Our ongoing analysis of Indiana nonprofit employment is a joint effort by the Lilly Family School of Philanthropy, the School of Public and Environmental Affairs, and the Indiana Business Research Center at Indiana University to document the significant impact of nonprofits on Indiana’s economy by providing detailed information on the size, composition, and distribution of paid employment in the private nonprofit sector.

Highlights from a report on

Indiana Nonprofit Health Care Employment, 1995-2011

For the full report, visit: www.indiana.edu/~nonprof

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Key Findings in Nonprofit Health Care, 1995-2011

- Health care, consistently the largest industry of the Indiana nonprofit sector, employed on average 54 percent of all nonprofit employees and provided 62 percent of nonprofit payroll.

- Payroll of health care nonprofits grew nearly 65 percent (from about $3.5 billion to $5.8 billion adjusted for inflation) between 1995 and 2011, faster than that of the government or for-profit sectors. Moreover, nonprofit payroll grew consistently and exhibited countercyclical trends, helping support the Indiana economy even during economic downturns.

- During the time period, average annual wages of nonprofit health care workers in Indiana grew 21 percent, more than those of for-profit workers (1 percent), but less than those of government workers (29 percent). In 2011, nonprofit wages averaged $42,100, while for-profit wages were $41,200 and government wages were the highest at $44,600.

- From 1995 to 2011, health care nonprofits had the largest average establishment size of all major Indiana nonprofit industries, averaging 140 employees per establishment in 2011. This pattern reflects the labor-intensive nature of hospitals, a nonprofit-dominated sub-industry.

Why does nonprofit employment matter?

Data on nonprofit employment helps illuminate Indiana’s overall economic health and provides insights into the ways nonprofits contribute to particular industries. Nonprofit health care not only plays a vital role in safeguarding the health of Indiana residents, but is also a growing source of stable employment. Three sub-industries of interest play different roles in contributing to these aims. For example:

- Hospitals are often cornerstones of health services and employment in local communities and in the nonprofit community at large. Hospitals employ more than two-thirds of nonprofit health care workers.

- Nursing and residential care facilities provide services for some of the state’s most vulnerable populations, including senior citizens and individuals with disabilities.

- Ambulatory services encompass a wide range of facilities vital for preventative care, including outpatient mental health and substance abuse centers which treat individuals with temporary or persistent conditions.
Nonprofit employment in health care grew rapidly from 1995 to 2011.

Nonprofit employment in health care grew by 36 percent, from 101,300 workers in 1995 to 137,700 workers in 2011 (Figure 1, below). In comparison, health care employment across all sectors grew 31 percent and total Indiana employment grew less than 2 percent.

Nonprofit health care was by far the largest employer of nonprofit workers in Indiana, employing on average 54 percent of all nonprofit workers. For more information, see Section II.B in the full report.

Growth in employment varied from county to county but was generally robust.

Of the 92 counties in Indiana, 76 experienced increases in nonprofit health care employment, 14 lost employees, and two remained unchanged (Figure 2). Gains were particularly large in more densely populated areas: Marion, Lake, and Vanderburgh counties saw increases in nonprofit health care employment of approximately 15,100 workers, 2,700 workers, and 2,100 workers, respectively.

In the 14 counties that lost nonprofit health care employees, losses tended to be relatively small, and only five counties—Hendricks, Grant, Kosciusko, Clark, and Vigo—lost more than 100 employees. For more information, see Section II.C in the full report.

All gains in health care employment occurred in the private sector during the time period.

Nonprofit health care employment increased a robust 36 percent over the period, and for-profit employment grew slightly more, increasing by 44 percent. Government employment fell 19 percent during the period, largely due to closures of state-run hospitals and mental health facilities (Figure 3).

The percentage of health care employees in the public sector decreased from 16 percent to 10 percent, while shares belonging to for-profits increased from 46 to 50 percent and nonprofits grew from 39 to 40 percent. For more information, see Section II.C of the full report.
Nonprofit payroll grew consistently during the time period, even during times of recession.

Nonprofit health care payroll grew 65 percent, increasing from about $3.5 billion to $5.8 billion; this growth lagged behind only that of education and “other” nonprofits. Health care accounted for the largest proportion of all Indiana nonprofit payroll, averaging 62 percent over the period. For more information, see Section III.B of the full report.

Payroll in all three sub-industries grew almost every year (Figure 4). The annual growth is particularly noticeable during the recessions of 2001-2002 and 2007-2009, when total nonprofit health care payroll increased from $4.4 billion to $4.7 billion and from $5.1 billion to $5.5 billion, respectively. In this way, nonprofits helped to offset contraction in other Indiana industries, lessening the severity of the recessions. For more information, see Sections I.C and IV.D of the full report.

Average wages in the health care industry increased consistently during the time period.

Health care industry wages had the second most growth (12 percent) of all similarly-sized Indiana industries, trailing only construction. Overall, health care had the third highest average annual wages of similarly sized Indiana industries at $40,500 over the time period.

Nonprofit health care employees saw their wages grow, on average, from $34,800 in 1995 to $42,100 in 2011, a 21 percent increase (Figure 5).

Government employees saw the largest wage increase (29 percent), from $34,600 in 1995 to $44,600 in 2011. For-profit wages increased 1 percent during the time frame, from $40,800 to $41,200, declining from a peak of $44,500 in 2004. For more information, see Section IV.C of the full report.
Hospitals were the largest sub-industry employer within the nonprofit health care industry.

Nonprofit health care is comprised of three sub-industries (in order of greatest to least nonprofit employment): hospitals; nursing and residential care facilities; and ambulatory health care services (Figure 6). Social assistance, a fourth sub-industry according to the North American Industry Classification System, was examined separately in a previous report due to its importance in local communities and its special role within the nonprofit sector.

In hospitals, nonprofit employment accounted for 65 percent of all employment and increased by almost 24,000 workers (more than a third) from 1995 to 2011. Nonprofit staff size grew by 123 employees over the time period, averaging over 1,000 employees per establishment. Meanwhile, for-profit hospitals employed fewer than 250 employees per establishment and government hospitals around 640. Nonprofit hospitals also provided the highest wages, which grew 19 percent over the time period to an average of $44,800 by 2011.

Nursing and residential care facilities had the lowest average annual wages of any sub-industry, and within the sub-industry, nonprofit wages were the lowest of all sectors, averaging $23,200 by 2011. Nonprofit establishments were fewer in number and tended to have smaller staff sizes than for-profits. Nonprofits added about 5,000 employees and accounted for about 30 percent of all sub-industry employment by 2011. For-profits accounted for almost all other employment by 2011, as government employment declined significantly over time. For more information, see Sections II.D.2 and III.D.2 of the full report.

Nonprofit employment in the ambulatory health care services sub-industry increased by 63 percent, from 12,000 to 19,600 employees, but was still much smaller than for-profit employment, which increased to 101,400 workers by 2011. For-profits outnumbered nonprofits in terms of establishments, but nonprofit wages ($51,100) surpassed those of for-profits ($50,100) in 2011. For-profit wages also experienced greater seasonal volatility.

Figure 6: Nonprofit employment in health care sub-industries, 1995-2011

Policy Implications

A key feature of the Indiana health care industry between 1995 and 2011 is its steady and rapid growth. Nonprofit health care establishments played a key role in this counter-cyclical trend and tended, on average, to be more stable employers than for-profits during economic downturns.

The integral role of nonprofits in health care expansion is remarkable given the pressures of direct for-profit competition, shifts in public health care policies, and traditional capital constraints on nonprofit entities. These challenges are likely to become more acute as the population grows and ages with increased life expectancy, and pressure to minimize costs places additional demands on the medical system. Nonprofits must meet these challenges while balancing their traditional role as providers of care for marginalized and in-need citizens. Given the resiliency and adaptability illustrated by historical trends in the health care industry, it seems likely that nonprofits will continue to play a significant role in the health and safety of Indiana residents.