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HOLDING THE FORT: NONPROFIT EMPLOYMENT DURING A DECADE OF TURMOIL

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INTRODUCTION

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by
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DISCLAIMER: This research was conducted with restricted access to Bureau of Labor Statistics (BLS) data. The views expressed are those of the authors only and do not necessarily reflect the views of the BLS or the U.S. government, nor do they necessarily reflect the views of organizations with which the authors are affiliated or that have supported this work.

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This report presents previously unavailable data on year-to-year changes in employment in private, nonprofit establishments in the United States from January 2000 through June 2010, with a special focus on how nonprofit employment fared during the 2007-2009 recession.

This report comes at an extraordinarily important time both for the nation and for the nonprofit sector given the enormous demands being placed on the American public as it struggles with the aftermath of the 2007-09 economic recession.¹ The data reported here show that the nation's nonprofit organizations have responded to these pressures with enormous resilience. Indeed, nonprofits have been holding the fort for much of the rest of the economy, creating jobs at a time when other components of the economy have been shedding jobs at accelerating rates. This striking pattern holds for nearly every state and for most major fields of nonprofit activity. Just how this could be possible and what it augurs for the future of the sector is a central focus of the report.

For the purpose of this report, "nonprofit establishments" are defined as *entities exempted from income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC)*. Included are private, nonprofit hospitals, higher education institutions, day care centers, nursing homes, social service agencies, museums, orchestras and other cultural institutions, environmental organizations, advocacy groups, clinics, and other similar organizations.

The report is based on data generated through the Quarterly Census of Employment and Wages (QCEW), a data collection program carried out regularly by state governments throughout the country in cooperation with the U.S. Bureau of Labor Statistics (BLS) as part of the U.S. Unemployment Insurance program. The QCEW covers all employing units that meet Federal Unemployment Tax Act (FUTA) criteria, which applies to non-agricultural establishments with at least four employees, although twenty states, representing 43 percent of all nonprofit employment, have extended that coverage to all employers with at least one employee.² While the QCEW does not specifically identify nonprofit entities, and the BLS does not report separately on such entities, with the cooperation of the BLS, we have been able to identify the nonprofit entities in the QCEW data files and extract aggregate data on them from BLS data records. The result is an extraordinarily rich and up-to-date picture of nonprofit employment and wages, by field and state, over an extended period of time generated from official data sources.³

What is more, unlike previously available estimates, the picture of changes in nonprofit employment presented here are based on actual year-to-year data collected directly from nonprofit organizations throughout the country, covering the past decade and embracing the recent economic recession.⁴

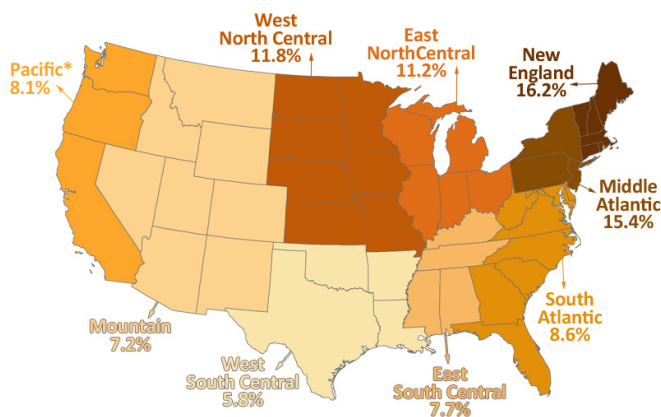
OVERALL SCALE AND DISTRIBUTION

FIGURE 1
Employment in the nonprofit sector vs. selected industries, 2010



*50 states and DC
Source: Authors' estimates based on data drawn from the U.S. Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

FIGURE 2
Nonprofit employment as a share of private employment, by region, 2010



Source: Authors' estimates based on data drawn from the U.S. Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

A MAJOR ECONOMIC FORCE

The data reported here confirm the enormous scale of the nonprofit workforce. U.S. nonprofit establishments employed nearly 10.7 million paid workers in 2010.⁵ This accounts for 10.1 percent of our nation's total private employment and makes the U.S. nonprofit workforce the *third* largest among U.S. industries, behind only retail trade and manufacturing (see **Figure 1**).

More specifically, the U.S. nonprofit sector employs:

- Nearly **18 times** more workers than the nation's **utilities industry**.
- **Fifteen times** more workers than the nation's **mining industry**.
- Nearly **10 times** more workers than the nation's **agriculture industry**.
- About **five and a half times** more workers than the nation's **real estate industry**.
- Nearly **three times** more workers than the nation's **transportation industry**.
- About **twice as many** workers as the nation's **wholesale trade, finance and insurance, and construction industries**.

SIGNIFICANT PRESENCE ACROSS REGIONS

Nonprofit sector employment is distributed broadly throughout the country. The nonprofit share of private employment reaches more than 16 percent in the New England region, over 15 percent in the Middle Atlantic region, and over 11 percent in the North Central regions. Even in regions where the nonprofit share of private employment is below the national average of 10.1 percent, it still accounts for a significant 6 to 9 percent of all private employment (see **Figure 2**).

As shown in **Table 1**, nonprofit jobs account for more than 10 percent of the private workforce in states as diverse as Connecticut, South Dakota, and Montana. For example:

- While Minnesota accounts for less than 3 percent of the country’s nonprofit workers, nonprofit workers account for nearly 14 percent of Minnesota’s private workforce, well above the 10.1 percent U.S. average.
- A similar pattern holds for many other states, such as Wisconsin, Maryland, Michigan, Maine, Iowa, Ohio, South Dakota, North Dakota, Montana, and the District of Columbia. In all of these areas, the nonprofit share of private employment significantly exceeds the national average of 10.1 percent, making the nonprofit sector one of the largest employers among these states’ industries.
- Of note, in half of the states, nonprofit employment exceeds that in manufacturing, the industry that is often perceived as the “engine” of economic strength.

NONPROFIT PRESENCE IN KEY FIELDS

Three service fields—health care, education, and social assistance—account for the vast majority (84 percent) of U.S. nonprofit jobs. More specifically, as **Figure 3** shows:⁶

- Over half (57 percent) of all nonprofit jobs in the U.S. are in the health care field. Hospitals account for the bulk of these jobs, employing 37 percent of the nation’s nonprofit workforce, or roughly 1 out of every 3 nonprofit workers, and health clinics and nursing homes account for an additional 20 percent.⁷
- Fifteen percent of all nonprofit jobs in the U.S. are in educational services, including private elementary and secondary schools, colleges, universities, and other educational facilities.
- Thirteen percent of all nonprofit jobs in the U.S. are in social assistance. This includes employment in individual and family services, community food services, housing services, vocational rehabilitation and child day care.

TABLE 1

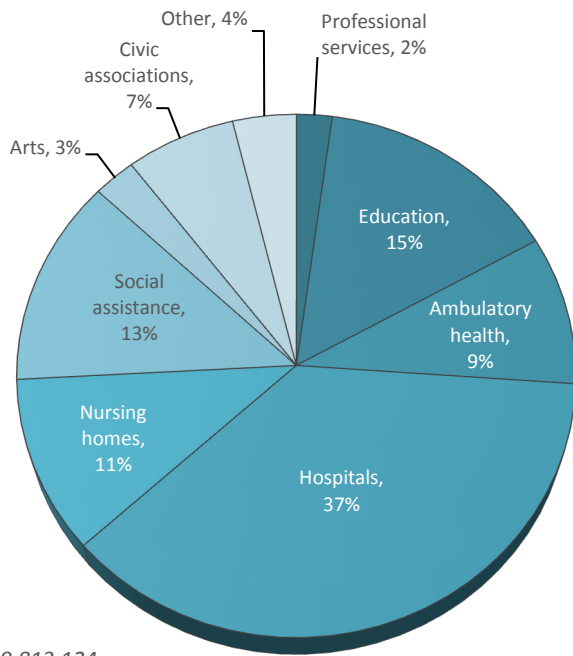
Nonprofit vs. manufacturing and all private employment, by state, 2010

| State | Employment (thousands) | | Nonprofit share of | |
|------------|------------------------|-----------------|--------------------|--------------------------|
| | Nonprofit | Manufacturing | Private employment | Manufacturing employment |
| DC | 118.1 | 1.3 | 26.4% | 9288% |
| RI | 70.3 | 40.3 | 18.2% | 174% |
| NY | 1,246.9 | 455.7 | 18.1% | 274% |
| ME | 83.4 | 50.7 | 17.4% | 165% |
| VT | 41.5 | 30.8 | 17.3% | 135% |
| MA* | 455.9 | 254.5 | 16.7% | 179% |
| NH* | 85.6 | 65.8 | 16.7% | 130% |
| ND | 45.5 | 22.5 | 15.6% | 202% |
| PA | 727.2 | 560.4 | 15.3% | 130% |
| MT | 47.8 | 16.4 | 14.3% | 292% |
| SD | 45.2 | 37.0 | 14.3% | 122% |
| CT | 187.2 | 165.6 | 13.8% | 113% |
| MN | 301.1 | 292.0 | 13.8% | 103% |
| MD | 250.3 | 115.1 | 12.7% | 218% |
| WV | 68.9 | 49.1 | 12.5% | 140% |
| WI | 272.9 | 429.2 | 12.2% | 64% |
| MI | 371.2 | 475.2 | 11.7% | 78% |
| OH | 482.5 | 620.4 | 11.6% | 78% |
| HI | 53.0 | 12.9 | 11.4% | 411% |
| DE | 38.5 | 26.1 | 11.4% | 147% |
| IA | 135.3 | 200.8 | 11.3% | 67% |
| AK | 26.1 | 12.7 | 11.0% | 205% |
| NE | 79.5 | 91.6 | 10.8% | 87% |
| MO | 230.9 | 243.0 | 10.8% | 95% |
| IL | 497.3 | 560.0 | 10.6% | 89% |
| IN | 230.2 | 447.5 | 10.0% | 51% |
| OR* | 129.0 | 163.2 | 9.8% | 79% |
| NJ | 304.6 | 255.9 | 9.7% | 119% |
| KY | 130.4 | 209.3 | 9.3% | 62% |
| WA | 211.4 | 254.8 | 9.3% | 83% |
| KS | 93.5 | 159.8 | 8.9% | 59% |
| NC | 269.7 | 431.5 | 8.7% | 63% |
| AR | 79.7 | 160.2 | 8.6% | 50% |
| TN | 181.3 | 298.3 | 8.5% | 61% |
| VA | 233.1 | 229.9 | 8.2% | 101% |
| NM | 48.0 | 29.0 | 8.1% | 165% |
| CO | 142.0 | 125.5 | 7.9% | 113% |
| AZ | 154.2 | 147.9 | 7.9% | 104% |
| WY* | 15.8 | 8.7 | 7.7% | 182% |
| MS* | 63.8 | 135.9 | 7.7% | 47% |
| CA | 900.8 | 1,235.0 | 7.5% | 73% |
| FL | 429.8 | 307.5 | 7.1% | 140% |
| LA | 104.8 | 137.3 | 7.1% | 76% |
| GA | 216.1 | 343.4 | 7.0% | 63% |
| UT | 63.6 | 110.2 | 6.7% | 58% |
| OK | 76.1 | 122.8 | 6.6% | 62% |
| ID | 32.3 | 53.1 | 6.5% | 61% |
| SC | 76.4 | 207.8 | 5.4% | 37% |
| TX | 433.0 | 810.1 | 5.2% | 53% |
| AL | 74.7 | 236.3 | 5.2% | 32% |
| NV | 24.9 | 37.9 | 2.6% | 66% |
| USA | 10,681.4 | 11,487.8 | 10.1% | 93% |

* Estimates based on regional average nonprofit densities.

Source: Authors' estimates based on data drawn from the U.S. Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

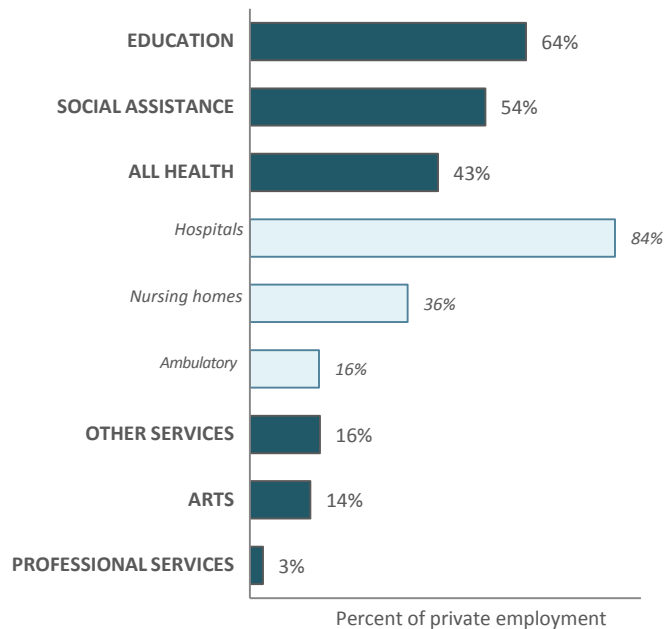
FIGURE 3
Nonprofit employment, 45 states and DC, by field, 2010



n=9,813,124

Source: Authors' estimates based on data drawn from the U.S. Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

FIGURE 4
Nonprofit share of private employment, by field, 2010



Source: Authors' estimates based on data drawn from the U.S. Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

More importantly, nonprofits constitute an especially large share of private employment in these three service fields. As **Figure 4** shows, nonprofits account for:

- Nearly two thirds (64 percent) of the nation's private employment in education.⁸
- More than half (54 percent) of private employment in social assistance.
- 43 percent of private employment in health services, including:
 - 84 percent of private⁹ hospital workers;
 - Over a third of private nursing home staff; and
 - At least 16 percent of ambulatory health care staff.¹⁰

The nonprofit sector's dominance in these key service fields can also be seen in most regions (see **Table 2**). In each of the nine regions analyzed, nonprofits account for substantial shares of private health care, social assistance, and education employment; however, there are some noteworthy variations. For instance, in New England, the Middle Atlantic region, and parts of the Midwest, nonprofits account for more than half of private health care employment, and two-thirds or more of private education employment. By contrast, in the South and West, nonprofit prominence is somewhat less pronounced in both health and education.

These variations reflect historical patterns in the evolution of nonprofit, for-profit, and governmental roles in different fields and regions. For example, the Northeast developed a robust tradition of private, nonprofit colleges and hospitals during the colonial era, whereas the West and Midwest, thanks in part to the network of public land-grant colleges fostered by the federal government after the Civil War, evolved a more robust public college system, and, in the post-World War II period, a significant for-profit health industry.

Outside these three service fields, the nonprofit share of employment appears to be less pronounced, but that is partly due to the fact that these fields include a diverse set of sub-industries. Thus, nonprofits account for only 16 percent of the total private workforce in “other services,” but this field includes civic associations, which are mostly nonprofit, as well as a wide array of personal services ranging from massage parlors to automotive repair garages, where the nonprofit presence is minimal. Nonprofits also employ 14 percent of the private workforce in arts and entertainment, but this is another broadly defined field that includes performing arts, spectator sports, museums, and gambling and recreation services. Nonprofits are especially prominent in the sub-fields of museums, historical sites, symphonies, and operas, where they account for 85 percent or more of the total private workforce.

TABLE 2
Nonprofit share of private employment, by field and region,^a 2010

| Region | Social | | | |
|--------------------|--------|------------|-----------|------|
| | Health | Assistance | Education | Arts |
| New England | 59% | 57% | 82% | 21% |
| Middle Atlantic | 53% | 59% | 73% | 15% |
| East North Central | 51% | 59% | 64% | 14% |
| West North Central | 58% | 59% | 64% | 20% |
| South Atlantic | 43% | 50% | 64% | 15% |
| East South Central | 36% | 49% | 65% | 14% |
| West South Central | 30% | 46% | 62% | 13% |
| Mountain | 36% | 46% | 45% | 10% |
| Pacific | 42% | 61% | 62% | 17% |
| USA* | 43% | 54% | 64% | 14% |

^a Unweighted regional averages

* 45 states and DC

Source: Authors' estimates based on data drawn from the U.S. Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

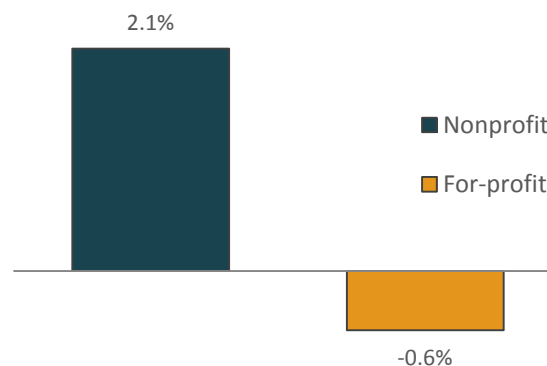
RECENT TRENDS, 2000 - 2010

A DYNAMIC SECTOR

Perhaps the most striking conclusion to emerge from an examination of nonprofit employment trends during the decade of 2000 to 2010 is the persistent dynamism of the nonprofit labor market. Throughout this decade, the nonprofit sector grew steadily, achieving an average annual growth rate of 2.1 percent (**Figure 5**). By contrast, the for-profit sector lost jobs over the same time period at an average annual rate of minus 0.6 percent.

What is more, nonprofit employment grew every year between 2000 and 2010 despite two recessions, while for-profit employment contracted in some years and then grew more rapidly in subsequent years. Significantly, as **Figure 6** shows, the rate of growth of nonprofit jobs outdistanced the rate of growth of for-profit jobs in every year except one, and in that year they were nearly tied.

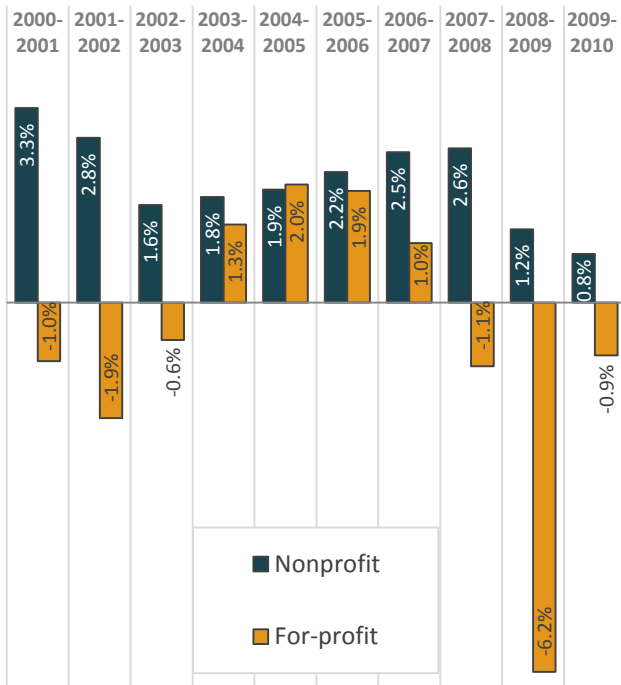
FIGURE 5
Average annual employment change, nonprofit vs. for-profit, 2000-2010



Source: Authors' estimates based on data drawn from the U.S. Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

FIGURE 6

Annual changes in employment, nonprofit vs. for-profit, 2000-2010



Source: Authors' estimates based on data drawn from the U.S. Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

TABLE 3

Average annual changes in nonprofit and for-profit employment, by region, 2000-2010

| Region | Nonprofit | For-profit |
|--------------------|-----------|------------|
| Mountain | ↑ 3.4% | ↑ 0.3% |
| South Atlantic | ↑ 2.6% | ↓ -0.5% |
| Pacific | ↑ 2.1% | ↑ 0.3% |
| New England | ↑ 1.9% | ↓ -0.9% |
| West North Central | ↑ 1.8% | ↓ -0.2% |
| Middle Atlantic | ↑ 1.7% | ↓ -0.7% |
| East North Central | ↑ 1.7% | ↓ -1.5% |
| West South Central | ↑ 1.6% | ↓ -0.1% |
| East South Central | ↑ 1.5% | ↓ -0.8% |
| USA* | ↑ 2.1% | ↓ -0.6% |

* 45 states and DC

Source: Authors' estimates based on data drawn from the U.S. Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

DYNAMISM EVIDENT IN VIRTUALLY ALL REGIONS

This overall record of nonprofit job growth and for-profit job loss over the past decade was evident in most regions. As **Table 3** shows, nonprofit employment grew in all regions between 2000 and 2010, while for-profit employment declined in all but the Mountain and Pacific regions. The rate of nonprofit job growth did, however, vary by region with the Mountain, South Atlantic, and Pacific regions achieving nonprofit employment growth rates that were at or above the national average. The fact that two of these regions with particularly strong nonprofit growth also showed overall for-profit employment growth suggests that general economic conditions may have played a role, but it was clearly not the only factor at work since nonprofit employment grew even in areas where the for-profit employment base declined sharply.

NONPROFIT EMPLOYMENT GROWTH EVIDENT IN ALL FIELDS

Nonprofits in all fields experienced a net increase in jobs between 2000 and 2010. As illustrated in **Figure 7**:

- Nonprofit job growth during this period was especially robust in the ambulatory health care field, which grew, on average, by nearly 4 percent a year.
- Other fields that experienced above-average job growth include arts and recreation (2.7 percent), education (2.6 percent), and social assistance (2.2 percent).
- While the hospital field experienced slightly lower average annual job growth (1.8 percent) than the nonprofit sector overall, private nonprofit hospitals still added 606,000 jobs over this 10-year period.

ACCOUNTING FOR NONPROFIT JOB GROWTH: SECTOR VS. FIELD

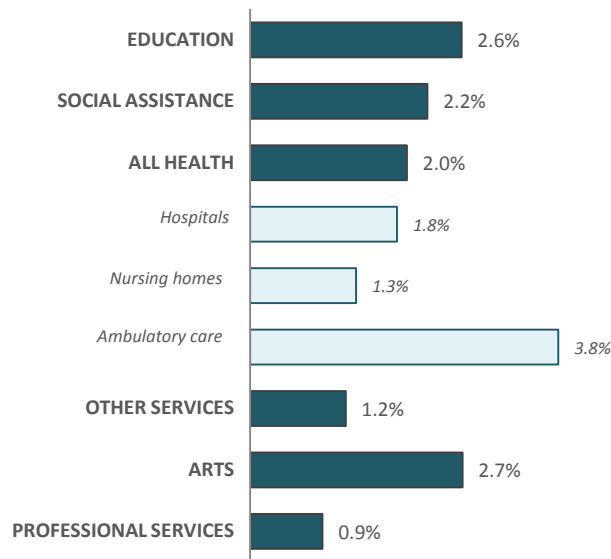
Many factors are likely responsible for the disparate employment trends of nonprofit and for-profit organizations between 2000 and 2010. For one thing, nonprofits have benefited from the considerable growth in government spending in the fields in which they operate; this growth extended into the recession period and was bolstered by the American Recovery and Reinvestment Act emergency funding.

Beyond this, however, it appears that one of the most significant explanations of the nonprofit edge over for-profit employment during this past decade results less from the characteristics of nonprofit organizations than from the characteristics of the *fields* in which nonprofit employment is heavily concentrated. In particular, as reflected in **Table 4**, nonprofit employment is overwhelmingly concentrated in the economy’s service fields—particularly health care, education, and social services—which together account for 87 percent of nonprofit employment.¹¹ By contrast, 91 percent of for-profit jobs are concentrated in other fields, most of them outside of services (e.g., manufacturing, construction, transportation, and wholesale and retail trade). What makes this significant is the fact that the service fields have been a major source of employment growth in the U.S. economy in recent years, whereas other fields such as manufacturing and construction have experienced job losses. Thus, as shown in Table 4, the three service fields in which nonprofit employment is concentrated experienced overall average annual employment growth of 2.7 percent over the past decade while all other fields lost workers at an average annual rate of nearly 1 percent.

In short, nonprofit employment growth exceeded for-profit overall employment growth in large part because nonprofit employment is concentrated in the growth areas of the economy while for-profit employment has been concentrated in the fields that have been shedding jobs.

FIGURE 7

Average annual change in nonprofit employment, by field, 2000-2010



Source: Authors' estimates based on data drawn from the U.S. Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

TABLE 4

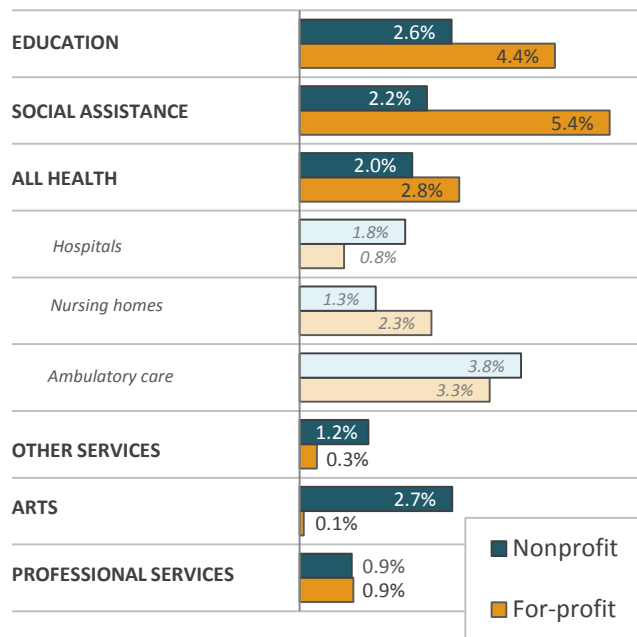
Nonprofit vs. for-profit share of employment, selected service vs. other fields, and employment growth rates, 2000-2010

| Field | Share of employment in | | Average annual change |
|--------------|------------------------|------------|-----------------------|
| | Nonprofit | For-profit | |
| Services* | 87% | 9% | +2.7% |
| Other Fields | 13% | 91% | -0.8% |

*Includes health, education, and social services.

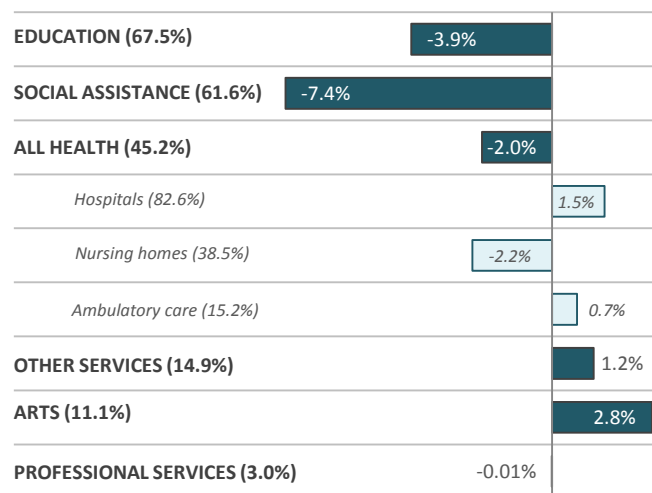
Source: Authors' estimates based on data drawn from the U.S. Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

FIGURE 8
Average annual employment change,
nonprofit vs. for-profit, 2000-2010



Source: Authors' estimates based on data drawn from the U.S. Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

FIGURE 9
Net changes in nonprofit shares of private employment,
by field, 2000-2010



(2000 share)

Source: Authors' estimates based on data drawn from the U.S. Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

NONPROFIT LOSS OF MARKET SHARE IN KEY SERVICE FIELDS

Nonprofit organizations are not the only ones operating in these expanding service fields, of course. To the contrary, the past decade has witnessed a considerable growth of for-profit competition in these fields. Indeed, when we compare the pattern of nonprofit job growth when we compare the pattern of nonprofit job growth in these fields to the pattern of for-profit change in these same fields, a rather different perspective emerges on the recent record of nonprofit employment. In particular, as shown in **Figure 8**, for-profits operating in these fields also expanded their employment over this 10-year period, and often at rates that exceeded those of nonprofits. Thus:

- While nonprofit employment in social assistance grew by an average annual rate of 2.2 percent between 2000 and 2010, for-profit employment in this field grew by an average of 5.4 percent over the same period.
- Other fields in which for-profit growth outpaced nonprofit growth include education (4.4 percent vs. 2.6 percent) and nursing home care (2.3 percent vs. 1.3 percent).
- By contrast, nonprofit employment edged out for-profit growth in the hospital, ambulatory health care, arts, and professional services fields.

Thus, despite the continued growth of nonprofit employment, nonprofits have actually *lost* market share in some key fields. More specifically, as illustrated in **Figure 9**:

- Nonprofits lost significant market share in the social assistance field—falling from a 62 percent market share in 2000 to 54 percent in 2010.
- In the education field, the nonprofit share of private jobs dropped from 68 percent in 2000 to 64 percent in 2010.
- Similarly, in the health field, the nonprofit share dropped from 45 percent in 2000 to 43 percent in 2010. This drop was primarily driven by the nursing home field, where the nonprofit share of private jobs fell by 2 percent.

→ The only major field in which nonprofits gained significant market share was arts and recreation, where the nonprofit share of private jobs increased by nearly 3 percentage points over this ten year period.

What accounts for the for-profit sector's ability to gain ground on nonprofits in these key service fields over the past decade? Part of the explanation may lie in the simple fact that for-profits are starting from a smaller base, which exaggerates the percentage of growth. Also at work, however, is very likely the for-profit sector's ability to access capital more easily than the nonprofit sector, enabling for-profits to respond much more quickly to changes in demand. For example, when Medicare made home health care eligible for reimbursement in the early 1980s, for-profit firms were better able to generate the capital needed to respond to this surge, and as a result, an industry pioneered by the nonprofit sector became one dominated by for-profit providers.¹²

Other reasons for this phenomenon may be related to the preferences for for-profit providers on the part of some state and local governments, which have increasingly been outsourcing traditional government functions to private entities, particularly in

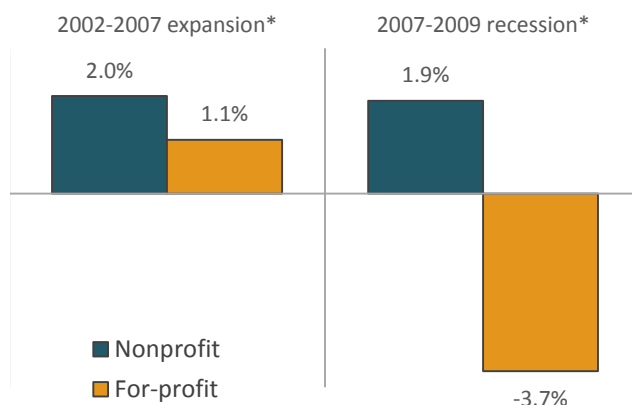
the area of social assistance. There are numerous reasons why governments might prefer for-profit providers, including the strong political connections between government officials and for-profit leaders reinforced through campaign contributions, the higher wage rates paid by nonprofits in some fields,¹³ and nonprofits' unwillingness to cut corners (for example, by "cherry-picking" clients), which results in higher overall service costs.¹⁴

In sum, two findings emerge from this analysis of employment trends between 2000 and 2010:

1. Overall nonprofit employment has been growing faster than overall for-profit employment because nonprofit employment is much more heavily concentrated in service fields (e.g., health, education, and social assistance), and these fields have experienced continued growth.
2. Within these service fields, especially the ones in which nonprofits are concentrated, for-profit employment has actually outpaced nonprofit employment, which has resulted in nonprofits losing significant market share to for-profit providers.

IMPACT OF THE 2007-09 RECESSION: A CLOSER LOOK

FIGURE 10
Changes in employment during the business cycle, nonprofit vs. for-profit, 45 states and DC



* Annual averages

Source: Authors' estimates based on data drawn from the U.S. Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

TABLE 5
Changes in nonprofit and for-profit employment, by region*, 2007-2009

| Region | Nonprofit | For-profit |
|--------------------|-----------|------------|
| South Atlantic | ↑ 2.7% | ↓ -4.0% |
| Mountain | ↑ 2.6% | ↓ -4.5% |
| West South Central | ↑ 2.6% | ↓ -1.8% |
| West North Central | ↑ 2.0% | ↓ -1.9% |
| Pacific | ↑ 1.7% | ↓ -2.8% |
| New England | ↑ 1.6% | ↓ -3.4% |
| Middle Atlantic | ↑ 1.4% | ↓ -2.7% |
| East North Central | ↑ 1.4% | ↓ -4.7% |
| East South Central | ↑ 1.3% | ↓ -4.2% |
| USA | ↑ 1.9% | ↓ -3.7% |

*Unweighted regional averages

Source: Authors' estimates based on data drawn from the U.S. Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

As noted above, nonprofit employment grew over the past decade, achieving an average annual growth rate of 2.1 percent. In light of the deep national recession that afflicted the nation between 2007 and 2009, it is also critical to analyze how nonprofit employment fared over this narrower period.

OVERALL TRENDS

Somewhat surprisingly, the data reveal that nonprofit employment actually grew by 2.6 percent during the first year of the recession, and 1.2 percent during the second year of the recession, for an average annual increase of 1.9 percent.

While this rate was slightly below the 2.0 percent average annual growth rate that the sector achieved during the 5-year expansion period that preceded the recession, it well surpassed the record of the for-profit sector, which suffered a 1.1 percent decline in jobs between 2007 and 2008, and another 6 percent decline between 2008 and 2009, for an average annual growth rate of -3.7 percent—a loss of 7.1 million jobs in all (see **Figure 10**).

TRENDS BY REGION

This pattern of nonprofit job growth throughout the recession was widespread, as was the corresponding pattern of for-profit job loss. Indeed, between 2007 and 2009, nonprofit employment grew in *all* regions of the U.S., while for-profit employment likewise declined in all regions. In particular, as illustrated in **Table 5**:

- Nonprofits experienced especially strong employment growth between 2007 and 2009 in the South Atlantic, Mountain, West South Central, and West North Central regions.
- Even in the regions with below average nonprofit job growth, the nonprofit sector still greatly outperformed the for-profit sector,

which experienced overall job losses. Most notably, while nonprofit employment grew by 1.4 percent in the East North Central region, for-profits experienced a nearly 5 percent drop over this two-year period.

→ Reflecting this trend, only 1 state (Hawaii) out of the 46 covered in this study experienced an overall net decline in nonprofit employment between 2007 and 2009, while 45 of the 46 experienced a net decline in for-profit employment. (For further detail on state-by-state trends, see **Appendix Table 1.**)

TRENDS BY FIELD

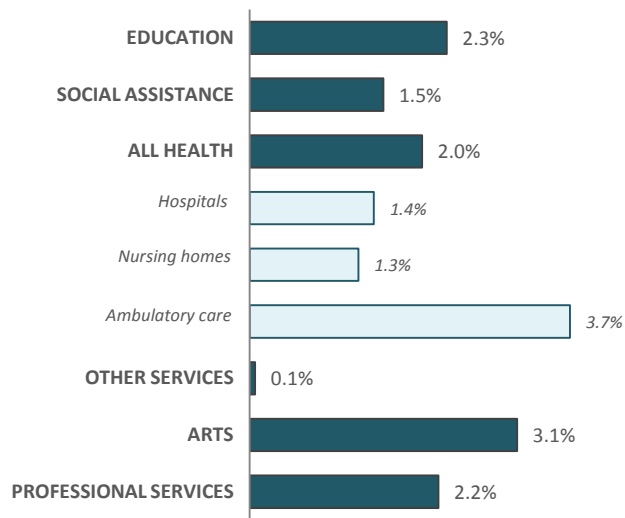
Nonprofit job growth during the recession was also quite widespread by field. In fact, during the recession years, nonprofit employment increased in all of the fields in which nonprofits were active. More specifically, as shown in **Figure 11**:

- Nonprofit employment growth was especially strong in the ambulatory health care and arts fields (3.7 and 3.1 percent, respectively).
- Other fields that experienced above average growth in nonprofit employment over this two-year period included education (2.3 percent) and health (2.0 percent).

Not surprisingly, in all the fields studied, nonprofit job growth was stronger during the first year of the recession, between 2007 and 2008, than it was between 2008 and 2009, as the recession wore on (see **Table 6**). Thus, for example, while employment among nonprofit health providers grew by 2.7 percent between 2007 and 2008, this rate fell to 1.3 percent during the second year of the recession. This same pattern held for for-profits, though because for-profit service employment is more heavily concentrated in professional and other services, by the second year of the recession overall for-profit employment had turned negative.

FIGURE 11

Average annual change in nonprofit employment, by field, 2007-2009



Source: Authors' estimates based on data drawn from the U.S. Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

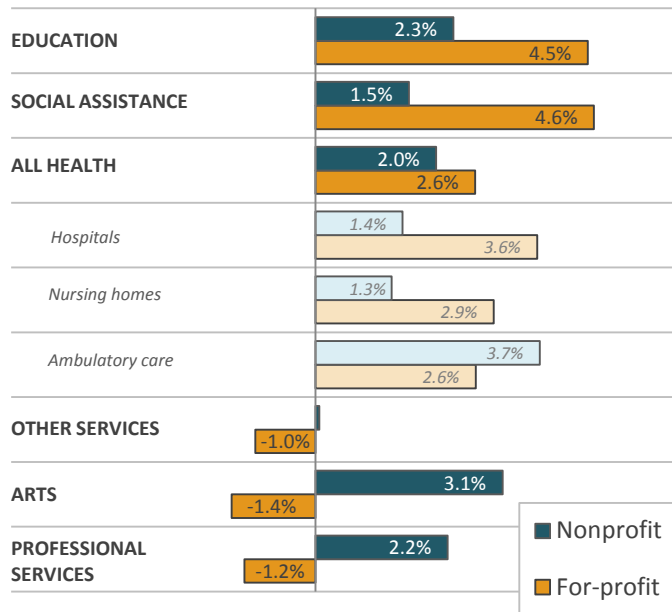
TABLE 6

Annual changes in nonprofit and for-profit employment, by field, 2007-2009

| | Nonprofit | | For-profit | |
|------------------------------|-------------|-------------|--------------|--------------|
| | 2007-2008 | 2008-2009 | 2007-2008 | 2008-2009 |
| PROFESSIONAL SERVICES | 3.6% | 0.7% | 2.3% | -4.5% |
| EDUCATION | 2.6% | 1.9% | 5.8% | 3.2% |
| HEALTH | 2.7% | 1.3% | 2.8% | 2.4% |
| Ambulatory | 4.3% | 3.1% | 2.9% | 2.4% |
| Hospitals | 2.5% | 0.4% | 3.0% | 4.2% |
| Nursing homes | 1.3% | 1.2% | 2.9% | 2.9% |
| SOCIAL ASSISTANCE | 1.7% | 1.4% | 6.3% | 2.9% |
| ARTS | 3.8% | 2.4% | 0.9% | -3.6% |
| OTHER SERVICES | 2.5% | -2.3% | 0.8% | -2.7% |
| TOTAL OF ABOVE FIELDS | 2.6% | 1.2% | 2.4% | -1.2% |
| TOTAL ECONOMY | 2.6% | 1.2% | -1.1% | -6.2% |

Source: Authors' estimates based on data drawn from the U.S. Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

FIGURE 12
Average annual change in nonprofit and for-profit employment, by field, 2007-2009



Source: Authors' estimates based on data drawn from the U.S. Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

In the key service fields in which nonprofits have a strong presence, however, for-profit employment actually grew faster than nonprofit employment over this two-year recessionary period, following the trend highlighted in the previous section. Thus, as illustrated in **Figure 12**:

- For-profit employment growth outpaced nonprofit employment growth between 2007 and 2009 in a number of these key fields, including social assistance (4.6 percent vs. 1.5 percent, respectively), education (4.5 percent vs. 2.3 percent), hospital care (3.6 percent vs. 1.4 percent), and nursing home care (2.9 percent vs. 1.3 percent).
- By contrast, nonprofit employment grew faster than for-profit employment in the ambulatory health care, arts, and professional services fields. In fact, in the arts and professional services fields, the for-profit sector actually experienced a net loss in jobs during this recession period.

CONCLUSION

The data presented in this report demonstrate that the nonprofit sector is not only a significant employer, but also a very resilient employer during economic recessions. While the private sector as a whole was losing jobs, nonprofits continued to create new ones.

This nonprofit resilience is due in important part to the fact that nonprofits are active in a variety of service fields that tend to be shielded from the normal pressures of the business cycle. This shielding arises from two significant factors: first, the significant presence of government funding for such services; and second, a variety of demographic trends—such as the aging of the population and female participation in the labor force—that are boosting overall demand for these services. However, nonprofits are not the only institutions benefiting from the favorable trends in these key service fields, as for-profit firms have increasingly entered these fields in recent years. What is more, for-profits have a number of advantages when competing with nonprofit providers including superior access to investment capital, which gives them a greater ability to respond quickly to increases in demand; a willingness to provide workers lower wages and less attractive benefits, a trend borne out especially in the social assistance field; and possible differences in organizational behavior with regard to selecting which clientele to serve. The upshot has been a steady loss of nonprofit market share even as the overall scale of nonprofit employment has increased.

These findings have significant practical implications for both nonprofit stakeholders and policy makers. In the first place, they demonstrate the significant job creation potential of the nonprofit sector, especially during recessions, and therefore highlight the need to keep this sector's potentials in view as national and regional efforts to boost job growth are put in place. Among other things, these findings demonstrate why job promotion efforts that operate exclusively through the income tax mechanism are insufficient because they discriminate against this important set of job-creators—for which income tax incentives have little effect.

Beyond this, these findings suggest the need to address the significantly unequal playing field on which nonprofits are forced to compete in many of these fields due to their lack of access to equity funding, the limits on their ability to lobby for policy features that protect the nonprofit share of government contract business, and their generally more favorable benefit packages that allow competitors to under-cut their costs.

Nonprofits are demonstrating their importance during the current recession as never before, staying the course in the face of significant pressures, and expanding their operations to meet increased demands. Whether they can do so indefinitely, however, is open to serious question. With public funding under siege and private resources strained, the nonprofit job engine has clearly begun to falter. Whether it will follow the for-profit job engine into reverse remains unclear, but for the first time in a long time the answer to this question is uncertain.

APPENDIX 1

TABLE 1

Annual changes in employment, nonprofit vs. for profit, by state, 2000-2010

| State | Number (thousands) | Nonprofit | | | For-profit | | |
|-------------|-----------------------|-------------|-------------|-------------|--------------|-------------|--------------|
| | | 2000 - 2010 | 2002 - 2007 | 2007 - 2009 | 2000 - 2010 | 2000 - 2007 | 2007 - 2009 |
| AK | 26.1 | 1.2% | 1.1% | 1.7% | 1.4% | 2.0% | 0.0% |
| AL | 74.7 | 0.4% | 0.2% | 0.0% | -0.7% | 0.5% | -4.3% |
| AR | 79.7 | 1.8% | 1.8% | 2.0% | -0.4% | 0.2% | -2.7% |
| AZ | 154.2 | 3.6% | 4.3% | 2.7% | 0.0% | 2.3% | -6.4% |
| CA | 900.8 | 3.4% | 4.2% | 2.4% | -0.8% | 0.4% | -4.4% |
| CO | 142.0 | 2.5% | 2.3% | 2.4% | -0.6% | 0.4% | -3.2% |
| CT | 187.2 | 1.8% | 1.6% | 2.3% | -1.1% | -0.5% | -3.2% |
| DC | 118.1 | 1.9% | 1.6% | 1.6% | 0.3% | 0.8% | -0.9% |
| DE | 38.5 | 3.3% | 3.4% | 4.9% | -0.9% | 0.1% | -4.0% |
| FL | 429.8 | 2.4% | 2.4% | 1.5% | -0.2% | 1.7% | -6.1% |
| GA | 216.1 | 2.5% | 2.3% | 2.2% | -0.9% | 0.2% | -4.7% |
| HI | 53.0 | 1.7% | 1.3% | -0.2% | 0.3% | 1.9% | -4.2% |
| IA | 135.3 | 1.4% | 1.4% | 1.3% | -0.3% | 0.3% | -2.2% |
| ID | 32.3 | 4.5% | 3.7% | 3.0% | 0.4% | 2.4% | -5.0% |
| IL | 497.3 | 0.9% | 0.5% | 1.2% | -1.1% | -0.3% | -3.8% |
| IN | 230.2 | 1.7% | 1.8% | 1.3% | -1.3% | -0.5% | -4.8% |
| KS | 93.5 | 1.0% | 0.4% | 2.1% | -0.5% | 0.3% | -2.4% |
| KY | 130.4 | 2.1% | 1.4% | 2.0% | -0.7% | 0.1% | -3.6% |
| LA | 104.8 | 2.2% | 1.1% | 3.5% | -0.4% | 0.0% | -1.4% |
| MD | 250.3 | 2.1% | 1.9% | 2.2% | -0.3% | 0.6% | -3.1% |
| ME | 83.4 | 2.3% | 2.4% | 1.7% | -0.8% | -0.2% | -2.8% |
| MI | 371.2 | 2.0% | 2.7% | 0.9% | -2.6% | -1.9% | -6.4% |
| MN | 301.1 | 3.4% | 4.3% | 2.2% | -0.8% | -0.1% | -3.4% |
| MO | 230.9 | 1.5% | 1.5% | 2.0% | -0.8% | 0.0% | -3.2% |
| MT | 47.8 | 2.4% | 2.8% | 2.8% | 0.7% | 2.2% | -3.3% |
| NC | 269.7 | 3.3% | 3.5% | 3.9% | -0.8% | 0.4% | -4.4% |
| ND | 45.5 | 1.7% | 1.9% | 1.4% | 1.3% | 1.2% | 1.0% |
| NE | 79.5 | 1.9% | 1.7% | 2.2% | -0.2% | 0.3% | -1.7% |
| NJ | 304.6 | 1.4% | 1.1% | 0.8% | -0.8% | 0.0% | -3.2% |
| NM | 48.0 | 1.2% | 1.0% | 1.5% | 0.4% | 1.8% | -3.2% |
| NV | 24.9 | 6.5% | 8.3% | 2.0% | 0.5% | 3.2% | -6.9% |
| NY | 1,246.9 | 1.7% | 1.4% | 1.4% | -0.6% | -0.2% | -2.2% |
| OH | 482.5 | 1.7% | 1.4% | 1.5% | -1.7% | -0.9% | -4.6% |
| OK | 76.1 | 0.7% | -0.6% | 2.1% | -0.1% | 0.6% | -2.1% |
| PA | 727.2 | 1.9% | 2.1% | 1.9% | -0.6% | -0.1% | -2.7% |
| RI | 70.3 | 1.7% | 2.0% | 0.3% | -0.9% | 0.1% | -4.4% |
| SC | 76.4 | 4.1% | 3.2% | 2.5% | -0.8% | 0.4% | -4.7% |
| SD | 45.2 | 2.1% | 2.3% | 2.6% | 0.1% | 0.6% | -1.3% |
| TN | 181.3 | 2.0% | 1.8% | 1.9% | -0.9% | 0.1% | -4.6% |
| TX | 433.0 | 1.8% | 0.7% | 2.9% | 0.7% | 1.4% | -1.2% |
| UT | 63.6 | 3.5% | 3.0% | 4.0% | 0.7% | 2.3% | -3.9% |
| VA | 233.1 | 2.1% | 1.9% | 2.4% | -0.1% | 0.8% | -2.7% |
| VT | 41.5 | 1.9% | 1.9% | 2.0% | -0.7% | -0.2% | -3.2% |
| WA | 211.4 | 2.2% | 2.1% | 3.0% | 0.0% | 1.0% | -2.7% |
| WI | 272.9 | 2.1% | 2.0% | 2.1% | -0.9% | -0.1% | -3.7% |
| WV | 68.9 | 1.5% | 0.7% | 2.3% | -0.2% | 0.4% | -2.1% |
| USA* | 9,931.3 | 2.1% | 2.0% | 1.9% | -0.6% | 0.4% | -3.7% |

* 45 states and DC

Source: Authors' estimates based on data drawn from the U.S. Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

APPENDIX 2 - METHODOLOGICAL NOTE

The data source used in this report is the Quarterly Census of Employment and Wages (QCEW), which is an administrative data set collected by states as a part of the federal Unemployment Insurance (UI) program. QCEW is managed by the Bureau of Labor Statistics, which made it available to the Johns Hopkins University (JHU) research team under a special research agreement. Since access to individual state data is regulated by state laws, JHU obtained access to micro-data from 43 states and the District of Columbia. The following states denied access to their micro-data: Massachusetts, Mississippi, New Hampshire, Oregon and Wyoming. Consequently, nonprofit employment in those states was estimated using regional nonprofit shares of private employment. In Florida and New York, the JHU team did not have access to micro-data, but Labor Market Information offices in those states agreed to compile the aggregate nonprofit data using the JHU methodology.

QCEW draws on the quarterly surveys of workplaces that state employment security offices have conducted since the 1930s. All places of employment with at least four employees are required to participate in the QCEW survey, although 20 states put the reporting threshold at one worker per establishment. The one major exclusion from coverage in the QCEW data is religious congregations, which are not required to respond to the quarterly surveys, although some elect to do so.

While nonprofit places of employment have long been covered by the QCEW surveys, the data generated by these surveys have never broken out the nonprofit employment separate from the for-profit employment. As a consequence, the nonprofit sector has essentially been buried in the data. The JHU Center for Civil Society Studies has developed a methodology of identifying nonprofit employers in the QCEW micro-data by record matching with the publicly available register of tax exempt entities maintained by the Internal Revenue Service (IRS).¹⁵ The nonprofit micro-data were subsequently aggregated by state, county, and fields of activities to meet the BLS disclosure rules, mandated by law to protect the confidentiality of company-specific information. For this project, the disclosure rule was set at less than 10 entities in the aggregate nonprofit subset, or the nonprofit subset representing more than 75 percent of total employment in a given class.¹⁶ These disclosure limits had no effect on state-level aggregates or two-digit NAICS industries at the state level, however some lower level aggregates, such as smaller counties, or three or four digit NAICS levels in smaller states were suppressed. The nonprofit aggregates were matched with aggregate economy-wide employment data published online by the BLS.

The result is the most accurate and up-to-date picture of U.S. nonprofit employment yet available, and a pathway to generating such data on a regular basis into the future. This is so because the QCEW data have a number of critical advantages over other data sources as a window into nonprofit employment trends. In particular, these data:

- Are collected every quarter;
- Are available within six to eight months of their collection, unlike Economic Census data, which typically require two to three years to process;
- Are closely monitored and verified for accuracy by the Labor Market Information offices of state Employment Security agencies and the federal Bureau of Labor Statistics;
- Are collected at the establishment level rather than the organization level, which is important to avoid distortions otherwise caused by the existence of multipurpose and multi-location organizations;
- Cover employment and wages, which is especially relevant for gauging the operations of labor-intensive entities such as nonprofits;
- Are comprehensive, covering about 98 percent of all nonprofit employment; and
- Cover for-profit and government places of employment in the same data system, which facilitates systematic comparisons among the sectors, a matter of increasing importance.

The record matching methodology developed by the JHU team for the first time provides a reasonably accurate picture of month-by-month employment and wages in the nonprofit sector between 1990 and the first two quarters of 2010, the latest period for which the data are available as of writing this report. The 2010 estimates presented in this report are thus preliminary and will be updated as the new data will become available from the BLS. To avoid “false positives” (i.e., including establishments that are not tax exempt) certain classes of entities had to be excluded from the matching procedure, among which the most important is commercial banks (NAICS 52211.) Furthermore, while the register of tax exempt organizations maintained by the IRS includes a great majority of nonprofits operating in the U.S., a small number of entities is not included in this register. Consequently, the IRS record-matching methodology slightly underestimates nonprofit employment.

We tested the IRS record matching methodology by comparing the results it produced with those obtained by alternative means. Specifically, the state of Maryland utilizes an alternative method of nonprofit identification that relies on state identification numbers issued by the Office of Attorney General, which we believe is more accurate than the IRS register. The JHU team obtained the estimates of nonprofit employment in Maryland from the Department of Labor Licensing and Regulation (DLLR), which is responsible for maintaining the UI data. We found that the results produced by the IRS record matching underestimates the total nonprofit employment in the state of Maryland by approximately 3 percent vis-à-vis the alternative method. We were unable to test our methodology in other states, however. If this magnitude of error is consistent across all states, the results presented in this report underestimate the total nonprofit employment in the nation by about 350,000.

For the purpose of this report, we focus on the “charitable” portion of the nonprofit sector because this is the portion that most people have in mind when they think about the nonprofit sector. This includes all organizations registered with the U.S. Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code, which embraces private not-for-profit hospitals, clinics, colleges, universities, elementary schools, social service agencies, day care centers, orchestras, museums, theaters, environmental organizations, homeless shelters, soup kitchens and many more.

For more information about methodology used to produce this report please contact ccss@jhu.edu.

ENDNOTES

¹ Evidence of ongoing strain is considerable. For example, the country’s current unemployment rate of 8.5 percent is roughly double that of 2001 (4.6 percent). Unemployment rates for some segments of Americans are even higher including 11.0 percent among Hispanics, and 15.8 percent among African Americans (see the BLS [1/6/12 news release](#) at bls.gov). Moreover, the number of Americans relying on food stamps reached an all-time high of 45.8 million in 2011—a 12 percent increase from the previous year, and a striking 34 percent increase from 2009. This economic distress has significantly increased the need for nonprofit services. A recent [Johns Hopkins Nonprofit Listening Post Project](#) (at ccss.jhu.edu) survey found that 45 percent of responding nonprofit organizations served more people within a six month period during the recession than during the same period a year before. Children and family-serving agencies and community development groups were particularly hard hit, citing a 61-63 percent increase in clients during the same period.

² BLS Handbook on Methods, Chapter 5, “[Employment and Wages Covered by Unemployment Insurance](#),” (at bls.gov). While QCEW applies to non-agricultural establishments with at least 4 employees, it also applies to large agricultural entities such as agribusiness firms.

³ The QCEW database has several advantages over alternative record systems available to track nonprofit employment. Primary among these are: (a) nearly complete coverage of all nonprofit establishments in the U.S.; (b) the use of the establishment, instead of the organization, as the unit of observation, which allows pinpointing the exact location of the workers; (c) month-to-month and year-to-year records of the number of people employed, and the average wages paid, by these establishments, broken down by major fields and states; and (d) timely availability of the data. It is also important to note that access to individual state QCEW data is regulated by state laws. As such, while we were able to obtain data from 45 states and the District of Columbia for this report, we could not acquire data from 5 states—MA, MS, NH, OR and WY. Consequently, we estimated nonprofit employment in those five states using regional nonprofit shares of private employment. See [Appendix 2](#) for greater detail about the QCEW and the methodology used for this report.

⁴ Previous estimates as published in the *Nonprofit Almanac* report annual totals of nonprofit employment but these are estimated by applying nonprofit shares of employment in different fields derived from the *Economic Census* conducted by the Census Bureau every five years to annual data on total private employment generated by the BLS from the QCEW. Because the nonprofit share of private employment in different fields can change significantly during a five-year period, this methodology introduces potential for distortion in the annual estimates.

⁵ Due to data access restrictions mandated by federal laws, we could only access the first two quarters of 2010 as of this writing. Given recent patterns

of growth of nonprofit employment, we estimate that the total 2010 nonprofit figures reported here are underestimated by about 0.5 percent.

⁶ Total nonprofit employment reported in Figure 3 is less than that reported in prior figures due to the unavailability of estimates of the composition of nonprofit employment in the five states in which QCEW data on nonprofit employment was not available to us.

⁷ Nonprofit hospital data were not available for AK and DE due to disclosure limitations.

⁸ This number does not include public schools, which account for the bulk of primary and secondary education. When employment in public institutions is factored in, nonprofits account for 12 percent of total employment in education.

⁹ When public hospitals are included as well, nonprofits account for 66 percent of total hospital employment.

¹⁰ This figure likely understates the nonprofit role in this field because it compares nonprofit employment in what are mostly clinics and home health care providers to for-profit employment that includes all offices of private doctors and dentists.

¹¹ The percentage shown in Table 4 is slightly different from the share noted earlier in this report (the 2010 share represented by these field), because Table 4 reflects a 10-year average.

¹² For more details on the relationship between nonprofit capital and nonprofits’ ability to expand, see Lester Salamon and Stephanie Geller, [Investment Capital: The New Challenge for American Nonprofits](#), 2006 (available at ccss.jhu.edu).

¹³ For example, between 2000 and 2010, annual nonprofit wages in the social assistance field were 30 percent higher than wages in for-profit establishments (\$22,415 vs. \$17,249, respectively), and in the education field, about 23 percent higher (\$38,732 vs. 31,416).

¹⁴ For more details on for-profit political connections, nonprofits’ unwillingness to cut corners, and other related factors, see Peter Frumkin’s “[Service Contracting with Nonprofit and For-Profit Providers: On Preserving a Mixed Organizational Ecology](#),” (at innovations.harvard.edu).

¹⁵ For more details see Lester M. Salamon & S. Wojciech Sokolowski, Nonprofit Organizations: New Insights from QCEW Data, *Monthly Labor Review*, September 2005, p. 19-26.

¹⁶ These standards were set higher than the “primary suppression rule” typically used by the BLS, set at 3 entities and 80 percent of the total employment, to avoid accidental disclosures in multiple data extractions.

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