



Nonprofit Employment Series
Report #2

INDIANA NONPROFIT EMPLOYMENT 2005

A JOINT PRODUCT OF

THE CENTER ON PHILANTHROPY
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THE SCHOOL OF PUBLIC AND ENVIRONMENTAL AFFAIRS
AT INDIANA UNIVERSITY

AND

THE JOHNS HOPKINS
NONPROFIT EMPLOYMENT DATA PROJECT

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DETAILED FINDINGS

I. UPDATE FROM 2001 ANALYSIS

This report continues the analysis of our first report on Indiana's nonprofit employment that covered the 1995-2001 period. Many trends remain the same through 2003, while some new features emerged.

Employment in the nonprofit sector continued to grow steadily from 2000 through 2003, while the state overall lost jobs, reflecting the underlying recession and losses in for-profit employment. Over the same period, the gap between nonprofit and for-profit weekly wage declined as did the gap between nonprofit and government weekly wages. Unfortunately, the implementation of a new classification system limits our ability to draw conclusions on an industry level to the last three years.

Employment: Our previous report showed that nonprofit employment outpaced both for-profit and public employment over the 1995-2000 period. Over the 2000-2003 period, the state lost jobs, all in the for-profit sector, while nonprofit employment continued to increase. Government employment grew, but less quickly than nonprofit employment.

- Total paid employment in Indiana declined from 2.94 million in 2000 to 2.82 million, or by almost 4 percent.
- During the same period, nonprofit employment increased from 217,000 in 2000 to 228,000 in 2003, or by more than 5 percent overall.
- For-profit employment declined from 2.33 million in 2000, to 2.20 million in 2003, or by over 4 percent.
- Government employment increased from 384,000 in 2000 to 395,000 in 2003, or by almost 3 percent.
- See pp. 18-19 below for more detail.

Payroll: Our previous report showed that nonprofit payroll average weekly wages trailed those in the for-profit and government sector. Our analysis for the 2000-2003 period shows that the gap between nonprofit and for-profit payrolls and weekly wages decreased notably, as

did the gap between nonprofit and government payrolls and weekly wages.

- For-profit payrolls declined by almost 1 percent between 2000 and 2001, grew by less than 1 percent between 2001 and 2002 and by only 1.6 percent between 2002 and 2003. Overall, for-profit payrolls increased 1 percent between 2000 and 2003.
- Total nonprofit payrolls grew by at least 5 percent per year between 2000 and 2003 (17 percent overall), while total government payrolls grew only modestly, reaching only 2 percent in 2002-2003, and 10 percent overall from 2000-2003.
- Nonprofit weekly wages were, on average, \$102 below for-profit wages in 2000. By 2003 they were \$91 below for-profit weekly wages, on average. However, nonprofit wages remained similar to for-profit wages in industries where nonprofits are concentrated.
- In 2000, average nonprofit weekly wages were \$93 below average government wages; by 2003, average nonprofit weekly wages were \$80 below average government wages on average.
- See pp. 19-21 below for more detail.

New Classification System: In the mid-1990s, the changing U.S. economy – and the adoption of the North American Free Trade Agreement (NAFTA) – made it necessary to update the industry classification system used by the government to track the U.S. economy.³ This change from the Standard Industrial Classification (SIC) system to the North American Industrial Classification System (NAICS) was adopted in 2002, but applied to 2001 data for comparison purposes. As a result, we present historical details for nonprofit industries only back to 2001. However, we have data on total nonprofit employment, establishments and payrolls for earlier periods and include 2000 data in this report. We do not include 1995 data here (see Report #1), because of methodological concerns that may have resulted in underestimating nonprofit employment for 1995.

³ For more information, see: <http://www.naics.com/info.htm>

- The new classification change allows for a more in-depth analysis of Indiana’s prominent nonprofit health care system (see Figures 17-20).
- There were significant changes in classification of arts, entertainment, and recreation organizations (see Figure 21).
- There were also major shifts in growth shares among nonprofit industries from the trends observed for the 2000-2001 period in Report #1, possibly reflecting shifts in how detailed industries were grouped together (see Figure 31).

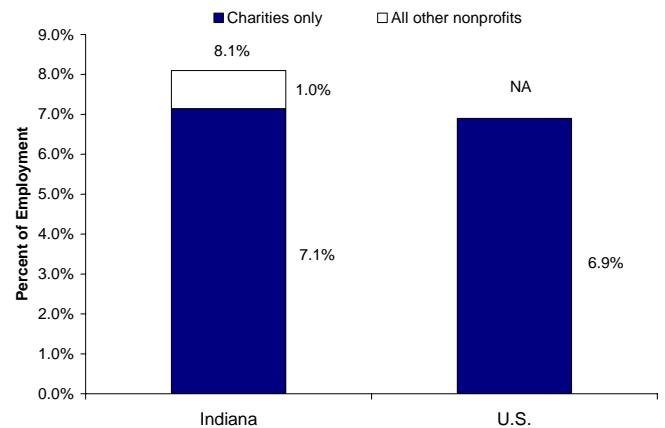
II. A MAJOR ECONOMIC FORCE

The private nonprofit sector – comprised of private hospitals, clinics, colleges, universities, elementary schools, day care centers, social service providers, museums, theaters, soup kitchens, civic and fraternal organizations, trade groups, labor unions, and many more – is a major economic force in the state of Indiana.

Employment: Nonprofit organizations employed a minimum of 228,000 paid workers in Indiana in 2003, including 200,000 that worked for registered charities. This is up from 222,000 paid workers in 2000, of which 195,000 worked for charities.

- Overall, 8.1 percent of Indiana employees worked for a nonprofit organization, or about 1 out of every 12 workers, and 7.1 percent worked for a charity, or nearly 1 out of every 14 workers. Indiana is slightly above the U.S. average (6.9 percent) in terms of the charitable share of total employment. See Figure 1.

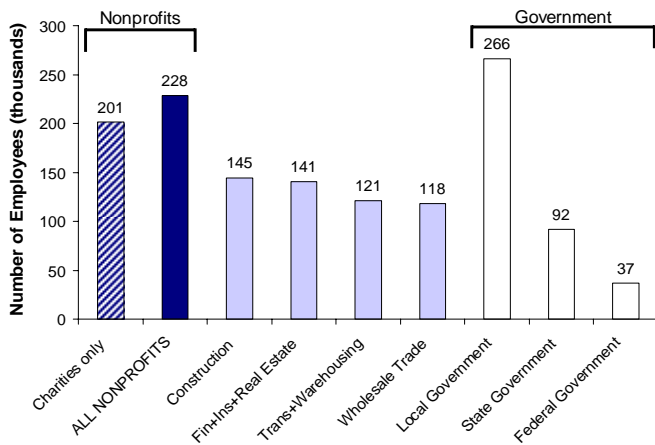
Figure 1: Nonprofit share of total employment, Indiana vs. the national average



Data sources: Indiana ES-202 system and Johns Hopkins Employment Data Project based on ES-202 data (2003).

- As shown in Figure 2, the Indiana nonprofit sector employed:
 - More people than the state’s entire construction industry.
 - More people than the state’s entire finance, insurance, and real estate industries.

Figure 2: Employment in Indiana's nonprofit sector in comparison to selected industries, 2003 (in thousands)

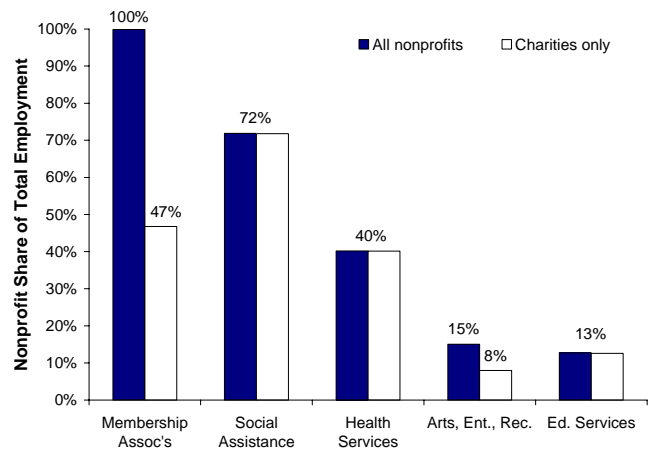


- More people than the state's entire transportation and warehousing industry.
- More people than the state's wholesale trade industry.
- Nearly twice as many people as are employed by the state and federal government combined, but less than local government (including public schools).
- The Indiana nonprofit sector employed significantly fewer people than the state's manufacturing (573,000) and retail trade (335,000) industries, the state's two largest industries.
- Nonprofits account for the bulk of employment in many fields (see Figure 3 and Appendices E, F, G). This includes:

- Virtually all (almost 100 percent) of the employment in membership associations, although only 47 percent of the total are employed by charities.⁴ Government employs the remaining 0.1 percent.

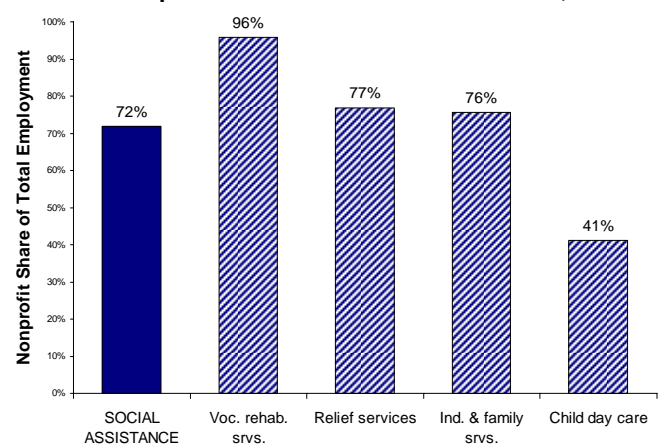
⁴ Religious congregations are not required to register with the IRS and will not be defined as charities under our methodology, although some are included in the employment reporting system. Many membership associations (e.g., business, labor, political, social groups and the like) are not charities, but registered as tax-exempt entities under other sub-sections of the IRS code.

Figure 3: Employment in Indiana's nonprofit sector as a share of total employment for selected industries, 2003



- Almost three-fourths (72 percent) of all employment in social assistance organizations (see Figure 4), including:

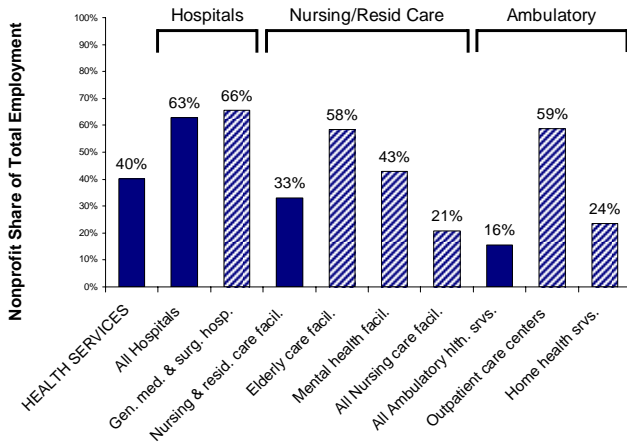
Figure 4: Employment in Indiana's social assistance nonprofit sector as a share of total employment in specific social assistance industries, 2003



- Almost all (96 percent) of those employed in vocational rehabilitation services.
- Over three-quarters (77 percent) of workers in emergency and other relief services, as well as community food and housing.
- About three-quarters (76 percent) of those employed in individual and family service organizations.

- Over two-fifths (41 percent) of those employed in child day care services.
- Two-fifths (40 percent) of total employment in health services (see Figure 5), including:

Figure 5: Employment in Indiana's health services nonprofit sector as a share of total employment in specific health services industries, 2003



- Nearly two-thirds (63 percent) of those employed in hospital services.
 - Two-thirds (66 percent) of general medical and surgical employment.⁵
- One third (33 percent) of those employed in nursing or residential care facilities.
 - Almost three-fifths of those employed in elderly care facilities (58 percent).
 - More than two-fifths (43 percent) of those employed in mental health facilities.
 - About a fifth (21 percent) of those employed in nursing care facilities.
- Almost one-fifth (16 percent) of those employed by ambulatory health care services.
 - Almost three-fifths (59 percent) of those employed in outpatient centers.

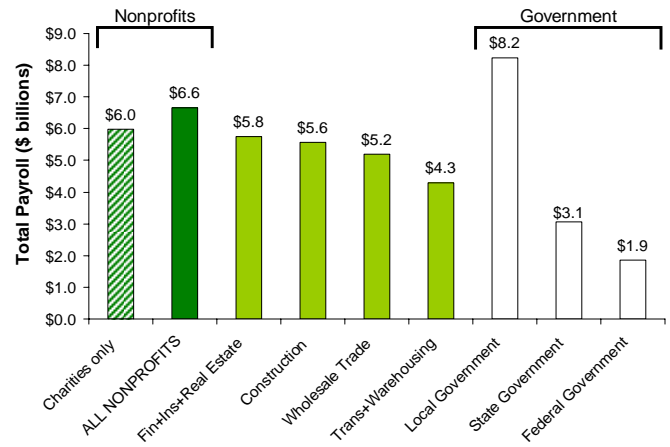
⁵ This is the largest subcategory of hospital employment in Indiana (92 percent). The rest include psychiatric and substance abuse hospitals and specialty (except psychiatric and substance abuse) hospitals.

- About a quarter (24 percent) of those employed in home health services.
- Nearly one-tenth (9 percent) of those employed in other ambulatory services.⁶

- Over one-seventh (15 percent) of total employment in arts, entertainment, and recreation (see Figure 3).
- Almost one-eighth (13 percent) of all employment in educational services (see Figure 3).

Payroll: The 228,000 nonprofit employees in Indiana earned an estimated \$6.6 billion in wages in 2003, with \$5.9 billion of that accounted for by those working for charities (see Figure 6).

Figure 6: Wages in Indiana's nonprofit sector in comparison to selected industries, 2003 (in billions)



- Nonprofit employees accounted for 7.1 percent of the state's total payroll (\$94.2 billion).
- The nonprofit payroll of \$6.6 billion exceeded those for:
 - All jobs in finance, insurance, and real estate (\$5.7 billion).
 - All construction jobs (\$5.6 billion).

⁶ Other ambulatory services account for 80 percent of the ambulatory health services industry. This explains the relatively low (16 percent) overall percentage of nonprofit employment in ambulatory health services as compared to outpatient centers and home health care.

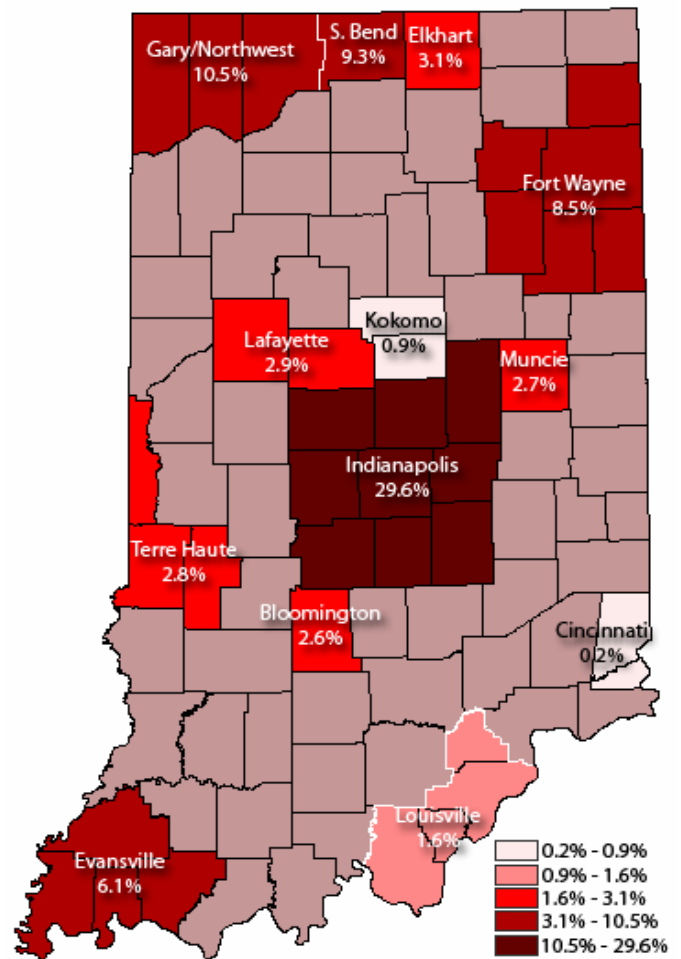
- All jobs in state and federal government combined (\$5 billion).
- Nonprofit payrolls, however, were significantly less than the payrolls for jobs in manufacturing (\$26 billion), and were also below those of local government (\$8.2 billion), and retail trade (\$7 billion).

III. A STATEWIDE PRESENCE

Nonprofit employment is found in every region of the state, although the economic impact of the sector varies notably significantly among Indiana metropolitan regions and counties.

Like Indiana’s population, most of the state’s nonprofit employment is located in the state’s metropolitan regions⁷ (see Figure 7 and Appendix B).

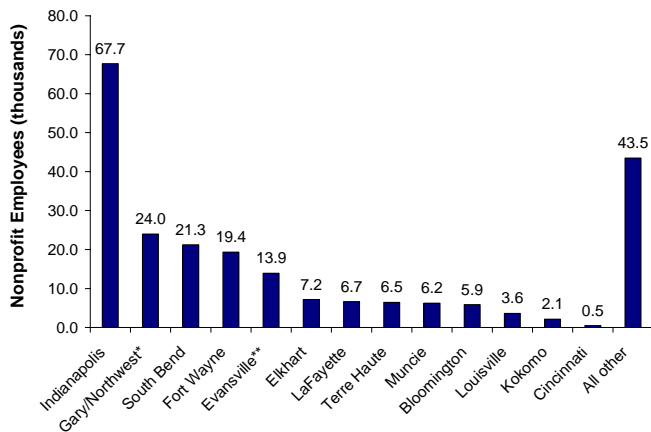
Figure 7: Distribution of Indiana’s nonprofit sector by metropolitan region, 2003



⁷ For the purpose of this report, we focus on the state’s metropolitan areas in comparison to the rest of the state. We include La Porte County in the Northwest region and Gibson County in the Evansville region for consistency with other work underway for the project on the **Indiana Nonprofit Sector: Scope and Community Dimensions** (see <http://www.indiana.edu/~nonprof>). Subsequent reports will provide more details on the geographic distribution of nonprofit employment by industry and sector for regions established by the Indiana Department of Commerce.

- The state’s metropolitan regions jointly account for 81 percent of all nonprofit employment in the state, up from 80 percent in 2000.
 - Figures 7 and 8 show that the nine-county Indianapolis metropolitan area had almost 68,000 nonprofit employees or nearly 30 percent of state’s nonprofit employment in 2003 (see also Appendix B).

Figure 8: Employment in Indiana’s nonprofit sector by metropolitan region, 2003 (in thousands)



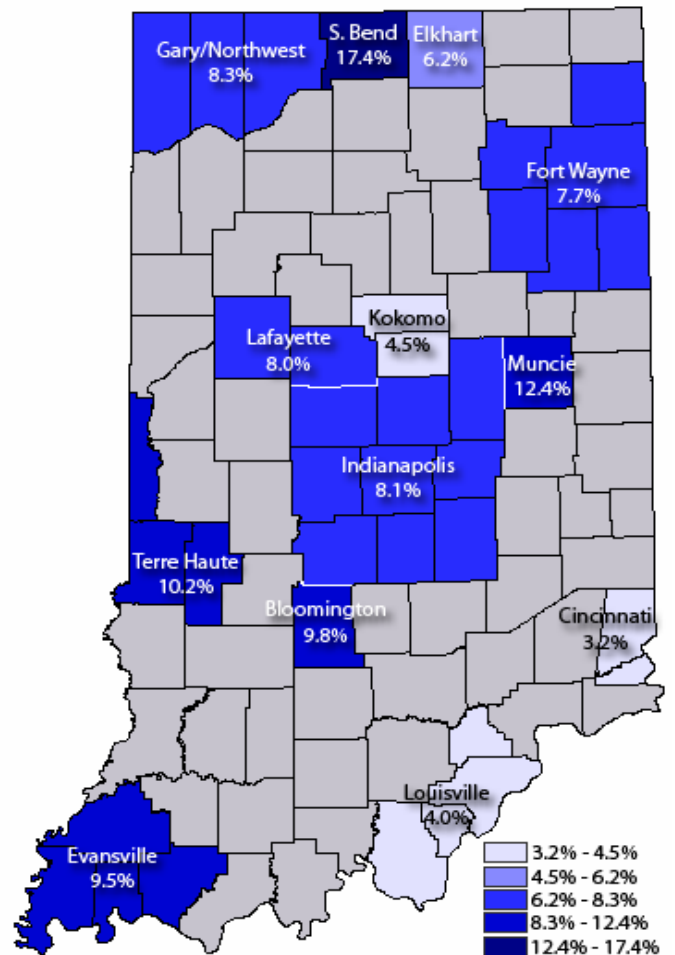
- The Northwest region, including here La Porte County, had almost 24,000 nonprofit employees, or more than 10 percent of the state’s nonprofit employment.
- The South Bend metropolitan area had 21,000 nonprofit employees or more than 9 percent of total nonprofit employment in the state.
- The Fort Wayne metropolitan area had more than 19,000 nonprofit employees or over 8 percent of the state’s nonprofit employment.
- The Evansville metropolitan region, including here Gibson County, employed nearly 14,000 people in the nonprofit sector, or about 6 percent of the statewide total.
- The Muncie, Lafayette, Bloomington, Terre Haute, and Elkhart metropolitan regions each employed between 6,000 and 7,000 nonprofit employees, or about 3 percent of the state total.
- The state’s three smaller metropolitan areas – Kokomo and the Indiana portions of the Louis-

ville and Cincinnati regions – each had less than 4,000 nonprofit employees, with the Indiana portion of the Cincinnati region trailing far behind at about 500.

- The rest of the state accounted for 19 percent of the state’s nonprofit employment, or about 43,500 employees.

The nonprofit share of total regional employment varies considerably across the state’s metropolitan areas (see Figure 9).

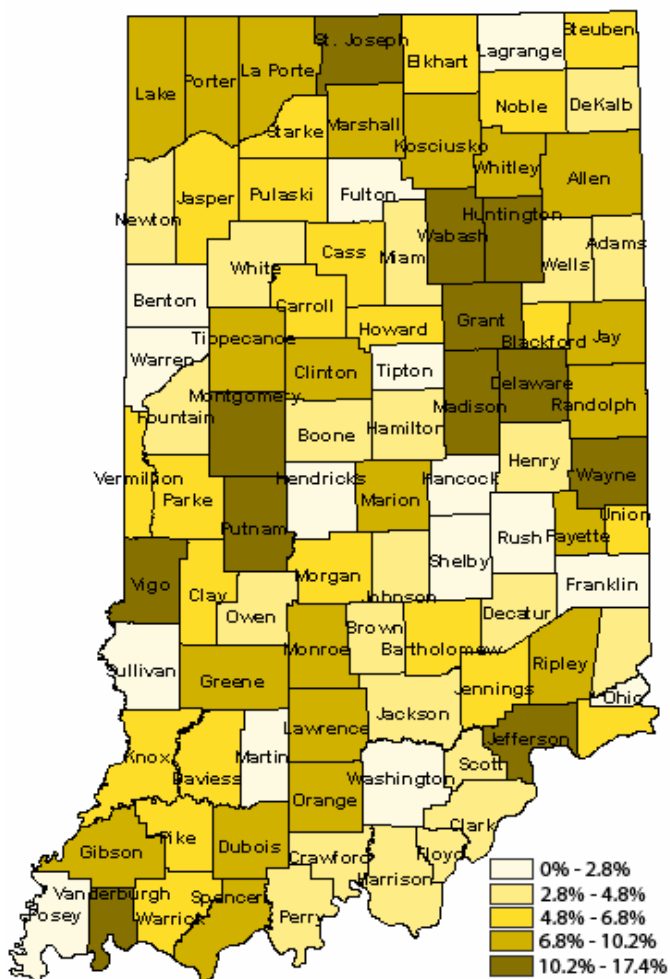
Figure 9: Indiana nonprofit share of total employment by metropolitan region, 2003



- The nonprofit sector is particularly important in the South Bend metropolitan region, accounting for more than 17 percent of total employment, or about one in six employees. This most likely reflects the presence of several large nonprofit health and educational institutions in that community.

- For the remaining major metropolitan regions (and adjoining areas), nonprofit employment accounts for about 9 percent of total employment, ranging from a low of about 6 percent in Elkhart to a high of more than 12 percent in the Muncie metropolitan area.
- Nonprofit employment accounts for less than 8 percent of local employment in the remaining areas of the state.
 - However, even among some of the state’s non-metropolitan counties, nonprofit employment exceeds 12 percent of total county employment. This is the case for Grant (15 percent), Jefferson, Montgomery and Putnam (14 percent each), and Wabash (12 percent) counties (see Figure 10 and Appendix C).

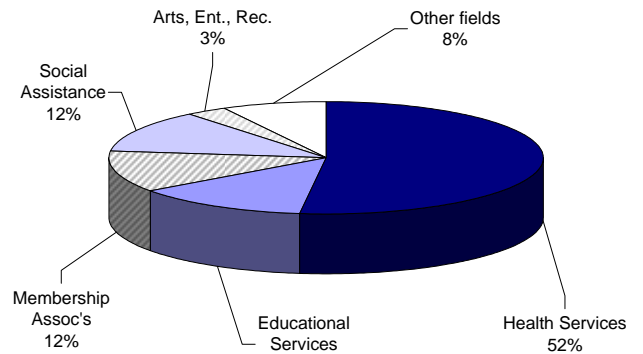
Figure 10: Indiana nonprofit share of total employment by county, 2003



IV. HEALTH DOMINANCE

Health organizations account for over half of Indiana’s nonprofit employment, but education services, membership associations, and social assistance organizations are also prominent (see Figure 11 and Appendices D and E).

Figure 11: Distribution of Indiana nonprofit employment by field, 2003



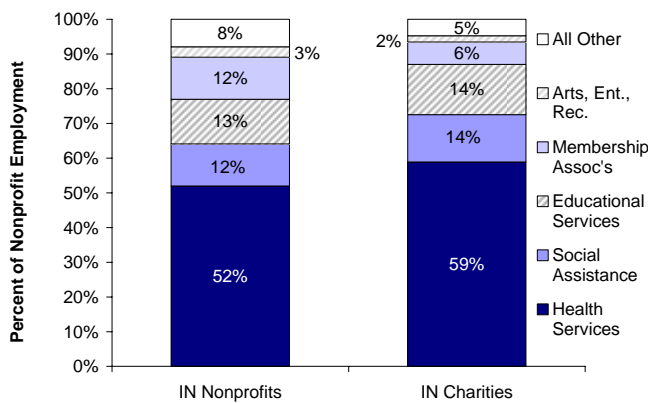
- The health services sector accounts for 52 percent of all nonprofit employment in Indiana, down from 53 percent in 2001. This includes jobs in hospitals, nursing and personal care facilities, clinics, and home health care.
- Educational services account for 13 percent of all nonprofit jobs in Indiana, up slightly from 2001. This includes jobs in private nonprofit colleges, universities, elementary and secondary schools.
- About 12 percent of all employment in the nonprofit sector is in membership associations, down slightly from 2001. This includes jobs in business, professional, labor, political, religious, and other civic and social membership associations such as neighborhood associations, hiking clubs, and environmental organizations.⁸
- Social assistance accounts for 12 percent of all em-

⁸ Some membership associations, most notably religious congregations, are not required to register with the IRS as tax-exempt organizations. For 2003, we reclassified 378 private associations with 1,905 employees and total payroll of \$4.3 million as nonprofit, although they were not registered with the IRS as tax-exempt organizations, on the assumption that all are indeed nonprofit.

ployment in the Indiana nonprofit sector, up from 11 percent in 2001. This includes employment in individual and family services, job training and related services, and child daycare services.

- Nonprofit jobs in arts, entertainment, and recreation organizations, such as theaters, orchestras, and amateur sports clubs have held steady at three percent of total nonprofit employment. This category also includes museums, botanical gardens, and zoos.
- As in 2001, eight percent of all nonprofit jobs are in other types of nonprofit organizations spread across a range of industries, involving financial or credit services; management; printing and publishing firms; housing; and various types of trusts, e.g., charitable, religious, and educational trusts.⁹
- As shown in Figure 12 and Appendix D, charitable employment is disproportionately concentrated in health (less so in education and social assistance), compared to total nonprofit employment, but is under-represented in membership associations and other establishments (less so in arts, entertainment, and recreation).

Figure 12: Distribution of nonprofit and charitable employment, Indiana vs. the nation



⁹ These include Utilities (NAICS 22) with 2,100 nonprofit employees; Information (NAICS 51), which includes Publishing (NAICS 511) with 500 nonprofit employees; Finance and Insurance (NAICS 52), which includes Credit Intermediation and Related Activities (NAICS 522) with 2,300 nonprofit employees and Funds, Trusts, and Other Financial Vehicles (NAICS 525) with 200 nonprofit employees; Real Estate and Rental and Leasing (NAICS 53) with 900 nonprofit employees; Management of Companies and Enterprises (NAICS 55) with 3,200 nonprofit employees; and Accommodation (NAICS 721) with 1,000 nonprofit employees.

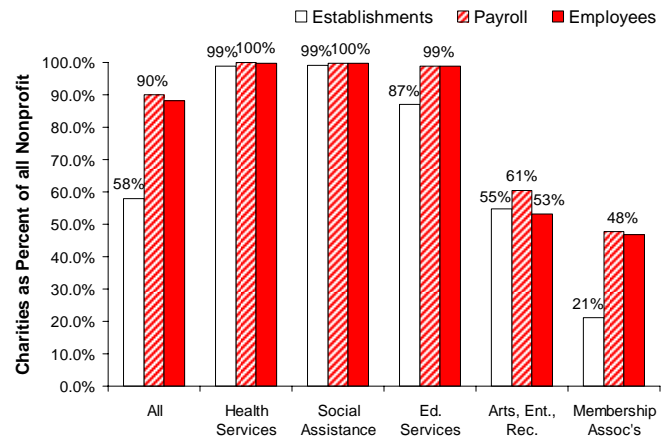
V. MAINLY CHARITABLE EMPLOYMENT

Most of Indiana's nonprofit employees work for charities rather than for nonprofits registered with the IRS as general social welfare or mutual-benefit nonprofits.

Charities include private, not-for-profit hospitals, clinics, colleges, universities, schools, social service agencies, orchestras, museums, theaters, homeless shelters, soup kitchens, etc., registered with the IRS under section 501(c)(3) of the Internal Revenue Code, and eligible to receive tax-deductible donations.

- Charities dominate Indiana nonprofits as shown above in Figures 1-3, Figure 6, and Figure 12.
- As shown in Figure 13, about 58 percent of all Indiana nonprofit establishments are charities. They employ about 88 percent of all nonprofit employees, suggesting that on average they are significantly larger than nonprofits registered under other sub-sections of the IRS codes (see also Appendices A and H).

Figure 13: Charities as a percent of total Indiana nonprofit establishments, employment, and payroll, by industry, 2003



- Charities account for about 90 percent of total nonprofit payroll, suggesting that wages are slightly higher than those of non-charitable nonprofits.
- Virtually all nonprofits in health, social assistance, and educational services, are charities rather than nonprofits with other types of tax-exempt status. As

noted above, these fields account for about 77 percent of total nonprofit employment (see Figure 11 above).

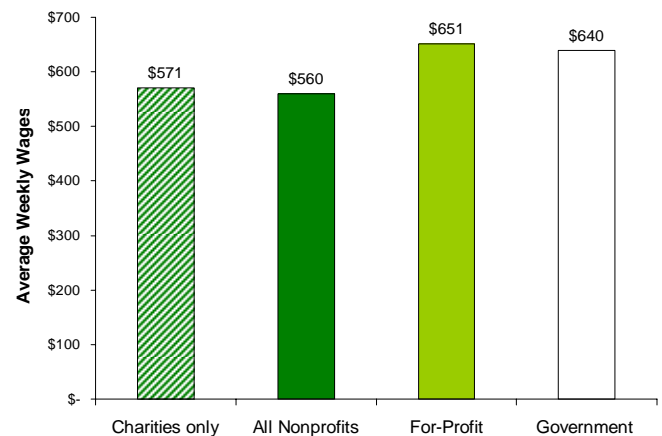
- Only 55 percent of arts, entertainment, and recreation nonprofits are charities. They account for 53 percent of nonprofit employment and 61 percent of the payroll in that industry, suggesting they are slightly smaller on average than non-charities in this field, but pay notably higher wages.
- Charities constitute only 21 percent of membership associations in Indiana, but have 47 percent of the total nonprofit employment, suggesting that they are larger than associations registered under other subsections of the IRS codes.

VI. NONPROFIT WAGES VARY BY INDUSTRY AND REGION

The overall average weekly wage for nonprofit employees is lower than that in the for-profit and government sectors, but the gap has diminished since 2001. In many service fields, however, nonprofit workers actually earn higher wages than their counterparts in for-profit firms, although usually less than government workers. Nonprofit wages vary considerably among the state's metropolitan regions.

Industry: Overall, the average weekly wage for nonprofit employees in Indiana is 14 percent lower than that for for-profit workers and less than 13 percent lower than for government workers, as shown in Figure 14.¹⁰

Figure 14: Nonprofit, for-profit, and government average weekly wages in Indiana, 2003



- This wage gap has declined since 2000, when nonprofit employees earned on average 17 percent less than for-profit employees and 16 percent less than government employees.¹¹
- The average weekly wages do not include fringe benefits and make no adjustment for full-time or part-time work (these details are not included in the ES-202 reporting system). Industries or sectors with more reliance on part-time workers could show up as

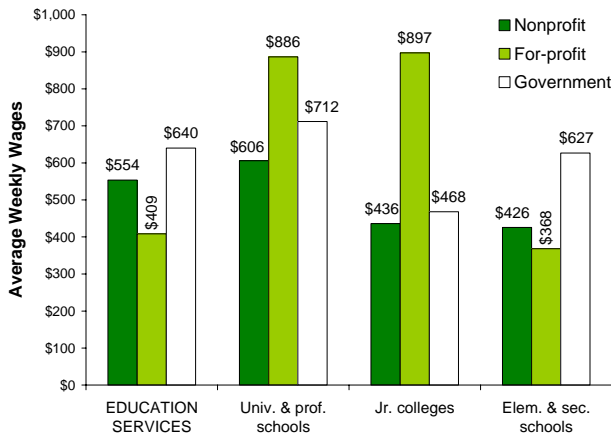
¹⁰ These figures do not reflect differences in fringe benefits or in the reliance on full-time or part-time workers.

¹¹ These percentages are different than those reported in Report #1 because they are calculated using respectively for-profit and government employment, rather than nonprofit employment, as reference values.

having lower average weekly wages than those with fewer part-time workers, even if the actual hourly pay rates are higher.

- However, once we focus on industries where nonprofits are concentrated, such as education, social assistance and health, we see that nonprofits offer higher wages than for-profit providers in several service fields, although both are generally lower than average weekly wages for government employees. The exception is health, where for-profit wages are higher than both nonprofit and government wages.
- As shown in Figure 15, workers in nonprofit educational services earn, on average, 36 percent more than workers in for-profit organizations, but 14 percent less than workers in government education.

Figure 15: Comparative average weekly wages in Indiana education organizations, 2003



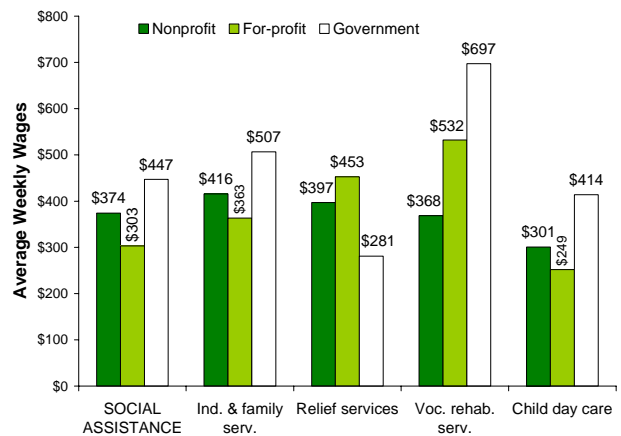
- The three education sub-fields shown separately jointly account for 99 percent of total employment in the education services field. Government employment accounts for most of the elementary and secondary schools and junior college employment, as well as two-thirds of employment in colleges, universities, and professional schools. The nonprofit sector employs the vast majority of the remainder.¹²

¹² For-profit employees make up less than 6 percent of employees in each of these sub-fields, and nonprofits account for about 5 percent of employment in Junior Colleges and Elementary and Secondary Education. While we report average wages for these relatively few employees, the results should be interpreted with caution. Nonprofits account for about 33 percent of total employment in universities and

- Employees in nonprofit institutions of higher education earn 32 percent less, on average, than their very few counterparts in for-profit institutions and 15 percent less than those in government institutions.
- The relatively few employees in nonprofit Jr. Colleges earn 51 percent less, on average, than their equally few counterparts in for-profit institutions and 7 percent less than those in government institutions, which employ the vast majority of this field.
- The relatively few nonprofit employees in elementary and secondary schools earn 16 percent more than the even fewer workers in similar for-profit organizations, but 32 percent less than the vast majority employed in government-owned institutions.

- A similar pattern holds for the social assistance field (see Figure 16). Nonprofit social assistance employees, on average, earn 23 percent more than workers in for-profit social assistance institutions, but 16 percent less than those in government social assistance organizations.

Figure 16: Comparative average weekly wages in Indiana social assistance organizations, 2003



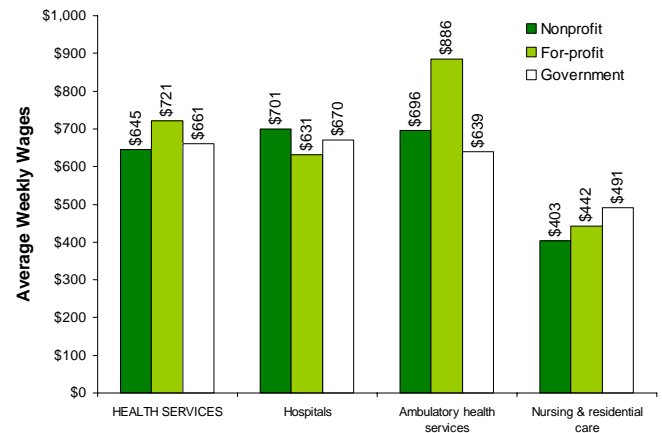
- The four sub-fields shown separately make up close to 100 percent of all employment in the social assis-

colleges. While we report average wages for these relatively few employees, the results should be interpreted with caution.

tance field.¹³

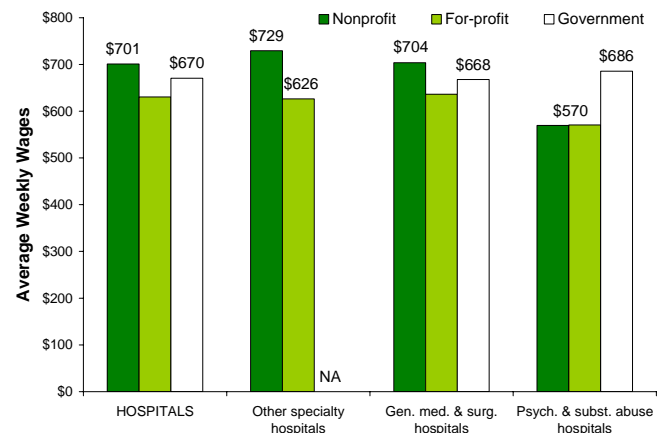
- Workers in nonprofit individual and family service organizations earn 14 percent more, on average, than for-profit workers and 18 percent less than the few government workers in the same field.
- Nonprofit employees in relief services (community food and housing, and emergency and other relief services) earn 12 percent less than for-profit employees and 41 percent more than the very few government workers in the same industry.
- Employees in nonprofit vocational rehabilitation organizations earn 31 percent less, on average, than the few for-profit workers in the same field and 47 percent less than the even fewer government workers in that field.
- Nonprofit employees in child daycare services earn 19 percent higher weekly wages than their for-profit counterparts, but earn 27 percent less than the very few government child daycare employees.
- A somewhat different pattern holds for the health field in Indiana (see Figure 17). Nonprofit health care workers earn 11 percent less, on average, than workers in similar for-profit institutions, and 3 percent less than government workers in that industry.
- The NAICS subcategories for the Health Services industry include Hospitals, Ambulatory Health Services, and Nursing and Residential Care (see Figure 17). Together, these three sub-fields account for all of health services employment. Each of these fields is further sub-divided into more detailed industries below.

Figure 17: Comparative average weekly wages in Indiana health organizations, 2003



- Workers in nonprofit hospitals earn 11 percent more, on average, than the relatively few workers in for-profit institutions¹⁴ and 5 percent more than government workers (see Figures 17, 18).

Figure 18: Comparative average weekly wages in Indiana hospitals, 2003



- Nonprofit employees in specialty hospitals (other than psychiatric and substance abuse hospitals) earn, on average, 17 percent more in weekly wages than for-profit employees in this field. There are no government employees in this industry.
- Nonprofit workers in general medical and surgical hospitals earn, on average, 11 percent more

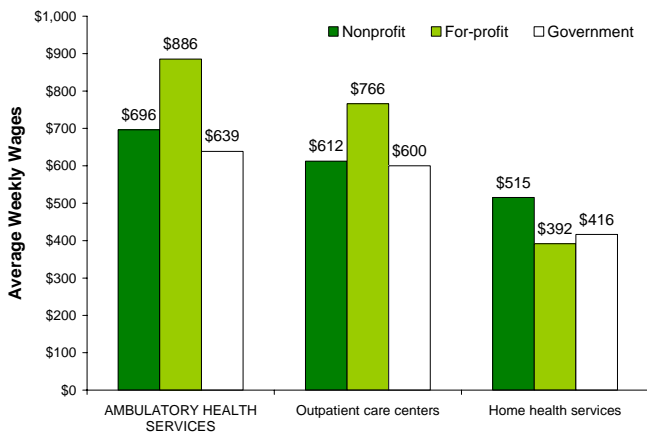
¹³ Government employees generally constitute 1 percent or less of total employment in these sub-fields. For-profit employees are about 4 percent of total employees in vocational rehabilitation field. While we report average wages for these relatively few employees, the results should be interpreted with caution. For-profit employees account for about 40 percent of total employment in the remaining three social assistance industries.

¹⁴ For-profit employees generally constitute 11 percent of total employment in hospitals, 10 percent of employment in general medical and surgical hospitals, and 14 percent of employment in psychiatric and substance abuse hospitals. While we report average wages for these relatively few employees, the results should be interpreted with caution.

in weekly wages than the relatively few workers in similar for-profit organizations and 5 percent more than government workers in this field.

- Employees in both nonprofit and for-profit psychiatric and substance abuse hospitals earn roughly equal weekly wages, while government employees earn, on average, 17 percent more.
- The ambulatory services category includes health practitioners who provide outpatient services. Nonprofit employees earn 21 percent less, on average, than the workers in for-profit organizations and 9 percent more than the relatively few government workers¹⁵ in this industry (see figures 17, 19).
- Workers in nonprofit outpatient care earn 20 percent less, on average, than for-profit workers in similar organizations and 2 percent more than the very few government workers in that field.

Figure 19: Comparative average weekly wages in Indiana ambulatory health services, 2003

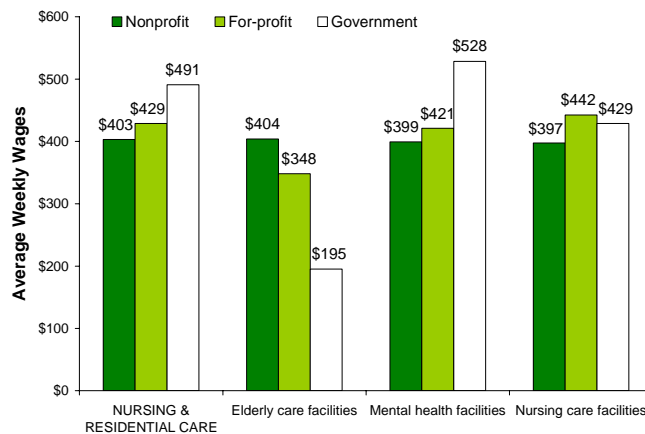


- Nonprofit home care workers earn 32 percent more, on average, than for-profit workers in similar organizations and 24 percent more than the very few government workers in that field.
- Employees in nonprofit nursing and residential care organizations earn an average of 6 percent less than workers in similar for-profit organizations and 18

¹⁵ Government employees generally constitute less than 1 percent of total employment in ambulatory health services, 2 percent of outpatient care centers, and less than 1 percent of employment in home health care services. While we report average wages for these relatively few employees, the results should be interpreted with caution.

percent less than their very few counterparts working for government¹⁶ (see Figures 17, 20).

Figure 20: Comparative average weekly wages in Indiana nursing and residential care facilities, 2003

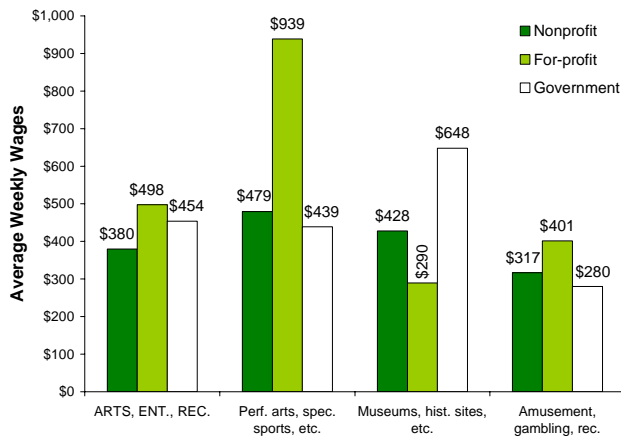


- Nonprofit workers at community care facilities for the elderly earn 16 percent more, on average, than for-profit workers in similar organizations and more than twice as much as the very few government workers in that field.
- Nonprofit employees at residential mental health facilities earn, on average, 5 percent less than for-profit employees and 25 percent less than the few government employees in the field.
- Nonprofit nursing care facility workers earn 10 percent less, on average, than their for-profit counterparts and 7 percent less than the very few government workers in the field.
- Nonprofit employees in amusement, entertainment, and recreation organizations earn, on average, 24 percent less in average weekly wages than their for-profit and 16 percent less than their relatively few government counterparts¹⁷ (see Figure 21).

¹⁶ Government employees constitute 3 percent of total employment nursing and residential care facilities, 9 percent of residential care mental health facility employment, and 2 percent of employment in nursing care facilities. While we report average wages for these relatively few employees, the results should be interpreted with caution

¹⁷ Government employees account for 2 percent of total employment in arts, entertainment, and recreation, 7 percent of performing arts and spectator sports employment, 9 percent of museum and historical site employment, and less than one percent of employment in amusement, gambling, and recreation. For-profit employees account for 4 percent of total employees in museums, historical sites. Nonprofit employment accounts for 16 percent of performing arts and

Figure 21: Comparative average weekly wages in Indiana arts, entertainment, and recreation organizations, 2003



- The sub-fields shown separately in Figure 20 account for 100 percent of employment in amusement, recreation, and entertainment.

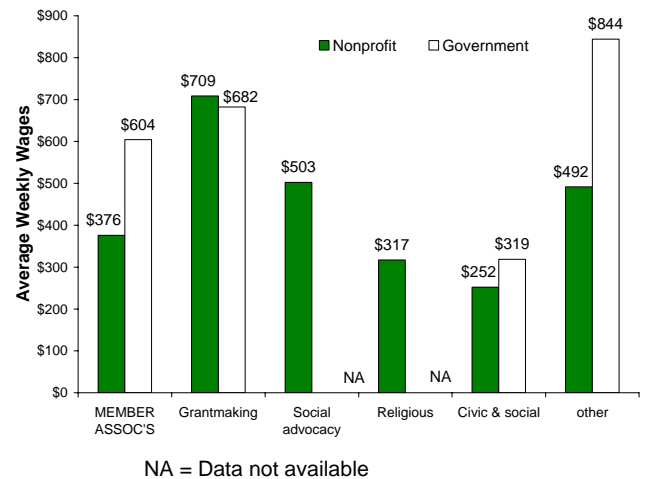
- The relatively few employees in nonprofit performing arts and spectator sports organizations on average earn 49 percent less in weekly wages than workers in similar for-profit organizations, and 9 percent more than the relatively few government workers in these types of organizations.
- Nonprofit employees of museums, historical sites, zoos, botanical gardens and similar organizations earn 48 percent more in average weekly wages than their very few for-profit counterparts and 34 percent less than the few government employees in this field.
- The relatively few employees in nonprofit amusement and gambling establishments on average earn 21 percent less in average weekly wages than their counterparts working in for-profit organizations, and 13 percent more than the very few government workers in the same industry.

- There are wide variations in wages among different membership associations (see Figure 22). The very few (less than 1 percent of total) government work-

spectator sports employment and only 10 percent of amusement, gambling, and recreation employment. While we report average wages for these relatively few employees, the results should be interpreted with caution

ers in this industry earn less than their nonprofit counterparts in grantmaking associations and more than nonprofits in civic and social associations and other organizations.¹⁸ For each of these three sub-fields, however, government workers make up less than 1 percent of total employees.

Figure 22: Comparative average weekly wages in Indiana membership associations, 2003



- Nonprofit membership association employees, on average, earn 38 percent less than government employees in this field (see Figure 22).
 - Nonprofit employees in grantmaking earn notably higher average weekly wages (\$709) than those employed by other membership associations, especially religious (\$317) and civic and social associations (\$252).
- As noted above, our data on average weekly wages do not allow us to determine whether the differences between nonprofit, for-profit, and government employees reflect real differences in wage levels or different rates of using part-time workers.¹⁹
- Our previous report included comparative data from eight other states on average weekly wages for workers in charitable organizations overall and in major nonprofit industries. In general, Indiana was at

¹⁸ “Other” organizations include: business, professional, labor, political, and similar organizations.

¹⁹ The average weekly wage reported in the ES-202 survey data makes no adjustment for full-time or part-time work. Industries or sectors with a greater number of part-time workers could show up as having lower average weekly wages than those with fewer part-time workers, even if the actual hourly pay rates are higher.

the median for the relatively few states for which these data were available. The implementation of the new industrial classification system (NAICS) has delayed efforts to update this analysis for other states. We plan to include these comparisons in future reports as the data become available.

Region: Nonprofit average weekly wages vary considerably among Indiana’s metropolitan regions (see Figure 23).

- At \$645, the average weekly wages for nonprofit workers were highest in the South Bend and Indianapolis metropolitan regions, or \$85 above average nonprofit weekly wages in the entire state in 2003 (\$560).

Figure 23: Comparative average weekly wages for nonprofit employees by metropolitan regions in Indiana, 2003



- Nonprofit wages were about at the statewide average for Terre Haute (\$562).
- Nonprofit wages were somewhat below the statewide average for the Northwest (\$555), Elkhart (\$545), Muncie (\$542), and Evansville (\$535).²⁰
- Average nonprofit wages were notably below the statewide average for the Bloomington (\$490) and Fort Wayne (\$482) metropolitan areas.
- Average nonprofit weekly wages were significantly below the statewide average in the Lafayette (\$469) and Kokomo (\$415) metropolitan regions – by \$91

²⁰ For purposes of our analysis, we include the La Porte and Gibson counties respectively in the Northwest and Evansville regions.

and \$145, respectively. The wages in these two communities were also below those of the remaining (non-metropolitan) regions of the state (average weekly wages of \$473).

- As noted earlier, our data do not allow us to determine whether the regional differences in average weekly earnings of nonprofit employees reflect real differences in wage levels or different rates of using part-time workers.

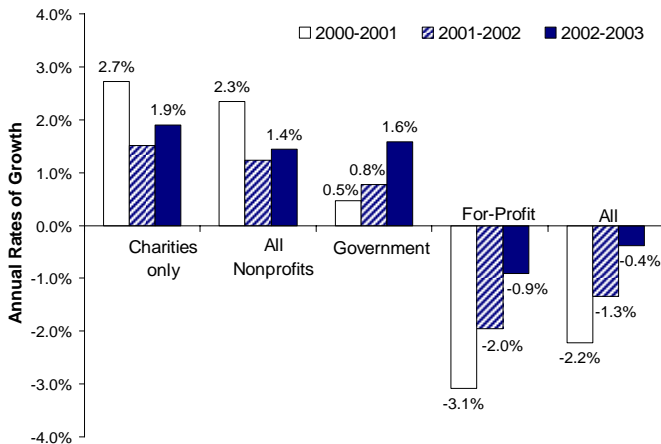
VII. A GROWING SECTOR

The Indiana nonprofit sector grew notably faster than the for-profit and government sectors between 2000 and 2003. Growth in nonprofit employment was concentrated in social assistance and educational services. Growth rates also vary by region in Indiana.

Employment: While total employment declined overall, nonprofit employment in Indiana grew fairly rapidly during the 2000-2001 period, followed by slower growth over the 2001-2003 period.

- Between 2000 and 2001 nonprofit employment grew by 2 percent while government employment grew at only one-fourth that rate (0.5 percent) almost all in local government. In contrast, the for-profit sector shrank at a rate of -3 percent. See Figure 24.

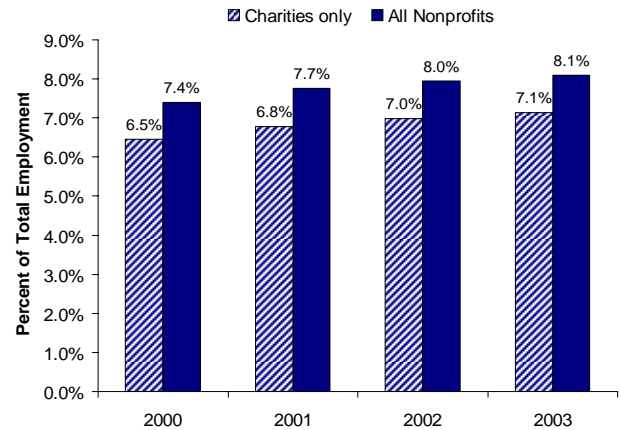
Figure 24: Annual rates of growth in Indiana employment by sector, 2000-2001, 2001-2002, 2002-2003



- Between 2001 and 2002, nonprofit employment grew at a slower rate (1 percent) than during the previous year, while the government sector grew by less than 1 percent. The for-profit sector continued to decline during this period, down by 2 percent.
- Between 2002 and 2003, nonprofit employment grew at a slightly higher rate of more than 1 percent compared to the previous year, but less than the almost 2 percent growth in government employment. The for-profit sector continued to decline, but at a slower rate (-1 percent).
- As a result of the comparatively high rates of growth in nonprofit employment, the nonprofit share of total

Indiana employment grew from 7 percent in 2000 to 8 percent in 2003 (Figure 25).

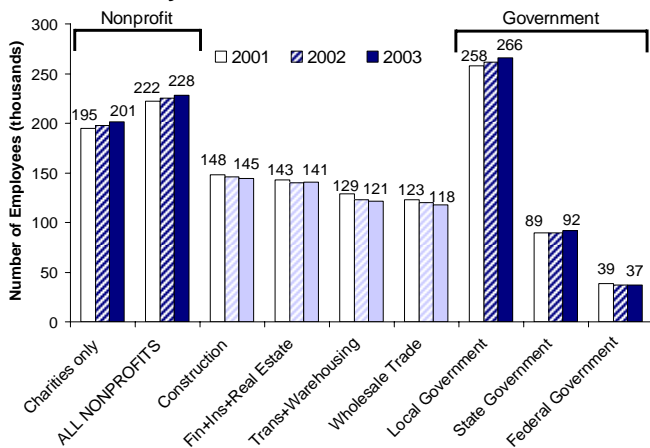
Figure 25: Nonprofit share of Indiana employment, 2000-2003



- The growth in charitable employment was slightly greater (11,858 jobs compared to 11,053 in total nonprofit jobs) and the charities' share of total employment increased from less than 7 percent in 2000 to over 7 percent in 2003.
- For the 2001-2003 period, we can also examine growth rates by industry.²¹ During this period, employment in the Indiana nonprofit sector increased by 5,963 employees (from 222,467 to 228,430), or by 3 percent (see Figure 26). The number of employees of charitable organizations increased slightly faster (up by 6,689 or more than 3 percent).
 - The growth in overall nonprofit employment (6,000) more than offset the loss of 3,000 construction jobs during this period.
 - Nonprofit employment growth was slightly larger than the loss of wholesale trade jobs (5,000).
 - Growth in nonprofit employment was equivalent to three-fourths of the loss of 8,000 jobs in the combined transportation and warehousing industries.

²¹ Figure 26 refers only to 2001-2003, because of industry classification changes. Only total nonprofit, charitable, and overall employment across all industries dating back to 2000 is comparable. Therefore, figures presenting industry level detail do not include year 2000 data.

Figure 26: Employment in the nonprofit sector and in key industries, Indiana 2001-2003

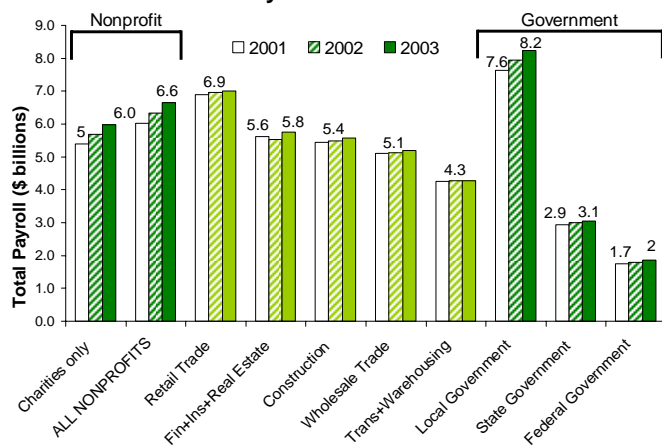


- However, nonprofit employment growth was smaller than the addition of 9,000 government jobs (almost all in local government).

Payroll: Overall wages for nonprofit employees in Indiana also increased faster than those of employees in for-profit or government organizations.

- Total payroll for nonprofit employees increased from \$5.7 billion in 2000 to \$6.6 billion in 2003, or by 17 percent (not adjusted for inflation). See Figure 27.

Figure 27: Total payroll for Indiana nonprofit employees and for key industries 2001-2003

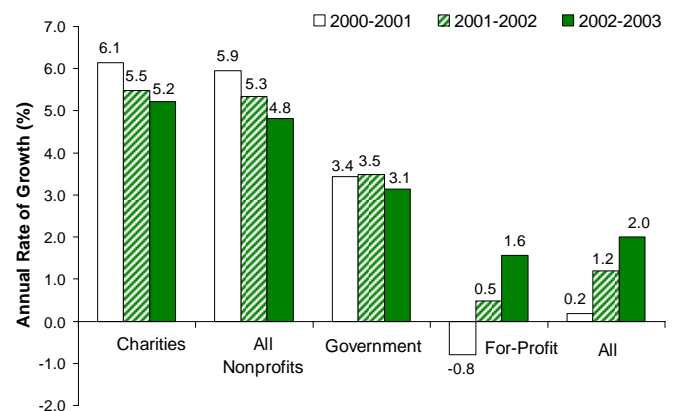


- To place these changes in perspective, for the 2001-2003 period, the gain of \$0.6 billion in nonprofit payroll exceeded the increase in total payroll for finance, insurance and real estate (\$0.2 billion) over same period.

- The nonprofit gain in total payrolls was two times greater than the gain in the combined federal and state payrolls (\$0.3 billion) and roughly equal to the gain in local government payroll (\$0.6 billion).

- Nonprofit payrolls increased at a faster rate than the payrolls of for-profit and government organizations (see Figure 28).

Figure 28: Annual rates of growth (%) in total payroll by sector, Indiana 2000-2001, 2001-2002, 2002-2003



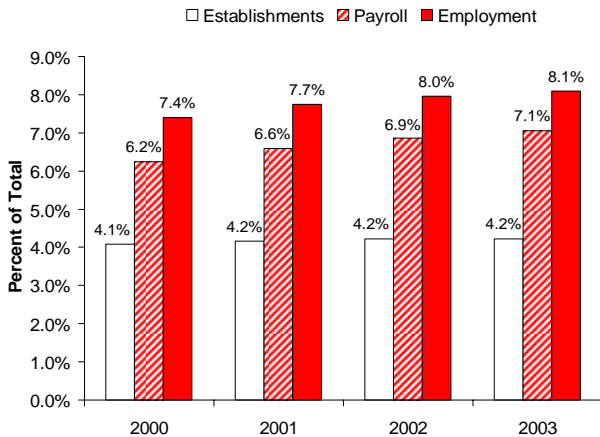
- Between 2000 and 2001, total nonprofit payrolls increased at an average annual rate of 6 percent, more than the annual increase of 3 percent for government workers; the for-profit sector shrank at a rate of 1 percent (not adjusted for inflation).

- Total nonprofit payrolls continued to increase between 2001 and 2002, although at a slower rate (more than 5 percent) than for 2000-2001. However, the increase was still significantly higher than the rate of increase of total government payroll (4 percent) and for-profit payrolls (1 percent).

- Total nonprofit payrolls continued growing in 2002-2003, again at a slower rate (less than 5 percent) than the previous year. This growth was again faster than government payroll growth (3 percent) and the for-profit sector payroll growth (2 percent), even though the number of government employees grew faster than the number of nonprofit employees during this period.

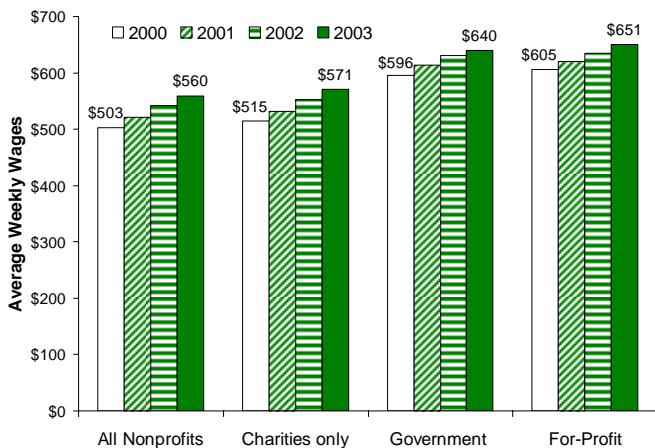
- As a result of these differential growth rates, the nonprofit share of total payroll in Indiana increased from 6 percent to 7 percent (see Figure 29).

Figure 29: Nonprofit share of Indiana employment and total payroll, 2000 - 2003



- The increase in the nonprofit share of payroll was greater than the growth in the sector's share of total employment, suggesting that the average weekly wages of nonprofit employees grew faster than those of workers in the for-profit and government sectors.
- Indeed, average weekly wages for nonprofit employees increased by \$57 between 2000 and 2003 (not adjusted for inflation), faster than the growth of average weekly wages for employees of for-profit (up \$46) or government organizations (up \$44) during the same period. See Figure 30.

Figure 30: Average weekly wages by sector, Indiana 2000-2003



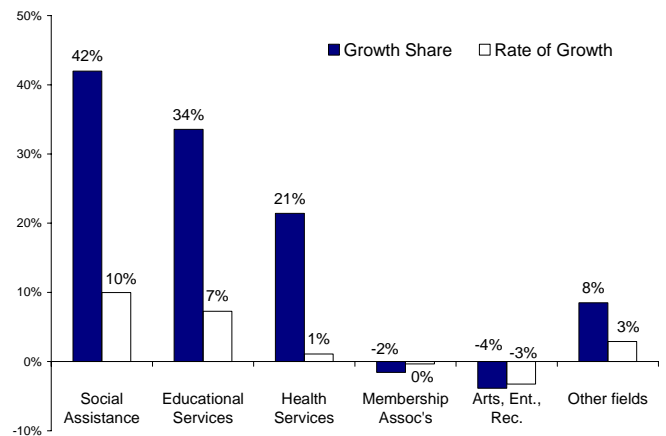
- The \$44 increase in average government wages hides major differences among the various levels of government. The wages of federal employees increased by \$153, those of state employees by \$28 and those of local government employees by \$41, less than for nonprofit employees.

- The faster increase in nonprofit average weekly wages compared to those in government and for-profit establishments confirms our earlier observation that the gap between average nonprofit weekly wages and those in the government and the for-profit sector declined over the 2001-2003 period.

Industry: Most of the growth (42 percent) in nonprofit employment in Indiana between 2001 and 2003 took place in the social assistance field, with two other fields (educational services and health services) accounting for most of the remaining increase. Nonprofit employment declined in membership associations and arts, entertainment, and recreation.

- Most of the overall growth in nonprofit employment was concentrated in just three industries (5,781 jobs, or 97 percent of the total). See solid bars in Figure 31.

Figure 31: Indiana nonprofit employment growth shares and rate of growth by industry, 2001-2003

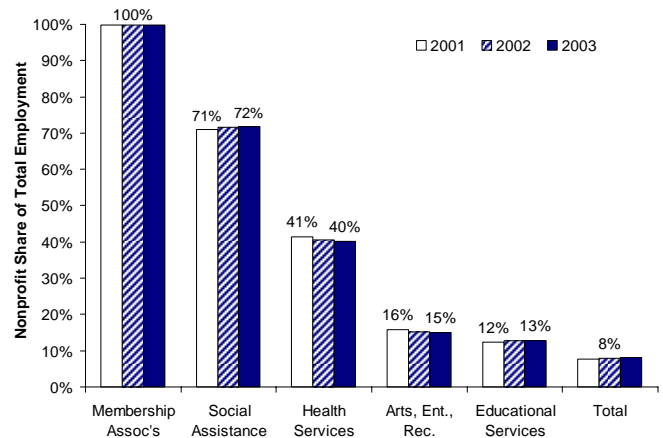


- Social assistance accounted for almost half (42 percent) of the overall growth in the Indiana nonprofit sector between 2001 and 2003, even though this field accounts for only 12 percent of nonprofit employment (see Figure 11 earlier).
- Educational services accounted for over a third

(34 percent) of the overall growth in nonprofit employment during this period.

- Health services absorbed another 21 percent of the overall growth in nonprofit employment.
- Employment in two other fields (membership associations, and arts, entertainment, and recreation) actually decreased, down by an equivalent of 6 percent of the overall growth in nonprofit employment between 2001 and 2003.
- Rates of growth, however, varied considerably among nonprofit industries (see clear bars in Figure 31), compared to the overall nonprofit growth rate of 3 percent between 2001 and 2003.
 - The number of employees working for nonprofit social assistance organizations increased by 10 percent between 2001 and 2003, more than three times the rate of growth in total nonprofit employment for the period (3 percent).
 - Growth was also above average for educational services (7 percent), by roughly 4 percentage points.
 - Growth was slightly below average for health services (1 percent).
 - Employment in membership associations and in arts, entertainment, and recreation declined during this period, by -0.3 percent and -3 percent, respectively. This is in contrast to the overall 3 percent growth.
 - Industries which are too small to report on separately (“other fields”) grew at the statewide average of 3 percent.
- However, in some industries, for-profit employment grew even faster so that the nonprofit share of total non-government employment declined between 2001 and 2003 while in other fields nonprofit employment grew faster and the share increased. Employment in government grew only moderately or declined in most fields, so that the nonprofit employment gained an even greater share of total employment in several fields. Sharp growth or decline was evident only in fields with very few government employees (see Figure 32).

Figure 32: Nonprofit share of total Indiana employment by industry, 2001-2003



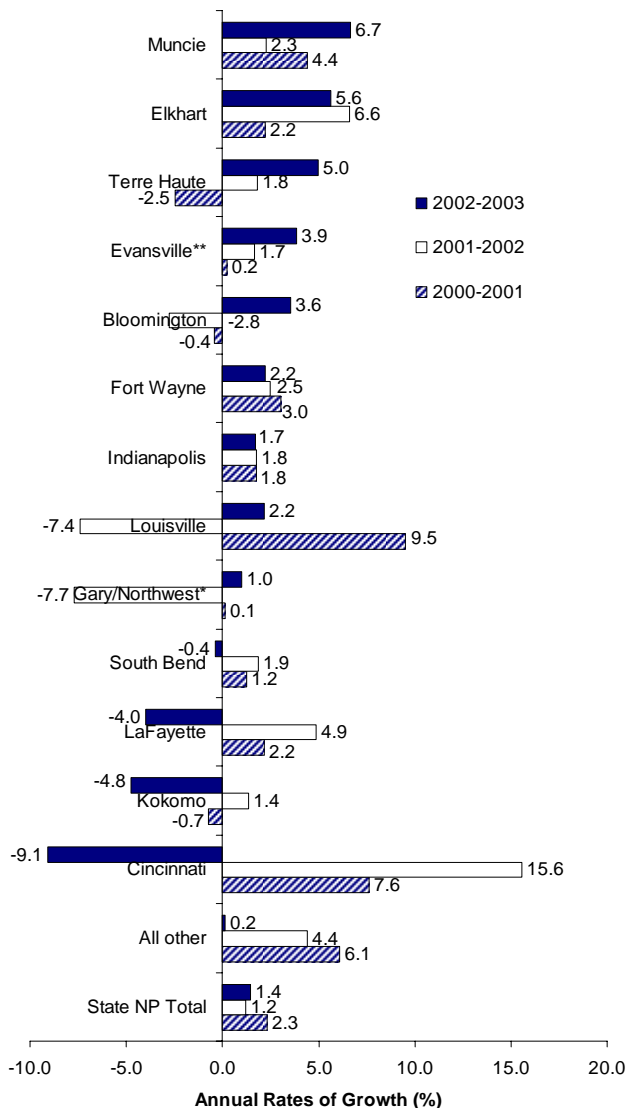
- Nonprofit employment in social assistance grew by 10 percent between 2001 and 2003, while for-profit employment grew at only 5 percent, and the relatively small government employment grew dramatically (33 percent). As a result, the nonprofit share of total social assistance employment increased slightly.
- Nonprofit employment in educational services increased by 7 percent and for-profit employment increased by 5 percent, while government employment increased by only 3 percent. As a result, the nonprofit share of employment in this field increased from 12 to 13 percent.
- The nonprofit share of total employment in membership associations held constant at 100 percent over the 2001 to 2003 period, while the relatively small government employment declined (down 27 percent).
- Nonprofit employment in health services grew overall by 1 percent between 2001 and 2003, slightly less than average for the entire nonprofit sector in Indiana. However, employment in the for-profit sector grew by 7 percent while government employment grew only 3 percent. As a result, the nonprofit share of total health employment declined from 41 to 40 percent.
- While nonprofit employment in arts, entertainment, and recreation shrank by 3 percent between 2001 and 2003, for-profit employment grew by 2 percent as did government employ-

ment, and nonprofit share of total employment decreased by one percentage point.

- Total nonprofit employment grew by nearly 3 percent between 2001 and 2003, while for-profit employment declined by 3 percent. Government employment increased by 2 percent during the same period resulting in a relatively steady share of nonprofit employment.

Region: Indiana's metropolitan regions differed significantly in their annual rate of growth in nonprofit employment between 2000 and 2001, 2001 and 2002, and also between 2002 and 2003 (see Figure 33).

Figure 33: Indiana nonprofit employment: average annual rates of growth for metropolitan regions, 2000-2001, 2001-2002, 2002-2003



- Overall, nonprofit employment in the state grew at a rate of 2 percent between 2000-2001, and 1 percent between 2001-2002 and 2002-2003.
- Nonprofit employment in the Muncie and Elkhart regions grew faster than the state average in all three years.
 - Nonprofit employment in the Muncie region grew at 4 percent in 2000-2001, 2 percent in 2001-2002, and then at 7 percent in 2002-2003.
 - Nonprofit employment in Elkhart grew at 2 percent in 2000-2001, 7 percent in 2001-2002, then at 6 percent between 2002-2003.
- Some regions lagged behind the state average rate of growth between 2000 and 2002, and then surged ahead between 2002-2003.
 - Nonprofit employment in the Terre Haute region declined at 3 percent between 2000-2001, then grew at 2 percent from 2001-2002. Between 2002-2003, nonprofit employment grew at 5 percent.
 - The Evansville region grew at less than 1 percent between 2000-2001, and 2 percent in the following year. Between 2002-2003, the nonprofit rate of growth increased to 4 percent.
 - Nonprofit employment in Bloomington declined at less than 1 and 3 percent respectively between 2000-2001 and 2001-2002, but growth then increased to 4 percent in 2002-2003.
- Nonprofit employment in the Fort Wayne and Indianapolis regions exhibited a modest rate of growth in all three time periods.
 - Nonprofit employment in the Fort Wayne region grew at 3 percent in 2000-2001 and 2001-2002, then at 2 percent in 2002-2003.
 - Nonprofit employment in the Indianapolis area grew at 2 percent in 2000-2001, 2001-2002, and 2002-2003.
- The Louisville and Gary/Northwest regions exhibited noticeable decline in 2001-2002, followed by

modest growth in 2002-2003.

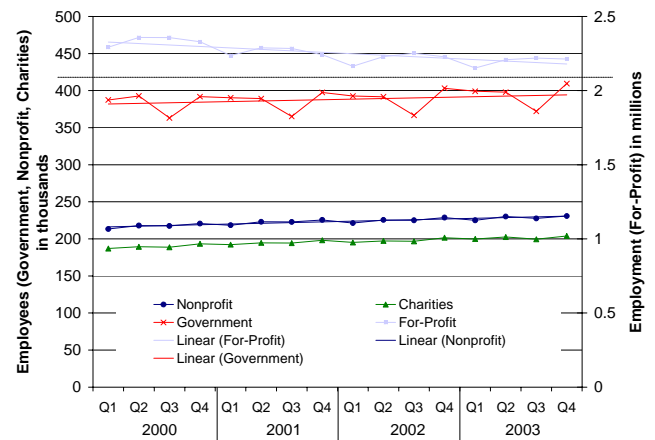
- Nonprofit employment in the Louisville region grew at 10 percent in 2000-2001 and then declined at a rate of 7 percent in 2001-2002. Nonprofit employment grew at a rate of 2 percent between 2002-2003.
- Nonprofit employment in the Gary/Northwest region grew at less than 1 percent in 2000-2001 and declined at a rate of 8 percent in 2001-2002. Regional nonprofit employment grew at 1 percent in 2002-2003.
- The remaining regions exhibited growth in nonprofit employment in the first two years (2000-2002), but a decline between 2002-2003.
 - In the South Bend region, nonprofit employment grew 1 percent between 2000-2001 and 2 percent from 2001-2002 before declining at a rate of less than 1 percent during the 2002-2003 period.
 - Nonprofit employment in the Lafayette region grew at 2 and 5 percent during the 2000-2001 and 2001-2002 periods, respectively. Nonprofit employment declined at a rate of 4 percent between 2002-2003.
 - Nonprofit employment in the Kokomo region declined at 1 percent between 2000-2001, then grew at a rate of 1 percent between 2001-2002. Nonprofit employment declined at a rate of 5 percent between 2002-2003.
 - The Cincinnati region exhibited nonprofit growth at rates of 8 and 16 percent during the 2000-2001 and 2001-2002 periods, respectively. Growth declined at a rate of 9 percent during 2002-2003.
 - Nonprofit employment in the remainder of the state (non-metropolitan regions) grew at 6 and 4 percent during 2000-2001 and 2001-2002. Nonprofit employment grew at a rate of less than 1 percent between 2002-2003.

VII. DETAILED TRENDS IN NONPROFIT EMPLOYMENT

Detailed analysis of trends over time indicates that the growth of nonprofit employment in Indiana has been steady, while the growth of government employment and the decline in for-profit employment has been cyclical. These trends reflect the ongoing recession in the state's economy over the 2000-2003 period.

An analysis of total employment by quarter separately for nonprofit, for-profit and government establishments (see Figure 34) shows that total nonprofit employment (bottom two trend lines, left axis) has increased steadily each quarter, while government employment has fluctuated some, but generally shows a slight upward trend (middle trend line, left axis). Employment in the for-profit sector has also fluctuated from quarter to quarter, but shows a notable downward trend over the 2000-2003 period (top trend line, right axis).

Figure 34: Indiana employment by sector, 2000-2003, quarterly (nonprofit, government, and charities in thousands; for-profit in millions)



- These trends suggest that the nonprofit sector provides more stable, recession-proof, employment than the for-profit sector, most likely because virtually all the nonprofit sector employment is in service industries where demand is likely to remain steady and perhaps even grow during recessions (e.g., health and social assistance). It is still possible, of course, that employment in the nonprofit sector will begin to show the impact of the recession and start to decline, but if so, the impact lags far behind that of for-profit employment. It remains to be seen whether nonprofit

employment will lag expansion of for-profit employment when the latter begins to grow again, or continue to outpace private employment.

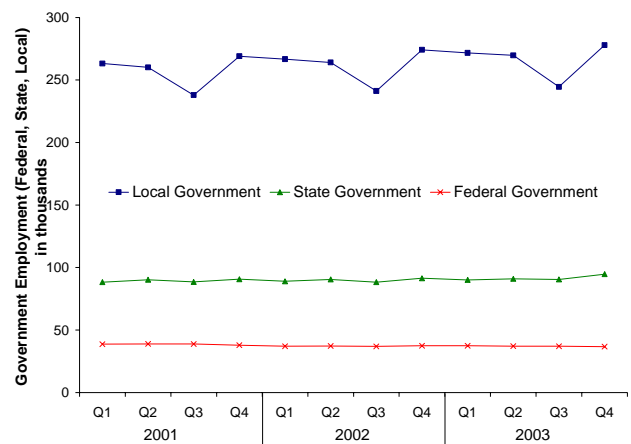
The nonprofit sector exhibits steady growth, while there are notable seasonal fluctuations in for-profit and government sectors.

- The nonprofit sector exhibits steady growth. First quarter employment is, on average, 2 percent below the annual average. Second and third quarter employment, on average, is approximately equal to the annual average. Fourth quarter employment is, on average, 1 percent above the annual average.
- In the for-profit sector, first quarter employment is typically below that year's average (by 2 percent, on average). Second and third quarter employment increases to one percent above average, while fourth quarter employment drops to a level approximately equal to the average employment for that year. For-profit employment decreases by 4 percent, on average, between the fourth quarter and first quarter of the subsequent year.
 - The majority of the drop between fourth quarter employment of one year and the first quarter employment the following year reflects the decline in retail employment, which on average accounts for 22 percent of for-profit employment fluctuation over this period. For-profit construction employment accounts for another 19 percent of this decline.
 - While total for-profit employment declines in the fourth quarter, for-profit retail employment increases dramatically, the magnitude of which represents 179 percent²² of the total decline over this period. To put this in perspective, without retail growth from the third to fourth quarter, for-profit employment would have declined by 16,000 rather than only 6,000. This trend most likely reflects the additional employment required for increased holiday retail sales.

²² These percentages may exceed 100 percent, since the overall increase (or decrease) reflects the net effects of increases and decreases in specific industries. For the same reason, the shares of two or more industries may jointly exceed 100 percent of total increases if other industries declined.

- Construction is responsible for 27 percent of the first to second quarter increase in for-profit employment, and 59 percent of the second to third quarter increase. The decline in construction between the third and fourth quarters accounts for 76 percent of total employment decline during this time frame.
- The accommodations and food services industry declines in the fourth quarter as well (most likely reflecting the decline in vacation travel), and is responsible for 65 percent of the total third to fourth quarter decline in for-profit employment.
- The administrative and support services industry increases in the third quarter, reflecting 34 percent of the second to third quarter employment rise.
- Government employment exhibits a sharp (6 percent below annual average) decline in third quarter each year from 2000-2003 (see Figure 34).
 - Local government employment accounts for almost all of this quarterly decline. On average, third quarter local government employment is more than 8 percent below annual average employment (see Figure 35).

Figure 35: Quarterly government employment, 2001-2003 (federal, state, and local) in thousands



- The majority of this third quarter decrease in local government employment can be attributed to decline in education employment during the summer recess. It is equivalent to

104 percent of the total decrease in local government employment between the second and third quarters.

- State and Federal government employment for the third quarter, on average, is only 1 percent below the annual average.
- Government employment increases moderately (3 percent, on average) in the fourth quarter each year from 2000-2003.
 - Local government employment accounts for a most of this increase. On average, fourth quarter local government employment is 4 percent above annual average employment.
 - Almost all of the fourth quarter government workforce increase (97 percent) can be accounted for by the return of public elementary and secondary school employees in the fall. The return of college, university, and professional school employees accounts for a much more modest 10 percent of the increase.
 - State and Federal government employment for the fourth quarter, on average, is only 2 percent above the annual average for sector.

CONCLUSION

The nonprofit sector not only contributes to the quality of life for all Indiana citizens through the health care, education, counseling, job training, nursing home care, access to arts and culture, and opportunities for democratic participation it offers, but it is also a major economic force in the state's economy, and in the economies of all the state's regions.

Regrettably, however, this point is not well understood by policymakers, the press, or the public at large. As a result, this sector is often overlooked in economic development and education and training efforts that could prove extremely beneficial to it in the long term. Hopefully, the data presented here will promote greater understanding of the impact of the nonprofit sector and demonstrate the immense stake that Indiana citizens have in its continued health.

Finally, as our technical discussion in Appendix A suggests, these estimates of Indiana's nonprofit employees – and the payroll they contribute to the state's economy – are conservative. We can only guess at how many Indiana's nonprofits actually employ, but it appears to be a significantly larger number than we document here.

We urge the state of Indiana to enhance its (and our) ability to track the nonprofit sector's contribution to the state in the future. For example, the state might require employers that already participate in the ES-202 reporting system to indicate whether they are operating under for-profit, nonprofit, or government (federal, state, local) ownership. Several other states make these distinctions. Currently, all Indiana for-profit and nonprofit establishments are simply coded as "private." This change would not impose additional reporting requirements on Indiana nonprofits and would insure more accurate and comprehensive data by avoiding the cumbersome and problematic process used here to estimate nonprofit employment. We are more ambivalent about the value of extending the reporting requirements to smaller nonprofits (those with fewer than four employees) to match the requirement for for-profit establishments. The improvement in accuracy may be fairly minor and would impose a significant new reporting requirement on these small nonprofit employers, as would extending the reporting requirement to congregations, although by all accounts they account for a significant share of the actual nonprofit employment in the state of Indiana.