MEMBERSHIP AND RELATED ORGANIZATIONS
INDIANA NONPROFIT EMPLOYMENT, 1995-2011

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 Membership and Related Employment, 1995-2011

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

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Key Findings

- Membership and related organizations employed an average of 12 percent of all nonprofit employees in Indiana from 1995 through 2011. This represents an average of 26,800 workers over the time period. Membership employment grew 8 percent from 1995 to 2011, from 24,500 to 26,500.

- Membership and related organizations made up the greatest segment (43 percent) of nonprofit establishments in Indiana, averaging 2,630 from 1995 to 2011. The number of membership and related organizations grew by less than half of a percent (10 establishments) over the time period and averaged only 10 employees, the smallest establishment size of all major nonprofit industries.

- Payroll in membership and related organizations averaged $591 million from 1995 through 2011 and grew 32 percent over the time period, adjusted for inflation. Membership and related organizations accounted for an average of 8 percent of nonprofit payroll in Indiana over the time period.

- From 1995 through 2011, wages in membership and related organizations averaged $22,000, adjusted for inflation. Of the major nonprofit industries, these wages were the second lowest. Low wages in membership organizations may reflect a high number of part-time staff, as many organizations in this industry are largely volunteer-driven.

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 and Indiana communities. Membership and related organizations not only provide employment, but provide venues for the growth of social capital. They are unique in that they face no competition from the for-profit sector; there are no for-profit membership organizations. The industry groups in membership and related organizations include:

- Civic and social organizations, which are organized around a wide range of interests and/or hobbies
- Business, professional, labor, political, and similar organizations, which serve to promote the vested interest of their members
- Grantmaking and giving services, which make contributions to other nonprofits
- Social advocacy organizations, which generally promote a specific cause or goal
- Religious organizations, which includes both congregations and other organizations that promote religion
Compared to other major Indiana nonprofit industries, membership organizations saw the second lowest growth rate in employment at 8 percent.

Only arts, entertainment and recreation saw less growth (4 percent). Employment growth in all other major nonprofit industries was greater than 30 percent, with education leading the way with growth of 56 percent.

Membership and related organizations employed an average of 26,800 workers over the 1995–2011 time period (Figure 1). Among nonprofit industries, this was notably less than health care (120,600 employees on average) but roughly comparable to education and social assistance (28,500 and 25,000 employees on average respectively). Nonprofit industries with smaller average employment include arts, entertainment, and recreation (6,600), and several other smaller industries combined (17,100).

Membership and related organizations employed an average of 12 percent of all nonprofit employees in Indiana. The shares of nonprofit employment among the industries remained relatively stable, with health care accounting for the greatest proportion (averaging 54 percent) and arts, entertainment, and recreation accounting for the smallest (averaging 3 percent).

This nonprofit sub-sector is unique in that it faces no competition from the for-profit sector; there are no for-profit membership organizations. For more information, see page 12 of the full report.

Membership and related organizations made up the greatest number of nonprofit establishments from 1995 to 2011, averaging 2,630.

The remaining major nonprofit industries all averaged less than 1,100 establishments in Indiana over the time period. However, with an average of 10 employees, membership and related organizations had the smallest establishment size of all major nonprofit industries (Figure 2). Health care and education each had 10 times more employees per establishment than did membership organizations. The establishment size in membership and related organizations stayed virtually stable across the time period. For more information, see page 15 of the full report.

Membership and related organizations' payroll grew $152 million (32 percent) from $469 million in 1995 to $621 million in 2011.

This was the second lowest growth rate, ahead of only arts, entertainment, and recreation (8 percent) (Figure 1).
Health care had the largest base and saw the largest absolute growth ($2.3 billion), while education saw the largest proportional growth (77 percent).

Membership and related organizations accounted for an average of 8 percent of all nonprofit payroll over the time period (Figure 8). This share was similar to that of social assistance (7 percent) and “other” nonprofit industries (9 percent). For more information, see page 16 of the full report.

Figure 3: Nonprofit payroll in major nonprofit industries, 1995-2011

From 1995 through 2011, wages in membership and related organizations averaged $22,000

These wages were greater only than those of social assistance ($21,900) and were about equivalent to wages in arts, entertainment, and recreation (Figure 4). Low wages in membership organizations may reflect a high number of part-time staff, as many organizations in this industry are largely volunteer-driven and may rely only on part-time administrative staff.

Membership and related organizations started the time period with the lowest wages, but grew to surpass those in social assistance and arts, entertainment, and recreation. Wages in health care also grew more than 20 percent and those in education grew 14 percent, while social assistance and arts, entertainment, and recreation both grew less than 5 percent. For more information, see page 17 of the full report.

Civic and social organizations was the largest industry group of membership and related organizations in terms of employment.

Membership and related organizations is composed of five industry groups: civic and social organizations; business, professional, labor, political and similar organizations; grantmaking and giving services; social advocacy organizations; and religious organizations. It should be noted that religious organization data here is the total of reporting religious organizations. Most religious organizations do not in fact register with the IRS and are not required to participate in the QCEW system on which our analysis is based. The religious organization data is presented here to give a sense of the number of reporting organizations but should in no way be considered comprehensive. For more information, see page 11 of the full report.

Civic and social organizations had an average of 13,800 employees from 1995 to 2011, or an average of 51 percent of all membership employees. They had the second largest average number of establishments and average payroll at 1,070 and $202 million, respectively. Civic and social organizations had the lowest average annual wages at $14,700, most likely indicating a large number of part-time employees in this industry group.

The second largest industry group in terms of employment was business, professional, labor, political, and similar organizations with an average of 8,500 employees (32 percent of all membership employees). This industry group had the greatest average number
of establishments (1,160) and average payroll ($247 million). It paid the second highest average annual wages at $29,300, and saw the most growth in wages of any industry group (55 percent, from $22,600 in 1995 to $35,100 in 2011).

Grantmaking and giving services averaged 1,800 employees from 1995 to 2011, but grew by 66 percent over the time period. The number of establishments in grantmaking and giving services more than doubled over the time period, growing from 87 in 1995 to 197 in 2011 – the only industry group to see positive growth in establishments in every year over the time period. This industry group also saw the largest growth in payroll, from $49 million in 1995 to $90 million in 2011, and had the highest average annual wages over the time period at $42,500.

The fourth largest industry group, with an average of 1,500 employees from 1995 to 2011, was social advocacy organizations. They averaged only 138 establishments over the time period, but almost doubled in number from 100 to 190. Social advocacy organizations averaged about $42 million in payroll and $27,400 in annual wages.

The final industry group of membership and related organizations is religious organizations. As previously mentioned, data in this report include only the small fraction religious organizations who choose to file with the IRS or participate in the Quarterly Covered Employment and Wage system. Reporting religious organization employed an average of 1,300 employees and had an average of 133 establishments (compared to the estimated total of 9,100 congregations in Indiana for 2010). These groups had an average aggregate payroll of under $25 million and paid average annual wages of $19,410 over the 1995 to 2011 period.

Policy Implications

The diverse groups in the “Religious, Grantmaking, Civic, Professional, and Similar Organizations” group provide a plethora of services to their members across the state and to the communities in which they are located. They provide the mechanisms by which the wide range of social, political, spiritual, philanthropic and professional activities are carried out.

Because of their distinct functions, each type of organization will face different challenges in the future. Many of these groups’ existence is based on membership and/or attendance, such as religious congregations, local social clubs, labor unions, and political groups. Therefore, their key difficulty may be retaining members and attracting new ones in order to replace those lost because they acquire new interests or personal commitments, or are no longer able to participate for a variety of reasons. This is especially true since so many other associations vie for people’s attention, forcing them to prioritize or split their leisure time between a variety of groups or causes.

Membership and related organizations provide invaluable social capital for the communities in which they are located. Social capital helps people find jobs, mobilizes members to rally around causes, lowers crime, fosters reciprocity and provides a structure for personal relationships. Recent research indicates that this effect reaps not just social benefits for these communities, but economic benefits as well. For more information, see page 34 of the full report.