



# INDIANA NONPROFITS

*Scope and Community Dimensions*

Nonprofit Employment Series  
Report #3

## INDIANA NONPROFIT EMPLOYMENT REPORT

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 ECONOMIC DATA PROJECT

SEPTEMBER 2007

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AND  
ANDREA LEWIS AND PAULINE CAMPBELL

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

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SEPTEMBER 2007

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# KEY FINDINGS

## Major Updates from 2005 Report

1. Nonprofit employment increased by over 2 percent between 2003 and 2005, while for-profit employment increased by about 2 percent and government employment by less than 1 percent. Since 2001, nonprofit employment increased by 5 percent and government employment by 3 percent, while for-profit employment was down 1 percent.
2. The gap between nonprofit and for-profit payrolls narrowed since our previous report, as did that between nonprofit and government payrolls. Total nonprofit payrolls increased by over 10 percent, while for-profit payrolls increased by just over 8 percent and government payrolls by nearly 7 percent. From 2001 to 2005, nonprofit payrolls were up 22 percent, while government and for-profit payrolls were up respectively 13 and 10 percent.
3. The gap between nonprofit and for-profit average weekly wages decreased by \$11 over the 2003-2005 period and that between nonprofit and government weekly wages decreased by \$12. Over the entire 2001 to 2005 period the gap between nonprofit and for-profit average weekly wages declined by \$14 and that between nonprofit and government weekly wages by \$20.

## 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—equal to the number of employees in the state's entire accommodation and food industry and about 50 percent more than those employed in the state's construction industry.
5. The 235,000 nonprofit employees in Indiana earned about \$7.4 billion in wages in 2005.
6. About half (51 percent) of nonprofit employment in the state was in health services, another 13 percent was in education, and 12 percent each was in

membership associations and social assistance.

7. Most (88 percent) nonprofit employees worked for charities, although only 56 percent of nonprofit establishments were charities.
8. The Indiana nonprofit sector grew faster than both the for-profit and government sectors between 2003 and 2005.
9. The growth share and rate of growth in nonprofit employment were concentrated in health and educational services, especially from 2004 to 2005.
10. Overall payroll for nonprofit employees in Indiana also increased faster than that for employees in for-profit or government organizations, although average weekly wages increased at a slightly slower rate.
11. On average, weekly wages for nonprofit employees were 13 percent lower than those of for-profit workers and 11 percent lower than those of government workers. However, nonprofit weekly wages were generally similar to for-profit wages in industries where nonprofit employment is concentrated.
12. Nonprofit employment grew steadily each quarter between 2003 and 2005, while there were notable seasonal fluctuations in for-profit and government employment.
13. The majority (80 percent) of nonprofit employment in Indiana is concentrated in fourteen metropolitan areas, with 28 percent in the Indianapolis area. Nonprofit share of total employment, average weekly wages, and employment rates of growth varied significantly among these metropolitan areas (see Part II).
14. Among Indiana's 11 Economic Growth Regions (EGRs), EGR 5 (Central Indiana) had the largest share of the state's nonprofit employment. Nonprofit share of total employment, average weekly wages, and rates of growth in employment and payroll varied considerably among the different regions (see Part III).

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## INTRODUCTION

Nonprofit organizations make significant contributions to the quality of life for the residents of Indiana by offering healthcare, job training, access to arts and culture, education, 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 2007 report presents new information on the size, composition, and distribution of paid employment in the private nonprofit sector in Indiana for the 2003 to 2005 period,<sup>1</sup> and updates Report #2, which presented similar data for 2000 to 2003. It is part of a larger project on **Indiana Nonprofits: Scope and Community Dimensions**, currently underway at Indiana University. The project is 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 Covered Employment and Wages (CEW) labor market information program, which is administered by the U.S. Bureau of Labor Statistics as part of the unemployment insurance program. Also known as the ES-202 program, the CEW data are collected cooperatively by the Bureau of Labor Statistics and the various state-level employment security agencies (including all 50 states, the District of Columbia, Puerto Rico, and the Virgin Islands).<sup>2</sup> 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.

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<sup>1</sup> While the greatest level of detail in this report focuses on the features of nonprofit employment in 2005 (the most recent year for which we have data), we also include a retrospective analysis of employment trends in the Indiana nonprofit sector since 2001. For more information, see page 6.

<sup>2</sup> U.S. Department of Labor, Bureau of Labor Statistics. *BLS Handbook of Methods*. "Chapter 5: Employment and Wages Covered by Unemployment Insurance." See [http://www.bls.gov/opub/hom/homch5\\_a.htm](http://www.bls.gov/opub/hom/homch5_a.htm), accessed June 27, 2007.

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 congregations and 501(c)(3) charitable organizations employing less than 4 workers are not required to take part in the unemployment insurance system, although some do.<sup>3</sup> 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 private nonprofits registered as tax-exempt entities with the U.S. Internal Revenue Service under Section 501(c) of the Internal Revenue Code.<sup>4</sup> 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 and are the focus of similar analyses of nonprofit employment nationally and by state completed by the Center for Civil Society Studies at The Johns Hopkins University.

We again caution that our estimate of the size of the Indiana nonprofit sector underestimates the sector's role in the state's economy because some nonprofits (e.g., congregations and charities with less than four workers) are

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<sup>3</sup> The 2005 data used for this report includes 1,500 religious organizations, which is 5 percent of all nonprofit membership associations in Indiana. In addition, more than one-quarter (28 percent) of nonprofit organizations reporting in 2005 had less than four employees; however, this set of nonprofits accounted for just over 1 percent of all nonprofit employees and only 0.3 percent of total nonprofit payroll. These organizations reported without being required to do so, but there is no way for us to estimate how many other religious organizations or small nonprofits are not represented in our data.

<sup>4</sup> Although some units of government are registered with the IRS as charities, our analysis of nonprofit employment excludes all employees of government-owned establishments and counts these as government employees.

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not required to participate in the CEW reporting systems. Still others cannot be identified as nonprofits,<sup>5</sup> 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, are among the types of nonprofits that are exempt from registering altogether (e.g., certain types of membership associations and churches), or do not do so for a variety of other reasons.

Some or all of these non-registered nonprofits may actually be included in CEW 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 the CEW reporting systems while waiting for their IRS ruling letter. If so, this will result in further underestimation of nonprofit employment. As a result, our data will most likely underestimate nonprofit employment each year.

For further information on the CEW data source, our particular definition of the nonprofit sector, and the method used here to extract data on nonprofit organizations from the Indiana CEW records, see Appendix A (see also footnote 5).

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<sup>5</sup> Unfortunately, Indiana is not one of the handful of states, such as Maryland, that require private CEW 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, the great majority of the larger ones are included in our analysis.



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