



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) and the Center for Civil Society Web site (www.jhu.edu/~csss).

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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,¹ 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).² 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.

¹ 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.

² 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, 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.³ 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.⁴ 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

³ 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.

⁴ 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.

not required to participate in the CEW reporting systems. Still others cannot be identified as nonprofits,⁵ 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).

⁵ 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.

UPDATE FROM 2005

ANALYSIS

This report continues the analysis of our 2005 report on Indiana's nonprofit employment, which covered the 2000 to 2003 period. Many trends remained the same through 2005, while some new features emerged.

Employment in the nonprofit sector continued to grow steadily between 2003 and 2005. The for-profit sector rebounded during this period from job losses and recession seen between 2001 and 2003. Over the same period, the overall gap between nonprofit and for-profit weekly wages declined, as did the gap between nonprofit and government weekly wages.

Unlike the 2003 and 2005 Reports, the current report includes more industry details. We have also added both a comparison of the nonprofit sector in fourteen Metropolitan Statistical Areas as well as separate chapters with more detailed analyses of eleven Economic Growth Regions in the state of Indiana.

Employment: Our previous report showed that nonprofit employment outpaced both for-profit and public employment over the 2001 to 2003 period. Between 2003 and 2005, nonprofit employment continued to grow faster than government employment, though for-profit employment rebounded quite significantly from earlier losses.

- Total paid employment in Indiana increased from 2.82 million in 2003 to 2.87 million in 2005, or by almost 2 percent.
- During the same period, nonprofit employment increased from 228,000 to 235,000, or by more than 2 percent overall (and by 5 percent for the 2001-2005 period).
- For-profit employment increased from 2.20 million in 2003 to 2.24 million in 2005, or by over 2 percent. However, for-profit employment was down by 1 percent between 2001 and 2005.
- Government employment increased from 395,000 in 2003 to 398,000 in 2005, or by almost 1 percent (and by about 3 percent since 2001).

- See p. 17 below for more detail.

Payroll: Our previous report showed that while nonprofit average weekly wages trailed those in the for-profit and government sectors, the gap between nonprofit and for-profit payrolls and weekly wages decreased notably during the 2000 to 2003 period, as did the gap between nonprofit and government payrolls and weekly wages. This trend continued between 2003 and 2005.

- Total nonprofit payrolls grew by approximately 5 percent per year between 2003 and 2005 (10.4 percent overall). The growth was 22 percent for the 2001-2005 period.
- For-profit payrolls increased by 5 percent between 2003 and 2004 and by 3 percent between 2004 and 2005 (8.1 percent overall). The growth was 10 percent for the entire 2001-2005 period.
- Total government payrolls grew more modestly, increasing by 4 percent between 2003 and 2004, and 6.7 percent overall from 2003 to 2005 and by 14 percent for the 2001-2005 period.
- Nonprofit weekly wages were, on average, \$93 below for-profit wages in 2003. By 2005 they were \$81 below for-profit weekly wages, on average. However, nonprofit wages remained similar to for-profit wages in industries where nonprofits are concentrated.
- In 2003, average nonprofit weekly wages were \$86 below average government wages; by 2005, average nonprofit weekly wages were \$74 below average government wages.
- See pp. 19-20 below for more detail.

Industries: Our previous report examined nonprofit employment only in industries where national data suggested a strong presence of nonprofits. This report looks at nonprofit data in all industries. While five major nonprofit fields – health services, educational services, social assistance, membership associations, and arts, entertainment and recreation – represented 91 percent of all nonprofit employment in Indiana, nonprofit employment constitutes a surprising share of total employment in

other industries not traditionally viewed as including nonprofits.

- Nonprofit employees accounted for 15 percent of all utilities employees in Indiana.
- More than one-tenth (12 percent) of those working in the management of companies and enterprises were employed by nonprofit organizations.
- See pg. 9-10 below for more detail.

Retrospective Trends: 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.⁶ 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 and do not include the 2000 or 1995 data analyzed in previous reports in this series. The 2001 to 2005 data presented in this report follows the NAICS classification system and includes all major industries, as explained in the previous section.

Regional Analysis: Our two previous statewide reports included some comparisons of metropolitan regions. We have done so again (see Chapter VII), using the 2003 revised Metropolitan Statistical Areas (MSAs) as defined by the U.S. Office of Management and Budget. By definition, each MSA is composed of an urban core area containing a substantial population nucleus, together with adjacent communities having a high degree of economic and social integration with that core.⁷ Four-fifths of all nonprofit employment in Indiana is concentrated in the state’s fourteen metropolitan areas.

Previously, we have also produced several stand-alone regional reports, using Indiana Commerce Regions. However, these regions, along with the Indiana Department of Commerce that sponsored them, no longer exist. To provide more in-depth regional details than is possi-

ble for most of the state’s metropolitan areas (because of confidentiality restrictions), we have therefore chosen to present profiles of the nonprofit sector in each of the state’s eleven Economic Growth Regions (EGR) as defined by the Indiana Department of Workforce Development. This analysis is presented in Chapters VIII through XIX. See Figure 1 for a map of the Economic Growth Region definitions used in this report.⁸

Figure 1: Indiana Economic Growth Regions



⁶ For more information, see: <http://www.naics.com/info.htm>. Accessed 21 Aug 2007.

⁷ See <http://www.census.gov/population/www/estimates/aboutmetro.html>. Accessed 21 Aug 2007.

⁸ Map taken from STATS Indiana: http://www.stats.indiana.edu/maptools/maps/boundary/economic_growth_regions.gif 18 Aug 2007.

PART ONE: STATEWIDE ANALYSIS

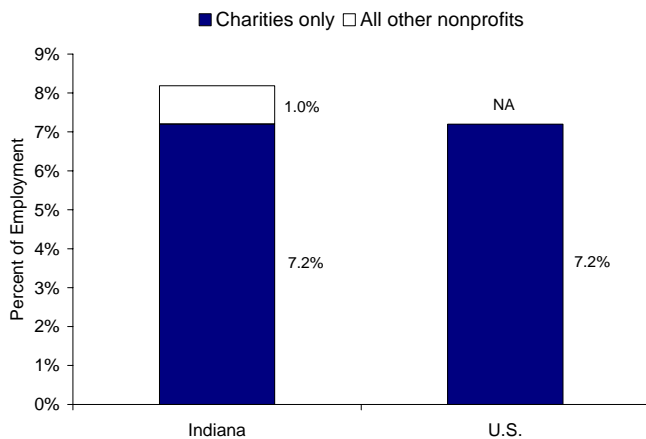
I. A MAJOR ECONOMIC FORCE

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 at least 235,000 paid workers in Indiana in 2005, including 207,000 that worked for registered charities. This is up from 228,000 paid workers in 2003, of which 200,000 worked for charities.

- Overall, 8.2 percent of Indiana employees worked for a nonprofit organization, or about 1 out of every 12 workers, and 7.2 percent worked for a charity, or nearly 1 out of every 14 workers. Indiana is on par with the U.S. average (7.2 percent) in terms of the charitable share of total employment. See Figure 2.

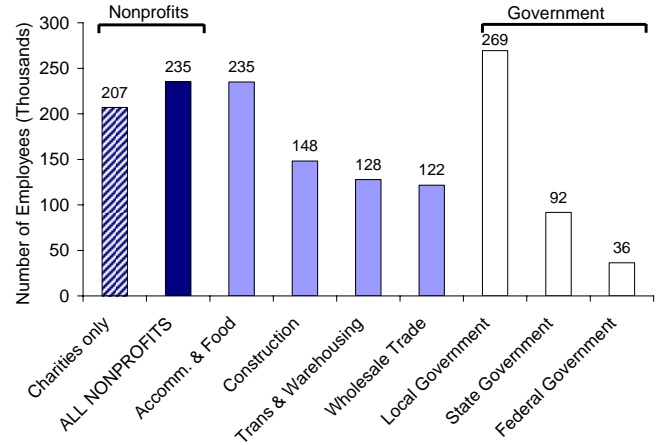
Figure 2: Nonprofit share of total employment, Indiana vs. the national average, 2005



Data sources: Indiana CEW system, and Johns Hopkins Employment Data Project based on CEW data (2006).

- As shown in Figure 3,⁹ the Indiana nonprofit sector employed:

Figure 3: Employment in Indiana’s nonprofit sector in comparison to selected industries, 2005 (in thousands)



- As many people as the state’s entire accommodation and food industry.
- About 60 percent more people than the state’s entire construction industry.
- Nearly as many people as the state’s entire transportation and warehousing and wholesale trade industries combined
- Nearly twice as many people as are employed by the state and federal government combined, but less than local government (which includes public schools).

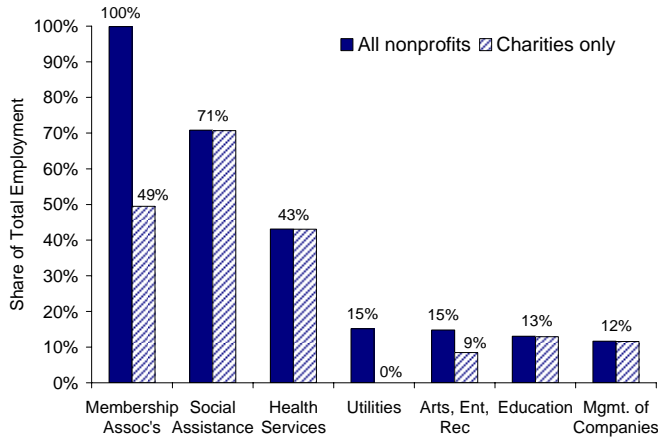
- However, the Indiana nonprofit sector employed significantly fewer people than the state’s manufacturing (572,000) and retail trade (332,000) industries, the state’s two largest industries that don’t have a substantial nonprofit presence.
- Nonprofits account for the bulk of employment in many fields that contribute significantly to the quality of life in local communities (see Figure 4 and Appendices F, G, and H). This included:
 - Virtually all (almost 100 percent) of the employment in membership associations, although only 49 percent of the total are employed by

⁹ While the nonprofit sector is not completely mutually exclusive of the industries included in Figure 3, nonprofit employment accounts

for less than 0.5 percent of the employment in each of these four industries.

charities.¹⁰ Government employs the remaining 0.1 percent.

Figure 4: Employment in Indiana's nonprofit sector as a share of total employment for selected industries, 2005

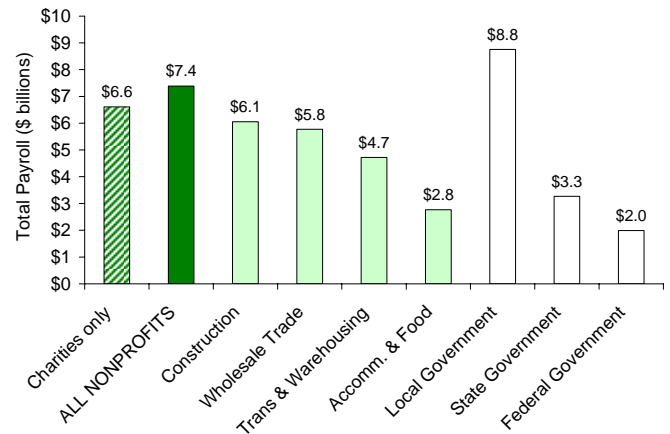


- Nearly three-fourths (71 percent) of all employment in social assistance organizations, with practically all of that employment in charities.
- More than two-fifths (43 percent) of all health services employees in Indiana.
- Fifteen percent of total employment in arts, entertainment, and recreation.
- Almost one-eighth (13 percent) of all employment in educational services.
- In addition to these fields, where nonprofits are typically thought to have a significant presence, we find that nonprofit employment comprised 15 percent of employment in utilities and 12 percent of employment in organizations concerned with the management of companies or enterprises.

¹⁰ Of the 145 religious organizations included in the ES-202 data for 2005, 59 percent were officially registered as charities with the IRS. It is likely that the remaining 41 percent also would be classified as such, but because religious congregations are not required to register with the IRS we cannot document their IRS status as charities. It is likely, therefore, that we underestimate charitable employment for membership associations. On the other hand, many other membership associations (e.g., business, labor, political, social groups and such) would not be classified as charities.

Payroll: The 235,000 nonprofit employees in Indiana earned an estimated \$7.4 billion in wages in 2005, with \$6.6 billion of that accounted for by those working for charities (see Figure 5).

Figure 5: Wages in Indiana's nonprofit sector in comparison to selected industries, 2005 (in billions)

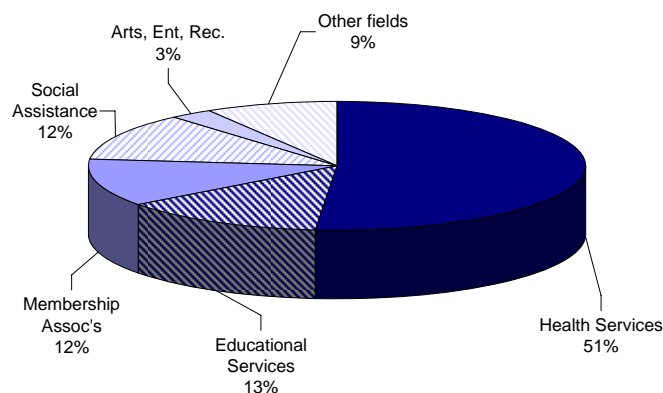


- Nonprofit employees accounted for 7.3 percent of the state's total payroll (\$101.8 billion).
- The total nonprofit payroll of \$7.4 billion:
 - Exceeded the total payroll for all jobs in construction (\$6.1 billion), in wholesale trade (\$5.8 billion), or in transportation and warehousing (\$4.7 billion).
 - Was more than twice as high as that for all jobs in the accommodation and food industry (\$2.8 billion), which is especially impressive given that employment in this industry is almost equal with total statewide nonprofit employment.
 - Exceeded that for all jobs in state and federal government combined (\$5.3 billion).
- Nonprofit payroll, however, was significantly less than the payroll for jobs in manufacturing (\$27.6 billion) and slightly less than that of local government (\$8.8 billion). Nonprofit payroll was also on par with that of retail trade (\$7.2 billion), even though the number of jobs in the retail industry was half again as large as the number of nonprofit jobs.

II. HEALTH DOMINATES

Health organizations accounted for over half of Indiana's nonprofit employment, but education services, membership associations, and social assistance organizations were also prominent (see Figure 6 and Appendices E and F).

Figure 6: Distribution of Indiana nonprofit employment by field, 2005



- The health services sector accounted for 51 percent of all nonprofit employment in Indiana, down slightly from 52 percent in 2003. This includes jobs in hospitals, nursing and personal care facilities, clinics, and home health care.¹¹
- Educational services accounted for 13 percent of all nonprofit jobs in Indiana. This includes jobs in private nonprofit colleges, universities, elementary and secondary schools.
- About 12 percent of all employment in the nonprofit sector was in membership associations. This includes jobs in business, professional, labor, political, religious, and other civic and social membership associations, including neighborhood associations, hiking clubs, and environmental organizations.¹²

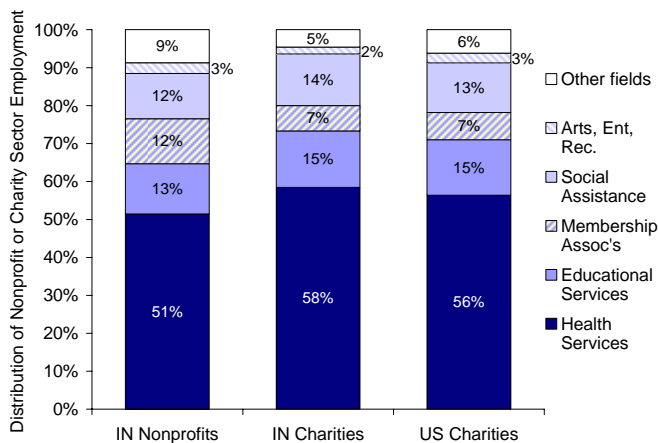
¹¹ Although the NAICS classification system groups health services and social assistance together as NAICS 62, we have separated social assistance (NAICS 624) from other health-related employment both here and throughout the report in order to simplify our presentation.

¹² Some membership associations, most notably religious congregations, are not required to register with the IRS as tax-exempt organizations. Others were classified as private associations, though not specifically as nonprofit organizations. On the assumption that all of these private membership associations are indeed nonprofit, we reclassified 317 private associations with 1,991 employees and total

- Social assistance accounted for another 12 percent of all employment in the Indiana nonprofit sector. 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, accounted for 3 percent of total nonprofit employment. This category also includes museums, botanical gardens, and zoos.
- Nonprofit employment in a range of other fields accounted for 9 percent of all nonprofit jobs, which is up slightly from 8 percent in 2003. These jobs are spread across a range of industries, including utilities, manufacturing, finance and insurance, and the management of companies and enterprises, each of which accounted for approximately 1 percent of Indiana's total nonprofit employment. Other industries with smaller numbers of nonprofit employment include transportation and warehousing; information; scientific and technical services; accommodation and food; and real estate.¹³
- As shown in Figure 7 and Appendix E, charitable employment was disproportionately concentrated in health, education, and social assistance when compared to total nonprofit employment, but it was underrepresented in membership associations, arts, entertainment, and recreation organizations, and other establishments.
- The distribution of charitable employment in Indiana is almost identical to the distribution of charitable employment throughout the United States (see Figure 7).

payroll of \$42.8 million as nonprofit, although they were not registered with the IRS as tax-exempt organizations. It is possible that some of these reclassified membership organizations (particularly religious associations) would be considered charities by the IRS if they were registered, but we have no basis for making that determination.¹³ These include Utilities (NAICS 22) with 2,480 nonprofit employees; Information (NAICS 51), which includes Publishing (NAICS 511) with 555 nonprofit employees; Finance and Insurance (NAICS 52), which includes Credit Intermediation and Related Activities (NAICS 522) with 2,630 nonprofit employees; Real Estate and Rental and Leasing (NAICS 53) with 770 nonprofit employees; Management of Companies and Enterprises (NAICS 55) with 3,066 nonprofit employees; and Accommodation and Food (NAICS 721) with 1,005 nonprofit employees.

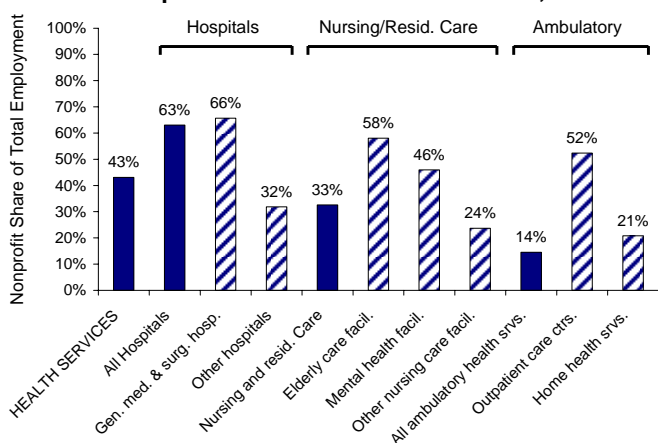
Figure 7: Distribution of nonprofit and charitable employment, by industry, Indiana vs. the nation, 2005



Data sources: Indiana CEW system, and Johns Hopkins Employment Data Project based on CEW data (2006).

- Nonprofit employment in the health services field is a significant portion of statewide employment. Not only did employment in health services organizations account for over half of the state's nonprofit employment, but nonprofit employment accounted for more than two-fifths (43 percent) of the state's overall health services employment (see Figure 8). This included:

Figure 8: Employment in Indiana's health services nonprofit sector as a share of total employment in specific health services industries, 2005



- Nearly two-thirds (63 percent) of those employed in hospital services.
 - Two-thirds (66 percent) of general medical and surgical employment.

- One-third (32 percent) of other hospitals, which include psychiatric and substance abuse hospitals as well as other specialty hospitals.¹⁴
- One third (33 percent) of those employed in nursing or residential care facilities.
 - Almost three-fifths (58 percent) of those employed in elderly care facilities.
 - Almost half (46 percent) of those employed in mental health facilities.
 - About a quarter (24 percent) of those employed in nursing care facilities.
- More than one-tenth (14 percent) of those employed by ambulatory health care services.
 - More than half (52 percent) of those employed in outpatient centers.
 - One-fifth (21 percent) of those employed in home health services.
 - Nearly one-tenth (8 percent) of those employed in other ambulatory services.¹⁵

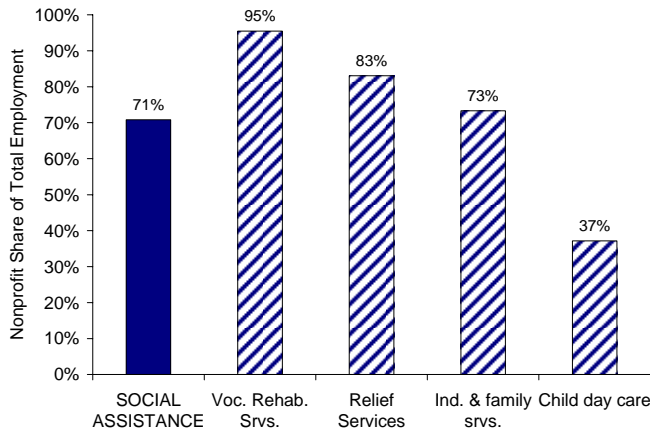
- Although nonprofit employment in social assistance accounted for only 12 percent of statewide nonprofit employment, it contributes significantly to the overall employment in that industry. Almost three-fourths (71 percent) of all employment in social assistance organizations (see Figure 9) was nonprofit employment, including:

- Almost all (95 percent) of those employed in vocational rehabilitation services.
- Over four-fifths (83 percent) of workers in emergency and other relief services, which includes community food and housing.

¹⁴ These other hospitals are a small portion (only 8 percent) of all hospital employment in the state.

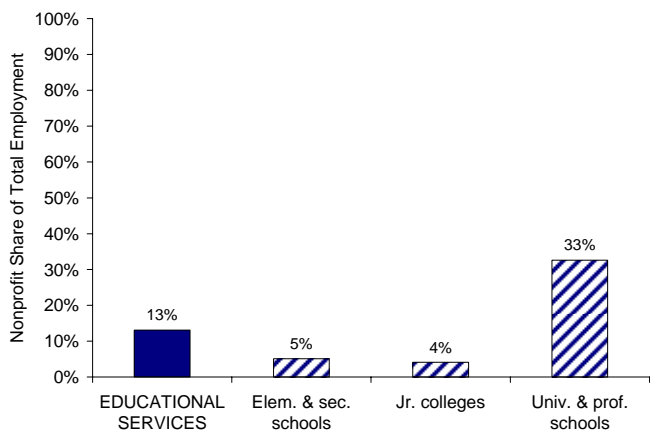
¹⁵ Other ambulatory services account for 78 percent of total employment in the ambulatory health services industry, which explains the relatively low overall percentage of nonprofit employment in ambulatory health services (14 percent) as compared to employment in specific fields like outpatient centers and home health care.

Figure 9: Employment in Indiana's social assistance nonprofit sector as a share of total employment in specific social assistance industries, 2005



- About three-quarters (73 percent) of those employed in individual and family service organizations.
- Nearly two-fifths (37 percent) of those employed in child day care services.
- Nonprofit employment also plays an important role in providing educational services in the state, accounting for over one-tenth (13 percent) of employment in education (see Figure 10), including:

Figure 10: Employment in Indiana's educational services nonprofit sector as a share of total employment in specific educational services industries, 2005



- A small portion of elementary and secondary school (5 percent) and junior college (4 percent) employment. Almost all of the remaining em-

ployment is found in public schools and institutions.

- Nearly one-third (33 percent) of those employed at universities or professional schools.

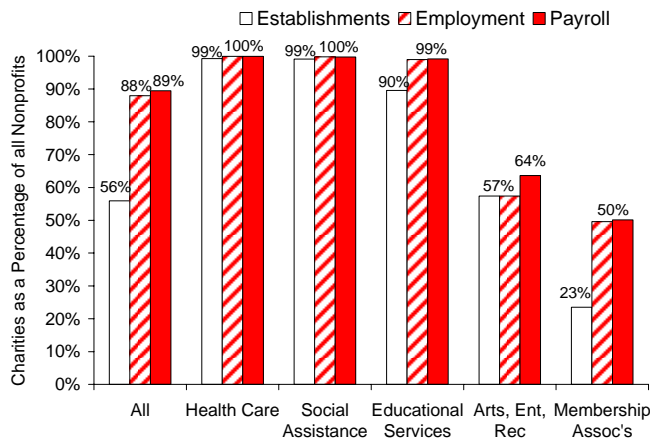
III. MAINLY CHARITABLE EMPLOYMENT

Most of Indiana's nonprofit employees worked 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 2 through 5.
- As shown in Figure 11, about 56 percent of all Indiana nonprofit establishments were charities. They employed about 88 percent of all nonprofit employees, suggesting that on average they were significantly larger (58 workers per establishment) than nonprofits registered under other sub-sections of the IRS codes (10 workers per establishment). (See also Appendices A and I).

Figure 11: Charities as a percent of total Indiana nonprofit establishments, employment, and payroll, by industry, 2005



- Charities accounted for about 89 percent of total nonprofit payroll, suggesting that wages were slightly higher than those of non-charitable nonprofits. (The average weekly wage for workers employed by charities was \$614, while the average

weekly wage for workers employed by other types of nonprofits was \$528.)

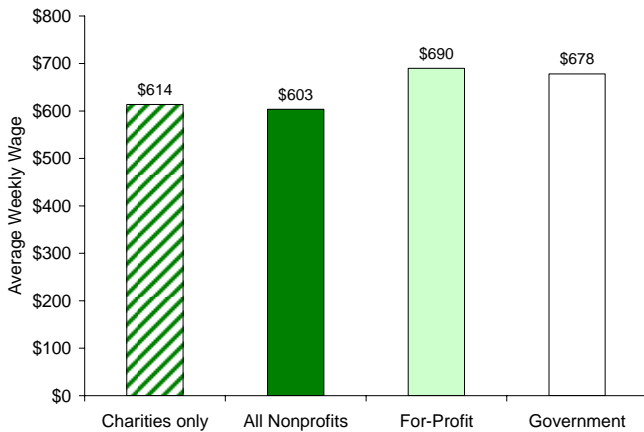
- Virtually all nonprofits in health, social assistance, and educational services were charities rather than nonprofits with other types of tax-exempt status. As noted in Figure 11, these fields accounted for about 99 percent of total nonprofit employment in each of these fields.
- Only 57 percent of arts, entertainment, and recreation nonprofits were charities. They accounted for 57 percent of nonprofit employment and 64 percent of the payroll in that industry, suggesting they were on average approximately the same size than non-charities in this field, though they paid slightly higher wages.
- Charities constituted only 23 percent of membership associations in Indiana but had 50 percent of the total nonprofit employment, suggesting that they were larger than associations registered under other sub-sections of the IRS code. On average, charitable membership associations employed 22 workers per establishment, while non-charitable membership associations employed 7 workers per establishment.
- As shown in Figure 4 above, utilities and the management of companies and enterprises have approximately the same proportion of nonprofit employment as educational services and arts, entertainment, and recreation. Approximately 92 percent of enterprise management nonprofits were charities, and charities accounted for 99 percent of the nonprofit employment. In contrast, none of the nonprofit utility establishments in the state were charities.

IV. NONPROFIT WAGES VARY BY INDUSTRY

The overall average weekly wage for nonprofit employees was lower than that in the for-profit and government sectors, but the gap has diminished since 2003. In many service fields, however, nonprofit workers actually earn higher wages than their counterparts in for-profit firms, although usually less than government workers.

Overall, the average weekly wage for nonprofit employees in Indiana was almost 13 percent lower than that for for-profit workers and 11 percent lower than for government workers, as shown in Figure 12.¹⁶

Figure 12: Nonprofit, for-profit, and government average weekly wages in Indiana, 2005

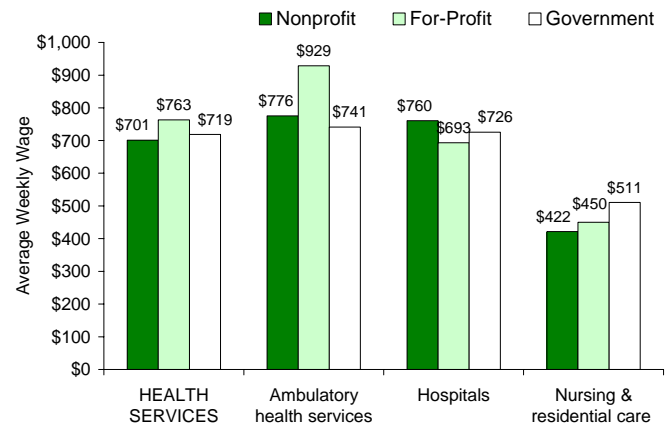


- This wage gap has declined since 2003, when nonprofit employees earned on average 14 percent less than for-profit employees and 13 percent less than government employees.
- However, once we focus on industries where nonprofits are concentrated, such as education, social assistance and health, we see that nonprofits offer higher wages than for-profit providers in several service fields, although both of these are generally lower than average weekly wages for government employees.

¹⁶ These 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 CEW reporting system). Industries or sectors with more reliance on 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.

- As shown in Figure 13, nonprofit health services employees, on average, earned 8 percent less than for-profit employees but only 2.5 percent less than government employees in this industry.

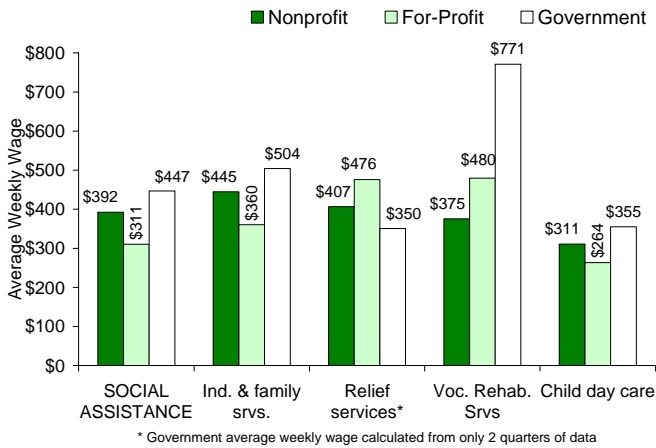
Figure 13: Comparative average weekly wages in Indiana health services organizations, 2005



- Ambulatory services, hospitals, and nursing and residential care comprise 100 percent of the health services employment in the state. Though overall nonprofit average weekly wages are lower than for-profit and government wages on average, wages in these three industry subsets show different patterns.
 - Employees in nonprofit ambulatory health services organizations earned, on average, 16 percent less than their for-profit counterparts, but they earned 5 percent more than government employees in this field.
 - Nonprofit employees accounted for 63 percent of total hospital employment and earned more than employees at for-profit or government hospitals. Nonprofit average weekly wages were 10 percent higher than for-profit wages and 5 percent higher than government wages in this industry.
 - Wages in nursing and residential care organizations are the lowest of all health services subfields. Nonprofit employees earned 6 percent less than for-profit employees and 17 percent less than government employees, though we note that government employment was only 2 percent of overall employment in this field.

- The picture is somewhat different for wages in the social assistance field (see Figure 14). Nonprofit social assistance employees, on average, earned 26 percent more than workers in for-profit social assistance institutions, but 12 percent less than those in government social assistance organizations.

Figure 14: Comparative average weekly wages in Indiana social assistance organizations, 2005



- The four sub-fields shown separately made up 100 percent of all employment in the social assistance field.¹⁷
 - Workers in nonprofit individual and family service organizations earned 24 percent more, on average, than for-profit workers and 26 percent less than the very few government workers in the same field.
 - Revealing a very different pattern, nonprofit employees in relief services (community food and housing, and emergency and other relief services) earned 14 percent less than for-profit employees and 16 percent more than the very few government workers¹⁸ in the same industry.

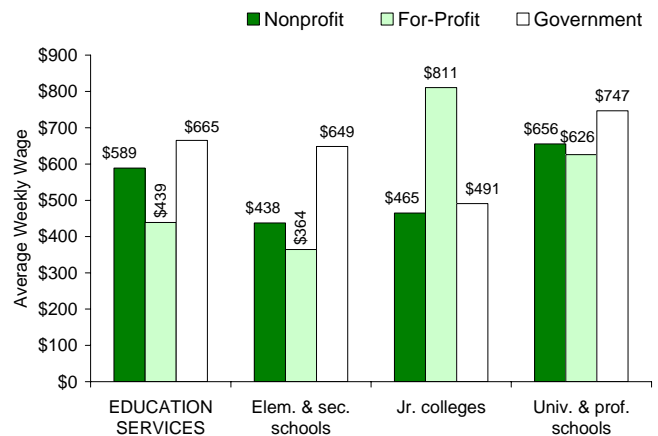
¹⁷ Government employees generally constituted 0.5 percent or less of total employment in these sub-fields. For-profit employees were only about 4 percent of total employees in the vocational rehabilitation field (for-profit employees account for about 41 percent of total employment in the remaining three social assistance industries).. While we report average wages for these relatively few employees, the results should be interpreted with caution.

¹⁸ We also note that only two quarters of employment and payroll data are available to generate the government average weekly wage data in this specific field.

- Employees in nonprofit vocational rehabilitation organizations earned 22 percent less, on average, than the very few for-profit workers in the same field and 51 percent less than the even fewer government workers in that field.
- Nonprofit employees in child daycare services earned weekly wages that were 18 percent higher than those of their for-profit counterparts, but earned 12 percent less than the very few government child daycare employees.

- As shown in Figure 15, workers in nonprofit educational services earned, on average, 34 percent more than workers in for-profit organizations but 11 percent less than workers in government education.

Figure 15: Comparative average weekly wages in Indiana education organizations, 2005



- The three education sub-fields shown separately jointly accounted for 97 percent of total employment in the education services field. Government employment accounted 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 employed the majority of the remainder in elementary and secondary schools and in colleges, universities, and professional schools, and for-profit employment accounted for 10 percent of junior college workers.¹⁹

¹⁹ For-profit employees made up less than 1.5 percent of total employees in Elementary and Secondary Education and in Universities

- The relatively few nonprofit employees in elementary and secondary schools earned 20 percent more than the even fewer workers in similar for-profit organizations, but 33 percent less than the vast majority employed in government-owned institutions.
- The very few employees in nonprofit junior colleges earned 43 percent less, on average, than their slightly more numerous counterparts in for-profit institutions, but they earned only 5 percent less than those in government institutions, which employed the vast majority of this field.
- Employees in nonprofit institutions of higher education earned 5 percent more, on average, than their very few counterparts in for-profit institutions and 12 percent less than those in government institutions.

- There are wide variations in wages among different membership associations (see Figure 16). The very few government workers in this industry earned less than their nonprofit counterparts in grantmaking associations and more than nonprofits in civic and social associations and other organizations.²⁰ For each of these three sub-fields, however, government workers made up less than 0.4 percent of total employment. We assume that there were no for-profit employees in these fields.²¹
- Nonprofit membership association employees, on average, earned 40 percent less than government employees in this field (see Figure 16).
 - Nonprofit employees in grantmaking organizations earned 5 percent more than their government counterparts.
 - Though nonprofit employees account for the vast majority of employment in civic and social organizations and other membership organizations, they earn 24 percent less and 94 percent

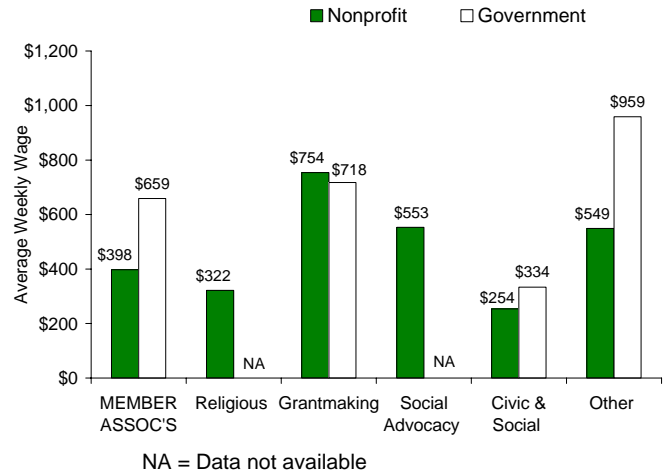
and Professional Schools, and the nonprofit sector contributed only 4 percent of the employees in Junior Colleges. While we report average wages for these relatively few employees, the results should be interpreted with caution.

²⁰ “Other” organizations include: business, professional, labor, political, and similar organizations.

²¹ See note 12 above.

less, respectively, than their government counterparts.

Figure 16: Comparative average weekly wages in Indiana membership associations, 2005

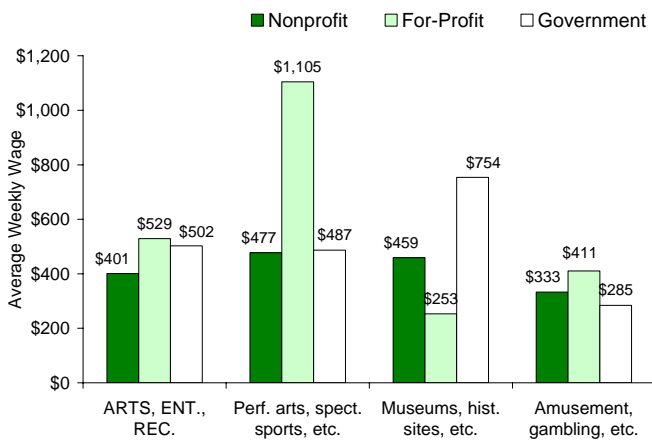


- Nonprofit employees in grantmaking organizations earned notably higher average weekly wages (\$754) than those employed by other nonprofit membership associations, especially religious (\$322) and civic and social associations (\$254).
- Nonprofit employees in art, entertainment, and recreation organizations earned, on average, 24 percent less in average weekly wages than their for-profit counterparts and 20 percent less than their relatively few government counterparts²² (see Figure 17). The sub-fields shown separately in Figure 17 accounted for 100 percent of employment in art, entertainment, and recreation.
 - Employees in nonprofit performing arts and spectator sports organizations on average earned 57 percent less in weekly wages than workers in similar for-profit organizations, though it should be noted that for-profit workers account for

²² Government employees accounted for only 2 percent of total employment in the arts, entertainment, and recreation industry overall. They accounted for 8 percent of total employment in performing arts and spectator sports, 9 percent of total employment in museum and historical site, and less than 1 percent of employment in amusement, gambling, and recreation. For-profit employees accounted for only 4 percent of total employment in museums and historical sites. While we report average wages for these relatively few employees, the results should be interpreted with caution.

- Employees in nonprofit performing arts and spectator sports organizations on average earned 57 percent less in weekly wages than workers in similar for-profit organizations, though it should be noted that for-profit workers account for three-quarters of the employment in this industry. Nonprofit employees also earned 2 percent less than their slightly fewer government counterparts in these types of organizations.

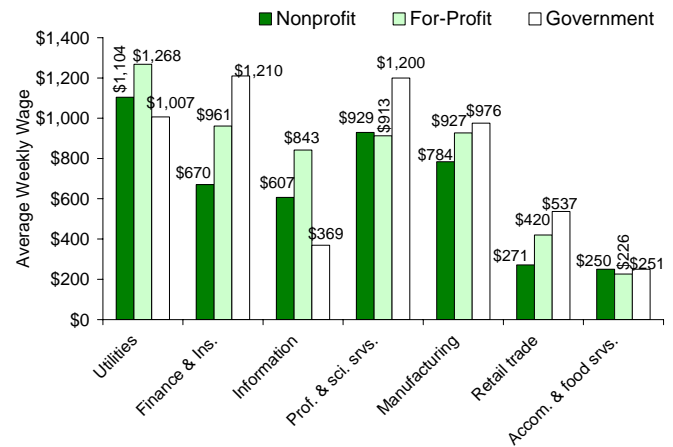
Figure 17: Comparative average weekly wages in Indiana arts, entertainment, and recreation organizations, 2005



- Nonprofit employees of museums, historical sites, zoos, botanical gardens and similar organizations earned 81 percent more in average weekly wages than their very few for-profit counterparts, and 39 percent less than the relatively few government employees in this field.
 - The relatively few employees in nonprofit amusement and gambling establishments on average earned 19 percent less in weekly wages than their counterparts working in for-profit organizations, and 17 percent more than the even fewer government workers in the same industry.
- Figure 18 shows the average weekly wages in industries with a relatively low nonprofit presence. In none of these industries do nonprofit employees earn the highest wage. The only industry where wages were relatively equal is accommodation and food service, even though nonprofit and government em-

ployees together account for only 1 percent of total employment in this industry.²³

Figure 18: Comparative average weekly wages in Indiana industries with low nonprofit presence, 2005



- Nonprofit employees earned less than their for-profit counterparts in all cases but two: nonprofit professional and scientific services workers earned 2 percent more than for-profit workers, and nonprofit accommodation and food services workers earned 11 percent more than employees of for-profit establishments.
- In general, nonprofit employees in these industries also earned less than government employees, though there are again two exceptions. Nonprofit utility workers earned 10 percent more than the relatively few government utility employees, while employees in nonprofit information organizations earned 64 percent more than their government counterparts.
- Nonprofit employees earned less than both for-profit and government employees in the finance and insurance, manufacturing, and retail trade industries. In all three cases, government employees earned the highest average weekly wage, with nonprofit employees earning 45 percent, 20 percent, and 57 percent less, respectively.

²³ Of the industries shown, utilities have the highest nonprofit share of total employment with 15 percent. Finance and insurance, information, and professional and scientific services all have between 1 and 4 percent nonprofit employment, while manufacturing, retail trade, and accommodation and food services each have less than 1 percent nonprofit employment.

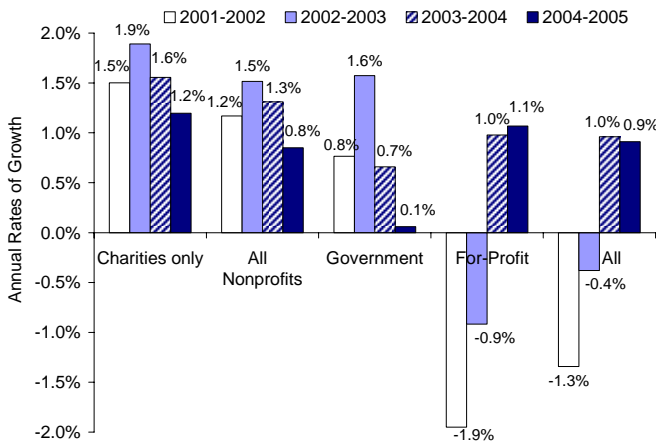
V. A GROWING SECTOR

The Indiana nonprofit sector grew notably faster than the for-profit sector between 2001 and 2003, but growth rates for the two sectors were similar between 2003 and 2005. Conversely, the Indiana nonprofit and government sectors grew at similar rates between 2001 and 2003, but the nonprofit sector grew significantly faster between 2003 and 2005. Growth in nonprofit employment was concentrated in health services, social assistance and educational services.

Employment: Total employment in Indiana has rebounded from declines experienced between 2001 and 2003. Meanwhile, nonprofit employment in the state has experienced fairly rapid growth during the entire 2001 to 2005 period for which we have data.

- Between 2004 and 2005, nonprofit employment grew by 0.8 percent and charity employment grew by 1.2 percent, while government employment grew at only a fraction of that rate (0.1 percent). The for-profit sector grew at a rate of 1.1 percent. See Figure 19.

Figure 19: Annual rates of growth in Indiana employment by sector, by year, 2001-2005



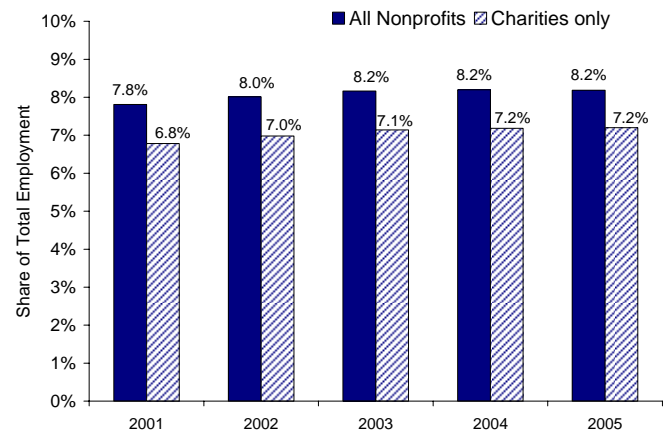
- These 2004 to 2005 growth trends are quite different from those experienced in earlier years. Between 2001 and 2002, nonprofit employment grew by 1.2 percent, while government employment grew at a rate of 0.8 percent and for-profit employment shrank by 1.9 percent.
- At the same time as for-profit employment growth has rebounded, nonprofit and govern-

ment employment growth rates have slowed; however, employment in the Indiana nonprofit sector grew twice as fast as government employment between 2003 and 2004 and eight times as fast between 2004 and 2005.

- Total employment growth over the entire 2001 to 2005 period was much higher in the nonprofit sector than in any other. Nonprofit employment grew by 4.9 percent in those four years, while government employment grew by 3.0 percent and for-profit employment declined by 0.9 percent in total. Overall statewide employment was balanced between periods of recession and growth, with overall growth at only 0.1 percent between 2001 and 2005.

- As a result of the comparatively high rates of growth in nonprofit employment over a period of several years, the nonprofit share of total Indiana employment has grown consistently, from 7.8 percent in 2001 to 8.2 percent in 2005 (Figure 20).

Figure 20: Nonprofit share of Indiana employment, 2001-2005



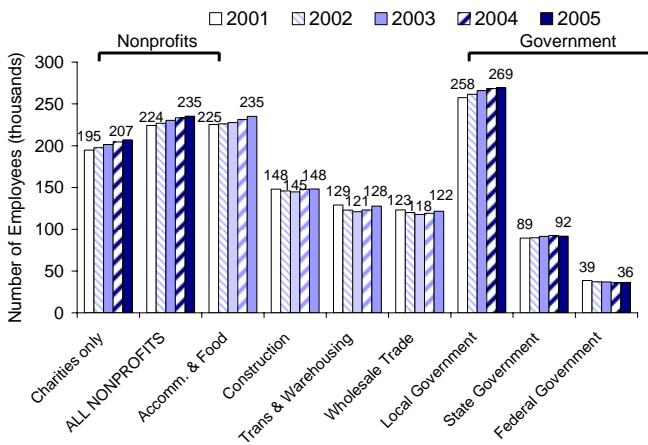
- The growth in charitable employment was slightly greater than that experienced by the nonprofit sector as a whole (an addition of 12,242 jobs compared to 11,061 total nonprofit jobs over the four-year period), and charities' share of total employment increased in step with the overall nonprofit share, from 6.8 percent in 2001 to 7.2 percent in 2005.

- For the 2001 to 2005 period, we can also examine growth rates by industry. During this period, em-

ployment in the Indiana nonprofit sector increased by 11,061 employees (from 224,278 to 235,338), or by 5 percent (see Figure 21). The number of employees of charitable organizations increased slightly more quickly (up by 12,242, or by more than 6 percent).

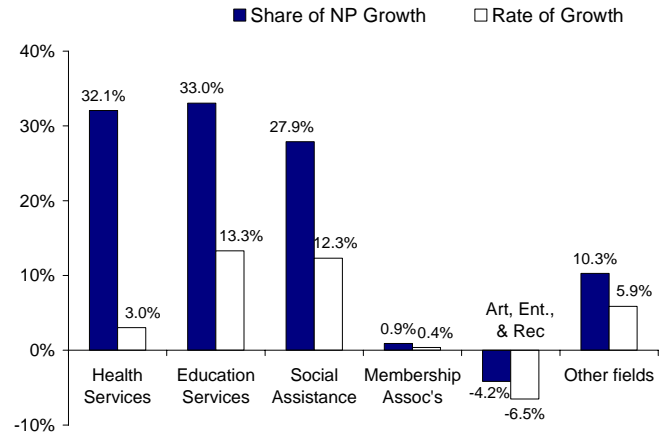
- In contrast to the steady growth experienced in the nonprofit sector over the last four years, employment in several for-profit industries has experienced notable ups and downs. Employment in construction, wholesale trade, and transportation and warehousing finally rebounded to 2001 levels by 2005. Accommodation and food service was the only industry shown in Figure 21 that did not sustain significant losses during this period.

Figure 21: Employment in the nonprofit sector and in key industries, Indiana 2001-2003



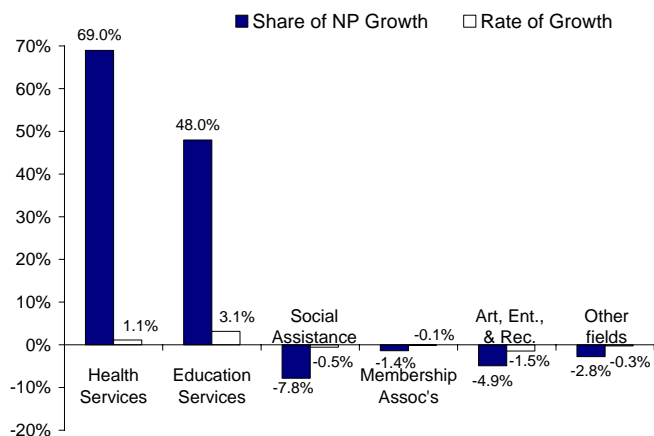
- Nonprofit employment growth was about equal to the growth seen in government jobs (almost all of which were in local government).
- Growth in Indiana’s nonprofit sector between 2001 and 2005 was fairly evenly split between growth in health services (32 percent of overall nonprofit growth), educational services (28 percent), and social assistance (33 percent). See dark bars in Figure 22. Membership associations and other fields experienced some growth as well, while arts, entertainment, and recreation nonprofits declined in employment.

Figure 22: Indiana nonprofit employment growth shares and rate of growth by industry, 2001-2005



- The rate of growth experienced by nonprofits in each of these industries (see clear bars in Figure 22), however, varies significantly when compared to the 5 percent overall growth rate for the nonprofit sector during this period. Health services, partially because it is the largest nonprofit industry (51 percent of all nonprofits), had a lower growth rate of 3 percent, while educational services (13 percent of nonprofits) and social assistance (12 percent of nonprofits) experienced higher growth rates of 13 and 12 percent, respectively.
- Membership associations added only 100 jobs during this four-year period, for a growth rate of 0.4 percent, while arts organizations lost nearly 400 jobs, which translates into a decline of 6.5 percent.
- Though most nonprofit industries experienced employment growth between 2001 and 2005, the picture is very different when we focus on only the last year in that period. Between 2004 and 2005, only health and educational services nonprofits experienced positive employment growth. See Figure 23.
 - Nonprofit employment in educational services grew slightly faster than in health services (3.1 percent vs. 1.1 percent), but the growth in health services nonprofit employment accounted for a larger share of the overall increase in nonprofit jobs, again because health is the largest nonprofit field in Indiana.

Figure 23: Indiana nonprofit employment growth shares and rate of growth by industry, 2004-2005



- Nonprofit employment in all other fields declined between 2004 and 2005. Arts, entertainment, and recreation nonprofits saw the steepest decline in employment at negative 1.5 percent, or about 100 jobs.
- Employment in social assistance nonprofits fell by 0.5 percent (about 200 jobs), and employment in membership associations fell slightly, with a negative growth rate of 0.1 percent (approximately 30 jobs).

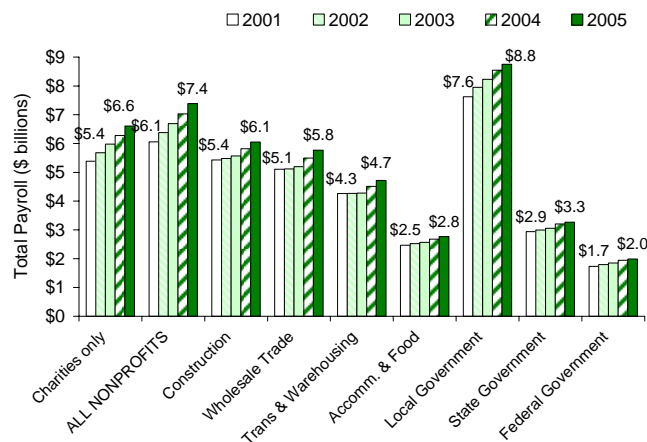
Payroll: Overall wages for nonprofit employees in Indiana also increased faster than those of employees in for-profit or government organizations.

- Total payroll for nonprofit employees increased from \$6.1 billion in 2001 to \$7.4 billion in 2005, or by 22 percent,²⁴ while government payroll increased by 14 percent and for-profit payroll by only 10 percent over the entire period. See Figure 24.
 - By comparison, the \$1.3 billion increase in nonprofit payroll exceeded the combined increase in total payroll for construction, wholesale trade (both \$0.7 billion), and transportation and warehousing (\$0.4 billion).
 - Significantly, though employment growth in the accommodation and food industry matched overall nonprofit employment growth, total payroll for this industry only increased by \$0.3 bil-

²⁴ This growth rate is not adjusted for inflation. For comparison, the inflation rate between 2001 and 2005 was approximately 10 percent.

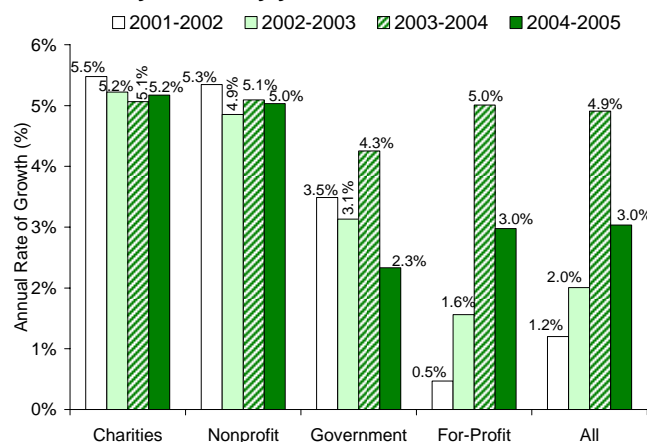
lion over this four-year period, or by only one quarter of the growth seen in nonprofit payroll.

Figure 24: Total payroll for Indiana nonprofit employees and for key industries, 2001-2005



- The gain in total nonprofit payroll was nearly two times greater than the combined gain for federal and state payrolls (\$0.7 billion) and roughly equal to the gain in local government payroll (\$1.2 billion).
- Payrolls increased for all sectors over this period, but nonprofit payrolls consistently increased at faster rates than the payrolls of for-profit and government organizations. See Figure 25.

Figure 25: Annual rates of growth in Indiana total payroll by sector, by year, 2001-2005



- Payrolls for Indiana’s nonprofits have consistently increased between 4.9 and 5.3 percent over the last four years. Between 2004 and 2005,

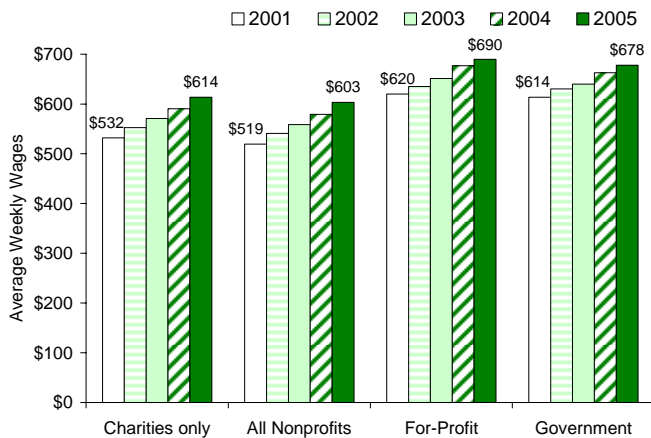
nonprofit payrolls increased by 5.0 percent, while total payrolls for charitable organizations increased by 5.2 percent.²⁵

- While payrolls for government and for-profit organizations have never declined in this period, payroll growth rates in these sectors have always been lower than in the nonprofit sector, even if only by 0.1 percentage points as between 2003 and 2004. Additionally, government and for-profit payroll growth rates are much more variable, growing by 4.3 percent and 5.0 percent, respectively, between 2003 and 2004, but then growing by only 2.3 percent and 3.0 percent, respectively, between 2004 and 2005.
- Growth in overall payrolls is also reflected in increases in average weekly wages for each sector. Indeed, average weekly wages for nonprofit employees increased by \$84 between 2001 and 2005 (not adjusted for inflation), faster than the growth of average weekly wages for employees of for-profit (up \$70) or government organizations (up \$64) during the same period. See Figure 26.

both of which are still lower than the increase experienced by 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 to 2005 period.

Figure 26: Average weekly wages in Indiana, by sector, by year, 2001-2005



- The \$64 increase in average government weekly wages hides major differences among the various levels of government. The wages of the relatively few federal employees increased by \$186, while those of state and local government employees increased by \$52 and \$56, respectively,

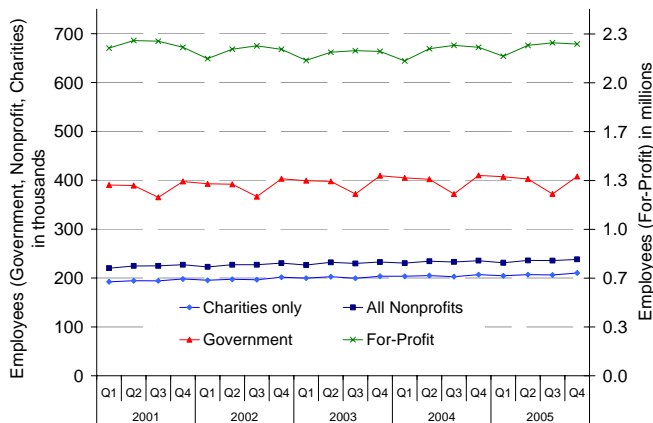
²⁵ Again, we note that these payroll growth rates have not been adjusted for inflation.

VI. 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 and for-profit employment has been cyclical. The for-profit employment trend line reflects Indiana's economic recession and upswing over the last four years, but nonprofit and charitable employment does not appear to be affected by the same overall economic influences.

An analysis of total employment for each sector by quarter (see Figure 27) shows that total nonprofit and charity employment (bottom two trend lines, left axis) have 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, and it shows a notable dip in the middle of this period, though by 2005 overall for-profit employment had rebounded to 2001 levels (top trend line, right axis).

Figure 27: Indiana employment by sector, 2001-2005, 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). Nonprofit employment continued to grow even as for-profit employment recov-

ered from the impact of the recession, which suggests that the growth of the nonprofit sector in the early part of this period was not simply a function of the decline in for-profit employment during that same period.

The nonprofit sector exhibits steady growth, while there are notable seasonal fluctuations in the 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 approximately 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 3 percent, on average, between the fourth quarter of one year and the 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 26 percent of for-profit employment fluctuation over this period. For-profit construction and accommodation/food service employment account for another 23 percent and 11 percent of this decline, respectively.
 - Other industries that exhibit the same pattern as overall for-profit trends (with a dip between fourth quarter and first quarter employment) are agriculture and forestry, transportation and warehousing, administrative support services, and arts, entertainment and recreation. Many of the other industries experience much more stable employment patterns.
 - The manufacturing industry has not followed overall for-profit growth patterns but has instead declined dramatically, from nearly 628,000 jobs in the first quarter of 2001 to only 568,000 jobs

in the last quarter of 2005, a decline of nearly 10 percent.

- In contrast, for-profit health and social assistance has experienced dramatic growth in the same period, from a combined 139,000 jobs in the first quarter of 2001 to nearly 163,000 jobs in the last quarter of 2005, an increase of nearly 18 percent. Health and social assistance employment combined accounted for only 7 percent of all for-profit employment in 2005, but the growth experienced in these two industries accounted for 87 percent of all additional for-profit jobs between 2001 and 2005.
- Government employment exhibits a sharp (6 percent below annual average) decline in the third quarter each year from 2001 to 2005.
 - As we saw in our previous report, the vast majority of both the decline between quarters two and three and the sharp increase between quarters three and four is due to education employment, especially at the level of local government.

CONCLUSION

Our previous reports on nonprofit employment in Indiana documented the extent to which the nonprofit sector is a major economic force in the state's economy. Our current report confirms and extends this conclusion. There were more than 235,000 people employed in the nonprofit sector in Indiana in 2005. Although growth in nonprofit employment slowed between 2004 and 2005 and for-profit employment picked up speed, over the entire 2001 to 2005 period the nonprofit sector grew faster (up 5 percent) than both government (up 3 percent) and for-profit employment (down 1 percent).

Moreover, nonprofit payroll grew even faster (up 21 percent) than nonprofit employment and reached \$7.4 billion in 2005. During the same period, total for-profit payroll increased by only 10 percent and government payroll by 14 percent. As a result, the wage gap between nonprofit employees and those working in the for-profit or government sectors has narrowed.

Our current report also confirms that the nonprofit sector continues to make significant contributions to opportunities for democratic participation and the quality of life for all Indiana citizens. The sector has maintained its dominance within the fields of membership associations and social assistance (counseling, job training, relief services, and day care). It remains a major component of the state's health care services (especially hospitals, elderly care facilities, mental health facilities, and outpatient clinics) and plays important roles in providing education, arts, culture, and recreation. It even delivers utility services.

In this report, we provide also the first systematic analyses of how these features vary across the state. As we show in our regional analyses of Metropolitan Statistical Areas (Section II) and Economic Growth Regions (Section III), there are significant regional differences in the economic role the nonprofit sector plays. These differences play themselves out across the board – in the sector's share of overall employment and payroll, in its dominance of specific industries, in the level of wages paid, and in whether and how employment in the sector is growing (or declining, as in a few regions).

As we noted in our prior reports, the important contributions of the nonprofit sector to the state's economy and to the quality of life across the state are not well under-

stood by policymakers, the press, or the public at large. As a result, this sector is often overlooked in economic development and in education and training efforts that could prove extremely beneficial to it in the long term. Hopefully, the data presented here will continue to 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 people Indiana's nonprofits actually employ, but it is likely to be a significantly larger number than we document here.

For that reason, we again 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 Covered Wage and Employment (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.¹⁰⁶ 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 contribute a significant share of the actual nonprofit employment in the state of Indiana.

¹⁰⁶ We note that some of these small establishments do in fact already participate in the ES-202 reporting system. See note 109 for further details.



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