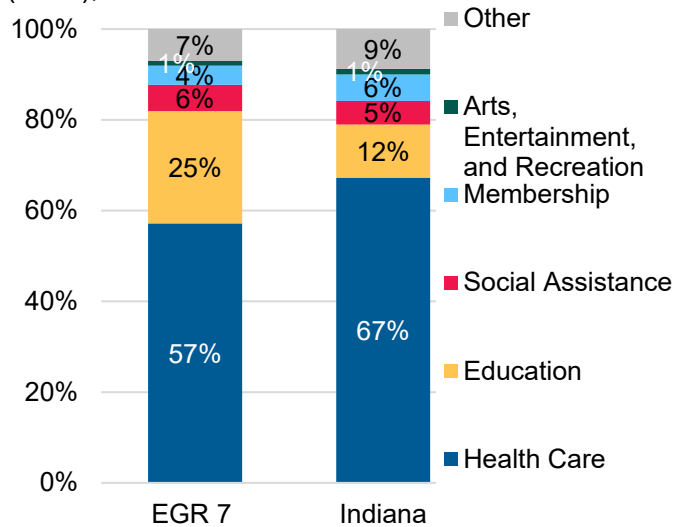
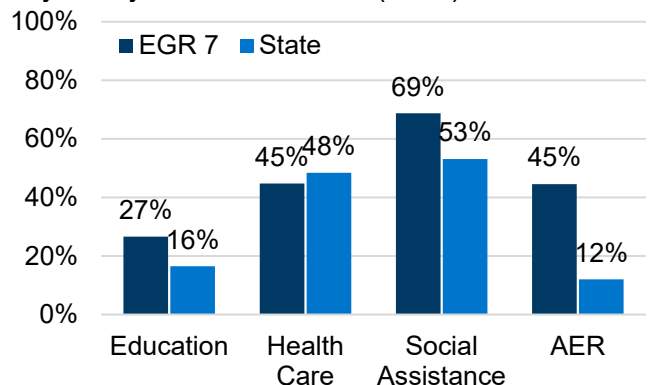


Figure B5: Nonprofit Payroll as Percent of Total Payroll, by Select Industries (2019)



Appendix C: Annual Trend Graph

Figure C1: Percent Change in Employment by Sector in EGR 7 (1995-2019)

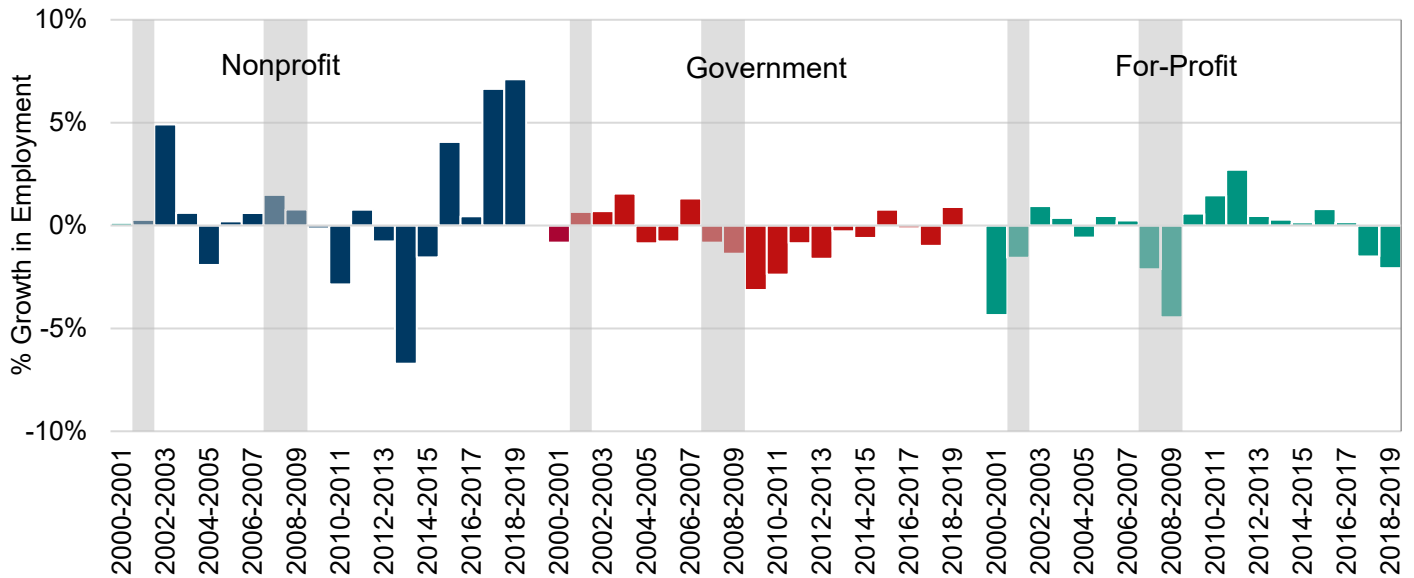
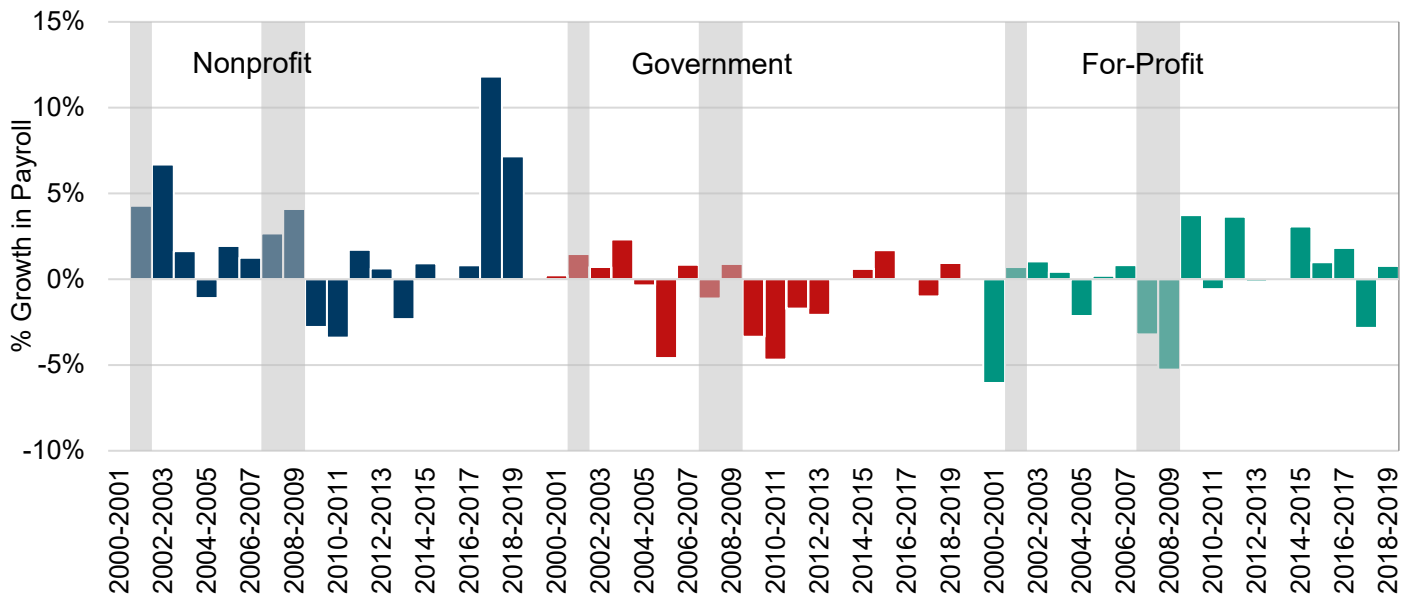


Figure C2: Percent Change in Payroll (19\$) by Sector in EGR 7 (1995-2019)





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