



Nonprofit Employment Series
Report #2

INDIANA NONPROFIT EMPLOYMENT 2005

A JOINT PRODUCT OF

THE CENTER ON PHILANTHROPY
AT INDIANA UNIVERSITY

THE SCHOOL OF PUBLIC AND ENVIRONMENTAL AFFAIRS
AT INDIANA UNIVERSITY

AND

THE JOHNS HOPKINS
NONPROFIT EMPLOYMENT DATA PROJECT

MAY 2005

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AND
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Copies of this report are available on the Indiana Nonprofit Sector Web site (www.indiana.edu/~nonprof) and the Center for Civil Society Web site (www.jhu.edu/~csss).

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KEY FINDINGS

Major Updates from 2001 Analysis

1. Nonprofit employment increased by over 5 percent between 2000 and 2003, while for-profit employment decreased by almost 6 percent and government employment increased by nearly 3 percent during the same period (see pages 19-20).
2. The gap between nonprofit and for-profit payrolls narrowed between 2000 and 2003, as did the gap between nonprofit and government payrolls. Total nonprofit payrolls increased 17 percent, while for-profit payrolls increased 1 percent and government payrolls increased 10 percent (see page 5).
3. The gap between nonprofit and for-profit average weekly wages decreased by \$11 over the 2000-2003 period and the gap between nonprofit and government weekly wages decreased by \$13 (see page 5).

Other Key Findings

4. The nonprofit sector continues to be a major economic force in Indiana, accounting for nearly 1 out of every 12 paid workers—more than are employed in the state's construction industry (see pages 6-7).
5. The 228,000 nonprofit employees in Indiana earned about \$6.6 billion in wages in 2003 (see page 8).
6. Nonprofit employment is not restricted to any one region of Indiana, but is distributed broadly throughout the state (see pages 9-11).
7. About half (52 percent) of nonprofit employment in the state is in health services, another 13 percent is in education, and 12 percent is in social assistance (see page 11).
8. Most (88 percent) nonprofit employees work for charities, although only 58 percent of nonprofit employers are charities (see page 12).
9. On average, weekly wages for nonprofit employees are 14 percent lower than those of for-profit workers and 13 percent lower than those of government workers (see page 14). However, nonprofit weekly wages are similar to for-profit wages in industries where nonprofit employment is concentrated (see pages 14-18).
10. The Indiana nonprofit sector grew notably faster than the for-profit sector between 2000 and 2003 and faster than the government sector between 2000 and 2002 (see page 19).
11. Overall wages for nonprofit employees in Indiana also increased faster than those of employees in for-profit or government organizations, although average weekly wages increased at a slower rate (see pages 20-21).
12. The growth share and rate of growth in nonprofit employment were concentrated in social assistance and educational services (see pages 21-22).
13. Rates of growth in nonprofit employment varied significantly among Indiana metropolitan regions (see pages 23-24).
14. Nonprofit employment grew steadily each quarter between 2000 and 2003, while there are notable seasonal fluctuations in for-profit and government employment (see pages 24-26).

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INTRODUCTION

Nonprofit organizations make significant contributions to the quality of life for Indiana citizens by offering healthcare, education, job training, access to arts and culture, and opportunities for democratic participation. They are also a major force in the state's economy and in the economic health of all the state's regions.

This 2005 report presents new information on the size, composition, and distribution of paid employment in the private nonprofit sector in Indiana for the 2000-2003 period,¹ and updates Report #1, which presented similar data for 1995, 2000, and 2001. It is part of a larger project on **Indiana Nonprofits: Scope and Community Dimensions**, currently underway at Indiana University, designed to provide solid, baseline information about the Indiana nonprofit sector, its composition and structure, its contributions to Indiana, the challenges it is facing, and how these features vary across Indiana communities. For more information about the project, see <http://www.indiana.edu/~nonprof>.

The report draws on data generated by the Indiana Department of Workforce Development through surveys of Indiana workplaces carried out under the national ES-202 labor market information program administered by the U.S. Bureau of Labor Statistics as part of the unemployment insurance program. These data, compiled from quarterly reports submitted by employers in compliance with U.S. and Indiana law, were prepared for us by the Indiana Business Research Center at Indiana University under a confidentiality agreement with the state.

Under federal law, all places of employment are required to complete these quarterly surveys and either be covered by the federal unemployment insurance system or make other arrangements to provide unemployment coverage to laid-off workers. However, religious congrega-

¹ Because of changes in how industries are classified (from the Standard Industrial Classification (SIC) system to the North American Industrial Classification System (NAICS) as mandated by the North American Free Trade Agreement (NAFTA)), we were able to obtain consistent industry classifications dating back only to 2001. As a result, most of our detailed trend analysis is limited to the 2001-2003 period. However, we are able to report on overall nonprofit employment and payroll data back to 2000. Our methodology for estimating nonprofit employment in 1995 used in our previous report carries some uncertainty (it most likely underestimates nonprofit employment in 1995), we therefore limit our analysis to the more recent periods.

tions and 501(c)(3) charitable organizations employing less than 4 workers are not required to take part in the unemployment insurance system. The significance of this exclusion is unknown as some (few) religious organizations nevertheless elect to be covered by unemployment insurance. Because of these exclusions, however, we are confident that our analysis underestimates nonprofit employment in Indiana, perhaps even by a substantial amount (see Appendix A).

For the purpose of this report, we focus on nonprofits registered as tax-exempt entities with the U.S. Internal Revenue Service under Section 501(c) of the Internal Revenue Code. This includes private, not-for-profit hospitals, clinics, colleges, universities, elementary schools, social service agencies, day care centers, orchestras, museums, theaters, homeless shelters, soup kitchens, and many more. It also includes a wide variety of civic organizations, trade associations, unions, and other membership groups.

For portions of our analysis, we are able to separate out nonprofits eligible to receive tax-deductible contributions under Section 501(c)(3) of the Internal Revenue Code. These so-called "charities" account for the bulk of nonprofit employment in Indiana. By reporting separately on this portion of the Indiana nonprofit sector, we are able to make direct comparisons between Indiana and national analysis completed by the Center for Civil Society Studies at The Johns Hopkins University.

We caution that our estimate of the size of the Indiana nonprofit sector underestimates the sector's role in the Indiana economy because some nonprofits (e.g., congregations and charities with less than four workers) are not required to participate in the ES-202 reporting systems. Still others cannot be identified as nonprofits,² most notably those that are not required to register as tax-exempt entities with the IRS because they have less than \$5,000 in total revenues or are among the types of nonprofits that are exempt from registering altogether (e.g., certain types of membership associations and churches), or don't do so for a variety of other reasons.

² Unfortunately, Indiana is not one of the handful of states, such as Maryland, that require private ES-202 establishments to indicate whether they operate under for-profit or nonprofit ownership. As a result, we have to rely on the IRS Business Master File of tax-exempt entities to identify nonprofit organizations, even though we know these records have significant gaps and may fail to capture as many as 40-50 percent of nonprofits in the state. Most likely, however, a majority of the larger ones are included.

Some or all of these non-registered nonprofits may actually be included in ES-202 data system, but we can identify as nonprofit only those employers that are registered as tax-exempt entities with the IRS. We have had to assume that all other non-government employers are for-profit, even though we know this overestimates the for-profit share of the state's employment.

In addition, for each year we used the IRS tax-exempt status for nonprofits as of February of the previous year because we know that the process of obtaining IRS status as a tax-exempt entity takes time. Even so, it is possible that nonprofits may have employees and therefore participate in ES-202 reporting systems while waiting for their IRS ruling letter. As a result, our data will most likely underestimate nonprofit employment each year. We explore an alternative methodology in Appendix A.

For further information on the ES-202 data source, our particular definition of the nonprofit sector, and the method used here to extract data on nonprofit organizations from the Indiana ES-202 records, see Appendix A (see also footnote 4).